

SPECIALIST SECTOR FUNDS

ANNUAL FINANCIAL REPORT

FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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ANNUAL FINANCIAL REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

The Specialist Sector Funds consist of five separate schemes.

Specialist Australian Shares 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
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 2020**

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**SPECIALIST SECTOR FUNDS
DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

The Directors of IOOF Investment Services 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 2020 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.

On 29 November 2019, IOOF Investment Management Limited ("the former Responsible Entity") (ABN 53 006 695 021) was replaced by IOOF Investment Services Limited ("the Responsible Entity") (ABN 80 007 350 405) as the Responsible Entity for the Scheme.

The Schemes did not have any employees during the year (2019: Nil).

Responsible Entity

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

Ms D.G Allen (Chairman) (appointed 19 December 2019)
Ms M.A Nunan (appointed 19 December 2019)
Mr J. Selak (appointed 19 December 2019)
Mr A.R Griffiths (Resigned 20 December 2019)
Mr R.G Mota (Resigned 20 December 2019)
Ms J.M Harvey (Resigned 20 December 2019)

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 2020**

DIRECTORS' REPORT (continued)

Results

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

	Specialist Australian Shares Fund		Specialist Global Shares Fund		Specialist Property Fund		Specialist Diversified Fixed Interest Fund		Specialist Dynamic Allocation Fund	
	Year ended		Year ended		Year ended		Year ended		Year ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Total Comprehensive Income	(3,731)	5,828	(1,699)	8,079	(3,490)	4,957	2,483	7,837	(1,812)	3,516

Distributions

	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Distributions paid and										
1 August paid	-	-	-	8,500	-	-	-	-	-	-
30 September paid	-	-	-	-	-	-	584	442	-	-
31 December paid	404	581	-	-	-	-	348	443	107	201
31 March paid	-	-	-	-	-	-	117	423	-	-
30 June final payable	3,393	1,891	3,477	5,804	1,614	1,065	2,653	281	756	3,345
	<u>3,797</u>	<u>2,472</u>	<u>3,477</u>	<u>14,304</u>	<u>1,614</u>	<u>1,065</u>	<u>3,702</u>	<u>1,589</u>	<u>863</u>	<u>3,546</u>

	CPU	CPU	CPU	CPU	CPU	CPU	CPU	CPU	CPU	CPU
Distributions (cents per unit)										
1 August paid	-	-	-	22.00	-	-	-	-	-	-
30 September paid	-	-	-	-	-	-	0.59	0.44	-	-
31 December paid	1.11	1.36	-	-	-	-	0.34	0.44	0.19	0.29
31 March paid	-	-	-	-	-	-	0.11	0.42	-	-
30 June final payable	9.70	4.73	6.81	12.94	5.08	3.84	2.53	0.28	1.80	5.24
	<u>10.81</u>	<u>6.09</u>	<u>6.81</u>	<u>34.94</u>	<u>5.08</u>	<u>3.84</u>	<u>3.57</u>	<u>1.58</u>	<u>1.99</u>	<u>5.53</u>

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:

	Specialist Australian Shares Fund		Specialist Global Shares Fund		Specialist Property Fund		Specialist Diversified Fixed Interest Fund		Specialist Dynamic Allocation Fund	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	%	%	%	%	%	%	%	%	%	%
Capital growth	(11.96)	1.66	(2.18)	(20.18)	(14.53)	7.70	0.72	4.81	(6.06)	0.11
Distribution	9.47	5.74	6.60	28.76	5.57	4.53	3.91	1.87	1.95	5.47
Total return	(2.49)	7.40	4.42	8.58	(8.96)	12.23	4.63	6.68	(4.11)	5.58
Benchmark return	(7.61)	1.92	4.37	11.95	(17.63)	8.71	4.69	1.97	3.65	5.65
Benchmark name	S&P/ASX Small Ordinaries Accumulation Index		MSCI World Net Return Local Currency		S&P/ASX 300 A-REIT Total Return		Bloomberg AusBond Bank Bill Index		180 - day Australian Bank Bill Index	

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 2020**

DIRECTORS' REPORT (continued)

Indirect Cost Ratio

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

	Specialist Australian Shares Fund		Specialist Global Shares Fund		Specialist Property Fund		Specialist Diversified Fixed Interest Fund		Specialist Dynamic Allocation Fund	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	%	%	%	%	%	%	%	%	%	%
Indirect Cost Ratio	1.11	1.25	0.90	0.88	0.97	0.96	0.57	0.51	0.86	0.86

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

Significant changes in state of affairs

On 29 November 2019, IOOF Investment Management Limited ("the former Responsible Entity") (ABN 53 006 695 021) was replaced by IOOF Investment Services Limited ("the Responsible Entity") (ABN 80 007 350 405) as the Responsible Entity for the Scheme.

Other than the above, there were no significant changes in the state of affairs of the Scheme.

Matters subsequent to the end of the financial year

The existence of COVID-19 was confirmed in early 2020 and in March 2020 was declared a pandemic by the World Health Organisation. This has resulted in significant volatility in global and domestic financial markets. Refer to Note 11 for the sensitivity analysis of risks.

At the date of signing of the financial statements, there is still significant uncertainty on the likely duration and the ultimate impact COVID-19 will have on world economies. Given the high degree of estimation uncertainty, management cannot reasonably assess or quantify the potential short or longer term financial impact on the Scheme.

Except as disclosed above, no other matter or circumstance has arisen since 30 June 2020 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.

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 operations of the Scheme 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 Scheme.

**SPECIALIST SECTOR FUNDS
DIRECTORS' REPORT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

DIRECTORS' REPORT (continued)

Indemnification and insurance of officers and auditor

There is a Directors' and Officers' insurance policy which indemnifies the Directors and Officers of IOOF Investment Services Limited against liabilities to persons outside IOOF Investment Services 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 5 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 5 of the financial statements.

Interests in the Scheme

Details of movement in net assets attributable to unitholders and total units on issue are disclosed in Note 8 of the financial statements.

The basis for valuation of the Scheme's assets is disclosed in Note 2 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 8 and forms part of the Directors' Report for the year ended 30 June 2020.

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

On behalf of the Directors,



Ms D.G Allen
Director

Melbourne, 28 September 2020



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

To the Directors of IOOF Investment Services 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 2020 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

Partner

Melbourne

28 September 2020



Independent Auditor's Report

To the unitholders of 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 2020, 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 2020;
- 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 ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have 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 Services 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 the Directors for the Financial Report

The Directors of IOOF Investment Services 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 either intend to liquidate the Schemes or to cease operations, or have no realistic alternative but 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 the 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. This description forms part of our Auditor's Report.

KPMG

Rachel Milum

Partner

Melbourne

28 September 2020

**SPECIALIST SECTOR FUNDS
DIRECTORS' DECLARATION
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

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

- (a) the financial statements and notes set out on pages 13 to 52 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 2020 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 Services Limited.

