

This is Annexure A, of 34 pages referred to in Form  
388 "Annual Reports" and in Form 5111 "Compliance  
Plan Audit Report of a Registered Scheme



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**Matthew Games**

Director

Date: 25/09/2018

**Fixed Income Strategy 2  
ARSN 616 097 717**

**ANNUAL FINANCIAL REPORT  
FOR THE PERIOD ENDED 30 JUNE 2018**

**Responsible Entity:  
Specialised Private Capital Limited  
Trading as Centric Capital  
ACN 095 773 390  
Level 15, 1 O'Connell St  
Sydney NSW 2000**

# **Fixed Income Strategy 2**

ARSN 616 097 717

## **Annual Financial Report**

**For the year ended 30 June 2018**

# Fixed Income Strategy 2

ARSN 616 097 717

## Annual Financial Report

### For the year ended 30 June 2018

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These financial statements cover the Fixed Income Strategy 2 as an individual entity.

The Responsible Entity of the Fixed Income Strategy 2 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 Fixed Income Strategy 2 (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2018.

### Principal activities

The Fund invests substantially all of its assets in the TCW Unconstrained Bond Fund, River Capital Global Credit Opportunities Fund and Rubik Holdings Ltd, which provides investors with exposure to a portfolio of securities listed on the ASX or derivatives where the underlying securities are listed on the ASX, in accordance with the provisions of the Fund's Constitution.

The Responsible Entity is also the Investment Manager of the Fund.

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.

### Directors

The following persons held office as directors of Specialised Private Capital Ltd during the year 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/Funds 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 Managing Director and CEO of Crowe Horwath Australasia, Australia's 5th largest Accountancy firm by revenue and largest by client numbers (200,000 SME clients) employing 2994 staff across 101 offices in Australia and New Zealand. As Managing Director and 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).

***Michael Wilkins***  
***Executive Director (Resigned on 25th June 2018)***  
***MBA, Dip FP***

With over 25 years of industry experience beginning in the late 80's as a long term member of one of Australia's largest dealer groups as a principal owner/adviser, Michael is a founding member of Findex, sitting on its board in an Executive Director role. He holds a Diploma in Financial Planning from Deakin University and a Masters of Business Administration (MBA). Michael is Chief of Adviser Services for the Findex Group and is responsible for:

- Managing all Financial Planning, Risk, Corporate Benefits, Lending and General Insurance Advisers across Australia and New Zealand;

## Directors' report (continued)

- Mergers & Acquisitions integration of Advice teams;
- Client acquisition and retention;
- Adviser budgets, KPI's and compliance;
- Product development and innovation; and
- Integration of client services within the group

### **Anthony Roussos**

**Executive Director (Resigned on 25th June 2018)**

**B.Sc, MBA, CFP®**

Following the completion of a Science degree majoring in Applied Math and Statistics at Monash University, Tony entered the financial services industry in 1992 as part of a business traineeship with Findex. He has operated as a fully licensed Financial Adviser since 1999, and has headed various national committees including the Financial Planning Association (FPA) Education Task Force and Chairman of DFP 3 and 7 (Fundamental and Advanced Investment Planning). After gaining his initial Financial Planning qualifications, Tony went on to complete a Masters in Business Administration (MBA). He also served as a senior lecturer for The Securities Institute and FPA. As Chief Operations Officer and Company Director of Findex, Tony plays an integral role in implementing Findex's growth strategy. Subject to the immediate direction of the CEO, his responsibilities include:

- The general management of Findex's operations affairs in accordance with all Business Plans developed or approved by the Board;
- Liaising with and directing staff to achieve the established business and operational goals; and
- Executing the responsibilities of a Company Director according to lawful and ethical standards set by Findex's Board

Tony places a high importance on building and maintaining enduring relationships with his staff and clients. He believes that a consistent, value added service is essential to this process.

### **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.

### **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.

## Directors' report (continued)

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:

	Year ended 30 June 2018	Period from 23 December 2016 to 30 June 2017
Operating profit for the year/period (\$)	<u>3,677,756</u>	<u>5,032,189</u>
Distribution to unit holders (\$)	<u>12,253,444</u>	<u>4,963,415</u>
Distribution (cents per unit - CPU)	<u>2.76</u>	<u>1.38</u>

### Significant changes in the state of affairs

The Fund has amended its constitution to change the obligation to distribute trust income to unit holders effective 1 July 2017 as part of a process to become eligible to elect into the new Attribution Managed Investment Trust ("AMIT") tax regime.

