Aviva Investors Multi-Strategy Target Return Fund

ARSN 605 042 288

Annual report

For the year ended 30 June 2018

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Contents

These financial statements cover Aviva Investors Multi-Strategy Target Return Fund as an individual entity.

The Responsible Entity of Aviva Investors Multi-Strategy Target Return Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831).

The Responsible Entity's registered office is Level 18, Angel Place, 123 Pitt St, Sydney, NSW, 2000.

Directors' report

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity (“the Responsible Entity”) of Aviva Investors Multi-Strategy Target Return Fund (“the Fund”). The directors of the Responsible Entity (“the Directors”) present their report together with the financial statements of the Fund for the year ended 30 June 2018.

Principal activities

The Fund continued to invest funds in accordance with the governing documents of the Fund and the provisions of the Fund Constitution.

The Fund did not have any employees during the year.

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

Directors

The Directors of The Trust Company (RE Services) Limited during the year and up to the date of this report are shown below. The Directors were in office for this entire period except where stated otherwise:

Andrew Cannane	Resigned as Director on 23 February 2018
Glenn Foster	
Christopher Green	
Michael Vainauskas	
Andrew McIver	Alternate Director for Michael Vainauskas
Vicki Riggio	Appointed as Alternate Director for Christopher Green on 24 November 2017
	Resigned as Alternate Director for Andrew Cannane on 23 February 2018
	Resigned as Alternate Director for Christopher Green on 20 April 2018
	Appointed as a Director on 20 April 2018
Rodney Ellwood	Resigned as Alternate Director for Christopher Green on 24 November 2017
Gillian Larkins	Appointed as Alternate Director for Glenn Foster on 14 July 2017
Neil Wesley	Resigned as Alternate Director for Glenn Foster on 14 July 2017
Phillip Blackmore	Appointed as Alternate Director for Christopher Green and Vicki Riggio on 6 July 2018

Review and results of operations

During the year, the Fund invested in accordance with the investment objective and guidelines as set out in the governing documents of the Fund and in accordance with the provision of the Fund’s Constitution.

Unit Redemption Prices

The key differences between net assets for unit pricing purposes and net assets attributed to unitholders as reported in the financial statements prepared under Australian Accounting Standards have been outlined below:

	Year ended	
	30 June 2018 $'000	30 June 2017 $'000
Redemption value of outstanding units	**484,204**	339,977
Adjustments for differences in valuation inputs	**-**	112
Net assets attributable to unitholders	**484,204**	340,089

Directors' report (continued)

Review and results of operations (continued)

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

	Year ended	
	30 June 2018	30 June 2017
	$'000	$'000
Operating profit attributable to unitholders	**330**	8,194
Distributions		
Distributions paid and payable ($'000)	**-**	-
Distributions (cents per unit)	**-**	-

Significant changes in state of affairs

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

There were no other significant changes in the state of affairs of the Fund that occurred during the financial year.

Matters subsequent to the end of the financial year

Phillip Blackmore was appointed as an alternate director for Christopher Green and Vicki Riggio on 6 July 2018.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

(i) the operations of the Fund in future financial years, or

(ii) the results of those operations in future financial years, or

(iii) the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

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

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

Indemnification and insurance of officers and auditors

No insurance premiums were paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

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

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

Fees paid to the Responsible Entity and its associates out of Fund's property during the year are disclosed in Note 12 to the financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 12 to the financial statements.

Directors' report (continued)

Units in the Fund

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

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

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

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

Auditor's independence declaration

A copy of the Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the Directors of the Trust Company (RE Services) Limited.

Director

Sydney
24 September 2018

Auditor's Independence Declaration

As lead auditor for the audit of Aviva Investors Multi-Strategy Target Return Fund for the year ended 30 June 2018, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Chris Cooper
Partner
PricewaterhouseCoopers

Sydney
24 September 2018

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Statement of comprehensive income

	Notes	Year ended 30 June 2018 $'000	30 June 2017 $'000
Investment and other income			
Interest income		**4**	-
Net gains on financial instruments held at fair value through profit or loss	6	**2,011**	9,167
Total net investment and other gain/(loss)		**2,015**	9,167
Expenses			
Management costs	12	**1,467**	783
Fund operating fees and costs		**104**	44
Other administration/transactional fees		**114**	146
Total operating expenses		**1,685**	973
Operating profit		**330**	8,194
Finance costs attributable to unitholders			
(Increase)/decrease in net assets attributable to unitholders	8	**-**	(8,194)
Profit/(loss) for the year		**330**	-
Other comprehensive income		**-**	-
Total comprehensive income for the year		**330**	-