On behalf of the Directors,



Ms D.G Allen
Director

Melbourne, 28 September 2020

**SPECIALIST SECTOR FUNDS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

	Specialist Australian Shares Fund		Specialist Global Shares Fund		Specialist Property Fund		
	Note	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Investment Income							
Dividend and trust distribution income		3,828	3,413	3,944	4,154	1,405	1,674
Interest income from financial assets at amortised cost	3	2	38	6	21	1	5
Net gains/(losses) on financial instruments held at fair value through profit or loss	4	(7,398)	2,565	(5,352)	4,168	(4,790)	3,407
Management fee rebate		-	-	-	23	-	-
Other income		-	16	-	-	-	-
Total investment income/(loss)		<u>(3,568)</u>	<u>6,032</u>	<u>(1,402)</u>	<u>8,366</u>	<u>(3,384)</u>	<u>5,086</u>
Expenses							
Responsible Entity fees	5	163	162	297	287	106	129
Investment Management fees		-	10	-	-	-	-
Transaction costs		-	32	-	-	-	-
Total operating expenses		<u>163</u>	<u>204</u>	<u>297</u>	<u>287</u>	<u>106</u>	<u>129</u>
Operating profit/(loss)		<u>(3,731)</u>	<u>5,828</u>	<u>(1,699)</u>	<u>8,079</u>	<u>(3,490)</u>	<u>4,957</u>
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		<u>(3,731)</u>	<u>5,828</u>	<u>(1,699)</u>	<u>8,079</u>	<u>(3,490)</u>	<u>4,957</u>

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 2020**

	Note	Specialist Diversified Fixed Interest Year ended		Specialist Dynamic Allocation Fund Year ended	
		30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
<u>Investment Income</u>					
Dividend and trust distribution income		6,666	4,112	2,060	2,583
Interest income from financial assets at amortised cost	3	4	66	5	13
Net gains/(losses) on financial instruments held at fair value through profit or loss	4	(3,892)	3,932	(3,668)	1,052
Net gains/(losses) on foreign exchange		-	124	-	-
Other income		4	126	63	156
Total investment income/(loss)		<u>2,782</u>	<u>8,360</u>	<u>(1,540)</u>	<u>3,804</u>
<u>Expenses</u>					
Responsible Entity fees	5	299	315	223	288
Investment Management fees		-	30	49	-
Transaction costs		-	46	-	-
Withholding tax		-	131	-	-
Other operating expenses		-	1	-	-
Total operating expenses		<u>299</u>	<u>523</u>	<u>272</u>	<u>288</u>
Operating profit/(loss)		<u>2,483</u>	<u>7,837</u>	<u>(1,812)</u>	<u>3,516</u>
Other comprehensive income		-	-	-	-
Total comprehensive income for the year		<u>2,483</u>	<u>7,837</u>	<u>(1,812)</u>	<u>3,516</u>

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 2020**

	Note	Specialist Australian Shares Fund		Specialist Global Shares Fund		Specialist Property Fund	
		30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Assets							
Cash and cash equivalents	13(a)	165	267	530	460	274	250
Receivables		3,448	3,161	3,635	4,491	1,334	1,967
Financial assets held at fair value through profit or loss	6	34,831	46,978	51,042	51,776	24,890	26,226
Total assets		38,444	50,406	55,207	56,727	26,498	28,443
Liabilities							
Distributions payable	7	3,393	1,891	3,477	5,804	1,614	1,065
Other payables		199	384	121	798	103	364
Total liabilities		3,592	2,275	3,598	6,602	1,717	1,429
Net assets attributable to unitholders - Equity	8	34,852	48,131	51,609	50,125	24,781	27,014
Specialist Diversified Fixed Interest Fund							
	Note	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000		
Assets							
Cash and cash equivalents	13(a)	618	920	511	654		
Receivables		5,764	2,140	2,530	2,498		
Financial assets held at fair value through profit or loss	6	94,272	92,946	38,773	65,815		
Total assets		100,654	96,006	41,814	68,967		
Liabilities							
Distributions payable	7	2,653	281	756	3,345		
Other payables		771	847	817	595		
Total liabilities		3,424	1,128	1,573	3,940		
Net assets attributable to unitholders - Equity	8	97,230	94,878	40,241	65,027		

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 2020**

	Note	Specialist Australian Shares Fund		Specialist Global Shares Fund		Specialist Property Fund	
		30 June 2020 \$000	30 June 2019 \$000	30 June 2020 \$000	30 June 2019 \$000	30 June 2020 \$000	30 June 2019 \$000
Total equity at the beginning of the year		48,131	60,197	50,125	47,725	27,014	32,274
Comprehensive income for the year							
Profit/(loss) for the year		(3,731)	5,828	(1,699)	8,079	(3,490)	4,957
Total comprehensive income for the year		<u>(3,731)</u>	<u>5,828</u>	<u>(1,699)</u>	<u>8,079</u>	<u>(3,490)</u>	<u>4,957</u>
Transactions with unitholders							
Applications	8	6,513	6,390	18,095	26,889	9,082	3,266
Redemptions	8	(12,323)	(21,836)	(11,864)	(19,459)	(6,227)	(12,454)
Reinvested distributions	8	59	24	429	1,195	16	36
Distributions paid and payable	7,8	(3,797)	(2,472)	(3,477)	(14,304)	(1,614)	(1,065)
Total transactions with unitholders		<u>(9,548)</u>	<u>(17,894)</u>	<u>3,183</u>	<u>(5,679)</u>	<u>1,257</u>	<u>(10,217)</u>
Total equity at the end of the year		<u>34,852</u>	<u>48,131</u>	<u>51,609</u>	<u>50,125</u>	<u>24,781</u>	<u>27,014</u>
		Specialist Diversified Fixed Interest Fund		Specialist Dynamic Allocation Fund			
		30 June 2020 \$000	30 June 2019 \$000	30 June 2020 \$000	30 June 2019 \$000		
Total equity at the beginning of the year		94,878	88,553	65,027	72,016		
Comprehensive income for the year							
Profit/(loss) for the year		2,483	7,837	(1,812)	3,516		
Total comprehensive income for the year		<u>2,483</u>	<u>7,837</u>	<u>(1,812)</u>	<u>3,516</u>		
Transactions with unitholders							
Applications	8	26,165	24,124	9,239	9,564		
Redemptions	8	(22,623)	(24,076)	(31,409)	(16,581)		
Reinvested distributions	8	29	29	59	58		
Distributions paid and payable	7,8	(3,702)	(1,589)	(863)	(3,546)		
Total transactions with unitholders		<u>(131)</u>	<u>(1,512)</u>	<u>(22,974)</u>	<u>(10,505)</u>		
Total equity at the end of the year		<u>97,230</u>	<u>94,878</u>	<u>40,241</u>	<u>65,027</u>		

