

# **SPECIAL OPPORTUNITIES FUND NO. 1**

ARSN 623 182 605

## **ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2021**

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This annual report covers Special Opportunities Fund No. 1 as an individual entity.

The Responsible Entity of Special Opportunities Fund No. 1 is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:

Level 1, 575 Bourke Street,  
Melbourne, VIC 3000.

## DIRECTORS' REPORT

The directors of Equity Trustees Limited, the Responsible Entity of Special Opportunities Fund No. 1 (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2021.

### Principal activities

The Fund aims to use its network to source and invest the Fund into a small but diversified portfolio of assets that are not freely available in the general investment market place, investments that are traditionally the domain of the family office market.

The Fund did not have any employees during the year.

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

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	Riviera Capital Pty Ltd
Custodian and Administrator	Mainstream Fund Services Pty Ltd (an Apex Group Company)
Statutory Auditor	Ernst & Young

### Directors

The following persons held office as directors of Equity Trustees Limited during or since the end of the year and up to the date of this report:

Philip D Gentry	Chairman
Harvey H Kalman	(resigned 1 September 2020)
Ian C Westley	(resigned 3 July 2020)
Michael J O'Brien	
Russell W Beasley	(appointed 1 September 2020)
Mary A O'Connor	(appointed 24 May 2022)

### Review and results of operations

During the year, the Fund invested its funds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund's performance was 7.26% (net of fees) for the year ended 30 June 2021. The Fund does not operate against a benchmark.

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

	Year ended	
	30 June 2021	30 June 2020
Profit/(loss) for the year (\$'000)	9,992	5,222
Distributions paid and payable (\$'000)	5,273	6,187
Distributions (cents per unit)	5.1140	6.8614

## **DIRECTORS' REPORT (CONTINUED)**

### **Significant changes in the state of affairs**

Ian C Westley resigned as a director of Equity Trustees Limited on 3 July 2020.

Harvey H Kalman resigned as a director of Equity Trustees Limited on 1 September 2020.

Russell W Beasley was appointed as a director of Equity Trustees Limited on 1 September 2020.

Mary A O'Connor was appointed as a director of Equity Trustees Limited on 24 May 2022.

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

### **COVID-19**

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The outbreak and the response of Governments in dealing with the pandemic has continued to evolve over the course of time. The prior year saw an increase in financial market volatility and corresponding fluctuations in the fair value of the Fund's investment portfolio. There is still some uncertainty around the impact of COVID, the potential for further outbreaks and the COVID vaccine and its roll out both in Australia and around the world.

The Responsible Entity and Investment Manager are monitoring developments closely, noting that given the nature of the outbreak and the ongoing developments, there is a high degree of uncertainty and therefore it is not possible at this time to predict the extent and nature of the overall future impact on the Fund. The Investment Manager however, actively manages the financial risks that the Fund is exposed to, with the approach outlined further within Note 3 of these Financial Statements and the Net Asset Values of the Fund continue to be valued in accordance with the frequency set out in the Fund's Offer Documents, applying valuation policies reflective of the prevailing market conditions.

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

The loan with Moon Dog Brewing Pty Ltd and Healey Management Pty Ltd was fully repaid in August 2021 and December 2021, respectively.

At the time of signing these financial statements, there is an increased level of global uncertainty associated with the conflict in Ukraine. The full impacts of the Ukraine conflict are not yet known but there is likely to be continued market and economic volatility, which may in turn have an impact on the Fund.

No other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may have a significant effect on:

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

### **Likely developments and expected results of operations**

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

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

### **Indemnification and insurance of officers**

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to the officers of EQT Trustees Limited. So long as the officers of Equity Trustees Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

### **Indemnification of auditor**

The Responsible Entity has not, during or since the end of the year, except to the extent permitted by law, indemnified or agreed to indemnify the auditor of the Fund against a liability incurred as auditor.

## DIRECTORS' REPORT (CONTINUED)

### Fees paid to and interests held in the Fund by the Responsible Entity and its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 14 to the financial statements.

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

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

### Interests in the Fund

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

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

### Environmental regulation

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

### Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

### Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Philip D Gentry  
Chairman

Melbourne  
26 August 2022



**Building a better  
working world**

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## **Auditor's Independence Declaration to the Directors of Equity Trustees Limited as Responsible Entity for Special Opportunities Fund No.1**

As lead auditor for the audit of the financial report of Special Opportunities Fund No.1 for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
- b) no contraventions of any applicable code of professional conduct in relation to the audit; and
- c) no non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

A handwritten signature in black ink, appearing to read 'Rohit Khanna', with a long horizontal stroke extending to the right.

