

**Realm High Income Fund**

**ARSN 159 673 533**

Financial report for the financial year ended 30 June 2014

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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 ("RHIF" or the "Fund") submit their report together with the financial report for the Fund for the year ended 30 June 2014.

### Responsible Entity

The registered office and principal place of business of the Responsible Entity is Level 13, 20 Hunter Street, Sydney NSW 2000.

### Information about the Directors and Senior Management

The names of the directors of the Responsible Entity, in office since inception are:

Name	Title
Frank Tearle	Executive Director and Fund Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director

### Principal Activities

The Fund is a registered managed investment scheme, incorporated 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 period was to invest in accordance with the provisions of the Fund's Constitution and its latest Product Disclosure Statement, dated 26 August 2013.

The Fund's primary emphasis 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 period.

### Review of Operations

#### Results

The results of the operations of the Fund are disclosed in the Statement of Comprehensive Income of these financial statements. The profit attributable to unitholders before distributions for the year ended 30 June 2014 was \$1,807,675 (2013: \$317,354).

#### Distributions

In respect of the financial year ended 30 June 2014, distributions totaling \$1,367,504 (2013: \$329,636) were paid to unitholders.

## Directors' Report (continued)

### *Value of Assets and Units Issued*

Since 26 August 2013, the Fund also offers wholesale units which rank equally with and have the same rights, restrictions, obligations, terms and conditions as ordinary 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 will be charged in respect of the wholesale units;
- the wholesale units will have a different application price and withdrawal price reflecting the lower management fee charged; and
- if wholesale units are transferred to a retail client the transferred wholesale units will 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 will be reclassified or converted to as many ordinary units having the same total value as the transferred wholesale units.

The total value of the Fund's assets at 30 June 2014 was \$36,255,581 (2013: \$8,612,977). The following table shows the total number of units on issue as at 30 June 2014 and 30 June 2013.

	30 June 2014 No. of Units	30 June 2013 No. of Units
Ordinary Units	12,962,262	8,135,458
Wholesale units	21,142,893	-
Total Units	<b>34,105,155</b>	<b>8,135,458</b>

### **Management Fees Paid and Payable**

As stated in the Product Disclosure Statement, 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. The fee accrues daily and is payable monthly in arrears out of the assets of the Fund.

Third party costs of providing custodian, administrative and registry services to the Fund are paid out of the management fee. Investment management fees are paid quarterly 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 2014:

- Management fees of \$212,300 (2013: \$45,352) were incurred during the period.
- Management fees of \$27,879 (2013: \$11,268) were payable at 30 June 2014.

### **Changes in State of Affairs**

As of 26 August 2013, the Fund started offering wholesale units.

During the financial period 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 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.

## Directors' Report (continued)

### Future Developments

The Fund will be managed in accordance with the Constitution and investment objectives as detailed in its most recent Product Disclosure Statement, dated 26 August 2013.

### Environmental Regulation and Performance

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

### Indemnification of Directors, Officers and Auditors

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

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

### 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.



Frank Tearle

Director

26 September 2014



**Auditor's Independence Declaration Under Section 307C of the Corporations Act 2001**

As auditor for the audit of Realm High Income Fund for the period ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Dated at Sydney the 26<sup>th</sup> day of September 2014

A handwritten signature in black ink, appearing to read 'Tim Valtwies', written over the printed name.

**ESV Accounting and Business Advisors**

**Tim Valtwies**  
**Partner**



## Independent Audit Report to the Members of Realm High Income Fund

### *Report on the Financial Report*

We have audited the financial report of Realm High Income Fund ("the Fund"), which comprises the statement of financial position as at 30 June 2014, the statement of comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### *Directors' Responsibility for the Financial Report*

The directors 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 Note 3a, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation of the financial report that gives a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### *Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.