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 2020**

	Note	Specialist Australian Shares Fund Year ended		Specialist Global Shares Fund Year ended		Specialist Property Fund Year ended	
		30 June 2020 \$'000 Inflows/ (Outflows)	30 June 2019 \$'000 Inflows/ (Outflows)	30 June 2020 \$'000 Inflows/ (Outflows)	30 June 2019 \$'000 Inflows/ (Outflows)	30 June 2020 \$'000 Inflows/ (Outflows)	30 June 2019 \$'000 Inflows/ (Outflows)
Cash flows from operating activities							
Proceeds from the sale of financial instruments held at fair value through profit or loss		9,370	63,595	9,232	67,218	5,250	14,529
Payments for the purchase of financial instruments held at fair value through profit or loss		(1,080)	(51,631)	(9,050)	(60,020)	(6,740)	(502)
Interest received		2	41	6	21	1	5
Dividend and trust distributions received		-	158	-	-	72	-
Other income received		-	16	-	-	-	-
Operating expenses paid		(251)	(205)	(285)	(286)	(126)	(117)
Net cash inflow/(outflow) from operating activities	13(b)	<u>8,041</u>	<u>11,974</u>	<u>(97)</u>	<u>6,933</u>	<u>(1,543)</u>	<u>13,915</u>
Cash flows from financing activities							
Proceeds from application of units		4,629	5,098	15,693	25,641	8,335	2,732
Payments for redemption of units		(10,535)	(20,685)	(10,151)	(17,568)	(5,719)	(11,750)
Distributions paid		(2,237)	(1,185)	(5,375)	(15,012)	(1,049)	(4,976)
Net cash inflow/(outflow) from financing activities		<u>(8,143)</u>	<u>(16,772)</u>	<u>167</u>	<u>(6,939)</u>	<u>1,567</u>	<u>(13,994)</u>
Net increase/(decrease) in cash and cash equivalents		(102)	(4,798)	70	(6)	24	(79)
Cash and cash equivalents at the beginning of the financial year		267	5,065	460	466	250	329
Cash and cash equivalents at the end of the financial year	13(a)	<u>165</u>	<u>267</u>	<u>530</u>	<u>460</u>	<u>274</u>	<u>250</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 2020**

	Note	Specialist Diversified Fixed Year ended		Specialist Dynamic Allocation Year ended	
		30 June 2020 \$'000 Inflows/ (Outflows)	30 June 2019 \$'000 Inflows/ (Outflows)	30 June 2020 \$'000 Inflows/ (Outflows)	30 June 2019 \$'000 Inflows/ (Outflows)
Cash flows from operating activities					
Proceeds from the sale of financial instruments held at fair value through profit or loss		8,280	92,904	27,908	25,270
Payments for the purchase of financial instruments held at fair value through profit or loss		(10,465)	(100,629)	(2,515)	(12,871)
Interest received		5	61	5	13
Dividend and trust distributions received		-	6	-	-
Other income received		4	126	72	195
Operating expenses paid		(324)	(554)	(278)	(271)
Net movement in margin accounts		-	2,484	-	-
Net cash inflow/(outflow) from operating activities	13(b)	<u>(2,500)</u>	<u>(5,602)</u>	<u>25,192</u>	<u>12,336</u>
Cash flows from financing activities					
Proceeds from application of units		20,956	20,138	7,092	7,613
Payments for redemption of units		(17,456)	(19,714)	(29,033)	(14,465)
Distributions paid		(1,302)	(1,694)	(3,394)	(5,403)
Net cash inflow/(outflow) from financing activities		<u>2,198</u>	<u>(1,270)</u>	<u>(25,335)</u>	<u>(12,255)</u>
Net increase/(decrease) in cash and cash equivalents		(302)	(6,872)	(143)	81
Cash and cash equivalents at the beginning of the financial year		920	7,792	654	573
Cash and cash equivalents at the end of the financial year	13(a)	<u>618</u>	<u>920</u>	<u>511</u>	<u>654</u>

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

**SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

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.

Scheme Name	Date of Commencement	Date of Termination
Specialist Australian Shares 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	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 Services Limited. The Responsible Entity's registered office is Level 6, 161 Collins Street, Melbourne, VIC 3000. The Responsible Entity's ABN number is 80 007 350 405.

On 29 November 2019, IOOF Investment Management Limited ("the former Responsible Entity") (ABN 53 006 695 021) was replaced by IOOF Investment Services Limited ("the Responsible Entity") (ABN 80 007 350 405) as the Responsible Entity for the Scheme.

The financial statements were authorised for issue by the Directors on 28 September 2020. The Directors of the Responsible Entity have the power to amend and reissue the financial report as considered necessary under the Schemes' Constitutions.

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 2020 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 Statement of Financial Position is prepared on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are generally expected to be recovered or settled within twelve months, except for financial assets at fair value through profit or loss and net assets attributable to unitholders.

**SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Note 2: Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Recognition/derecognition and initial measurement

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

(ii) Classification and subsequent measurement

On initial recognition, the Scheme classifies financial assets as measured at amortised cost or fair value through profit or loss.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest.

All other financial assets of the Scheme are measured at fair value through profit or loss.

Business model assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Scheme considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Scheme's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

The Scheme has determined that it has two business models:

- Held to collect business model: this includes cash and cash equivalents, term deposits, balances due from brokers and receivables from reverse sale and repurchase agreements. These financial assets are held to collect contractual cash flow.
- Other business model: this includes debt securities, equity investments, investments in unlisted open-ended investment Schemes, unlisted private equities and derivatives. These financial assets are managed and their performance is evaluated, on a fair value basis, with frequent sales taking place.

Financial assets are not reclassified subsequent to their initial recognition unless the Scheme were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change in the business model.

**SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Note 2: Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

Subsequent measurement of financial assets

Financial assets at fair value through profit or loss

These assets are subsequently measured at fair value. Net gains and losses arising from changes in the fair value of the financial assets are recognised as 'net gains/(losses) on financial instruments held at fair value through profit or loss' in the Statement of Comprehensive Income.

Debt securities, equity investments, investments in unlisted open ended investment Schemes, unlisted private equities and derivative financial instruments are included in this category.

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. Interest income is recognised in 'Interest income from financial assets at amortised cost', foreign exchange gains and losses are recognised in 'net foreign exchange loss' and impairment is recognised in 'impairment losses on financial instruments' in the statement of comprehensive income. Any gain or loss on derecognition is also recognised in profit or loss.

Cash and cash equivalents, balances due from brokers, term deposit and receivables from reverse sale and repurchase agreements are included in this category.

Financial liabilities – Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or fair value through profit and loss.

