

**SPECIALIST SECTOR FUNDS**

**ANNUAL FINANCIAL REPORT**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**SPECIALIST SECTOR FUNDS**  
**ANNUAL FINANCIAL REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

The Specialist Sector Funds consist of five separate schemes.

Specialist Australian Shares Fund (formerly known as Specialist Australian Small Companies Fund)  
ARSN 115 121 625

Specialist Global Shares Fund  
ARSN 115 121 643

Specialist Property Fund  
ARSN 115 121 563

Specialist Diversified Fixed Interest Fund (formerly known as Specialist Income Fund)  
ARSN 097 160 748

Specialist Dynamic Allocation Fund  
ARSN 143 234 262

**SPECIALIST SECTOR FUNDS  
ANNUAL FINANCIAL REPORT  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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**SPECIALIST SECTOR FUNDS  
DIRECTORS' REPORT  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

The Directors of IOOF Investment Management Limited, the Responsible Entity of the Specialist Sector Funds, present this report together with the financial statements of the Specialist Sector Funds ('the Schemes'), for the year ended 30 June 2018 and the auditor's report thereon.

**Principal activities**

The Schemes are registered managed investment schemes domiciled in Australia.

During the year, the Schemes continued to invest funds in accordance with the following investment objectives:

- Specialist Australian Shares Fund: principally invests in Australian securities funds.
- Specialist Global Shares Fund: principally invests in property investment funds.
- Specialist Property Fund: principally invests in property investment funds.
- Specialist Diversified Fixed Interest Fund: principally invests in cash and deposit accounts and in other registered managed investment funds.
- Specialist Dynamic Allocation Fund: principally invests in managed investment funds.

The investment objectives are as disclosed in the current Product Disclosure Statements and in accordance with the provisions of the Schemes' Constitutions.

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

The Schemes did not have any employees during the year (2017: Nil).

**Responsible Entity**

The following persons held office as Directors of IOOF Investment Management Limited during the year and up to the date of this report:

Mr G. M. Walsh (Appointed as Chairman 13 September 2018)  
Mr G. Venardos (Resigned as Chairman 13 September 2018)  
Mr C. F. Kelaher (Resigned 1 September 2018)  
Ms E. Flynn (Resigned 31 January 2017: Reappointed 29 August 2017)  
Ms D. Oldham (Resigned 21 August 2018)  
Mr J. Selak

**Review of operations**

During the year, the Schemes continued to invest in accordance with target asset allocations as set out in the governing documents of the Schemes and in accordance with the provisions of the Schemes' Constitutions.

**SPECIALIST SECTOR FUNDS**  
**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**DIRECTORS' REPORT (continued)**

**Results**

The performance of the Schemes, as represented by the results of their operations, were as follows:

	<b>Specialist Australian Shares Fund</b>		<b>Specialist Global Shares Fund</b>		<b>Specialist Property Fund</b>		<b>Specialist Diversified Fixed Interest Fund</b>		<b>Specialist Dynamic Allocation Fund</b>	
	<b>Year ended</b>		<b>Year ended</b>		<b>Year ended</b>		<b>Year ended</b>		<b>Year ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Operating profit/(loss)	9,376	5,349	7,549	7,847	3,729	1,594	181	1,759	5,286	1,279
Distributions paid and payable to unitholders	-	(1,886)	-	(4,276)	-	(5,391)	-	(5,264)	-	(3,087)
Transfers (to)/from net assets attributable to unitholders/total comprehensive income	-	(3,463)	-	(3,571)	-	3,797	-	3,505	-	1,808
Profit/(loss) for the year	9,376	-	7,549	-	3,729	-	181	-	5,286	-
<b>Distributions</b>										
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Distributions paid and payable	-	-	-	-	-	71	477	343	-	-
30 September paid	-	-	-	-	-	74	451	69	545	180
31 December paid	337	845	-	-	-	72	1,063	340	-	-
31 March paid	-	-	-	-	-	-	415	4,512	5,261	2,907
30 June final payable	628	1,041	7,276	4,276	5,012	5,174	2,406	5,264	5,806	3,087
	965	1,886	7,276	4,276	5,012	5,391				
<b>Distributions (cents per unit)</b>	<b>CPU</b>	<b>CPU</b>	<b>CPU</b>	<b>CPU</b>	<b>CPU</b>	<b>CPU</b>	<b>CPU</b>	<b>CPU</b>	<b>CPU</b>	<b>CPU</b>
30 September paid	-	-	-	-	-	0.1579	0.4000	0.2910	-	-
31 December paid	0.5500	1.2109	-	-	-	0.1676	0.4000	0.0587	0.7000	0.2148
31 March paid	-	-	-	-	-	0.1600	1.0000	0.2900	-	-
30 June final payable	1.1620	1.5212	19.7187	9.8409	13.1992	12.0845	0.4116	3.8133	7.4419	3.5372
	1.7120	2.7321	19.7187	9.8409	13.1992	12.5700	2.2116	4.4530	8.1419	3.7520

**Performance**

The table below demonstrates the performance of the Schemes as represented by the total return per annum, which is calculated as the aggregation of the percentage capital growth and percentage distribution of income. The total return per annum calculated after fees is shown for the past two years to 30 June and assumes that all distributions were re-invested during that period. These are calculated in accordance with FSC standard 6.0 Product Performance - Calculation of Returns. The comparison to benchmark performance for the past two years to 30 June is also shown below:

	<b>Specialist Australian Shares Fund</b>		<b>Specialist Global Shares Fund</b>		<b>Specialist Property Fund</b>		<b>Specialist Diversified Fixed Interest Fund</b>		<b>Specialist Dynamic Allocation Fund</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Capital growth	14.22	5.17	(0.84)	6.04	(4.39)	(9.21)	(2.27)	(3.12)	(1.41)	(2.11)
Distribution	1.80	3.02	15.13	8.01	14.91	12.91	2.46	4.80	7.91	3.57
<b>Total return</b>	<b>16.02</b>	<b>8.19</b>	<b>14.29</b>	<b>14.05</b>	<b>10.52</b>	<b>3.70</b>	<b>0.19</b>	<b>1.68</b>	<b>6.50</b>	<b>1.46</b>
<b>Benchmark return</b>	<b>24.25</b>	<b>7.01</b>	<b>15.33</b>	<b>14.74</b>	<b>7.49</b>	<b>3.16</b>	<b>1.78</b>	<b>1.82</b>	<b>6.16</b>	<b>6.01</b>
<b>Benchmark name</b>	<b>S&amp;P/ASX Small Ordinaries Accumulation Index</b>		<b>MSCI World Net Return Local Currency</b>		<b>S&amp;P/ASX 300 A-REIT Total Return</b>		<b>Bloomberg AusBond Bank Bill Index</b>		<b>180 - day Australian Bank Bill Index</b>	

Consistent with our statements in the current Product Disclosure Statement, future performance is not guaranteed. Investors should exercise care in using past performance as a predictor of future performance.

**SPECIALIST SECTOR FUNDS  
DIRECTORS' REPORT  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**DIRECTORS' REPORT (continued)**

**Indirect Cost Ratio**

The indirect cost ratios of the Schemes are shown as follows:

	<b>Specialist Australian Shares Fund</b>		<b>Specialist Global Shares Fund</b>		<b>Specialist Property Fund</b>		<b>Specialist Diversified Fixed Interest Fund</b>		<b>Specialist Dynamic Allocation Fund</b>	
	<b>2018 %</b>	<b>2017 %</b>	<b>2018 %</b>	<b>2017 %</b>	<b>2018 %</b>	<b>2017 %</b>	<b>2018 %</b>	<b>2017 %</b>	<b>2018 %</b>	<b>2017 %</b>
Indirect Cost Ratio	0.98	0.98	1.26	1.25	0.97	1.00	0.55	0.55	0.86	0.84
Performance fee	-	0.49	-	-	-	-	-	-	-	-

The costs are calculated on the net asset value of the Schemes and are deducted from the assets of the Schemes. The costs are accrued daily and paid monthly and are incorporated into the daily unit prices of the Schemes. The indirect cost ratio calculation includes investment management fees charged to the Schemes during the financial year, including those charged by the Responsible Entity directly for the management of the assets.

**Significant changes in state of affairs**

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. The Responsible Entity is therefore no longer contractually obligated to pay distributions. Consequently the units in the Scheme have been re-classified from a financial liability to equity on 1 July 2017.

In the opinion of the Responsible Entity there were no other changes in the state of affairs of the Scheme that occurred during the financial year under review.

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

Except as disclosed in the financial statements, no other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

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

**SPECIALIST SECTOR FUNDS  
DIRECTORS' REPORT  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**DIRECTORS' REPORT (continued)**

**Likely developments and expected results of operations**

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

The results of the Schemes' operations will be affected by a number of factors, including the performance of markets in which the Schemes invest. 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.

Further information on likely developments in the operation of the Schemes and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Schemes.

**Indemnification and insurance of officers and auditor**

There is a Directors' and Officers' insurance policy which indemnifies the Directors and Officers of IOOF Investment Management Limited against liabilities to persons outside IOOF Investment Management Limited that arise out of the performance of their normal duties. The premiums have not been paid for out of the assets of the Schemes. The auditor of the Schemes is in no way indemnified out of the assets of the Schemes.

**Fees paid to and interests held in the Schemes by the Responsible Entity or its Related Parties**

Details of fees paid to the Responsible Entity during the financial year are disclosed in Note 13 of the financial statements.

No fees were paid out of the Schemes' property to the Directors of the Responsible Entity during the year.

The interests in the Schemes held by the Responsible Entity or its related parties during the financial year are disclosed in Note 13 of the financial statements.

**Environmental regulation**

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

**Rounding of amounts to the nearest thousand dollars**


Amounts in the Directors' report and financial statements for the Schemes have been rounded to the nearest thousand dollars in accordance with ASIC Corporations (Rounding in Financial/Director's Reports) Instrument 2016/191, unless otherwise stated.

**Lead auditor's independence declaration**

The lead auditor's independence declaration, as required under section 307C of the *Corporations Act 2001*, is set out on page 5 and forms part of the Directors' Report for the year ended 30 June 2018.

Signed in accordance with a resolution of the Directors of IOOF Investment Management Limited.

On behalf of the Directors,

  
Mr G. M. Walsh  
Director

Melbourne, 26 September 2018



# Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of IOOF Investment Management Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Specialist Australian Shares Fund, Specialist Global Shares Fund, Specialist Property Fund, Specialist Diversified Fixed Interest Fund and Specialist Dynamic Allocation Fund for the financial year ended 30 June 2018 there have been:

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

KPMG

Rachel Milum

KPMG

Rachel Milum

Partner

Melbourne

26 September 2018





# Independent Auditor's Report

To the unitholders of the Specialist Sector Funds:

*Specialist Australian Shares Fund;  
Specialist Global Shares Fund;  
Specialist Property Fund;  
Specialist Diversified Fixed Interest Fund; and  
Specialist Dynamic Allocation Fund  
(collectively "the Schemes")*

## Opinion

We have audited the **Financial Report** of the Schemes.

In our opinion, the accompanying Financial Report of the Schemes is in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of the Schemes' financial position as at 30 June 2018, and of their financial performance and their cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises the:

- Statements of financial position as at 30 June 2018;
- Statements of comprehensive income, Statements of changes in equity, and Statements of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.



## Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Schemes in accordance with the *Corporations Act 2001* and the relevant ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code). We have fulfilled our other ethical responsibilities in accordance with the Code.

## Other Information

Other Information is financial and non-financial information in the Schemes' annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of IOOF Investment Management Limited (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

## Responsibilities of Directors for the Financial Report

The Directors of IOOF Investment Management Limited (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Schemes' ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they intend to liquidate the Schemes or to cease operations, or have no realistic alternative to do so.



## Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our Auditor's Report.

KPMG

KPMG

Rachel Milum

Partner

Melbourne

26 September 2018

**SPECIALIST SECTOR FUNDS  
DIRECTORS' DECLARATION  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

The Directors of IOOF Investment Management Limited, the Responsible Entity of the Specialist Sector Funds ("the Schemes") declare that:

- (a) the financial statements and notes set out on pages 10 to 55 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
  - (ii) giving a true and fair view of the Schemes' financial position as at 30 June 2018 and of their performance for the year ended on that date;
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2(a); and
- (c) there are reasonable grounds to believe that the Schemes will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors of IOOF Investment Management Limited.

On behalf of the Directors,



Mr G. M. Walsh  
Director

Melbourne, 26 September 2018

**SPECIALIST SECTOR FUNDS**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

		Specialist Australian Shares Fund		Specialist Global Shares Fund		Specialist Property Fund	
		Year ended		Year ended		Year ended	
	Note	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
<b><u>Investment Income</u></b>							
Interest income	8	37	39	10	10	8	7
Dividend and trust distribution income		1,954	2,645	3,806	2,684	7,228	4,151
Net gains/(losses) on financial instruments held at fair value through profit or loss	7	8,225	3,864	3,691	5,104	(3,367)	(2,589)
Other income		2	17	307	323	5	198
<b>Total investment income/(loss)</b>		<b>10,218</b>	<b>6,565</b>	<b>7,814</b>	<b>8,121</b>	<b>3,874</b>	<b>1,767</b>
<b><u>Expenses</u></b>							
Responsible Entity fees	13	272	454	258	267	141	168
Performance fees		-	325	-	-	-	-
Investment Management fees		335	179	-	-	-	-
Withholding tax		62	114	-	-	-	-
Transaction costs		127	127	-	-	-	-
Other operating expenses		46	17	7	7	4	5
<b>Total operating expenses</b>		<b>842</b>	<b>1,216</b>	<b>265</b>	<b>274</b>	<b>145</b>	<b>173</b>
<b>Operating profit/(loss)</b>		<b>9,376</b>	<b>5,349</b>	<b>7,549</b>	<b>7,847</b>	<b>3,729</b>	<b>1,594</b>
<b><u>Finance costs attributable to unitholders from operations</u></b>							
Distributions to unitholders	4	-	(1,886)	-	(4,276)	-	(5,391)
Transfers (to)/from net assets attributable to unitholders	3	-	(3,463)	-	(3,571)	-	3,797
<b>Profit/(loss) for the year</b>		<b>9,376</b>	<b>-</b>	<b>7,549</b>	<b>-</b>	<b>3,729</b>	<b>-</b>
Other comprehensive income		-	-	-	-	-	-
<b>Total comprehensive income for the period</b>		<b>9,376</b>	<b>-</b>	<b>7,549</b>	<b>-</b>	<b>3,729</b>	<b>-</b>

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

**SPECIALIST SECTOR FUNDS**  
**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

		Specialist Diversified Fixed Interest Fund		Specialist Dynamic Allocation Fund	
		Year ended		Year ended	
	Note	30 June 2018 \$'000	30 June 2017 \$'000	30 June 2018 \$'000	30 June 2017 \$'000
<b><u>Investment Income</u></b>					
Interest income	8	181	10	12	11
Dividend and trust distribution income		15	74	3,930	3,258
Net gains/(losses) on financial instruments held at fair value through profit or loss	7	551	2,230	1,417	(1,893)
Net gains/(losses) on foreign exchange		206	156	-	-
Other income		-	6	267	264
<b>Total investment income/(loss)</b>		<b>953</b>	<b>2,476</b>	<b>5,626</b>	<b>1,640</b>
<b><u>Expenses</u></b>					
Responsible Entity fees	13	307	431	332	351
Investment Management fees		234	126	-	-
Withholding tax		63	15	-	-
Transaction costs		111	14	-	-
Other operating expenses		57	131	8	10
<b>Total operating expenses</b>		<b>772</b>	<b>717</b>	<b>340</b>	<b>361</b>
<b>Operating profit/(loss)</b>		<b>181</b>	<b>1,759</b>	<b>5,286</b>	<b>1,279</b>
<b><u>Finance costs attributable to unitholders from operations</u></b>					
Distributions to unitholders	4	-	(5,264)	-	(3,087)
Transfers (to)/from net assets attributable to unitholders	3	-	3,505	-	1,808
<b>Profit/(loss) for the year</b>		<b>181</b>	<b>-</b>	<b>5,286</b>	<b>-</b>
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>181</b>	<b>-</b>	<b>5,286</b>	<b>-</b>

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

**SPECIALIST SECTOR FUNDS**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2018**

		<b>Specialist Australian Shares Fund</b>		<b>Specialist Global Shares Fund</b>		<b>Specialist Property Fund</b>	
		<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		<b>Note</b>					
Cash and cash equivalents	14(a)	5,065	4,563	466	570	329	291
Financial assets held at fair value through profit or loss	5	56,125	64,344	50,909	58,255	33,843	39,193
Receivables		377	298	3,778	2,299	3,297	3,788
<b>Total assets</b>		<b>61,567</b>	<b>69,205</b>	<b>55,153</b>	<b>61,124</b>	<b>37,469</b>	<b>43,272</b>
<b>Liabilities</b>							
Distributions payable	4	628	1,041	7,276	4,276	5,012	5,174
Other payables		742	1,468	152	176	183	87
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>1,370</b>	<b>2,509</b>	<b>7,428</b>	<b>4,452</b>	<b>5,195</b>	<b>5,261</b>
<b>Net assets attributable to unitholders - liability*</b>		<b>-</b>	<b>66,696</b>	<b>-</b>	<b>56,672</b>	<b>-</b>	<b>38,011</b>
<b>Net assets attributable to unitholders - equity*</b>	3	<b>60,197</b>	<b>-</b>	<b>47,725</b>	<b>-</b>	<b>32,274</b>	<b>-</b>

		<b>Specialist Diversified Fixed Interest Fund</b>		<b>Specialist Dynamic Allocation Fund</b>	
		<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>		<b>Note</b>			
Cash and cash equivalents	14(a)	7,792	15,050	573	819
Financial assets held at fair value through profit or loss	5	86,121	155,121	73,904	85,115
Receivables		937	1,126	3,233	2,141
Margin accounts		4,287	1,362	-	-
<b>Total assets</b>		<b>99,137</b>	<b>172,659</b>	<b>77,710</b>	<b>88,075</b>
<b>Liabilities</b>					
Distributions payable	4	415	4,512	5,261	2,907
Financial liabilities held at fair value through profit or loss	6	7,854	58,793	-	-
Margin accounts		1,804	2,329	-	-
Other payables		511	663	433	257
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>10,584</b>	<b>66,297</b>	<b>5,694</b>	<b>3,164</b>
<b>Net assets attributable to unitholders - liability*</b>		<b>-</b>	<b>106,362</b>	<b>-</b>	<b>84,911</b>
<b>Net assets attributable to unitholders - equity*</b>	3	<b>88,553</b>	<b>-</b>	<b>72,016</b>	<b>-</b>

\* Effective from 1 July 2017, the Schemes' units have been reclassified from financial liability to equity. Refer to Note 1 for further details.

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

**SPECIALIST SECTOR FUNDS**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

	Note	Specialist Australian Shares Fund		Specialist Global Shares Fund		Specialist Property Fund	
		30 June 2018 \$000	30 June 2017 \$000	30 June 2018 \$000	30 June 2017 \$000	30 June 2018 \$000	30 June 2017 \$000
<b>Total equity at the beginning of the year</b>		-	-	-	-	-	-
Reclassification due to AMIT tax regime implementation*	3	66,696	-	56,672	-	38,011	-
<b>Comprehensive income for the year</b>							
Profit/(loss) for the year		9,376	-	7,549	-	3,729	-
Other comprehensive income		-	-	-	-	-	-
<b>Total comprehensive income for the year</b>		<u>9,376</u>	<u>-</u>	<u>7,549</u>	<u>-</u>	<u>3,729</u>	<u>-</u>
<b>Transactions with unitholders</b>							
Applications	3	5,018	-	4,330	-	4,432	-
Reinvested distributions	3	15	-	219	-	18	-
Redemptions	3	(19,943)	-	(13,769)	-	(8,904)	-
Distributions paid and payable	3,4	(965)	-	(7,276)	5,012	(5,012)	-
<b>Total transactions with unitholders</b>		<u>(15,875)</u>	<u>-</u>	<u>(16,496)</u>	<u>-</u>	<u>(9,466)</u>	<u>-</u>
<b>Total equity at the end of the year*</b>		<u>60,197</u>	<u>-</u>	<u>47,725</u>	<u>-</u>	<u>32,274</u>	<u>-</u>

	Note	Specialist Diversified Fixed Interest Fund		Specialist Dynamic Allocation Fund	
		30 June 2018 \$000	30 June 2017 \$000	30 June 2018 \$000	30 June 2017 \$000
<b>Total equity at the beginning of the year</b>		-	-	-	-
Reclassification due to AMIT tax regime implementation*	3	106,362	-	84,911	-
<b>Comprehensive income for the year</b>					
Profit/(loss) for the year		181	-	5,286	-
Other comprehensive income		-	-	-	-
<b>Total comprehensive income for the year</b>		<u>181</u>	<u>-</u>	<u>5,286</u>	<u>-</u>
<b>Transactions with unitholders</b>					
Applications	3	12,143	-	8,186	-
Reinvested distributions	3	50	-	28	-
Redemptions	3	(27,777)	-	(20,589)	-
Distributions paid and payable	3,4	(2,406)	-	(5,806)	-
<b>Total transactions with unitholders</b>		<u>(17,990)</u>	<u>-</u>	<u>(18,181)</u>	<u>-</u>
<b>Total equity at the end of the year*</b>		<u>88,553</u>	<u>-</u>	<u>72,016</u>	<u>-</u>

\* Effective from 1 July 2017, the Schemes' units have been reclassified from financial liability to equity. Refer to 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.*



**SPECIALIST SECTOR FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

	Note	Specialist Australian Shares Fund		Specialist Global Shares Fund		Specialist Property Fund	
		Year ended		Year ended		Year ended	
		30 June 2018 \$'000 Inflows/ (Outflows)	30 June 2017 \$'000 Inflows/ (Outflows)	30 June 2018 \$'000 Inflows/ (Outflows)	30 June 2017 \$'000 Inflows/ (Outflows)	30 June 2018 \$'000 Inflows/ (Outflows)	30 June 2017 \$'000 Inflows/ (Outflows)
<b>Cash flows from operating activities</b>							
Interest received		37	38	10	10	8	8
Dividends and trust distributions received		1,980	2,688	-	5,504	4,051	3,676
Net proceeds for financial instruments held for trading		-	32	-	-	-	-
Proceeds from the sale of financial instruments held at fair value through profit or loss		43,240	52,911	15,064	7,443	28,801	20,457
Payments for the purchase of financial instruments held at fair value through profit or loss		(27,391)	(50,805)	(1,396)	(6,895)	(23,247)	(21,015)
Other income received		2	17	-	295	20	115
Net movement in margin account		-	59	-	-	-	-
Operating expenses paid		(1,224)	(767)	(266)	(245)	(67)	(251)
<b>Net cash inflow/(outflow) from operating activities</b>	14(b)	<u>16,644</u>	<u>4,173</u>	<u>13,412</u>	<u>6,112</u>	<u>9,566</u>	<u>2,990</u>
<b>Cash flows from financing activities</b>							
Proceeds from application of units		4,822	9,428	3,854	8,144	4,118	4,089
Payments for redemption of units		(19,601)	(11,209)	(13,313)	(8,617)	(8,490)	(6,737)
Distributions paid		(1,363)	(1,832)	(4,057)	(5,197)	(5,156)	(306)
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(16,142)</u>	<u>(3,613)</u>	<u>(13,516)</u>	<u>(5,670)</u>	<u>(9,528)</u>	<u>(2,954)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		502	560	(104)	442	38	36
<b>Cash and cash equivalents at the beginning of the financial year</b>		4,563	4,003	570	128	291	255
<b>Cash and cash equivalents at the end of the financial year</b>	14(a)	<u>5,065</u>	<u>4,563</u>	<u>466</u>	<u>570</u>	<u>329</u>	<u>291</u>

