ASCF High Yield Fund

(Formerly known as ASCF #2 Fund)

ARSN 616367330

Interim-Financials - 31 December 2019

ASCF High Yield Fund
(Formerly known as ASCF #2 Fund)
Director's Report
31 December 2019

The directors of Australian Secure Capital Fund Ltd (the 'Responsible Entity'), the Responsible Entity of ASCF High Yield Fund (the 'Fund'), submit their report together with the interim-financial report of the Fund for the half-year ended 31 December 2019.

Directors
The names of the directors of the Responsible Entity in office at any time during, or since the end of, the half-year are:
Richard John Taylor
Kosta Nicholas Giovanos
Filippo Sciacca

Directors have been in office since the start of the interim-financial half-year to the date of this report unless otherwise stated.

Review of Operations
Revenue of $5,279,166 less expenses of $2,795,042 resulted in a distribution to Unitholders of $2,484,124 (31 December 2018: $1,184,273)

Significant Changes in the State of Affairs
No significant changes in the Fund's state of affairs occurred during the half-financial year.

Principal Activities
The principal activity of the Fund during the half-year was the provision of regular monthly income through a selection of investments in short-term registered first mortgage loans. Unitholders are provided with a fixed rate, fixed term interest only investment.

Events Subsequent to the End of the Reporting Period
The only matters or circumstances that have arisen since the end of the financial half-year which 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 have been disclosed in the notes to the financial statements.

Likely Developments and Expected Results of Operations
The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's constitution.

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

Environmental Regulation
The Fund's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

Indemnification of Officers
No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of Australian Secure Capital Fund Ltd or the auditors of the Fund. So long as the officers of Australian Secure Capital Fund Ltd act in accordance with the Fund's constitution and the law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

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

Fees paid to and interests held in the Fund by the responsible entity or its associates
Fees paid to the responsible entity and its associates out of Fund property during the half-year are disclosed in note 13 of the financial statements.

No fees were paid out of Fund property to the directors of the responsible entity during the half-year.

The number of interests in the Fund held by the responsible entity or its associates as at the half-year end are disclosed in note 13 of the financial statements.

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Director's Report
31 December 2019

Interests in the Fund
The movement of units on issue in the Fund during the half-year are disclosed in note 10 of the financial statements.

The value of the Fund's assets and liabilities is disclosed on the statement of financial position and derived using the basis set out in note 1 to the financial statements.

Proceedings on Behalf of the Fund
No person has applied for leave of court to bring proceedings on behalf of the Fund or intervene in any proceedings to which the Fund is a party for the purpose of taking responsibility on behalf of the Fund for all or any part of those proceedings.

The Fund was not a party to any such proceedings during the half-year.

Auditor's Independence Declaration
A copy of the auditor's independence declaration as required under s 307C of the Corporations Act 2001 is included in these financial statements.

The directors' report is signed in accordance with a resolution of the Board of Directors:

On behalf of the Directors

Richard Taylor	Kosta Giovanos	Filippo Sciacca
Director	Director	Director

27 March 2020

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Auditor's Independence Declaration

To the Directors of ASCF High Yield Fund (formerly ASCF #2 Fund)

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of ASCF High Yield Fund for the year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M C Bragg
Partner – Audit & Assurance

Brisbane, 27 March 2020

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Contents

General information

The financial statements cover ASCF High Yield Fund as an individual entity. The financial statements are presented in Australian dollars, which is ASCF High Yield Fund's functional and presentation currency.

The Fund is an Australian Registered Scheme and was constituted on the 22nd December 2016. Australian Secure Capital Fund Ltd (the 'Responsible Entity' for the Fund) is incorporated and domiciled in Australia and acts as the manager of the Fund. The Fund's registered office and principal place of business are:

Suite 6C, 33 Park Road, Milton, QLD, 4064

A description of the nature of the Fund's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 27 March 2020.