A financial liability is classified as at fair value through profit and loss if it is classified as held for trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at fair value through profit and loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Financial liabilities at fair value through profit and loss:

- Held for trading: securities sold short and derivative financial instruments.

Financial liabilities at amortised cost:

- This includes balances due to brokers, payables under sale and repurchase agreements and redeemable shares.

**SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Note 2: Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Scheme has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Scheme measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The Scheme measures instruments quoted in an active market at a mid price, because this price provides a reasonable approximation of the exit price.

If there is no quoted price in an active market, then the Scheme uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The Scheme recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

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

● **Units in Unlisted Managed Investment Schemes**

The fair value of units in unlisted 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 gross assets of the Scheme, less an allowance for disposal costs.

(c) Foreign currency translation

i) 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.

ii) Transactions and balances

Transactions in foreign currencies are translated into Australian dollars at the foreign currency exchange rate at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the foreign currency closing exchange rates at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian dollars at the foreign currency closing exchange rates ruling at the dates that values were determined.

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the Statement of Comprehensive Income. Foreign currency exchange differences relating to investments at fair value through profit or loss and derivative financial instruments are included in net gains/(losses) on financial instruments. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are presented separately as net gains/(losses) on foreign exchange in the Statement of Comprehensive Income.

**SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Note 2: Summary of significant accounting policies (continued)

(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.

(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 from financial assets at amortised cost is calculated on an effective interest basis and includes interest from cash and cash equivalents and interest from term deposits. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Interest income 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.

**SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Note 2: Summary of significant accounting policies (continued)

(f) Investment income and expenses (continued)

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 Scheme's Product Disclosure Statement. Distributions are determined by the Responsible Entity in accordance with the Scheme's Constitution 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 Scheme 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) 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. Amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Scheme shall measure the loss allowance on receivables at an amount equal to the lifetime expected credit losses subject to a significant increase in credit risk since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the loss allowance is measured on a 12-month expected credit loss basis. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that a loss allowance should be recognised. 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 amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable 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 profit or loss.

**SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Note 2: Summary of significant accounting policies (continued)

(i) 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 2020 under the Schemes' Constitutions.

(j) 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.

(k) Unit prices

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

(l) 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.

(m) 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.

**SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Note 2: Summary of significant accounting policies (continued)

(n) 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.

(o) 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.

(p) Changes in accounting policies

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

(q) New and amended accounting standards adopted by the Scheme

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year commencing on 1 July 2019 that have a material impact on the amounts recognised in prior periods or will affect the current or future periods.

(r) New accounting standards

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2020 reporting period and have not been early adopted by the Scheme. None of these are expected to have a material impact on the financial statements of the Scheme.

(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.

SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 3: Interest income from financial assets held at amortised cost

	Specialist Australian Shares Fund Year ended		Specialist Global Shares Fund Year ended	
	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Interest income from financial assets held at amortised cost				
Cash and cash equivalents	2	38	6	21
Total interest income from financial assets held at amortised cost	2	38	6	21

	Specialist Property Fund Year ended		Specialist Diversified Fixed Interest Fund Year ended	
	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Interest income from financial assets held at amortised cost				
Cash and cash equivalents	1	5	4	66
Total interest income from financial assets held at amortised cost	1	5	4	66

	Specialist Dynamic Allocation Fund Year ended	
	30 June 2020 \$'000	30 June 2019 \$'000
Interest income from financial assets held at amortised cost		
Cash and cash equivalents	5	13
Total interest income from financial assets held at amortised cost	5	13

SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 4: Net gains/(losses) on financial instruments held at fair value through profit or loss

	Specialist Australian Shares Fund		Specialist Global Shares Fund		Specialist Property Fund	
	Year ended		Year ended		Year ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets						
Net gains/(losses) on financial instruments held at fair value through profit or loss	(7,398)	2,565	(5,352)	4,168	(4,790)	3,407
Total net gains/(losses) on financial instruments held at fair value through profit or loss	<u>(7,398)</u>	<u>2,565</u>	<u>(5,352)</u>	<u>4,168</u>	<u>(4,790)</u>	<u>3,407</u>
	Specialist Diversified Fixed Interest Fund		Specialist Dynamic Allocation Fund			
	Year ended		Year ended			
	30 June 2020	30 June 2019	30 June 2020	30 June 2019		
	\$'000	\$'000	\$'000	\$'000		
Financial assets						
Net gains/(losses) on financial instruments held at fair value through profit or loss	(3,892)	3,932	-	3,668	1,052	
Total net gains/(losses) on financial instruments held at fair value through profit or loss	<u>(3,892)</u>	<u>3,932</u>	<u>(3,668)</u>	<u>1,052</u>		

**SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Note 5: Related party transactions

Responsible Entity

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

On 29 November 2019, IOOF Investment Management Limited ("the former Responsible Entity") (ABN 53 006 695 021) was replaced by IOOF Investment Services Limited ("the Responsible Entity") (ABN 80 007 350 405) as the Responsible Entity for the Scheme.

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

Key management personnel

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

Ms D.G Allen (Chairman) (appointed 19 December 2019)

Ms M.A Nunan (appointed 19 December 2019)

Mr J. Selak (appointed 19 December 2019)

Mr A.R Griffiths (Resigned 20 December 2019)

Mr R.G Mota (Resigned 20 December 2019)

Ms J.M Harvey (Resigned 20 December 2019)

Responsible Entity fees and other transactions

	Specialist Australian Shares Fund		Specialist Global Shares Fund		Specialist Property Fund	
	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000	30 June \$'000	30 June \$'000
Responsible Entity fees IOOF Investment Services Limited	93	-	183	-	57	-
Responsible Entity fees IOOF Investment Management Limited	70	162	114	287	49	129
Total Responsible Entity Fee	163	162	297	287	106	129
Responsible Entity fees payable	17	12	38	25	3	24

	Specialist Diversified Fixed Interest Fund		Specialist Dynamic Allocation Fund	
	30 June 2020 \$'000	30 June 2019 \$'000	30 June 2020 \$'000	30 June 2019 \$'000
Responsible Entity fees IOOF Investment Services Limited	174	-	113	-
Responsible Entity fees IOOF Investment Management Limited	125	315	110	288
Total Responsible Entity Fee	299	315	223	288
Responsible Entity fees payable	20	47	17	23

SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 5: Related party transactions (continued)

Under the terms of the Schemes' Constitutions, the Responsible Entity 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	0.38% per annum (2019: 0.35%)
Specialist Global Shares Fund	0.58% per annum (2019: 0.55%)
Specialist Property Fund	0.44% per annum (2019: 0.43%)
Specialist Diversified Fixed Interest Fund	0.31% per annum (2019: 0.35%)
Specialist Dynamic Allocation Fund	0.40% per annum (2019: 0.41%)

