

# **Realm Cash Plus Fund**

ARSN 622 892 844

## **Financial report**

**For the period 16 November 2017 to 30 June  
2018**

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## 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 Realm Cash Plus Fund ("RCPF" or the "Fund") submit their report together with the financial report for the Fund for the period ended 30 June 2018.

### Responsible Entity

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

### Information about the Directors and Senior Management

The names of the directors and company secretaries of the Responsible Entity, in office during the financial period are:

Name	Title
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, incorporated and domiciled in Australia.

The Fund was constituted on 16 November 2017, registered as a managed investment scheme on 29 November 2017 and commenced operations on 14 December 2017.

The principal activity of the Fund during the period was to invest in accordance with the provisions of the Fund's Constitution and offer documents.

The Fund's primary emphasis is to invest in a portfolio of Australian and New Zealand originated debt securities issued by major banks, their subsidiaries and other authorised deposit taking institutions which could be denominated in currencies other than the Australian and NZ dollar.

The Fund did not have any employees during the period.

There were no significant changes in the nature of the Fund's activities during the period.

### Review and Results of Operations

The performance of the Fund, as represented by the results of its operations, was as follows:

	For the period 16 November 2017 to 30 June 2018
Operating profit attributable to unitholders before finance costs (\$)	402,334
Distributions paid and payable (\$)	390,350

## Directors' report (continued)

### Review and Results of Operations (continued)

#### Value of Assets and Units Issued

The total value of the Fund's assets at 30 June 2018 was \$41,082,962. The following table shows the total number of units on issue as at 30 June 2018.

	As at 30 June 2018 No. of Units
Ordinary Units	24,758,344
mFunds Units	-
Internal Manager Units	16,202,029
<b>Total Units</b>	<b>40,960,373</b>

#### Fees paid to and Interests Held in the Fund by the Responsible Entity or its Associates

Fees paid to the Responsible Entity and its associates out of the Fund's property during the period are disclosed in Note 15 of the financial statements.

#### Changes in State of Affairs

During the financial period there were 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

The Fund will be managed in accordance with the Constitution and investment objectives as detailed in its most recent Product Disclosure Statements.

#### 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 of as such an officer or auditor.

#### Comparatives

This is the first period of operations of the Fund and hence there are no prior period comparatives.

**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 5.

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



Frank Tearle  
Director  
26 September 2018

26 September 2018

The Directors  
One Managed Investment Funds Limited  
As the Responsible Entity of Realm Cash Plus Fund  
Level 11  
20 Hunter Street  
SYDNEY NSW 2000

Dear Directors

## Realm Cash Plus 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 Realm Cash Plus Fund for the financial period 16 November 2017 to 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

## Independent Auditor's Report to the Unitholders of Realm Cash Plus Fund

### *Opinion*

We have audited the financial report of Realm Cash Plus Fund (the Fund), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in net assets attributable to unitholders and the statement of cash flows for the period 16 November 2017 to 30 June 2018, 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 period 16 November 2017 to 30 June 2018; 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 Management 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 26<sup>th</sup> day of September 2018

### Directors' declaration

The directors of the Responsible Entity declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in Note 3 (a) to the financial statements; and
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to Section 295(4) of the Corporations Act 2001.

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



Frank Tearle  
Director  
26 September 2018

**Statement of Comprehensive Income**

	Note	For the period 16 November 2017 to 30 June 2018 \$
<b>Investment income</b>		
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	(153,848)
Interest income		600,628
Other income		3
<b>Total net investment income</b>		<u>446,783</u>
<b>Expenses</b>		
Management fees	15 (b)	37,104
Other expenses		7,345
<b>Total expenses</b>		<u>44,449</u>
<b>Net profit attributable to unitholders before finance costs</b>		<u>402,334</u>
<b>Finance costs</b>		
Distributions to unitholders		(390,350)
<b>Net profit/(loss) attributable to unitholders after finance costs</b>		<u>11,984</u>
(Increase)/decrease in net assets attributable to unitholders	9	(11,984)
<b>Total comprehensive income for the period</b>		<u>-</u>