ASCF High Yield Fund
(Formerly known as ASCF #2 Fund)
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	31 December 2019 $	31 December 2018 $
Revenue		
Interest and Mortgage Income	5,279,166	2,412,138
Total revenue & other income	5,279,166	2,412,138
Expenses		
Legal & Compliance Fees	(9,362)	-
Performance Fees	(2,778,307)	(1,220,793)
Other Expenses	(7,373)	(7,072)
Total expenses	(2,795,042)	(1,227,865)
Operating profit/(loss)	2,484,124	1,184,273
Finance Costs Attributed to Unitholders		
Distributions to Unitholders	(2,484,124)	(1,184,273)
Other comprehensive income	-	-
Total other comprehensive income attributable to unitholders	-	-

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

ASCF High Yield Fund
(Formerly known as ASCF #2 Fund)
Statement of financial position
As at 31 December 2019

	Note	31 December 2019 $	30 June 2019 $
Assets			
Current assets			
Cash and Cash Equivalents	5	9,772,514	2,189,698
Loans Receivable	6	58,242,868	44,348,058
Other Receivables	7	189,503	111,374
Total current assets		68,204,885	46,649,130
Total assets		68,204,885	46,649,130
Liabilities			
Current liabilities			
Trade and Other Payables	8	1,308,236	492,140
Borrowings	9	6,820	16,775
Total current liabilities		1,315,056	508,915
Total liabilities (excluding net assets attributable to unitholders)		1,315,056	508,915
Net assets attributable to unitholders liability		66,889,829	46,140,215

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

ASCF High Yield Fund
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Statement of changes in equity
For the half-year ended 31 December 2019

	31 December 2019 $	30 June 2019 $
Total equity at the beginning of the period	-	-
Profit/(Loss) for the year	-	-
Other comprehensive income for the period	-	-
Transactions with unitholders in their capacity as owners	-	-
Total equity at the end of the financial year	-	-

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or end of the period.

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

ASCF High Yield Fund
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Statement of cash flows
For the half-year ended 31 December 2019

	6 Months to 31 December 2019 $	6 Months to 31 December 2018 $
Cash flows from operating activities		
Borrower interest repayments	4,653,496	2,358,135
Interest received on cash	47,826	15,181
Management fees on mortgages	314,115	63,124
Other operating expenses	(51,748)	(7,072)
Performance Fees Paid to the Responsible Entity	(2,089,201)	(1,362,759)
Loans Advanced to Borrowers	(45,611,174)	(23,766,328)
Loans Repaid by Borrowers	32,060,805	13,288,146
Net cash used in operating activities	(10,675,881)	(9,411,573)
Cash flows from financing activities		
Distributions paid	(2,480,962)	(1,186,742)
Advances from/(Repayments to) Responsible Entity	(9,955)	6,600
Unitholders Funds Received from Investors	69,201,146	21,787,025
Unitholders Funds Paid to Investors	(48,451,532)	(11,436,706)
Net cash inflow from financing activities	18,258,697	9,170,177
Net increase/(decrease) in cash and cash equivalents	7,582,816	(241,395)
Cash and cash equivalents at the beginning of the financial half-year	2,189,698	851,273
Cash and cash equivalents at the end of the financial half-year	9,772,514	609,877

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

Note 1. General Information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Fund has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Fund.

The following Accounting Standards and Interpretations are most relevant to the Fund:

AASB 16 Leases

The Fund has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Directors have assessed that the adoption of AASB 16 and the new reporting requirements are of minimal impact to the Fund and will have no impact on its financial reports.

Note 2. Significant Accounting Policies

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Note 2. Significant Accounting Policies (continued)

Key Estimates

(i) Impairment
The Fund assesses impairment at the end of each reporting period by evaluating the conditions and events specific to the Fund that may be indicative of impairment triggers. Recoverable amounts of relevant assets are assessed in accordance with key assumptions outlined in note 2(j).

No impairment has been recognised in respect of loans receivable for the period ended 31 December 2019.

(a) Redeemable Units
All redeemable units issued by the Fund provide investors with the right to require redemption for cash. The Funds obligation to redeem units is set out in the Product Disclosure Statement.

(b) Capital Management
The responsible entity manages its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change on a daily basis in accordance with the provisions of the Product Disclosure Statement.

The Fund is not subject to any externally imposed capital requirements.

(c) Net assets attributable to unitholders
Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders. The units are classified as financial liabilities as the Fund is required to distribute its distributable income, in accordance with the Fund's constitution.

The units can be put back to the Fund based in line with the requirements outlined in the Product Disclosure Statement of the Fund.

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

(d) Expenses
All expenses, including responsible entity's fees, are recognised in profit and loss on an accrual basis.

(e) Income Tax
Under current legislation, the Fund is not subject to income tax as unit holders are presently entitled to the income of the Fund.

