

**Lakehouse Small Companies Fund**

**ARSN 615 265 864**

Annual report for the financial year ended 30 June 2018

## Index to the Financial Statements

	Page
Directors' Report	1
Auditor's Independence Declaration	4
Directors' Declaration	5
Independent Auditor's Report	6
Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018	9
Statement of Financial Position as at 30 June 2018	10
Statement of Changes in Equity for the year ended 30 June 2018	11
Statement of Cash Flows for the year ended 30 June 2018	12
 Notes to the Financial Statements	
1. General Information	13
2. Adoption of New and Revised Accounting Standards	13
3. Significant accounting policies	13
4. Financial Risk Management	18
5. Investments in Financial Instruments	22
6. Net gains/(losses) on financial instruments held at fair value through profit or loss	24
7. Net Assets Attributable to Unitholders	24
8. Distributions to Unitholders	24
9. Other Assets	24
10. Cash and Cash Equivalents	25
11. Auditor's Remuneration	25
12. Related Party Transactions	26
13. Commitments and Contingencies	27
14. Subsequent Events	27

## **Directors' Report**

The directors of One Managed Investment Funds Limited (ABN 47 117 400 987; AFSL 297 042) ("OMIFL" or the "Responsible Entity"), the responsible entity of Lakehouse Small Companies Fund (ARSN 615 265 864) (the "Fund"), submit their report together with the financial statements for the Fund for the year ended 30 June 2018.

### **Responsible Entity**

The responsible entity of the Fund is OMIFL.

The registered office and principal place of business of the Responsible Entity is Level 11, 20 Hunter Street, Sydney NSW 2000.

### **Investment manager**

The investment manager of the Fund is Lakehouse Capital Pty Ltd (ACN 614 957 603) ("Investment Manager").

The principal place of business of the Investment Manager is Level 14, 5 Martin Place, Sydney NSW 2000.

### **Directors and Senior Management**

The names of the directors and company secretaries of the Responsible Entity, during the financial period and up to the date of this report are:

<b>Name</b>	<b>Title</b>
Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director
Sarah Wiesener	Company Secretary

### **Principal Activities**

The Fund is a registered managed investment scheme, domiciled in Australia. The Fund was constituted on 7 October 2016, registered as a managed investment scheme on 24 October 2016 and commenced operations on 15 November 2016.

The principal activity of the Fund during the period was to invest in accordance with the provisions of the Fund's Constitution and its most recent Product Disclosure Statement, dated 15 November 2016.

The Fund's investment objective is to outperform the S&P/ASX Small Ordinaries Accumulation Index (Benchmark) over rolling five year periods (after fees and expenses but before taxes) by investing in a high conviction portfolio of 15 to 30 small companies listed in Australia and New Zealand.

The Fund did not have any employees during the period.

### **Review of Operations**

#### **Results**

The results of the operations of the Fund are disclosed in the Statement of Profit or Loss and Other Comprehensive Income of these financial statements. The net gain attributable to unitholders for the financial year 30 June 2018 was \$39,963,560 (2017:\$7,505,658).

#### **Distributions**

The Fund paid \$7,545,203 in distributions to unitholders during the financial period to 30 June 2018 (2017:\$nil).

**Directors' Report (continued)*****Value of Assets and Units Issued***

The following units of the Fund were on issue at financial period end:

	30 June 2018		30 June 2017	
	No. of Units	Fair value (\$)	No. of Units	Fair value (\$)
	109,223,527	154,465,345	96,701,310	104,515,873
<b>Total units</b>	<b>109,223,527</b>	<b>154,465,345</b>	<b>96,701,310</b>	<b>104,515,873</b>

Key management personnel of the Responsible Entity and their associated entities did not hold any units in the Fund during the financial year and as at 30 June 2018.

***Significant Changes in State of Affairs***

There are no significant changes in the state of affairs of the Fund.

***Subsequent Events***

There has been no matter or circumstance occurring subsequent to the end of the period that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

***Likely Developments and Expected Results of Operations***

The Fund will be managed in accordance with the Constitution and investment objectives as detailed in its most recent Product Disclosure Statement, dated 15 November 2016.

***Environmental Regulation and Performance***

The operations of the Fund are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

***Indemnification of Directors, Officers and Auditors***

During the financial period, the Responsible Entity paid premiums in respect of contracts insuring the directors of the Responsible Entity against a liability incurred as a director or executive officer to the extent permitted by the Corporations Act 2001. The contracts of insurance prohibit disclosure of the nature of the liability and the amount of the premiums.