*The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

**Statement of Financial Position**

	Note	As at 30 June 2018 \$
<b>Assets</b>		
Cash and cash equivalents	11 (a)	5,303,788
Other receivables	8	349,441
Financial assets held at fair value through profit or loss	6	35,429,733
<b>Total assets</b>		<u>41,082,962</u>
<b>Liabilities</b>		
Distributions payable		36,953
Management fees payable	15 (b)	7,849
Financial liabilities held at fair value through profit or loss	6	17,869
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u>62,671</u>
<b>Net assets attributable to unitholders</b>	9	<u>41,020,291</u>

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

Realm Cash Plus Fund  
 Statement of Changes in Net Assets Attributable to Unitholders  
 For the period 16 November 2017 to 30 June 2018

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**Statement of Changes in Net Assets Attributable to Unitholders**

	Note	Net assets attributable to unitholders of the Fund \$
<b>Period ended 30 June 2018</b>		
Balance as at 16 November 2017		-
Applications for units by unitholders		45,845,646
Redemptions of units by unitholders		(5,005,328)
Reinvestments by unitholders		167,989
Increase in net assets attributable to unitholders		<u>11,984</u>
<b>Balance as at 30 June 2018</b>	<b>9</b>	<u><b>41,020,291</b></u>

*The above Statement of Changes in Net Assets Attributable to Unitholders should be read in conjunction with the accompanying notes.*

**Statement of Cash Flows**

		For the period 16 November 2017 to 30 June 2018 \$
	Note	
<b>Cash flows from operating activities</b>		
Net purchase and sales of financial instruments designated at fair value through profit or loss		(35,565,712)
Interest received		413,377
Management fees paid		(29,255)
Other receipts		3
Other payments		(169,535)
<b>Net cash outflow from operating activities</b>	11 (b)	<u>(35,351,122)</u>
<b>Cash flow from financing activities</b>		
Distributions paid to unitholders		(185,408)
Proceeds from applications by unitholders		45,845,646
Payments for redemptions by unitholders		(5,005,328)
<b>Net cash inflow from financing activities</b>		<u>40,654,910</u>
<b>Net increase in cash and cash equivalents</b>		5,303,788
Cash and cash equivalents at the beginning of the period		-
<b>Cash and cash equivalents at the end of the period</b>	11 (a)	<u>5,303,788</u>
Non-cash operating and financing activities	11 (c)	<u>167,989</u>

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

## 1 General Information

The Fund is an unlisted registered managed investment scheme. The responsible entity of the Fund is One Managed Investment Funds Limited (ABN 47 117 400 987; AFSL 297 042) ("OMIFL" or the "Responsible Entity"). The registered office and principal place of business of the Responsible Entity is Level 11, 20 Hunter Street, Sydney NSW 2000.

The Fund was constituted on 16 November 2017, registered as a managed investment scheme on 29 November 2017 and commenced operations on 14 December 2017.

The principal activity of the Fund is disclosed in the Directors' Report.

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) Compliance with International Financial Reporting Standards (IFRS)

The financial statements of the Fund also comply with IFRS as issued by the International Accounting Standards Board (IASB).

### (b) New and Amended Standards Adopted by the Fund

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 16 November 2017 that have a material impact on the Fund.

### (c) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

- AASB 9 *Financial Instruments* (and applicable amendments) (effective from 1 January 2018)

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption. The directors do not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Fund's investments are held at fair value through profit or loss, the change in impairment rules will not impact the Fund.

- AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2018)

AASB 15 will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

## **2 Adoption of New and Revised Accounting Standards (continued)**

### **(c) New Standards and Interpretations Not Yet Adopted (continued)**

The Fund's main sources of income are interest, dividends and distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of AASB 15 to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

## **3 Summary of Significant Accounting Policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated in the following text.

### **(a) Statement of Compliance**

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, 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").

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements, as issued by the IASB.

### **(b) Basis of Preparation**

This general purpose financial report has been prepared using the historical cost convention, except for the revaluation of investments in financial assets and liabilities, which have been measured at fair value.

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 certain investments in financial assets and net assets attributable to unitholders. The amounts expected to be received or settled in relation to these balances cannot be readily determined.