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

Balance sheet

		As at	
		30 June 2018	30 June 2017
	Notes	**$'000**	$'000
Assets			
Cash and cash equivalents	9	**601**	121
Receivables		**118**	77
Due from brokers - receivable for securities sold		**183**	10
Financial assets held at fair value through profit or loss	7	**483,577**	340,182
Total assets		**484,479**	340,390
Liabilities			
Due to brokers - payable for securities purchased		**20**	127
Payables		**255**	174
Total liabilities (30 June 2017: excluding net assets attributable to unitholders)		**275**	301
Net assets attributable to unitholders - equity*	8	**484,204**	-
Net assets attributable to unitholders - liability*	8	**-**	340,089

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

The above Balance sheet should be read in conjunction with the accompanying notes.

Statement of changes in equity

	Notes	Year ended 30 June 2018 $'000	30 June 2017 $'000
Total equity at the beginning of the financial year			
Reclassification due to AMIT tax regime implementation*	8	**340,089**	-
Comprehensive income for the year			
Profit/(loss) for the year	8	**330**	-
Total comprehensive income		**330**	-
Transactions with owners in their capacity as owners			
Applications	8	**160,250**	-
Redemptions	8	**(16,465)**	-
Total transactions with unitholders		**143,785**	-
Total equity at the end of the year*		**484,204**	-

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

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

Statement of cash flows

		Year ended	
		30 June 2018	30 June 2017
	Notes	**$'000**	$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments held at fair value through profit or loss		**9,591**	3,100
Purchase of financial instruments held at fair value through profit or loss		**(151,255)**	(135,031)
Interest received		**4**	-
Management costs paid		**(1,506)**	(757)
Payment of other expenses		**(139)**	(178)
Net cash outflow from operating activities	10(a)	**(143,305)**	(132,866)
Cash flows from financing activities			
Proceeds from applications by unitholders		**160,250**	147,423
Payments for redemptions by unitholders		**(16,465)**	(14,862)
Net cash inflow from financing activities		**143,785**	132,561
Net increase/(decrease) in cash and cash equivalents		**480**	(305)
Cash and cash equivalents at the beginning of the year		**121**	426
Cash and cash equivalents at the end of the year	9	**601**	121
Non-cash operating activities	10(b)	**-**	-

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

1 General information

These financial statements cover Aviva Investors Multi-Strategy Target Return Fund (the "Fund") as an individual entity. The Fund was constituted on 13 April 2015.

The Responsible Entity of the Fund is The Trust Company (RE Services) Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 18, Angel Place, 123 Pitt Street, Sydney, NSW 2000. The financial statements are presented in the Australian currency.

The Investment Manager of the Fund is Aviva Investors Pacific Pty Ltd (ABN 87 153 200 278) (the "Investment Manager"). The Investment Manager's registered office is Level 30, Collins Place, 35 Collins Street, Melbourne, VIC 3000.

The Fund invests in unlisted unit trusts and cash and cash equivalents. The investment policy of the Fund continues to be in accordance with the governing documents of the Fund and the provisions of the Fund Constitution.

The financial statements were authorised for issue by the directors on 24 September 2018. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

Reclassification of units from financial liability to equity

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

2 Summary of significant accounting policies

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

(a) Basis of preparation

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

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

The balance sheet is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non current. All material balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

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

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

(i) *Compliance with International Financial Reporting Standards*

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

(ii) *New and amended standards adopted by the Fund*

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2017 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

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

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

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

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

(ii) Recognition/derecognition

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

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

(iii) Measurement

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

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

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains/(losses) on financial instruments held at fair value though profit or loss in the period in which they arise. This also includes dividend expense on short sales of securities, which have been classified at fair value through profit or loss.

For further details on how the fair values of financial instruments are determined please see Note 5 to the financial statements.

(iv) Offsetting financial instruments

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

(c) 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 are classified as financial liabilities as the Fund is required to distribute its distributable income, in accordance with the Funds constitution.

The units can be put back to the Fund at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund’s net asset value attributable to the 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 unit back to the Fund. This amount represents the expected cash flows on redemption of these units.