(f) Distributions
The Fund distributes its distributable income, in accordance with the Fund's constitution, to unitholders by cash or reinvestment. The distributions are recognised in profit and loss as finance costs attributable to unitholders.

(g) Increase/decrease in net assets attributable to unitholders
Income not distributed is included in net assets attributable to unit holders. Movements in net assets attributable to unitholders are recognised in profit and loss as finance costs.

(h) Allowance for expected credit losses
The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include the Directors professional judgement and historical collection rates.

(i) Fair Value of Assets and Liabilities
The Fund measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

Fair value is the price the Fund would receive to sell an asset or would have to pay to transfer a liability in an orderly (i.e. unforced) transaction between independent, knowledgeable and willing market participants at the measurement date.

Note 2. Significant Accounting Policies (continued)

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the Fund's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(j) Financial Instruments

Recognition & Derecognition
Financial assets and financial liabilities are recognised when the Fund becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Fund commits itself to either purchase or sell the asset (i.e. trade date accounting is adopted).

Financial instruments (except for trade receivables) are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied as specified in AASB 15.63.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Classification and initial measurement of financial assets
Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

Note 2. Significant Accounting Policies (continued)

Subsequent measurement of financial assets
Financial assets are subsequently measured at:
- amortised cost;
- fair value through other comprehensive income;
- or fair value through profit or loss.

Measurement is on the basis of two primary criteria:
- the contractual cash flow characteristics of the financial asset;
- and the business model for managing the financial assets.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within other expenses.

A financial asset that meets the following conditions is subsequently measured at amortised cost:
- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

After initial recognition these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Fund's loans receivable fall into this category of financial instruments.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:
− the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates; and
− the business model for managing the financial asset comprises both contractual cash flows collection and the selling of the financial asset.

By default all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The Fund initially designates financial instruments as measured at fair value through profit or loss if:
− it eliminates or significantly reduces a measurement or recognition inconsistency (often referred to as accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.
− it is in accordance to the documented risk management or investment strategy and information about the groupings was documented appropriately, so the performance of the financial liability that was part of a trust of financial liabilities or financial assets can be managed and evaluated consistently on a fair value basis; and
− it is a hybrid contract that contains an embedded derivative that significantly modifies the cash flows otherwise required by the contract.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset liability is derecognised.

Financial Liabilities
Non−derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Note 2. Significant Accounting Policies (continued)

Derecognition
Derecognition refers to the removal of a previously recognised financial asset or financial liability from the statement of financial position.

Derecognition of financial liabilities
A liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non−cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derecognition of financial assets
A financial asset is derecognised when the holders contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred.

All the following criteria need to be satisfied for derecognition of a financial asset:
- the right to receive cash flows from the asset has been expired or been transferred;
- all risk and rewards of ownership of the asset have been substantially transferred; and
- the entity no longer controls the asset (i.e. it has no practical ability to make unilateral decisions to sell the asset to a third party).

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of a debt instrument classified as at fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investment revaluation reserve is reclassified to profit or loss.

On derecognition of an investment in equity which was elected to be classified under fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

Impairment of financial assets
The Fund recognises a loss allowance for expected credit losses on:
- financial assets that are measured at amortised cost or fair value through other comprehensive income;
- loan commitments that are not measured at fair value through profit or loss; and
- financial guarantee contracts that are not measured at fair value through profit or loss.

Loss allowance is not recognised for:
- financial assets measured at fair value through profit or loss; or
- equity instruments measured at fair value through other comprehensive income.

Expected credit losses (ECL) are the probability−weighted estimate of credit losses over the expected life of a financial instrument. A credit loss is the difference between all contractual cash flows that are due and all cash flows expected to be received, all discounted at the original effective interest rate of the financial instrument.

The Fund uses the following approaches to impairment, as applicable under AASB 9: Financial Instruments:
- the general approach;
- the simplified approach;
- the purchased or originated credit impaired approach; and
- low credit risk operational simplification.

General approach
Under the general approach, at each reporting period, the Fund assesses whether the financial instruments are credit−impaired, and if:
− the credit risk of the financial instrument has increased significantly since initial recognition, the Fund measures the loss allowance of the financial instruments at an amount equal to the lifetime expected credit losses; and

Note 2. Significant Accounting Policies (continued)

− there is no significant increase in credit risk since initial recognition, the Fund measure the loss allowance for that financial instrument at an amount equal to 12−month expected credit losses.