The Fund has not directly indemnified or insured directors or officers. The Responsible Entity has not otherwise, during or since the end of the financial period, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability.

***Auditor***

Crowe Horwath Sydney was appointed as auditor of the Fund and continues in that office in accordance with Section 327 of the Corporations Act 2001.

**Directors' Report (continued)**

***Auditor's Independence Declaration***

A copy of the Auditor's Independence Declaration as required under Section 307C of the Corporations Act 2001 is set out on page 4.

On behalf of the directors of the Responsible Entity, One Managed Investment Funds Limited.

A handwritten signature in black ink, appearing to read 'Frank Tearle'.

Frank Tearle

Director

18 September 2018

18 September 2018

The Directors  
One Managed Investment Funds Limited  
As the Responsible Entity of Lakehouse Small Companies Fund  
Level 11  
20 Hunter Street  
SYDNEY NSW 2000

Dear Directors

## Lakehouse Small Companies Fund

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of One Managed Investment Funds Limited.

As lead audit partner for the audit of the financial report of Lakehouse Small Companies Fund for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



**Crowe Horwath Sydney**



**John Haydon**  
Senior Partner

## Directors' Declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 9 to 27 are in accordance with the *Corporations Act 2001*, including:
- compliance with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - giving a true and fair view of the Fund's financial position as at 30 June 2018 and its performance for the financial period ended on that date.
- (b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- (c) The financial statements are in compliance with International Financial Reporting Standards as issued by the International Accounting Standards Board, as noted in note 3(a).

Signed in accordance with a resolution of the directors of the Responsible Entity.

On behalf of the directors of the Responsible Entity, One Managed Investment Funds Limited.



Frank Tearle

Director

18 September 2018

## Independent Auditor's Report to the Unitholders of Lakehouse Small Companies Fund

### *Opinion*

We have audited the financial report of Lakehouse Small Companies Fund (the "Fund"), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Fund is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Responsibilities of the Directors for the Financial Report*

The directors of One Managed Investment Funds Limited as the Responsible Entity of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.



In preparing the financial report, the directors of the Responsible Entity are responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

#### *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by those charged with governance.
- Conclude on the appropriateness of those charged with governance's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

*Crowe Horwath Sydney*

**Crowe Horwath Sydney**

*John Haydon*

**John Haydon**  
Senior Partner

Dated at Sydney this 18<sup>th</sup> day of September 2018

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2018

		30 June 2018	Period from 7 October 2016 to 30 June 2017
	Note	\$	\$
<b>Income</b>			
Net gains on financial instruments held at fair value through profit or loss	6	44,332,599	7,985,299
Interest income		268,783	239,009
Dividend income		1,276,996	507,502
Other income		(23,517)	(11,811)
<b>Total Income</b>		<b>45,854,861</b>	<b>8,719,999</b>
<b>Expenses</b>			
Management fees		1,756,270	692,295
Performance fees		4,122,225	520,872
Other expenses		12,806	1,174
<b>Total expenses</b>		<b>5,891,301</b>	<b>1,214,341</b>
Operating gain attributable to unitholders		39,963,560	7,505,658
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	8	(7,545,203)	-
Increase in net assets attributable to unitholders	7	(32,418,357)	(7,505,658)
<b>Profit/(loss) for the period</b>		<b>-</b>	<b>-</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>

The Statement of Profit and Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position as at 30 June 2018

	Note	30 June 2018 \$	30 June 2017 \$
<b>Assets</b>			
Cash and cash equivalents	10	32,664,595	8,333,043
Other assets	9	353,301	72,494
Financial assets held at fair value through profit or loss	5	132,480,854	96,780,504
<b>Total assets</b>		<b>165,498,750</b>	<b>105,186,041</b>
<b>Liabilities</b>			
Performance fees payable		4,423,851	558,985
Management fees payable		188,683	111,183
Distributions payable		6,420,871	-
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>11,033,405</b>	<b>670,168</b>
<b>Net assets attributable to unitholders - liability</b>	7	<b>154,465,345</b>	<b>104,515,873</b>

The Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity for the year ended 30 June 2018

	30 June 2018	Period from 7 October 2016 to 30 June 2017
	\$	\$
<b>Total equity at the beginning of the period</b>		
Profit /(loss) for the period	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	-	-
Transactions with owners in their capacity as equity holders	-	-
<b>Total equity at the end of the financial period</b>	-	-

Under Australian Accounting Standards, net assets attributable to unitholders are classified as liability rather than equity. As a result, there was no equity at the start or end of the financial period.