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

**SPECIALIST SECTOR FUNDS**  
**STATEMENT OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

	Note	Specialist Diversified Fixed Interest Fund		Specialist Dynamic Allocation Fund	
		Year ended		Year ended	
		30 June 2018 \$'000 Inflows/ (Outflows)	30 June 2017 \$'000 Inflows/ (Outflows)	30 June 2018 \$'000 Inflows/ (Outflows)	30 June 2017 \$'000 Inflows/ (Outflows)
<b>Cash flows from operating activities</b>					
Interest received		181	8	12	11
Dividends and trust distributions received		8	74	-	2,147
Net proceeds for financial instruments held for trading		1,123	5,871	-	-
Proceeds from the sale of financial instruments held at fair value through profit or loss		111,536	333,375	47,329	14,416
Payments for the purchase of financial instruments held at fair value through profit or loss		(93,994)	(335,308)	(31,919)	(14,046)
Other income received		1	6	341	197
Net movement in margin accounts		(3,450)	1,532	-	-
Operating expenses paid		(847)	(478)	(362)	(359)
<b>Net cash inflow/(outflow) from operating activities</b>	14(b)	<u>14,558</u>	<u>5,080</u>	<u>15,401</u>	<u>2,366</u>
<b>Cash flows from financing activities</b>					
Proceeds from application of units		11,430	21,407	7,925	13,124
Payments for redemption of units		(26,792)	(16,798)	(20,148)	(13,304)
Distributions paid		(6,454)	(2,419)	(3,424)	(1,858)
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(21,816)</u>	<u>2,190</u>	<u>(15,647)</u>	<u>(2,038)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		(7,258)	7,270	(246)	328
<b>Cash and cash equivalents at the beginning of the financial year</b>		15,050	7,780	819	491
Effects of foreign currency translation on cash and cash equivalents		-	-	-	-
<b>Cash and cash equivalents at the end of the financial year</b>	14(a)	<u>7,792</u>	<u>15,050</u>	<u>573</u>	<u>819</u>

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 1: General information**

This financial report covers Specialist Sector Funds ('the Schemes') as individual entities. The Schemes are registered managed investment schemes under the *Corporations Act 2001*.

**Scheme information**

The Schemes are Australian registered schemes.

<b>Scheme Name</b>	<b>Date of Commencement</b>	<b>Date of Termination</b>
Specialist Australian Shares Fund (formerly known as Specialist Australian Small Companies Fund)	4 July 2005	3 July 2085
Specialist Global Shares Fund	4 July 2005	3 July 2085
Specialist Property Fund	4 July 2005	3 July 2085
Specialist Diversified Fixed Interest Fund (formerly known as Specialist Income Fund)	14 June 2001	13 June 2081
Specialist Dynamic Allocation Fund	20 April 2010	19 April 2090

The Responsible Entity of the Schemes is IOOF Investment Management Limited. The Responsible Entity's registered office is Level 6, 161 Collins Street, Melbourne, VIC 3000. The Responsible Entity's ABN number is 53 006 695 021.

The financial statements were authorised for issue by the Directors on 26 September 2018. The Directors of the Responsible Entity have the power to amend and reissue the financial report as considered necessary under the Schemes' Constitutions.

Certain comparative amounts have been reclassified to conform with the current year presentation.

Reclassification of units from financial liability to equity

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. The Responsible Entity is therefore no longer contractually obligated to pay distributions. Consequently the units in the Schemes have been re-classified from a financial liability to equity on 1 July 2017, see Note 3 for further information.

**Note 2: Summary of significant accounting policies**

The principal accounting policies applied in the preparation of this financial report are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text:

**(a) Basis of preparation**

The financial report is a general purpose financial report for the year ended 30 June 2018 which has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board (AASB) and the *Corporations Act 2001*. The financial report of the Schemes complies with International Financial Reporting Standards (IFRS) and interpretations adopted by the International Accounting Standard Board (IASB).

The financial statements have been prepared on a historical-cost basis except for financial instruments at fair value through profit or loss and held for trading, which are measured at fair value. Financial instruments classified as loans and receivables are measured at amortised cost.

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 2: Summary of significant accounting policies (continued)**

**(b) Financial instruments**

*(i) Classification*

The category of financial assets and financial liabilities at fair value through profit or loss comprises:

- Financial instruments held for trading

These include futures, forward contracts, options and interest rate swaps. All derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value), as well as options written, are reported as financial liabilities held for trading. Derivative financial instruments entered into by the Schemes do not meet the hedge accounting requirements as defined by AASB 139. Consequently, hedge accounting is not applied by the Schemes.

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

These include financial assets that are not held for trading purposes and which may be sold. These include investments in fixed interest securities, equity instruments and units in unlisted managed investment schemes.

The fair value through profit or loss classification is available for the majority of the financial assets held by the Schemes and the financial liabilities arising from the units must be fair valued. Therefore, not fair valuing the financial assets used in calculating the fair value of the liability would result in an accounting mismatch. In addition, the Schemes' performance and risk management is assessed on a fair value basis.

Financial assets that are classified as loans and receivables and measured at amortised cost include cash and cash equivalents, margin accounts, mortgages, loans and receivables.

Financial liabilities at amortised cost include margin accounts, distributions payable and other payables.

*(ii) Recognition/derecognition*

Financial assets and liabilities at fair value through profit or loss are recognised initially on the trade date at which the Schemes becomes a party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they are originated.

The Schemes derecognise a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset and the transfer qualifies for derecognition in accordance with AASB 139.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 2: Summary of significant accounting policies (continued)**

*(iii) Measurement*

**Financial instruments held at fair value through profit or loss**

Financial assets and financial liabilities held at fair value through profit or loss are measured initially at fair value, with transaction costs that are directly attributable to its acquisition or issue recognised in the Statement of Comprehensive Income. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

The following represent the basis for valuation of financial assets and liabilities designated at fair value through profit or loss for financial reporting purposes:

- **Money Market Securities**

Money Market Securities are fair valued using quoted 'mid' prices from an exchange.

- **Interest Bearing**

Interest Bearing Securities are fair valued using quoted 'mid' prices from an exchange.

- **Term Deposits**

Investments in term deposits are recorded at the fair value of the investment determined to be the principal amount.

- **Listed Equities**

Shares that are listed or traded on an exchange are fair valued using quoted 'mid' prices from that exchange, as at the close of business on the day the shares are being valued.

- **Listed Property Trusts**

Units that are listed or traded on an exchange are fair valued using quoted 'mid' prices from that exchange, as at close of business on the day the shares are being valued.

- **Units in Unlisted Managed Investment Schemes**

The fair value of units in unlisted managed investment schemes is the NAV price per unit on the last day of the period, as determined by the Schemes' Responsible Entity. The NAV price is calculated by deducting the liabilities of the Scheme from the value of the gross assets of the Scheme.

If a quoted market price is not available on a recognised stock exchange, from an investment's Responsible Entity or from the brokers/dealers for non-exchange traded financial instruments, the fair value of the instrument is estimated using the last available quoted market price or other valuation techniques, which includes the use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

**Derivative financial instruments**

Derivative financial instruments are classified as held for trading, as the Schemes do not designate any derivatives as hedges in a hedging relationship. Derivatives are recognised at cost on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Fair values for financial assets and liabilities are obtained from quoted market 'mid' prices in active markets. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

If a quoted market price is not available on a recognised stock exchange or from the brokers/dealers for non-exchange traded financial instruments, the fair value of the instrument is estimated using the last available quoted market price or other valuation techniques, which includes the use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 2: Summary of significant accounting policies (continued)**

*(iii) Measurement (continued)*

**Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

Loan assets are measured initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, less impairment losses, if any. Such assets are reviewed at the reporting date to determine whether there is objective evidence of impairment.

If any such indication of impairment exists, impairment testing is carried out and an impairment loss is recognised in the Statement of Comprehensive Income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the Statement of Comprehensive Income.

**(c) Foreign currency translation**

*Functional and presentation currency*

Items included in the Schemes' financial statements are measured using the currency of the primary economic environment in which they operate ('the functional currency'). This is the Australian dollar, which reflects the currency of the economy in which the Schemes compete for funds and is regulated. The Australian dollar is also the Schemes' presentation currency.

**(d) Net assets attributable to unitholders**

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

The units can be put back to the Schemes at any time for cash based on the redemption price, which is equal to a proportionate share of the Schemes net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the units back to the Schemes. 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 Schemes' 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 Schemes, and it is not a contract settled in the Schemes' 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 unitholders are classified as a financial liability. Effective from 1 July 2017, the Schemes' units have been reclassified from financial liability to equity as they satisfied all of the above criteria.

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 2: Summary of significant accounting policies (continued)**

**(e) Cash and cash equivalents**

Cash comprises current deposits with banks. Cash equivalents are short-term highly liquid investments that are readily convertible to a known amount of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than investment or other purposes. Bank overdrafts are shown in current liabilities on the Statement of Financial Position but are included within cash and cash equivalents for cash flow purposes.

**(f) Investment income and expenses**

Interest income and expense, including interest income and expense from non-derivative financial assets at fair value through profit and loss, are recognised in the Statement of Comprehensive Income as they accrue, using the effective interest method of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income is recognised on a gross basis, including withholding tax, if any.

Accrued interest income on assets held at fair value through the profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b).

Dividend income relating to exchange-traded equity instruments is recognised in the Statement of Comprehensive Income on the ex-dividend date with any related foreign withholding tax recorded as an expense. Dividends declared on securities sold short is accrued on the ex-dividend date and are recognised as a dividend in the Statement of Comprehensive Income. Income distributions from private equity investments and other managed investment schemes are recognised in the Statement of Comprehensive Income as trust distribution income when declared.

In some cases, the Schemes may receive or choose to receive dividends or distributions in the form of additional shares/units rather than cash. In such cases, the Schemes recognise the dividend or distribution income for the amount of the cash/dividend alternative with the corresponding debit treated as additional investments.

All expenses, including Responsible Entity fees, performance fees and investment management fees, are recognised in the Statement of Comprehensive Income on an accrual basis.

**(g) Distributions**

Distributions are payable as set out in the Schemes' Product Disclosure Statements. Distributions are determined by the Responsible Entity in accordance with the Schemes' Constitutions and applicable tax legislation. Distributable income includes realised capital gains on the disposal of financial instruments held at fair value through profit and loss and those held for trading. Unrealised gains and losses on these instruments recognised in net income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained in the Schemes to be offset against future realised capital gains. If capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and foreign taxes paid are passed on to unitholders.

The Schemes currently incur withholding tax imposed by certain countries on investment income. Income that is subject to such tax is recognised gross of the taxes and the corresponding withholding tax is recognised as tax expense.