Simplified approach
The simplified approach does not require tracking of changes in credit risk in every reporting period, but instead requires the recognition of lifetime expected credit loss at all times.

This approach is applicable to:
− trade receivables; and
− lease receivables

In measuring the expected credit loss, a provision matrix for trade receivables was used taking into consideration various data to get to an expected credit loss (i.e. depending on the diversity of its customer base, appropriate groupings of its historical loss experience, etc.).

Purchased or originated credit impaired approach
For a financial asset that is considered to be credit impaired (not on acquisition or originations), the Fund measures any change in its lifetime expected credit loss as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Any adjustment is recognised in profit or loss as an impairment gain or loss.

Evidence of credit impairment includes:
− significant financial difficulty of the issuer or borrower;
− a breach of contract (e.g. default or past due event);
− where a lender has granted to the borrower a concession, due to borrower's financial difficulty, that the lender would not otherwise consider;
− it is probable the borrower will enter bankruptcy or other financial reorganisation; and
− the disappearance of an active market for the financial asset because of financial difficulties.

Low credit risk operational simplification approach
If a financial asset is determined to have low credit risk at the initial reporting date, the Fund assumes that the credit risk has not increased significantly since initial recognition and accordingly that it can continue to recognise a loss allowance of 12−month expected credit loss.

In order to make such determination that the financial asset has low credit risk, the Fund applies its internal credit risk ratings or other methodologies using a globally comparable definition of low credit risk.

A financial asset is considered to have low credit risk if:
− there is a low risk of default by the borrower;
− the borrower has strong capacity to meet its contractual cash flow obligations in the near term; and
− adverse changes in economic and business conditions in the longer term, may, but not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

A financial asset is not considered to carry low credit risk merely due to existence of collateral, or because a borrower has a lower risk of default than the risk inherent in the financial assets, or lower than the credit risk of the jurisdiction in which it operates.

Impairment of loans receivable
Shortfalls on the amount invested in mortgage investments are borne by Fund investors as ordinary investment risk.

For impairment provisioning purposes, the Responsible Entity allocates all mortgage investments into three distinct classifications: performing, under−performing and non−performing. In assessing the classification of mortgage investments the Responsible Entity has defined a default as the point in time it forms a view that the principal loan balance owed to the Fund on any loan receivable will not be repaid in full and has assessed the risk of such default in determining the categorisation of each loan.

Loans receivable migrate through the following classifications based on the change in credit risk since initial recognition:

Note 2. Significant Accounting Policies (continued)

Performing
The Fund collectively assesses ECL's on exposures, where there has not been a significant increase in credit risk since initial recognition and that were not credit impaired upon origination. For these exposures, the Fund recognises as a collective provision the portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months. Expected shortfalls (credit losses) are forecast based on historical loss experience for a 12−month period, the loan to valuation ratio, security location and borrower exit strategy. The Fund assesses loans monthly and does not provide mortgage investments with terms greater than 12 months. Since inception, the Fund has not incurred a charge nor provisioned for a loss and the principal of all loans have been recovered in full.

The Fund classifies a mortgage investment as Past Due and Performing when the investment is in arrears and interest greater than 30 days is outstanding and one or more of the following applies:

- The Fund has received notice of refinance of the mortgage investment or sale of the secured property; or
- An assessment has been made that as at the date of the assessment the Responsible Entity forms the view that the principal loan amount owed to the Fund will be repaid in full; or
- The loan to valuation ratio applicable to the mortgage investment is sufficiently low based on the location of the security property that the Responsible Entity forms the view that the principal loan amount owed to the Fund will be repaid in full.

The Fund also considers forward looking information to assess whether the historical loss rate is inconsistent with expectations taking into account future economic conditions such as unemployment rates, inflation, interest rates and other macro−economic data both nationally and internationally.

Under−Performing
The Fund collectively assesses ECL's on exposures where there has been a significant deterioration in credit risk since initial recognition but are not credit impaired. The Fund classifies a mortgage investment as under-performing when the following occurs:

i) they are in arrears and interest greater than 30 days is outstanding;
ii) the Fund has received no notice of refinance of the mortgage investment or sale of the secured property; and
iii) have not been assessed for provisioning.