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

## Statement of Cash Flows for the year ended 30 June 2018

		Period from 7 October 2016 to 30 June 2017
	30 June 2018	30 June 2017
Note	\$	\$
<b>Cash flows from operating activities</b>		
Net receipts/(payments) from purchase and sale of financial instruments held at fair value through profit or loss	8,632,249	(88,795,205)
Interest received	268,783	239,009
Brokers fees paid	(81)	(1,174)
Dividend income	1,265,781	507,502
Management fees paid	(1,678,770)	(581,112)
Other payable	(538,166)	(34,381)
Other expenses	(1,510)	-
Effects of exchange rate changes on the balance of cash held in foreign currencies	(23,517)	(11,811)
<b>Net cash provided/(used) in operating activities</b>	<b>7,924,769</b>	<b>(88,677,172)</b>
<b>Cash flows from financing activities</b>		
Proceeds from unitholder applications	20,986,060	99,566,558
Payments for unitholder redemptions	(4,145,890)	(2,556,343)
Distributions paid to unitholders	(433,387)	-
<b>Net cash provided by financing activities</b>	<b>16,406,783</b>	<b>97,010,215</b>
Net increase in cash and cash equivalents	24,331,552	8,333,043
Cash and cash equivalents at the beginning of the period	8,333,043	-
<b>Cash and cash equivalents at the end of the period</b>	<b>32,664,595</b>	<b>8,333,043</b>
<b>Non-cash financing activities</b>	<b>690,945</b>	<b>-</b>

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

**Notes to the Financial Statements****1. General Information**

These financial statements cover Lakehouse Small Companies Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme, and was constituted on 7 October 2016, registered as a managed investment scheme on 24 October 2016 and commenced operations on 15 November 2016.

The responsible entity of the Fund is One Managed Investment Funds Limited (ABN 47 117 400 987; AFSL 297 042) (the "Responsible Entity"). The Responsible Entity's registered office is Level 11, 20 Hunter Street Sydney NSW 2000.

The Fund typically invests in a high conviction portfolio of 15 to 30 small companies listed in Australia and New Zealand.

The financial statements were authorised for issue by the directors on the date the Directors' Declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

**2. Adoption of New and Revised Accounting Standards*****a) Standards and Interpretations in issue but not yet adopted***

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective, and are available for early adoption.

<b>Standard/Interpretation</b>	<b>Effective for annual reporting periods beginning on or after</b>	<b>Expected to be initially applied in the financial year ending</b>
AASB 16 'Leases'	1 January 2019	30 June 2020
Clarifications to IFRS 15 'Revenue from Contracts with Customers'	1 January 2018	30 June 2019
AASB 9 'Financial Instruments', and the relevant amending standards	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers'	1 January 2018	30 June 2019

The above new standards are not expected to have a major impact on the Fund.

**3. Significant accounting policies*****a) Statement of Compliance***

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, the Corporations Act 2001, other authoritative pronouncements and interpretations of the Australian Accounting Standards Board and the Fund's Constitution.

Compliance with Australian Accounting Standards, as issued by the AASB, ensures that the financial statements and notes thereto comply with International Financial Reporting Standards ("IFRS"), as issued by the International Accounting Standards Board ("IASB"). Consequently, these financial statements have been prepared in accordance with and comply with IFRS as issued by the IASB.

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements, as issued by the IASB. These policies have been consistently applied unless otherwise stated in the following text.

## **Notes to the Financial Statements**

### **3. Significant accounting policies (continued)**

#### ***b) Basis of preparation***

This general purpose financial report has been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. The Fund is a for-profit entity for the purpose of preparing the financial statements.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and net assets attributable to unitholders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months. However, an estimate of that amount cannot be determined as at balance date.

In the case of net assets attributable to unitholders, the units are redeemed on demand at the unitholder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

All amounts are presented in Australian dollars as the functional and presentational currency of the Fund.

#### ***c) Going concern basis***

The financial report has been prepared on a going concern basis.

#### ***d) Revenue and income recognition***

##### **Revenue**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured. Changes in fair value of financial assets and liabilities are recognised in profit or loss in the year in which the changes occur.

##### **Distributions**

Distributions from investments are recognised when the right to receive the payment is established.