## Independent Audit Report to the Members of Realm High Income Fund

### Opinion

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

- (a)
  - (i) giving a true and fair view of the financial position of the Fund as at 30 June 2014 and of its performance for the period ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Dated at Sydney the 26<sup>th</sup> day of September 2014

ESV

ESV Accounting and Business Advisors

Tim Valtwies  
Partner



## Directors' Declaration

The directors of the Responsible Entity declare that:

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

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

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



Frank Tearle

Director

26 September 2014

**Statement of Comprehensive Income for the year ended 30 June 2014**

	Note	Year ended 30 June 2014 \$	Period from 25 July 2012 to 30 June 2013 \$
<b>Income</b>			
Change in value of financial instruments designated at fair value through profit or loss	5	700,280	108,967
Dividend income		96,432	72,817
Interest income		1,261,180	182,384
Other income		14,001	2,588
Total income		2,071,893	366,756
<b>Expenses</b>			
Management fees	15 (b)	212,300	45,352
Other expenses		51,918	4,050
Total expenses		264,218	49,402
Net profit attributable to unitholders before finance costs		1,807,675	317,354
<b>Finance costs</b>			
Distributions to unitholders		(1,367,504)	(329,636)
<b>Net gain/(loss) attributable to unitholders after finance costs</b>		<b>440,171</b>	<b>(12,282)</b>
(Increase)/decrease in net assets attributable to unitholders		(440,171)	12,282
<b>Total comprehensive income</b>		<b>-</b>	<b>-</b>

The accompanying notes to the financial statements should be read in conjunction with this statement.

**Statement of Financial Position as at 30 June 2014**

	<b>Note</b>	<b>30 June 2014 \$</b>	<b>30 June 2013 \$</b>
<b>Assets</b>			
Cash and cash equivalents	11 (a)	5,808,366	1,753,210
Dividends receivable		-	38,051
Other assets	8	15,496	3,573
Investments in term deposits		508,733	-
Financial assets at fair value through profit or loss	6	29,922,986	6,818,143
<b>Total assets</b>		<b>36,255,581</b>	<b>8,612,977</b>
<b>Liabilities</b>			
Distributions payable		458,752	264,572
Management fees payable	15 (b)	27,879	11,268
Payables on investments purchased		-	65,807
Other payables		-	2,612
Financial liabilities at fair value through profit or loss	6	54,423	-
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>541,054</b>	<b>344,259</b>
<b>Net assets attributable to unitholders</b>		<b>35,714,527</b>	<b>8,268,718</b>

The accompanying notes to the financial statements should be read in conjunction with this statement.

**Statement of Changes in Net Assets Attributable to Unitholders for the period ended 30 June 2014**

	Note	Net assets attributable to unitholders of the Fund \$
<b>Period from 25 July 2012 to 30 June 2013</b>		
Balance as at 25 July 2012		-
Applications for units by unitholders		8,281,000
Redemptions of units by unitholders		-
Decrease in net assets attributable to unitholders		(12,282)
<b>Balance as at 30 June 2013</b>	<b>9</b>	<b>8,268,718</b>
<b>Year ended 30 June 2014</b>		
Balance as at 1 July 2013		8,268,718
Applications for units by unitholders		29,203,843
Redemptions of units by unitholders		(2,246,398)
Reinvestments by unitholders		48,193
Increase in net assets attributable to unitholders		440,171
<b>Balance as at 30 June 2014</b>	<b>9</b>	<b>35,714,527</b>

The accompanying notes to the financial statements should be read in conjunction with this statement.