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

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

2 Summary of significant accounting policies (continued)

(c) Net assets attributable to unitholders (continued)

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

(d) Cash and cash equivalents

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

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

(e) Investment income

Interest income is recognised in profit or loss for all financial instruments that are held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

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

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

Trust distribution income is recognised on an entitlement basis.

(f) Expenses

All expenses, including Responsible Entity's fees, are recognised in the statement of comprehensive income on an accruals basis.

(g) Income tax

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

(h) Distributions

In accordance with the Fund Constitution, the Fund distributes income adjusted for amounts determined by the Responsible Entity and Investment Manager, to unitholders by cash or reinvestment. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

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

Income not distributed is included in net assets attributable to unitholders.

(j) Foreign currency translation

(i) Functional and presentation currency

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

2 Summary of significant accounting policies (continued)

(j) Foreign currency translation (continued)

(ii) Transactions and balances

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

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

(k) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and for equities normally settled within three business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation and default in payments.

(l) Receivables and accrued income

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 end of each reporting period from the time of last payment in accordance with the policy set out in Note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted if the effect of discounting is immaterial.

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 uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

(m) Payables

Payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period.

As the Fund has a contractual obligation to distribute its distributable income, a separate distribution payable is recognised in the balance sheet as at the end of each reporting period where this amount remains unpaid as at the end of the reporting period.

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

(n) Applications and redemptions

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

(o) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% or 75%; hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the balance sheet. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

2 Summary of significant accounting policies (continued)

(p) Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

(q) Use of estimates

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

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

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. 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 short term nature of these financial instruments.

(r) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

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

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption.

The directors have assessed the impact of AASB 9 on the Fund’s financial statements. Given no debt instruments are held by the Fund, which could result in a reclassification of the financial instruments to amortised cost or fair value through other comprehensive income (‘FVOCI’), the adoption of AASB 9 is not expected to have a significant impact on the recognition and measurement of the Fund’s financial instruments.

The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Fund’s investments are all held at fair value through profit or loss, the change in impairment rules will not impact the Fund.

(ii) AASB 15 *Revenue from Contracts with Customers,* (effective from 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are interest, dividends, distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

There are no other standards that are not yet effective and that are expected to have a material impact on the Fund in the current or future reporting periods and on foreseeable future transactions.

(s) Rounding of amounts

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

3 Financial risk management

The Fund's activities expose it to a variety of financial risks. The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The management of these risks is conducted by the Fund's Investment Manager who manages the Fund's assets in accordance with its investment objective.

The Investment Manager of the Fund is aware of the risks associated with the business of investment management. A financial risk management framework has been established by the Fund's Investment Manager who conducts regular assessment processes in order to ensure that procedures and controls are adequately managing the risks arising from the Fund's investment activities.

This framework includes:

- Integrated computer systems and processes with checks and balances,
- Policies and procedures covering operations,
- Post trade investment compliance monitoring,
- Segregation of the dealing and investment management function from the administration and settlement function,
- An independent service provider for the valuation of securities, and
- A compliance function within the Investment Manager with a separate reporting line from the portfolio management team.

Compliance is integrated into the day to day operations of the Responsible Entity Services team, a Perpetual Corporate Trust (CT) business unit.

The Responsible Entity also has in place a framework to identify, control, report and manage compliance and business obligations, and to ensure that the interests of unitholders in the Fund are protected.

This framework includes:

- Policies and procedures,
- Committee and board reporting,
- Staff training,
- Formal service provider agreements,
- Compliance reporting by the Investment Manager, Investment Administrator and Custodian (the "Service Providers"),
- Regular reviews of Service Providers, and
- Monitoring of Responsible Entity Services compliance in accordance with Control Self-Assessment methodology.

Responsible Entity Services team is ultimately responsible for compliance monitoring. The Responsible Entity Services team includes the roles of Head of Responsible Entity Services, Senior Risk Manager, Senior Manager - Corporate Clients, Client Manager - Corporate Clients. Responsible Entity Services undertakes monitoring visits of the Fund's Service Providers, focusing on the general control environment and investment management, administration and custodial functions as provided to the Responsible Entity of the Fund. This is conducted to ensure that the Service Providers continue to satisfy their obligations as detailed within the relevant service agreement entered into with the Responsible Entity.

