

**MoneySpot Investment Fund**

**ARSN 616 929 849**

Report for the half-year ended 31 December 2019

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## Directors' Report

The directors of MSI Funds Management Limited (ACN 614 077 995; AFSL 491 268) (the "Responsible Entity"), of MoneySpot Investment Fund (the "Fund") submit their report for the Fund for the half-year ended 31 December 2019.

### Information about the Directors and Senior Management

The names of the directors of the Responsible Entity, in office during the half-year ended 31 December 2019 are:

Name	Title
David Trew	Executive Director
David Spessot	Executive Director
Michael Prior	Director

The registered office and principal place of business of the Responsible Entity is Level 1, 7-11 Little Buckingham Street, Surry Hills NSW 2010.

### Principal Activities

The Fund is a registered managed investment scheme, domiciled in Australia. The Fund was constituted on 2 February 2017, registered as managed investment scheme on 3 February 2017 and commenced operations on 13 April 2017. The financial statements cover the half-year from 1 July 2019 to 31 December 2019.

The principal activity of the Fund during the half-year was to invest in accordance with the provisions of the Fund's Constitution and its most recent Product Disclosure Statement, dated 23 May 2017.

The Fund lends money to, or invests in unsecured notes issued by ACL holders that participate in the small, medium and personal loan segment of the credit market. The investments the Fund makes are either the acquisition of unsecured short-term notes issued by the ACL holder with a duration of 6 to 12 months or short-term unsecured loans on similar terms.

The Fund did not have any employees during the reporting period.

Fund Service	Provider
Responsible Entity	MSI Funds Management Limited (ACN 614 077 995)
Custodian	One Managed Investment Funds Ltd (ABN 47 117 400 987)
Note issuer	MoneySpot Finance Pty Ltd (ACN 166 488 197)
Auditor	Mazars Audit (Qld) Pty Ltd (ACN 132 902 188; AAC 338599)
Fund Administrator	Unity Fund Services Pty Limited (ABN 16 146 747 122)

### Review of Operations

#### Results

The results of the operations of the Fund are disclosed in the Statement of Profit or Loss and Other Comprehensive Income of these financial statements. The profit attributable to unitholders for the half-year ended 31 December 2019 was \$663,860 (31 December 2018: \$178,440).

#### Distributions

In respect of the half-year ended 31 December 2019, distributions totaling \$531,578 were paid to unitholders (30 June 2019: \$457,656) and \$132,282 was payable as at 31 December 2019 (30 June 2019: \$62,088).

## Directors' Report (continued)

### Value of Assets and Units Issued

The total value of the Fund's assets at 31 December 2019 was \$12,263,243 (30 June 2019: \$7,922,432). The total number of units on issue as at 31 December 2019 was 12,107,232 (30 June 2019: 7,746,355).

### Fees paid and payable to the Responsible Entity

The following fees were paid or payable to the responsible entity out of the Fund during the half-year ended 31 December 2019:

	1 July 2019 to 31 December 2019 \$	1 July 2018 to 31 December 2018 \$
<b>Management fee and Expense Recovery fee for the half-year to :</b>		
MSI Funds Management Limited	108,307	29,461
<b>Total Management fee and Expense Recovery fee expense for the half-year</b>	<b>108,307</b>	<b>29,461</b>

### Management fees paid and payable to the Responsible Entity

The following fees were paid or payable to the Responsible Entity out of the Fund's assets during the half-year ended 31 December 2019:

- Total management fees for the half-year were \$54,419. (31 December 2018: \$14,803)
- Management fees payable as at 31 December 2019 were \$10,540. (30 June 2019: \$6,526)

### Changes in State of Affairs

During the half-year there were no significant changes in the state of affairs of the Fund.

### Subsequent Events

There has been no matter or circumstances occurring subsequent to the end of the half-year that has significantly affected, or may significantly affect the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

### Future Developments

The Fund will be managed in accordance with the Constitution and investment objectives as detailed in its most recent Product Disclosure Statement, dated 23 May 2017.

### Environmental Regulation and Performance

The operations of the Fund are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory. There have been no known significant breaches of any other environmental requirements applicable to the Fund.