**Statement of Cash Flows for the period ended 30 June 2014**

		Year ended 30 June 2014 \$	Period from 25 July 2012 to 30 June 2013 \$
	Note		
<b>Cash flows from operating activities</b>			
Interest received		1,255,968	182,134
Interest expense		(3,848)	
Dividends received		134,483	34,766
Management fees paid		(215,205)	(37,016)
Other receipts		10,324	2,588
Other payments		(33,789)	(1,838)
Net purchases and sales of financial instruments designated at fair value through profit or loss		(22,925,091)	(6,643,360)
Net cash used in operating activities	11 (b)	(21,777,158)	(6,462,726)
<b>Cash flows from financing activities</b>			
Distributions paid to unitholders		(1,125,131)	(65,064)
Receipts from unitholder applications		29,203,843	8,281,000
Payments for unitholder redemptions		(2,246,398)	-
Net cash provided by financing activities		25,832,314	8,215,936
Net increase in cash and cash equivalents		4,055,156	1,753,210
Cash and cash equivalents at the beginning of the period		1,753,210	-
<b>Cash and cash equivalents at the end of the period</b>	11 (a)	<b>5,808,366</b>	<b>1,753,210</b>
Non cash financing activities		<b>48,193</b>	-

The accompanying notes to the financial statements should be read in conjunction with this statement.

## Notes to the Financial Statements

### 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 13, 20 Hunter Street, 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 activity of the Fund is disclosed in the Directors' Report.

The financial statements were authorised for issue by the directors of the Responsible Entity on 26 September 2014. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

### 2. Adoption of New and Revised Accounting Standards

#### *a) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)*

The following new and revised Standards and Interpretations have been adopted in the current period and have affected the amounts reported in these financial statements.

*AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'.*

- This standard removes the individual key management personnel disclosure requirements in AASB 124 '*Related Party Disclosures*'. As a result the Fund only discloses the key management personnel compensation in total and for each of the categories required in AASB 124. The adoption of this amending standard does not have any material impact on the financial statements.

*AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'.*

- The Fund has applied the amendments to AASB 7 '*Disclosures – Offsetting Financial Assets and Financial Liabilities*' for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments have been applied retrospectively. As the Fund does not have any offsetting arrangements in place, the application of the amendments does not have any material impact on the financial statements.

*AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'.*

- The objective of AASB 10 is to establish principles for the preparation and presentation of consolidated financial statements. It sets out how to apply the principle of control to identify whether an investor controls an investee and therefore must consolidate the investee. The Fund has reviewed its investments in other entities to assess whether the conclusion as to whether the Fund controls an investee or not is different under AASB 10. No differences were identified. The amendments made by AASB 2013-5 introduce an exception from consolidation requirements for investment entities. On adoption of the amendments, the Fund has determined that it meets the definition of an investment entity. As a consequence, the Fund does not consolidate its investments, but accounts for them at fair value through profit or loss.

*AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'.*

- AASB 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across Australian Accounting Standards. The standard does not extend the use of fair value accounting but provides guidance on how it should be applied where its use is already required or permitted by other Australian Accounting Standards.

Previously the fair value of financial liabilities (including derivatives) was measured on the basis that the financial liability would be settled or extinguished with the counterparty. The adoption of AASB 13 has clarified that fair value is an exit price notion, and as such, the fair value of financial liabilities should be determined based on a transfer value to a third party market participant.

## Notes to the Financial Statements

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

#### a) Standards and Interpretations affecting amounts reported in the current period (and/or prior periods) (continued)

- *Change to bid/ask prices for actively quoted financial instruments*

AASB 13 also removes the requirement to use bid/ask prices for actively quoted financial instruments. Rather the most representative price within the bid/ask spread is used. The Fund has elected to use the last traded price and the directors will ensure that the last traded price used by the Fund, at the balance sheet date falls within the bid/ask spread as at that date. Where it falls outside the bid/ask spread, an alternative basis most representative of fair value within the bid/ask spread, will be used.

AASB 13 allows prospective application of the change to bid and ask prices hence fair value measurements in previous periods have not changed.

Standards and Interpretations that are not expected to have a material impact on the Fund have not been included.

#### b) Standards and Interpretations in issue but not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2014 reporting period and have not been early adopted by the Fund. The Directors' assessment of the impact of these standards (to the extent relevant to the Fund) and interpretations is set out below:

AASB 9 'Financial Instrument' (2009 or 2010 version), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards' - Mandatory Effective Date of AASB 9 and Transition Disclosures and AASB 2013-9 'Amendments to Australian Accounting Standards - Conceptual Framework, Materiality and Financial Instrument' (effective from 1 January 2017).