3 Financial risk management (continued)

(a) Market risk

(i) Price risk

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates. The foreign exchange risk relating to non monetary assets and liabilities is a component of price risk and reflected in the price risk analysis below. Paragraph (ii) 'Foreign exchange risk' below sets out how this component of price risk is managed and measured. Investments are classified in the balance sheet as at fair value through profit or loss. All securities investments present a risk of loss of capital. The risk resulting from financial instruments is determined from an examination of the potential variation in the fair value of the financial instruments as at 30 June 2018 and 30 June 2017

The Fund mitigates price risk through diversification and a careful selection of securities and other financial instruments specified within the Fund's Investment Guidelines. Compliance with the Fund's Product Disclosure Statement and Investment Guidelines are monitored daily, with any breaches recorded on a breach register and reported to the Compliance Committee on a quarterly basis.

The Fund has a significant concentration of risk arising from its exclusive investment in the underlying Sub-Fund. As at 30 June 2018, the Fund's investment in the underlying Sub-Fund represents 100% of the Fund's financial assets held at fair value through profit or loss. The market risk in the underlying Sub-Fund is managed by Aviva Investors Global Services taking into account the asset allocation of each holding of the underlying Sub-Fund in order to minimise the risk associated with particular countries or sectors while continuing to follow their respective investment objective, it achieves this primarily through the diversification of investments across investment types, industries and regions.

At 30 June, the fair value of equities exposed to price risk were as follows:

	30 June 2018	30 June 2017
	$'000	$'000
Unlisted unit trusts designated at fair value through profit or loss	**483,577**	340,182
Total exposure to price risk and derivatives	**483,577**	340,182

The table presented in note 3(b) summarises the impact on operating profit before finance costs attributable to unitholders and liabilities attributable to unitholders from possible changes in market prices that were reasonably based on the risk that the Fund was exposed to at reporting date.

(ii) Foreign exchange risk

Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The foreign exchange risk relating to non monetary assets and liabilities is a component of price risk not foreign exchange risk.

The Fund does not have any direct exposure to foreign exchange risk. Sensitivity analysis is not applicable.

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's exposure to cash flow interest rate risk is limited to its cash and cash equivalents which are floating rate interest bearing investments. As at 30 June 2018 the total investment in cash of the Fund was $600,949 (30 June 2017: $120,873).

The majority of the Fund’s financial assets and liabilities are non-interest bearing. As a result, the Fund is not subject to significant amounts of risk due to fluctuations in the prevailing levels of markets interest rates.

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund’s operating profit and net assets attributable to unitholders to price risk.

	Impact on operating profit and net assets attributable to unit holders As at			
	30 June 2018		30 June 2017	
	+10%	**-10%**	+10%	-10%
	$'000	**$'000**	$'000	$'000
Price Risk	**48,358**	**(48,358)**	34,018	(34,018)

(c) Credit risk

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

The assets of the Fund principally consist of financial instruments which comprise investments in unlisted unit trusts with counterparties which have no direct credit ratings.

The main concentration of credit risk, to which the Fund is exposed, arise from the Fund's investment in the underlying Sub-Fund. The Fund is also exposed to counterparty credit risk on cash and cash equivalents and other receivables.

The Fund has a significant concentration of credit risk that arises from its exposure to a single counterparty in relation to its investments in unlisted international equity securities.

The risk is managed by the Underlying Fund Manager and mitigated through investment diversification. The Underlying Fund Manager monitors investment diversification parameters as specified in the underlying Sub-Fund's governing documents.

The carrying amount of financial assets included in the Balance sheet represents the fund's maximum exposure to credit risk in relation to these assets as at 30 June 2018 and 30 June 2017.

The Fund is exposed to counterparty credit risk on cash and cash equivalents, amounts due from brokers and other receivables. None of these assets are impaired nor past due but not impaired.

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A or higher.

(d) Liquidity risk

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

The Fund is exposed to daily cash redemptions of redeemable units. The Fund primarily holds investments that are not traded in active markets.

The Responsible Entity and the investment Manager monitors liquidity of the Fund on a daily basis. In order to manage the Fund's overall liquidity, the Fund has the ability to suspend unit pricing and hence suspend redemption requests. The Fund did not suspend redemptions as a result of suspending unit pricing in the current or prior year.