**(h) Finance costs**

In the comparative period, distributions paid on units were recognised in the Statement of Comprehensive Income as finance costs and as a liability until paid. As a result of the Schemes adopting the AMIT tax regime these are now classified as distributions paid directly out of equity and shown in the Statement of Changes in Equity. Distributions paid are included in cash flows from financing activities in the Statement of Cash Flows.

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 2: Summary of significant accounting policies (continued)**

**(i) Increase/decrease in net assets attributable to unitholders**

Income which has not been distributed by the Schemes is included in net assets attributable to unitholders. In the comparative period movements in net assets attributable to unitholders were recognised in profit or loss as finance costs. Due to the adoption of the AMIT tax regime these movements are now recognised in the Statement of Changes in Equity with effect from 1 July 2017.

**(j) Receivables**

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in Note 2(f). Amounts are generally received within 30 days of being recorded as receivables.

Amounts due from brokers which represent receivables that have been contracted for but not yet delivered by the end of the year are included in receivables. Trades are recorded on trade date and normally settled within two business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Schemes will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired.

**(k) Payables**

Payables includes liabilities and accrued expenses owing by the Schemes which are unpaid as at the reporting date. Amounts due to brokers which represents payables for securities purchased that are unsettled at reporting date are included in payables.

The distribution amount payable to unitholders as at the reporting date is recognised separately on the Statement of Financial Position as unitholders are presently entitled to the distributable income as at 30 June 2018 under the Schemes' Constitutions.

**(l) Applications and redemptions**

Applications received for units in the Schemes are recorded net of any entry fees payable prior to the issue of units in the Schemes.

All redeemable units issued by the Schemes provide the investors with the right to require redemption for cash and give rise to a financial liability. In accordance with the Product Disclosure Statement, the Schemes are contractually obliged to redeem units at redemption price, which includes an allowance for transaction costs that would be incurred by the Schemes on disposal of its assets required to fund the redemptions. As a result of the transaction cost factor, there will be a difference between the carrying amount of the net assets of the Schemes (excluding the unitholders' funds classified as a financial liability) and the contractual amount payable to unitholders which is based on the redemption price.

**(m) Unit prices**

The unit price is based on unit price accounting outlined in the Schemes' Constitutions and Product Disclosure Statement.

**(n) Goods and services tax (GST)**

Management fees, custodial fees and other expenses are recognised net of the amount of GST recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC). Payables are stated with the amount of GST included. The net amount of GST recoverable from the ATO is included in receivables in the Statement of Financial Position. Cash flows relating to GST are included in the Statement of Cash Flows on a gross basis.



**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 2: Summary of significant accounting policies (continued)**

**(o) Use of estimates**

The preparation of the financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis and revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

For the majority of the Schemes' financial instruments, quoted market prices are readily available. However, certain financial instruments, for example, over-the-counter derivatives or unquoted securities are fair valued using other valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

Where investments are held at Level 3, models use observable market data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

Note 10 Financial Instruments contains information about the estimation of fair values of financial instruments.

**(p) Margin accounts**

Margin accounts comprise cash held as collateral for derivative transactions. The cash is held by the broker and is only available to meet margin calls.

**(q) Offsetting**

Financial assets and liabilities are offset and the net amount presented in the Statements of Financial Position when, and only when, the Schemes have a legal right to offset the amounts and they intend either to settle on a net basis or realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under AASBs, e.g. for gains and losses arising from a group of similar transactions, such as gains and losses from financial instruments at fair value through profit and loss.

**(r) Changes in accounting policies**

There were no changes in the accounting policies of the Schemes during the year.

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 2: Summary of significant accounting policies (continued)**

**(s) Rounding of amounts**

The Schemes are entities of the kind referred to in Instrument 2016/191 issued by the Australian Securities and Investments Commission relating to the “rounding off” of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that Instrument, unless otherwise indicated.

**(t) New accounting standards**

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 Schemes. The assessment of the impact of these new standards (to the extent relevant to the Schemes) and interpretations is set below:

*AASB 9 Financial Instruments*

AASB 9 *Financial Instruments* (and applicable amendments), (effective from 1 January 2018) 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 applicable for financial years commencing on or after 1 January 2018 but is available for early adoption. The Directors have assessed the impact of AASB 9 on the Schemes' financial statements. Although debt instruments are held by the Schemes, which could result in a reclassification of the financial instruments to amortised cost or fair value through other comprehensive income ('FVOCI'), the adoption of AASB 9 is not expected to have a significant impact on the recognition and measurement of the Schemes' financial instruments. The derecognition rules have not been changed from the previous requirements, and the Schemes do not apply hedge accounting.

*AASB 15 Revenue from Contracts with Customers*

AASB 15 *Revenue from Contracts with Customers*, (effective from 1 January 2018) will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard 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 Schemes' main sources of income are interest, dividends, 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 Schemes' accounting policies or the amounts recognised in the financial statements.

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**Note 3: Net assets attributable to unitholders**

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 Schemes 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 Schemes classified net assets attributable to unitholders as liabilities in accordance with AASB 132. On 1 July 2017, the Schemes elected into the AMIT tax regime, therefore the net assets attributable to unitholders of the Schemes 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 unitholders from liabilities to equity, the Schemes' distributions are no longer classified as a finance cost in the Statement of Comprehensive Income, but rather as distributions paid in the Statement of Changes in Equity.

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

	<b>Specialist Australian Shares Fund</b>				<b>Specialist Global Shares Fund</b>			
	<b>30 June 2018</b>		<b>30 June 2017</b>		<b>30 June 2018</b>		<b>30 June 2017</b>	
	<b>No. of units</b>		<b>No. of units</b>		<b>No. of units</b>		<b>No. of units</b>	
	<b>'000</b>	<b>\$'000</b>	<b>'000</b>	<b>\$'000</b>	<b>'000</b>	<b>\$'000</b>	<b>'000</b>	<b>\$'000</b>
Opening balance*	68,419	66,696	70,554	65,268	43,448	56,672	43,476	53,471
Applications	4,894	5,018	16,993	16,121	3,155	4,330	6,783	8,862
Reinvested distributions	15	15	20	19	168	219	206	253
Redemptions	(19,262)	(19,943)	(19,148)	(18,175)	(9,871)	(13,769)	(7,017)	(9,485)
Distributions paid and payable	-	(965)	-	-	-	(7,276)	-	-
Transfer to/(from) net assets attributable to unitholders/Total Comprehensive income	-	9,376	-	3,463	-	7,549	-	3,571
Closing Balance*	<u>54,066</u>	<u>60,197</u>	<u>68,419</u>	<u>66,696</u>	<u>36,900</u>	<u>47,725</u>	<u>43,448</u>	<u>56,672</u>

	<b>Specialist Property Fund</b>				<b>Specialist Diversified Fixed Interest Fund</b>			
	<b>30 June 2018</b>		<b>30 June 2017</b>		<b>30 June 2018</b>		<b>30 June 2017</b>	
	<b>No. of units</b>		<b>No. of units</b>		<b>No. of units</b>		<b>No. of units</b>	
	<b>'000</b>	<b>\$'000</b>	<b>'000</b>	<b>\$'000</b>	<b>'000</b>	<b>\$'000</b>	<b>'000</b>	<b>\$'000</b>
Opening balance*	42,814	38,011	45,557	44,526	118,321	106,362	113,651	105,398
Applications	4,876	4,432	4,620	4,537	13,528	12,143	24,407	23,077
Reinvested distributions	20	18	1	1	55	50	5	4
Redemptions	(9,739)	(8,904)	(7,364)	(7,256)	(31,083)	(27,777)	(19,742)	(18,612)
Distributions paid and payable	-	(5,012)	-	-	-	(2,406)	-	-
Transfer to/(from) net assets attributable to unitholders/Total Comprehensive income	-	3,729	-	(3,797)	-	181	-	(3,505)
Closing Balance*	<u>37,971</u>	<u>32,274</u>	<u>42,814</u>	<u>38,011</u>	<u>100,821</u>	<u>88,553</u>	<u>118,321</u>	<u>106,362</u>

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

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**Note 3: Net assets attributable to unitholders (Continued)**

	<b>Specialist Dynamic Allocation Fund</b>			
	<b>30 June 2018</b>		<b>30 June 2017</b>	
	<b>No. of units</b>		<b>No. of units</b>	
	<b>'000</b>	<b>\$'000</b>	<b>'000</b>	<b>\$'000</b>
Opening balance*	82,177	84,911	82,536	87,108
Applications	7,736	8,186	12,522	13,283
Reinvested distributions	26	28	16	16
Redemptions	(19,244)	(20,589)	(12,897)	(13,688)
Distributions paid and payable	-	(5,806)	-	-
Transfer to/(from) net assets attributable to unitholders/Total Comprehensive income	-	5,286	-	(1,808)
Closing Balance*	<u>70,695</u>	<u>72,016</u>	<u>82,177</u>	<u>84,911</u>

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

As stipulated within the Schemes' Constitutions, each unit represents a right to an individual share in the Schemes and does not extend to a right to the underlying assets of the Schemes. There are no separate classes of units and each unit has the same rights attached to it as all other units of the Schemes. Units are issued and redeemed at the unitholder's option at prices based on the value of the Schemes' net assets at the time of issue/redemption less transaction costs.

**Capital risk management**

The Schemes manage their net assets attributable to unitholders (including distribution payable) as capital, notwithstanding net assets attributable to unitholders were classified as a liability until 30 June 2017. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Schemes are subject to daily applications and redemptions at the discretion of unitholders.

The Schemes monitor the level of daily applications and redemptions relative to the liquid assets in the Schemes. During the year, the Schemes' strategy, which was unchanged from last year, was to ensure that there was no significant exposure to illiquid or thinly traded financial instruments.

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**Note 4: Distributions paid and payable**

The distributions paid and payable during the year were as follows:

Specialist Australian Shares Fund					Specialist Global Shares Fund			
Year ended					Year ended			
	30 June 2018 \$'000	30 June 2018 CPU	30 June 2017 \$'000	30 June 2017 CPU		30 June 2018 CPU	30 June 2017 \$'000	30 June 2017 CPU
31 December paid	337	0.5500	845	1.2109	-	-	-	-
30 June final payable	628	1.1620	1,041	1.5212	7,276	19.7187	4,276	9.8409
	<u>965</u>	<u>1.7120</u>	<u>1,886</u>	<u>2.7321</u>	<u>7,276</u>	<u>19.7187</u>	<u>4,276</u>	<u>9.8409</u>
Specialist Property Fund					Specialist Diversified Fixed Interest Fund			
Year ended					Year ended			
	30 June 2018 \$'000	30 June 2018 CPU	30 June 2017 \$'000	30 June 2017 CPU		30 June 2018 CPU	30 June 2017 \$'000	30 June 2017 CPU
30 September paid	-	-	71	0.1579	477	0.4000	343	0.2910
31 December paid	-	-	74	0.1676	451	0.4000	69	0.0587
31 March paid	-	-	72	0.1600	1,063	1.0000	340	0.2900
30 June final payable	5,012	13.1992	5,174	12.0845	415	0.4116	4,512	3.8133
	<u>5,012</u>	<u>13.1992</u>	<u>5,391</u>	<u>12.5700</u>	<u>2,406</u>	<u>2.2116</u>	<u>5,264</u>	<u>4.4530</u>
Specialist Dynamic Allocation Fund								
Year ended								
	30 June 2018 \$'000	30 June 2018 CPU	30 June 2017 \$'000	30 June 2017 CPU				
31 December paid	545	0.7000	180	0.2148				
30 June final payable	5,261	7.4419	2,907	3.5372				
	<u>5,806</u>	<u>8.1419</u>	<u>3,087</u>	<u>3.7520</u>				