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting. The standard is not applicable until 1 January 2017 but is available for early adoption.

The directors do not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss.

The Fund has not yet decided when to adopt AASB 9.

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

### 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, other authoritative pronouncements and interpretations of the Australian Accounting Standards Board and the Fund's Constitution.

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

The financial statements were authorised for issue by the directors of the Responsible Entity on 26 September 2014.

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

**Notes to the Financial Statements****3. Significant Accounting Policies (continued)*****b) Basis of preparation***

This general purpose financial report has been prepared using 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 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*****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.

**Distributions**

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

**Dividends**

Dividend income is recognised on the ex-dividend date.

**Interest income**

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

***e) Cash and cash equivalents***

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

***f) Investments in financial instruments***

Investments in financial instruments, as defined by AASB 132 'Financial Instruments: Presentation', are categorised in accordance with AASB 139 'Financial Instruments: Recognition and Measurement' and disclosed in accordance with AASB 7 'Financial Instruments: Disclosures'. This classification is determined by the purpose underpinning the acquisition of the investment. The classification of each financial instrument is re-evaluated at each financial year end.

**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.



**Notes to the Financial Statements****3. Significant Accounting Policies (continued)*****f) Investments in financial instruments (continued)*****Designated at fair value through profit or loss (continued)**

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

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

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

**Derivative financial instruments**

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

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

***g) Expenses***

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

***h) Taxation***

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

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

***i) Distributions***

In accordance with the Fund's Constitution, the Fund makes distributions (if any) to unitholders on a quarterly basis. Distributions are generally paid within fourteen business days after 31 March, 30 September and 31 December of each year and 2 months after 30 June.

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.

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.

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

**Notes to the Financial Statements****3. Significant Accounting Policies (continued)*****j) Foreign currency transactions***

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

***k) Receivables***

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

***l) Payables***

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

***m) Applications and redemptions***

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

***n) Critical accounting judgements and key sources of estimation uncertainty***

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The assumptions and methods used in the determination of the value of investments are outlined in notes 3 c) and 3 f) of these financial statements.

***o) Goods and services tax ("GST")***

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

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

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

## Notes to the Financial Statements

### 3. Significant Accounting Policies (continued)

#### *p) Redeemable participating units*

The participating units issued by the Fund provide the unitholders with the right to redeem their units for cash equal to their proportionate share of the net asset value of the Fund. AASB 32 permits certain puttable instruments that impose on an entity an obligation to deliver to another party a pro-rata share of the net assets of the entity on liquidation to be classified as equity, subject to specified criteria being met. The Fund's redeemable participating units do not meet the specified criteria and have been consequently classified as liabilities. The liability to participating unitholders is presented on the Statement of Financial Position as "Net assets attributable to unitholders" and is determined based on the residual assets of the Fund after deducting the Fund's other liabilities.

### 4. Financial Risk Management Objectives and Policies

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

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

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 on the next page.

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

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

	30 June 2014		30 June 2013	
	\$	% of portfolio	\$	% of portfolio
AAA	1,499,053	4.19%	1,403,988	16.38%
A	12,916,736	36.09%	2,184,838	25.49%
BBB	16,207,862	45.29%	2,676,834	31.23%
BB	3,897,088	10.89%	2,305,693	26.90%
B	1,265,037	3.54%	-	-
	<b>35,785,775</b>	<b>100.00%</b>	<b>8,571,353</b>	<b>100.00%</b>

**Notes to the Financial Statements**
**4. Financial Risk Management Objectives and Policies (continued)**
**(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.