### Indemnification of Directors, Officers and Auditors

During the half-year, the Responsible Entity paid premiums in respect of contracts insuring the directors of the Responsible Entity against a liability incurred as a director or executive officer to the extent permitted by the Corporations Act 2001. The contracts of insurance prohibit disclosure of the nature of the liability and the amount of the premiums.

### **Directors' Report (continued)**

The Responsible Entity has not otherwise, during or since the end of the half-year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Responsible Entity or of any related body corporate against a liability incurred by such an officer or auditor.

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

The report is made in accordance with a resolution of the directors of the Responsible Entity, MSI Funds Management Limited.



David Spessot  
Executive Director

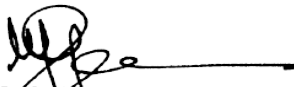
9 March 2020

## **Auditor's Independence Declaration to the Directors of MoneySpot Investment Fund**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2019, 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.

**Mazars Audit (QLD) Limited**  
**Authorised Audit Company: 338599**

  
**M. J. Green**  
Director  
Brisbane, 9 March 2020

## **Independent Auditor's Review Report to the members of MoneySpot Investment Fund**

### ***Report on the half-year financial report***

We have reviewed the accompanying half-year financial report of MoneySpot Investment Fund, which comprises the condensed statement of financial position as at 31 December 2019, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### ***Conclusion***

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the financial statements of MoneySpot Investment Fund do not satisfy, in all material respects, the requirements of the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Fund's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

### ***Directors' Responsibility for the Financial Report***

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

**Auditor's Responsibility**

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2019 and its performance for the half-year year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

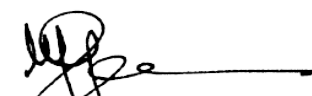
A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



**MAZARS AUDIT (QLD) PTY LIMITED**  
**Authorised Audit Company: 338599**

  
**M. J. Green**  
Director

Brisbane, 9 March 2020

## Directors' Declaration

The directors of the Responsible Entity declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 (a) to the financial statements; and
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund.

Signed in accordance with a resolution of the directors of the Responsible Entity made pursuant to Section 295(4) of the Corporations Act 2001.

On behalf of the directors of the Responsible Entity, MSI Funds Management Limited.



David Spessot

Executive Director

9 March 2020

# Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2019

		1 July 2019 To 31 December 2019 \$	1 July 2018 To 31 December 2018 \$
	Note		
<b>Revenue</b>			
Interest income	5	772,167	207,901
<b>Total revenue</b>		<u>772,167</u>	<u>207,901</u>
<b>Expenses</b>			
Management fee	6	54,419	14,803
Expense recovery fee	6	53,888	14,658
<b>Total expenses</b>		<u>108,307</u>	<u>29,461</u>
Net gain attributable to unitholders		663,860	178,440
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders		663,860	178,440
<b>Net gain attributable to unitholders after finance costs</b>		<u>-</u>	<u>-</u>
<b>Profit for the year</b>		<u>-</u>	<u>-</u>
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income</b>		<u>-</u>	<u>-</u>

The accompanying notes to the financial statements should be read in conjunction with this statement.

# Statement of Financial Position as at 31 December 2019

	Note	31 December 2019 \$	30 June 2019 \$
<b>Assets</b>			
Cash and cash equivalents	7(a)	184,538	218,749
GST and other receivable		7,929	1,752
Financial assets	8	12,070,776	7,701,931
<b>Total assets</b>		<b>12,263,243</b>	<b>7,922,432</b>
<b>Liabilities</b>			
Distributions payable		132,282	62,088
Management fees payable	6	20,977	12,988
Other payable	13(b)	2,752	101,001
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>156,011</b>	<b>176,077</b>
<b>Net assets attributable to unitholders</b>	9	<b>12,107,232</b>	<b>7,746,355</b>

The accompanying notes to the financial statements should be read in conjunction with this statement.

