

Realm High Income Fund

ARSN 159 673 533

Financial report

For the year ended 30 June 2023

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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 High Income Fund (ARSN 159 673 533) ("RHIF" or the "Fund") submit their report together with the financial report for the Fund for the year ended 30 June 2023.

Responsible Entity

The registered office and principal place of business of the Responsible Entity is Level 16, Governor Macquarie Tower, 1 Farrer Place, 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 year and to the date of this Directors' Report are:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Sarah Wiesener	Executive Director and Company Secretary
Michael Sutherland	Executive Director

Principal Activities

The Fund is a registered managed investment scheme, constituted and domiciled in Australia.

The Fund was constituted on 25 July 2012, registered as a managed investment scheme on 10 August 2012 and commenced operations on 26 September 2012.

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

The Fund's primary objective is to invest in domestic investment grade asset-backed, bank-issued and corporate bonds. Notwithstanding this primary emphasis, the Fund may also invest in Commonwealth and State government securities, inflation linked securities, hybrid securities, revolving credit facilities, bank term deposits, international agency, supranational debt and derivatives. Derivatives can be used to implement investment decisions, including hedging, and as a risk management tool (such as managing the effect of interest rate or foreign currency movements). They may also be used to adjust or implement investment decisions and to gain, or avoid, exposure to a particular market rather than purchasing physical assets. In this regard, derivatives will only be used to gain exposures when they offer a more cost effective way of purchasing the underlying security. All derivative positions will be fully funded. No leverage is possible when fully exposing and backing the derivative position.

The Fund did not have any employees during the year.

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

Review and Results of Operations

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

	Year ended	
	30 June 2023	30 June 2022
Profit/(loss) for the year (\$)	117,762,980	(36,234,531)
Distributions paid and payable (\$)	69,325,945	22,589,895

Directors' Report (continued)

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 9 of the financial statements.

The value of the Fund's assets and liabilities is disclosed in the Statement of Financial Position and derived using the basis set out in note 3 of the financial statements.

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 year are disclosed in note 15 of the financial statements.

Changes in State of Affairs

The Responsible Entity transitioned the administration and custody services for the Fund from Apex Fund Services Pty Ltd to State Street Australia Limited on and from 1 May 2023.

During the year there were no other 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 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

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 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'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.

Directors' Report (continued)

This report is made in accordance with a resolution of the directors of the Responsible Entity, One Managed Investment Funds Limited.



Frank Tearle
Director
26 September 2023

26 September 2023

The Directors
One Managed Investment Funds Limited
As the Responsible Entity of Realm High Income Fund
Level 16, Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000

Dear Directors

Realm High Income 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.

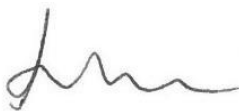
As lead audit partner for the audit of the financial report of Realm High Income Fund for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

- (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



Alison Swansborough
Partner

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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 external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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Statement of Profit or Loss and Other Comprehensive Income

	Note	Year ended	
		30 June 2023	30 June 2022
		\$	\$
Investment income			
Net gains/(losses) on financial instruments at fair value through profit or loss	5	54,147,627	(71,373,615)
Interest income		73,533,905	44,319,059
Distribution income		1,049,439	822,620
Other income		225,977	466,177
Total net investment income/(loss)		<u>128,956,948</u>	<u>(25,765,759)</u>
Expenses			
Management fees	15(b)	10,102,295	9,737,961
Other expenses		1,091,673	730,811
Total expenses		<u>11,193,968</u>	<u>10,468,772</u>
Profit/(loss) for the year		<u>117,762,980</u>	<u>(36,234,531)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the year		<u>117,762,980</u>	<u>(36,234,531)</u>

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

Statement of Financial Position

	Note	As at	
		30 June 2023 \$	30 June 2022 \$
Assets			
Cash and cash equivalents	11(a)	89,001,128	124,229,440
Other receivables	8	18,167,010	9,167,762
Receivables on investments sold		10,872,685	1,824,879
Financial assets at fair value through profit or loss	6	<u>1,393,373,305</u>	<u>1,889,612,891</u>
Total assets		<u>1,511,414,128</u>	<u>2,024,834,972</u>
Liabilities			
Distributions payable		7,673,613	1,296,338
Management fees payable	15(b)	839,129	1,185,733
Payables on investments purchased		10,800,917	43,627,059
Other payables		676,610	-
Financial liabilities at fair value through profit or loss	6	<u>11,284,661</u>	<u>645,270,383</u>
Total liabilities		<u>31,274,930</u>	<u>691,379,513</u>
Net assets attributable to unitholders - equity	9	<u>1,480,139,198</u>	<u>1,333,455,459</u>