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

	USD \$	AUD \$	Total \$
<b>30 June 2014</b>			
<b>Assets</b>			
Cash and cash equivalents	(114,753)	5,923,119	5,808,366
Other assets	-	15,496	15,496
Investments in term deposits	-	508,733	508,733
Financial assets at fair value through profit or loss	33,856	29,889,130	29,922,986
<b>Total assets</b>	<b>(80,897)</b>	<b>36,336,478</b>	<b>36,255,581</b>
<b>Liabilities</b>			
Distributions payable	-	458,752	458,752
Management fees payable	-	27,879	27,879
Financial liabilities at fair value through profit or loss		54,423	54,423
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>-</b>	<b>541,054</b>	<b>541,054</b>
<b>Net currency exposure</b>	<b>(80,897)</b>	<b>35,795,424</b>	<b>35,714,527</b>

The Fund had no exposure to foreign currency for the period ended 30 June 2013.

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

	Change in foreign exchange rate increase/(decrease)	Effect on net profit and net assets attributable to unitholders (\$)
<b>Year ended 30 June 2014</b>		
USD/AUD	20%/(20%)	(16,179)/16,179
<b>Period from 25 July 2012 to 30 June 2013</b>		
USD/AUD	20%/(20%)	-/-

**Notes to the Financial Statements**
**4. Financial Risk Management Objectives and Policies (continued)**
**(b) Market risk (continued)**
**(ii) Interest rate risk**

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

	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
<b>30 June 2014</b>				
<b>Assets</b>				
Cash and cash equivalents	5,808,366	-	-	5,808,366
Other assets	-	-	15,496	15,496
Investments in term deposits	-	508,733	-	508,733
Financial assets at fair value through profit or loss	29,877,068	-	45,918	29,922,986
<b>Total assets</b>	<b>35,685,434</b>	<b>508,733</b>	<b>61,414</b>	<b>36,255,581</b>
<b>Liabilities</b>				
Distributions payable	-	-	458,752	458,752
Management fees payable	-	-	27,879	27,879
Financial liabilities at fair value through profit or loss	-	-	54,423	54,423
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>-</b>	<b>-</b>	<b>541,054</b>	<b>541,054</b>
<b>Net exposure</b>	<b>35,685,434</b>	<b>508,733</b>	<b>(479,640)</b>	<b>35,714,527</b>
	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
<b>30 June 2013</b>				
<b>Assets</b>				
Cash and cash equivalents	1,753,210	-	-	1,753,210
Dividends receivable	-	-	38,051	38,051
Other assets	-	-	3,573	3,573
Financial assets at fair value through profit or loss	4,923,766	-	1,894,377	6,818,143
<b>Total assets</b>	<b>6,676,976</b>	<b>-</b>	<b>1,936,001</b>	<b>8,612,977</b>
<b>Liabilities</b>				
Distributions payable	-	-	264,572	264,572
Management fees payable	-	-	11,268	11,268
Payables on investments purchased	-	-	65,807	65,807
Other payables	-	-	2,612	2,612
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>-</b>	<b>-</b>	<b>344,259</b>	<b>344,259</b>
<b>Net exposure</b>	<b>6,676,976</b>		<b>1,591,742</b>	<b>8,268,718</b>

**Notes to the Financial Statements**
**4. Financial Risk Management Objectives and Policies (continued)**
**(b) Market risk (continued)**
**(ii) Interest rate risk (continued)**

The following table demonstrates the sensitivity of the Fund's Statement of Financial Position and Statement of Comprehensive Income to a reasonable change in interest rates, with all other variables constant. The 25 basis point sensitivity is based on a change in the AUD cash interest rates, relative to the Fund interest rate risk position as at 30 June 2014 and 30 June 2013:

	Change in basis points increase/(decrease)	Effect on net profit and net assets attributable to unitholders (\$)
<b>Year ended 30 June 2014</b>		
AUD interest rate	25bp/(25bp)	12,231/(12,231)
<b>Period from 25 July 2012 to 30 June 2013</b>		
AUD interest rate	25bp/(25bp)	40,468/(40,468)

**(ii) 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 2014, a positive 10% sensitivity would have had an impact in the Fund's Statement of Comprehensive Income and net assets attributable to unitholders of \$2,986,856 (2013: \$681,814). A negative sensitivity would have an equal but opposite impact.