# Statement of Changes in Net Assets Attributable to Unitholders for the half-year ended 31 December 2019

	Note	Net assets attributable to unitholders of the Fund \$
Balance as at 1 July 2019		7,746,355
Issue of Class A units		4,671,943
Reinvestment		161,884
Redemption		(472,950)
Net gain attributable to unitholders		663,860
Distributions paid		(663,860)
<b>Balance as at 31 December 2019</b>	<b>9</b>	<b>12,107,232</b>

	Note	Net assets attributable to unitholders of the Fund \$
Balance as at 1 July 2018		2,030,429
Issue of Class A units		2,335,353
Reinvestment		20,278
Redemption		(243,865)
Net gain attributable to unitholders		178,440
Distributions paid		(178,440)
<b>Balance as at 31 December 2018</b>	<b>9</b>	<b>4,142,195</b>

The accompanying notes to the financial statements should be read in conjunction with this statement.

## Statement of Cash Flows for the half-year ended 31 December 2019

	1 July 2019 To 31 December 2019 \$	1 July 2018 To 31 December 2018 \$
<b>Cash flows from operating activities</b>		
Interest received	774,919	207,313
Payment to suppliers	(102,095)	(25,529)
Net cash provided by operating activities	7(b) 672,824	181,784
<b>Cash flows from investing activities</b>		
Payments for loan notes	(4,471,346)	(2,130,653)
Net cash used in investing activities	(4,471,346)	(2,130,653)
<b>Cash flows from financing activities</b>		
Receipts from unitholders	4,719,043	2,347,653
Redemption to unitholders	(522,950)	(231,565)
Distributions paid to unitholders	(431,782)	(133,897)
Net cash provided by financing activities	3,764,311	1,982,191
<b>Net increase in cash and cash equivalents</b>	<b>(34,211)</b>	<b>33,322</b>
Cash and cash equivalents at the beginning of the year/period	218,749	29,461
<b>Cash and cash equivalents at the end of the year/period</b>	7(a) <b>184,538</b>	<b>62,783</b>

The accompanying notes to the financial statements should be read in conjunction with this statement.

## Notes to the Financial Statements

### 1. General Information

MoneySpot Investment Fund (the “Fund”) is an unlisted registered managed investment scheme. The responsible entity of the Fund is MSI Funds Management Limited (ACN 614 077 995; AFS 491 268) (the “Responsible Entity”). The registered office and principal place of business of the Responsible Entity is Level 1, 7-11 Little Buckingham Street, Surry Hills NSW 2010.

The Fund was constituted on 2 February 2017, registered as a managed investment scheme on 3 February 2017 and commenced operations on 13 April 2017. The financial statements cover the period from 1 July 2019 to 31 December 2019.

The principal activity of the Fund is disclosed in the Directors’ Report.

The financial statements were authorised for issue by the directors of the Responsible Entity on 9 March 2020. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

### 2. Adoption of New and Revised Accounting Standards

There were no new accounting standards adopted during the half-year which had a significant impact on the reported position and performance of the Fund.

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

### 3. Significant accounting policies

#### *a) Statement of Compliance*

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements and interpretations of the Australian Accounting Standards Board, the Fund’s Constitution and the *Corporations Act 2001* in Australia.

Compliance with Australian Accounting Standards, as issued by the AASB ensures that the financial statements and notes thereto comply with International Financial Reporting Standards (“IFRS”), as issued by the International Accounting Standards Board (“IASB”).

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements.

#### *b) Basis of preparation*

This general purpose financial report has been prepared using historical cost basis.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and net assets attributable to unitholders. The amounts expected to be received or settled in relation to these balances cannot be readily determined.

All amounts are presented in Australian dollars as the functional and presentation currency of the Fund.

#### *c) Going concern basis*

This financial report has been prepared on a going concern basis.

## Notes to the Financial Statements

### 3. Significant accounting policies (continued)

#### *d) Revenue and income recognition*

##### **Revenue**

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Fund and the revenue can be reliably measured.

##### **Interest income**

Interest income is recognised as the interest accrues using the effective interest rate method, which is the rate that exactly discounts future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

#### *e) Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank.

#### *f) Financial instruments*

##### **Non-derivative financial instruments**

Non-derivative financial instruments comprise of cash and cash equivalents, held to maturity investments, loans and receivables, as defined by AASB 132 'Financial Instruments: Presentation' and are categorised in accordance with AASB 9 Financial Instruments. This classification is determined by the purpose underpinning the acquisition of the investment.