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

Related party Scheme unitholdings

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

Specialist Australian Shares Fund

30 June 2020

Unitholder	Number of units held opening No.	Number of units held closing No.	Interest held %	Number of units acquired No.	Number of units disposed No.	Distributions paid/payable by the Scheme \$
Australian Executor Trustees Ltd	-	119,088	0.34	119,088	-	12,873
IOOF Portfolio Service Superannuation Fund *	2,422,910	5,096,546	14.56	3,352,292	678,656	537,430
IOOF Portfolio Service Investments *	463,104	370,369	1.06	111,369	204,104	41,434
Investor Directed Portfolio Service	23,960	694,159	1.98	748,732	78,533	70,024

30 June 2019

Unitholder	Number of units held opening No.	Number of units held closing No.	Interest held %	Number of units acquired No.	Number of units disposed No.	Distributions paid/payable by the Scheme \$
IOOF Portfolio Service Superannuation Fund *	237,975	2,422,910	6.06	2,206,164	21,229	124,313
IOOF Portfolio Service Investments *	38,240	463,104	1.16	425,906	1,042	25,256
Investor Directed Portfolio Service	-	23,960	0.06	24,215	255	1

* 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 2020**

Note 5: Related party transactions (continued)

Specialist Global Shares Fund

30 June 2020

Unitholder	Number of units held opening No.	Number of units held closing No.	Interest held %	Number of units acquired No.	Number of units disposed No.	Distributions paid/payable by the Scheme \$
IOOF Portfolio Service Superannuation Fund *	1,977,094	5,418,847	10.61	3,951,733	509,980	368,882
IOOF Portfolio Service Investments *	473,429	419,137	0.82	107,123	161,415	28,532
Investor Directed Portfolio Service	16,192	686,030	1.34	730,174	60,336	46,701

30 June 2019

Unitholder	Number of units held opening No.	Number of units held closing No.	Interest held %	Number of units acquired No.	Number of units disposed No.	Distributions paid/payable by the Scheme \$
IOOF Portfolio Service Superannuation Fund *	146,291	1,977,094	4.41	1,927,425	96,622	289,733
IOOF Portfolio Service Investments *	19,318	473,429	1.06	501,496	47,385	72,046
Investor Directed Portfolio Service	-	16,192	0.04	16,363	171	2

Specialist Property Fund

30 June 2020

Unitholder	Number of units held opening No.	Number of units held closing No.	Interest held %	Number of units acquired No.	Number of units disposed No.	Distributions paid/payable by the Scheme \$
Australian Executor Trustees Ltd	-	3,954,045	12.44	3,954,045	-	200,796
IOOF Portfolio Service Superannuation Fund *	1,219,263	2,843,607	8.95	1,859,670	235,326	144,405
IOOF Portfolio Service Investments *	232,027	246,514	0.78	66,020	51,533	12,519
Investor Directed Portfolio Service	9,527	209,753	0.66	224,196	23,970	10,652

30 June 2019

Unitholder	Number of units held opening No.	Number of units held closing No.	Interest held %	Number of units acquired No.	Number of units disposed No.	Distributions paid/payable by the Scheme \$
IOOF Portfolio Service Superannuation Fund *	314,860	1,219,263	4.39	966,621	62,218	46,781
IOOF Portfolio Service Investments *	59,757	232,027	0.84	224,476	52,206	8,902
Investor Directed Portfolio Service	-	9,527	0.03	9,527	-	-

* 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 2020

Note 5: Related party transactions (continued)

Specialist Diversified Fixed Interest Fund

30 June 2020

Unitholder	Number of units held opening No.	Number of units held closing No.	Interest held %	Number of units acquired No.	Number of units disposed No.	Distributions paid/payable by the Scheme \$
IOOF Portfolio Service Superannuation Fund *	11,948,097	24,214,344	23.12	15,193,850	2,927,603	794,283
IOOF Portfolio Service Investments *	689,193	758,846	0.72	322,535	252,882	28,027
Investor Directed Portfolio Service	302,507	2,240,963	2.14	2,098,617	160,161	66,759

30 June 2019

Unitholder	Number of units held opening No.	Number of units held closing No.	Interest held %	Number of units acquired No.	Number of units disposed No.	Distributions paid/payable by the Scheme \$
IOOF Portfolio Service Superannuation Fund *	505,156	11,948,097	11.83	12,701,418	1,258,477	85,455
IOOF Portfolio Service Investments *	121,989	689,193	0.68	616,350	49,146	4,331
Investor Directed Portfolio Service	-	302,507	0.30	302,852	345	-

Specialist Dynamic Allocation Fund

30 June 2020

Unitholder	Number of units held opening No.	Number of units held closing No.	Interest held %	Number of units acquired No.	Number of units disposed No.	Distributions paid/payable by the Scheme \$
IOOF Portfolio Service Superannuation Fund *	2,612,420	4,876,980	11.59	3,641,221	1,376,661	95,302
IOOF Portfolio Service Investments *	213,316	318,612	0.76	120,608	15,312	6,233
Investor Directed Portfolio Service	33,728	463,471	1.10	553,435	123,692	8,911

30 June 2019

Unitholder	Number of units held opening No.	Number of units held closing No.	Interest held %	Number of units acquired No.	Number of units disposed No.	Distributions paid/payable by the Scheme \$
IOOF Portfolio Service Superannuation Fund *	374,008	2,612,420	4.09	2,261,523	23,111	139,612
IOOF Portfolio Service Investments *	-	213,316	0.33	232,407	19,091	11,227
Investor Directed Portfolio Service	-	33,728	0.05	34,083	355	2

* 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 2020

Note 5: Related party transactions (continued)

Investments

The Schemes held investments in the following schemes of which IOOF Investment Management Limited is the Responsible Entity or its related parties:

	Fair value of Investment		Interest Held		Distribution received/ receivable		Distribution receivable	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	%	%	\$	\$	\$	\$
Multimix Wholesale Australian Shares Trust	34,831,434	46,977,734	3.38	3.87	3,828,139	3,405,815	3,354,508	2,867,704
	<u>34,831,434</u>	<u>46,977,734</u>			<u>3,828,139</u>	<u>3,405,815</u>	<u>3,354,508</u>	<u>2,867,704</u>

	Fair value of Investment		Interest Held		Distribution received/ receivable		Distribution receivable	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	%	%	\$	\$	\$	\$
Multimix Wholesale International Shares Trust	51,042,472	51,776,424	4.53	4.13	3,943,615	4,154,533	3,628,870	3,813,160
	<u>51,042,472</u>	<u>51,776,424</u>			<u>3,943,615</u>	<u>4,154,533</u>	<u>3,628,870</u>	<u>3,813,160</u>

