

**Lakehouse Small Companies Fund**

**ARSN 615 265 864**

Annual report for the financial year ended 30 June 2019

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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 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 2019.

### **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 9, 20 Hunter Street, 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  |
| Sarah Wiesener  | Executive Director (appointed as a Director on 26 October 2018) and Company Secretary |
| Justin Epstein  | Non-executive Director from 1 January 2019 (Executive Director to 31 December 2018)   |
| Elizabeth Reddy | Non-executive Director (resigned on 26 October 2018)                                  |

### **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 the Product Disclosure Statement, dated 15 November 2016 and most recent Product Disclosure Statement dated 15 March 2019.

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 2019 was \$48,092,525 (2018:\$ 39,963,560).

#### **Distributions**

Distributions of \$9,462,826 (2018: \$7,545,203) were declared during the financial period to 30 June 2019 of which \$8,444,222 (2018: \$6,420,871) was payable to unitholders at 30 June 2019.

## Directors' Report (continued)

### Value of Assets and Units Issued

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

|                    |               | 30 June 2019       |                    | 30 June 2018       |                    |
|--------------------|---------------|--------------------|--------------------|--------------------|--------------------|
|                    |               | No. of Units       | Fair value (\$)    | No. of Units       | Fair value (\$)    |
|                    |               | 127,721,982        | 222,073,650        | 109,223,527        | 154,465,345        |
| <b>Total units</b> | <b>Note 7</b> | <b>127,721,982</b> | <b>222,073,650</b> | <b>109,223,527</b> | <b>154,465,345</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 2019.

### Significant Changes in State of Affairs

Effective 1 July 2018, the Fund elected into the Attribution Managed Investment Trust ("AMIT") tax regime. There were no other significant changes in the state of affairs in the Fund during the year.

### Subsequent Events

There has been no matter or circumstances occurring subsequent to the end of the year 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 March 2019.

### 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 or since the financial year, the Fund has not indemnified or made a relevant agreement to indemnify an officer of the Responsible Entity or auditor of the Fund or any related corporate body against a liability incurred by an officer of the Responsible Entity or auditor of the Fund. In addition, the Fund has not paid, or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer of the Responsible Entity or auditor of the Fund

### Auditor

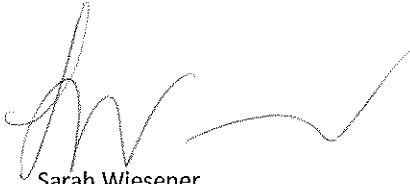
Crowe Sydney was appointed as auditor of the Fund and continues in that office in accordance with Section 327 of the Corporations Act 2001.

**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 dark ink, appearing to read 'SW', with a long horizontal flourish extending to the right.

Sarah Wiesener

Director

20 September 2019

20 September 2019

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 2019, 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 Sydney**

**John Haydon**  
Senior Partner

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd. Services are provided by Crowe Sydney, an affiliate of Findex (Aust) Pty Ltd. Liability limited by a scheme approved under Professional Standards Legislation. Liability limited other than for acts or omissions of financial services licensees.

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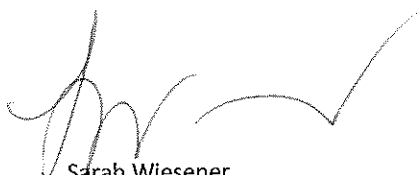
## Directors' Declaration

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 2019 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.



Sarah Wiesener

Director

20 September 2019

## 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 2019, 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 2019 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.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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## Responsibilities of the Directors for the Financial Report

The directors of the 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 the directors.
- Conclude on the appropriateness of the directors' 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 the directors 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 Sydney**



**John Haydon**

Senior Partner

20 September 2019  
Sydney

## Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2019

|  | Note | Year ended<br>30 June 2019<br>\$ | Year ended<br>30 June 2018<br>\$ |
|--|------|----------------------------------|----------------------------------|
| <b>Income</b>  |      |                                  |                                  |
| Net gains on financial instruments held at fair value through profit or loss | 6    | 57,979,942                       | 44,332,599                       |
| Interest income  |      | 264,265                          | 268,783                          |
| Dividend income  |      | 1,268,813                        | 1,276,996                        |
| Other income   |      | (564)                            | (23,517)                         |
| <b>Total Income</b>  |      | <b>59,512,456</b>                | <b>45,854,861</b>                |
| <b>Expenses</b>  |      |                                  |                                  |
| Management fees  |      | 2,383,412                        | 1,756,270                        |
| Performance fees   |      | 9,000,814                        | 4,122,225                        |
| Other expenses   |      | 35,705                           | 12,806                           |
| <b>Total expenses</b>  |      | <b>11,419,931</b>                | <b>5,891,301</b>                 |
| Operating gain attributable to unitholders                                   |      | 48,092,525                       | 39,963,560                       |
| <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)                     |
| <b>Profit/(loss) for the period</b>  |      | <b>48,092,525</b>                | <b>-</b>                         |
| Other comprehensive income   |      | -                                | -                                |
| <b>Total comprehensive income for the period</b>                             |      | <b>48,092,525</b>                | <b>-</b>                         |