##### *Initial recognition and measurement*

Financial instruments, incorporating financial assets and financial liabilities, are initially recognised using trade date accounting i.e. when the Fund becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value plus, in the case of a financial assets or financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset.

##### *Effective interest rate method*

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument or (where appropriate) a shorter period, to the net carrying amount on initial recognition. Income is recognised on an effective interest rate basis for debt instruments other than those financial assets 'at fair value through profit or loss'.

##### *Derecognition*

Financial assets are derecognised if the Fund's contractual rights to the cash flows from the financial assets expire, or if the Fund transfers the financial assets to another party without retaining substantially all the risks and rewards attached to the asset.

Financial liabilities are derecognised if the Fund's obligations specified in the contract expire or are discharged or cancelled.

##### *Impairment*

The financial assets held at amortised cost are subject to impairment testing. At the end of each reporting period, the Fund assesses whether there is objective evidence that the financial assets have been impaired.

## Notes to the Financial Statements

### 3. Significant accounting policies (continued)

#### *Classification and subsequent measurement*

##### **Unsecured Loan Notes**

The Fund invests in unsecured notes which are issued by ACL holders that participate in the small, medium and personal loan segment of the credit market with a term of 6 to 12 months or short-term unsecured loans on similar terms.

Although the notes issued are to be secured by a general security deed over MoneySpot Finance Pty Ltd's (the "Note Issuer") present and after acquired property, the notes are 'unsecured notes' pursuant to section 283BH of the Corporations Act.

The notes have a face value of \$1.00 per note with a coupon rate of approximately 15% per annum, although this may change over time in accordance with changes in credit markets. Interest on the notes is payable monthly. The notes have a maturity date of six months from the issue date, and they can be rolled over for another term of six months if some or all of the members in the Unit Class that relates to that note do not accept a withdrawal offer made by the Responsible Entity prior to the maturity date of the note.

#### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. In accordance with AASB 132 where unitholders funds are classified as a financial liability and disclosed as such in the statement of financial position, they are referred to as "Net assets attributable to unitholders".

##### **Derivative financial instruments**

During the half-year, the Fund did not hold any derivative financial instruments to hedge its interest rate risk exposures.

##### **g) Taxation**

Under the current tax legislation, the Fund is not subject to income tax provided that the unitholders are presently entitled to the income of the Fund and that the Fund entirely distributes its taxable income.

There is no taxable income of the Fund to which the unitholders are not currently entitled. Additionally, the Fund's Constitution requires the distribution of the full amount of the net taxable income of the Fund to unitholders each year. As a result, deferred taxes have not been recognised in the financial statements in relation to the differences between carrying amounts of assets and liabilities and their respective tax bases. This includes taxes on capital gains which could arise in the event of a sale of investments for the amount at which they are stated in the financial statements. In the event that the taxable gains are realised by the Fund, these gains would be included in the taxable income and assessable in the hands of the unitholders.

##### **h) Distributions**

In accordance with the Fund's Constitution, the Responsible Entity must pay distributions to unitholders within 90 days after the Distribution Calculation Date. According to the PDS dated 23 May 2017, the intention is that distributions will be paid monthly.

##### **i) Payables**

Trade and other payables are recognised when the Fund becomes obliged to make future payments resulting from the purchase of goods and services.

##### **j) 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.

##### **k) Critical accounting judgements and key sources of estimation uncertainty**

Management has adhered to the Fund's unit pricing policy which sets out the basis upon which the units of the Fund have been valued, a copy of which is available upon request.

## Notes to the Financial Statements

**3. Significant Accounting Policies (continued)**

In the application of the accounting policies, management are required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The assumptions and methods used in the determination of the value of investments are outlined in notes 3(b) and 3(f) of these financial statements.