3 Financial risk management (continued)

(e) Maturities of non-derivative financial liabilities

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

As at 30 June 2018	**Less than 1 month**	**1-6 months**	**6-12 months**	**Over 12 months**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Due to brokers - payable for securities purchased	**(20)**	**-**	**-**	**-**	**(20)**
Payables	**(255)**	**-**	**-**	**-**	**(255)**
Total financial liabilities	**(275)**	**-**	**-**	**-**	**(275)**

As at 30 June 2017	Less than 1 month	1-6 months	6-12 months	Over 12 months	Total
	$'000	$'000	$'000	$'000	$'000
Due to brokers - payable for securities purchased	(127)	-	-	-	(127)
Payables	(174)	-	-	-	(174)
Net assets attributable to unitholders	(340,089)	-	-	-	(340,089)
Total financial liabilities	(340,390)	-	-	-	(340,390)

4 Offsetting financial assets and financial liabilities

Financial assets and liabilities are reported on a gross basis in the Statement of Financial Position. The Fund did not hold any derivative instruments during the year ended 30 June 2018 (30 June 2017: Nil).

5 Fair value measurement

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

- Financial assets / liabilities designated at fair value through profit or loss (FVTPL) (see note 7)

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

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

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

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

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

The Fund values its investments in accordance with the accounting policies set out in Note 2. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

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

5 Fair value measurement (continued)

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

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

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

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

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

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

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

The table below sets out the Fund's financial assets (by class) measured at fair value according to the fair value hierarchy at 30 June 2018 and 30 June 2017.

30 June 2018	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	**-**	**483,577**	**-**	**483,577**
Total	**-**	**483,577**	**-**	**483,577**

30 June 2017	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	-	340,182	-	340,182
Total	-	340,182	-	340,182

Transfers between levels under Fair value hierarchy

There are no transfers between the levels of the fair value hierarchy during the year ended 30 June 2018 (30 June 2017: Nil)

Movement in level 3 instruments

There were no transfers into or out of level 3 during the year ended 30 June 2018 (30 June 2017: Nil).

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

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

	Year ended	
	30 June 2018	30 June 2017
	$'000	$'000
Financial assets		
Net realised gain/(loss) on financial assets held at fair value through profit or loss	**214**	90
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	**1,797**	9,077
Net gain/(loss) on financial assets held at fair value through profit or loss	**2,011**	9,167
Total net gain/(loss) on financial instruments held at fair value through profit or loss	**2,011**	9,167

7 Financial assets held at fair value through profit or loss

	As at	
	30 June 2018	30 June 2017
	Fair value	Fair value
	$'000	$'000
Designated at fair value through profit or loss		
Unlisted unit trusts	**483,577**	340,182
Total designated at fair value through profit or loss	**483,577**	340,182
Total financial assets held at fair value through profit or loss	**483,577**	340,182
Comprising:		
Unlisted unit trusts		
International unlisted unit trusts	**483,577**	340,182
Total unlisted unit trusts	**483,577**	340,182
Total financial assets held at fair value through profit or loss	**483,577**	340,182

An overview of the risk exposures and fair value measurements relating to financial assets held at fair value through profit or loss is included in Note 3 and Note 5 to the financial statements.

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 Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

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

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

8 Net assets attributable to unitholders (continued)

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

	30 June 2018 No. '000	30 June 2017 No. '000	**30 June 2018 $'000**	30 June 2017 $'000
Opening balance*	**326,184**	197,300	**340,089**	199,334
Profit/(loss) for the year	**-**	-	**330**	-
Applications	**153,134**	143,082	**160,250**	147,423
Redemptions	**(15,715)**	(14,198)	**(16,465)**	(14,862)
Increase/(decrease) in net assets attributable to unitholders	**-**	-	**-**	8,194
Closing balance*	**463,603**	326,184	**484,204**	340,089

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

As stipulated within the Fund Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability untill 30 June 2017. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

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

The Fund's investment strategy remains unchanged and it continues to hold direct investments which provide exposure to liquid assets including equity securities, income securities, interest earnings and cash equivalent securities. As such, the Fund will meet any capital requirements from the liquidation of liquid assets, which include cash and cash equivalents.