##### **Dividends**

Dividend income is recognised on the ex-dividend date.

##### **Interest income**

Interest income is recognised on a time proportionate basis taking into account the effective yield on the financial assets.

#### ***e) Expenses***

All expenses, including the Responsible Entity's fees, are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accruals basis.

#### ***f) Cash and cash equivalents***

Cash and cash equivalents comprise cash at banks and cash balances held with brokers.



## **Notes to the Financial Statements**

### **3. Significant accounting policies (continued)**

#### ***g) Investments in financial instruments***

Investments in financial instruments are categorised in accordance with AASB 139 'Financial Instruments: Recognition and Measurement'. This classification is determined by the purpose underpinning the acquisition of the investment. The classification of each financial instrument is re-evaluated at each financial year end.

#### **(i) Classification**

The Fund's investments are categorised as at fair value through profit or loss. They comprise: Financial instruments designated at fair value through profit or loss upon initial recognition. These include financial assets and financial liabilities that are not held for trading purposes and which may be sold. These are investments in equity securities.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

#### **(ii) Recognition/derecognition**

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the Fund has transferred substantially all risks and rewards of ownership.

#### **(iii) Measurement**

##### ***Financial assets and liabilities held at fair value through profit or loss***

At initial recognition, the Fund measures a financial asset or liability at its fair value. Transaction costs of financial assets and liabilities carried at fair value through profit or loss are expensed in the Statement of Profit or Loss and Other Comprehensive Income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of Profit or Loss and Other Comprehensive Income within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets and liabilities held by the Fund is the current close price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

**Notes to the Financial Statements****3. Significant accounting policies (continued)*****h) Taxation***

Under the current tax legislation, the Fund is not subject to income tax provided that the unitholders are presently entitled to the income of the Fund and that the Fund entirely distributes its taxable income.

There is no taxable income of the Fund to which the unitholders are not currently entitled. Additionally, the Fund's Constitution requires the distribution of the full amount of the net taxable income of the Fund to unitholders each year. As a result, deferred taxes have not been recognised in the financial statements in relation to the differences between carrying amounts of assets and liabilities and their respective tax bases. This includes taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that the taxable gains are realised by the Fund, these gains would be included in the taxable income and assessable in the hands of the unitholders.

***i) Distributions***

In accordance with the Fund Constitution, the Fund fully distributes its distributable income, adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the Statement of Profit or Loss and Other Comprehensive Income as finance costs attributable to unitholders.

The Fund expects to make distributions on a semi-annual basis. Subject to the Constitution, distributions (if any) will generally be paid within 14 Business Days of 31 December and within three months of 30 June. Distributions are expected but not guaranteed.

***j) Foreign currency transactions***

The functional and presentation currency for the Fund is Australian dollars. Transactions in foreign currencies are brought to account at the prevailing exchange rates at the date of the transaction. Foreign currency monetary items are translated at the exchange rate existing on reporting date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. The differences arising from these foreign currency translations are recognised in the Statement of Profit or Loss and Other Comprehensive Income in the year in which they arise.

***k) Payables***

Trade and other payables are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

As the Fund has a contractual obligation to distribute its distributable income, a separate distribution payable is recognised in the Statement of Financial Position as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

***l) Receivables***

Receivables may include amounts for dividends, interest, and securities sold where settlement has not yet occurred. Dividends are accrued when the right to receive payment is established. Interest is accrued in accordance with the method outlined in note 3 (d). Amounts are generally received within 30 days of being recorded as receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short term receivables are not discounted if the effect of discounting is immaterial.

## **Notes to the Financial Statements**

### **3. Significant accounting policies (continued)**

#### ***l) Receivables (continued)***

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

#### ***m) Applications and redemptions***

Applications received for units in the Fund are recorded prior to the issue of units in the Fund. Redemptions from the Fund are recorded gross of any exit fees payable after the cancellation of units redeemed.

#### ***n) Net assets attributable to unitholders***

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units are classified as financial liabilities as the Fund is required to distribute its distributable income. The units can be put back to the Fund at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to redeem units in the Fund.

#### ***o) Critical accounting judgements and key sources of estimation uncertainty***

Management has adhered to the Fund's unit pricing policy which sets out the basis upon which the units of the Fund have been valued, a copy of which is available upon request.

For all of the Fund's financial instruments, quoted market prices are readily available. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. The assumptions and methods used in the determination of the value of investments are outlined in note 5 of these financial statements.