Rohit Khanna  
Partner  
Sydney  
26 August 2022

**STATEMENT OF COMPREHENSIVE INCOME**

	Note	Year ended	
		30 June 2021 \$'000	30 June 2020 \$'000
<b>Investment income</b>			
Interest income from financial assets at fair value through profit or loss		3,151	904
Dividend and distribution income		5,274	2,805
Net foreign exchange gain/(loss)		(9)	(27)
Net gains/(losses) on financial instruments at fair value through profit or loss		2,886	2,857
Other income		-	35
<b>Total investment income/(loss)</b>		<b>11,302</b>	<b>6,574</b>
<b>Expenses</b>			
Management fees	14	889	716
Performance fees	14	-	206
Usual expenses	14	333	297
Withholding taxes		45	107
Transaction costs		21	23
Other expenses		22	3
<b>Total expenses</b>		<b>1,310</b>	<b>1,352</b>
<b>Profit/(loss) for the year</b>		<b>9,992</b>	<b>5,222</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>9,992</b>	<b>5,222</b>

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

**STATEMENT OF FINANCIAL POSITION**

	Note	As at	
		30 June 2021 \$'000	30 June 2020 \$'000
<b>Assets</b>			
Cash and cash equivalents	9	5,556	312
Receivables	11	3,801	2,749
Financial assets at fair value through profit or loss	5	112,604	100,804
<b>Total assets</b>		<b>121,961</b>	<b>103,865</b>
<b>Liabilities</b>			
Distributions payable	8	4,804	5,780
Payables	12	456	208
<b>Total liabilities</b>		<b>5,260</b>	<b>5,988</b>
<b>Net assets attributable to unit holders – equity</b>	7	<b>116,701</b>	<b>97,877</b>

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

**STATEMENT OF CHANGES IN EQUITY**

	Note	Year ended	
		30 June 2021 \$'000	30 June 2020 \$'000
<b>Total equity at the beginning of the financial year</b>		<b>97,877</b>	75,057
<b>Comprehensive income for the financial year</b>			
Profit/(loss) for the year		<b>9,992</b>	5,222
Other comprehensive income		-	-
<b>Total comprehensive income</b>		<b>9,992</b>	5,222
<b>Transactions with unit holders</b>			
Applications	7	<b>14,117</b>	23,785
Redemptions	7	<b>(12)</b>	-
Distributions paid and payable	7	<b>(5,273)</b>	(6,187)
<b>Total transactions with unit holders</b>		<b>8,832</b>	17,598
<b>Total equity at the end of the financial year</b>		<b>116,701</b>	97,877

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

**STATEMENT OF CASH FLOWS**

	Note	Year ended	
		30 June 2021 \$'000	30 June 2020 \$'000
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments at fair value through profit or loss		23,247	23,893
Payments for purchase of financial instruments at fair value through profit or loss		(32,161)	(51,881)
Interest income received from financial assets at fair value through profit or loss		868	750
Dividends and distributions received		5,062	2,553
Other income received		-	46
Management fees paid		(777)	(775)
Usual expenses paid		(179)	(208)
Performance fees paid		-	(375)
Other expenses paid		(61)	(16)
<b>Net cash inflow/(outflow) from operating activities</b>	10(a)	<b>(4,001)</b>	<b>(26,013)</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unit holders		15,515	22,387
Payments for redemptions by unit holders		(12)	-
Distributions paid to unit holders		(6,249)	(1,131)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>9,254</b>	<b>21,256</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>5,253</b>	<b>(4,757)</b>
Cash and cash equivalents at the beginning of the year		312	5,096
Effect of foreign currency exchange rate changes on cash and cash equivalents		(9)	(27)
<b>Cash and cash equivalents at the end of the year</b>	9	<b>5,556</b>	<b>312</b>

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

## NOTES TO THE FINANCIAL STATEMENTS

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## 1. GENERAL INFORMATION

These financial statements cover Special Opportunities Fund No. 1 (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme, which was constituted on 16 November 2017 and will terminate in accordance with the provisions of the Fund's Constitution or by Law.

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in the Australian currency unless otherwise noted.

The Fund aims to use its network to source and invest the Fund into a small but diversified portfolio of assets that are not freely available in the general investment market place, investments that are traditionally the domain of the family office market.

In March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The outbreak and the response of Governments in dealing with the pandemic has continued to evolve over the course of time. The prior year saw an increase in financial market volatility and corresponding fluctuations in the fair value of the Fund's investment portfolio. There is still some uncertainty around the impact of COVID, the potential for further outbreaks and the COVID vaccine and its roll out both in Australia and around the world.

The Responsible Entity and Investment Manager are monitoring developments closely, noting that given the nature of the outbreak and the ongoing developments, there is a high degree of uncertainty and therefore it is not possible at this time to predict the extent and nature of the overall future impact on the Fund. The Investment Manager however, actively manages the financial risks that the Fund is exposed to, with the approach outlined further within Note 3 of these Financial Statements and the Net Asset Values of the Fund continue to be valued in accordance with the frequency set out in the Fund's Offer Documents, applying valuation policies reflective of the prevailing market conditions.

The financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

### a. Basis of preparation

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

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities and net assets attributable to unit holders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

In the case of net assets attributable to unit holders, the units are redeemable on demand at the unit holder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

### i. Compliance with International Financial Reporting Standards (IFRS)

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

### ii. New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### a. Basis of preparation (continued)

#### iii. New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2021 and have not been early adopted in preparing these financial statements.

None of these are expected to have a material effect on the financial statements of the Fund.

### b. Financial instruments

#### i. Classification

- Financial assets

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The Fund classifies its financial assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Investment Manager to evaluate the information about these financial assets on a fair value basis together with other related financial information.

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

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

For cash and cash equivalents and receivables, these assets are held in order to collect the contractual cash flows and the contractual terms of these assets give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (distributions payable, management fees payable, audit and tax fees payable, administration fees payables and custodian fees payable).