9 Cash and cash equivalents

	30 June 2018 $'000	30 June 2017 $'000
Domestic cash at bank	**601**	121
Total cash and cash equivalents	**601**	121

10 Reconciliation of operating profit/(loss) to net cash outflow from operating activities

	Year ended	
	30 June 2018	30 June 2017
	$'000	$'000
(a) Reconciliation of operating profit/(loss) to net cash outflow from operating activities		
Operating profit/(loss) for the year	**330**	8,194
Proceeds from sale of financial instruments held at fair value through profit or loss	**9,591**	3,100
Purchase of financial instruments held at fair value through profit or loss	**(151,255)**	(135,031)
Net gains/(losses) on financial instruments held at fair value through profit or loss	**(2,011)**	(9,167)
Net change in accrued income and receivables	**(41)**	(63)
Net change in payables	**81**	101
Net cash outflow from operating activities	**(143,305)**	(132,866)
(b) Non-cash financing and investing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**-**	-

11 Remuneration of auditors

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

	Year ended	
	30 June 2018	30 June 2017
	$	$
PricewaterhouseCoopers		
Audit and other assurance services		
Audit and review of financial statements and compliance	**13,000**	13,770
Total remuneration for audit and other assurance services	**13,000**	13,770
Total remuneration of PricewaterhouseCoopers	**13,000**	13,770

All audit fees in excess of the expense cap are borne by Responsible Entity during the year ended 30 June 2018 and 30 June 2017.

12 Related party transactions

Responsible Entity

The Responsible Entity of the Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831).

Key management personnel

Key management personnel includes persons who were directors of The Trust Company (RE Services) Limited at any time during the financial year as follows:

Andrew Cannane	Resigned as Director on 23 February 2018
Glenn Foster	
Christopher Green	
Michael Vainauskas	
Andrew McIver	Alternate Director for Michael Vainauskas
Vicki Riggio	Appointed as Alternate Director for Christopher Green on 24 November 2017 Resigned as Alternate Director for Andrew Cannane on 23 February 2018 Resigned as Alternate Director for Christopher Green on 20 April 2018 Appointed as a Director on 20 April 2018
Rodney Ellwood	Resigned as Alternate Director for Christopher Green on 24 November 2017
Gillian Larkins	Appointed as Alternate Director for Glenn Foster on 14 July 2017
Neil Wesley	Resigned as Alternate Director for Glenn Foster on 14 July 2017
Phillip Blackmore	Appointed as Alternate Director for Christopher Green and Vicki Riggio on 6 July 2018

Other key management personnel

There were no other persons with responsibility for planning, directing and controlling the activities of the Responsible Entity of the Fund, directly or indirectly during the financial year.

Management costs and other transactions

Under the teams of terms of the Fund Constitution, the management costs comprise of the Management fees payable to the Responsible Entity, the Investment Manager as well as the expenses of the fund such as costs associated with custody and administration of the Fund, costs associated with the provision of the legal and tax services for the fund and any incidental expenses.

The all-inclusive management costs are capped at 0.95% (2017: 0.95%) per annum of the net asset value of the Fund, accruing daily and payable in arrears. The Investment Manager's cost is capped at 0.34% (2017: 0.34%), while the rest of the management fees are received by the Investment manager's associates for managing the underlying fund. The costs are inclusive of GST and net of any applicable input tax credits and reduced input tax credit.

The capped management costs figure of 0.95% per annum of the Fund NAV comprises the following:

- an aggregate capped amount of 0.90% per annum in respect of:
  - the Fund management fee paid to the Fund Investment Manager; and (34 bpts)
  - the Underlying Fund management fee paid to the Underlying Fund Investment Manager; and (56 bpts)
- an aggregate capped amount of 0.05% per annum in respect of various Fund operating fees and costs described below (but excluding extraordinary costs).

The types of fees and costs which fall within the 0.05% operating fees and costs cap are described below under the following headings:

- "Responsible Entity fees";
- "Other expenses"; and
- "Additional Fund Administration Fee".

12 Related party transactions (continued)

Management costs and other transactions (continued)

In practice, the Fund Investment Manager will bear these operating fees and costs directly, but will be reimbursed by the Fund on a quarterly basis up to an amount that is capped at 0.05% of the Fund's NAV per annum. The cost caps do not apply to extraordinary costs, such as costs associated with calling and holding unitholder meetings, litigation, terminating the Fund or any investor protection fees charged at the Underlying Fund.

The Responsible Entity pays AIP as Fund Investment Manager an investment management fee as an expense out of the Fund's assets. This fee forms part of the aggregate capped amount of 0.90% per annum described above. The Constitution provides that Trust Co., as the Responsible Entity, may receive a management fee of up to 3% per annum of the Fund Value. The management fee accrues on a daily basis.

