

Australian Small and Mid-Cap Fund

ARSN 635 323 830

Annual Financial Report

For the period from 8 April 2020 to 30 June 2020

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These financial statements cover the Australian Small and Mid-Cap Fund as an individual entity.

The Responsible Entity of the Australian Small and Mid-Cap Fund is Specialised Private Capital Ltd (ABN 87 095 773 390) (AFSL 246744). The Responsible Entity's registered office is:

Specialised Private Capital Ltd
Level 17, 181 William Street
Melbourne VIC 3000

Directors' report

The Directors of Specialised Private Capital Ltd (ABN 87 095 773 390), the Responsible Entity of the Australian Small and Mid-Cap Fund (the "Fund"), present their report together with the financial statements of the Fund for the period from 8 April 2020 to 30 June 2020.

Principal activities

The Fund invests substantially all of its assets in a portfolio of small and mid-cap companies listed, or expected to be listed, on the ASX, in accordance with the provisions of the Fund's Constitution. The Fund's assets are managed directly by one or more selected managers, or indirectly through pooled funds managed by the selected managers that provide exposure to Australian shares.

The Fund did not have any employees during the period.

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

Directors

The following persons held office as directors of Specialised Private Capital Ltd during the period and up to the date of this report:

Spiro Paule
Executive Director
B.Juris, Dip All, F.A.I.M.

Spiro has worked in the financial services industry in a variety of management and consulting roles since 1980 with multi-national insurers/fund managers as well as a long serving principal and director with one of Australia's largest dealer groups before co-founding the Findex Group ("Findex") in 2001. He is the CEO of Findex, Australia's 5th largest accountancy firm by revenue. As CEO, Spiro oversees:

- Group operations;
- Group budget;
- Mergers and Acquisitions;
- Development of standards and procedures;
- Integration of acquisitions;
- Overseeing the further development of proprietary enterprise management software systems and platforms; and
- Delivery of Findex Group core ideology and key behaviours.

Spiro is also a Fellow of the Australian Institute of Management (FAIM).

Matthew Games
Executive Director
B Comm (Accounting), CA

Matt joined Findex in January 2008 as Chief Financial Officer and is responsible for the financial management of the business. He is also heavily involved in Findex's mergers and acquisitions practices.

Prior to joining Findex, Matt worked with Macquarie Private Wealth as a specialist project manager focusing on acquisition and new business opportunities. Preceding that, Matt spent 7 years with ING Australia, initially in its group finance area before moving on to specialise in the financial advisory field as Finance Manager for ING Advice, working with the RetireInvest, Tandem and Millennium 3 financial planning groups.

Matt holds a Bachelor of Commerce degree from Macquarie University in Sydney and is also a Chartered Accountant. He is also a qualified 'Black Belt' in Six Sigma, a process improvement and quality management methodology used by many leading companies worldwide.

Directors' report (continued)

Kieran Canavan
Executive Director
B Comm, Dip Lending, Dip FP (RG 146), GAICD

Kieran began working in the financial services industry in 1992 as a Financial Adviser for premier clients of the Standard Bank. By 1997 he was heading up special projects within Standard Bank, specifically focused on mortgage securities. In 1997 Kieran immigrated to Australia after being "head-hunted" by a major international manufacturing, import and redistribution company based in Sweden, Poseidon AB. Kieran was tasked with starting up the new venture in Australia. Kieran took this company from start up through to eventual successful sale in 2002. In late 2002 Kieran moved back into the financial services industry in the field of mortgage origination and setup and managed a boutique mortgage company. This company was acquired by Centric Wealth in late 2003. Kieran joined Centric Wealth in 2003 in the role of Head of Lending. In 2009, Kieran became Head of Treasury Services and subsequently Head of Products and Services. Kieran joined the Findex's Management Team as a result of Findex's acquisition of Centric Wealth in 2014. Kieran is now Chief Investment Officer for Findex. Kieran's other responsibilities include:

- Vice Chairman of the Findex Asset Allocation and Investment Committee;
- Responsible Manager of Findex's Funds Management business and Responsible Entity; and
- Senior management and administration roles in community based volunteer and not for profit organisations.