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

Statement of Changes in Equity

	Note	Year ended	
		30 June 2023	30 June 2022
		\$	\$
Total equity at the beginning of the year		1,333,455,459	-
Reclassification due to AMIT tax regime implementation*		-	1,137,160,330
Comprehensive income for the year			
Profit/(loss) for the year		117,762,980	(36,234,531)
Other comprehensive income		-	-
Total comprehensive income for the year		<u>117,762,980</u>	<u>(36,234,531)</u>
Transactions with unitholders			
Applications	9	431,104,135	607,593,787
Redemptions	9	(334,384,560)	(353,245,168)
Reinvestment of distributions	9	1,527,129	770,936
Distributions to unitholders	9	(69,325,945)	(22,589,895)
Total transactions with unitholders		<u>28,920,759</u>	<u>232,529,660</u>
Total equity at the end of the year		<u>1,480,139,198</u>	<u>1,333,455,459</u>

*Effective from 1 July 2021, the Fund's units have been reclassified from financial liability to equity. As a result, equity transactions, including distributions have been disclosed in the above statement for the year ended 30 June 2023 and 30 June 2022.

Changes in net assets attributable to unitholders are disclosed in Note 9.

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

Statement of Cash Flows

	Note	Year ended	
		30 June 2023 \$	30 June 2022 \$
Cash flows from operating activities			
Net purchase and sales of financial instruments at fair value through profit or loss		(108,951,521)	(272,167,269)
Loss on foreign exchange		(17,617,375)	(8,681,781)
Interest received		69,313,811	39,207,777
Distributions received		1,161,448	822,620
Other income received		225,977	466,177
Management fees paid		(10,448,899)	(9,221,249)
Other payments		<u>(5,306,226)</u>	<u>(1,009,387)</u>
Net cash outflows from operating activities	11(b)	<u>(71,622,785)</u>	<u>(250,583,112)</u>
Cash flows from financing activities			
Distributions paid to unitholders		(61,421,541)	(31,287,716)
Proceeds from applications by unitholders		431,104,135	607,593,787
Payments for redemptions by unitholders		<u>(334,384,560)</u>	<u>(353,245,168)</u>
Net cash inflows from financing activities		<u>35,298,034</u>	<u>223,060,903</u>
Net decrease in cash and cash equivalents		(36,324,751)	(27,522,209)
Cash and cash equivalents at the beginning of the year		124,229,440	150,271,767
Effects of exchange rate fluctuations on cash		<u>1,096,439</u>	<u>1,479,882</u>
Cash and cash equivalents at the end of the year	11(a)	<u>89,001,128</u>	<u>124,229,440</u>
Non-cash operating and financing activities	11(c)	<u>1,527,129</u>	<u>770,936</u>

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

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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 16, Governor Macquarie Tower, 1 Farrer Place, Sydney NSW 2000.

The Fund was constituted on 25 July 2012, registered as a managed investment scheme on 10 August 2012 and commenced operations on 26 September 2012.

The principal activities of the Fund is disclosed in the Directors’ Report.

The Fund elected into the Attribution Managed Investment Trust (“AMIT”) regime under the Taxation Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016 with effect 1 July 2021. The Responsible Entity is therefore no longer contractually obligated to pay distributions. However, it intends to continue paying distributions as described in its PDS. Consequently, the units in the Fund have been reclassified from a financial liability to equity on 1 July 2021. In the years the Fund is AMIT compliant, and the Fund is unable to pay cash distributions, any taxable income attributed to unitholders should be reported as a tax cost base uplift in the attribution managed investment trust member annual (“AMMA”) statements.

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) New and Amended Standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2022 that will have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(b) New Standards and Interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2023, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

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 years 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, the Corporations Act 2001 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.

3 Summary of Significant Accounting Policies (continued)

(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.

(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 9 *Financial Instruments* 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 Profit or Loss and Other Comprehensive Income as an unrealised appreciation or depreciation on Fund investments.

3 Summary of Significant Accounting Policies (continued)

(f) Investments in Financial Instruments (continued)

(i) Designated at fair value through profit or loss (continued)

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 year. 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.

(g) Expenses

All expenses of the Fund are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accruals basis.

(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

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 year, 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 year.

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's Constitution to distribute Fund income to unitholders. Any subsequent distribution will be recognised in the Statement of Changes in Equity.

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

3 Summary of Significant Accounting Policies (continued)

(i) Distributions (continued)

Distributable income includes capital gains arising from the disposal of investments. Unrealised gains or loss on investments that are recognised in the Statement of Profit or Loss and Other 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 Profit or Loss and Other 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.

(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 year in which the estimate is revised if the revision affects only that year or in the year of the revision and future years if the revision affects both current and future years. The assumptions and methods used in the determination of the value of investments are outlined in note 3(f) of these financial statements.

3 Summary of Significant Accounting Policies (continued)

(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

Units are redeemable at the unit holders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unit holders.

The units can be put back to the Fund at any time for cash based on the redemption price. The units are carried at the redemption amount that is payable at balance date if the holder exercises the right to put them back to the Fund.