The Fund Investment Manager has however agreed to bear Trust Co.'s management fee directly, but may be reimbursed out of the Fund's assets on a quarterly basis although only up to the aggregate amount capped for Fund operating fees and costs of 0.05% per annum, described above. This means that the Fund Investment Manager will bear Trust Co.'s management fees over and above the 0.05% cap.

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

	Year ended	
	30 June 2018	30 June 2017
Investment management fees for the year	**1,466,547**	782,911
Total management costs for the year	**1,466,547**	782,911

Transactions with key management personnel

Key management personnel services are provided by the Responsible Entity. There was no compensation paid directly by the Fund to any of the key management personnel.

Key management personnel unitholdings

As at 30 June 2018, no key management personnel held units or an interest in units in the Fund (30 June 2017: Nil).

Key management personnel remuneration

Key management personnel are paid by the Responsible Entity. Payments made from the Fund do not include any amounts directly attributable to key management personnel remuneration.

Key management personnel loan disclosures

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

Related party unitholdings

The Responsible Entity and its related parties did not hold any units in the Fund as at 30 June 2018 (30 June 2017: Nil).

12 Related party transactions (continued)

Investments

The Fund held investments in the following schemes which were also managed by the Investment Manager's related parties:

30 June 2018	**Fair value of Investment**	**Interest Held**	**Distribution received/ receivable**	**Number of units acquired**	**Number of units disposed**
Unitholder	**$**	**%**	**$**	**Units**	**Units**
Aviva Investors SICAV - Multi- Strategy Target Return Sub-Fund	**483,577,342**	**10.24**	**-**	**1,428,007**	**(92,148)**
	483,577,342		**-**	**1,428,007**	**(92,148)**

30 June 2017	Fair value of Investment	Interest Held	Distribution received/ receivable	Number of units acquired	Number of units disposed
Unitholder	$	%	$	Units	Units
Aviva Investors SICAV - Multi- Strategy Target Return Sub-Fund	340,181,424	5.35	-	1,297,578	(29,398)
	340,181,424		-	1,297,578	(29,398)

* The fair value of financial assets $483,577,342 (2017: $340,181,424) is included in financial assets at fair value through profit or loss in the balance sheet.

** This represents the entity's average percentage interest in the total net assets of the investee funds

The Fund's maximum exposure to loss from its interest in investee funds is equal to the total fair value of its investments in the investee funds as there are no off balance sheet exposure relating to any of the investee funds. Once the fund has disposed of its shares in an investee fund, it ceases to be exposed to any risk from that investee fund.

As at 30 June 2018, there are no distribution receivable from related parties (30 June 2017: Nil).

The proportion of ownership interest is equal to the proportion of the voting power held.

The Fund did not hold any investments in the Responsible Entity during the year.

Other transactions within the Fund

Apart from those details disclosed in this Note, no directors have entered into a material contract with the Fund during the financial year and there were no material contracts involving director's interests subsisting at year end.

13 Events occurring after the reporting period

No significant events have occurred since the end of the reporting date which would impact on the financial position of the Fund disclosed in the Balance sheet as at 30 June 2018 or on the results and cash flows of the Fund for the year ended on that date.

14 Contingent assets, liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2018 (30 June 2017: Nil).

Directors' declaration

In the opinion of the directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 5 to 24 are in accordance with the *Corporations Act 2001*, including:

  (i) complying with Accounting Standards, *the Corporations Regulations 2001* and other mandatory professional reporting requirements;

  (ii) giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;

(b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and

(c) Note 2(a) confirms that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the directors.

Director

Sydney
24 September 2018

Independent auditor's report

To the unitholders of Aviva Investors Multi-Strategy Target Return Fund

Our opinion

In our opinion:

The accompanying financial report of Aviva Investors Multi-Strategy Target Return Fund (the Registered Scheme) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Registered Scheme's financial position as at 30 June 2018 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The financial report comprises:

- the balance sheet as at 30 June 2018
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors of the Responsible Entity's declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

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

Independence

We are independent of the Registered Scheme in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Other information

The Directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Annual report for the year ended 30 June 2018, including the Directors' report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors of the Responsible Entity for the financial report

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

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

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Auditor's responsibilities for the audit of the financial report

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

PricewaterhouseCoopers

PricewaterhouseCoopers

Chris Cooper
Partner

Sydney
24 September 2018