

**MoneySpot Investment Fund**

**ARSN 616 929 849**

Financial report for the half-year ended 31 December 2020

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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 2020.

### 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 2020 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 2020 to 31 December 2020.

The principal activity of the Fund during the year was to invest in accordance with the provisions of the Fund's Constitution and its most recent Product Disclosure Statement, dated 27 February 2020.

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 2020 was \$1,255,407 (31 December 2019: \$683,860).

#### Distributions

In respect of the half-year ended 31 December 2020, distributions totalling \$1,225,407 were paid to unitholders (30 June 2020: \$1,428,633) and \$257,557 was payable as at 31 December 2020 (30 June 2020: \$149,557).

## Directors' Report (continued)

### Value of Assets and Units Issued

The total value of the Fund's assets as at 31 December 2020 was \$23,727,260 (30 June 2020: \$14,509,967). The total number of units on issue as at 31 December 2020 was 23,428,961 (30 June 2020: 14,336,257).

### 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 2020:

	1 July 2020 to 31 December 2020 \$	1 July 2019 to 31 December 2019 \$
<b>Management fee and Expense Recovery fee for the half-year to :</b>		
MSI Funds Management Limited	<b>198,280</b>	108,307
Total Management fee and Expense Recovery fee expense for the half-year	<b>198,280</b>	108,307

### 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 2020:

- Total management fees for the half- year were \$99,626 (31 December 2019: \$54,419).
- Management fees payable as at 31 December 2020 were \$40,593 (30 June 2020: \$24,038).

### Changes in State of Affairs

The coronavirus, COVID-19, was first identified as a new, highly contagious virus in December 2019. The World Health Organisation declared a global pandemic in March 2020 and as at 31 December 2020, COVID-19 remains prevalent throughout the world, including Australia. COVID-19 has caused unprecedented disruption to populations, businesses and general economic activity. As the situation evolves, it continues to have significant impacts on investment funds and their responsible entities, both directly and indirectly.

As this situation has prevailed during the half-year, the Responsible Entity has been monitoring both the valuation of the Fund's assets and the Fund's liquidity and is in close contact with its ACL holders and service providers in assessing the ongoing operations, liquidity, and lending arrangements and the basis of the values and estimates reported. In these circumstances, there is uncertainty around valuations. The Responsible Entity will continue to closely monitor market situations to ensure that valuations remain appropriate.

Other than the matter discussed above, there were no other significant changes in the state of affairs of the Fund during the half-year ended 31 December 2020.

### Subsequent Events

There has been no matter or circumstances occurring subsequent to the end of the 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.

## Directors' Report (continued)

### 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 27 February 2020.

### 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.

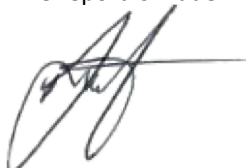
### Indemnification of Directors, Officers and Auditors

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.

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.



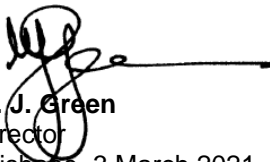
David Spessot  
Executive Director  
3 March 2021

**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 2020, there have been:

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

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



**M. J. Green**  
Director  
Brisbane, 3 March 2021

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

### Conclusion

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 2020, 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.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half-year financial report of MoneySpot Investment Fund is not in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Fund's financial position as at 31 December 2020 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*.

### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* ("Code") that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

### 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.

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

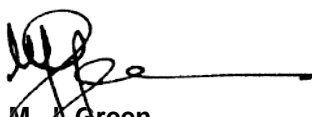
## Auditor's responsibility for the review of the financial report

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 2020 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.

MAZARS AUDIT (QLD)

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

  
M. J. Green  
Director

Brisbane, 3 March 2021



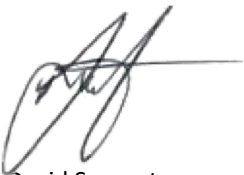
## Directors' Declaration

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 303(4) of the Corporations Act 2001.