#### ii. Recognition and derecognition

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

#### iii. Measurement

- Financial instruments at fair value through profit or loss

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **b. Financial instruments (continued)**

#### **iii. Measurement (continued)**

- Financial instruments at fair value through profit or loss (continued)

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

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

- Financial instruments at amortised cost

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

Cash and cash equivalents and receivables are carried at amortised cost.

#### **iv. Impairment**

At each reporting date, the Fund shall estimate a loss allowance on financial assets carried at amortised cost (cash and cash equivalents, due from broker and receivables) at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12 month expected credit losses. Significant financial difficulties of the counter party, probability that the counter party will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

The expected credit loss (ECL) approach is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

#### **v. Offsetting financial instruments**

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

As at the end of the reporting period, there are no financial assets or financial liabilities offset or with the right to offset in the statement of financial position.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### c. Net assets attributable to unit holders

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

The units can be put back to the Fund at any time for cash based on the redemption price which is equal to a proportionate share of the Fund's net asset value attributable to the unit holders.

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Fund.

The Fund's units are classified as equity when they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation*:

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

### d. Cash and cash equivalents

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

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

### e. Investment income

#### i. Interest income

Interest income from financial assets at amortised cost is recognised using the effective interest method and includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities measured at fair value through profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instruments (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Interest income on financial assets at fair value through profit or loss is also recognised in the statement of comprehensive income as a separate line item. Changes in fair value of financial instruments held at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

#### ii. Dividends and distributions

Dividend income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

Trust distributions are recognised on an entitlement basis.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### f. Expenses

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

### g. Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unit holders. The benefits of any imputation credits and foreign tax paid are passed on to unit holders.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are included in the statement of comprehensive income as an expense.

### h. Distributions

The Fund may distribute its distributable income, in accordance with the Fund's Constitution, to unit holders by cash or reinvestment. The distributions are recognised in the statement of changes in equity.

### i. Increase/decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders. As the Fund's units are classified as equities, movements in net assets attributable to unit holders are recognised in the statement of changes in equity.

### j. Foreign currency translation

#### i. Functional and presentation currency

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

#### ii. Transactions and balances

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

The Fund does not isolate that portion of unrealised gains or losses on financial instruments at fair value through profit or loss which is due to changes in foreign exchange rates. Such fluctuations are included in the net gains/(losses) on financial instruments at fair value through profit or loss.

### k. Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and is recognised initially at fair value and subsequently measured at amortised cost.

### l. Receivables

Receivables may include amounts for interest, dividends and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 90 days of being recorded as receivables.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### m. Payables

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

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

Distributions declared effective 30 June in relation to unit holders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following financial year.

### n. Applications and redemptions

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

### o. Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable, have been passed on to the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence, fees for these services and any other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts payable are inclusive of GST. 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.

### p. Use of estimates and judgements

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

In light of COVID-19, the investment team has been in contact with all managers of all underlying investments, listed and non-listed. We are comfortable with the asset and liability position of all the underlying investments within fund. We note the listed investments within the fund have recently publicly released information in regard to their outlook factoring the COVID-19 situation. This same information has been released for a number of unlisted investments. This goes hand in hand with the normal ongoing monitoring of investments within the portfolio. Stress testing and scenario analysis plays a huge part in the investment teams initial due diligence process and also plays a huge part in the ongoing process of where we should invest and where we may need to make changes in the portfolio.

For the majority of the Fund's 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 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 Investment Manager.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations, require management to make estimates and judgements. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

The Fund estimates that the resultant expected credit loss (ECL) derived from using impairment model has not materially impacted the Fund. Please see Note 3 for more information on credit risk.

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

### q. Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

### 3. FINANCIAL RISK MANAGEMENT

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

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments in managing its financial risks.

All investments present a risk of loss of capital. The maximum loss of capital on long equity securities is limited to the fair value of those positions. The maximum loss of capital on derivatives is limited to the notional contract values of those positions.

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager, Riviera Capital Pty Ltd under an Investment Management Agreement (IMA) approved by the Responsible Entity, and containing the investment strategy and guidelines of the Fund, consistent with those stated in the Product Disclosure Statement.

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

#### a. Market risk

##### i. Price risk

The Fund is exposed to price risk on unlisted equity securities and equity securities listed or quoted on recognised securities exchanges, unlisted unit trusts and investment in loan trust. Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

The underlying investments of the Fund are infrequently repriced and generally not traded on recognised exchanges. Whilst this in itself helps mitigate price risk, the Investment Manager further manages this risk by diversifying the overall portfolio into markets and assets that are not closely correlated. Further, the Investment Manager will generally only invest into assets into which it has formed the view that upside value has either not been recognised or can be created, thereby providing cushion against adverse market movements.

The table at Note 3(b) summarises the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the reasonably possible shift that the investment portfolio in which the Fund invests moves by +/- 10% (2020: +/- 10%).

##### ii. Foreign exchange risk

The Fund operates internationally and holds both monetary and non-monetary assets dominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk. However, the Investment Manager monitors the exposure of all foreign currency denominated assets and liabilities.

The Fund holds one foreign currency investment in an Australian unit trust, in USD, where currency fluctuation is not actively hedged or managed.

