

Realm High Income Fund

ARSN 159 673 533

Financial report

For the year ended 30 June 2016

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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 2016.

Responsible Entity

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

Information about the Directors and Senior Management

The names of the directors and Company Secretary of the Responsible Entity, in office during the financial year are:

Name	Title
Frank Tearle	Executive Director and Company Secretary
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director
Sarah Wiesener	Company Secretary (appointed 9 June 2016)

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

The Fund's primary emphasis is to invest in 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

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 2016 was \$4,659,868 (2015: \$1,475,576).

Distributions

In respect of the financial year ended 30 June 2016, distributions totalling \$4,840,011 (2015: \$2,171,954) were paid to unitholders.

Directors' report (continued)

Review and Results of Operations (continued)

Value of Assets and Units Issued

The total value of the Fund's assets at 30 June 2016 was \$145,054,172 (2015: \$85,574,930). The following table shows the total number of units on issue as at 30 June 2016 and 30 June 2015.

	As at	
	30 June 2016	30 June 2015
	No. of Units	No. of Units
Ordinary Units	12,179,915	16,821,951
Wholesale Units	121,352,586	64,486,583
Total Units	133,532,501	81,308,534

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

On 18 January 2016 OMIFL appointed FundBPO Pty Ltd ABN 81 118 902 891 as new fund administrator and registrar of the Fund. As a result of this change, the application form was updated to include the new applications account.

On 18 March 2016 the Fund issued two new Product Disclosure Statements ("PDS"). In relation to the new Adviser Units and the existing Ordinary and Wholesale Units to:

- allow the Fund to offer other classes of units in particular the new Adviser Units; and
- allow unitholders to convert their existing units to another class of units where they meet the requirements of the relevant class.

In addition, the Additional Product Disclosure Statement and application form were updated to include the Adviser Units.

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.

Future 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.

Directors' report (continued)

Indemnification of Directors, Officers and Auditors

During the financial year, 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 of 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 5.

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



Frank Tearle
Director

28 September 2016



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 2016, 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 28th day of September 2016

A handwritten signature in black ink, appearing to read 'Tim Valtwies', with a checkmark-like flourish at the end.

ESV Accounting and Business Advisors

A handwritten signature in black ink, appearing to read 'Tim Valtwies', with a checkmark-like flourish at the end.

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 2016, the statement of profit or loss and other 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 2016 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 28th day of September 2016

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

28 September 2016

Statement of Comprehensive Income

		Year ended	
	Note	30 June 2016	30 June 2015
		\$	\$
Investment income			
Change in value of financial instruments held at fair value through profit or loss	5	300,724	(672,492)
Dividend income		-	636,551
Interest income		5,207,520	2,188,690
Other income		4,326	699
Total net investment income/(loss)		5,512,570	2,153,448
Expenses			
Management fees	15 (b)	743,269	487,792
Other expenses		109,433	190,080
Total expenses		852,702	677,872
Net profit attributable to unitholders before finance costs		4,659,868	1,475,576
Finance costs			
Distributions to unitholders		(4,840,011)	(2,171,954)
Net loss attributable to unitholders after finance costs		(180,143)	(696,378)
Decrease in net assets attributable to unitholders	9	180,143	696,378
Total comprehensive income for the year		-	-

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

Statement of Financial Position

		As at	
	Note	30 June 2016 \$	30 June 2015 \$
Assets			
Cash and cash equivalents	11 (a)	17,322,179	9,717,565
Applications receivable		-	422,323
Receivables for investment sold		-	2,373,033
Other receivables	8	543,139	21,716
Investments in term deposits		1,000,000	1,046,236
Financial assets held at fair value through profit or loss	6	126,188,854	71,994,057
Total assets		145,054,172	85,574,930
Liabilities			
Distributions payable		876,459	115,083
Management fees payable	15 (b)	84,371	58,910
Payables on investment purchased		4,397,324	504,980
Redemptions payable		-	316
Financial liabilities held at fair value through profit or loss	6	35,262	-
Total liabilities (excluding net assets attributable to unitholders)		5,393,416	679,289
Net assets attributable to unitholders - liability	9	139,660,756	84,895,641