Review and results of operations

The Fund continued to invest in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

Results

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

	Period from 8 April 2020 to 30 June 2020
Operating profit for the period (\$)	<u>10,369,587</u>

Significant changes in the state of affairs

The fund was constituted on 2 August 2019, registered by Australian Securities and Investments Commission (ASIC) as a managed investment scheme on and commenced operations on 8 April 2020. Accordingly these financial statements only include the current financial period, covering the period from commencement of the Fund to 30 June 2020.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the period.

Matters subsequent to the end of the period

No matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

Directors' report (continued)

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

The Fund's investment objective is to preserve and grow capital relative to the market. The future returns of the Fund are dependent on the performance of the underlying investments.

There are current uncertainties in the economy related to the COVID-19 outbreak that emerged since early 2020 that has led to increased market volatility. The period over which such market volatility will persist, as well as any longer-term adverse effect on world economies and markets, is difficult to predict as the situation is still evolving. The Fund may be adversely impacted by COVID-19 for the next financial year. The extent of such impact will depend on how long the outbreak lasts and other factors, including its effect on world economies and markets.

Further information on likely developments in the operations of the Fund and the expected results of those operations has not been included in this report because the directors believe it would likely result in unreasonable prejudice to the Fund.

Indemnity and insurance of officers

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of Specialised Private Capital Ltd or the auditors of the Fund. So long as the officers of Specialised Private Capital Ltd act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

Indemnity of auditors

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Proceedings on behalf of the Fund

No person has applied for leave of Court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Fund is a party for the purpose of taking responsibility on behalf of the Fund for all or any part of those proceedings.

The Fund was not a party to any such proceedings during the period.

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 Fund property during the period are disclosed in Note 14 to the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the period.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the period are disclosed in Note 14 to the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the period is disclosed in Note 7 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

Directors' report (continued)

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

Corporate governance

The Directors of the Responsible Entity is comprised of three Executive Directors, Spiro Paule, Matthew Games and Kieran Canavan.

The Fund's policy regarding the Responsible Entity's Directors and employees trading in its securities is set by the Investment Committee. The policy restricts Directors of the Responsible Entity and employees from acting on material information until it has been released to the market and adequate time has been given for this to be reflected in the security's prices.

The Directors of the Responsible Entity approved the formation of a Compliance Committee to ensure compliance with the Responsible Entity's systems and procedures as outlined in its Compliance Plan. The Compliance Committee comprises three members, two of whom are external to the Responsible Entity.

Rounding of amounts to the nearest dollar

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 24 March 2016 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under s307C of the *Corporations Act 2001* is set out on page 6.

This directors' report is signed in accordance with a resolution of the directors made pursuant to s298(2) of the *Corporations Act 2001*.



Matthew Games
Director
Sydney
6 October 2020

6 October 2020

The Board of Directors
Specialised Private Capital Ltd
Level 17, 181 William Street
MELBOURNE VIC 3000

Dear Board Members

Independence Declaration – Australian Small and Mid-Cap Fund

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Specialised Private Capital Ltd, the Responsible Entity of Australian Small and Mid-Cap Fund.

As lead audit partner for the audit of the financial report of Australian Small and Mid-Cap Fund for the year ended 30 June 2020, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully



DELOITTE TOUCHE TOHMATSU



Mark Stretton
Partner
Chartered Accountants

Statement of comprehensive income

	Notes	Period from 8 April 2020 to 30 June 2020 \$
Investment income		
Dividend income		50,728
Net gains on financial instruments at fair value through profit or loss	5	<u>10,654,820</u>
Total investment income		<u>10,705,548</u>
Expenses		
Responsible Entity fees	14	249,870
Custody and administrator fees	14	18,730
Auditor's remuneration	10	14,634
Other operating expenses	11	<u>52,727</u>
Total operating expenses		<u>335,961</u>
Profit for the period		<u>10,369,587</u>
Other comprehensive income		<u>-</u>
Total comprehensive income for the period		<u>10,369,587</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	As at 30 June 2020 \$
Assets		
Cash and cash equivalents	8	7,422,265
Due from brokers - receivable for securities sold		97,925
Receivables	12	22,568
Financial assets at fair value through profit or loss	6	<u>120,161,433</u>
Total assets		<u>127,704,191</u>
Liabilities		
Due to broker - payable for securities purchased		173,901
Payables	13	<u>492,632</u>
Total liabilities		<u>666,533</u>
Net assets attributable to unit holders - equity	7	<u>127,037,658</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