	Fair value of Investment		Interest Held		Distribution received/ receivable		Distribution receivable	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	%	%	\$	\$	\$	\$
Multimix Wholesale International Property Trust	24,870,200	26,226,281	25.87	21.75	1,405,217	1,673,698	1,333,047	1,673,698
	<u>24,870,200</u>	<u>26,226,281</u>			<u>1,405,217</u>	<u>1,673,698</u>	<u>1,333,047</u>	<u>1,673,698</u>

**SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Note 5: Related party transactions (continued)

Investments (continued)

	Fair value of Investment		Specialist Diversified Fixed Interest Fund Interest Held		Distribution received/receivable		Distribution receivable	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$	\$	%	%	\$	\$	\$	\$
Multimix Wholesale Diversified Fixed Interest Trust	94,272,313	92,946,037	9.34	9.06	6,666,401	4,112,450	5,348,356	1,980,136
	<u>94,272,313</u>	<u>92,946,037</u>			<u>6,666,401</u>	<u>4,112,450</u>	<u>5,348,356</u>	<u>1,980,136</u>

Key management personnel compensation

Key management personnel are remunerated by IOOF Service Co Pty Ltd, a related party of IOOF Investment Services Limited. Payments made from the Schemes to IOOF Investment Services 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 2020 and 30 June 2019, 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 2020

Note 6: Financial assets held at fair value through profit or loss

	Specialist Australian Shares Fund		Specialist Global Shares Fund		Specialist Property Fund	
	Year ended		Year ended		Year ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Held at fair value through profit or loss						
Unlisted unit trusts	34,831	46,978	51,042	51,776	24,890	26,226
Total held at fair value through profit or loss	<u>34,831</u>	<u>46,978</u>	<u>51,042</u>	<u>51,776</u>	<u>24,890</u>	<u>26,226</u>
Total financial assets held at fair value through profit or loss	<u><u>34,831</u></u>	<u><u>46,978</u></u>	<u><u>51,042</u></u>	<u><u>51,776</u></u>	<u><u>24,890</u></u>	<u><u>26,226</u></u>
Comprising:						
Unlisted unit trusts						
Units in unlisted trusts	34,831	46,978	51,042	51,776	24,890	26,226
Total unlisted unit trusts	<u>34,831</u>	<u>46,978</u>	<u>51,042</u>	<u>51,776</u>	<u>24,890</u>	<u>26,226</u>
Total financial assets held at fair value through profit or loss	<u><u>34,831</u></u>	<u><u>46,978</u></u>	<u><u>51,042</u></u>	<u><u>51,776</u></u>	<u><u>24,890</u></u>	<u><u>26,226</u></u>

**SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Note 6: Financial assets held at fair value through profit or loss (continued)

	Specialist Diversified Fixed Interest Fund		Specialist Dynamic Allocation Fund	
	Year ended		Year ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$'000	\$'000	\$'000	\$'000
Held at fair value through profit or loss				
Unlisted unit trusts	94,272	92,946	38,773	65,815
Total held at fair value through profit or loss	<u>94,272</u>	<u>92,946</u>	<u>38,773</u>	<u>65,815</u>
Total financial assets held at fair value through profit or loss	<u>94,272</u>	<u>92,946</u>	<u>38,773</u>	<u>65,815</u>
Comprising:				
Unlisted unit trusts				
Units in unlisted trusts	94,272	92,946	38,773	65,815
Total unlisted unit trusts	<u>94,272</u>	<u>92,946</u>	<u>38,773</u>	<u>65,815</u>
Total financial assets held at fair value through profit or loss	<u>94,272</u>	<u>92,946</u>	<u>38,773</u>	<u>65,815</u>

SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 7: 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 2020	30 June 2020	30 June 2019	30 June 2019	30 June 2020	30 June 2020	30 June 2019	30 June 2019
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
1 August paid	-	-	-	-	-	-	8,500	22.00
31 December paid	404	1.11	581	1.36	-	-	-	-
30 June final payable	3,393	9.70	1,891	4.73	3,477	6.81	5,804	12.94
	<u>3,797</u>	<u>10.81</u>	<u>2,472</u>	<u>6.09</u>	<u>3,477</u>	<u>6.81</u>	<u>14,304</u>	<u>34.94</u>
	Specialist Property Fund				Specialist Diversified Fixed Interest Fund			
	Year ended				Year ended			
	30 June 2020	30 June 2020	30 June 2019	30 June 2019	30 June 2020	30 June 2020	30 June 2019	30 June 2019
	\$'000	CPU	\$'000	CPU	\$'000	CPU	\$'000	CPU
30 September paid	-	-	-	-	584	0.59	442	0.44
31 December paid	-	-	-	-	348	0.34	443	0.44
31 March paid	-	-	-	-	117	0.11	423	0.42
30 June final payable	1,614	5.08	1,065	3.84	2,653	2.53	281	0.28
	<u>1,614</u>	<u>5.08</u>	<u>1,065</u>	<u>3.84</u>	<u>3,702</u>	<u>3.57</u>	<u>1,589</u>	<u>1.58</u>
	Specialist Dynamic Allocation Fund							
	Year ended							
	30 June 2020	30 June 2020	30 June 2019	30 June 2019				
	\$'000	CPU	\$'000	CPU				
31 December paid	107	0.19	201	0.29				
30 June final payable	756	1.80	3,345	5.24				
	<u>863</u>	<u>1.99</u>	<u>3,546</u>	<u>5.53</u>				

SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 8: 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.

The Scheme's distributions are classified as distributions in the Statement of Changes in Equity.

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

	Specialist Australian Shares Fund				Specialist Global Shares Fund			
	30 June 2020		30 June 2019		30 June 2020		30 June 2019	
	No. of units		No. of units		No. of units		No. of units	
	'000	\$'000	'000	\$'000	'000	\$'000	'000	\$'000
Opening balance	40,003	48,131	54,066	60,197	44,847	50,125	36,900	47,725
Applications	5,708	6,513	5,891	6,390	16,898	18,095	24,291	26,889
Reinvested distributions	52	59	24	24	415	429	1,016	1,195
Redemptions	(10,768)	(12,323)	(19,978)	(21,836)	(11,078)	(11,864)	(17,360)	(19,459)
Distributions paid and payable	-	(3,797)	-	(2,472)	-	(3,477)	-	(14,304)
Total comprehensive income	-	(3,731)	-	5,828	-	(1,699)	-	8,079
Closing Balance	<u>34,995</u>	<u>34,852</u>	<u>40,003</u>	<u>48,131</u>	<u>51,082</u>	<u>51,609</u>	<u>44,847</u>	<u>50,125</u>