\*Net assets attributable to unitholders are reclassified from a liability to equity from 1 July 2018. As a result, the Fund's distributions are no longer classified as finance costs in the Statement of Profit or Loss and Other Comprehensive Income, but rather as distributions paid and payable in the Statement of Changes in Equity. Refer to Note 1 and 3n) for further detail.

The above 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 2019

|   | Note | 30 June 2019<br>\$ | 30 June 2018<br>\$ |
|---|------|--------------------|--------------------|
| <b>Assets</b>   |      |                    |                    |
| Cash and cash equivalents   | 10   | 41,347,985         | 32,664,595         |
| Other assets  | 9    | 1,684,009          | 353,301            |
| Financial assets held at fair value through profit or loss                  | 5    | 197,783,702        | 132,480,854        |
| <b>Total assets</b>   |      | <b>240,815,696</b> | <b>165,498,750</b> |
| <b>Liabilities</b>  |      |                    |                    |
| Other payables  |      | 369,492            | -                  |
| Performance fees payable  |      | 9,659,410          | 4,423,851          |
| Management fees payable   |      | 268,922            | 188,683            |
| Distributions payable   | 8    | 8,444,222          | 6,420,871          |
| <b>Total liabilities (excluding net assets attributable to unitholders)</b> |      | <b>18,742,046</b>  | <b>11,033,405</b>  |
| <b>Net assets attributable to unitholders - Liability</b>                   | 7    | -                  | 154,465,345        |
| <b>Net assets attributable to unitholders - Equity*</b>                     | 7    | <b>222,073,650</b> | -                  |

\*Net assets attributable to unitholders are classified as equity at 30 June 2019 and as a financial liability at 30 June 2018.  
Refer to Note 1 and 3n) for further information.

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 2019

|  | Note     | Year ended<br>30 June 2019<br>\$ | Year ended<br>30 June 2018<br>\$ |
|--|----------|----------------------------------|----------------------------------|
| <b>Total equity at the beginning of the period</b>                                     |          |                                  |                                  |
| Reclassification due to Attribution Managed Investment Trust tax regime implementation |          | 154,465,345                      | -                                |
| <b>Comprehensive income for the period</b>   |          |                                  |                                  |
| Gain for the period  |          | 48,092,525                       | -                                |
| Other comprehensive income   |          | -                                | -                                |
| <b>Total comprehensive income</b>  |          | <b>202,557,870</b>               | -                                |
| <b>Transactions with unitholders</b>   |          |                                  |                                  |
| Application  | 7        | 34,699,303                       | -                                |
| Redemption   | 7        | (10,424,455)                     | -                                |
| Units issued upon reinvestment of distributions  | 7        | 4,703,758                        | -                                |
| Distributions paid and payable   | 8        | (9,462,826)                      | -                                |
| <b>Transactions with owners in their capacity as equity holders</b>                    |          | <b>19,515,780</b>                | -                                |
| <b>Total equity at the end of the financial period*</b>                                | <b>7</b> | <b>222,073,650</b>               | -                                |

\*Effective from 1 July 2018, the Fund's units have been reclassified from financial liability to equity. Refer to Note 1 and 3n) for further details. As a result, equity transactions including distributions have been disclosed in the above statement for the year ended 30 June 2019.