The Fund will conduct an individual assessment on under−performing loans and the increase in credit risk is not, of itself, an event that could have detrimental impact on future cash flows. The Fund does not hold mortgage investments with an initial term greater than 12 months.

Non−Performing
The Fund identifies individually, ECL's on those exposures that are assessed as credit impaired based on objective evidence of impairment. The Fund estimates loss provisioning on a non−performing categorised investment when there are quantitative or qualitative factors indicating that an individual mortgage investment may be impaired. The provision is determined as the expected shortfall between the outstanding balance and the mortgage security after accounting for cost of realisation.

Quantitative factors that trigger the Fund to assess the potential specific impairment of mortgages include:

i) in arrears and interest greater than 90 days is outstanding;
ii) the Fund has received no notice of refinance of the mortgage investment or sale of the secured property; and
iii) an assessment has been made that as at the date of the assessment the Responsible Entity forms the view that the principal loan amount owed to the Fund on any loan receivable will not be repaid in full.

Qualitative factors that trigger the Fund to assess the potential specific impairment of mortgages include:

i) the nature and substance of communication with borrowers in arrears; and
iI) assessment of past performance of similar loans, including characteristics such as collateral location, loan purpose and exit strategy.

Note 2. Significant Accounting Policies (continued)

Determining the stage for impairment
At each reporting date, the Fund assesses whether there has been a significant increase in credit risk for exposure since initial recognition by comparing the risk of default occurring over the remaining expected life from the reporting date and the date of initial recognition. The Fund considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and also, where appropriate, forward−looking analysis.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses a previously assessed significant increase in credit risk since origination, then the allowance for expected credit losses reverts from its lifetime ECL to a 12−month ECL. Exposures that have not deteriorated significantly since origination are considered to have a low credit risk. The allowance for credit losses for these loans receivable are based on a 12−month ECL.

Loans that are credit impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows discounted by the effective interest rate.

Credit quality of loans receivable
The Fund has an internally developed credit rating scale derived from historical data to assess the potential default risk in lending. The Fund has a pre−defined counterparty probabilities of default across loans receivable.

Inputs, assumptions and techniques used for estimating impairment
In assessing the impairment of loans receivable under the ECL model, the Fund defines default generally when the Responsible Entity (Australian Secure Capital Fund Ltd) forms the view that it is unlikely that the principal loan amount owed to the Fund on any loan receivable will be repaid in full.

Recognition of expected credit losses in financial statements
At each reporting date, the Fund recognises the movement in the loss allowance as an impairment gain or loss in the statement of profit or loss and other comprehensive income.

The carrying amount of financial assets measured at amortised cost includes the loss allowance relating to that asset.

In assessing these risks, the directors rely on readily available information such as loan to valuation ratios (LVR's). In addition, the directors consider other indicators such as adverse changes in business, economic or financial conditions that could affect the borrower's ability to meet its debt obligation or unexpected changes in the borrower's operating results.

Should any of these indicators imply a significant increase in the instrument's credit risk, the Fund recognises for this instrument lifetime expected credit losses.

(k) Cash and Cash Equivalents
Cash and cash equivalents include cash on hand, deposits held at call with banks, other short−term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(l) Revenue Recognition (including interest income)
Interest revenue is recognised using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

All revenue is stated net of the amount of goods and services tax.

Note 2. Significant Accounting Policies (continued)

(m) Goods and Services Tax (GST)

Management fees and other expenses are recognised net of the amount of Goods and Services Tax (GST) recoverable from the Australian Tax Office (ATO) as a Reduced Input Tax Credit (RITC) at a rate of 75% of GST.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in payments for operating expenses.

(n) Critical Accounting Estimates and Judgements

The directors evaluate estimates and judgements incorporated into the interim financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Fund.

(o) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Note 3. Unitholder's Distributions

Distributions paid and payable by the Fund for the half-year are:

	31 December 2019 $	31 December 2018 $
Distributions paid during the period	2,484,124	1,184,273
Total distributions paid during the period	2,484,124	1,184,273

Note 4. Auditor's Remuneration

Remuneration of the auditor is only disclosed in the annual financial statements

Note 5. Cash and Cash Equivalents

	31 December 2019 $	30 June 2019 $
Current assets		
Cash at bank	9,772,514	2,189,698
	9,772,514	2,189,698

Cash at bank is restricted, as the Funds are either investor Funds not yet invested in a mortgage or borrowers Funds held in Fund.