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

### **(c) Going Concern Basis**

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

### **(d) Revenue and Income Recognition**

#### **(i) 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.

#### **(ii) Distributions**

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



### 3 Summary of Significant Accounting Policies (continued)

#### (d) Revenue and Income Recognition (continued)

##### (iii) Interest income

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

#### (e) Cash and Cash Equivalents

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

#### (f) Investments in Financial Instruments

Investments in financial instruments, as defined by AASB 132 'Financial Instruments: Presentation', are categorised in accordance with AASB 139 'Financial Instruments: Recognition and Measurement' and disclosed in accordance with AASB 7 'Financial Instruments: Disclosures'. 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) Designated at fair value through profit or loss

Investments of the Fund that have been designated at fair value through profit or loss include but are not limited to derivatives, asset backed securities, corporate bonds, floating rate notes and hybrid securities. All investments are initially recognised at fair value of the consideration paid including transaction costs. After initial recognition, the financial assets that are designated at fair value through profit or loss are re-valued to fair value at each reporting date.

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the reporting date 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.

Changes in the fair value of the investment are included in the Statement of Comprehensive Income as an unrealised appreciation or depreciation on Fund investments.

The investments held by the Fund have been designated at fair value through profit or loss as doing so results in more relevant information. These investments are part of a full group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund.

The Fund recognises a financial asset when it becomes a party to the contractual provisions of the instrument.

Where the derivative assets and liabilities are traded on an exchange, their fair value is determined by reference to quoted market prices or binding dealer quotations at the balance date.

Where the derivative assets and liabilities are not traded on an exchange, their fair value is determined by reference to counterparty valuations or by the investment manager using valuation techniques largely based on market observable inputs, including discounted cash flows and option pricing models as appropriate at the balance date.

##### (ii) Derivative financial instruments

The Fund may enter into a variety of derivative financial instruments to manage its exposure to interest rate risk and foreign currency risk.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

### 3 Summary of Significant Accounting Policies (continued)

#### (g) Expenses

All expenses of the Fund are recognised in the Statement of Comprehensive Income on an accruals basis.

#### (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 offer documents of the Fund, distributions (if any) to unitholders are determined as soon as practicable after each month end. Where an income entitlement is to be distributed in cash, the distribution is generally made within 14 business days of the end of each calendar month, other than the 30 June month end, which will generally be paid within two months.

During the financial period, the Responsible Entity determines the distributable income (if any) for a distribution period to be distributed to unitholders which is based on a conservative estimate of distributable income for the whole financial period.

The final distribution for the financial period will include the amount by which the distributable income (if any) for the financial period exceeds the aggregate of distributions to unitholders previously made during the financial period. In the event the amount distributed to unitholders during a financial period exceeds the actual income of the Fund for that financial period, the excess amount paid to unitholders will be classified as a capital distribution.

Distributable income includes capital gains arising from the disposal of investments. Unrealised gains or loss on investments that are recognised in the Statement of Comprehensive Income are not distributed until realised. Capital losses are not distributed to unitholders and are retained to be offset against future realised capital gains.

#### (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 Comprehensive Income in the period in which they arise.

#### (k) Receivables

Receivables may include amounts for dividends, interest, trust distributions and amounts due from brokers. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in Note 3 (d) above. Receivables include items such as Reduced Input Tax Credits ("RITC").

#### (l) Payables

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

### 3 Summary of Significant Accounting Policies (continued)

#### (m) Applications and Redemptions

Applications received for units in the Fund are recorded net of any entry fees payable 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) 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.

In the application of the accounting policies, management are required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

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 3 (f) of these financial statements.

#### (o) 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.

#### (p) Net Assets Attributable to Unitholders

The participating units issued by the Fund provide the unitholders with the right to redeem their units for cash equal to their proportionate share of the net asset value of the Fund. AASB 132 permits certain puttable instruments that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity on liquidation to be classified as equity, subject to specified criteria being met. The Fund's redeemable participating units do not meet the specified criteria and have been consequently classified as liabilities. The liability to participating unitholders is presented on the Statement of Financial Position as "Net assets attributable to unitholders" and is determined based on the residual assets of the Fund after deducting the Fund's other liabilities.

### 4 Financial Risk Management Objectives and Policies

Risks arising from holding financial instruments are inherent in the Fund's activities. These risks are managed through a process of ongoing identification, measurement and monitoring. The Fund is exposed to credit risk, liquidity risk and market risk.