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

- the puttable financial instrument entitles 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 is not a contract settled in the Fund's own equity;
- the total expected cash flows attributable to the instrument over the life of the instrument are based substantially on the profit or loss, the change in the recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the entity over the life of the instrument (excluding any effects of the instrument).

The Fund elected into the Attribution Managed Investment Trust regime with effect from 1 July 2021 and the Fund's units have been reclassified from a financial liability to equity as they satisfied all the above criteria.

(q) Comparative Revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

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 BBB- or higher. Issuers of investment grade securities are considered to have a strong capacity to meet their payment obligations. As at 30 June 2023, the Average Credit Rating is BBB+.

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

	As at			
	30 June 2023		30 June 2022	
	\$	% of portfolio	\$	% of portfolio
AAA	39,364,441	2.91%	43,676,422	3.51%
AA	221,202,059	16.34%	62,839,297	5.05%
A	200,371,097	14.80%	172,839,174	13.89%
BBB	596,878,693	44.07%	670,825,046	53.91%
BB	219,585,766	16.21%	215,395,688	17.31%
B	70,197,230	5.18%	66,199,021	5.32%
CCC	789,439	0.06%	746,606	0.06%
Unrated	5,847,315	0.43%	11,821,254	0.95%
Total	<u>1,354,236,040</u>	<u>100.00%</u>	<u>1,244,342,508</u>	<u>100.00%</u>

(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 may be exposed to foreign currency risk if its portfolio includes securities that are denominated in a foreign currency. Currency risk may be reduced by the use of cross-currency swap, foreign exchange forwards and spot contracts.

4 Financial Risk Management Objectives and Policies (continued)

(b) Market Risk (continued)

(i) Currency risk (continued)

The Fund's exposure to currency risk is set out in the following table:

As at 30 June 2023	Euro A\$	USD A\$	NZD A\$	CAD A\$	GBP A\$	AUD A\$
Cash and cash equivalents	16,660,245	6,317,181	868,788	266,750	17,071,659	47,816,505
Other receivables	3,426,201	4,240,193	82,477	-	401,248	10,016,891
Receivables on investments sold	-	8,513,564	-	-	-	2,359,121
Financial assets at fair value through profit or loss	300,453,381	286,490,619	20,332,770	-	48,822,491	737,274,044
Distribution payable	-	-	-	-	-	7,673,613
Management fees payable	-	-	-	-	-	839,129
Payables on investment purchased	1,229,250	2,897,794	-	-	-	6,673,873
Other payables	-	-	-	-	-	676,610
Financial liabilities at fair value through profit or loss	<u>3,562,543</u>	<u>5,852,428</u>	<u>30,136</u>	<u>-</u>	<u>1,704,134</u>	<u>135,420</u>
	<u>315,748,034</u>	<u>296,811,335</u>	<u>21,253,899</u>	<u>266,750</u>	<u>64,591,264</u>	<u>781,467,916</u>
Net increase/(decrease) in exposure from foreign currency contracts						
(sell)/buy foreign currency	<u>(307,312,476)</u>	<u>(293,878,523)</u>	<u>(21,482,549)</u>	<u>-</u>	<u>(62,579,408)</u>	<u>685,252,956</u>
	<u>8,435,558</u>	<u>2,932,812</u>	<u>(228,650)</u>	<u>266,750</u>	<u>2,011,856</u>	<u>1,466,720,872</u>

As at 30 June 2022	Euro A\$	USD A\$	NZD A\$	CAD A\$	GBP A\$	AUD A\$
Cash and cash equivalents	21,708,463	57,111,359	1,272,271	258,207	3,982,218	39,896,922
Other receivables	1,722,663	2,491,683	11,089	-	108,035	4,834,292
Receivables on investments sold	-	-	-	-	-	1,824,879
Financial assets at fair value through profit or loss	234,980,711	255,790,434	5,678,728	-	14,624,781	1,378,538,237
Distributions payable	-	-	-	-	-	1,296,338
Management fees payable	-	-	-	-	-	1,185,733
Payables on investment purchased	13,461,195	4,940,760	1,650,104	-	-	23,575,000
Financial liabilities at fair value through profit or loss	<u>269,426,803</u>	<u>333,370,134</u>	<u>4,420,817</u>	<u>-</u>	<u>18,897,376</u>	<u>19,155,253</u>
	<u>(24,476,161)</u>	<u>(22,917,418)</u>	<u>891,167</u>	<u>258,207</u>	<u>(182,342)</u>	<u>1,379,882,006</u>

4 Financial Risk Management Objectives and Policies (continued)

(b) Market Risk (continued)

(i) Currency risk (continued)

The following table demonstrates the sensitivity of the Fund's Statement of Profit or Loss and Other Comprehensive Income to a reasonable change in foreign exchange rates, with all other variables held constant.