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



David Spessot  
Executive Director  
3 March 2021

**Statement of Profit or Loss and Other Comprehensive Income for the half-year ended 31 December 2020**

	Note	1 July 2020 To 31 December 2020 \$	1 July 2019 To 31 December 2019 \$
<b>Revenue</b>			
Interest income	5	<u>1,423,687</u>	<u>772,167</u>
<b>Total revenue</b>		<u>1,423,687</u>	<u>772,167</u>
<b>Expenses</b>			
Management fee	6	99,626	54,419
Expense recovery fee	6	<u>98,654</u>	<u>53,888</u>
<b>Total expenses</b>		<u>198,280</u>	<u>108,307</u>
Net gain attributable to unitholders		<b>1,225,407</b>	663,860
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders		<b>1,225,407</b>	663,860
<b>Net gain attributable to unitholders after finance costs</b>		<u>-</u>	<u>-</u>
<b>Profit for the year</b>		-	-
<b>Other comprehensive income</b>		-	-
<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 2020**

	Note	31 December 2020 \$	30 June 2020 \$
<b>Assets</b>			
Cash and cash equivalents	7(a)	373,268	206,563
GST and other receivable		6,481	4,354
Interest receivable		-	12
Financial assets	8	23,347,510	14,299,038
<b>Total assets</b>		<b>23,727,259</b>	<b>14,509,967</b>
<b>Liabilities</b>			
Distributions payable		257,557	149,557
Management fees payable	6	40,593	24,038
Withholding tax payable		148	115
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>298,298</b>	<b>173,710</b>
<b>Net assets attributable to unitholders</b>	9	<b>23,428,961</b>	<b>14,336,257</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 2020**

	Note	Net assets attributable to unitholders of the Fund \$
Balance as at 1 July 2020		<u>14,336,257</u>
Issue of Class A units		243,238
Reinvestment		9,786,951
Redemption		(937,485)
Net gain attributable to unitholders		1,225,407
Distributions paid		<u>(1,225,407)</u>
<b>Balance as at 31 December 2020</b>	9	<b><u>23,428,961</u></b>

	Note	Net assets attributable to unitholders of the Fund \$
Balance as at 1 July 2019		<u>7,746,355</u>
Issue of Class A units		4,671,943
Reinvestment		161,884
Redemption		(472,950)
Net gain attributable to unitholders		663,860
Distributions paid		<u>(663,860)</u>
<b>Balance as at 31 December 2019</b>	9	<b><u>12,107,232</u></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 2020**

	1 July 2020 To 31 December 2020 Note	1 July 2019 To 31 December 2019 \$
<b>Cash flows from operating activities</b>		
Interest received	<b>1,423,700</b>	774,919
Payment to suppliers	<b>(183,923)</b>	(102,095)
Net cash provided by operating activities	7(b) <b>1,239,777</b>	672,824
<b>Cash flows from investing activities</b>		
Payments for loan notes	<b>(9,048,472)</b>	(4,471,346)
Net cash used in investing activities	<b>(9,048,472)</b>	(4,471,346)
<b>Cash flows from financing activities</b>		
Receipts from unitholders	<b>9,786,951</b>	4,719,043
Redemption to unitholders	<b>(937,485)</b>	(522,950)
Distributions paid to unitholders	<b>(874,066)</b>	(431,782)
Net cash provided by financing activities	<b>7,975,400</b>	3,764,311
<b>Net increase in cash and cash equivalents</b>	<b>166,705</b>	(34,211)
Cash and cash equivalents at the beginning of the year/period	<b>206,563</b>	218,749
<b>Cash and cash equivalents at the end of the year/period</b>	7(a) <b>373,268</b>	184,538

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 2020 to 31 December 2020.

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 \_\_ March 2021. 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, financial assets, 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)

#### f) Financial instruments (continued)

##### *Classification and subsequent measurement*

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

The Fund will lend money to, or invest in unsecured notes issued by, Credit Providers that participate in the small and medium personal and business loan segment of the credit market. The Fund will typically purchase unsecured notes issued by the Credit Provider and seek security over the unsecured notes or loan contracts by general security deed over the entire assets of the Credit Provider.