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

### Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2018 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.

### 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.

## Directors' report (continued)

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.

### 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 year.

### 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 year are disclosed in Note 16 to the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the year (2017: Nil).

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 16 to the financial statements.

### Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 8 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.

### 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 five Executive Directors, Spiro Paule, Michael Wilkins, Anthony Roussos, 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.

## Directors' report (continued)

### 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 section 307C of the *Corporations Act 2001* is set out on page 7.

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  
25 September 2018

**Auditor's independence declaration**

## Statement of comprehensive income

	Notes	Year ended 30 June 2018 \$	Period from 23 December 2016 to 30 June 2017 \$
<b>Investment income</b>			
Distribution income		12,336,425	4,164,860
Interest income		4,784	8,203
Net (losses)/gains on financial instruments held at fair value through profit or loss	5	(8,001,324)	1,310,162
Other operating income/(loss)		<u>132,782</u>	<u>(34,782)</u>
<b>Total investment income</b>		<u>4,472,667</u>	<u>5,448,443</u>
<b>Expenses</b>			
Responsible Entity fees	16	651,628	274,299
Custody and administrator fees	16	62,819	47,246
Auditor's remuneration	12	36,227	25,171
Other operating expenses	13	<u>44,237</u>	<u>69,538</u>
<b>Total operating expenses</b>		<u>794,911</u>	<u>416,254</u>
<b>Operating profit</b>		<u>3,677,756</u>	<u>5,032,189</u>
<b>Finance costs attributable to unit holders</b>			
Distributions to unit holders*	9	-	(4,963,415)
(Increase)/decrease in net assets attributable to unit holders	8	<u>-</u>	<u>(68,774)</u>
<b>Profit/(loss) for the year/period</b>		<u>3,677,756</u>	<u>-</u>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year/period</b>		<u>3,677,756</u>	<u>-</u>

\*Net assets attributable to unit holders are reclassified from liabilities to equity from 1 July 2017. As a result, the Fund's distributions are no longer classified as finance costs in the statement of comprehensive income, but rather as distributions paid and payable in the statement of changes in equity. Refer to Note 1 for further details.

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

## Statement of financial position

		As at	
		30 June 2018	30 June 2017
	Notes	\$	\$
<b>Assets</b>			
Cash and cash equivalents	10	3,078,860	2,781,855
Receivables	14	3,997,870	2,633,996
Financial assets held at fair value through profit or loss	6	<u>472,685,990</u>	<u>346,940,167</u>
<b>Total assets</b>		<u><b>479,762,720</b></u>	<u><b>352,356,018</b></u>
<b>Liabilities</b>			
Payables	15	1,791,784	1,001,436
Distributions payable	9	<u>3,798,011</u>	<u>3,553,401</u>
<b>Total liabilities (30 June 2017: excluding net assets attributable to unit holders)</b>		<u><b>5,589,795</b></u>	<u><b>4,554,837</b></u>
<b>Net assets attributable to unit holders - equity *</b>	8	<u><b>474,172,925</b></u>	<u><b>-</b></u>
<b>Net assets attributable to unit holders - liability*</b>	8	<u><b>-</b></u>	<u><b>347,801,181</b></u>

*\*Net assets attributable to unit holders are classified as equity at June 30, 2018 and as a financial liability at June 30, 2017. Refer to Note 1 for further details.*

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

## Statement of changes in equity

	Notes	Year ended 30 June 2018 \$	Period from 23 December 2016 to 30 June 2017 \$
<b>Total equity at the beginning of the year/period</b>		-	-
Reclassification due to AMIT tax regime implementation*	8	347,801,181	-
<b>Comprehensive income for the year/period</b>			
Profit/(loss) for the year/period		3,677,756	-
Other comprehensive income		-	-
<b>Total comprehensive income for the year/period</b>		<u>3,677,756</u>	<u>-</u>
<b>Transactions with unit holders</b>			
Applications	8	190,524,633	-
Redemptions	8	(55,577,201)	-
Units issued upon reinvestment of distributions	8	-	-
Distributions paid and payable	8	<u>(12,253,444)</u>	<u>-</u>
<b>Total transactions with unit holders</b>	8	<u>122,693,988</u>	<u>-</u>
<b>Total equity at the end of the year/period</b>		<u>474,172,925</u>	<u>-</u>

\*Effective from 1 July 2017, the Fund's units have been reclassified from financial liability to equity. Refer Note 1 for further details. As a result, equity transactions, including distributions have been disclosed in the above statement for the year ended 30 June 2018.