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

Statement of Changes in Net Assets Attributable to Unitholders

	Note	Net assets attributable to unitholders of the Fund \$
<hr/>		
Year ended 30 June 2015		
Balance as at 1 July 2014		35,714,527
Applications for units by unitholders		56,961,963
Redemptions of units by unitholders		(7,182,141)
Reinvestments by unitholders		97,669
Decrease in net assets attributable to unitholders		<u>(696,377)</u>
Balance as at 30 June 2015	9	<u>84,895,641</u>
<hr/>		
	Note	Net assets attributable to unitholders of the Fund \$
<hr/>		
Year ended 30 June 2016		
Balance as at 1 July 2015		84,895,641
Applications for units by unitholders		90,572,580
Redemptions of units by unitholders		(35,758,256)
Reinvestments by unitholders		130,934
Decrease in net assets attributable to unitholders		<u>(180,143)</u>
Balance as at 30 June 2016	9	<u>139,660,756</u>

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

Statement of Cash Flows

	Note	Year ended	
		30 June 2016	30 June 2015
		\$	\$
Cash flows from operating activities			
Net purchase and sales of financial instruments designated at fair value through profit or loss		(47,444,802)	(45,203,542)
Loss on foreign exchange		(145,012)	-
Interest received		4,886,382	2,192,939
Interest paid		-	(1,114)
Dividends received		-	636,551
Management fees paid		(717,808)	(456,761)
Other receipts		4,326	43
Other payments		(309,718)	(198,779)
Net cash outflow from operating activities	11 (b)	(43,726,632)	(43,030,663)
Cash flow from financing activities			
Distributions paid to unitholders		(3,947,701)	(2,417,954)
Proceeds from applications by unitholders		91,008,068	56,539,640
Payments for redemptions by unitholders		(35,758,572)	(7,181,824)
Net cash inflow from financing activities		51,301,795	46,939,862
Net increase in cash and cash equivalents		7,575,163	3,909,199
Cash and cash equivalents at the beginning of the year		9,717,565	5,808,366
Effect of exchange rate fluctuations on cash		29,451	-
Cash and cash equivalents at the end of the year	11 (a)	17,322,179	9,717,565
Non-cash operating and financing activities		130,934	97,669

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

1 General Information

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

The Fund was constituted on 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 on the date the Directors' Declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Adoption of New and Revised Accounting Standards

(a) Compliance with International Financial Reporting Standards (IFRS)

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

(b) New and Amended Standards Adopted by the Fund

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2015 that have a material impact on the Fund.

(c) New Standards and Interpretations Not Yet Adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2016 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

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

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

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

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

2 Adoption of New and Revised Accounting Standards (continued)

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

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

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

3 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all 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 and the Fund's Constitution.

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

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

(b) Basis of Preparation

This general purpose financial report has been prepared using 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.

Certain amounts included in the prior year comparatives have been re-classified to confirm to the current year's presentation.

(c) Going Concern Basis

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

(d) Revenue and Income Recognition

(i) Revenue

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured.

(ii) Distributions

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

3 Summary of Significant Accounting Policies (continued)

(d) Revenue and Income Recognition (continued)

(iii) Dividends

Dividend income is recognised on the ex-dividend date.

(iv) Interest income

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

(e) Cash and Cash Equivalents

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

(f) Investments in Financial Instruments

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

(i) Designated at fair value through profit or loss

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

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

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

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

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

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

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

(ii) Derivative financial instruments

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

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

3 Summary of Significant Accounting Policies (continued)

(g) Expenses

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

(h) Taxation

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

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

(i) Distributions

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

During the financial 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 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 Comprehensive Income in the period in which they arise.