The Fund will initially invest in unsecured notes issued by MoneySpot Finance, a related party of the RE's, for the primary purpose of funding the loan book of MoneySpot Finance.

Although the unsecured notes issued by MoneySpot Finance will be secured by a general security deed over their present and after acquired property other than land, the notes acquired by the Fund will be 'unsecured notes' pursuant to section 283BH of the Corporations Act.

The unsecured notes that MoneySpot Finance will issue will be for a face value of \$1.00 per note at a coupon rate of approximately 15% per annum, although this may fluctuate up and down over time in accordance with changes in credit markets. Interest on the unsecured notes will be payable to the Fund monthly. The unsecured notes will have a maturity date of 6 months from the issue date, and they can be rolled over for another term of 6 months if some or all of the Investors in the Unit Class that relates to that unsecured note do not accept a withdrawal offer made by the RE prior to the maturity date of the unsecured note.

The RE is of the view that the terms of the unsecured notes issued by MoneySpot Finance that it will purchase for the Fund are based on arm's length terms.

##### *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 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 27 February 2020, the intention is that distributions will be paid monthly.



## Notes to the Financial Statements

## 3. Significant Accounting Policies (continued)

*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.

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 2020.

<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 because the majority of the Fund's investments are in unsecured notes issued by MoneySpot Finance.

MoneySpot Finance takes steps to reduce its exposure to fraud from its Borrowers. These steps include identity and source of funds verification processes for anti-money laundering and counter terrorism financing purposes as well as using proprietary and third-party provider's fraud detection services in connection with the Borrowers. MoneySpot Finance also applies the skills and resources of its team to detect signs of fraudulent intent within loan applications.

Measures implemented by MoneySpot Finance to minimise vulnerability to fraud by its Borrowers can include:

- a) Online borrower identity verification via MoneySpot Finance's chosen credit bureau.
- b) Undertaking fraud matching checks using a proprietary database prior to approving Borrower credit applications.
- c) Carrying out a comprehensive credit assessment to determine the suitability of the loan;
- d) Contacting Borrowers for further information or clarification of issues arising from the credit assessment;
- e) Assessment of the bone fide nature of any documents provided to support the loan application;
- f) An assessment of the applicants' bank statement information, in particular, the last 90 days' worth of transaction history from their income account.
- g) 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 meet its target net return rate of 12.8 percent per annum (pre-tax and net of fund management fees and ordinary expenses) to 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 and are not forecasts.

There is a risk that either the entities in which the Fund invests, for example, MoneySpot Finance and other Credit Providers, or the Borrowers to whom entities such as MoneySpot Finance 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 will invest 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.

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 risk can seek to be mitigated by the Fund diversifying its investments into credit products and jurisdictions that are more suitable to meet our risk profile and targeted rate of return.

## Notes to the Financial Statements

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

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

Initially the Fund will invest in unsecured notes issued by MoneySpot Finance for the primary purpose of funding the loan book of MoneySpot Finance. MoneySpot Finance is a related entity of the RE and participates in the small and medium personal and business loans segment of the credit market and will use the funds it receives from the Fund to further participate in these markets.

While this segment can historically be especially profitable with a lower overall default risk due to the spread of loans over thousands of borrowers, the majority of the loans that the Fund will have access to are being made by one entity, MoneySpot Finance. The investment objective of the Fund will therefore highly depend on the performance of MoneySpot Finance to be able to lend and collect interest and principal repayments from its Borrowers, and this risk is not borne across different Credit Providers for the majority of investment monies raised by the Fund.

As the Fund geographically diversifies its investment into other Credit Providers in other jurisdictions, the added complexity of investing in different business and regulatory environments may increase the cost of managing the Fund. This may result in reduced returns to investors if the additional costs cannot be passed onto the Credit Providers.