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

## Statement of cash flows

	Notes	Year ended 30 June 2018 \$	Period from 23 December 2016 to 30 June 2017 \$
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		7,160,348	91,336,192
Purchase of financial instruments held at fair value through profit or loss		(140,907,495)	(436,966,197)
Distributions received		10,948,882	1,555,683
Interest received		4,705	7,856
Other operating income received/(paid)		111,724	(59,254)
Responsible Entity's fees paid		(510,065)	(227,513)
Custody and administrator fees paid		(65,326)	(27,959)
Payment of other operating expenses		-	(81,521)
<b>Net cash outflow from operating activities</b>	11(a)	<u>(123,257,227)</u>	<u>(344,462,713)</u>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unit holders		183,899,787	447,940,757
Payments for redemptions by unit holders		(48,336,742)	(99,286,176)
Distributions paid		(12,008,834)	(1,410,014)
<b>Net cash inflow from financing activities</b>		<u>123,554,211</u>	<u>347,244,567</u>
<b>Net increase in cash and cash equivalents</b>		<b>296,984</b>	2,781,854
Cash and cash equivalents at the beginning of the year/period		2,781,855	-
Effects of foreign exchange rate changes on cash and cash equivalents		<u>21</u>	<u>-</u>
<b>Cash and cash equivalents at the end of the year/period</b>	10	<u>3,078,860</u>	<u>2,781,854</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 Fixed Income Strategy 2 (the “Fund”) as an individual entity. The Fund is an Australian registered managed investment scheme, which was constituted on 23 November 2016 and will terminate on 27 November 2094 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 the TCW Unconstrained Bond Fund, River Capital Global Credit Opportunities Fund and Rubik Holdings Ltd, which provides investors with exposure to a portfolio of securities listed on the ASX or derivatives where the underlying securities are listed on the ASX, in accordance with the provisions of the Fund’s Constitution.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts (“MITs”) was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Attribution Managed Investment Trust (“AMIT”) regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. In order to allow the Fund to elect into the AMIT tax regime, the Fund’s Constitution has been amended and the other conditions to adopt the AMIT tax regime have been met effective 1 July 2017. The Responsible Entity is therefore no longer contractually obligated to pay distributions. Consequently, the units in the Fund have been reclassified from a financial liability to equity on 1 July 2017, see Note 8 for further information.

The financial statements were authorised for issue by the directors on 25 September 2018. 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).

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments

#### (i) Classification

The Fund's investments are categorised as at fair value through profit or loss. They comprise:

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets and financial liabilities that are not held for trading purposes and which may be sold. These are investments in unlisted unit trusts.

Financial instruments designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Investment Manager to evaluate the information about these financial instruments on a fair value basis together with other related financial information.

#### (ii) Recognition/derecognition

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in the 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 have been transferred and the Fund has transferred substantially all of the risks and rewards of ownership.

#### (iii) Measurement

##### *Financial assets and liabilities held at fair value through profit or loss*

At initial recognition, the Fund measures a financial asset at its fair value. Transaction costs of financial assets 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 held at fair value through profit or loss in the period in which they arise.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

#### (iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position where the Fund currently has 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.

At the end of the reporting period, there are no financial assets or liabilities offset or which could be offset in the statement of financial position.

## 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.

As at 30 June 2017, net assets attributable to unit holders are classified as a financial liability. Effective from 1 July 2017, the Fund's units have been reclassified from financial liability to equity as they satisfied all the above criteria.

### (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 held 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 accruals 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. Movements in net assets attributable to unit holders are recognised in the statement of comprehensive income.

### (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 year 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 held 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 year. 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) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 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:

#### (i) AASB 9 *Financial Instruments* (and applicable amendments), (effective from 1 January 2018)

AASB 9 *Financial Instruments* 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 to the fund until 1 July 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 been 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 all held at fair value through profit or loss, the change in impairment rules will not impact the Fund.

#### (ii) 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.

The Fund's main source 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 the new revenue recognition rules to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

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.

### (q) 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.

### 3 Financial risk management (continued)

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 investments held by RUBIK Holdings Ltd, TCW Unconstrained Bond Fund and River Capital Global Credit Opportunities Fund 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% (2017: +/- 10%).

##### (ii) Foreign exchange risk

The Fund holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary assets and liabilities denominated in other currencies fluctuates due to changes in exchange rates.

The foreign exchange risk relating to non-monetary assets is a component of price risk, and not foreign exchange risk. However the manager monitors the exposure of all foreign currency denominated assets and liabilities.