***l) Goods and services tax ("GST")***

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the amount of GST is not recoverable from the taxation authority, it is recognised as part of acquisition of an asset or part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to the tax authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, management fees, administration fees and legal fees were subjected to the Reduced Input Tax Credits ("RITCs") in accordance with legislation.

The following RITC rates were applied by the Fund during the reporting half-year ended 31 December 2019.

<b>Services Supplied</b>	<b>RITC Rate</b>
Trustee and RE services	55%
Investment management	75%

## Notes to the Financial Statements

### 4. Financial Risk Management Objectives and Policies

The Fund is primarily exposed to the risks of the business model of MoneySpot Finance Pty Ltd (the “Note Issuer”). MoneySpot Finance Pty Ltd takes steps to reduce its exposure to fraud. These steps include identity verification process as well as using proprietary and third party provider’s fraud detection services. MoneySpot Finance Pty Ltd also applies the skills and resources of its team to detect signs of fraudulent intent within loan applications.

Measures implemented by MoneySpot Finance Pty Ltd to minimise vulnerability to fraud can include:

- Online borrower identity verification utilising the Dun & Bradstreet e-Dentity Check service;
- Undertaking fraud matching checks using a proprietary database prior to approving borrower credit applications;
- Carrying out a comprehensive credit assessment to determine the suitability of the loan;
- Contacting borrowers for further information or clarification of issues arising from the credit assessment;
- Assessment of the bone fide nature of any documents provided to support the loan application;
- An assessment of the applicants’ bank statement information, in particular the last 90 days’ worth of transaction history from their income account;
- Verification procedures to ensure that loan funds being disbursed are paid into the correct bank account, for example either an account belonging to the relevant borrower or to the account of the debt provider being refinanced in the case of a loan for debt consolidation.

Risks arising from investing in financial instruments are inherent in the Fund’s activities and cannot be completely mitigated by the Responsible Entity and the Fund’s appointed service providers. The Fund is exposed to a number of risks that could affect the performance of the Fund, the level of income distributions and the repayment of capital.

While the Responsible Entity cannot completely eliminate all risks, the Responsible Entity aims to manage the impact of these risks through the use of consistent and carefully considered investment guidelines and compliance procedures.

#### **(a) Return risk**

This is the risk that the entities the Fund invests in may not be able to provide an adequate return and hence the Fund may not be able to return its target 10 percent per annum distribution (pre-tax and post fund management fees and expenses) to its investors. An investment in the Fund is not the same as depositing money in an account with a bank and an investment in the Fund is riskier than depositing money in a transactional bank account or term deposit with a bank. An investment in the Fund is also not covered by the depositor protections available to depositors that make a deposit with an Australian ADI. Returns are not guaranteed.

There is a risk that either the entities in which the Fund invests, for example, MoneySpot Finance Pty Ltd, or the borrowers to whom entities such as MoneySpot Finance Pty Ltd lends may not be able to meet their financial obligations to pay interest and/or principal in respect of the Fund’s investments or loans when they fall due, which could impact upon the Fund’s performance and the value of Units.

#### **(b) Regulation risk**

The entities that the Fund invests in, issue loans that are usually unsecured, smaller, of a shorter duration and attract a higher fee or interest rate than standard secured loans usually offered by a bank. As a result, they have attracted attention from government regulators and consumer advocates who have argued for tighter regulation and a reduced fee structure. While the government has resolved to introduce limits on SACC lending, there is a risk there will be further regulation to limit the amount a consumer can be charged which could affect the Fund meeting its investment return objective. This can be mitigated by focussing on MACCs other credit products that meet our risk profile and rate of return.

#### **(c) Diversification risk**

The Fund will invest the first \$100m it raises in unsecured notes issued by MoneySpot Finance Pty Ltd. MoneySpot Finance Pty Ltd is a related entity of the Responsible Entity and participates in the small and medium loans segment of the credit market. It will use the funds it receives from the Fund to further participate in the small and medium loans segment of the market. While this segment can be especially profitable with a lower overall default risk due to the spread of loans over thousands of borrowers, all the loans are being made by one entity, MoneySpot Finance Pty Ltd. The Fund will therefore depend on the

## Notes to the Financial Statements

### 4. Financial Risk Management Objectives and Policies (continued)

performance of MoneySpot Finance Pty Ltd to be able to lend and collect interest and principal repayments from its borrowers, and this risk is not borne across different small amount lenders for the first \$100 million of investment monies raised.