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

Investors should note the RE believes it is inevitable that some of MoneySpot Finance's loans, and loans from other Credit Providers, will become delinquent as a result of Borrowers' failure or inability to pay, despite diligent credit assessment measures undertaken by MoneySpot Finance and other Credit Providers.

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's and the other Credit Provider's Borrowers' failure or inability to repay their loans impacting on their ability to pay the coupon rate and principal repayments under the unsecured notes it issues to the Fund. MoneySpot Finance's historic loan default rate is approximately 5% of the principal amounts lent. Please note, past performance is not necessarily indicative of future performance.

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

A failure by MoneySpot Finance or other Credit Provider to deploy funds to its Borrowers may result in an application to invest in the Fund being rejected by the RE, 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 AFS licence of the RE or the ACL of MoneySpot Finance is suspended or revoked, then this could impact adversely on the Fund. A deficiency in loan documentation with the Borrowers and the Credit Providers could also, in some circumstances, adversely affect the return from the Fund's investments.

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

The RE has significant roles and responsibilities in relation to the Fund. It is a related party and is a wholly owned entity of MoneySpot Finance and the Fund is the sole provider of funding to MoneySpot Finance loan book via its investment in the unsecured notes issued by MoneySpot Finance. There is a risk that decision-making between these entities may not be impartial and subject to conflicts of interest. This may adversely affect the viability of the Fund.

## Notes to the Financial Statements

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

The RE has a related party transactions policy which acknowledges that related party dealings be on arm's length terms, or if not on arm's length terms, be approved by the members of the entity giving the benefit to the related party, or that an exemption applies to the transaction. The related party transaction policy sets out the procedures designed to protect Investors' interests and ensure that related party transactions are on arm's length terms or otherwise comply with the Corporations Act.

The RE has established internal policies and procedures to ensure that any conflicts of interest arising in relation to the Fund are adequately identified and appropriately managed. Where we consider that a particular conflict of interest is likely to have a materially adverse effect on Investors, we will seek to implement adequate arrangements to mitigate and prevent (where practicable) these adverse effects on Investors. We will resolve such conflicts of interest fairly and reasonably in accordance with the law, ASIC policy and our own procedures.

#### ***(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 RE. 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 RE. The RE does not intend to make withdrawal offers to Investors in a Unit Class for a period of 6 months from the date of issue of that Unit Class.

The RE can only make withdrawal offers in accordance with the Constitution and the Corporations Act 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 and other Credit Providers and repayment of unsecured notes on maturity.

#### ***(k) Fraud***

There is a risk that Borrowers may deliberately fabricate evidence to support their loan applications with MoneySpot Finance or other Credit Provider and that they have no intention of paying off their loan or have overstated their ability to pay off their loan and the credit worthiness. Although MoneySpot Finance has procedures in place to detect fraudulent applications, the risk of fraud cannot be completely discounted.

#### ***(l) Multi-Unit Class Risk***

Interests in the Fund are divided into Units and the Units are further divided into Unit Classes. Each Unit Class will receive the income attributable to its assets, being the unsecured notes issued by MoneySpot Finance or other Credit Providers on the day of the issue of the Units Class and must bear the liabilities associated with its investments. There is legally no separation between the assets and liabilities of each Unit Class. There is also a risk that the expenses or liabilities of one Unit Class may affect the value of the other Unit Classes in the Fund and if one Unit Class is unable to pay its expenses or there a default by the unsecured note issuer in repaying the note, the Fund, as a whole, may be impacted.

**Notes to the Financial Statements**
**5. Interest Income**

The following table provides information about the interest income generated from different sources during the half-year ended 31 December 2020.