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

## Statement of Cash Flows for the year ended 30 June 2019

|   | Note  | Year ended<br>30 June 2019<br>\$ | Year ended<br>30 June 2018<br>\$ |
|---|-------|----------------------------------|----------------------------------|
| <b>Cash flows from operating activities</b>   |       |                                  |                                  |
| Net (payments)/receipts from purchase and sale of financial instruments held at fair value through profit or loss |       | (7,903,663)                      | 8,632,249                        |
| Interest received   |       | 264,265                          | 268,783                          |
| Brokers fees paid   |       | 225                              | (81)                             |
| Dividend income   |       | 1,233,180                        | 1,265,781                        |
| Management fees paid  |       | (2,303,173)                      | (1,678,770)                      |
| Other payable   |       | (4,145,984)                      | (538,166)                        |
| Other expenses  |       | (27)                             | (1,510)                          |
| <b>Net cash (used in)/provided by operating activities</b>  | 10(b) | <b>(12,855,177)</b>              | <b>7,948,286</b>                 |
| <b>Cash flows from financing activities</b>   |       |                                  |                                  |
| Proceeds from unitholder applications   |       | 34,699,303                       | 20,986,060                       |
| Payments for unitholder redemptions   |       | (10,424,455)                     | (4,145,890)                      |
| Distributions paid to unitholders   |       | (2,735,717)                      | (433,387)                        |
| <b>Net cash provided by financing activities</b>  |       | <b>21,539,131</b>                | <b>16,406,783</b>                |
| <b>Net increase in cash and cash equivalents</b>  |       | <b>8,683,954</b>                 | <b>24,355,069</b>                |
| Cash and cash equivalents at the beginning of the period  |       | 32,664,595                       | 8,333,043                        |
| Effects of exchange rate changes on the balance of cash held in foreign currencies                                |       | (564)                            | (23,517)                         |
| <b>Cash and cash equivalents at the end of the period</b>   | 10(a) | <b>41,347,985</b>                | <b>32,664,595</b>                |
| <b>Non-cash financing activities</b>  |       | <b>4,703,758</b>                 | <b>690,945</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.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Attribution Managed Investment Trust ("AMIT") regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. The Fund elected into the AMIT tax regime effective 1 July 2018. The Responsible Entity is therefore no longer contractually obligated to pay distributions however intends to continue paying distributions as described in the Product Disclosure Statement. Consequently the units in the Fund have been reclassified from financial liability to equity on 1 July 2018.

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*****New or amended Accounting Standard and Interpretations adopted in the current period***

The fund has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period:

***AASB 9: Financial Instruments (AASB 9) (effective 1 July 2018)***

In accordance with initial application requirements, the Fund adopted AASB 9 from 1 July 2018. All of the Fund's investments in financial assets continued to be accounted for at fair value through profit or loss under AASB 9. Accordingly, first time application of AASB 9 had no impact on the Fund's accounting for their investments in financial assets. On initial application of AASB 9, the Fund also adopted the expected credit loss impairment model. As per management's assessment, the adoption had no material impact on the carrying amounts of the Fund's receivables.

***AASB 15: Revenue from Contracts with Customers (AASB 15) (effective 1 July 2018)***

AASB 15 supersedes AASB 118 Revenue and AASB 111 Construction Contracts. Although AASB 15 is principles-based, it is a significant change from the current revenue requirements and will involve more judgements and estimates as revenue is recognised when control of a good or service transfers to a customer, or on satisfaction of performance obligations under contracts, which replaces the existing notion of risk and rewards.

As per management's assessment, there were no impacts on the Fund's financial statements upon adoption of AASB 15 on 1 July 2018 as the Fund's revenue recognition of interest income, dividend income, net gains/(losses) on financial instruments were unaffected as these items are excluded from the scope of AASB 15.

***New standards and interpretation not yet adopted***

There are no new standards or interpretations applicable that would have a material impact for the Fund

## **Notes to the Financial Statements**

### **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.

#### ***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.



## **Notes to the Financial Statements**

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

#### ***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.

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

Investments in financial instruments are categorised in accordance with AASB 9 'Financial Instruments'. 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 it attributes the entirety of its taxable income to its unitholders.

***i) Distributions***

On 30 June 2019, upon adopting the AMIT regime, the Responsible Entity is no longer contractually obligated to pay distributions. The Responsible Entity will attribute the Fund's income to unitholders on a fair and reasonable basis, however, the Responsible Entity will not have a requirement under the Fund Constitution to distribute Trust income to unitholders. Any subsequent distribution will be recognised in the Statement of Changes in Equity.

Prior to this, in accordance with the Fund Constitution, the Fund fully distributed 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 financial costs attributable to unitholders.

***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.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

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.