	Specialist Property Fund				Specialist Diversified Fixed Interest Fund			
	30 June 2020		30 June 2019		30 June 2020		30 June 2019	
	No. of units		No. of units		No. of units		No. of units	
	'000	\$'000	'000	\$'000	'000	\$'000	'000	\$'000
Opening balance	27,759	27,014	37,971	32,274	100,959	94,878	100,821	88,553
Applications	10,567	9,082	3,708	3,266	28,052	26,165	27,074	24,124
Reinvested distributions	18	16	42	36	32	29	33	29
Redemptions	(6,569)	(6,227)	(13,962)	(12,454)	(24,299)	(22,623)	(26,969)	(24,076)
Distributions paid and payable	-	(1,614)	-	(1,065)	-	(3,702)	-	(1,589)
Total comprehensive income	-	(3,490)	-	4,957	-	2,483	-	7,837
Closing Balance	<u>31,775</u>	<u>24,781</u>	<u>27,759</u>	<u>27,014</u>	<u>104,744</u>	<u>97,230</u>	<u>100,959</u>	<u>94,878</u>

SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 8: Net assets attributable to unitholders (Continued)

	Specialist Dynamic Allocation Fund			
	30 June 2020		30 June 2019	
	No. of units		No. of units	
	'000	\$'000	'000	\$'000
Opening balance	63,872	65,027	70,695	72,016
Applications	9,061	9,239	9,291	9,564
Reinvested distributions	58	59	57	58
Redemptions	(30,922)	(31,409)	(16,171)	(16,581)
Distributions paid and payable	-	(863)	-	(3,546)
Total comprehensive income	-	(1,812)	-	3,516
Closing Balance	<u>42,069</u>	<u>40,241</u>	<u>63,872</u>	<u>65,027</u>

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 Scheme manages its net assets attributable to unitholders (including distribution payable) as capital, notwithstanding net assets attributable to unitholders are classified as a liability. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Scheme is subject to daily applications and redemptions at the discretion of unitholders.

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

SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

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.

As at 30 June 2020, the Schemes' did not hold any derivative financial instruments.

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.

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 10: Financial Instruments (continued)

Specialist Australian Shares Fund

	30 June 2020				30 June 2019			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss								
Units in unlisted unit trusts	-	34,831	-	34,831	-	46,978	-	46,978
	-	34,831	-	34,831	-	46,978	-	46,978

Specialist Global Shares Fund

	30 June 2020				30 June 2019			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss								
Units in unlisted unit trusts	-	51,042	-	51,042	-	51,776	-	51,776
	-	51,042	-	51,042	-	51,776	-	51,776

Specialist Property Fund

	30 June 2020				30 June 2019			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss								
Units in unlisted unit trusts	-	24,871	19	24,890	-	26,154	72	26,226
	-	24,871	19	24,890	-	26,154	72	26,226

Specialist Diversified Fixed Interest Fund

	30 June 2020				30 June 2019			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss								
Units in unlisted unit trusts	-	94,272	-	94,272	-	92,946	-	92,946
	-	94,272	-	94,272	-	92,946	-	92,946

SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 10: Financial Instruments (continued)

	Specialist Dynamic Allocation Fund							
	30 June 2020				30 June 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets at fair value through profit or loss								
Units in unlisted unit trusts	-	38,773	-	38,773	-	65,815	-	65,815
	-	38,773	-	38,773	-	65,815	-	65,815

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

The Scheme recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Levels of the fair value hierarchy during the year ended 30 June 2020 and 30 June 2019.

Movement in Level 3 instruments

The following table presents the movement in Level 3 instruments for the year ended 30 June 2020 and 30 June 2019 by class of financial instrument:

	Specialist Property Fund	
	2020	2019
	Unlisted Unit trust	Unlisted Unit trust
	\$'000	\$'000
Opening balance	72	72
Purchases	-	-
Sales	-	-
Transfer into Level 3	-	-
Gains and losses recognised in profit or loss	(53)	-
Closing balance	19	72

At 30 June 2020, there were no transfers between Levels of the fair value hierarchy for Specialist Property Fund.

**SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Note 10: Financial Instruments (continued)

Significant unobservable inputs used in measuring fair value

Specialist Property Fund

30 June 2020	Fair Value \$'000	Valuation technique	Unobservable inputs	Sensitivity to changes in significant unobservable inputs
Unlisted unit trusts	19	Priced by Investment Manager.	Market activity/active trading.	The investment's fair value would increase or decrease depending on the demand in the market for the security.
	<u>19</u>			
30 June 2019	Fair Value \$'000	Valuation technique	Unobservable inputs	Sensitivity to changes in significant unobservable inputs
Unlisted unit trusts	72	Priced by Investment Manager.	Market activity/active trading.	The investment's fair value would increase or decrease depending on the demand in the market for the security.
	<u>72</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.

30 June 2020	Change in variable 25%/(10%)	Favourable \$'000	(Unfavourable) \$'000
Unlisted unit trusts	Value of NTA	5	(2)
		<u>5</u>	<u>(2)</u>
30 June 2019	Change in variable 25%/(10%)	Favourable \$'000	(Unfavourable) \$'000
Unlisted unit trusts	Value of NTA	18	(7)
		<u>18</u>	<u>(7)</u>

**SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

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.

As a result of the economic downturn and more specifically COVID-19, the Scheme increased its overall risk management practices. The Scheme incorporated a greater focus on asset allocation and increased its monitoring of liquidity. This was achieved via expanded supervision and reporting of member/unit holder redemptions to avoid any significant volatility in cashflows.

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 via the Investment Manager 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 2020 and 30 June 2019.

As at 30 June 2020 and 30 June 2019, 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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

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. 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.

Liquidity risk is not considered to be significant to the Scheme(s) at 30 June 2020 and 30 June 2019.

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 via the Investment Manager 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.

**SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Note 11: Financial risk management (continued)

Market risk (continued)

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

Except as disclosed in Note 5, the Scheme had no significant concentration of market risk exposure to counterparties at 30 June 2020 and 30 June 2019.

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.