#### **(d) Defaults and non-performing loans**

Investors should note the Responsible Entity believes it is inevitable that some of MoneySpot Finance Pty Ltd's loans will become delinquent as a result of borrowers' failure or inability to pay, despite diligent credit assessment measures undertaken by MoneySpot Finance Pty Ltd. Therefore, Investors should be aware the Fund will bear some risk in this regard. If defaults were to occur on a larger than expected scale, there may be a negative effect upon the Fund's returns as a result of MoneySpot Finance Pty Ltd's borrowers' failure or inability to repay their loans impacting on MoneySpot Finance Pty Ltd's ability to pay the coupon rate and principal repayments under the unsecured notes it issues to the Fund. MoneySpot Finance Pty Ltd's historic loan default rate is approximately 5% of the principal amounts lent. Past performance is not necessarily indicative of future performance.

#### **(e) Loan origination risk**

A failure by MoneySpot Finance Pty Ltd to deploy funds to its borrowers may result in an application to invest in the Fund being rejected by the Responsible Entity, in whole or in part. If an application is refused, then the Application Money will be refunded. No interest will be paid on the Application Money for the period it is in the applications bank account.

#### **(f) Legal & Regularity change**

Changes in laws (including taxation laws) or their interpretation, including changes in the practice and policy of regulators, may have a negative impact on the Fund. In addition, if the AFSL of the Responsible Entity or the ACL of MoneySpot Finance Pty Ltd is suspended or revoked, then this could impact adversely on the Fund. A deficiency in loan documentation could also, in some circumstances, adversely affect the return from the Fund's investments.

#### **(g) Defaults and non-performing loans**

Investors should note the Responsible Entity believes it is inevitable that some of Notes Issuer's loans will become delinquent as a result of borrowers' failure or inability to pay, despite diligent credit assessment measures undertaken by it. Therefore, Investors should be aware the Fund will bear risk. If defaults were to occur on a larger than expected scale, there may be a negative effect upon the Fund's returns as a result of Notes Issuer's borrowers' failure or inability to repay their loans impacting on Notes Issuer's ability to pay the coupon rate and principal repayments under the unsecured notes it issues to the Fund. Historic loan default rate is approximately 5% of the principal amounts lent.

#### **(h) Related Parties and Conflicts of Interest**

The Responsible Entity has significant roles and responsibilities in relation to the Fund. It is a related party and is a wholly-owned entity of MoneySpot Finance Pty Ltd. There is a risk that decision-making between the entities may not be impartial. This may adversely affect the viability of the Fund.

#### **(i) Operational and Procedural risk**

The success of the Fund is dependent upon the operational stability of the Fund, in particular the operating and administration procedures and operational controls established by the Responsible Entity. A breakdown in the administrative procedures or operational controls may cause a disruption of day-to-day Fund operations. Such interruptions may arise internally through human error or technology and infrastructure failure or possible external events such as natural disasters or regulatory changes. Whilst procedures to address such occurrences are in place and the procedures are monitored, these risks cannot be mitigated entirely.

#### **(j) Liquidity risk**

The Fund will be illiquid. This means you will only be able to withdraw from the Fund in response to a withdrawal offer made by the Responsible Entity. The Responsible Entity can only make withdrawal offers if there are sufficient assets available to it to satisfy any withdrawal requests made in response to the offer. The availability of assets is primarily affected by the returns the Fund receives from its investments, in particular, the payment of coupon amounts by MoneySpot Finance Pty Ltd and repayment of unsecured notes on maturity.

## Notes to the Financial Statements

## 4. Financial Risk Management Objectives and Policies (continued)

*(k) Fraud*

There is a risk that borrowers may deliberately fabricate evidence to support their loan applications and that they have no intention of paying off their loan. Although MoneySpot Finance Pty Ltd has procedures in place to detect fraudulent applications, the risk of fraud cannot be completely discounted.