	Notes	Period from 8 April 2020 to 30 June 2020 \$
Total equity at the beginning of the period	7	-
Comprehensive income for the period		
Profit for the period		10,369,587
Other comprehensive income		-
Total comprehensive income for the period		<u>10,369,587</u>
Transactions with unit holders		
Applications	7	118,020,484
Redemptions	7	(1,352,413)
Distributions	7	-
Total transactions with unit holders	7	<u>116,668,071</u>
Total equity at the end of the period	7	<u>127,037,658</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

	Notes	Period from 8 April 2020 to 30 June 2020 \$
Cash flows from operating activities		
Proceeds from sale of financial instruments at fair value through profit or loss		7,437,841
Purchase of financial instruments at fair value through profit or loss		(116,868,478)
Distribution received		50,728
Responsible Entity fees paid		(84,021)
Payment of other operating expenses		<u>(38,922)</u>
Net cash outflow from operating activities	9(a)	<u>(109,502,852)</u>
Cash flows from financing activities		
Proceeds from applications by unit holders		118,020,484
Payments for redemptions by unit holders		<u>(1,095,367)</u>
Net cash inflow from financing activities		<u>116,925,117</u>
Net increase in cash and cash equivalents		<u>7,422,265</u>
Cash and cash equivalents at the end of the period	8	<u>7,422,265</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

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1 General information

These financial statements cover the Australian Small and Mid-Cap Fund (the "Fund") as an individual entity. The Fund was constituted on 2 August 2019, registered by Australian Securities and Investments Commission (ASIC) as a managed investment scheme on and commenced operations on 8 April 2020 and will terminate on 23 November 2099 unless terminated earlier in accordance with the provisions of the Fund's Constitution.

The Responsible Entity of the Fund is Specialised Private Capital Ltd (the "Responsible Entity"). The Responsible Entity's registered office is Level 17, 181 William Street, Melbourne VIC 3000. These financial statements are presented in Australian dollars, which is the Fund's functional and presentation currency.

The Fund invests substantially all of its assets in a portfolio of small and mid-cap companies listed, or expected to be listed, on the ASX, in accordance with the provisions of the Fund's Constitution. The Fund's assets are managed directly by one or more selected managers, or indirectly through pooled funds managed by the selected managers that provide exposure to Australian shares.

The financial statements were authorised for issue by the directors on 6 October 2020. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 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 throughout the period presented, unless otherwise stated in the following text.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001* in Australia. The Fund is a for-profit fund for the purpose of preparing the financial statements.

The financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

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 twelve months, except for investments in financial assets at fair value through profit or loss and net assets attributable to unit holders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within twelve months, however, an estimate of that amount cannot be determined as at reporting date.

In the case of net assets attributable to unit holders, the units are redeemable on demand at the unit holders' option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months cannot be reliably determined.

(i) 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).

(ii) New accounting standards and interpretations

There are no 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.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

Financial Assets

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the responsible entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities and derivatives, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, the debt securities are measured at fair value through profit or loss.

Financial liabilities

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss and financial liabilities at amortised cost.

(ii) Recognition and derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

(iii) Measurement

At initial recognition, the Fund measures financial assets and financial liabilities at fair value. Transaction costs of financial assets and financial liabilities carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise.

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured using the effective interest rate method less any allowance for expected credit losses. Cash and cash equivalents, receivables, payables and distributions payable are carried at amortised cost.

For further details on how the fair value of financial instruments are determined see Note 4 to the financial statements.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Refer to Note 4 to the financial statements for further information.

2 Summary of significant accounting policies (continued)

(c) Net assets attributable to unit holders

Units are redeemable at the unit holder's option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unit holders. The units can be put back to the Fund at any time by unit holders that are Qualifying Australian Residents (as defined in the PDS) and use a Stockbroker acting as principal. The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the unit back to the Fund. This amount represents the expected cash flows on redemption of these units.

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

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

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are classified as liabilities in the statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Fund's main income generating activity.

(e) Investment income

Interest income is recognised in the statement of comprehensive income on an accrual basis.