#### ***p) Goods and services tax ("GST")***

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the amount of GST is not recoverable from the taxation authority, it is recognised as part of acquisition of an asset or part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the tax authority is included as part of receivables or payables. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

## Notes to the Financial Statements

**4. Financial Risk Management**

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

All securities investments present a risk of loss of capital. The maximum loss of capital on long equity and debt securities is limited to the fair value of those positions.

The management of these risks is carried out by the Investment Manager under policies approved by the directors of the Responsible Entity. The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

**a) Credit risk**

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay amounts in full when they fall due, causing a financial loss to the Fund.

The Fund is also exposed to counterparty credit risk on cash and cash equivalents, amounts due from brokers and other receivables.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's credit position on an ongoing basis.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved; and
- ensuring that transactions are undertaken with a large number of counterparties.

There were no significant concentrations of credit risk to counterparties at 30 June 2018. The Fund only has a material credit risk exposure to the banks that holds the cash balances at 30 June 2018. Credit risk is mitigated by the Fund by investing their cash through Major Australian Banks.

The following table details the breakdown by credit rating of cash and cash equivalents held by the Fund:

	30 June 2018	30 June 2017
	\$	\$
A	5,908,380	-
AA-	26,756,215	8,333,043
	<b>32,664,595</b>	<b>8,333,043</b>

## Notes to the Financial Statements

## 4. Financial Risk Management (continued)

## a) Credit risk (continued)

## (i) Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once purchase orders on the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

## b) Market risk

Market risk is the risk that the fair value of future cash flows will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices liquidity. Market risk is managed and monitored on an ongoing basis by the Investment Manager.

## c) Currency risk

The Fund is exposed to currency risk as it invests in ASX and NZX listed companies. The Fund may buy listed shares of smaller companies in Australia and Zealand. Should any dividends be paid in New Zealand dollars, they will be converted to Australian dollars.

## d) Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair value of financial instruments. The Fund's exposure to interest rate risk is set out in the following table:

	Floating interest rate \$	Fixed interest rate \$	Non- interest bearing \$	Total \$
<b>30 June 2018</b>				
<b>Assets</b>				
Cash and cash equivalents	32,664,595	-	-	32,664,595
Other assets	-	-	353,301	353,301
Financial assets held at fair value through profit or loss	-	-	132,480,854	132,480,854
<b>Total assets</b>	<b>32,664,595</b>	<b>-</b>	<b>132,834,155</b>	<b>165,498,750</b>
<b>Liabilities</b>				
Management fees payable	-	-	188,683	188,683
Performance fee payable	-	-	4,423,851	4,423,851
Distributions payable	-	-	6,420,871	6,420,871
<b>Total liabilities excluding net assets attributable to unitholders</b>	<b>-</b>	<b>-</b>	<b>11,033,405</b>	<b>11,033,405</b>
<b>Net exposure</b>	<b>32,664,595</b>	<b>-</b>	<b>121,800,750</b>	<b>154,465,345</b>

**Notes to the Financial Statements**
**4. Financial Risk Management (continued)**
**d) Interest rate risk (continued)**

	Floating interest rate \$	Fixed interest rate \$	Non- interest bearing \$	Total \$
<b>30 June 2017</b>				
<b>Assets</b>				
Cash and cash equivalents	8,333,043	-	-	8,333,043
Other assets	-	-	72,494	72,494
Financial assets held at fair value through profit or loss	-	-	96,780,504	96,780,504
<b>Total assets</b>	<b>8,333,043</b>	<b>-</b>	<b>96,852,998</b>	<b>105,186,041</b>
<b>Liabilities</b>				
Management fees payable	-	-	111,183	111,183
Performance fee payable	-	-	558,985	558,985
Total liabilities excluding net assets attributable to unitholders	-	-	670,168	670,168
<b>Net exposure</b>	<b>8,333,043</b>	<b>-</b>	<b>96,182,830</b>	<b>104,515,873</b>

The following table demonstrates the sensitivity of the Fund's net assets attributable to unitholders and operating profit to a reasonable change in interest rates, with all other variables constant. The 25 basis point sensitivity is based on a reasonable volatility of change in the AUD cash interest rate over the coming year. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variations in the risk variables.

	Change in basis points increase/(decrease)	Effect on operating profit and net assets attributable to unitholders (\$)
<b>Year Ended 30 June 2018</b>		
AUD interest rate	25bp/(25bp)	81,661/(81,661)
<b>Period Ended 30 June 2017</b>		
AUD interest rate	25bp/(25bp)	20,833/(20,833)

**Notes to the Financial Statements****4. Financial Risk Management (continued)*****e) Price risk***

The Fund is exposed to equity securities price risk.