		Foreign exchange risk Impact on operating profit/Net assets attributable to unitholders									
		-20%	+20%	-20%	+20%	-20%	+20%	-20%	+20%		
		Euro	Euro	USD	USD	GBP	GBP	CAD	CAD		
		\$	\$	\$	\$	\$	\$	\$	\$		
30 June 2023		(1,687,112)	1,687,112	(586,562)	586,562	(402,371)	402,371	(53,350)	53,350	45,730	(45,730)
30 June 2022		4,895,232	(4,895,232)	4,583,483	(4,583,483)	36,468	(36,468)	(51,641)	51,641	(178,233)	178,233

(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:

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
	\$	\$	\$	\$
30 June 2023				
Financial assets				
Cash and cash equivalents	89,001,128	-	-	89,001,128
Other receivables	-	-	18,167,010	18,167,010
Receivables on investments sold	-	-	10,872,685	10,872,685
Financial assets at fair value through profit or loss	<u>985,308,480</u>	<u>378,212,355</u>	<u>29,852,470</u>	<u>1,393,373,305</u>
Total assets	<u>1,074,309,608</u>	<u>378,212,355</u>	<u>58,892,165</u>	<u>1,511,414,128</u>
Financial liabilities				
Distributions payable	-	-	7,673,613	7,673,613
Management fees payable	-	-	839,129	839,129
Payables on investment purchased	-	-	10,800,917	10,800,917
Other payables	-	-	676,610	676,610
Financial liabilities at fair value through profit or loss	<u>-</u>	<u>167,341</u>	<u>11,117,320</u>	<u>11,284,661</u>
Total liabilities	<u>-</u>	<u>167,341</u>	<u>31,107,589</u>	<u>31,274,930</u>
Interest rate futures (notional principal)	<u>726,982,884</u>	<u>(726,982,884)</u>	<u>-</u>	<u>-</u>
Net exposure	<u>1,801,292,492</u>	<u>(348,937,870)</u>	<u>27,784,576</u>	<u>1,480,139,198</u>

4 Financial Risk Management Objectives and Policies (continued)

(b) Market Risk (continued)

(ii) Interest rate risk (continued)

30 June 2022	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
Financial assets				
Cash and cash equivalents	124,229,440	-	-	124,229,440
Other receivables	-	-	9,167,762	9,167,762
Receivables on investments sold	-	-	1,824,879	1,824,879
Financial assets at fair value through profit or loss	<u>584,278,723</u>	<u>602,993,277</u>	<u>702,340,891</u>	<u>1,889,612,891</u>
Total assets	<u>708,508,163</u>	<u>602,993,277</u>	<u>713,333,532</u>	<u>2,024,834,972</u>
Financial liabilities				
Distributions payable	-	-	1,296,338	1,296,338
Management fees payable	-	-	1,185,733	1,185,733
Payables on investment purchased	-	-	43,627,059	43,627,059
Financial liabilities at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>645,270,383</u>	<u>645,270,383</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>691,379,513</u>	<u>691,379,513</u>
Net exposure	<u>708,508,163</u>	<u>602,993,277</u>	<u>21,954,019</u>	<u>1,333,455,459</u>

The Investment Manager has established limits on the total interest rate exposure for the Fund, which is monitored on a daily basis. The Fund may use derivatives to manage the exposure to interest rates, including for the purposes of hedging.

The sensitivity of the Fund's operating profit to possible changes in interest rates, with all other variables held constant, is illustrated in the following sensitivity analysis. The analysis is based on the assumptions that interest rates increased by 100 bps (2022: 100 bps) or decreased by 100 bps (2022: 100 bps).

The sensitivity of the Statement of Profit or Loss and Other Comprehensive income is the effect of the assumed changes in interest rates on the fair value of investments for the year based on revaluing the financial assets as if these changes occurred.

Sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to interest rate risk. Actual movements in interest rates may be greater or less than that used for this sensitivity analysis. As a result, this sensitivity analysis will not be a definitive indicator of future portfolio exposure to this risk. Further, the Fund's actual sensitivity will change over time as the Fund size varies and the portfolio evolves with market developments. The Fund's Interest Rate Duration (IRD) as at 30 June 2023 was 0.70 (2022: 1.43).

4 Financial Risk Management Objectives and Policies (continued)

(b) Market Risk (continued)

(ii) Interest rate risk (continued)

	Interest rate risk	
	Impact on operating profit/Net assets attributable to unitholders	
	-100bps	+100bps
	\$	\$
30 June 2023	(10,360,974)	10,360,974
30 June 2022	(19,068,413)	19,068,413

(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 2023, a positive 10% sensitivity would have had an impact on the Fund's Statement of Profit or Loss and Other Comprehensive Income and Net Assets Attributable to Unitholders of \$138,208,864 (2022: \$124,434,251). 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 meeting its payment obligations as and when they fall due including difficulties 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.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining year from 30 June 2023 and 30 June 2022 to the contractual maturity date.