Financial instruments of the Fund comprise investments in financial assets held for the purpose of generating a return on the investment made by unitholders. In addition, the Fund also holds cash and cash equivalents and other financial instruments such as trade debtors and creditors, which arise directly from the operations of the Fund. The responsibility for identifying and controlling the risks that arise from these instruments is that of the investment manager of the Fund.

#### 4 Financial Risk Management Objectives and Policies (continued)

The method used to measure the risks reflects the expected impact on the performance of the Fund as well as the assets attributable to unitholders of the Fund resulting from reasonably possible changes in the relevant risk variables. Information regarding the Fund's risk exposure is prepared and monitored by the Responsible Entity against established investment mandate limits. These mandate limits reflect the investment strategy and market environment of the Fund as well as the level of risk the Fund is willing to accept. Information about these risk exposures at reporting date is disclosed below.

##### (a) Credit Risk

Credit risk represents the risk that the Fund will incur financial loss as a result of a failure by a counter party to discharge an obligation to a financial instrument. This risk may be minimised by:

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

The investment manager allocates capital to high yielding, income producing investments and securities which may be complemented by capital appreciation. Approximately 75% of the Fund is targeted at investment grade assets. These are assets which are considered entities and/or securities that have an internal or external credit rating of BB or higher. Issuers of investment grade securities are considered to have a strong capacity to meet their payment obligations.

The following table details the breakdown by credit rating of the underlying investment assets held by the Fund:

	As at 30 June 2018	
	\$	% of portfolio
AAA	6,688,457	16.28%
AA	5,992,809	14.59%
A	12,851,270	31.28%
BBB	15,550,426	37.85%
BB	-	0.00%
B	-	0.00%
	<b>41,082,962</b>	<b>100.00%</b>

##### (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.

##### (i) Currency risk

Foreign currency risk is the risk that the value of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is not exposed to foreign currency risk as its portfolio does not hold securities that are denominated in a foreign currency.

#### 4 Financial Risk Management Objectives and Policies (continued)

##### (b) Market Risk (continued)

###### (ii) 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:

30 June 2018	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
<b>Assets</b>				
Cash and cash equivalents	5,303,788	-	-	5,303,788
Other receivables	-	-	349,441	349,441
Financial assets held at fair value through profit or loss	27,054,793	8,374,940	-	35,429,733
<b>Total assets</b>	<b>32,358,581</b>	<b>8,374,940</b>	<b>349,441</b>	<b>41,082,962</b>
30 June 2018	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
<b>Liabilities</b>				
Distributions payable	-	-	36,953	36,953
Management fees payable	-	-	7,849	7,849
Financial liabilities held at fair value through profit or loss	-	-	17,869	17,869
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>-</b>	<b>-</b>	<b>62,671</b>	<b>62,671</b>
<b>Net exposure</b>	<b>32,358,581</b>	<b>8,374,940</b>	<b>286,770</b>	<b>41,020,291</b>

The following table demonstrates the sensitivity of the Fund's Statement of Financial Position and Statement of Comprehensive Income to a reasonable change in interest rates, with all other variables constant. The 25 basis point sensitivity is based on a change in the AUD cash interest rates, relative to the Fund interest rate risk position as at 30 June 2018:

	Change in basis points rate increase/(decrease)	Effect on net profit and net assets attributable to unitholders \$
Period ended 30 June 2018		
AUD interest rate	25bp/(25bp)	3,918/(3,918)

#### **4 Financial Risk Management Objectives and Policies (continued)**

##### **(b) Market Risk (continued)**

###### *(iii) 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 currency risk or 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.

As at 30 June 2018, a positive 10% sensitivity would have had an impact in the Fund's Statement of Comprehensive Income and Net Assets Attributable to Unitholders of \$3,542,973. A negative sensitivity would have an equal but opposite impact.

##### **(c) Liquidity Risk**

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet commitments associated with financial instruments. There is no guaranteed market for some of the credit products that the Fund invests in. Accordingly, the Fund may need to wait before it is able to liquidate various assets in its portfolio. The market for credit products may lack liquidity because of insufficient trading activity. This may make it difficult or impossible to realise assets in the Fund leading to reduced profits and increased losses for the Fund.

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.

#### 4 Financial Risk Management Objectives and Policies (continued)

##### (c) Liquidity Risk (continued)

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining year from 30 June 2018 to the contractual maturity date.