**(c) Liquidity risk**

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

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

**Notes to the Financial Statements**
**4. Financial Risk Management Objectives and Policies (continued)**
**(c) Liquidity risk (continued)**

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period from 30 June 2014 and 30 June 2013 to the contractual maturity date.

	30 June 2014						Total \$
	On demand	< 1 month	1-3 months	3-6 months	6-12 months	> 12 months	
	\$	\$	\$	\$	\$	\$	
<b>Liabilities</b>							
Distributions payable	-	458,752	-	-	-	-	458,752
Management fees payable	-	27,879	-	-	-	-	27,879
Financial liabilities at fair value through profit or loss	-	-	54,423	-	-	-	54,423
Net assets attributable to unitholders	35,714,527	-	-	-	-	-	35,714,527
<b>Total liabilities</b>	<b>35,714,527</b>	<b>486,631</b>	<b>54,423</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36,255,581</b>
	30 June 2013						Total \$
	On demand	< 1 month	1-3 months	3-6 months	6-12 months	> 12 months	
	\$	\$	\$	\$	\$	\$	
<b>Liabilities</b>							
Distributions payable	-	264,572	-	-	-	-	264,572
Management fees payable	-	-	-	11,268	-	-	11,268
Payables on investments purchased	-	65,807	-	-	-	-	65,807
Other payables	-	2,612	-	-	-	-	2,612
Net assets attributable to unitholders	8,268,718	-	-	-	-	-	8,268,718
<b>Total liabilities</b>	<b>8,268,718</b>	<b>332,991</b>	<b>-</b>	<b>11,268</b>	<b>-</b>	<b>-</b>	<b>8,612,977</b>

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

**5. Net gains on financial instruments designated at fair value through profit or loss**

	Year ended 30 June 2014 \$	Period from 25 July 2012 to 30 June 2013 \$
Net realised gains on financial instruments held at fair value through profit or loss	251,031	118,645
Net unrealised gains/(losses) on financial instruments held at fair value through profit or loss	449,249	(9,678)
<b>Total net gains on financial instruments held at fair value through profit or loss</b>	<b>700,280</b>	<b>108,967</b>

**Notes to the Financial Statements**
**6. Investments in Financial Instruments**
**Financial assets designated as fair value through profit or loss**

	30 June 2014 \$	30 June 2013 \$
<b>Fair value of financial assets designated as fair value through profit or loss</b>		
Investment in asset backed securities	18,186,580	3,348,613
Investment in corporate bonds	10,948,980	1,366,120
Investment in equity securities	741,508	2,090,090
Investment in derivatives	45,918	13,320
<b>Total financial assets designated as fair value through profit or loss</b>	<b>29,922,986</b>	<b>6,818,143</b>

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

	30 June 2014 \$	30 June 2013 \$
<b>Fair value of financial liabilities designated as fair value through profit or loss</b>		
Investment in derivatives	54,423	-
<b>Total financial liabilities designated as fair value through profit or loss</b>	<b>54,423</b>	<b>-</b>

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.



**Notes to the Financial Statements**
**6. Investments in Financial Instruments (continued)**

The following table shows an analysis of financial instruments held at 30 June 2014 and 30 June 2013, recorded at fair value and presented by level of the fair value hierarchy:

	30 June 2014			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
<b>Financial assets</b>				
Investment in asset backed securities	-	18,186,580	-	18,186,580
Investment in corporate bonds	-	10,948,980	-	10,948,980
Investment in listed securities	741,508	-	-	741,508
Investment in derivatives	45,918	-	-	45,918
<b>Total financial assets designated at fair value through profit or loss</b>	<b>787,426</b>	<b>29,135,560</b>	<b>-</b>	<b>29,922,986</b>