	<b>1 July 2020 To 31 December 2020 \$</b>	1 July 2019 To 31 December 2019 \$
Loan notes	<b>1,423,383</b>	771,162
Bank	<b>304</b>	1,005
<b>Total for the half-year</b>	<b>1,423,687</b>	772,167

**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 represents 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 2020:

- Total management fees and expense recovery fees accrued for the half-year ended 31 December 2020: \$198,280 (31 December 2019: \$108,307)
- Management fees and expense recovery fees payable as at 31 December 2020: \$40,593 (30 June 2020: \$24,038)

**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:

	<b>31 December 2020 \$</b>	30 June 2020 \$
Cash at bank	<b>373,268</b>	206,563

**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:

	<b>1 July 2020 To 31 December 2020 \$</b>	1 July 2019 To 31 December 2019 \$
<b>Net gain attributable to unitholders before finance costs</b>	<b>1,225,407</b>	663,860
<b>Change in assets and liabilities:</b>		
Net changes in receivables	<b>13</b>	(1,777)
Net changes in payables	<b>14,357</b>	10,741
<b>Net cash provided by operating activities</b>	<b>1,239,777</b>	672,824

**8. Financial Assets**

	<b>31 December 2020 \$</b>	30 June 2020 \$
Unsecured loan notes at amortised cost	<b>23,347,510</b>	14,299,038

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 2020**

	<b>No. of Units</b>	<b>\$</b>
Opening balance as at 1 July 2020	<b>14,336,257</b>	<b>14,336,257</b>
Applications for units by unitholders	<b>9,786,951</b>	<b>9,786,951</b>
Redemptions of units by unitholders	<b>(937,485)</b>	<b>(937,485)</b>
Unit reinvested	<b>243,238</b>	<b>243,238</b>
Distributions paid to unitholders	-	<b>(1,225,407)</b>
Total comprehensive income	-	<b>1,225,407</b>
<b>Balance as at 31 December 2020</b>	<b>23,428,961</b>	<b>23,428,961</b>

## Notes to the Financial Statements

**9. Net Assets Attributable to Unitholders (continued)**

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 2020</b>	<b>12,107,232</b>	<b>12,107,232</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 as at 31 December 2020.

**12. Subsequent Events**

There has not been any matter or circumstance occurring subsequent to the end of the half-year ended 31 December 2020 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.

**Notes to the Financial Statements**
**13. Related Party Transactions**
**(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 2020 are:

<b>Name</b>	<b>Title</b>
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 as at 31 December 2020 are as follows:

	<b>31 December 2020</b>		30 June 2020	
	<b>Units held</b>	<b>% of the Fund</b>	Units held	% of the Fund
David Trew and associated entities	<b>650,000</b>	<b>2.77%</b>	400,000	2.79%
David Spessot and associated entities	<b>650,000</b>	<b>2.77%</b>	400,000	2.79%
	<b>1,300,000</b>	<b>5.54%</b>	800,000	5.58%

Distributions paid and payable to key management personnel and their associated entities for the year ended 31 December 2020:

<b>31 December 2020</b>	<b>Paid</b>	<b>Payable</b>	<b>Gross</b>
David Trew and associated entities	<b>29,007</b>	<b>7,186</b>	<b>36,193</b>
David Spessot and associated entities	<b>29,007</b>	<b>7,186</b>	<b>36,193</b>
	<b>58,014</b>	<b>14,372</b>	<b>72,386</b>

No fees or remuneration were paid directly to the key management personnel from the Fund during the half-year ended 31 December 2020. Refer to Note 6 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 2020:

- Total management fees and expense recovery fees accrued for the half-year ended 31 December 2020: \$198,280 (31 December 2019: \$108,307)
- Management fees and expense recovery fees payable as at 31 December 2020: \$40,593 (30 June 2020: \$24,038)



**Notes to the Financial Statements****13. Related Party Transactions (continued)****(b) MoneySpot Finance Pty Ltd (the Note Issuer)**

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

The key management personnel of MoneySpot Finance Pty Ltd in relation to the Fund for the half-year ended 31 December 2020 is:

<b>Name</b>	<b>Title</b>
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 2020.

As at 31 December 2020, the total loan notes investment amounts to \$ 23,347,510 (30 June 2020: \$14,299,038) and the interest earned related to the investment is \$1,423,383 (31 December 2019: \$771,162).