The table below summarises the Fund's assets, monetary and non-monetary which are denominated in a currency other than the Australian dollar.

<b>As at 30 June 2018</b>	<b>US Dollars A\$</b>
Cash and cash equivalents	402
Financial assets at fair value through profit or loss	<u>71,588,919</u>
Net exposure	<u>71,589,321</u>

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (ii) Foreign exchange risk (continued)

As at 30 June 2017	US Dollars A\$
Cash and cash equivalents	37
Financial assets at fair value through profit or loss	<u>57,627,345</u>
Net exposure	<u>57,627,382</u>

##### (iii) 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 2018	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
<b>Assets</b>				
Cash and cash equivalents	3,078,860	-	-	3,078,860
Receivables	-	-	3,997,870	3,997,870
Financial assets held at fair value through profit or loss	-	-	472,685,990	472,685,990
<b>Liabilities</b>				
Payables	-	-	(1,791,784)	(1,791,784)
Distributions payable	-	-	(3,798,011)	(3,798,011)
<b>Net exposure</b>	<u>3,078,860</u>	<u>-</u>	<u>471,094,065</u>	<u>474,172,925</u>

At 30 June 2017	Floating interest rate \$	Fixed interest rate \$	Non-interest bearing \$	Total \$
<b>Assets</b>				
Cash and cash equivalents	2,781,855	-	-	2,781,855
Receivables	-	-	2,633,996	2,633,996
Financial assets held at fair value through profit or loss	-	-	346,940,167	346,940,167
<b>Liabilities</b>				
Payables	-	-	(1,001,436)	(1,001,436)
Distributions payable	-	-	(3,553,401)	(3,553,401)
<b>Net exposure</b>	<u>2,781,855</u>	<u>-</u>	<u>345,019,326</u>	<u>347,801,181</u>

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (iii) Interest rate risk (continued)

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 (2017: +/- 100 basis points) from the year 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
	\$	\$	\$	\$
<b>30 June 2018</b>	<b>(47,268,599)</b>	<b>47,268,599</b>	<b>(30,789)</b>	<b>30,789</b>
30 June 2017	(34,694,017)	34,694,017	(27,819)	27,819

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.

#### (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 2018, State Street Australia Limited had a credit rating of A (2017:A). As at 30 June 2018, substantially all cash and investments are held in custody by State Street Australia Limited.

### 3 Financial risk management (continued)

#### (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 cash-flow 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 year end. The amounts in the table are contractual undiscounted cash flows.

At 30 June 2018	Less than 1 month \$	1-6 months \$	6-12 months \$	Over 12 months \$	No stated maturity \$
Payables	1,791,784	-	-	-	-
Distributions payable	<u>3,798,011</u>	-	-	-	-
Contractual cash flows	<u>5,589,795</u>	-	-	-	-

At 30 June 2017	Less than 1 month \$	1-6 months \$	6-12 months \$	Over 12 months \$	No stated maturity \$
Payables	1,001,436	-	-	-	-
Distributions payable	3,553,401	-	-	-	-
Net assets attributable to unit holders - liability	<u>347,801,181</u>	-	-	-	-
Contractual cash flows	<u>352,356,018</u>	-	-	-	-

### 4 Fair value measurement

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

- Financial assets / liabilities designated at fair value through profit or loss (FVTPL) (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)

#### (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.

## 4 Fair value measurement (continued)

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

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) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of value based on considerations such as: the liquidity of the investee fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

Investments in TCW Unconstrained Bond Fund, Rubik Holdings Ltd and River Capital Global Credit Opportunities Fund are recorded at the net asset value per unit as reported by its Investment Manager. The Fund may make adjustments to the value based on considerations such as liquidity of TCW Unconstrained Bond Fund and Rubik Holdings Ltd or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

### 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 2018 and 30 June 2017.

As at 30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unit trusts	-	472,685,990	-	472,685,990
<b>Total</b>	-	472,685,990	-	472,685,990

As at 30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Unit trusts	-	346,940,167	-	346,940,167
<b>Total</b>	-	346,940,167	-	346,940,167

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.

## 4 Fair value measurement (continued)

### Recognised fair value measurement (continued)

#### (i) Transfers between levels

There were no transfers between the levels in the fair value hierarchy for the years ended 30 June 2018 and 30 June 2017.