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### a. Market risk (continued)

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

The fair value of the Fund's financial assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar is summarised below.

	US Dollars A\$'000
<b>As at 30 June 2021</b>	
Cash and cash equivalents	263
Receivables	62
Financial assets at fair value through profit or loss	3,330
<b>Net exposure</b>	<b>3,655</b>
Net exposure from forward currency contracts	-
<b>Net exposure including forward currency contracts</b>	<b>3,655</b>
As at 30 June 2020	
Cash and cash equivalents	76
Receivables	45
Financial assets at fair value through profit or loss	3,631
Net exposure	3,752
Net exposure from forward currency contracts	-
<b>Net exposure including forward currency contracts</b>	<b>3,752</b>

The table at Note 3(b) summarises the sensitivities of the Fund's monetary assets and liabilities to foreign exchange risk. The analysis is based on the reasonably possible shift that the Australian dollar weakened and strengthened by 10% (2020: +/-10%) against the material foreign currencies to which the Fund is exposed.

##### iii. Interest rate risk

The Fund is exposed to cash flow interest rate risk on financial instruments with variable interest rates. Financial instruments with fixed rates expose the Fund to fair value interest rate risk.

Interest rate risk management is undertaken by maintaining as close to a fully invested position as possible, thus limiting the exposure of the Fund to interest rate risk.

Interest rate risk is not considered a material risk by the Investment Manager, due to the nature of the Fund's ordinary investment activities. To the extent that interest bearing financial instruments are held, the Investment Manager will have an express preference towards floating rate issues to mitigating against adverse interest rate movements. Further, the Investment Manager generally seeks to acquire opportunities that are assessed to be trading below fair value, on a relative basis, thereby providing additional cushion against interest rate risk, as well as credit risk.

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### a. Market risk (continued)

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

The table below summarises the Fund's exposure to interest rate risk at the end of the reporting period.

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
<b>As at 30 June 2021</b>				
<b>Financial assets</b>				
Cash and cash equivalents	-	-	5,556	5,556
Receivables	-	-	3,801	3,801
Financial assets at fair value through profit or loss	4,000	12,500	96,104	112,604
<b>Total financial assets</b>	<b>4,000</b>	<b>12,500</b>	<b>105,461</b>	<b>121,961</b>
<b>Financial liabilities</b>				
Distributions payable	-	-	4,804	4,804
Payables	-	-	456	456
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>5,260</b>	<b>5,260</b>
<b>Net exposure</b>	<b>4,000</b>	<b>12,500</b>	<b>100,201</b>	<b>116,701</b>
<b>As at 30 June 2020</b>				
<b>Financial assets</b>				
Cash and cash equivalents	-	-	312	312
Receivables	-	-	2,749	2,749
Financial assets at fair value through profit or loss	4,000	27,345	69,459	100,804
<b>Total financial assets</b>	<b>4,000</b>	<b>27,345</b>	<b>72,520</b>	<b>103,865</b>
<b>Financial liabilities</b>				
Distributions payable	-	-	5,780	5,780
Payables	-	-	208	208
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>5,988</b>	<b>5,988</b>
<b>Net exposure</b>	<b>4,000</b>	<b>27,345</b>	<b>66,532</b>	<b>97,877</b>

The table at Note 3(b) summarises the impact of an increase/decrease in interest rates on the Fund's operating profit and net assets attributable to unit holders through changes in fair value or changes in future cash flows. The analysis is based on the reasonably possible shift that the interest rates changed by +/- 100 basis points (2020: +/- 100 basis points) from the year end rates with all other variables held constant.

#### b. Summarised sensitivity analysis

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

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### b. Summarised sensitivity analysis (continued)

	Impact on operating profit/net assets attributable to unit holders					
	Price risk		Foreign exchange risk		Interest rate risk	
	+10%	-10%	+10%	-10%	+100bps	-100bps
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
As at 30 June 2021	9,610	(9,610)	33	(33)	6	(6)
As at 30 June 2020	6,946	(6,946)	12	(12)	8	(8)

#### c. Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Fund.

The Fund determines credit risk and measures expected credit losses for financial assets measured at amortised cost using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2021 and 30 June 2020, all receivables, cash and short-term deposits are held with counterparties with a credit rating of AA/Aa or higher and are either callable on demand or due to be settled within 1 week. Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12-month expected credit losses as any such impairment would be wholly insignificant to the Fund.

#### i. Debt securities

The Fund may invest in debt securities which have an investment grade categorisation as rated by Moody's, Standard & Poor's and Fitch. For unrated assets a rating is assigned by the Investment Manager using an approach that is consistent with the approach used by rating agencies. All debt securities must generally be of investment grade as opposed to non-investment grade (or high yield) as outlined in the Fund's Product Disclosure Statement.

An analysis of debt by rating is set out in the table below.

	As at	
	30 June 2021	30 June 2020
	\$'000	\$'000
<b>Loans</b>		
<b>Rating</b>		
Non - rated	16,500	31,345
<b>Total</b>	<b>16,500</b>	<b>31,345</b>

At the date of the financial statements, the Healey Management Ltd loan was a senior secured first register mortgage over three property sites; 40,42 and 44 Healey Street. In March 2020, the Healey Management Ltd loan moved to second mortgage position, as intended, once construction financing was provided by the Senior financial NAB. In December 2021, the Healey Management Ltd Loan was repaid in full. WTFN Holdings Pty Ltd held senior secured first mortgage positions and was refinanced in July 2021. Moon Dog Brewing Pty Ltd Moon was a senior secured corporate loan, it held registered security over all assets of the company and was the sole lending facility held. This was fully repaid in August 2021.