## 5. Interest Income

The following table provides information about the interest income generated from different sources during the half-year ended 31 December 2019.

	1 July 2019 To 31 December 2019 \$	1 July 2018 To 31 December 2018 \$
Loan notes	771,162	207,543
Bank	1,005	358
<b>Total for the half-year</b>	<b>772,167</b>	<b>207,901</b>

## 6. Management Fees

In accordance with the Fund's Constitution, The Responsible Entity is entitled to an ongoing management fee of up to three percent per annum of the Net Asset Value. This fee is accrued daily and is payable quarterly in arrears out of the assets of the Fund from the commencement of the Fund to the date of the final distribution following a winding up of the Fund in accordance with its Constitution. The value of the assets will be determined as at the most recent valuation time.

The ongoing management fee comprise of an investment management fee of 1.075% per annum and an expense recovery fee of 1.025% per annum of the net value of the Fund's assets.

Management fees are the fees payable under the Constitution to The Responsible Entity for the management of the Fund. The expense recovery fee represent the operating expenses incurred in the operation of the Fund.

The Constitution of the Fund allows for all properly incurred expenses to be recovered directly from the Fund and does not place any limit on the amount or types of expenses that can be recovered. If applicable, when expenses are paid by the Fund, they will be deducted from the Fund's assets and reflected in the Fund's unit price. Expenses are generally paid when incurred.

The following fees were payable to the Responsible Entity out of the Fund's assets during the year ended 31 December 2019:

- Total management fees and expense recovery fees accrued for the half-year ended 31 December 2019: \$108,307 (31 December 2018: \$29,461).
- Management fees and expense recovery fees payable as at 31 December 2019: \$20,977 (30 June 2019: \$12,988).

## 7. Cash and Cash Equivalents

- (a) Cash and cash equivalents include cash on hand, cash at banks net of outstanding overdrafts and cash balances held with brokers. Cash at the end of the year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	31 December 2019 \$	30 June 2019 \$
Cash at bank	184,538	218,749

## Notes to the Financial Statements

## 7. Cash and Cash Equivalents (continued)

- (b) Reconciliation of net gain attributable to unitholders before finance costs for the year to net cash flows provided by operating activities:

	1 July 2019 To 31 December 2019 \$	1 July 2018 To 31 December 2018 \$
<b>Net gain attributable to unitholders before finance costs</b>	663,860	178,440
<b>Change in assets and liabilities:</b>		
Net changes in receivables	(1,777)	-
Net changes in payables	10,741	3,344
<b>Net cash provided by operating activities</b>	<b>672,824</b>	<b>181,784</b>

## 8. Financial Assets

	31 December 2019 \$	30 June 2019 \$
Unsecured loan notes at amortised cost - current	<b>12,070,776</b>	<b>7,701,931</b>

The Loan Notes have a face value of \$1 per note with a coupon rate of 15% per annum and a fixed term of 6 months. The carrying amounts of loan notes are a reasonable approximation of the fair at the reporting date.

## 9. Net Assets Attributable to Unitholders

## Half-year ended 31 December 2019

	No. of Units	\$
Opening balance as at 1 July 2019	7,746,355	7,746,355
Applications for units by unitholders	4,671,943	4,671,943
Redemptions of units by unitholders	(472,950)	(472,950)
Unit reinvested	161,884	161,884
Distributions paid to unitholders	-	(663,860)
Total comprehensive income	-	663,860
<b>Balance as at 31 December 2019</b>	<b>12,107,232</b>	<b>12,107,232</b>

## Notes to the Financial Statements

## Half-year ended 31 December 2018

	No. of Units	\$
Opening balance as at 1 July 2018	2,030,429	2,030,429
Applications for units by unitholders	2,335,353	2,335,353
Redemptions of units by unitholders	(243,865)	(243,865)
Unit reinvested	20,278	20,278
Distributions paid to unitholders		(178,440)
Total comprehensive income		178,440
<b>Balance as at 31 December 2018</b>	<b>4,142,195</b>	<b>4,142,195</b>

## 10. Capital Management

As a result of the ability to issue, redeem and transfer units, the capital of the Fund can vary depending on the demand for redemptions and subscriptions to the Fund. The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue, repurchase or resale of redeemable units. The Fund's objectives for managing capital are:

- to invest the capital in investments meeting the description, risk exposure and expected return indicated in the Fund's product disclosure statement;
- to achieve consistent returns while safeguarding capital by investing in unsecured notes made to the Note Issuer
- to maintain sufficient liquidity to meet the ongoing expenses of the Fund; and
- to maintain sufficient size to make the operation of the Fund cost-efficient.