**SPECIALIST SECTOR FUNDS**  
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**Note 5: Financial assets held at fair value through profit or loss**

	<b>Specialist Australian Shares Fund</b>		<b>Specialist Global Shares Fund</b>		<b>Specialist Property Fund</b>	
	<b>Year ended</b>		<b>Year ended</b>		<b>Year ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Designated at fair value through profit or loss</b>						
Equity securities	51,598	58,930	-	-	-	-
Listed unit trusts	4,527	5,414	-	-	-	-
Unlisted unit trusts	-	-	50,909	58,255	33,843	39,193
<b>Total designated at fair value through profit or loss</b>	<b>56,125</b>	<b>64,344</b>	<b>50,909</b>	<b>58,255</b>	<b>33,843</b>	<b>39,193</b>
<b>Total financial assets held at fair value through profit or loss</b>	<b>56,125</b>	<b>64,344</b>	<b>50,909</b>	<b>58,255</b>	<b>33,843</b>	<b>39,193</b>
<b>Comprising:</b>						
<b>Equity securities</b>						
Australian shares	51,598	58,930	-	-	-	-
Total equity securities	51,598	58,930	-	-	-	-
<b>Listed unit trusts</b>						
Units in listed trusts	4,527	5,414	-	-	-	-
Total listed unit trusts	4,527	5,414	-	-	-	-
<b>Unlisted unit trusts</b>						
Units in unlisted trusts	-	-	50,909	58,255	33,843	39,193
Total unlisted unit trusts	-	-	50,909	58,255	33,843	39,193
<b>Total financial assets held at fair value through profit or loss</b>	<b>56,125</b>	<b>64,344</b>	<b>50,909</b>	<b>58,255</b>	<b>33,843</b>	<b>39,193</b>

**SPECIALIST SECTOR FUNDS**  
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**Note 5: Financial assets held at fair value through profit or loss (continued)**

	<b>Specialist Diversified Fixed Interest Fund</b>		<b>Specialist Dynamic Allocation Fund</b>	
	<b>Year ended</b>		<b>Year ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Held for trading</b>				
Derivatives	3,954	57,368	-	-
Total held for trading	3,954	57,368	-	-
<b>Designated at fair value through profit or loss</b>				
Equity securities	488	-	-	-
Fixed interest securities	81,679	97,753	-	-
Unlisted unit trusts	-	-	73,904	85,115
Total designated at fair value through profit or loss	82,167	97,753	73,904	85,115
<b>Total financial assets held at fair value through profit or loss</b>	<b>86,121</b>	<b>155,121</b>	<b>73,904</b>	<b>85,115</b>
<b>Comprising:</b>				
<b>Equity securities</b>				
International shares	488	-	-	-
Total equity securities	488	-	-	-
<b>Interest bearing securities</b>				
Fixed interest securities	81,679	97,753	-	-
Total interest bearing securities	81,679	97,753	-	-
<b>Unlisted unit trusts</b>				
Units in unlisted trusts	-	-	73,904	85,115
Total unlisted unit trusts	-	-	73,904	85,115
<b>Derivatives</b>				
Forward foreign currency contracts	3,954	57,368	-	-
Total derivatives	3,954	57,368	-	-
<b>Total financial assets held at fair value through profit or loss</b>	<b>86,121</b>	<b>155,121</b>	<b>73,904</b>	<b>85,115</b>

**SPECIALIST SECTOR FUNDS**  
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**Note 6: Financial liabilities held at fair value through profit or loss**

	<b>Specialist Diversified Fixed Interest Fund Year ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Held for trading</b>		
Derivatives	7,854	58,793
Total held for trading	7,854	58,793
<b>Total financial liabilities held at fair value through profit or loss</b>	7,854	58,793
<b>Comprising:</b>		
<b>Derivatives</b>		
Forward foreign currency contracts	7,854	58,793
Total derivatives	7,854	58,793
<b>Total financial liabilities held at fair value through profit or loss</b>	7,854	58,793



**Note 7: Net gains/(losses) on financial instruments held at fair value through profit or loss**

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**SPECIALIST SECTOR FUNDS**  
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**Note 8: Interest income**

The following table details the interest income earned by the Schemes during the year:

	<b>Specialist Australian Shares Fund</b>		<b>Specialist Global Shares Fund</b>		<b>Specialist Property Fund</b>	
	<b>Year ended</b>		<b>Year ended</b>		<b>Year ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Interest income from financial assets that are not at fair value through profit or loss:						
Cash and cash equivalents	37	39	10	10	8	7
Interest income from loans and receivables:						
Margin accounts	-	-	-	-	-	-
<b>Total interest income</b>	<b>37</b>	<b>39</b>	<b>10</b>	<b>10</b>	<b>8</b>	<b>7</b>

	<b>Specialist Diversified Fixed Interest Fund</b>		<b>Specialist Dynamic Allocation Fund</b>	
	<b>Year ended</b>		<b>Year ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Interest income from financial assets that are not at fair value through profit or loss:				
Cash and cash equivalents	181	10	12	11
<b>Total interest income</b>	<b>181</b>	<b>10</b>	<b>12</b>	<b>11</b>

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**Note 9: Derivative financial instruments**

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

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

Derivative transactions include a wide assortment of instruments, such as forwards, futures, interest rate swaps and options. Derivatives are considered to be part of the investment process. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

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

	Specialist Diversified Fixed Interest Fund					
	30 June 2018			30 June 2017		
	Contract/ notional value \$'000	Fair Value		Contract/ notional value \$'000	Fair Value	
		Assets \$'000	Liabilities \$'000		Assets \$'000	Liabilities \$'000
Forward foreign currency contracts	(2,949)	3,359	6,308	197	4,536	4,339
Interest rate swaps	(951)	595	1,546	(1,622)	52,832	54,454
<b>Total derivative instruments</b>	<b>(3,900)</b>	<b>3,954</b>	<b>7,854</b>	<b>(1,425)</b>	<b>57,368</b>	<b>58,793</b>

**Note 10: Financial Instruments**

**Carrying amount versus fair values**

The fair value of financial assets and financial liabilities approximates their carrying amounts in the Statement of Financial Position.

**Fair value hierarchy**

The Schemes' accounting policy on fair value measurements is discussed in Note 2.

The Schemes measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Schemes can access at measurement date.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: inputs not based on observable data and the unobservable inputs have a significant effect on the instruments valuation.

**SPECIALIST SECTOR FUNDS**  
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**Note 10: Financial Instruments (continued)**

<b>Specialist Australian Shares Fund</b>							
<b>30 June 2018</b>				<b>30 June 2017</b>			
<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets at fair value through profit or loss</b>							
Equity securities	51,598	-	51,598	58,930	-	-	58,930
Units in listed unit trusts	4,527	-	4,527	5,414	-	-	5,414
	56,125	-	56,125	64,344	-	-	64,344
<b>Specialist Global Shares Fund</b>							
<b>30 June 2018</b>				<b>30 June 2017</b>			
<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets at fair value through profit or loss</b>							
Units in unlisted unit trusts	-	50,909	50,909	-	58,255	-	58,255
	-	50,909	50,909	-	58,255	-	58,255
<b>Specialist Property Fund</b>							
<b>30 June 2018</b>				<b>30 June 2017</b>			
<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets at fair value through profit or loss</b>							
Units in unlisted unit trusts	-	33,771	33,843	-	35,712	3,481	39,193
	-	33,771	33,843	-	35,712	3,481	39,193
<b>Specialist Diversified Fixed Interest Fund</b>							
<b>30 June 2018</b>				<b>30 June 2017</b>			
<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Financial assets held for trading</b>							
Forward foreign currency contracts	-	3,954	3,954	-	57,368	-	57,368
<b>Financial assets at fair value through profit or loss</b>							
International shares	-	488	488	-	-	-	-
Fixed interest securities	-	81,679	81,679	-	97,753	-	97,753
Units in listed unit trusts	-	-	-	-	-	-	-
Units in listed property trusts	-	-	-	-	-	-	-
	-	86,121	86,121	-	155,121	-	155,121
<b>Financial liabilities held for trading</b>							
International fixed interest futures	-	-	-	-	-	-	-
Forward foreign currency contracts	-	7,854	7,854	-	58,793	-	58,793
Domestic Derivatives	-	-	-	-	-	-	-
	-	7,854	7,854	-	58,793	-	58,793

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**Note 10: Financial Instruments (continued)**

Specialist Dynamic Allocation Fund							
30 June 2018				30 June 2017			
Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
-	73,904	-	73,904	-	85,115	-	85,115
-	73,904	-	73,904	-	85,115	-	85,115

The valuation of managed investment schemes included in Level 2 is based on the daily net asset value of the managed investment schemes provided by the investment manager.

Level 2 fair values for simple, over the counter derivative financial instruments are based on broker quotes. These quotes are tested for reasonableness by discounting expected future cash flows using the market interest rate for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include an adjustment to take account of the credit risk of the Schemes and counterparty where appropriate.

The Schemes recognise transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. For the year ended 30 June 2018 and 30 June 2017, there have been no transfers between levels.

**Movement in Level 3 instruments**

The following table presents the movement in Level 3 instruments for the year ended 30 June 2018 and 30 June 2017 by class of financial instrument

	<b>Specialist Global Shares Fund</b>		<b>Specialist Property Fund</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>Unlisted Unit trust</b>	<b>Unlisted Unit trust</b>	<b>Unlisted Unit trust</b>	<b>Unlisted Unit trust</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Opening balance	-	4	3,481	3,295
Purchases	-	-	-	-
Sales	-	(4)	(2,168)	-
Transfer into Level 3	-	-	-	-
Gains and losses recognised in profit or loss	-	-	(1,241)	186
Closing balance	-	-	72	3,481

**SPECIALIST SECTOR FUNDS**  
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**Note 10: Financial Instruments (continued)**

Significant unobservable inputs used in measuring fair value

**Specialist Property Fund**

	<b>Fair Value</b>			
<b>30 June 2018</b>	<b>\$'000</b>	<b>Valuation technique</b>	<b>Unobservable inputs</b>	<b>Sensitivity to changes in significant unobservable inputs</b>
		Priced by Investment	Market activity/active	The investment's fair value would increase or decrease depending on the demand
Unlisted unit trusts	72	Manager.	trading.	in the market for the security.
	<u>72</u>			
<b>30 June 2017</b>	<b>\$'000</b>	<b>Valuation technique</b>	<b>Unobservable inputs</b>	<b>Sensitivity to changes in significant unobservable inputs</b>
		Priced by Investment	Market activity/active	The investment's fair value would increase or decrease depending on the demand
Unlisted unit trusts	3,481	Manager	trading	in the market for the security.
	<u>3,481</u>			

**Effects of the unobservable input on fair value measurement**

Although the Fund believes that its estimates of fair value are appropriate, the use of different methodologies or assumptions could lead to different measurement of fair value. For fair value measurements in Level 3, changing one or more of the assumptions used to reasonably possible alternative assumptions would have the following effects on net assets attributable to holder of redeemable shares.

<b>30 June 2018</b>	<b>Change in variable</b>	<b>Favourable</b>	<b>(Unfavourable)</b>
	<b>25%/(10%)</b>	<b>\$'000</b>	<b>\$'000</b>
Unlisted unit trusts	Value of NTA	18	(7)
		<u>18</u>	<u>(7)</u>
<b>30 June 2017</b>	<b>Change in variable</b>	<b>Favourable</b>	<b>(Unfavourable)</b>
	<b>25%/(10%)</b>	<b>\$'000</b>	<b>\$'000</b>
Unlisted unit trusts	Value of NTA	870	(348)
		<u>870</u>	<u>(348)</u>

**SPECIALIST SECTOR FUNDS**  
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**Note 11: Financial risk management**

**Strategy in using financial instruments**

The Schemes are exposed to a variety of financial risks: credit risk, liquidity risk, market risk (including price risk, foreign exchange risk and interest rate risk) arising from the financial instruments they hold.