	30 June 2018					Total
	On demand	< 1 month	1-3 months	3-12 months	> 12 months	
	\$	\$	\$	\$	\$	\$
<b>Liabilities</b>						
Distributions payable	-	36,953	-	-	-	36,953
Management fees payable	-	7,849	-	-	-	7,849
Financial liabilities held at fair value through profit or loss	-	17,869	-	-	-	17,869
Net assets attributable to unitholders	41,020,291	-	-	-	-	41,020,291
<b>Total liabilities</b>	<b>41,020,291</b>	<b>62,671</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41,082,962</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 Net Gains/(Losses) on Financial Instruments Designated at Fair Value through Profit or Loss

	For the period 16 November 2017 to 30 June 2018 \$
Net realised gains/(losses) on financial instruments held at fair value through profit or loss	7,325
Net unrealised gains/(losses) on financial instruments held at fair value through profit or loss	(161,173)
<b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<b>(153,848)</b>

#### 6 Investments in Financial Instruments

##### *Financial assets designated as fair value through profit or loss*

	As at 30 June 2018 \$
<b>Financial assets designated at fair value through profit or loss</b>	
Investment in asset backed securities	13,432,802
Investment in corporate bonds	21,996,931
<b>Total financial assets designated at fair value through profit or loss</b>	<b>35,429,733</b>

## 6 Investments in Financial Instruments (continued)

### *Financial liabilities designated as fair value through profit or loss*

	As at 30 June 2018 \$
<b>Financial liabilities designated at fair value through profit or loss</b>	
Investment in derivatives	17,869
<b>Total financial liabilities designated at fair value through profit or loss</b>	<b>17,869</b>

### *Fair value hierarchy*

Financial instruments carried at fair value are categorised under a three level hierarchy. Financial instruments are categorised based on the observable market inputs when estimating their fair value. If different levels of inputs are used to measure a financial instrument's fair value, the instrument's classification within the hierarchy is based on the lowest level of input that was significant to the fair value measurement.

#### **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			
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets</b>				
Investment in asset backed securities	-	13,432,802	-	13,432,802
Investment in corporate bonds	-	21,996,931	-	21,996,931
<b>Total financial assets designated at fair value through profit or loss</b>	<b>-</b>	<b>35,429,733</b>	<b>-</b>	<b>35,429,733</b>
<b>Financial liabilities</b>				
Investment in derivatives	17,869	-	-	17,869
<b>Total financial liabilities designated at fair value through profit or loss</b>	<b>17,869</b>	<b>-</b>	<b>-</b>	<b>17,869</b>



## 6 Investments in Financial Instruments (continued)

### *Fair value hierarchy (continued)*

There were no transfers between levels 1, 2 and 3 during the period. The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

### *Valuation techniques used to derive level 1, level 2 and level 3 fair values*

#### **Level 1**

The fair value of financial instruments that are traded in an active market (for example, listed equities) is determined using the last traded quoted price in an active market. As at 30 June 2018 the Fund had no financial assets held at fair value through profit or loss included in level 1. As at 30 June 2018 the Fund also had \$17,869 financial liabilities held at fair value through profit or loss included in level 1.

#### **Level 2**

The fair value of financial instruments that are not traded in an active market (for example, unlisted investments) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at 30 June 2018, the Fund had \$35,429,733 financial instruments in level 2.

#### **Level 3**

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at 30 June 2018, the Fund had \$ nil financial assets held at fair value through profit or loss included in level 3.

### *Disclosed fair values*

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

## 7 Derivative Financial Instruments

In the normal course of business the Fund enters into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Fund's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

The Fund holds futures as derivative instruments.