	Specialist Australian Shares Fund							
	30 June 2020				30 June 2019			
	Change in price		Effect on net assets attributable to unitholders and profit or loss		Change in price		Effect on net assets attributable to unitholders and profit or loss	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Market Index	%	%	\$'000	\$'000	%	%	\$'000	\$'000
S&P/ASX Small Ordinaries Accumulation Index	26	(13)	8,952	(4,424)	25	(11)	11,744	(5,168)

	Specialist Global Shares Fund							
	30 June 2020				30 June 2019			
	Change in price		Effect on net assets attributable to unitholders and profit or loss		Change in price		Effect on net assets attributable to unitholders and profit or loss	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Market Index	%	%	\$'000	\$'000	%	%	\$'000	\$'000
MSCI World Net Return Local Currency	21	(10)	10,566	(5,206)	23	(9)	11,908	(4,815)

	Specialist Property Fund							
	30 June 2020				30 June 2019			
	Change in price		Effect on net assets attributable to unitholders and profit or loss		Change in price		Effect on net assets attributable to unitholders and profit or loss	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
Market Index	%	%	\$'000	\$'000	%	%	\$'000	\$'000
S&P/ASX 300 A-REIT Total Return	24	(11)	5,874	(2,813)	24	(11)	6,294	(2,885)

SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 11: Financial risk management (continued)

	Specialist Diversified Fixed Interest Fund							
	30 June 2020				30 June 2019			
	Change in price		Effect on net assets attributable to unitholders and profit or loss		Change in price		Effect on net assets attributable to unitholders and profit or loss	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
	%	%	\$'000	\$'000	%	%	\$'000	\$'000
Market Index								
Bloomberg AusBond Bank Bill Index	6	(0.4)	5,279	(377)	3	(4)	2,788	(3,718)

	Specialist Dynamic Allocation Fund							
	30 June 2020				30 June 2019			
	Change in price		Effect on net assets attributable to unitholders and profit or loss		Change in price		Effect on net assets attributable to unitholders and profit or loss	
	Increase	Decrease	Increase	Decrease	Increase	Decrease	Increase	Decrease
	%	%	\$'000	\$'000	%	%	\$'000	\$'000
Market Index								
180 - day Australian Bank Bill Index	8	(4)	3,257	(1,357)	17	(7)	11,189	(4,607)

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 via the Investment Manager 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 Scheme's policy, the Responsible Entity via the Investment Manager monitors the Scheme's overall interest sensitivity position on a daily basis.

However, the Scheme does hold cash for liquidity and transactional purposes and this cash is held at floating rates of interest. As a result, the Scheme is not subject to a material exposure to interest rate risks due to fluctuations in the levels of market interest rates.

**SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020**

Note 12: Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

(a) Cash and cash equivalents

	Specialist Australian Shares Fund		Specialist Global Shares Fund		Specialist Property Fund	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cash at bank	165	267	530	460	274	250
	<u>165</u>	<u>267</u>	<u>530</u>	<u>460</u>	<u>274</u>	<u>250</u>
	Specialist Diversified Fixed Interest Fund		Specialist Dynamic Allocation Fund			
	30 June 2020	30 June 2019	30 June 2020	30 June 2019		
	\$'000	\$'000	\$'000	\$'000		
Cash at bank	618	920	511	654		
	<u>618</u>	<u>920</u>	<u>511</u>	<u>654</u>		

SPECIALIST SECTOR FUNDS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 12: 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

	Specialist Australian Shares Fund		Specialist Global Shares Fund		Specialist Property Fund	
	Year ended		Year ended		Year ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Profit/(loss) for the year	(3,731)	5,828	(1,699)	8,079	(3,490)	4,957
Net (gains)/losses on financial instruments held at fair value through profit or loss	7,398	(2,565)	5,352	(4,168)	4,790	(3,407)
Proceeds from the sale of financial instruments held at fair value through profit or loss	9,370	63,595	9,232	67,218	5,250	14,529
Payments for the purchase of financial instruments held at fair value through profit or loss	(1,080)	(51,631)	(9,050)	(60,020)	(6,740)	(502)
Investment income reinvested	(3,341)	(538)	(4,128)	(4,036)	(1,674)	(3,177)
Management fee rebate re-invested	-	-	-	(48)	-	-
Changes in assets and liabilities:						
(Increase)/decrease in receivables	(487)	(2,709)	183	(95)	342	1,503
Increase/(decrease) in payables	(88)	(6)	13	3	(21)	12
Net cash inflow/(outflow) from operating activities	8,041	11,974	(97)	6,933	(1,543)	13,915

(c) Non-cash financing and operating activities

Distributions re-invested	59	24	429	1,195	16	36
Participation in reinvestment plans	(3,341)	(538)	(4,128)	(4,036)	(1,674)	(3,177)
Management fee rebate re-invested	-	-	-	(48)	-	-
Proceeds from application for units	1,884	1,292	2,402	1,247	747	534
Payments for redemption of units	(1,884)	(1,292)	(2,402)	(1,247)	(747)	(534)
Proceeds from the sale of financial instruments held at fair value through profit or loss	-	23,438	-	-	-	-
Payments for the purchase of financial instruments held at fair value through profit or loss	-	(23,438)	-	-	-	-
	(3,282)	(514)	(3,699)	(2,889)	(1,658)	(3,141)

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 2020

Note 12: 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

	Specialist Diversified Fixed Interest Fund		Specialist Dynamic Allocation Fund	
	Year ended		Year ended	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	\$'000	\$'000	\$'000	\$'000
Profit/(loss) for the year	2,483	7,837	(1,812)	3,516
Net (gains)/losses on financial instruments held at fair value through profit or loss	3,892	(3,932)	3,668	(1,052)
Proceeds from the sale of financial instruments held at fair value through profit or loss	8,280	92,904	27,908	25,270
Payments for the purchase of financial instruments held at fair value through profit or loss	(10,465)	(100,629)	(2,515)	(12,871)
Net (gains)/losses on foreign exchange	-	(124)	-	-
Investment income reinvested	(3,298)	(2,132)	(2,052)	(3,271)
Changes in assets and liabilities:				
Net change in margin accounts	-	2,483	-	-
(Increase)/decrease in receivables	(3,365)	(1,981)	(229)	729
Increase/(decrease) in payables	(27)	(29)	224	15
Net cash inflow/(outflow) from operating activities	(2,500)	(5,603)	25,192	12,336

(c) Non-cash financing and operating activities

Distributions re-invested	29	29	59	58
Participation in reinvestment plans	(3,298)	(2,132)	(2,052)	(3,271)
Proceeds from application for units	5,209	3,986	2,147	1,951
Payments for redemption of units	(5,209)	(3,986)	(2,147)	(1,951)
	(3,269)	(2,103)	(1,993)	(3,213)

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
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FOR THE FINANCIAL YEAR ENDED 30 JUNE 2020

Note 14: Events subsequent to reporting date

The existence of COVID-19 was confirmed in early 2020 and in March 2020 was declared a pandemic by the World Health Organisation. This has resulted in significant volatility in global and domestic financial markets. Refer to Note 11 for the sensitivity analysis of risks.

At the date of signing of the financial statements, there is still significant uncertainty on the likely duration and the ultimate impact COVID-19 will have on world economies. Given the high degree of estimation uncertainty, management cannot reasonably assess or quantify the potential short or longer term financial impact on the Scheme.

Except as disclosed above, no other matter or circumstance has arisen since 30 June 2019 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.

Note 15: Contingent assets and liabilities and Capital commitments

There are no outstanding contingent assets, liabilities or capital commitments as at 30 June 2020 and 30 June 2019

Note 16: 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 2020 and 30 June 2019, 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 2020 and 30 June 2019, 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.