#### (ii) 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 (losses)/gains on financial instruments held at fair value through profit or loss

Net (losses)/gains recognised in relation to financial instruments held at fair value through profit or loss:

	Year ended 30 June 2018	Period from 23 December 2016 to 30 June 2017
	\$	\$
<b>Financial assets</b>		
Net gain on financial assets held for trading	328,200	32,187
Net (loss)/gain on financial assets designated at fair value through profit or loss	<u>(8,329,524)</u>	<u>1,277,975</u>
Net (loss)/gain on financial assets held at fair value through profit or loss	<u>(8,001,324)</u>	<u>1,310,162</u>
<b>Total net (losses)/gains on financial instruments held at fair value through profit or loss</b>	<u>(8,001,324)</u>	<u>1,310,162</u>

## 6 Financial assets held at fair value through profit or loss

	30 June 2018	As at 30 June 2017
	\$	\$
<b>Designated at fair value through profit or loss</b>		
Unit trusts	<u>472,685,990</u>	<u>346,940,167</u>
Total designated at fair value through profit or loss	<u>472,685,990</u>	<u>346,940,167</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>472,685,990</u>	<u>346,940,167</u>

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

## 7 Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, and the relevant activities are directed by means of contractual arrangements.

## 7 Structured entities (continued)

An interest in a structured entity is any form of contractual or non-contractual involvement which creates variability in returns arising from the performance of the entity for the Fund. Such interests include holdings of units in a unit trust.

The Fund has exposures to structured entities through its trading activities. The Fund typically has no other involvement with the structured entity other than the securities it holds as part of trading activities and its maximum exposure to loss is restricted to the carrying value of the asset.

The Fund considers its investment in a managed fund to be a structured entity. The Fund invests in unrelated managed fund for the purpose of capital appreciation and/or earning investment income.

The exposure to an investment in an unrelated investment fund is disclosed in the following table:

Name	Fair value of investment		Interest held	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	\$	\$	%	%
TCW Unconstrained Bond Fund	401,097,071	289,312,822	32.77	49.38
Rubik Holdings Ltd	66,419,147	57,626,345	7.78	8.57
River Capital Global Credit Opportunities Fund	5,169,772	-	100	-

The Fund has exposures to structured entities through its trading activities. The Fund typically has no other involvement with the structured entity other than the securities it holds as part of trading activities and its maximum exposure to loss is restricted to the carrying value of the asset.

## 8 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.

Prior to 1 July 2017, the Fund classified its net assets attributable to unit holders as liabilities in accordance with AASB 132. On 1 July 2017, the Fund has elected into the AMIT tax regime. The Fund's Constitution has been amended and it no longer has a contractual obligation to pay distributions to unit holders. Therefore the net assets attributable to unit holders of the Fund meet the criteria set out under AASB 132 and are classified as equity from 1 July 2017 onwards.

As a result of the reclassification of net assets attributable to unit holders from liabilities to equity, the Fund's distributions are no longer classified as finance costs in the statement of comprehensive income, but rather as dividends paid in the statement of changes in equity.

## 8 Net assets attributable to unit holders (continued)

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

	Year ended 30 June 2018 No.	Year ended 30 June 2018 \$	Period from 23 December 2016 to 30 June 2017 No.	Period from 23 December 2016 to 30 June 2017 \$
<b>Opening balance*</b>	348,065,532	347,801,181	-	-
Applications	321,931,614	190,524,633	447,558,580	447,940,757
Redemptions	(534,054,608)	(55,577,201)	(99,493,048)	(100,208,350)
Distribution paid and payable	-	(12,253,444)	-	-
Increase/(decrease) in net assets attributable to unit holders	-	-	-	68,774
Profit/(loss) for the year/period	-	3,677,756	-	-
<b>Closing balance*</b>	<u>135,942,538</u>	<u>474,172,925</u>	<u>348,065,532</u>	<u>347,801,181</u>

\*Net assets attributable to unit holders are classified as equity at June 30, 2018 and as a financial liability at June 30, 2017. Refer to Note 1 for further details.

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

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

### Capital risk management

The Fund considers its net assets attributable to unit holders as capital, notwithstanding that net assets attributable to unit holders were classified as a liability until 30 June 2017. 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.