Price risk is the risk that the fair value of investments decreases as a result of changes in market prices (other than those arising from interest rate risk), whether those changes are caused by factors specific to the individual stock or factors affecting all instruments in the market. Price risk is managed by monitoring compliance with established investment mandate limits. All securities present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Fund typically invests in 15 to 30 high conviction investments. This means the Fund may invest a relatively high percentage of its assets in a limited number of stocks, or in stocks in a limited number of sectors or industries, which may cause the value of the Fund's investments to be more affected by any single adverse economic, political or regulatory event than its benchmark.

The Fund will be exposed to companies with smaller capitalisation. These companies may, from time to time and especially in falling markets, become less liquid and experience short-term price volatility. They may also be less financially secure than larger, more established companies, and depend on a smaller number of key personnel, which increases the risk of the company's failure if a product fails, management changes or if there are other adverse developments.

As at 30 June 2018 a positive 10% sensitivity would have had an impact on the Fund's operating profit and net assets attributable to unitholders of \$13,248,085 (2017:\$9,678,050). A negative sensitivity would have an equal but opposite impact.

***f) Liquidity risk***

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments.

In order to control the liquidity risk associated with its investments, the Fund conducts its investing activities in accordance with agreed guidelines and leverage ratios to ensure a minimal concentration of risk.

The Fund is exposed to weekly cash redemptions of its units. Its policy is therefore to hold investments that are traded in an active market and can be readily disposed.

The Fund's listed securities are considered readily realisable, as they are listed on the Stock Exchange.

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unitholders. The Fund did not reject or withhold any redemption during the year ended 30 June 2018.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period from 30 June 2018 to the contractual maturity date. Units are redeemed on demand at the unitholder's option. However, the directors do not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

**Notes to the Financial Statements**
**4. Financial Risk Management (continued)**
**f) Liquidity risk (continued)**

		30 June 2018					
	On demand	< 1 month	1-3 months	3-6 months	6-12 months	> 12 months	Total
Liabilities	\$	\$	\$	\$	\$	\$	\$
Management fees payable	-	188,683	-	-	-	-	188,683
Performance fee payable	-	4,423,851	-	-	-	-	4,423,851
Distributions payable	-	6,420,871	-	-	-	-	6,420,871
Net assets attributable to unitholders	154,465,345	-	-	-	-	-	154,465,345
<b>Total liabilities</b>	<b>154,465,345</b>	<b>11,033,405</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>165,498,750</b>

  

		30 June 2017					
	On demand	< 1 month	1-3 months	3-6 months	6-12 months	> 12 months	Total
Liabilities	\$	\$	\$	\$	\$	\$	\$
Management fees payable	-	111,183	-	-	-	-	111,183
Performance fee payable	-	558,985	-	-	-	-	558,985
Net assets attributable to unitholders	104,515,873	-	-	-	-	-	104,515,873
<b>Total liabilities</b>	<b>104,515,873</b>	<b>670,168</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>105,186,041</b>

The amounts in the table are the contractual undiscounted cash flows. Balances equal their carrying balances, as the impact of discounting is not significant.

**5. Investments in Financial Instruments**
**a) Financial assets held at fair value through profit or loss**

	30 June 2018	30 June 2017
	\$	\$
<b>Designated at fair value through profit or loss</b>		
Investments in listed equities	132,480,854	96,780,504
<b>Total equity securities</b>	<b>132,480,854</b>	<b>96,780,504</b>
<b>Total financial assets held at fair value through profit or loss</b>	<b>132,480,854</b>	<b>96,780,504</b>

**b) Fair Value Hierarchy**

The Fund measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis. The Fund has no assets and liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).



## Notes to the Financial Statements

## 5. Investments in Financial Instruments (continued)

*b) Fair Value Hierarchy (continued)*

## Level 1:

Financial instruments are valued by reference to quoted prices in an active market(s) for identical assets or liabilities. These quoted prices represent actual and regularly occurring market transactions on an arm's length basis.

## Level 2:

Financial instruments are valued using inputs other than quoted prices covered in Level 1. These other inputs include quoted prices that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices). The inputs included in this level encompass quoted prices in active markets for similar assets or liabilities, quoted prices in markets in which there are few transactions for identical or similar assets or liabilities. Financial instruments that are valued using other inputs that are not quoted prices but are observable for the assets or liabilities also fall into this categorisation.