The Schemes' overall risk management program focuses on ensuring compliance with the Schemes' governing documents and seeks to maximise the returns derived for the level of risk to which the Schemes are exposed. As part of their risk management strategy, the Schemes may also utilise a range of derivative financial instruments to manage certain risk exposures.

The Responsible Entity via the Investment Manager assesses the risk profile before entering into economic hedge transactions. The effectiveness of all hedge relationships is monitored by the Investment Manager (based on economic consideration rather than IFRS hedge accounting conditions) on a daily basis.

More details about risk management policies employed by the Schemes to manage financial risks are discussed below.

**Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Schemes, resulting in a financial loss to the Schemes.

The Schemes are exposed to concentrations of risk when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

Concentrations of credit risk are minimised primarily by:

- ensuring counterparties, together with the respective credit limits, are approved; and
- ensuring that transactions are undertaken with a large number of counterparties (either directly or indirectly).

The Schemes' Responsible Entity also manages credit risk by ensuring that a diversified portfolio of securities is held and that the Schemes do not invest in securities that are considered to be rated sub investment grade by a recognised rating agency.

The Schemes had no significant concentrations of credit risk exposure to counterparties at 30 June 2018 and 30 June 2017.

As at 30 June 2018 and 30 June 2017, there are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated.

**SPECIALIST SECTOR FUNDS**  
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**Note 11: Financial risk management (continued)**

An analysis of fixed interest securities by credit rating is set out in the table below.

	<b>Specialist Diversified Fixed Interest Fund</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>%</b>	<b>%</b>
<b>Debt securities Rating</b>		
AAA	2.69	4.09
A+	0.99	0.27
A	0.56	3.16
A-	5.29	4.91
BBB+	6.29	1.84
BBB	6.66	8.72
BBB-	1.71	2.29
BB+	4.33	1.60
BB	1.29	4.79
BB-	6.88	1.39
B+	1.66	0.42
B	0.05	0.74
B-	0.29	-
D	0.76	-
Not rated	60.55	65.78
Total	<u>100</u>	<u>100</u>

In accordance with the Schemes' policy, the Responsible Entity via the Investment Manager monitors the Schemes' credit position on a continuous basis.



**SPECIALIST SECTOR FUNDS**  
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**Note 11: Financial risk management (continued)**

**Liquidity and cash flow risk**

Liquidity risk is the risk that the Schemes will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Schemes. Cash flow risk is the risk that the future cash flows derived from holding financial instruments will fluctuate.

The risk management guidelines adopted are designed to minimise liquidity and cash flow risk through:

- ensuring that there is no significant exposure to illiquid or thinly traded financial instruments; and
- applying limits to ensure there is no concentration of liquidity risk to a particular counterparty or market.

In accordance with the Schemes' policy, the Responsible Entity via the Investment Manager monitors the Schemes' liquidity position on a continuous basis.

Financial liabilities of the Schemes comprise distributions payable, other payables, and net assets attributable to unitholders only for the year ended 30 June 2017. Distributions payable and other payables have no contractual maturities but are typically settled within 30 days. Net assets attributable to unitholders are payable on demand.

The table below analyses the Scheme's financial liabilities into relevant maturity groupings based on the remaining period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

Other than Specialist Income Fund, the Schemes had no significant concentrations of Liquidity and cash flow risk exposure to counterparties at 30 June 2018 and 30 June 2017.

	<b>Specialist Diversified Fixed Interest Fund</b>			
	<b>Less than 1 month</b>	<b>1-6 months</b>	<b>6-12 months</b>	<b>More than 12 months</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>At 30 June 2018</b>				
Distributions payable	415	-	-	-
Financial liabilities held at fair value through profit or loss	4,510	2,074	-	1,270
Margin accounts	1,804	-	-	-
Other payables	511	-	-	-
<b>Total financial liabilities</b>	<b>7,240</b>	<b>2,074</b>	<b>-</b>	<b>1,270</b>
	<b>Specialist Diversified Fixed Interest Fund</b>			
	<b>Less than 1 month</b>	<b>1-6 months</b>	<b>6-12 months</b>	<b>More than 12 months</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>At 30 June 2017</b>				
Distributions payable	4,512	-	-	-
Financial liabilities held at fair value through profit or loss	4,399	54,394	-	-
Margin accounts	2,329	-	-	-
Due to brokers - payable for securities purchased	362	-	-	-
Other payables	301	-	-	-
Net assets attributable to unitholders	106,362	-	-	-
<b>Total financial liabilities</b>	<b>118,265</b>	<b>54,394</b>	<b>-</b>	<b>-</b>

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 11: Financial risk management (continued)**

**Market risk**

Market risk is the risk that the changes in market prices such as foreign exchange rates, interest rates, equity prices and credit spreads will affect the Schemes' income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

The Schemes' Responsible Entity aims to reduce market risk through analysis of the economic cycle and broad research of companies and markets, which may impact the Schemes' investments. In addition, the Responsible Entity, within asset allocation ranges, reduces exposure to sectors they perceive to be overvalued in favour of sectors which they believe have the prospect of better relative returns.

In accordance with the Schemes' policy, the Responsible Entity via the Investment Manager monitors the Schemes' market risk on a continuous basis.

The effect on the net assets attributable to unitholders and profit or loss due to a reasonably possible change in market factors, as represented by the market index, with all other variables held constant, is indicated in the table below.

<b>Specialist Australian Shares Fund</b>								
	<b>30 June 2018</b>				<b>30 June 2017</b>			
	<b>Change in price</b>		<b>Effect on net assets attributable to unitholders and profit or loss</b>		<b>Change in price</b>		<b>Effect on net assets attributable to unitholders and profit or loss</b>	
	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
<b>Market Index</b>	<b>%</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>
S&P/ASX Small Ordinaries Accumulation Index	25	(10)	14,031	(5,613)	23	(23)	14,992	(14,992)
<b>Specialist Global Shares Fund</b>								
	<b>30 June 2018</b>				<b>30 June 2017</b>			
	<b>Change in price</b>		<b>Effect on net assets attributable to unitholders and profit or loss</b>		<b>Change in price</b>		<b>Effect on net assets attributable to unitholders and profit or loss</b>	
	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
<b>Market Index</b>	<b>%</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>
MSCI World Net Return Local Currency	23	(8)	11,709	(4,073)	21	(21)	12,397	(12,397)
<b>Specialist Property Fund</b>								
	<b>30 June 2018</b>				<b>30 June 2017</b>			
	<b>Change in price</b>		<b>Effect on net assets attributable to unitholders and profit or loss</b>		<b>Change in price</b>		<b>Effect on net assets attributable to unitholders and profit or loss</b>	
	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
<b>Market Index</b>	<b>%</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>
S&P/ASX 300 A-REIT Total Return	24	(10)	8,122	(3,384)	21	(21)	8,348	(8,348)

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 11: Financial risk management (continued)**

<b>Specialist Dynamic Allocation Fund</b>								
	<b>30 June 2018</b>				<b>30 June 2017</b>			
	<b>Change in price</b>		<b>Effect on net assets attributable</b>		<b>Change in price</b>		<b>Effect on net assets attributable</b>	
	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>	<b>Increase</b>	<b>Decrease</b>
	<b>%</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Market Index</b>								
180 - day Australian Bank Bill	17	(7)	12,564	(5,173)	15	(15)	13,057	(13,057)
Index								

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 11: Financial risk management (continued)**

**Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Schemes' financial instruments will fluctuate as a result of changes in market interest rates.

The Responsible Entity establishes interest rate management strategies to manage the risk of the Schemes. This includes managing exposures around the benchmark and hedging exposures through the use of derivatives.

In accordance with the Schemes' policy, the Responsible Entity via the Investment Manager monitors the Schemes' overall interest sensitivity position on a continuous basis.

Interest rate risk is not considered to be significant to the Schemes except in relation to investments in interest bearing securities. However, the Schemes do hold cash for liquidity and transactional purposes and this cash is held at floating rates of interest.

The table below summarises the Schemes' exposure to interest rate risk at 30 June 2018 and 30 June 2017:

Other than Specialist Income Fund, the Schemes had no significant concentrations of Interest rate risk exposure to counterparties at 30 June 2018 and 30 June 2017.

	<b>Specialist Diversified Fixed Interest Fund</b>					<b>Total \$'000</b>
	<b>Floating interest rate \$'000</b>	<b>Within 1 year \$'000</b>	<b>1 to 5 years \$'000</b>	<b>Over 5 years \$'000</b>	<b>Non - Interest bearing \$'000</b>	
<b>30 June 2018</b>						
<b>Assets</b>						
Cash and cash equivalents	7,792	-	-	-	-	7,792
Financial assets held at fair value through profit or loss	2,055	3,981	59,273	16,368	4,444	86,121
Receivables	-	-	-	-	937	937
Margin account	4,287	-	-	-	-	4,287
<b>Total assets</b>	<b>14,134</b>	<b>3,981</b>	<b>59,273</b>	<b>16,368</b>	<b>5,381</b>	<b>99,137</b>
<b>Liabilities</b>						
Distributions payable	-	-	-	-	415	415
Financial liabilities held at fair value through profit or loss	-	-	-	-	7,854	7,854
Margin accounts	1,804	-	-	-	-	1,804
Other payables	-	-	-	-	511	511
<b>Total liabilities (excluding net assets attributable to Net exposure)</b>	<b>1,804</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,780</b>	<b>10,584</b>
	<b>12,330</b>	<b>3,981</b>	<b>59,273</b>	<b>16,368</b>	<b>(3,399)</b>	<b>88,553</b>

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 11: Financial risk management (continued)**

**30 June 2017**

**Assets**

Cash and cash equivalents

Financial assets held at fair value through profit or loss

Receivables

Margin account

**Total assets**

**Liabilities**

Distributions payable

Financial liabilities held at fair value through profit or loss

Margin accounts

Due to brokers - payable for securities purchased

Other payables

**Total liabilities (excluding net assets attributable to unitholders)**

**Net exposure**

	Floating interest rate \$'000	Fixed interest rate Within 1 year \$'000	1 to 5 years \$'000	Over 5 years \$'000	Non - Interest bearing \$'000	Total \$'000
Cash and cash equivalents	15,050	-	-	-	-	15,050
Financial assets held at fair value through profit or loss	3,390	-	37,593	56,770	57,368	155,121
Receivables	-	-	-	-	1,126	1,126
Margin account	1,362	-	-	-	-	1,362
<b>Total assets</b>	<b>19,802</b>	<b>-</b>	<b>37,593</b>	<b>56,770</b>	<b>58,494</b>	<b>172,659</b>
Distributions payable	-	-	-	-	4,512	4,512
Financial liabilities held at fair value through profit or loss	-	-	-	-	58,793	58,793
Margin accounts	2,329	-	-	-	-	2,329
Due to brokers - payable for securities purchased	-	-	-	-	362	362
Other payables	-	-	-	-	301	301
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>2,329</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>63,968</b>	<b>66,297</b>
<b>Net exposure</b>	<b>17,473</b>	<b>-</b>	<b>37,593</b>	<b>56,770</b>	<b>(5,474)</b>	<b>106,362</b>

**Change in interest rate**

**Effect on net assets attributable to  
unitholders and profit or loss**

Increase basis point	Decrease basis point	Decrease \$'000	Increase \$'000
100	(100)	2,959	(2,959)
149	(149)	260	(260)

**30 June 2018**

**30 June 2017**

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 11: Financial risk management (continued)**

**Foreign exchange risk**

The Schemes invests in financial instruments and enters into transactions that are denominated in currencies other than their functional currency. Consequently, the Schemes are exposed to risk that the exchange rate of its currency relative to other foreign currency may change in a manner that has an adverse effect on the fair value or future cash flows of that portion of the Schemes' financial assets or liabilities denominated in currencies other than the Australian dollar. This risk can either be partially or fully offset by hedging using forward exchange contracts or appropriate derivative instruments.