#### ii. Settlement of securities transactions

All transactions in listed securities are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once the securities purchased have been received by the broker. The trade will fail if either party fails to meet its obligations.

### 3. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### c. Credit risk (continued)

##### iii. Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of AA (as determined by the Standard & Poor's) or higher.

##### iv. Other

The Fund is not materially exposed to credit risk on other financial assets.

##### v. Maximum exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

#### d. Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Exposure to liquidity risk for the Fund may arise from the requirement to meet daily unit holder redemption requests.

Liquidity risk is not considered a material risk by the Investment Manager, due to the Fund not supporting regular redemption requests and being promoted as such. Liquidity requirements are generally limited to the funding of ongoing operating and management costs. The Investment Manager manages this risk by ensuring at least 1 years' worth of forecast costs are kept immediately available in cash.

In order to manage the Fund's overall liquidity, the Responsible Entity has the discretion to reject an application for units and to defer or adjust redemption of units if the exercise of such discretion is in the best interests of unit holders. The Fund did not reject or withhold any redemptions during 2021 and 2020.

#### *Maturities of non-derivative financial liabilities*

All non-derivative financial liabilities of the Fund in the current period have maturities of less than 1 month.

### 4. FAIR VALUE MEASUREMENT

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis.

- Financial assets at fair value through profit or loss (see Note 5)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements.

#### 4. FAIR VALUE MEASUREMENT (CONTINUED)

##### a. Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets (such as listed securities) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

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

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

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

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

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

The fair value for the WTFN Holdings Pty Ltd loan and Moon Dog Brewing Pty Ltd loan represents the principal amount payable. For the Healey Management Pty Ltd loan, the fair value represents the principal amount payable including capitalised interest. Loan interest as at 30 June 2021 was 90BBSW + 600bp per WTFN's original IMA for WTFN Holdings Pty Ltd, 12.5% p.a. interest for Moon Dog Brewing Pty Ltd loan and 15% p.a. interest capitalised monthly for Healey Management Pty Ltd.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds. Investments in unlisted securities are recorded at the price of the recent capital raised. The Fund may make adjustments to the value based on considerations such as: liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

##### c. Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2021.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>As at 30 June 2021</b>				
<b>Financial assets</b>				
Listed securities	4,721	-	-	4,721
Unlisted securities	-	-	3,346	3,346
Unit trusts	-	-	88,037	88,037
Loans	-	-	16,500	16,500
<b>Total financial assets</b>	<b>4,721</b>	<b>-</b>	<b>107,883</b>	<b>112,604</b>

#### 4. FAIR VALUE MEASUREMENT (CONTINUED)

##### c. Recognised fair value measurements (continued)

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2020				
Financial assets				
Listed securities	15,849	-	-	15,849
Unlisted securities	-	-	1,599	1,599
Unit trusts	-	-	52,011	52,011
Loans	-	-	31,345	31,345
<b>Total financial assets</b>	<b>15,849</b>	<b>-</b>	<b>84,955</b>	<b>100,804</b>

##### d. Transfer between levels

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

##### e. Fair value measurements using significant unobservable inputs (level 3)

The following table presents the movement in level 3 instruments for the year ended 30 June 2021 and 30 June 2020 by class of financial instrument.

	Unlisted securities \$'000	Unit trusts \$'000	Loans \$'000	Total \$'000
Opening balance - 1 July 2019	550	36,412	8,500	45,462
Transfers into/(out) from level 3	-	-	-	-
Purchases	999	13,356	21,354	35,709
Sales	-	-	(190)	(190)
Gains/(losses) recognised in the statement of comprehensive income	50	2,243	1,681	3,974
<b>Closing balance - 30 June 2020*</b>	<b>1,599</b>	<b>52,011</b>	<b>31,345</b>	<b>84,955</b>
Transfers into/(out) from level 3	-	-	-	-
Purchases	<b>1,457</b>	<b>36,328</b>	<b>(13,170)</b>	<b>24,615</b>
Sales	-	<b>(3,612)</b>	-	<b>(3,612)</b>
Gains/(losses) recognised in the statement of comprehensive income	<b>290</b>	<b>3,310</b>	<b>(1,675)</b>	<b>1,925</b>
<b>Closing balance - 30 June 2021*</b>	<b>3,346</b>	<b>88,037</b>	<b>16,500</b>	<b>107,883</b>

\* Includes unrealised gains or (losses) recognised in profit or loss attributable to balances held at the end of the reporting period.

#### 4. FAIR VALUE MEASUREMENT (CONTINUED)

##### e. Fair value measurements using significant unobservable inputs (level 3) (continued)

##### i. Valuation inputs and relationships to fair value (continued)

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See Note 4(b) above for the valuation techniques adopted.