## Level 3:

Financial instruments that have been valued, in whole or in part, by using valuation techniques or models that are based on unobservable inputs that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

Unobservable valuation inputs are determined based on the best information available, which might include the entity's own data, reflecting its assumptions as well as best practices carried out or undertaken by other market participants. These valuation techniques are used to the extent that observable inputs are not available.

The following table shows an analysis of financial instruments held at 30 June 2018 recorded at fair value and presented by level of the fair value hierarchy:

	30 June 2018			Total
	Level 1 \$	Level 2 \$	Level 3 \$	
<b>Financial assets</b>				
Investments in equity securities	132,480,854	-	-	132,480,854
<b>Total financial assets held at fair value through profit or loss</b>	<b>132,480,854</b>	<b>-</b>	<b>-</b>	<b>132,480,854</b>
	30 June 2017			Total
	Level 1 \$	Level 2 \$	Level 3 \$	
<b>Financial liabilities</b>				
Investments in equity securities	96,780,504	-	-	96,780,504
<b>Total financial liabilities held at fair value through profit or loss</b>	<b>96,780,504</b>	<b>-</b>	<b>-</b>	<b>96,780,504</b>

## Transfer between levels

There have been no transfers between levels for the year ended 30 June 2018.

*c) Disclosed fair values*

For all financial instruments other than those measured at fair value their carrying value approximates fair value.

**Notes to the Financial Statements**
**6. Net gains/(losses) on financial instruments held at fair value through profit or loss**

	Year Ended 30 June 2018	Period from 7 October 2016 to 30 June 2017
	\$	\$
Unrealised gains on financial instruments designated at fair value through profit or loss	29,386,704	10,644,726
Realised gains/(losses) on financial instruments designated at fair value through profit or loss	14,945,895	(2,659,427)
<b>Net gains/(losses) on financial instruments designated at fair value through profit or loss</b>	<b>44,332,599</b>	<b>7,985,299</b>

**7. Net Assets Attributable to Unitholders**

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

	30 June 2018		Period from 7 October 2016 to 30 June 2017	
	No. of Units	\$	No. of Units	\$
<b>Institutional Class</b>				
Opening balance	96,701,310	104,515,873	-	-
Applications for units by unitholders	15,697,509	21,677,005	99,223,253	99,566,558
Redemption for units by unitholders	(3,175,292)	(4,145,890)	(2,521,943)	(2,556,343)
Increase in net assets attributable to unitholders	-	32,418,357	-	7,505,658
<b>Closing balance</b>	<b>109,223,527</b>	<b>154,465,345</b>	<b>96,701,310</b>	<b>104,515,873</b>

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund.

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

**8. Distributions to Unitholders**

The Fund expects to make distributions on a semi-annual basis. Subject to the Constitution, distributions (if any) will generally be paid within 14 Business Days of 31 December and within three months of 30 June. Distributions are expected but not guaranteed.

The Fund paid \$7,545,203 (2017:\$ nil) in distributions to unitholders during the financial year to 30 June 2018.

**9. Other Assets**

	30 June 2018	30 June 2017
	\$	\$
GST receivable	353,301	72,494
<b>Total other assets</b>	<b>353,301</b>	<b>72,494</b>

**Notes to the Financial Statements**
**10. Cash and Cash Equivalents**

a) Cash and cash equivalents include cash at banks held at St George Bank. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	30 June 2018	30 June 2017
	\$	\$
Cash at Broker	5,908,380	-
Cash at Bank	26,756,215	8,333,043
	<b>32,664,595</b>	<b>8,333,043</b>

b) Reconciliation of profit/(loss) for the year to net cash flows used in operating activities:

	Year Ended 30 June 2018	Period from 7 October 2016 to 30 June 2017
	\$	\$
<b>Profit/(loss) for the period</b>	-	-
<b>Gain in net assets attributable to unitholders</b>	<b>32,418,357</b>	<b>7,505,658</b>
Change in value of financial assets held at fair value through profit or loss	(44,332,599)	(7,985,299)
Net proceeds from purchase and sale of financial assets held at fair value through profit or loss	8,632,249	(88,795,205)
Distribution to unitholders	7,545,203	-
<b>Change in assets and liabilities:</b>		
Increase in receivables and other assets	(280,807)	(72,494)
Increase in payables	3,942,366	670,168
<b>Net cash used in operating activities</b>	<b>7,924,769</b>	<b>(88,677,172)</b>