When investing in international shares, the Responsible Entity generally leaves the currency exposure unhedged. However, the underlying international shares may be hedged to reduce the impact of any adverse movement in the Australian dollar. This approach to hedging is strategic rather than tactical and occurs relatively infrequently.

When investing in international property securities, the Responsible Entity generally hedges the Schemes' assets to reduce the impact of any adverse movement in the Australian dollar. This means that from time to time, the Schemes may accept unhedged or over hedged exposures.

In accordance with the Schemes' policy, the Responsible Entity via the Investment Manager monitors the Schemes' currency position on a continuous basis.

The foreign exchange risk disclosures have been prepared on the basis of the Schemes' direct investments and not on a look-through basis for investments held indirectly through unit trusts. Consequently, the disclosures of currency risk in the Note may not represent the true currency risk profile of the Schemes where the Schemes have significant investments in feeder trusts which also have exposure to the foreign currency markets.

The table below summarises the Schemes' exposure to foreign exchange risks.

Other than Specialist Income Fund, the Schemes had no significant concentrations of Foreign exchange risk exposure to counterparties at 30 June 2018 and 30 June 2017.

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 11: Financial risk management (continued)**

	Specialist Diversified Fixed Interest Fund						Total
	Australian Dollar A\$'000	US Dollar A\$'000	Euro A\$'000	British Pound A\$'000	Japanese Yen A\$'000	Other A\$'000	
<b>30 June 2018</b>							
<b>Assets</b>							
Cash and cash equivalents	907	6,516	164	71	9	125	7,792
Financial assets held at fair value through profit or loss	1,128	23,686	15,460	2,063	2,317	41,467	86,121
Receivables	701	6	-	-	-	230	937
Margin accounts	502	4,953	(480)	404	(931)	(161)	4,287
<b>Total assets</b>	<b>3,238</b>	<b>35,161</b>	<b>15,144</b>	<b>2,538</b>	<b>1,395</b>	<b>41,661</b>	<b>99,137</b>
<b>Liabilities</b>							
Distributions payable	415	-	-	-	-	-	415
Financial liabilities held at fair value through profit or loss	-	7,212	535	-	-	107	7,854
Margin accounts	1,804	-	-	-	-	-	1,804
Payables	494	14	-	-	-	3	511
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>2,713</b>	<b>7,226</b>	<b>535</b>	<b>-</b>	<b>-</b>	<b>110</b>	<b>10,584</b>
<b>Net assets attributable to unitholders</b>	<b>525</b>	<b>27,935</b>	<b>14,609</b>	<b>2,538</b>	<b>1,395</b>	<b>41,551</b>	<b>88,553</b>
	Specialist Diversified Fixed Interest Fund						Total
	Australian Dollar A\$'000	US Dollar A\$'000	Euro A\$'000	British Pound A\$'000	Japanese Yen A\$'000	Other A\$'000	
<b>30 June 2017</b>							
<b>Assets</b>							
Cash and cash equivalents	1,917	12,989	26	34	-	84	15,050
Financial assets held at fair value through profit or loss	2,890	46,932	39,269	5,985	-	60,045	155,121
Receivables	997	-	129	-	-	-	1,126
Margin accounts	-	900	-	154	43	265	1,362
<b>Total assets</b>	<b>5,804</b>	<b>60,821</b>	<b>39,424</b>	<b>6,173</b>	<b>43</b>	<b>60,394</b>	<b>172,659</b>
<b>Liabilities</b>							
Distributions payable	4,512	-	-	-	-	-	4,512
Financial liabilities held at fair value through profit or loss	179	33,090	4,685	1,599	-	19,240	58,793
Margin accounts	1,379	950	-	-	-	-	2,329
Due to brokers - payable for securities purchased	-	362	-	-	-	-	362
Payables	301	-	-	-	-	-	301
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>6,371</b>	<b>34,402</b>	<b>4,685</b>	<b>1,599</b>	<b>-</b>	<b>19,240</b>	<b>66,297</b>
<b>Net assets attributable to unitholders</b>	<b>(567)</b>	<b>26,419</b>	<b>34,739</b>	<b>4,574</b>	<b>43</b>	<b>41,154</b>	<b>106,362</b>

**SPECIALIST SECTOR FUNDS**

**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 11: Financial risk management (continued)**

The effect on the net assets attributable to unitholders and profit or loss due to a reasonably possible movement of the currency rate against the Australian dollar with all other variables held constant is indicated in the table below:

Specialist Diversified Fixed Interest Fund										
		30 June 2018				30 June 2017				
AUD equivalent in exposure by currency		Change in currency rate		Effect on net assets attributable to unitholders and profit or loss		AUD equivalent in exposure by currency	Change in currency rate		Effect on net assets attributable to unitholders and profit or loss	
		Increase	Decrease	Increase	Decrease		Increase	Decrease	Increase	Decrease
Currency	\$'000	%	%	\$'000	\$'000	\$'000	%	%	\$'000	\$'000
US Dollars	27,935	10.00	(10.00)	2,794	(2,794)	26,419	10.00	(10.00)	2,642	(2,642)
Euro	14,609	10.00	(10.00)	1,461	(1,461)	34,739	10.00	(10.00)	3,474	(3,474)
British Pound	2,538	10.00	(10.00)	254	(254)	4,574	10.00	(10.00)	457	(457)
Japanese Yen	1,395	10.00	(10.00)	140	(140)	43	10.00	(10.00)	4	(4)



**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Note 12: Involvement with unconsolidated structured entities**

Investments in unlisted unit trusts, which are considered unconsolidated structured entities, are disclosed in Note 5. The maximum exposure to loss in the unconsolidated structured entities is the fair value disclosed in the Note. The fair value of the exposure will change on a daily basis throughout the period and in subsequent periods and will cease once the investments are disposed of.

The investments of the Schemes are managed in accordance with the investment mandates with the respective underlying Investment Managers. The investment decisions of the Schemes are based on the analysis conducted by the Investment Manager. The return of the Schemes are exposed to the variability of the performance of the underlying investment strategies. The underlying Investment Managers receive a management fee for undertaking the management of these investments.

As at 30 June 2018 and 30 June 2017, the Schemes have not imposed any significant restrictions (e.g. borrowing arrangements, regulatory requirements or contractual arrangements) on the ability of any unconsolidated structured entity to transfer funds to the Schemes in the form of dividends or to repay loans or advances made to any unconsolidated structured entity by the Schemes.

As at 30 June 2018 and 30 June 2017, the Schemes do not have any current commitments or intentions to provide financial or other support to any unconsolidated structured entity, including commitments or intentions to assist the structured entity in obtaining financial support.

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 13: Related party transactions**

**Responsible Entity**

The Responsible Entity of the Specialist Sector Funds is IOOF Investment Management Limited.

The immediate parent entity and the ultimate controlling entity of IOOF Investment Management Limited is IOOF Holdings Ltd.

**Key management personnel**

Key management personnel includes persons who are Directors of IOOF Investment Management Limited during this reporting period and upto the date of this report:

Mr G. M. Walsh (Appointed as Chairman 13 September 2018)

Mr G. Venardos (Resigned as Chairman 13 September 2018)

Mr C. F. Kelaher (Resigned 1 September 2018)

Ms E. Flynn (Resigned 31 January 2017: Reappointed 29 August 2017)

Ms D. Oldham (Resigned 21 August 2018)

Mr J. Selak

**Responsible Entity fees and other transactions**

	<b>Specialist Australian Shares Fund</b>		<b>Specialist Global Shares Fund</b>		<b>Specialist Property Fund</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Responsible Entity fees	272	454	258	267	141	168
Responsible Entity fees payable	23	26	22	26	12	17

	<b>Specialist Diversified Fixed Interest Fund</b>		<b>Specialist Dynamic Allocation Fund</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Responsible Entity fees	307	431	332	351
Responsible Entity fees payable	24	29	27	32

**SPECIALIST SECTOR FUNDS**  
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**Note 13: Related party transactions (continued)**

Under the terms of the Schemes' Constitutions, the Responsible Entity, IOOF Investment Management Limited, is entitled to receive maximum management fees, calculated by reference to the average daily net assets (excluding net assets attributable to unitholders) of the Schemes as follows:

Specialist Australian Shares Fund	0.45% per annum (2017: 0.70%)
Specialist Global Shares Fund	0.46% per annum (2017: 0.46%)
Specialist Property Fund	0.38% per annum (2017: 0.40%)
Specialist Diversified Fixed Interest Fund	0.31% per annum (2017: 0.43%)
Specialist Dynamic Allocation Fund	0.40% per annum (2017: 0.41%)

All related party transactions are conducted on normal commercial terms and conditions.

**Related party Scheme unitholdings**

IOOF Investment Management Limited, its related parties and other schemes managed by IOOF Investment Management Limited, held units in the Schemes as follows:

<b>Specialist Australian Shares Fund</b>						
<b>30 June 2018</b>						
<b>Unitholder</b>	<b>Number of units held opening No.</b>	<b>Number of units held closing No.</b>	<b>Interest held %</b>	<b>Number of units acquired No.</b>	<b>Number of units disposed No.</b>	<b>Distributions paid/payable by the Scheme \$</b>
IOOF Portfolio Service Superannuation Fund *	15,593	237,975	0.44	231,671	9,289	3,191
IOOF Portfolio Service Investments *	38,240	38,240	0.07	76,048	76,048	655
	<u>53,833</u>	<u>276,215</u>	<u>0.51</u>	<u>307,719</u>	<u>85,337</u>	<u>3,846</u>
<b>30 June 2017</b>						
<b>Unitholder</b>	<b>Number of units held opening No.</b>	<b>Number of units held closing No.</b>	<b>Interest held %</b>	<b>Number of units acquired No.</b>	<b>Number of units disposed No.</b>	<b>Distributions paid/payable by the Scheme \$</b>
IOOF Portfolio Service Superannuation Fund *	-	15,593	-	15,593	-	237
IOOF Portfolio Service Investments *	-	38,240	0.06	38,240	-	582
	<u>-</u>	<u>53,833</u>	<u>0.06</u>	<u>53,833</u>	<u>-</u>	<u>819</u>

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 13: Related party transactions (continued)**

**Specialist Global Shares Fund**

**30 June 2018**

<b>Unitholder</b>	<b>Number of units held opening No.</b>	<b>Number of units held closing No.</b>	<b>Interest held %</b>	<b>Number of units acquired No.</b>	<b>Number of units disposed No.</b>	<b>Distributions paid/payable by the Scheme \$</b>
IOOF Portfolio Service Superannuation Fund *	4,486	146,291	0.44	147,558	5,753	28,847
IOOF Portfolio Service Investments *	19,318	19,318	0.01	80,477	80,477	3,809
	<u>23,804</u>	<u>165,609</u>	<u>0.45</u>	<u>228,035</u>	<u>86,230</u>	<u>32,656</u>