**Notes to the Financial Statements**

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

***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 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.

Units are classified as equity when they satisfy the following criteria under *AASB 132 Financial instruments: Presentation*:

- The puttable financial instrument entitled the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- The puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- The puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instrument; and
- The total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

As at 30 June 2018, net assets attributable to unitholders were classified as a financial liability. Effectively, from 1 July 2018, the Fund's units have been reclassified from financial liability to equity as they satisfied all the above criteria.

***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.

## **Notes to the Financial Statements**

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

#### ***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.

### **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 2019. The Fund only has a material credit risk exposure to the banks that holds the cash balances at 30 June 2019. Credit risk is mitigated by the Fund by investing their cash through Major Australian Banks.

**Notes to the Financial Statements**
**4. Financial Risk Management (continued)**
**a) Credit risk (continued)**

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

|     | 30 June 2019      | 30 June 2018      |
|-----|-------------------|-------------------|
|     | \$                | \$                |
| A   | 18,820,973        | 5,908,380         |
| AA- | 22,527,012        | 26,756,215        |
|     | <b>41,347,985</b> | <b>32,664,595</b> |

**(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<br>interest rate<br>\$ | Fixed<br>interest rate<br>\$ | Non-interest<br>bearing<br>\$ | Total<br>\$        |
|---|---------------------------------|------------------------------|-------------------------------|--------------------|
| <b>30 June 2019</b>   |                                 |                              |                               |                    |
| <b>Assets</b>   |                                 |                              |                               |                    |
| Cash and cash equivalents   | 41,347,985                      | -                            | -                             | 41,347,985         |
| Other assets  | -                               | -                            | 1,684,009                     | 1,684,009          |
| Financial assets held at fair value through profit or loss                | -                               | -                            | 197,783,702                   | 197,783,702        |
| <b>Total assets</b>   | <b>41,347,985</b>               | <b>-</b>                     | <b>199,467,711</b>            | <b>240,815,696</b> |
| <b>Liabilities</b>  |                                 |                              |                               |                    |
| Management fees payable   | -                               | -                            | 268,922                       | 268,922            |
| Performance fee payable   | -                               | -                            | 9,659,410                     | 9,659,410          |
| Distributions payable   | -                               | -                            | 8,444,222                     | 8,444,222          |
| Other liabilities   | -                               | -                            | 369,492                       | 369,492            |
| <b>Total liabilities excluding net assets attributable to unitholders</b> | <b>-</b>                        | <b>-</b>                     | <b>18,742,046</b>             | <b>18,742,046</b>  |
| <b>Net exposure</b>   | <b>41,347,985</b>               | <b>-</b>                     | <b>180,725,665</b>            | <b>222,073,650</b> |

# Notes to the Financial Statements

## 4. Financial Risk Management (continued)

### d) Interest rate risk (continued)

|   | Floating<br>interest rate<br>\$ | Fixed<br>interest rate<br>\$ | Non-interest<br>bearing<br>\$ | Total<br>\$        |
|---|---------------------------------|------------------------------|-------------------------------|--------------------|
| <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> |

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<br>increase/(decrease) | Effect on operating profit<br>and net assets attributable<br>to unitholders (\$) |
|----------------------------------|---|--|
| <b>Year Ended 30 June 2019</b>   |   |  |
| AUD interest rate                | 25bp/(25bp)                                   | 103,370/(103,370)  |
| <b>Period Ended 30 June 2018</b> |   |  |
| AUD interest rate                | 25bp/(25bp)                                   | 81,661/(81,661)  |

## **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 2019 a positive 10% sensitivity would have had an impact on the Fund's operating profit and net assets attributable to unitholders of \$19,778,370 (2018:\$13,248,085). 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 2019.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period from 30 June 2019 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 2019                           |                    |                   |            |            |             |             |                    |
|--|--------------------|-------------------|------------|------------|-------------|-------------|--------------------|
|  | On demand          | < 1 month         | 1-3 months | 3-6 months | 6-12 months | > 12 months | Total              |
|  | \$                 | \$                | \$         | \$         | \$          | \$          | \$                 |
| <b>Liabilities</b>                     |                    |                   |            |            |             |             |                    |
| Management fees payable                | -                  | 268,922           | -          | -          | -           | -           | 268,922            |
| Performance fee payable                | -                  | 9,659,410         | -          | -          | -           | -           | 9,659,410          |
| Distributions payable                  | -                  | 8,444,222         | -          | -          | -           | -           | 8,444,222          |
| Other payable                          | -                  | 369,492           | -          | -          | -           | -           | 369,492            |
| Net assets attributable to unitholders | 222,073,650        | -                 | -          | -          | -           | -           | 222,073,650        |
| <b>Total liabilities</b>               | <b>222,073,650</b> | <b>18,742,046</b> | <b>-</b>   | <b>-</b>   | <b>-</b>    | <b>-</b>    | <b>240,815,696</b> |