**11. Auditor's Remuneration**

The auditor of the Fund is Crowe Horwath Sydney. Auditor's remuneration for the year ended 30 June 2018 will be paid out of the Management Fee:

	Year ended 30 June 2018	Period from 7 October 2016 to 30 June 2017
	\$	\$
<b>Audit and other assurance services:</b>		
Audit and review of financial statements	8,500	8,075
<b>Total remuneration for audit and other assurance services</b>	<b>8,500</b>	<b>8,075</b>

**Notes to the Financial Statements****12. Related Party Transactions**

The responsible entity of the Fund is OMIFL.

***a) Management fees paid and payable to the Investment Manager***

Management fees are the fees charged by the Investment Manager to provide investment management services to the Fund.

The Investment Manager charges 1.3% per annum (inclusive of GST and less any reduced input tax credits) of the gross value of the Fund's assets. As at 30 June 2018, the management fee expenses incurred by the Fund were \$1,756,270 (2017: \$692,295) of which \$188,683 was payable at year end (2017: \$111,183).

***b) Performance fees paid and payable to the Investment Manager***

Performance fees are fees payable to the Investment Manager when the Fund's return exceeds the benchmark and high watermark.

The Investment Manager charges 15% of the amount by which the Fund's returns (after fees and expenses but before taxes) exceed the higher of the benchmark and high watermark (inclusive of GST and less any reduced input tax credits). As at 30 June 2018, the performance fee incurred by the Fund and payable at year end was \$4,122,225 (2017: \$520,872).

***(i) Other fees paid to related parties***

The Responsible Entity has appointed third party service providers to the Fund, some of whom are related parties of the Responsible Entity. The following entities, which are related parties of the Responsible Entity, have provided services to the Fund during the financial year ended 30 June 2018:

One Registry Services Pty Limited (ACN 141 757 360) – unit registry services.

OMIFL also acts as custodian for the Fund and receives a fee for doing so.

None of the above has received any remuneration directly from the Fund in relation to these services and they are remunerated out of the Management Fee. To the extent there is a shortfall to these expenses, they will be paid by the Investment Manager.

***c) Key management personnel******(i) Directors***

The key management personnel of the Responsible Entity, during the period and up to the date of this report are:

<b>Name</b>	<b>Title</b>
Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director
Sarah Wiesener	Company Secretary

Key management personnel of the Responsible Entity and their associated entities did not hold any units in the Fund during the year and as at 30 June 2018.

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel at any time during the period.

**Notes to the Financial Statements**
**12. Related Party Transactions (continued)**
**c) Key management personnel (continued)**
**Key Management Compensation**

Key management personnel of the Responsible Entity have not been compensated out of the Fund for the year ended 30 June 2018.

**(ii) Other Key Management Personnel**

The key management personnel of the Investment Manager at any time during the financial period are:

<b>Name</b>	<b>Title</b>
Joe Magyer	Chief Investment Officer
Randal Coon	Non-executive Director
Lawrence Greenberg	Non-executive Director
Ollen Douglass	Non-executive Director
Bruce Jackson	Non-executive Director

**(iii) Other Key Management Personnel Unitholdings**

<b>Unitholder</b>	<b>Number of units held opening</b>	<b>Number of units acquired</b>	<b>Number of units disposed</b>	<b>Number of units held closing</b>	<b>Fair value of investment (\$)</b>	<b>% Interest held</b>	<b>Distributions paid/payable by the Fund</b>
Bruce Jackson <sup>1</sup>	-	1,910,927	-	1,910,927	2,702,433	1.75%	112,337
<b>Total</b>	<b>-</b>	<b>1,910,927</b>	<b>-</b>	<b>1,910,927</b>	<b>2,702,433</b>	<b>1.75%</b>	<b>112,337</b>

<sup>1</sup>. or related parties or entities

Except as disclosed above, no key management personnel have entered into any other transactions with the Fund during the financial period and there were no material balances involving key management personnel's interests outstanding at the end of the financial period.

**Other Key Management Compensation**

Key management personnel of the Investment Manager have not been compensated out of the Fund for the year ended 30 June 2018.

**13. Commitments and Contingencies**

There are no commitments or contingencies as at 30 June 2018.

**14. Subsequent Events**

There has not been any matter or circumstance occurring subsequent to the end of the period that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.