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are organised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

## 7 Derivative Financial Instruments (continued)

The Fund's derivative financial instruments at period end are detailed below:

	Notional Value \$	Assets \$	Liabilities \$
30 June 2018			
Exchange traded derivatives			
Exchange traded futures	-	-	17,869

## 8 Other Receivables

	As at 30 June 2018 \$
GST receivable	3,041
Recoverable fee receivable	24,060
Interest receivable	187,251
Sundry debtors	135,089
<b>Total receivables</b>	<b>349,441</b>

## 9 Net Assets Attributable to Unitholders

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

### Ordinary Units

	For the period 16 November 2017 to 30 June 2018	\$
	No. of Units	
Balance as at 1 July	-	-
Applications for units by unitholders	29,744,676	29,795,647
Redemptions of units by unitholders	(4,991,446)	(5,005,328)
Reinvestments by unitholders	5,114	5,119
(Decrease)/increase in net assets attributable to unitholders	-	7,244
<b>Closing balance as at 30 June</b>	<b>24,758,344</b>	<b>24,802,682</b>

## 9 Net Assets Attributable to Unitholders (continued)

### mFunds Units

	For the period 16 November 2017 to 30 June 2018	
	No. of Units	\$
Balance as at 1 July	-	-
Applications for units by unitholders	-	-
Redemptions of units by unitholders	-	-
Reinvestments by unitholders	-	-
(Decrease)/increase in net assets attributable to unitholders	-	-
<b>Closing balance as at 30 June</b>	<b>-</b>	<b>-</b>

### Internal Manager Units

	For the period 16 November 2017 to 30 June 2018	
	No. of Units	\$
Balance as at 1 July	-	-
Applications for units by unitholders	16,039,344	16,050,000
Redemptions of units by unitholders	-	-
Reinvestments by unitholders	162,685	162,870
(Decrease)/increase in net assets attributable to unitholders	-	4,740
<b>Closing balance as at 30 June</b>	<b>16,202,029</b>	<b>16,217,610</b>

### Total Units

	For the period 16 November 2017 to 30 June 2018	
	No. of Units	\$
Balance as at 1 July	-	-
Applications for units by unitholders	45,784,020	45,845,646
Redemptions of units by unitholders	(4,991,446)	(5,005,328)
Reinvestments by unitholders	167,799	167,989
(Decrease)/increase in net assets attributable to unitholders	-	11,984
<b>Closing balance as at 30 June</b>	<b>40,960,373</b>	<b>41,020,291</b>

#### (a) Unit Classes

The Fund offers three classes of Units under the Product Disclosure Statement as follows;

- Ordinary units;
- mFunds units; and
- Internal Manager units.

#### (b) Terms and Conditions of Units on Issue

All unit classes will rank equally with and have the same rights, restrictions, obligations, terms and conditions except to fees.

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 three separate classes of units. Each unit within the same class has the same rights as all other units with that class. Each unit has a different management fee rate. 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 twelve months after the end of the reporting period cannot be reliably determined.

## 9 Net Assets Attributable to Unitholders (continued)

### (b) Terms and Conditions of Units on Issue (continued)

The Fund considers its net assets attributable to unitholders as capital, notwithstanding that net assets attributable to unitholders are classified as a liability at 30 June 2018. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's Constitution, 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.

## 10 Capital Management

As a result of the ability to issue, repurchase and resell units, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue, repurchase or resale of redeemable units. The Fund's objectives for managing capital are:

- to invest the capital in investments meeting the description, risk exposure and expected return indicated in the Fund's Product Disclosure Statement;
- to achieve consistent returns while safeguarding capital by investing in a diversified portfolio, by using various investment strategies;
- to maintain sufficient liquidity to meet the ongoing expenses of the Fund; and
- to maintain sufficient size to make the operation of the Fund cost-efficient.

## 11 Cash and Cash Equivalents

### (a) Cash Investments

Cash and cash equivalents include cash at banks net of outstanding overdrafts and cash balances held with brokers. Cash at the end of the period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	As at 30 June 2018 \$
Cash at bank	5,303,788
	<u>5,303,788</u>

## 11 Cash and Cash Equivalents (continued)

### (b) Reconciliation of Increase/(Decrease) in Net Assets Attributable to Unitholders for the period to Net Cash Flows Provided by/(Used in) Operating Activities:

	For the period 16 November 2017 to 30 June 2018 \$
<b>Increase/(decrease) in net assets attributable to unitholders</b>	<b>11,984</b>
Net (gains)/losses on financial instruments held at fair value through profit or loss	153,848
Net proceeds from purchase and sale of financial assets designated at fair value through profit or loss	(35,565,712)
Distributions to unitholders	390,350
<b>Change in assets and liabilities:</b>	
Increase in other assets	(349,441)
Increase/(decrease) in trade and other payables	7,849
<b>Net cash outflow from operating activities</b>	<b>(35,351,122)</b>
<b>(c) Non-cash financing activities</b>	
The following distribution payments to unitholders were satisfied by the issue of units under the distribution reinvestment plan	167,989
<b>Total non-cash operating and financing activities</b>	<b>167,989</b>