| 30 June 2018                           |                    |                   |            |            |             |             |                    |
|--|--------------------|-------------------|------------|------------|-------------|-------------|--------------------|
|  | On demand          | < 1 month         | 1-3 months | 3-6 months | 6-12 months | > 12 months | Total              |
|  | \$                 | \$                | \$         | \$         | \$          | \$          | \$                 |
| <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          |
| 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> |

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 2019       | 30 June 2018       |
|---|--------------------|--------------------|
|   | \$                 | \$                 |
| <b>Designated at fair value through profit or loss</b>                  |                    |                    |
| Investments in listed equities  | 197,783,702        | 132,480,854        |
| <b>Total equity securities</b>  | <b>197,783,702</b> | <b>132,480,854</b> |
| <b>Total financial assets held at fair value through profit or loss</b> | <b>197,783,702</b> | <b>132,480,854</b> |



## Notes to the Financial Statements

## 5. Investments in Financial Instruments (continued)

## 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).

## 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 2019 recorded at fair value and presented by level of the fair value hierarchy:

|   | 30 June 2019       |          |          | Total              |
|---|--------------------|----------|----------|--------------------|
|   | Level 1            | Level 2  | Level 3  |                    |
|   | \$                 | \$       | \$       | \$                 |
| <b>Financial assets</b>   |                    |          |          |                    |
| Investments in equity securities  | 197,783,702        | -        | -        | 197,783,702        |
| <b>Total financial assets held at fair value through profit or loss</b> | <b>197,783,702</b> | <b>-</b> | <b>-</b> | <b>197,783,702</b> |
|   |                    |          |          |                    |
|   | 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> |

# Notes to the Financial Statements

## 5. Investments in Financial Instruments (continued)

### b) Fair Value Hierarchy (continued)

#### Transfer between levels

There have been no transfers between levels for the year ended 30 June 2019 (30 June 2018: Nil).

### c) Disclosed fair values

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

## 6. Net gains on financial instruments held at fair value through profit or loss

|   | 30 June 2019      | 30 June 2018      |
|---|-------------------|-------------------|
|   | \$                | \$                |
| Unrealised gains on financial instruments designated at fair value through profit or loss | 39,053,728        | 29,386,704        |
| Realised gains on financial instruments designated at fair value through profit or loss   | 18,926,214        | 14,945,895        |
| <b>Net gains on financial instruments designated at fair value through profit or loss</b> | <b>57,979,942</b> | <b>44,332,599</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 2019       |                    | 30 June 2018       |                    |
|--|--------------------|--------------------|--------------------|--------------------|
|  | No. of Units       | \$                 | No. of Units       | \$                 |
| Opening balance                                    | 109,223,527        | 154,465,345        | 96,701,310         | 104,515,873        |
| Applications for units by unitholders              | 25,304,284         | 39,403,061         | 15,697,509         | 21,677,005         |
| Redemption for units by unitholders                | (6,805,829)        | (10,424,455)       | (3,175,292)        | (4,145,890)        |
| Increase in net assets attributable to unitholders | -                  | -                  | -                  | 32,418,357         |
| Distributions paid and payable to unitholders      | -                  | (9,462,826)        | -                  | -                  |
| Profit for the year                                | -                  | 48,092,525         | -                  | -                  |
| <b>Closing balance</b>                             | <b>127,721,982</b> | <b>222,073,650</b> | <b>109,223,527</b> | <b>154,465,345</b> |

\*Net assets attributable to unitholders are classed as equity at 30 June 2019 and as a financial liability at 30 June 2018. Refer to Note 1 and 3n) for further details

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.

Distributions of \$9,462,826 (2018: \$7,545,203) were declared to be paid to unitholders during the financial year to 30 June 2019 of which \$8,444,222 (2018: \$6,420,871) was payable at 30 June 2019.