Other changes in financial instruments at fair value are recorded in accordance with the policies described in Note 2(b).

Trust distributions are recognised on an entitlement basis.

(f) Expenses

All expenses are recognised in the statement of comprehensive income on an accrual basis.

(g) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unit holders.

The benefits of imputation credits and foreign tax paid are passed on to unit holders.

2 Summary of significant accounting policies (continued)

(h) Distributions

In accordance with the Fund's Constitution, the Fund may distribute its distributable (taxable) income and any other amounts determined by the Responsible Entity, to unit holders by cash or reinvestment into the Fund. The distributions are recognised in the statement of changes in equity.

(i) Increase/decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders.

(j) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the Fund's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the statement of comprehensive income on a net basis within net gains/(losses) on financial instruments at fair value through profit or loss.

(k) Receivables

Receivables may include amounts for trust distributions and interest. Trust distributions are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables.

(l) Payables

Payables include liabilities, accrued expenses owed by the Fund and any distributions declared which are unpaid as at the end of the reporting period.

A separate distribution payable is recognised in the statement of financial position.

(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) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence fees for these services and any other expenses have been

2 Summary of significant accounting policies (continued)

(n) Goods and Services Tax (GST) (continued)

recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included as receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(o) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial period. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For more information on how fair value is calculated please refer to Note 4 to the financial statements.

(p) Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

3 Financial risk management

The Fund's activities expose it to a variety of financial risks: market risk (including price risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's PDS and seeks to maximise the returns derived for the level of risk to which the Fund is exposed.

All securities investments present a risk of loss of capital. The maximum loss of unit trusts is limited to the fair value of these positions.

The management of these risks is carried out by the Investment Manager under policies approved by the Board of Directors of the Responsible Entity. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, the use of non-derivative financial instruments and the investment of excess liquidity.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

(a) Market risk

(i) Price risk

The Fund is exposed to price risk arising from its investments in small and mid-cap companies for which prices in the future are uncertain.

The risk is managed by ensuring that all activities are transacted in accordance with mandates, overall investment strategy and within approved limits.

The table in Note 3(b) summarises the sensitivity of the Fund's assets and liabilities to price risk. The analysis is based on the assumption that the markets in which the Fund invests changed by +/- 10%.

3 Financial risk management (continued)

(ii) Interest rate risk

Interest rate risk is the risk that interest rate movements will have a negative impact on investment value or returns. Interest rate risk is managed in accordance with the underlying investment strategy of the Fund.

The table below summarises the Fund's direct exposure to interest rate risks.

At 30 June 2020	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
Assets				
Cash and cash equivalents	7,422,265	-	-	7,422,265
Due from brokers - receivable for securities sold	-	-	97,925	97,925
Receivables	-	-	22,568	22,568
Financial assets at fair value through profit or loss	-	-	120,161,433	120,161,433
Liabilities				
Payables	-	-	(492,632)	(492,632)
Due to brokers - payable for securities purchased	-	-	(173,901)	(173,901)
Net exposure	<u>7,422,265</u>	<u>-</u>	<u>119,615,393</u>	<u>127,037,658</u>

An analysis of financial liabilities by maturities is provided in Note 3(d).

The table in Note 3(b) summarises the impact of an increase/decrease of interest rates on the Fund's operating profit and net assets attributable to unit holders through changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/- 100 basis points from the period end rates with all other variables held constant. The impact mainly arises from changes in the fair value of cash and cash equivalents.

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unit holders to the various market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Impact on operating profit/ Net assets attributable to unit holders			
	Price risk		Interest rate risk	
	-10%	+10%	-100bps	+100bps
	\$	\$	\$	\$
30 June 2020	(12,016,143)	12,016,143	(74,223)	74,223

In determining the impact of an increase/decrease in net assets attributable to unit holders arising from market risk, the Responsible Entity has considered the current period and expected future movements of the portfolio based on market information in order to determine a reasonably possible shift in assumptions.

3 Financial risk management (continued)

(c) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. None of these assets are impaired nor past due but not impaired.

Credit risk is the risk that a counterparty will fail to perform its contractual obligations, either in whole or part. Credit risk is managed primarily by:

- Ensuring that counterparties, together with their respective credit limits, are approved in accordance with the Investment Manager's criteria; and
- Ensuring that transactions are undertaken with a range of counterparties.