(k) Receivables

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

(l) Payables

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

3 Summary of Significant Accounting Policies (continued)

(m) Applications and Redemptions

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

(n) Critical Accounting Judgements and Key Sources of Estimation Uncertainty

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

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

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

(o) Goods and Services Tax ("GST")

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

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

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

(p) Net Assets Attributable to Unitholders

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

4 Financial Risk Management Objectives and Policies

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

Financial instruments of the Fund comprise investments in financial assets held for the purpose of generating a return on the investment made by unitholders. In addition, the Fund also holds cash and cash equivalents and other financial instruments such as trade debtors and creditors, which arise directly from the operations of the Fund. The responsibility for identifying and controlling the risks that arise from these instruments is that of the Investment Committee 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 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 2016		As at 30 June 2015	
	\$	% of portfolio	\$	% of portfolio
AAA	15,885,025	10.95%	10,645,390	12.43%
AA	14,464,318	9.97%	10,853,790	12.67%
A	35,252,059	24.30%	13,121,285	15.32%
BBB	59,929,820	41.32%	41,840,460	48.86%
BB	17,999,157	12.41%	7,447,862	8.70%
B	1,523,793	1.05%	1,726,079	2.02%
	145,054,172	100.00%	85,634,866	100.00%

(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:

	USD \$	AUD \$	Total \$
30 June 2016			
Assets			
Cash and cash equivalents	582,566	16,739,613	17,322,179
Other receivables	3,777	539,362	543,139
Investments in term deposits	-	1,000,000	1,000,000
Financial assets held at fair value through profit or loss	1,403,892	124,784,962	126,188,854
Total assets	1,990,235	143,063,937	145,054,172
Liabilities			
Distributions payable	-	876,459	876,459
Management fees payable	-	84,371	84,371
Payables on investment purchased	-	4,397,324	4,397,324
Financial liabilities held at fair value through profit or loss	16,112	19,150	35,262
Total liabilities (excluding net assets attributable to unitholders)	16,112	5,377,304	5,393,416
Net currency exposure	1,974,123	137,686,633	139,660,756
	USD \$	AUD \$	Total \$
30 June 2015			
Assets			
Cash and cash equivalents	-	9,777,501	9,777,501
Applications receivable	-	422,323	422,323
Receivables for investment sold	-	2,373,033	2,373,033
Other receivables	-	21,716	21,716
Investments in term deposits	-	1,046,236	1,046,236
Financial assets held at fair value through profit or loss	32,451	71,961,606	71,994,057
Total assets	32,451	85,602,415	85,634,866
Liabilities			
Cash and cash equivalents	59,936	-	59,936
Distributions payable	-	115,083	115,083
Management fees payable	-	58,910	58,910
Payables on investment purchased	-	504,980	504,980
Redemptions payable	-	316	316
Total liabilities (excluding net assets attributable to unitholders)	59,936	679,289	739,225
Net currency exposure	(27,485)	84,923,126	84,895,641

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.

	<u>Change in foreign exchange rate increase/(decrease)</u>	<u>Effect on net profit and net assets attributable to unitholders</u>
Year ended 30 June 2016		
USD/AUD	20%/(20%)	394,825/(394,825)
Year ended 30 June 2015		
USD/AUD	20%/(20%)	(5,497)/5,497

(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:

	<u>Floating interest rate \$</u>	<u>Fixed interest rate \$</u>	<u>Non-interest bearing \$</u>	<u>Total \$</u>
30 June 2016				
Assets				
Cash and cash equivalents	17,322,179	-	-	17,322,179
Other receivables	-	-	543,139	543,139
Investments in term deposits	-	1,000,000	-	1,000,000
Financial assets held at fair value through profit or loss	126,188,854	-	-	126,188,854
Total assets	143,511,033	1,000,000	543,139	145,054,172
Liabilities				
Distributions payable	-	-	876,459	876,459
Management fees payable	-	-	84,371	84,371
Payables on investment purchased	-	-	4,397,324	4,397,324
Financial liabilities held at fair value through profit or loss	-	-	35,262	35,262
Total liabilities (excluding net assets attributable to unitholders)	-	-	5,393,416	5,393,416
Net exposure	143,511,033	1,000,000	(4,850,277)	139,660,756
	<u>Floating interest rate \$</u>	<u>Fixed interest rate \$</u>	<u>Non-interest bearing \$</u>	<u>Total \$</u>
30 June 2015				
Assets				
Cash and cash equivalents	9,717,565	-	-	9,717,565
Applications receivable	-	-	422,323	422,323
Receivables for investment sold	-	-	2,373,033	2,373,033
Other receivables	-	-	21,716	21,716
Investments in term deposits	-	1,046,236	-	1,046,236
Financial assets held at fair value through profit or loss	71,948,139	-	45,918	71,994,057
Total assets	81,665,704	1,046,236	2,862,990	85,574,930