**30 June 2017**

<b>Unitholder</b>	<b>Number of units held opening No.</b>	<b>Number of units held closing No.</b>	<b>Interest held %</b>	<b>Number of units acquired No.</b>	<b>Number of units disposed No.</b>	<b>Distributions paid/payable by the Scheme \$</b>
IOOF Portfolio Service Superannuation Fund *	-	4,486	-	4,486	-	442
IOOF Portfolio Service Investments *	-	19,318	0.04	44,740	25,422	1,901
	<u>-</u>	<u>23,804</u>	<u>0.04</u>	<u>49,226</u>	<u>25,422</u>	<u>2,343</u>

**Specialist Property Fund**

**30 June 2018**

<b>Unitholder</b>	<b>Number of units held opening No.</b>	<b>Number of units held closing No.</b>	<b>Interest held %</b>	<b>Number of units acquired No.</b>	<b>Number of units disposed No.</b>	<b>Distributions paid/payable by the Scheme \$</b>
IOOF Portfolio Service Superannuation Fund *	24,848	372,145	0.98	512,266	164,969	41,559
IOOF Portfolio Service Investments *	3,755	2,472	0.01	647	1,930	7,887
	<u>28,603</u>	<u>374,617</u>	<u>0.99</u>	<u>512,913</u>	<u>166,899</u>	<u>49,446</u>

**30 June 2017**

<b>Unitholder</b>	<b>Number of units held opening No.</b>	<b>Number of units held closing No.</b>	<b>Interest held %</b>	<b>Number of units acquired No.</b>	<b>Number of units disposed No.</b>	<b>Distributions paid/payable by the Scheme \$</b>
IOOF Portfolio Service Superannuation Fund *	-	24,848	0.06	24,848	-	457
IOOF Portfolio Service Investments *	-	3,755	-	3,755	-	3,003
	<u>-</u>	<u>28,603</u>	<u>0.06</u>	<u>28,603</u>	<u>-</u>	<u>3,460</u>

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 13: Related party transactions (continued)**

**Specialist Diversified Fixed Interest Fund**

**30 June 2018**

<b>Unitholder</b>	<b>Number of units held opening No.</b>	<b>Number of units held closing No.</b>	<b>Interest held %</b>	<b>Number of units acquired No.</b>	<b>Number of units disposed No.</b>	<b>Distributions paid/payable by the Scheme \$</b>
IOOF Portfolio Service Superannuation Fund *	121,989	621,451	0.62	575,514	76,052	4,391
IOOF Portfolio Service Investments *	7,998	5,693	0.01	1,188	3,493	2,698
	<u>129,987</u>	<u>627,144</u>	<u>0.63</u>	<u>576,702</u>	<u>79,545</u>	<u>7,089</u>

**30 June 2017**

<b>Unitholder</b>	<b>Number of units held opening No.</b>	<b>Number of units held closing No.</b>	<b>Interest held %</b>	<b>Number of units acquired No.</b>	<b>Number of units disposed No.</b>	<b>Distributions paid/payable by the Scheme \$</b>
IOOF Portfolio Service Superannuation Fund *	-	121,989	0.10	121,989	-	320
IOOF Portfolio Service Investments *	-	7,998	-	7,998	-	4,783
	<u>-</u>	<u>129,987</u>	<u>0.10</u>	<u>129,987</u>	<u>-</u>	<u>5,103</u>

**Specialist Dynamic Allocation Fund**

**30 June 2018**

<b>Unitholder</b>	<b>Number of units held opening No.</b>	<b>Number of units held closing No.</b>	<b>Interest held %</b>	<b>Number of units acquired No.</b>	<b>Number of units disposed No.</b>	<b>Distributions paid/payable by the Scheme \$</b>
IOOF Portfolio Service Superannuation Fund *	6,114	374,008	0.53	378,794	10,900	28,693
	<u>6,114</u>	<u>374,008</u>	<u>0.53</u>	<u>378,794</u>	<u>10,900</u>	<u>28,693</u>

**30 June 2017**

<b>Unitholder</b>	<b>Number of units held opening No.</b>	<b>Number of units held closing No.</b>	<b>Interest held %</b>	<b>Number of units acquired No.</b>	<b>Number of units disposed No.</b>	<b>Distributions paid/payable by the Scheme \$</b>
IOOF Portfolio Service Superannuation Fund *	-	6,114	-	6,114	-	-
	<u>-</u>	<u>6,114</u>	<u>-</u>	<u>6,114</u>	<u>-</u>	<u>-</u>

\* The information for number of units acquired and disposed shown in this Note is sourced from the underlying administration system in IOOF Portfolio Service. These amounts represent the movement in ultimate beneficiary interests in the Schemes and not the movement in units between the Schemes and IOOF Portfolio Service.

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 13: Related party transactions (continued)**

**Investments**

The Schemes did not hold any investments in the Responsible Entity or its related parties during the year ended 30 June 2018 (2017: Nil).

**Key management personnel compensation**

Key management personnel are remunerated by IOOF Investment Management Limited. Payments made from the Schemes to IOOF Investment Management Limited do not include any amount that is directly attributable to key management personnel remuneration.

**Key management personnel loan disclosures**

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

**Other transactions within the Schemes**

Apart from those details disclosed in this Note, no key management personnel have entered into a material contract with the Schemes since the end of the previous financial year and there were no material contracts involving Directors interests subsisting at year end.

**Key management personnel unitholdings**

At 30 June 2018 and 30 June 2017, no Directors of the Responsible Entity held units in the Schemes.

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 14: Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities**

**(a) Cash and cash equivalents**

	<b>Specialist Australian Shares Fund</b>		<b>Specialist Global Shares Fund</b>		<b>Specialist Property Fund</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	<u>5,065</u>	<u>4,563</u>	<u>466</u>	<u>570</u>	<u>329</u>	<u>291</u>
	<u>5,065</u>	<u>4,563</u>	<u>466</u>	<u>570</u>	<u>329</u>	<u>291</u>

	<b>Specialist Diversified Fixed Interest Fund</b>		<b>Specialist Dynamic Allocation Fund</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	<u>7,792</u>	<u>15,050</u>	<u>573</u>	<u>819</u>
	<u>7,792</u>	<u>15,050</u>	<u>573</u>	<u>819</u>

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 14: Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities (continued)**

**(b) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities**

	<b>Specialist Australian Shares Fund</b>		<b>Specialist Global Shares Fund</b>		<b>Specialist Property Fund</b>	
	<b>Year ended</b>		<b>Year ended</b>		<b>Year ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Profit/(loss) for the year	9,376	-	7,549	-	3,729	-
Net proceeds for financial instruments held for trading	-	32	-	-	-	-
Proceeds from the sale of financial instruments held at fair value through profit or loss	43,240	52,912	15,064	7,443	28,801	20,459
Payments for the purchase of financial instruments held at fair value through profit or loss	(27,391)	(50,805)	(1,396)	(6,895)	(23,247)	(21,015)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(8,225)	(3,864)	(3,691)	(5,104)	3,367	2,589
Net (gains)/losses on foreign exchange	-	-	-	-	-	-
Net increase/(decrease) in net assets attributable to unitholders	-	3,462	-	3,571	-	(3,798)
Net movement in margin	-	59	-	-	-	-
Distributions to unitholders	-	1,886	-	4,276	-	5,391
Investment income reinvested	-	-	(2,356)	-	(3,689)	-
Management fee rebate re-invested	-	-	(310)	-	-	(83)
(Increase)/decrease in receivables	61	15	(1,444)	2,819	609	(555)
Increase/(decrease) in payables	(417)	476	(4)	2	(4)	2
<b>Net cash inflow/(outflow) from operating activities</b>	<b>16,644</b>	<b>4,173</b>	<b>13,412</b>	<b>6,112</b>	<b>9,566</b>	<b>2,990</b>

**(c) Non-cash financing and operating activities**

Re-investment of unitholder distributions	15	19	219	253	18	1
Participation in reinvestment plans	-	-	(2,356)	-	(3,689)	-
Management fee rebate re-invested	-	-	(310)	-	-	-
Proceeds from application for units	196	-	476	-	314	-
Payments for redemption of units	(196)	-	(476)	-	(314)	-
	<b>15</b>	<b>19</b>	<b>(2,447)</b>	<b>253</b>	<b>(3,671)</b>	<b>1</b>

Non-distributable income is included in net assets attributable to unitholders. The change in this amount each year (as reported in (b) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable (i.e. taxable).



**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 14: Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities (continued)**

**(b) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities**

	<b>Specialist Diversified Fixed Interest Fund</b>		<b>Specialist Dynamic Allocation Fund</b>	
	<b>Year ended</b>		<b>Year ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Profit/(loss) for the year	181	-	5,286	-
Net proceeds for financial instruments held for trading	1,123	5,871	-	-
Proceeds from the sale of financial instruments held at fair value through profit or loss	111,536	333,375	47,329	14,417
Payments for the purchase of financial instruments held at fair value through profit or loss	(93,994)	(335,308)	(31,919)	(14,046)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(551)	(2,230)	(1,417)	1,893
Net (gains)/losses on foreign exchange	(206)	(156)	-	-
Net increase/(decrease) in net assets attributable to unitholders	-	(3,505)	-	(1,808)
Net movement in margin	(3,450)	1,532	-	-
Distributions to unitholders	-	5,264	-	3,087
Investment income reinvested	-	-	(3,163)	-
(Increase)/decrease in receivables	(2)	105	(872)	(1,404)
Increase/(decrease) in payables	(79)	132	157	227
<b>Net cash inflow/(outflow) from operating activities</b>	<b>14,558</b>	<b>5,080</b>	<b>15,401</b>	<b>2,366</b>
<b>(c) Non-cash financing and operating activities</b>				
Re-investment of unitholder distributions	50	4	28	16
Participation in reinvestment plans	-	-	(3,163)	-
Proceeds from application for units	713	-	260	-
Payments for redemption of units	(713)	-	(260)	-
	<b>50</b>	<b>4</b>	<b>(3,135)</b>	<b>16</b>

Non-distributable income is included in net assets attributable to unitholders. The change in this amount each year (as reported in (b) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable (i.e. taxable).

**SPECIALIST SECTOR FUNDS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**Note 15: Auditor's remuneration**

	<b>Specialist Australian Shares Fund</b>		<b>Specialist Global Shares Fund</b>		<b>Specialist Property Fund</b>	
	<b>Year ended</b>		<b>Year ended</b>		<b>Year ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>(a) Audit services</b>						
Audit and review of financial reports	9,937	12,404	9,937	12,404	9,937	12,404
Other regulatory audit services	2,589		2,589		2,589	
Total remuneration for audit services	<u>12,526</u>	<u>12,404</u>	<u>12,526</u>	<u>12,404</u>	<u>12,526</u>	<u>12,404</u>
<b>(b) Other services</b>						
Taxation services	1,950	-	1,950	-	1,950	-
Total remuneration for other services	<u>1,950</u>	<u>-</u>	<u>1,950</u>	<u>-</u>	<u>1,950</u>	<u>-</u>

	<b>Specialist Diversified Fixed Interest Fund</b>		<b>Specialist Dynamic Allocation Fund</b>	
	<b>Year ended</b>		<b>Year ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>(a) Audit services</b>				
Audit and review of financial reports	9,937	12,404	9,937	12,404
Other regulatory audit services	2,589		2,589	
Total remuneration for audit services	<u>12,526</u>	<u>12,404</u>	<u>12,526</u>	<u>12,404</u>
<b>(b) Other services</b>				
Taxation services	1,950	-	1,950	-
Total remuneration for other services	<u>1,950</u>	<u>-</u>	<u>1,950</u>	<u>-</u>

Auditor's remuneration is paid by the Responsible Entity.

**Note 16: Events subsequent to reporting date**

No significant events have occurred after the reporting date that affect the interpretation of the financial information contained within this report.

**Note 17: Contingent assets and liabilities and Capital commitments**

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