Compliance with the Fund's mandate is monitored on a daily basis and reported to the Board and Compliance Committee on a regular basis.

The maximum exposure to credit risk at the end of each reporting period is the carrying amount of the financial assets.

The clearing and depository operations of the Fund's security transactions are mainly concentrated with one counterparty namely State Street Australia Limited. At 30 June 2020, State Street Australia Limited had a credit rating of AA. As at 30 June 2020, substantially all cash and investments are held in custody by State Street Australia Limited.

(d) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Investment Manager monitors the Fund's cashflow requirements daily taking into account upcoming income, expenses and investment activities.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period to the earliest possible contractual maturity date at period end. The amounts in the table are contractual undiscounted cash flows.

	Less than 1 month	1-6 months	6-12 months	Over 12 months	No stated maturity
At 30 June 2020	\$	\$	\$	\$	\$
Payables	492,632	-	-	-	-
Due to brokers - payable for securities purchased	<u>173,901</u>	-	-	-	-
Contractual cash flows	<u>666,533</u>	-	-	-	-

4 Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets at fair value through profit or loss (see Note 6)

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

4 Fair value measurement (continued)

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The quoted market price used for the financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(ii) Recognised fair value measurement

The table below sets out the Fund's financial assets measured at fair value according to the fair value hierarchy at 30 June 2020.

As at 30 June 2020	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets at fair value through profit or loss				
Equity securities	<u>120,161,433</u>	<u>-</u>	<u>-</u>	<u>120,161,433</u>
Total	<u>120,161,433</u>	<u>-</u>	<u>-</u>	<u>120,161,433</u>

(iii) Transfers between levels

There were no transfers between the levels in the fair value hierarchy for the period ended 30 June 2020.

(iv) Fair values of other financial instruments

The Fund did not hold any financial instruments which were not measured at fair value in the statement of financial position. Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate fair value.

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

Net gains recognised in relation to financial instruments at fair value through profit or loss:

	Period from 8 April 2020 to 30 June 2020 \$
Financial assets	
Net gain on financial assets at fair value through profit or loss	<u>10,654,820</u>
Total net gains on financial instruments at fair value through profit or loss	<u>10,654,820</u>

6 Financial assets at fair value through profit or loss

	As at 30 June 2020 \$
Financial assets at fair value through profit or loss	
Equity securities	<u>120,161,433</u>
Total financial assets at fair value through profit or loss	<u>120,161,433</u>

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3 and 4 to the financial statements.

7 Net assets attributable to unit holders

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

7 Net assets attributable to unit holders (continued)

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

	Period from 8 April 2020 to 30 June 2020 No.	Period from 8 April 2020 to 30 June 2020 \$
Opening balance	-	-
Applications	116,137,921	118,020,484
Redemptions	(1,265,380)	(1,352,413)
Profit/(loss) for the period	<u>-</u>	<u>10,369,587</u>
Closing balance	<u>114,872,541</u>	<u>127,037,658</u>

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund.

There are no separate classes of units and each unit has the same rights attaching to it as with all other units of the Fund.

Capital risk management

The Fund considers its net assets attributable to unit holders as capital. The amount of net assets attributable to unit holders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unit holders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unit holders.

8 Cash and cash equivalents

	As at 30 June 2020 \$
Cash at bank	7,422,265

As at 30 June 2020, these accounts were bearing floating interest rate between 0.00% and 2.75%.

9 Reconciliation of profit to net cash outflow from operating activities

	Period from 8 April 2020 to 30 June 2020 \$
(a) Reconciliation of profit to net cash outflow from operating activities	
Increase in net assets attributable to unit holders	10,369,587
Proceeds from sale of financial instruments at fair value through profit or loss	7,437,841
Purchase of financial instruments at fair value through profit or loss	(116,868,478)
Net gains on financial instruments at fair value through profit or loss	(10,654,820)
Net change in receivables	(22,568)
Net change in payables	235,586
Net cash outflow from operating activities	<u>(109,502,852)</u>

10 Auditor's remuneration

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

	Period from 8 April 2020 to 30 June 2020 \$
Deloitte Touche Tohmatsu	
Audit and other assurance services	
Audit of financial statements	9,634
Audit of compliance plan	<u>5,000</u>
Total remuneration for audit and other assurance services	<u>14,634</u>
Total remuneration of Deloitte Touche Tohmatsu	<u>14,634</u>

The Investment Manager has paid the remuneration of auditors on behalf of the Fund for the period ended 30 June 2020.