## 12 Auditor's Remuneration

During the period the following fees were paid or payable for services provided by the auditor of the Fund:

	For the period 16 November 2017 to 30 June 2018 \$
<b>Crowe Horwath, Sydney</b>	
Audit of the financial report	8,000
	<b>8,000</b>
<b>Ernst &amp; Young</b>	
Audit of compliance plan	3,300
	<b>3,300</b>
<b>Total auditor's remuneration</b>	<b>11,300</b>

Fees are stated exclusive of GST.

## 13 Commitments and Contingencies

There are no commitments or contingencies 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.

## 15 Related Party Transactions

### (a) Responsible Entity Fees

The responsible entity of the Fund is OMIFL. The responsible entity fee is paid out of the management fee.

	For the period 16 November 2017 to 30 June 2018 \$
Responsible entity fees for the period	2,558
Responsible entity fees payable at period end	Nil

Transactions with related parties have taken place at arm's length and in the ordinary course of business.

### (b) Management Fees Paid and Payable to the Investment Manager

As stated in the Product Disclosure Statement, the Responsible Entity charges a management fee of 0.33% (including GST) of the gross asset value of the Fund referable to Ordinary units; and 0.39% (including GST) of the gross asset value of the Fund referable to mFunds units, and Internal Manager units. The fee accrues daily and is payable monthly in arrears out of the assets of the Fund.

The costs of providing custodian, administrative and registry services to the Fund are paid out of the management fee.

Investment management fees are paid monthly in arrears to the investment manager of the Fund, Realm Investment Management Pty Ltd ("Investment Manager").

The following management fees were paid or payable out of the Fund's property during the period ended 30 June 2018:

	For the period 16 November 2017 to 30 June 2018 \$
Management fees for the period	37,104
Management fees payable at period end	7,849

### (c) Other Fees to Related Parties

As stated in the Product Disclosure Statements, the Responsible Entity is entitled to be reimbursed out of the assets of the Fund for Fund-related expenses, for example legal fees, taxation advice, audit fees and costs of members' meetings. An allowance for general Fund expenses of 0.1% (including GST) of the gross asset value of the Fund has been made, referable to Ordinary Units, mFunds Units, and Internal Manager Units. The fee accrues daily and expenses are paid upon receipt from the accrued balance out of the assets of the Fund.

### (d) Key Management Personnel

#### (i) Responsible Entity

The Key Management Personnel of the Responsible Entity are:

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

## 15 Related Party Transactions (continued)

### (d) Key Management Personnel (continued)

#### (i) Responsible Entity (continued)

At inception, Justin Epstein was issued with 10 initial units valued at \$10. Holders of initial units do not have an interest or entitlement to share in any distributable amounts. The withdrawal price for initial units is the price paid by the unitholder to acquire the initial units. Holders of initial units are not entitled to receive notices of and attend general meetings or ordinary unitholders. Additionally, initial units have no voting rights. On winding up of the Fund, the holder of initial units is only entitled to payment of the price paid by the unitholder to acquire the initial units.

Key Management Personnel of the Responsible Entity and their associated entities did not hold any units in the Fund as at 30 June 2018.

#### (ii) Investment Manager

The Key Management Personnel of the Investment Manager are:

Name	Title
Andrew Papageorgiou	Director
Robert Camilleri	Director

The Key Management Personnel of the Investment Manager and their associated entities held the following units as at 30 June 2018:

30 June 2018

Unitholder	Number of Units held opening	Number of Units held closing	Fair value of Investment \$	% Interest held	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
Andrew Papageorgiou	-	25,257	25,341	0.06%	25,257	-	-
<b>Total</b>	-	25,257	25,341	0.06%	25,257	-	-

#### (iii) Other transactions within the Fund

Apart from those details disclosed in this note, no other Key Management Personnel have entered into a material contract with the Fund during the financial period and there were no material contracts involving Key Management Personnel's interests existing at period end.