4 Financial Risk Management Objectives and Policies (continued)

(c) Liquidity Risk (continued)

	Less than 1 month	1-6 months	6-12 months	Over 12 months	Total
At 30 June 2023	\$	\$	\$	\$	\$
Distributions payable	7,673,613	-	-	-	7,673,613
Management fees payable	839,129	-	-	-	839,129
Payables on investments purchased	10,800,917	-	-	-	10,800,917
Other payables	676,610	-	-	-	676,610
Financial liabilities at fair value through profit or loss	<u>1,482,072</u>	<u>9,786,868</u>	<u>11,925</u>	<u>3,796</u>	<u>11,284,661</u>
Total liabilities	<u>21,472,341</u>	<u>9,786,868</u>	<u>11,925</u>	<u>3,796</u>	<u>31,274,930</u>

	Less than 1 month	1-6 months	6-12 months	Over 12 months	Total
At 30 June 2022	\$	\$	\$	\$	\$
Distributions payable	1,296,338	-	-	-	1,296,338
Management fees payable	1,185,733	-	-	-	1,185,733
Payables on investments purchased	43,627,059	-	-	-	43,627,059
Financial liabilities at fair value through profit or loss	-	<u>645,270,383</u>	-	-	<u>645,270,383</u>
Total liabilities	<u>46,109,130</u>	<u>645,270,383</u>	<u>-</u>	<u>-</u>	<u>691,379,513</u>

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 at Fair Value through Profit or Loss

	Year ended	
	30 June 2023	30 June 2022
	\$	\$
Net realised losses on financial instruments at fair value through profit or loss	(1,232,726)	(14,310,909)
Net unrealised gains/(losses) on financial instruments at fair value through profit or loss	<u>55,380,353</u>	<u>(57,062,706)</u>
Total net gains/(losses) on financial instruments at fair value through profit or loss	<u>54,147,627</u>	<u>(71,373,615)</u>

6 Investments in Financial Instruments

Financial assets as at fair value through profit or loss

	As at	
	30 June 2023	30 June 2022
	\$	\$
Financial assets at fair value through profit or loss		
Investment in asset backed securities	464,722,787	962,418,109
Investment in corporate bonds	889,513,253	274,397,254
Investment in unit trusts	28,754,443	23,373,292
Investment in derivatives	<u>10,382,822</u>	<u>629,424,236</u>
Total financial assets at fair value through profit or loss	<u>1,393,373,305</u>	<u>1,889,612,891</u>

Financial liabilities at fair value through profit or loss

	As at	
	30 June 2023	30 June 2022
	\$	\$
Financial liabilities at fair value through profit or loss		
Investment in derivatives	<u>11,284,661</u>	<u>645,270,383</u>
Total financial liabilities at fair value through profit or loss	<u>11,284,661</u>	<u>645,270,383</u>

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.

6 Investments in Financial Instruments (continued)

The following table shows an analysis of financial instruments held at 30 June 2023 and 30 June 2022, recorded at fair value and presented by level of the fair value hierarchy:

As at 30 June 2023	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Investment in asset backed securities	-	464,722,787	-	464,722,787
Investment in corporate bonds	-	889,513,253	-	889,513,253
Investment in unit trusts	25,161,111	3,593,332	-	28,754,443
Investment in derivatives	<u>9,297,530</u>	<u>1,085,292</u>	-	<u>10,382,822</u>
Total financial assets at fair value through profit or loss	<u>34,458,641</u>	<u>1,358,914,664</u>	-	<u>1,393,373,305</u>
Financial liabilities				
Investment in derivatives	<u>552,850</u>	<u>10,731,811</u>	-	<u>11,284,661</u>
Total financial liabilities at fair value through profit or loss	<u>552,850</u>	<u>10,731,811</u>	-	<u>11,284,661</u>
As at 30 June 2022	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Investment in asset backed securities	-	962,418,109	-	962,418,109
Investment in corporate bonds	-	274,397,254	-	274,397,254
Investment in unit trusts	-	23,373,292	-	23,373,292
Investment in derivatives	-	<u>629,424,236</u>	-	<u>629,424,236</u>
Total financial assets at fair value through profit or loss	-	<u>1,889,612,891</u>	-	<u>1,889,612,891</u>
Financial liabilities				
Investment in derivatives	<u>3,582,108</u>	<u>641,688,275</u>	-	<u>645,270,383</u>
Total financial liabilities at fair value through profit or loss	<u>3,582,108</u>	<u>641,688,275</u>	-	<u>645,270,383</u>

There were no transfers between levels 1, 2 and 3 during the year. 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 2023, the Fund had \$34,458,641 (2022: \$nil) financial assets at fair value through profit or loss included in level 1. As at 30 June 2023, the Fund also had \$552,850 (2022: \$3,582,108) financial liabilities at fair value through profit or loss included in level 1.