4 Financial Risk Management Objectives and Policies (continued)

(b) Market Risk (continued)

(ii) Interest rate risk (continued)

	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
Liabilities				
Distributions payable	-	-	115,083	115,083
Management fees payable	-	-	58,910	58,910
Payables on investment purchased	-	-	504,980	504,980
Redemptions payable	-	-	316	316
Total liabilities (excluding net assets attributable to unitholders)	-	-	679,289	679,289
Net exposure	81,665,704	1,046,236	2,183,701	84,895,641

The following table demonstrates the sensitivity of the Fund's Statement of Financial Position and Statement of Profit or Loss and Other 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 2016

	<u>Change in basis points rate increase/(decrease)</u>	<u>Effect on net profit and net assets attributable to unitholders</u>
Year ended 30 June 2016		
AUD interest rate	25bp/(25bp)	6,126/(6,126)
Year ended 30 June 2015		
AUD interest rate	25bp/(25bp)	164,700/(164,700)

(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 2016, a positive 10% sensitivity would have had an impact in the Fund's Statement of Profit or Loss and Other Comprehensive Income and Net Assets Attributable to Unitholders of \$12,618,885 (2015: \$7,199,406). 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.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining year from 30 June 2016 and 30 June 2015 to the contractual maturity date.

4 Financial Risk Management Objectives and Policies (continued)

(c) Liquidity Risk (continued)

30 June 2016						
	On demand	< 1 month	1-3 months	3-12 months	> 12 months	Total
	\$	\$	\$	\$	\$	\$
Liabilities						
Distributions payable	-	876,459	-	-	-	876,459
Management fees payable	-	84,371	-	-	-	84,371
Payables on investments purchased	-	4,397,324	-	-	-	4,397,324
Financial liabilities at fair value through profit or loss	-	-	35,262	-	-	35,262
Net assets attributable to unitholders	139,660,756	-	-	-	-	139,660,756
Total liabilities	139,660,756	5,358,154	35,262	-	-	145,054,172

30 June 2015						
	On demand	< 1 month	1-3 months	3-12 months	> 12 months	Total
	\$	\$	\$	\$	\$	\$
Liabilities						
Distributions payable	-	115,083	-	-	-	115,083
Management fees payable	-	58,910	-	-	-	58,910
Payables on investments purchased	-	504,980	-	-	-	504,980
Redemptions payable	-	316	-	-	-	316
Net assets attributable to unitholders	84,895,641	-	-	-	-	84,895,641
Total liabilities	84,895,641	679,289	-	-	-	85,574,930

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

5 Net Gains/(Losses) on Financial Instruments Designated at Fair Value through Profit or Loss

	Year ended	
	30 June 2016	30 June 2015
	\$	\$
Net realised gains/(losses) on financial instruments held at fair value through profit or loss	585,533	(63,182)
Net unrealised losses on financial instruments held at fair value through profit or loss	(284,809)	(609,310)
Total net gains/(losses) on financial instruments held at fair value through profit or loss	300,724	(672,492)

6 Investments in Financial Instruments

Financial assets designated as fair value through profit or loss

	As at	
	30 June 2016	30 June 2015
	\$	\$
Financial assets designated at fair value through profit or loss		
Investment in asset backed securities	48,065,909	32,580,661
Investment in corporate bonds	76,318,526	19,424,090
Investment in equity securities	1,755,950	19,931,174
Investment in derivatives	48,469	58,132
Total financial assets designated at fair value through profit or loss	126,188,854	71,994,057

6 Investments in Financial Instruments (continued)

Fair value hierarchy (continued)

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

Level 1:

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

Level 2:

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

Level 3:

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

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

The following table shows an analysis of financial instruments held at 30 June 2016 and 30 June 2015, recorded at fair value and presented by level of the fair value hierarchy:

	30 June 2016			Total
	Level 1 \$	Level 2 \$	Level 3 \$	
Financial assets				
Investment in asset backed securities	-	48,065,909	-	48,065,909
Investment in corporate bonds	-	76,318,526	-	76,318,526
Investment in equity securities	1,755,950	-	-	1,755,950
Investment in derivatives	48,469	-	-	48,469
Total financial assets designated at fair value through profit or loss	1,804,419	124,384,435	-	126,188,854
	30 June 2015			Total
	Level 1 \$	Level 2 \$	Level 3 \$	
Financial assets				
Investment in asset backed securities	-	32,580,661	-	32,580,661
Investment in corporate bonds	-	19,424,090	-	19,424,090
Investment in equity securities	19,931,174	-	-	19,931,174
Investment in derivatives	58,132	-	-	58,132
Total financial assets designated at fair value through profit or loss	19,989,306	52,004,751	-	71,994,057

6 Investments in Financial Instruments (continued)

Fair value hierarchy (continued)

	30 June 2016			Total
	Level 1	Level 2	Level 3	
	\$	\$	\$	\$
Financial liabilities				
Investment in derivatives	35,262	-	-	35,262
Total financial liabilities designated at fair value through profit or loss	35,262	-	-	35,262

The Fund had no financial liabilities designated at fair value through profit or loss as at 30 June 2015.

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 2016 the Fund had \$1,804,419 (2015: \$19,989,306) financial assets held at fair value through profit or loss included in level 1. As at 30 June 2016 the Fund also had \$35,262 (2015: \$ 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 2016, the Fund had \$124,384,435 (2015: \$52,004,751) 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 2016, the Fund had \$ nil (2015: \$ 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.

7 Derivative Financial Instruments (continued)

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.

(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:

	Notional Value \$	Assets \$	Liabilities \$
30 June 2016			
Exchange traded derivatives			
Exchange traded options	22,185,000	48,469	-
Exchange traded futures	2,268,056	-	35,262
	Notional Value \$	Assets \$	Liabilities \$
30 June 2015			
Exchange traded derivatives			
Exchange traded options	241,123	32,451	-
Exchange traded futures	5,622,927	25,681	-

8 Other Receivables

	30 June 2016 \$	As at 30 June 2015 \$
GST receivable	18,898	16,413
Prepayments	153,629	-
Interest receivable	322,101	963
General fund expenses receivable	48,511	4,340
Total receivables	543,139	21,716

9 Net Assets Attributable to Unitholders

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

Year ended 30 June 2015

	Ordinary Units		Wholesale Units		Total	
	No. of Units	\$	No. of Units	\$	No. of Units	\$
Balance as at 1 July 2014	12,962,262	13,532,367	21,142,893	22,182,160	34,105,155	35,714,527
Applications for units by unitholders	7,951,560	4,833,931	49,727,250	52,128,032	57,678,810	56,961,963
Redemptions of units by unitholders	(4,170,087)	(865,595)	(6,398,821)	(6,316,544)	(10,568,908)	(7,182,140)
Reinvestments by unitholders	78,216	81,628	15,261	16,041	93,477	97,669
Decrease in net assets attributable to unitholders	-	(130,562)	-	(565,817)	-	(696,378)
Closing balance as at 30 June 2015	16,821,951	17,451,769	64,486,583	67,443,872	81,308,534	84,895,641

Year ended 30 June 2016

	Ordinary Units		Wholesale Units		Total	
	No. of Units	\$	No. of Units	\$	No. of Units	\$
Balance as at 1 July 2015	16,821,951	17,451,769	64,486,583	67,443,872	81,308,534	84,895,641
Applications for units by unitholders	4,330,777	4,507,850	82,087,194	86,064,730	86,417,971	90,572,580
Redemptions of units by unitholders	(9,046,438)	(9,405,526)	(25,273,527)	(26,352,730)	(34,319,965)	(35,758,256)
Reinvestments by unitholders	73,625	76,334	52,336	54,600	125,961	130,934
Decrease in net assets attributable to unitholders		(16,431)		(163,712)	-	(180,143)
Closing balance as at 30 June 2016	12,179,915	12,613,996	121,352,586	127,046,760	133,532,501	139,660,756

(a) Unit Classes

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

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

There were no subscriptions in the Adviser Units as at 30 June 2016.

(b) Terms and Conditions of Units on Issue

Wholesale Units will 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
- 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. In reclassifying and converting the Transferred Wholesale Units to Ordinary Units, the Transferred Wholesale Units will be consolidated or divided as appropriate.