Description	Fair value \$'000	Unobservable inputs	Range of inputs (probability- weighted average)	Relationship of unobservable inputs to fair value
<b>As at 30 June 2021</b>				
Hampden Road Artarmon Unit Trust	1,650	Unit price	N/A	Direct
Moelis Australia Aged Care Fund	7,990	Unit price	N/A	Direct
Domus US Multifamily Real Estate Fund	3,330	Unit price	N/A	Direct
Rosewood Secure Income Fund	7,558	Recent transaction price	N/A	Direct
Moelis Senior Secured Credit Fund II	2,870	Unit price	N/A	Direct
Southern Cross Poultry Fund Investment Trust	8,050	Unit price	N/A	Direct
Southern Cross Poultry Fund Operating Trust	560	Unit price	N/A	Direct
Verifai Pty Ltd	2,047	Recent transaction price	N/A	Direct
Pastoral Development Property Trust	9,520	Unit price	N/A	Direct
Pastoral Development Cattle Trust	3,400	Unit price	N/A	Direct
Commencer Capital Emerging Companies Fund	9,453	Unit price	N/A	Direct
AAM Sustainable Softwood Trust	3,500	Unit price	N/A	Direct
AAM Diversified Agriculture Operating Trust	2,296	Unit price	N/A	Direct
AAM Diversified Agriculture Real Asset Trust	10,790	Unit price	N/A	Direct
Australian Unity Student Accommodation Fund	13,250	Unit price	N/A	Direct
Longtail UX Pty Ltd	1,300	Recent transaction price	N/A	Direct
Healey Management Pty Ltd	7,500	Discount rate	N/A	Direct
Moon Dog Brewing Pty Ltd	5,000	Discount rate	N/A	Direct
WTFN Holdings Pty Ltd	4,000	Discount rate	N/A	Direct
BizPay Secured Debt Fund	3,820	Recent transaction price	N/A	Direct
<b>Total</b>	<b>107,884</b>			
<b>As at 30 June 2020</b>				
Hampden Road Artarmon Unit Trust	1,530	Unit price	N/A	Direct
Moelis Australia Aged Care Fund	9,095	Unit price	N/A	Direct
Domus US Multifamily Real Estate Fund	3,631	Unit price	N/A	Direct
Moelis Senior Secured Credit Fund II	2,492	Unit price	N/A	Direct
Southern Cross Poultry Fund Investment Trust	7,546	Unit price	N/A	Direct
Southern Cross Poultry Fund Operating Trust	504	Unit price	N/A	Direct
Verifai Pty Ltd	300	Recent transaction price	N/A	Direct
Pastoral Development Property Trust	7,888	Unit price	N/A	Direct
Pastoral Development Cattle Trust	3,502	Unit price	N/A	Direct
Commencer Capital Emerging Companies Fund	2,183	Unit price	N/A	Direct
AAM Sustainable Softwood Trust	3,500	Unit price	N/A	Direct
AAM Diversified Agriculture Operating Trust	1,740	Unit price	N/A	Direct
AAM Diversified Agriculture Real Asset Trust	8,400	Unit price	N/A	Direct
Longtail UX Pty Ltd	1,299	Recent transaction price	N/A	Direct
Healey Management Pty Ltd	8,487	Discount rate	N/A	Direct
155 Palm Beach Pty Ltd	1,903	Discount rate	N/A	Direct
3 McNab Avenue Footscray Vic Pty Ltd	11,111	Discount rate	N/A	Direct
Moon Dog Brewing Pty Ltd	5,000	Discount rate	N/A	Direct
WTFN Holdings Pty Ltd	4,000	Discount rate	N/A	Direct
LC Depro Pty Ltd & Xuan An Holdings Pty Ltd	844	Discount rate	N/A	Direct
<b>Total</b>	<b>84,955</b>			

#### 4. FAIR VALUE MEASUREMENT (CONTINUED)

##### ii. Valuation processes

As part of the Investment Manager's ongoing diligence and obligations, more so due to running an open-ended fund, the Investment Manager ensures valuations on investments are regularly updated. In most cases, this will come from independent valuations organised by the Manager of each of the Fund's underlying investments, at least yearly or when required, if an investment is likely subject to a material increase or decrease. If an independent valuation cannot be taken out by the Manager of a fund investment, its Asset Manager may undertake Investment Manager's valuation. The Investment Manager actively pursues that this process is undertaken on each of its investments. A monthly reconciliation is prepared independently from the Fund Administrator, Mainstream Fund Services Pty Ltd, to ensure that the valuations remain accurate and reflect true pricing.

##### f. Financial instruments not carried at fair value

The carrying values of cash and cash equivalents, receivables and payables approximate their fair values due to their short-term nature.

Net assets attributable to unit holders' carrying value differs from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior year.

#### 5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Listed securities	4,721	15,849
Unlisted securities	3,346	1,599
Unit trusts	88,037	52,011
Loans	16,500	31,345
<b>Total financial assets at fair value through profit or loss</b>	<b>112,604</b>	<b>100,804</b>

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

#### 6. STRUCTURED ENTITIES

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

The Fund considers all investments in managed investment schemes (the "Schemes") to be structured entities. The Fund invests in Schemes for the purpose of capital appreciation and/or earning investment income.