6 Investments in Financial Instruments (continued)

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 2023, the Fund had \$1,358,914,664 (2022: \$1,889,612,891) financial assets at fair value through profit or loss included in level 2. As at 30 June 2023, the Fund also had \$10,731,811 (2022: \$641,688,275) financial liabilities at fair value through profit or loss included 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 2023, the Fund had \$nil (2022: \$nil) financial assets 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 enter 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 the following derivative instruments.

(a) Futures

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)

(b) Forward currency contracts

Forward currency contracts are primarily used by the Fund to economically hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Fund agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing bid price at the end of each reporting period. The Fund recognises a gain or loss equal to the change in fair value at the end of each reporting period.

(c) Swaps

A swap is an agreement between two parties to exchange their obligations, (payments) or receipts, at set intervals on a notional principal amount over an agreed time period.

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

	Contract/ notional \$	Fair values	
		Assets \$	Liabilities \$
As at 30 June 2023			
Exchange traded futures	812,130,090	9,297,530	552,850
Foreign currency forward contracts	751,680,380	1,068,731	10,716,090
Swaps	3,653,338	16,561	15,721
	<u>1,567,463,808</u>	<u>10,382,822</u>	<u>11,284,661</u>

	Contract/ notional \$	Fair values	
		Assets \$	Liabilities \$
As at 30 June 2022			
Exchange traded futures	172,122,878	-	3,582,108
Foreign currency forward contracts	641,168,040	629,424,236	641,688,275
	<u>813,290,918</u>	<u>629,424,236</u>	<u>645,270,383</u>

8 Other Receivables

	As at	
	30 June 2023 \$	30 June 2022 \$
GST receivable	408,312	399,408
Interest receivable	12,630,082	8,409,988
Distributions receivable	23,231	135,240
Other receivables	5,105,385	223,126
Total other receivables	<u>18,167,010</u>	<u>9,167,762</u>

9 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 2023		Year ended 30 June 2022	
	No. of Units	\$	No. of Units	\$
Ordinary Units				
Balance as at 1 July	17,667,305	17,533,917	14,978,157	15,562,264
Applications for units by unitholders	1,291,275	1,315,794	18,622,453	19,247,327
Redemptions of units by unitholders	(5,551,618)	(5,615,744)	(16,052,960)	(16,539,358)
Reinvestments by unitholders	229,199	233,292	119,655	123,718
Distributions paid and payable	-	(720,692)	-	(339,636)
Profit/(loss) for the year	-	1,223,894	-	(520,398)
Closing balance as at 30 June	<u>13,636,161</u>	<u>13,970,461</u>	<u>17,667,305</u>	<u>17,533,917</u>
Wholesale Units				
Balance as at 1 July	1,193,211,816	1,206,238,749	975,939,618	1,029,176,617
Applications for units by unitholders	397,569,380	412,759,034	526,420,692	552,198,518
Redemptions of units by unitholders	(301,147,233)	(311,958,049)	(309,628,673)	(322,494,691)
Reinvestments by unitholders	925,989	962,425	480,179	505,817
Distributions paid and payable	-	(63,062,258)	-	(20,422,108)
Profit/(loss) for the year	-	107,112,784	-	(32,725,404)
Closing balance as at 30 June	<u>1,290,559,952</u>	<u>1,352,052,685</u>	<u>1,193,211,816</u>	<u>1,206,238,749</u>
Adviser Units				
Balance as at 1 July	87,361,423	86,717,261	66,508,156	68,891,320
Applications for units by unitholders	14,281,782	14,506,697	29,812,502	30,723,785
Redemptions of units by unitholders	(12,754,168)	(12,953,713)	(9,087,802)	(9,256,909)
Reinvestments by unitholders	303,978	309,808	128,567	132,719
Distributions paid and payable	-	(4,444,806)	-	(1,406,601)
Profit/(loss) for the year	-	7,534,323	-	(2,367,053)
Closing balance as at 30 June	<u>89,193,015</u>	<u>91,669,570</u>	<u>87,361,423</u>	<u>86,717,261</u>
mFund Units				
Balance as at 1 July	22,982,356	22,965,532	22,578,441	23,530,129
Applications for units by unitholders	2,461,355	2,522,610	5,235,650	5,424,157
Redemptions of units by unitholders	(3,775,553)	(3,857,054)	(4,840,087)	(4,954,210)
Reinvestments by unitholders	21,089	21,604	8,352	8,682
Distributions paid and payable	-	(1,098,189)	-	(421,550)
Profit/(loss) for the year	-	1,891,979	-	(621,676)
Closing balance as at 30 June	<u>21,689,247</u>	<u>22,446,482</u>	<u>22,982,356</u>	<u>22,965,532</u>
Closing balance as at 30 June	<u>1,415,078,375</u>	<u>1,480,139,198</u>	<u>1,321,222,900</u>	<u>1,333,455,459</u>

9 Net Assets Attributable to Unitholders (continued)

(a) Unit Classes

The Fund offers four classes of Units under the Product Disclosure Statements as follows:

- Ordinary Units;
- Wholesale Units;
- Adviser Units; and
- mFund Units.