9 Net Assets Attributable to Unitholders (continued)

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

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 will cease 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.

Where an Ineligibility Event occurs, the Responsible Entity will provide the investor with written notice of the Ineligibility Event and will provide 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, 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 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 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 2016 \$	30 June 2015 \$
Cash at bank	16,740,956	9,328,340
Margin account	581,223	389,225
	<u>17,322,179</u>	<u>9,717,565</u>

(b) Reconciliation of Decrease in Net Assets Attributable to Unitholders for the year to Net Cash Flows Provided by Operating Activities:

	Year ended 30 June 2016 \$	30 June 2015 \$
Decrease in net assets attributable to unitholders	(180,143)	(696,378)
Change in value of financial assets designated at fair value through profit or loss	(300,724)	672,492
Net proceeds from purchase and sale of financial assets designated at fair value through profit or loss	(47,444,802)	(45,203,542)
Loss on foreign exchange	(145,012)	
Distributions to unitholders	4,840,011	2,171,954
Change in assets and liabilities:		
Increase in other assets	(321,138)	(6,220)
(Decrease)/increase in trade and other payables	(174,824)	31,031
Net cash outflow from operating activities	(43,726,632)	(43,030,663)

(c) Non-cash financing activities

The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan

	130,934	-
Total non-cash operating and financing activities	130,934	-

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 2016 \$	30 June 2015 \$
Audit of the financial report	13,556	13,090
Other audit assurance services	2,244	2,244
Total auditor's remuneration	15,800	15,334

The auditor of the Fund is ESV Accounting and Business Advisors for the years ended 30 June 2016 and 30 June 2015.

PricewaterhouseCoopers Australia provided other audit and assurance services for the year ended 30 June 2016 and 30 June 2015.

13 Commitments and Contingencies

There are no commitments or contingencies at 30 June 2016 (2015: nil).

14 Subsequent Events

There has not been any 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.

- Responsible entity fees of \$99,560 (2015: \$51,788) were incurred during the year.
- Responsible entity fees payable at 30 June 2016 were \$6,473 (2015: \$7,767).

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, 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. The following entities provided services to the Fund during the financial year ended 30 June 2016:

- Unity Fund Services Pty Limited (ACN 146 747 122) - fund administration services from 1 July 2015 to 17 January 2016
- One Registry Services Pty Limited (ACN 141 757 360) - unit registry services from 1 July 2015 to 17 January 2016

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 2016:

- Management fees of \$743,269 (2015: \$487,792) were incurred during the year.
- Management fees of \$84,371 (2015: \$58,910) were payable at 30 June 2016.

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

Unity Tax Services Pty Limited (ACN 147 393 557) provided taxation services to the Fund during the financial year ended 30 June 2016. The fees paid to Unity Tax Services Pty Limited were paid out of the general fund expenses.

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
Justin Epstein	Executive Director
Elizabeth Reddy	Non-executive Director
Sarah Wiesener	Company Secretary (appointed 9 June 2016)

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 2016 (2015: nil).

(ii) Investment Manager

The Key Management Personnel of the Investment Manager are:

Name	Title
Andrew Papageorgiou	Director
Robert Camilleri	Director

The Key Management Personnel of the Investment Manager and their associated entities held the following units as at 30 June 2016 and 30 June 2015:

30 June 2016

Unitholder	Number of Units held opening	Number of Units held closing	Fair value of investment	% Interest held	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
Andrew Papageorgiou	125,531	125,351	130,328	0.09%	-	-	4,558
Robert Camilleri	518,643	518,643	539,233	0.39%	-	-	18,831
Total	644,174	643,994	669,561	0.48%	-	-	23,388

30 June 2015

Unitholder	Number of Units held opening	Number of Units held closing	Fair value of investment	% Interest held	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund
Andrew Papageorgiou	125,531	125,531	131,042	0.15%	-	-	4,618
Robert Camilleri	518,643	518,643	541,412	0.64%	-	-	19,078
Total	644,174	644,174	672,454	0.79%	-	-	23,696

(iii) Related party unitholdings

As at 30 June 2016, 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 material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interests existing at