# Notes to the Financial Statements

## 9. Other Assets

|                           | 30 June 2019     | 30 June 2018   |
|---------------------------|------------------|----------------|
|                           | \$               | \$             |
| GST receivable            | 734,030          | 353,301        |
| Due from Broker           | 949,979          | -              |
| <b>Total other assets</b> | <b>1,684,009</b> | <b>353,301</b> |

## 10. Cash and Cash Equivalents

a) Cash and cash equivalents include cash at banks and brokers. 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 2019      | 30 June 2018      |
|----------------|-------------------|-------------------|
|                | \$                | \$                |
| Cash at Broker | 18,820,973        | 5,908,380         |
| Cash at Bank   | 22,527,012        | 26,756,215        |
|                | <b>41,347,985</b> | <b>32,664,595</b> |

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

|   | 30 June 2019        | 30 June 2018      |
|---|---------------------|-------------------|
|   | \$                  | \$                |
| <b>Profit/(loss) for the period</b>   | <b>48,092,525</b>   | <b>-</b>          |
| <b>Gain in net assets attributable to unitholders</b>   | <b>-</b>            | <b>32,418,357</b> |
| Change in value of financial assets held at fair value through profit or loss                     | (57,979,942)        | (44,332,599)      |
| Net proceeds from purchase and sale of financial assets held at fair value through profit or loss | (7,903,663)         | 8,632,249         |
| Distribution to unitholders   | -                   | 7,545,203         |
| Effects of exchange rate changes on the balance of cash held in foreign currencies                | 564                 | 23,517            |
| <b>Change in assets and liabilities:</b>  |                     |                   |
| Increase in receivables and other assets  | (380,459)           | (280,807)         |
| Increase in payables  | 5,315,798           | 3,942,366         |
| <b>Net cash used in/(provided by) operating activities</b>  | <b>(12,855,177)</b> | <b>7,948,286</b>  |

## 11. Auditor's Remuneration

The auditor of the Fund is Crowe Sydney. Auditor's remuneration for the year ended 30 June 2019 will be paid out of the Management Fee:

|  | 30 June 2019 | 30 June 2018 |
|--|--------------|--------------|
|  | \$           | \$           |
| <b>Audit and other assurance services:</b>                       |              |              |
| Audit and review of financial statements                         | 8,500        | 8,500        |
| <b>Total remuneration for audit and other assurance services</b> | <b>8,500</b> | <b>8,500</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. For the financial period ended 30 June 2019, the management fee expenses incurred by the Fund were \$2,383,412 (2018: \$1,756,270) of which \$268,922 was payable at year end (2018: \$188,683).

***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 2019, the performance fee incurred by the Fund was \$9,000,814 (2018: \$4,122,225). Performance fees payable at 30 June 2019 were \$9,659,410 (2018: \$4,423,851).

***(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 2019:

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  |
| Sarah Wiesener  | Executive Director (appointed as a Director on 26 October 2018) and Company Secretary |
| Justin Epstein  | Non-executive Director from 1 January 2019 (Executive Director to 31 December 2018)   |
| Elizabeth Reddy | Non-executive Director (resigned on 26 October 2018)                                  |

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 2019.

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 years ended 30 June 2019 and 30 June 2018.

## (ii) Other Key Management Personnel

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

| Name               | Title   |
|--------------------|---|
| Joe Magyer         | Chief Investment Officer                            |
| Randal Coon        | Non-executive Director                              |
| Lawrence Greenberg | Non-executive Director                              |
| Ollen Douglass     | Non-executive Director (resigned 12 November 2018)  |
| Bruce Jackson      | Non-executive Director                              |
| Kerra McDonough    | Non-executive Director (appointed 12 November 2018) |

## (iii) Other Key Management Personnel Unitholdings

| Unitholder     | Number of units held opening | Number of units acquired | Number of units disposed | Number of units held closing | Fair value of investment (\$) | % Interest held | Distributions paid/payable by the Fund |
|----------------|------------------------------|--------------------------|--------------------------|------------------------------|-------------------------------|-----------------|--|
| Bruce Jackson* | 1,910,927                    | 149,897                  | -                        | 2,060,824                    | 3,583,210                     | 0.93%           | 136,249                                |
| <b>Total</b>   | <b>1,910,927</b>             | <b>149,897</b>           | <b>-</b>                 | <b>2,060,824</b>             | <b>3,583,210</b>              | <b>0</b>        | <b>136,249</b>                         |

\* or related parties or entities to Mr Jackson

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

Other key management personnel of the Investment Manager have not been compensated out of the Fund for the years ended 30 June 2019 and 30 June 2018.

## 13. Commitments and Contingencies

There are no commitments or contingencies as at 30 June 2019 (30 June 2018: Nil).

## 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.