## 11. Commitments and Contingencies

There were no commitments or contingencies at 31 December 2019.

## 12. Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of the half-year ended 31 December 2019 that has significantly affected, or may significantly affect, the operations of the Fund, the results of those operations, or the state of affairs of the Fund in future financial years.

## 13. Related Party Transactions

Transactions with related parties have taken place at arm's length and in the ordinary course of business.

*(a) MSI Funds Management Limited (the Responsible Entity)*

MSI Funds Management Limited is an unlisted public company which holds AFS Licence number 491 268. It is wholly owned by MoneySpot Finance Pty Ltd, a small and medium amount credit contract provider which holds an Australian Credit Licence.

The key management personnel of the Responsible Entity for the half-year ended 31 December 2019 are:

Name	Title
David Trew	Executive Director
David Spessot	Executive Director
Michael Prior	Director

Holding of units by key management personnel and their associated entities for MSI Funds Management Limited at 31 December 2019 are as follows:

## Notes to the Financial Statements

## 13. Related Party Transactions (continued)

	31 December 2019		30 June 2019	
	Units held	% of the Fund	Units held	% of the Fund
David Trew and associated entities	400,000	3.30%	400,000	10.12%
David Spessot and associated entities	400,000	3.30%	400,000	10.12%
	<b>800,000</b>	<b>6.60%</b>	<b>800,000</b>	<b>20.24%</b>

Distributions paid and payable to key management personnel and their associated entities for the year ended 31 December 2019:

	Paid	Payable	Gross
David Trew and associated entities	21,570	4,391	25,961
David Spessot and associated entities	21,570	4,391	25,961
	<b>43,140</b>	<b>8,782</b>	<b>51,922</b>

No fees or remuneration were paid directly to the key management personnel from the Fund during the half-year ended 31 December 2019. Refer to Note 5 for the fees paid to the Responsible Entity.

The following fees were payable to the Responsible Entity out of the Fund's assets during the year ended 31 December 2019:

- Total management fees and expense recovery fees accrued for the half-year ended 31 December 2019: \$108,307 (31 December 2018: \$29,461).
- Management fees and expense recovery fees payable as at 31 December 2019: \$20,977 (30 June 2019: \$12,988).

**(b) MoneySpot Finance Pty Ltd (the Note Issuer)**

MoneySpot Finance Pty Ltd is the sole shareholder of the Responsible Entity, MSI Funds Management Limited. Two directors of MoneySpot are also directors of MoneySpot Finance Pty Ltd and interests associated with them collectively own all of the capital of MoneySpot Finance Pty Ltd.

The key management personnel of MoneySpot Finance Pty Ltd in relation to the Fund for the half-year ended 31 December 2019 is:

Name	Title
David Trew	Executive Director
David Spessot	Executive Director

No fees or remuneration were paid directly to the key management personnel from the Fund during the half-year ended 31 December 2019.

As at 31 December 2019, the total loan notes investment amounts to \$ 12,070,776 and the interest earned related to the investment is \$771,162.

As at 31 December 2019, the Fund owes \$2,752 to MoneySpot Finance Pty Ltd in relation to December 2019 Loan Notes interest overpaid. The overpayment was repaid in January 2020.

## Notes to the Financial Statements

## 14. Auditor's Remuneration

	31 December 2019	30 June 2019
	\$	\$
Mazars Audit (QLD) Pty Ltd		
Auditing of the the financial report	5,000	6,200

The auditor's remuneration was borne by the Responsible Entity in accordance with the Fund's constitution. There were no other services provided by the auditor to the Fund.