## 6. STRUCTURED ENTITIES (CONTINUED)

The exposure to investments in unrelated Schemes at fair value is disclosed in the following table:

	Fair value of investment	
	30 June 2021 \$'000	30 June 2020 \$'000
Pastoral Development Property Trust	9,520	7,888
Pastoral Development Cattle Trust	3,400	3,502
Commencer Capital Emerging Companies Fund	9,453	2,183
AAM Sustainable Softwood Trust	3,500	3,500
Moelis Senior Secured Credit Fund II	2,870	2,492
Hampden Road Artarmon Unit Trust	1,650	1,530
Moelis Australia Aged Care Fund	7,990	9,095
Southern Cross Poultry Fund Investment Trust	8,050	7,546
Southern Cross Poultry Fund Operating Trust	560	504
AAM Diversified Agriculture Operating Trust	2,296	1,740
AAM Diversified Agriculture Real Asset Trust	10,790	8,400
Australian Unity Student Accommodation Fund	13,250	-
Domus US Multifamily Real Estate Fund	3,330	3,631
Rosewood Secure Income Fund	7,558	-
BizPay Secured Debt Fund	3,820	-
<b>Total unrelated Schemes</b>	<b>88,037</b>	<b>52,011</b>

The fair value of the Schemes is included in financial assets at fair value through profit or loss in the statement of financial position.

The Fund's maximum exposure to loss from its interest in the Schemes is equal to the fair value of its investments in the Schemes as there are no off-balance sheet exposures relating to any of the Schemes. Once the Fund has disposed of its units in a Scheme it ceases to be exposed to any risk from that Scheme.

During the year ended 30 June 2021, total gains/(losses) incurred on investments in the Schemes were \$3,310,278 (30 June 2020: \$5,196,687). The Fund also earned distribution income of \$3,624,833 (2020: \$1,817,743) as a result of its interests in the Schemes.

## 7. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS - EQUITY

The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions set out in Note 2(c).

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

	Year ended		Year ended	
	30 June 2021 Units '000	30 June 2021 \$'000	30 June 2020 Units '000	30 June 2020 \$'000
Opening balance	91,013	97,877	70,124	75,057
Applications	12,473	14,117	20,889	23,785
Redemptions	(11)	(12)	-	-
Distributions paid and payable	-	(5,273)	-	(6,187)
Profit/(loss) for the year	-	9,992	-	5,222
<b>Closing balance</b>	<b>103,475</b>	<b>116,701</b>	<b>91,013</b>	<b>97,877</b>

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

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

## 7. NET ASSETS ATTRIBUTABLE TO UNIT HOLDERS - EQUITY (CONTINUED)

Units are redeemed on demand at the unit holder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

### Capital risk management

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

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

## 8. DISTRIBUTIONS TO UNIT HOLDERS

The distributions declared during the year were as follows:

	Year ended		Year ended	
	30 June 2021 \$'000	30 June 2021 CPU	30 June 2020 \$'000	30 June 2020 CPU
<b>Distributions</b>				
December	469	0.4710	407	0.5102
June (payable)	4,804	4.6430	5,780	6.3512
<b>Total distributions</b>	<b>5,273</b>	<b>5.1140</b>	6,187	6.8614

## 9. CASH AND CASH EQUIVALENTS

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Cash at bank	5,556	312
<b>Total cash and cash equivalents</b>	<b>5,556</b>	312

## 10. RECONCILIATION OF PROFIT/(LOSS) TO NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES

	Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>a. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Profit/(loss) for the year	9,992	5,222
Proceeds from sale of financial instruments at fair value through profit or loss	23,247	23,893
Payments for purchase of financial instruments at fair value through profit or loss	(32,161)	(51,881)
Net (gains)/losses on financial instruments at fair value through profit or loss	(2,886)	(2,857)
Net foreign exchange (gain)/loss	9	27
Net change in receivables	(2,450)	(301)
Net change in payables	248	(116)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(4,001)</b>	(26,013)

## 11. RECEIVABLES

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Interest receivable	2,447	164
Dividends and distributions receivable	1,321	1,154
GST receivable	33	33
Application receivable	-	1,398
<b>Total receivables</b>	<b>3,801</b>	<b>2,749</b>

## 12. PAYABLES

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
Management fees payable	146	34
Usual expenses payable	301	148
Other payables	9	26
<b>Total payables</b>	<b>456</b>	<b>208</b>

## 13. REMUNERATION OF AUDITORS

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

	Year ended	
	30 June 2021 \$	30 June 2020 \$
<b>Ernst &amp; Young</b>		
<i>Audit and other assurance services</i>		
Audit of financial statements	75,156	34,000
Audit of compliance plan	-	1,986
<b>Total remuneration for audit and other assurance services</b>	<b>75,156</b>	<b>35,986</b>
<i>Taxation services</i>		
Tax compliance services	7,530	7,459
<b>Total remuneration for taxation services</b>	<b>7,530</b>	<b>7,459</b>
<b>Total remuneration of Ernst &amp; Young</b>	<b>82,686</b>	<b>43,445</b>
<b>PricewaterhouseCoopers</b>		
<i>Audit and other assurance services</i>		
Audit of compliance plan	2,346	-
<b>Total auditor remuneration and other services</b>	<b>2,346</b>	<b>-</b>
<b>Total remuneration of PricewaterhouseCoopers</b>	<b>2,346</b>	<b>-</b>

The auditors' remuneration is borne by the Fund. Fees are stated exclusive of GST.