(b) Terms and Conditions of Units on Issue

Wholesale Units rank equal with and have the same rights, restrictions, obligations, terms and conditions as Ordinary Units, Adviser Units and mFund Units except for the following:

- Wholesale Units are only able to be applied for by Wholesale Clients and be issued by the Responsible Entity to Wholesale Clients;
- a lower management fee is charged in respect of the Wholesale Units;
- the Wholesale Units have a different application price and withdrawal price reflecting the lower management fees charged;
- if Wholesale Units are transferred to a Retail Client, the Transferred Wholesale Units are automatically be reclassified as, or converted to, Ordinary Units by the Responsible Entity (at the next relevant valuation time) pursuant to its reclassification and conversion power under the Constitution. The Transferred Wholesale Units are reclassified or converted to as many Ordinary Units having the same total value as the Transferred Wholesale Units. In reclassifying and converting the Transferred Wholesale Units to Ordinary Units, the Transferred Wholesale Units are consolidated or divided as appropriate;
- a lower management fee will be charged in respect of the mFund Units and the Wholesale Units;
- when mFund Units are available through ASX's mFund Service, mFund Units will only able to be applied for or withdrawn through mFund via a broker.

Adviser Units rank equally with and have the same rights, restrictions, obligations, terms and conditions as Ordinary Units, Wholesale Units and mFund Units except for the following:

Adviser Units are only able to be applied for by Advised Clients and are only able to be issued by the Responsible Entity to Advised Clients.

An investor ceases to qualify as an Advised Client if the Responsible Entity is notified that:

- the investor has ceased to receive advisory services from an individual or entity who is an Approved Dealer Group or authorised by an Approved Dealer Group; or
- the Approved Dealer Group who has provided the investor with advisory services ceases to hold an appropriate AFSL for the purposes of advising or dealing in respect of interests in the Fund or to be eligible to rely upon an exemption from the requirement to hold an AFSL for such financial services.

9 Net Assets Attributable to Unitholders (continued)

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

Where an Ineligibility Event occurs, the Responsible Entity will provide the investor with written notice of the Ineligibility Event and will provide the unitholder with the option to either:

- provide sufficient evidence to satisfy the Responsible Entity that an Ineligibility Event has not occurred; or
- elect to:
 - reclassify/convert the Adviser Units to Ordinary Units or Wholesale Units; or
 - withdraw from the Fund.

If the investor failed to either provide sufficient evidence to the Responsible Entity or make an election referred to above, within the Notice Period, the Adviser Units will automatically be reclassified as, or converted to either, Ordinary Units or Wholesale Units by the Responsible Entity pursuant to its reclassification and conversion power under the Constitution.

If Adviser Units are transferred to an investor who is not an Advised Client, the Transferred Adviser Units will be automatically reclassified or converted by the Responsible Entity (at the next relevant valuation time following the transfer) in the same manner as described above in respect of the automatic reclassification or conversion of the Ineligible Adviser Units.

10 Capital Management

As a result of the ability to issue, and redeem 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 and redemption of units other than where the Fund is not liquid (as defined in the Corporations Act 2001 (Cth)). 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 Statements;
- 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 and redemptions 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 year 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 2023	30 June 2022
	\$	\$
Cash at bank	47,017,613	86,406,515
Margin account	<u>41,983,515</u>	<u>37,822,925</u>
	<u>89,001,128</u>	<u>124,229,440</u>

11 Cash and Cash Equivalents (continued)

(b) Reconciliation of operating profit/(loss) for the year to Net Cash Flows Provided by/(Used in) Operating Activities:

	Year ended	
	30 June 2023	30 June 2022
	\$	\$
Operating profit/(loss) for the year	117,762,980	(36,234,531)
Net (gains)/losses on financial instruments at fair value through profit or loss	(54,147,627)	71,373,615
Net proceeds from purchase and sale of financial instruments at fair value through profit or loss	(108,951,521)	(272,167,269)
Loss on foreign exchange	(17,617,375)	(8,681,781)
Change in assets and liabilities:		
(Increase) in other assets	(8,999,248)	(5,389,858)
Increase in payables	<u>330,006</u>	<u>516,712</u>
Net cash outflows from operating activities	<u>(71,622,785)</u>	<u>(250,583,112)</u>
(c) Non-cash financing activities		
The following distribution payments to unitholders were satisfied by the issue of units under the distribution reinvestment plan	<u>1,527,129</u>	<u>770,936</u>
Total non-cash operating and financing activities	<u>1,527,129</u>	<u>770,936</u>

12 Auditor's Remuneration

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

	Year ended	
	30 June 2023	30 June 2022
	\$	\$
Crowe Sydney		
Audit of the financial report	<u>18,127</u>	<u>16,785</u>
	<u>18,127</u>	<u>16,785</u>
Ernst & Young		
Audit of compliance plan	<u>5,000</u>	<u>4,350</u>
	<u>5,000</u>	<u>4,350</u>
Total auditor's remuneration	<u>23,127</u>	<u>21,135</u>

Fees are stated exclusive of GST.