11 Other operating expenses

	Period from 8 April 2020 to 30 June 2020 \$
Legal fees	2,098
Other operating expenses	<u>50,629</u>
	<u>52,727</u>

12 Receivables

	As at 30 June 2020 \$
Other receivables	<u>22,568</u>
	<u>22,568</u>

13 Payables

	As at 30 June 2020 \$
Redemptions payable	257,046
Responsible Entity fees payable	184,207
Other payables	<u>51,379</u>
	<u>492,632</u>

14 Related party transactions

Responsible Entity

The Responsible Entity of the Fund is Specialised Private Capital Ltd.

Under the terms of the Fund's Constitution, the Responsible Entity is entitled to receive a fee of 1.255% (GST inclusive) of the Net Asset Value, calculated on the last day of each month and payable within 7 days at the end of the month.

Key management personnel

Key management personnel includes persons who were directors of Specialised Private Capital Ltd at any time during the reporting period as follows:

14 Related party transactions (continued)

Key management personnel (continued)

Spiro Paule
Matthew Games
Kieran Canavan

Key management personnel unitholdings

At 30 June 2020, no key management personnel held units in the Fund.

Key management personnel compensation

Key management personnel are paid by Specialised Private Capital Ltd.

Key management personnel loan disclosures

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period.

Other transactions within the Fund

Apart from those details disclosed in this Note, no key management personnel have entered into a material contract with the Fund during the reporting period and there were no material contracts involving directors' interests existing at period end.

Investment Manager's fees and other fees for transactions provided by related parties

The Investment Manager of the Fund is Specialised Private Capital Ltd.

The Custodian and Administrator of Australian Small and Mid-Cap Fund is State Street Australia Limited. The ultimate holding company of the Custodian is State Street Corporation (incorporated in the United States of America).

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the period and amounts payable at period end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	As at 30 June 2020 \$
Responsible Entity fees	249,870
Custody and administrator fees	18,730
Aggregate amounts payable to the Responsible Entity	184,207
Aggregate amounts payable to the Custodian and Administrator	18,730

The Fund held its bank account with State Street Bank and Trust Company during the period at arm's length commercial rates. As at 30 June 2020, the balance in the account was \$7,422,265.

Investments

The Fund did not hold any investments in Specialised Private Capital Ltd or its related parties during the period.

15 Events occurring after the reporting period

There are current uncertainties in the economy related to the COVID-19 outbreak that emerged since early 2020 that has led to increased market volatility. The period over which such market volatility will persist, as well as any longer-term adverse effect on world economies and markets, is difficult to predict as the situation is still evolving. The Fund may be adversely impacted by COVID-19 for the next financial year. The extent of such impact will depend on how long the outbreak lasts and other factors, including its effect on world economies and markets.

No other significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund disclosed in the statement of financial position as at 30 June 2020 or on the results and cash flows of the Fund for the period ended on that date.

16 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2020.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 7 to 25 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2020 and of its performance for the reporting period ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.
- (c) Note 2(a)(i) confirms that the financial statements also comply with the International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors of the Responsible Entity pursuant to s295(5) of the *Corporations Act 2001*.



Matthew Games
Director
Sydney
6 October 2020

Independent Auditor's Report to the Unitholders of Australian Small and Mid-Cap Fund

Opinion

We have audited the financial report of Australian Small and Mid-Cap Fund (the "Fund") which comprises the statement of financial position as at 30 June 2020, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the declaration by Directors.

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

- (i) giving a true and fair view of the Fund's financial position as at 30 June 2020 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to Directors of the Fund, would be in the same terms if given to Directors as at the time of this auditor's report.

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

Other Information

The directors of the Responsible Entity (the "directors") are responsible for the other information. The other information comprises the directors' report for the year ended 30 June 2020, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If,

based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Report

Directors of the Responsible Entity of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

Deloitte.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M Stretton

Mark Stretton
Partner
Chartered Accountants

Melbourne, 6 October 2020