## 9 Distributions to unit holders

The distributions for the year were as follows:

	Year ended 30 June 2018 \$	Year ended 30 June 2018 CPU	Period from 23 December 2016 to 30 June 2017 \$	Period from 23 December 2016 to 30 June 2017 CPU
Distributions paid	8,455,433	1.98	1,410,014	0.36
Distributions payable	<u>3,798,011</u>	<u>0.78</u>	<u>3,553,401</u>	<u>1.02</u>
<b>Total distributions declared</b>	<b><u>12,253,444</u></b>	<b><u>2.76</u></b>	<b><u>4,963,415</u></b>	<b><u>1.38</u></b>

## 10 Cash and cash equivalents

	As at	
	30 June 2018 \$	30 June 2017 \$
Cash at bank	3,078,860	2,781,855

As at 30 June 2018, these accounts were bearing floating interest rate between 0.15% and 0.35% (2017: between 0.01% and 0.15%).

## 11 Reconciliation of profit to net cash outflow from operating activities

	Year ended 30 June 2018 \$	Period from 23 December 2016 to 30 June 2017 \$
<b>(a) Reconciliation of profit to net cash outflow from operating activities</b>		
Profit for the year/period	3,677,756	-
Increase in net assets attributable to unit holders	-	68,774
Distributions to unit holders	-	4,963,415
Proceeds from sale of financial instruments held at fair value through profit or loss	7,160,348	91,336,192
Purchase of financial instruments held at fair value through profit or loss	(140,907,495)	(436,966,197)
Net (losses)/gains on financial instruments held at fair value through profit or loss	8,001,324	(1,310,162)
Net change in receivables	(1,363,874)	(2,633,996)
Net change in payables	174,735	79,262
Effects of foreign currency exchange rate changes on cash and cash equivalents	(21)	-
<b>Net cash outflow from operating activities</b>	<b><u>(123,257,227)</u></b>	<b><u>(344,462,712)</u></b>

## 12 Remuneration of auditors

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

	<b>Year ended 30 June 2018</b>	Period from 23 December 2016 to 30 June 2017
	\$	\$
<b>Deloitte Touche Tohmatsu</b>		
Audit and other assurance services		
Audit and review of financial statements	9,278	10,984
Audit of compliance plan	3,820	3,749
Total remuneration for audit and other assurance services	13,098	14,733
Taxation services		
Tax compliance services	-	10,438
Total remuneration for taxation services	-	10,438
<b>Total remuneration of Deloitte Touche Tohmatsu</b>	<b>13,098</b>	<b>25,171</b>

The Investment Manager has paid the remuneration of auditors on behalf of the Fund for the year ended 30 June 2018.

## 13 Other operating expenses

	<b>Year ended 30 June 2018</b>	Period from 23 December 2016 to 30 June 2017
	\$	\$
Legal fees	-	50,588
Other operating expenses	44,237	18,950
	44,237	69,538

## 14 Receivables

	<b>30 June 2018</b>	As at 30 June 2017
	\$	\$
Interest receivable	426	347
Distributions receivable	3,996,720	2,609,177
Other receivables	724	24,472
	<b>3,997,870</b>	<b>2,633,996</b>

## 15 Payables

	As at	
	30 June 2018	30 June 2017
	\$	\$
Redemptions payable*	1,537,787	922,174
Management fees payable	188,349	46,786
Other payables	<u>65,648</u>	<u>32,476</u>
	<u>1,791,784</u>	<u>1,001,436</u>

\* Redemption payables include applications to be applied for \$1,065,014 (2017: \$0).

## 16 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 0.165% (2017: 0.165%) (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 year as follows:

Spiro Paule  
Michael Wilkins (Resigned on 25th June 2018)  
Anthony Roussos (Resigned on 25th June 2018)  
Matthew Games  
Kieran Canavan

### Key management personnel unitholdings

At 30 June 2018, no key management personnel held units in the Fund.

### Key management personal 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 year and there were no material contracts involving directors' interests existing at year end.

## 16 Related party transactions (continued)

### 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 Fixed Income Strategy 2 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 year and amounts payable at year end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	As at	
	30 June 2018	30 June 2017
	\$	\$
Responsible Entity fees	651,628	274,299
Custody and administrator fees	62,819	47,246
Aggregate amounts payable to the Responsible Entity	188,348	46,786
Aggregate amounts payable to the Custodian and administrator	16,781	19,288

The Fund held its bank account with State Street Bank and Trust Company during the year at arm's length commercial rates. As at 30 June 2018, the balance in the account was \$3,078,860 (2017:\$2,781,855).

### Investments

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

## 17 Events occurring after the reporting period

No 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 2018 or on the results and cash flows of the Fund for the year ended on that date.

## 18 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2018 and 30 June 2017.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 8 to 29 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 2018 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) 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  
25 September 2018

**Independent auditor's report to the unit holders of the Fixed Income Strategy 2**