13 Commitments and Contingencies

There are no commitments or contingencies at 30 June 2023 (2022: nil).

14 Subsequent Events

There has been no matter or circumstance 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.

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.

	Year ended	
	30 June 2023	30 June 2022
	\$	\$
Responsible entity fees for the year	142,755	546,416

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 Statements, the Responsible Entity charges a management fee of 1.2% (including GST) of the gross asset value of the Fund referable to Ordinary Units; and 0.77% (including GST) of the gross asset value of the Fund referable to Wholesale Units, mFund Units and Adviser 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 year ended 30 June 2023:

	Year ended	
	30 June 2023	30 June 2022
	\$	\$
Management fees for the year	10,102,295	9,737,961
Management fees payable at year end	839,129	1,185,733

(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, Wholesale Units, mFund Units and Adviser Units. The fee accrues daily and expenses are paid upon receipt from the accrued balance out of the assets of the Fund.

15 Related Party Transactions (continued)

(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
Sarah Wiesener	Executive Director and Company Secretary
Michael Sutherland	Executive Director

Key Management Personnel of the Responsible Entity and their associated entities did not hold any units in the Fund as at 30 June 2023 (2022: nil).

(ii) Investment Manager

The Key Management Personnel of the Investment Manager are:

Name	Title
Andrew Papageorgiou	Director
Robert Camilleri	Director
Ken Liow	Partner

The Key Management Personnel of the Investment Manager and their associated entities held the following units as at 30 June 2023 and 30 June 2022:

30 June 2023

	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 \$
Realm Pty Ltd	48,961	51,140	53,577	0.004%	2,179	-	2,493
Ken Liow	941,827	941,827	986,705	0.067%	-	-	46,936
Total	990,788	992,967	1,040,282	0.071%	2,179	-	49,429

30 June 2022

	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 \$
Realm Pty Ltd	47,711	48,961	49,943	0.004%	1,250	-	805
Ken Liow	941,827	941,827	953,035	0.079%	-	-	17,142
Total	989,538	990,788	1,002,978	0.083%	1,250	-	17,947

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 year and there were no material contracts involving Key Management Personnel's interests existing at year end.

15 Related Party Transactions (continued)

(e) Investments

The Fund held units in the following related parties (including OMIFL, its related parties and other schemes issued by OMIFL) :

30 June 2023

Fund Name - classes	No. of units held opening (Units)	No. of units acquired (Units)	No. of units disposed (Units)	No. of units held closing (Units)	Distributions received / receivable by the Fund \$
Realm Short Term Income Fund - Internal Units	<u>23,320,255</u>	<u>214,228</u>	<u>(19,978,025)</u>	<u>3,556,458</u>	<u>132,151</u>
Total	<u>23,320,255</u>	<u>214,228</u>	<u>(19,978,025)</u>	<u>3,556,458</u>	<u>132,151</u>

- RE Fees paid during the year \$1,328 (2022: \$13,789)
- Internal units do not charge an Investment Management Fee

30 June 2022

Fund Name - classes	No. of units held opening (Units)	No. of units acquired (Units)	No. of units disposed (Units)	No. of units held closing (Units)	Distributions received / receivable by the Fund \$
Realm Short Term Income Fund - Internal Units	22,869,277	450,978	-	23,320,255	513,601
Realm Strategic Income Fund - Enduring Units	<u>26,650,330</u>	<u>863,454</u>	<u>(27,513,784)</u>	-	<u>454,664</u>
Total	<u>49,519,607</u>	<u>1,314,432</u>	<u>(27,513,784)</u>	<u>23,320,255</u>	<u>968,265</u>

- RE Fees paid during the year \$13,789 (2021: \$24,022)
- Internal units do not charge an Investment Management Fee
- All Investment Management fees in relation to the Enduring Units have been rebated

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 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 2023

Independent Auditor's Report to the Unitholders of Realm High Income Fund.

Opinion

We have audited the financial report of Realm High Income Fund (the Fund), which comprises the statement of financial position as at 30 June 2023, 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 2023 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 (including Independence Standards)* (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.

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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.

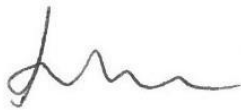
As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- 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

Crowe Sydney



Alison Swansborough

Partner

26 September 2023

Sydney