	30 June 2013			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
<b>Financial assets</b>				
Investment in asset backed securities	-	3,348,613	-	3,348,613
Investment in corporate bonds	864,315	501,805	-	1,366,120
Investment in listed securities	2,090,090	-	-	2,090,090
Investment in derivatives	13,320	-	-	13,320
<b>Total financial assets designated at fair value through profit or loss</b>	<b>2,967,725</b>	<b>3,850,418</b>	<b>-</b>	<b>6,818,143</b>

	30 June 2014			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
<b>Financial liabilities</b>				
Investment in derivatives	54,423	-	-	54,423
<b>Total financial assets designated at fair value through profit or loss</b>	<b>54,423</b>	<b>-</b>	<b>-</b>	<b>54,423</b>

There were no financial liabilities designated at fair value through profit or loss as at 30 June 2013.

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.

**Notes to the Financial Statements****6. Investments in Financial Instruments (continued)****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 2014 the Fund had \$787,426 (2013: \$2,967,725) financial assets held at fair value through profit or loss included in level 1. As at 30 June 2014 the Fund also had \$54,423 (2013: \$ nil) financial liabilities held at fair value through profit or loss included in level 1.

**Level 2**

The fair value of financial instruments that are not traded in an active market (for example, unlisted investments) is determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. As at 30 June 2014 the Fund had \$29,135,560 (2013: \$3,850,418) financial instruments in level 2.

**Level 3**

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. As at 30 June 2014 the Fund had \$ nil (2013: \$ nil) financial assets held at fair value through profit or loss included in level 3.

**Disclosed fair values**

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

**7. Derivative financial instruments**

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

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

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

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

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

The Fund holds 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.

**Notes to the Financial Statements**
**7. Derivative financial instruments (continued)**
**(b) Options**

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Fund are exchange traded. The Fund may be exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

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

	<b>Notional Value</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>30 June 2014</b>			
Exchange traded derivatives			
Exchange traded options	(56,766)	33,856	-
Exchange traded futures	177,508	12,062	(54,423)
	<b>Notional Value</b>	<b>Assets</b>	<b>Liabilities</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>30 June 2013</b>			
Australian exchange traded derivatives			
Exchange traded futures	(578,630)	13,320	-

**8. Other Receivables**

	<b>30 June 2014</b>	<b>30 June 2013</b>
	<b>\$</b>	<b>\$</b>
GST receivable	6,600	3,573
Interest receivable	5,212	-
Withholding tax receivable	7	-
General fund expenses receivable	3,677	-
	<b>15,496</b>	<b>3,573</b>

**9. Net Assets Attributable to Unitholders**
**Period from 25 July 2012 to 30 June 2013**

	<b>No. of Units</b>	<b>\$</b>
Opening balance as at 25 July 2012	-	-
Applications for units by unitholders	8,135,458	8,281,000
Decrease in net assets attributable to unitholders	-	(12,282)
<b>Closing balance as at 30 June 2013</b>	<b>8,135,458</b>	<b>8,268,718</b>

**Notes to the Financial Statements**
**9. Net Assets Attributable to Unitholders (continued)**
**30 June 2014**

	Ordinary Units		Wholesale units		Total	
	No. of Units	\$	No. of Units	\$	No. of Units	\$
Balance as at 1 July 2013	8,135,458	8,268,718	-	-	8,135,458	8,268,718
Applications for units by unitholders	5,099,641	5,286,019	22,966,640	23,917,824	28,066,281	29,203,843
Redemptions of units by unitholders	(318,047)	(332,050)	(1,825,127)	(1,914,348)	(2,143,174)	(2,246,398)
Reinvestments by unitholders	45,210	46,759	1,380	1,434	46,590	48,193
Increase in net assets attributable to unitholders	-	262,921	-	177,250	-	440,171
<b>Closing balance as at 30 June 2014</b>	<b>12,962,262</b>	<b>13,532,367</b>	<b>21,142,893</b>	<b>22,182,160</b>	<b>34,105,155</b>	<b>35,714,527</b>