## **14. RELATED PARTY TRANSACTIONS**

The Responsible Entity of Special Opportunities Fund No.1 is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, the transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to Riviera Capital Pty Ltd, to act as Investment Manager for the Fund and Mainstream Fund Services Pty Ltd to act as Custodian and Administrator for the Fund. The contracts are on normal commercial terms and conditions.

### **a. Key management personnel**

#### **i. Directors**

The following persons held office as directors of Equity Trustees Limited during or since the end of the financial year and up to the date of this report:

Philip D Gentry	Chairman
Harvey H Kalman	(resigned 1 September 2020)
Ian C Westley	(resigned 3 July 2020)
Michael J O'Brien	
Russell W Beasley	(appointed 1 September 2020)
Mary A O'Connor	(appointed 24 May 2022)

#### **ii. Other key management personnel**

There were no other key management personnel with responsibility for planning, directing and controlling activities of the Fund, directly or indirectly during the financial year.

### **b. Transactions with key management personnel**

There were no transactions with key management personnel during the reporting period.

### **c. Key management personnel unit holdings**

Key management personnel did not hold units in the Fund as at 30 June 2021 (30 June 2020: nil).

### **d. Key management personnel compensation**

Key management personnel were paid by EQT Services Pty Ltd. Payments made from the Fund to Equity Trustees Limited do not include any amounts directly attributable to the compensation of key management personnel.

### **e. Key management personnel loans**

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

### **f. Other transactions within the Fund**

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

### **g. Responsible Entity fees, Investment Manager's fees and other transactions**

Under the terms of the Fund's Constitution and Product Disclosure Statement for the Fund, the Responsible Entity and the Investment Manager are entitled to receive management fees.

The Investment Manager is also entitled to a performance fee.

## 14. RELATED PARTY TRANSACTIONS (CONTINUED)

### g. Responsible Entity fees, Investment Manager's fees and other transactions (continued)

The transactions during the year and amounts payable as at year end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	Year ended	
	30 June 2021 \$	30 June 2020 \$
Management fees for the year	888,969	715,656
Performance fees for the year	-	205,690
Management fees payable at year end	146,111	34,393

Equity Trustees Limited earned \$51,791 (30 June 2020: \$51,744) for Responsible Entity services provided to the Fund, paid from usual expenses.

The management fees borne by the Fund are paid to the Investment Manager, who in turn provides the on-payment of the fees to the respective service providers. Usual expenses include Responsible Entity fees, Custodian and Administrator fees and other expenses.

Investment management fees reimbursed represent monies put into the Fund to ensure that the Fund's overall management costs remain within that disclosed in the Product Disclosure Statement.

For information on how management and performance fees are calculated please refer to the Fund's Product Disclosure Statement.

### h. Related party unit holdings

Parties related to the Fund (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) hold units in the Fund, as follows:

	Number of units held opening	Number of units held closing	Fair value of investment \$	Interest held (%)	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
<b>Unit holder</b>							
<b>As at 30 June 2021</b>							
Riviera Capital Pty Ltd	10	10	11.21	0.01%	-	-	-
<b>As at 30 June 2020</b>							
Riviera Capital Pty Ltd	10	10	10.93	0.01%	-	-	-

### i. Investments

The Fund did not hold any investments in Equity Trustees Limited or its related parties during the year (30 June 2020: nil).

## 15. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The loan with Moon Dog Brewing Pty Ltd and Healey Management Pty Ltd was fully repaid in August 2021 and December 2021, respectively.

At the time of signing these financial statements, there is an increased level of global uncertainty associated with the conflict in Ukraine. The full impacts of the Ukraine conflict are not yet known but there is likely to be continued market and economic volatility, which may in turn have an impact on the Fund.

No other significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2021 or on the results and cash flows of the Fund for the year ended on that date.

## **16. CONTINGENT ASSETS AND LIABILITIES AND COMMITMENTS**

As at 30 June 2021, the Fund has \$3,372,416 (30 June 2020: \$2,340,000) capital call commitment on the investment held with Commencer Capital Emerging Companies Fund (formerly Investec Emerging Companies Australia Fund).

There were no other outstanding contingent assets and liabilities or commitments as at 30 June 2021 and 30 June 2020.

## DIRECTORS' DECLARATION

In the opinion of the directors of the Responsible Entity:

- a. The financial statements and notes set out on pages 6 to 31 are in accordance with the *Corporations Act 2001*, including:
  - i. complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - ii. giving a true and fair view of the Fund's financial position as at 30 June 2021 and of its performance for the year on that date.
- b. There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- c. Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by Equity Trustees Limited's Board.



Philip D Gentry  
Chairman

Melbourne  
26 August 2022

## Independent Auditor's Report to the unitholders of Special Opportunities Fund No.1

### Opinion

We have audited the financial report of Special Opportunities Fund No.1 (the "Fund"), which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Fund's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

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

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

### Information Other than the Financial Report and Auditor's Report Thereon

The Directors of the Responsible Entity are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

## Responsibilities of the Directors for the Financial Report

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

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

## Auditor's Responsibilities for the Audit of the Financial Report

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

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

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



**Building a better  
working world**

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

*Ernst & Young*

Ernst & Young

Rohit Khanna  
Partner  
Sydney  
26 August 2022