**10. Capital Management**

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

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

**11. Cash and Cash Equivalents**

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

	30 June 2014 \$	30 June 2013 \$
Cash at banks	5,724,777	1,753,210
Margin account	83,589	-
	<b>5,808,366</b>	<b>1,753,210</b>

**Notes to the Financial Statements**
**11. Cash and Cash Equivalents (continued)**

- (b) Reconciliation of decrease in net assets attributable to unitholders for the period to net cash flows provided by operating activities:

	Year ended 30 June 2014 \$	Period from 25 July 2012 to 30 June 2013 \$
<b>Increase/(decrease) in net assets attributable to unitholders</b>	<b>440,171</b>	<b>(12,282)</b>
Change in value of financial assets designated at fair value through profit or loss	(700,280)	(108,967)
Net proceeds from purchase and sale of financial assets designated at fair value through profit or loss	(22,925,091)	(6,643,360)
Distributions to unitholders	1,367,504	329,636
<b>Change in assets and liabilities:</b>		
Decrease/(increase) in other assets	26,530	(41,624)
Increase in trade and other payables	14,008	13,871
<b>Net cash used in operating activities</b>	<b>(21,777,158)</b>	<b>(6,462,726)</b>

**12. Auditor's Remuneration**

	Year ended 30 June 2014 \$	Period from 25 July 2012 to 30 June 2013 \$
Audit of the financial report	15,758	9,500
Other audit assurance services	2,244	2,200
<b>Total auditor's remuneration</b>	<b>18,002</b>	<b>11,700</b>

The auditor of the Fund is ESV Accounting and Business Advisors. PricewaterhouseCoopers Australia provided other audit and assurance services for the period ended 30 June 2014 and 30 June 2013.

**13. Commitments and Contingencies**

There are no commitments or contingencies at 30 June 2014 (2013: 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.

## Notes to the Financial Statements

### 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.

- Responsible entity fees of \$39,618 (2013: \$19,800) were incurred during the period.
- Responsible entity fees payable at 30 June 2014 were \$3,318 (2013: \$6,600).

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

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

As stated in the Product Disclosure Statement, the Responsible Entity charges a management fee of 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. The fee accrues daily and is payable monthly in arrears out of the assets of the Fund.

Third party costs of providing custodian, administrative and registry services to the Fund are paid out of the management fee. Investment management fees are paid quarterly 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 2014:

- Management fees of \$212,300 (2013: \$45,352) were incurred during the period.
- Management fees of \$27,879 (2013: \$11,268) were payable at 30 June 2014.

#### (c) Key management personnel

##### i) Responsible Entity

The key management personnel of the Responsible Entity are:

Name	Title
Frank Tearle	Executive Director and Fund Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director

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

Key management personnel of the Responsible Entity and their associated entities did not hold any units in the Fund as at 30 June 2014 (2013: nil).

##### ii) Investment Manager

The key management personnel of the Investment Manager are:

Name	Title
Richard Kerr (resigned on 31 August 2013)	Director
Andrew Papageorgiou	Director
Robert Camilleri	Director

**Notes to the Financial Statements**
**15. Related Party Transactions (continued)**
**(c) Key management personnel (continued)**
**ii) Investment Manager (continued)**

The key management personnel of the Investment Manager and their associated entities held the following units as at 30 June 2014 and 30 June 2013:

	30 June 2014		30 June 2013	
	Units held	% of the Fund	Units held	% of the Fund
Richard Kerr (resigned 31 August 2013)	n/a	n/a	104,884	1.29%
Andrew Papageorgiou	125,531	0.37%	-	0.00%
Robert Camilleri	518,643	1.52%	324,279	3.99%
	<b>644,174</b>	<b>1.89%</b>	<b>429,163</b>	<b>5.28%</b>

**iii) Related party unitholdings**

There was no interest in the Fund held by other management investment schemes also managed by the Responsible Entity and the Manager.

**iv) Other transactions within the Fund**

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