Reconciliation of cash

Cash at end of the half-year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Note 5. Cash and Cash Equivalents (continued)

	31 December 2019 $	30 June 2019 $
Cash at bank	9,772,514	2,189,698
	9,772,514	2,189,698

Note 6. Loans Receivable

	31 December 2019 $	30 June 2019 $
Current assets		
Loans Receivable	57,907,868	44,348,058
Total Loans Receivable	57,907,868	44,348,058
Funds Advanced to Borrowers Not Yet Recognised as Receivable	335,000	-
	58,242,868	44,348,058

a. Financial Commitments

The Fund has the following undrawn Loans Receivable commitments

	31 December 2019 $	30 June 2019 $
Approved Loans Receivable	58,242,868	44,348,058
Less: Loans Receivable Drawn Down	(58,242,868)	(44,348,058)
Undrawn Loan Commitment	-	-

b. Credit Risk

The Fund has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The main source of credit risk to the Fund is considered to relate to the class of assets described as 'loans receivable".

A breakdown of the quality of the registered mortgages held as security is as follows:

Note 6. Loans Receivable (continued)

Loan Amounts Assessed on Terms of Principal Outstanding	31 December 2019 No.	31 December 2019 $	30 June 2019 No.	30 June 2019 $
Loan to Valuation Ratio >81%	1	20,000	-	-
Loan to Valuation Ratio 71 - 80%	37	27,299,010	41	19,098,500
Loan to Valuation Ratio 61 - 70%	21	15,590,529	21	13,893,750
Loan to Valuation Ratio 51 - 60%	15	7,310,820	9	6,698,000
Loan to Valuation Ratio 41 - 50%	3	1,955,000	8	2,885,700
Loan to Valuation Ratio 25 - 40%	3	1,211,000	7	1,513,858
Loan to Valuation Ratio <25%	1	4,500,000	2	160,000
	81	57,886,359	88	44,249,808

Loan Amounts Assessed on Terms of Total Amounts Outstanding	31 December 2019 No.	31 December 2019 $	30 June 2019 No.	30 June 2019 $
Loan to Valuation Ratio >81%	5	3,733,990	9	3,104,044
Loan to Valuation Ratio 71 - 80%	35	28,499,305	38	19,081,805
Loan to Valuation Ratio 61 - 70%	18	10,874,922	16	11,311,551
Loan to Valuation Ratio 51 - 60%	14	6,234,464	10	6,869,397
Loan to Valuation Ratio 41 - 50%	3	1,997,652	9	2,984,612
Loan to Valuation Ratio 25 - 40%	5	2,410,828	4	1,372,660
Loan to Valuation Ratio <25%	1	4,158,157	2	160,000
	81	57,909,318	88	44,884,069

Reconciliation of Loan Amounts Assessed on Terms of Total Amounts Outstanding	Notes	31 December 2019 $
Loans Receivable	6	57,907,868
Loan Management Fees Receivable	7	1,115
Legal & Marketing Fees Receivable	7	335
		57,909,318

c. Impairment of Financial Assets

Expected credit losses are assessed by the Fund in accordance with the accounting policies outlined in Note 2(j). The directors have performed an assessment of expected credit losses in relation to loans receivable in the statement of financial position as at the end of the reporting period, and have determined that there has been no significant increase in credit risk during the period.

As at 30 June 2019, the Fund had no Loans Receivable that had been classified as impaired.

As at 31 December 2019, the Fund had no Loans Receivable that had been classified as impaired.

d. Collateral Held as Security

All loans receivable are secured with registered mortgages against residential property.

Note 6. Loans Receivable (continued)

e. Collateral Pledged
No trade and other receivable balances have been pledged as collateral.

f. Fair Value
Loans receivable are expected to be recovered within a short term and fair value is therefore equivalent to carrying amount.

Allowance for expected credit losses

Aged Assets Analysis
An analysis of the outstanding principal relating to mortgage investments which are past due is detailed below:

	31 December 2019 No of Loans	31 December 2019 $	30 June 2019 No of Loans	30 June 2019 $
Past due but performing:				
Performing				
31 −90 days	4	1,795,679	5	6,161,250
91 − 180 days	5	2,303,564	1	640,000
181 +days	5	2,038,663	4	1,344,107
Mortgage in possession	-	-	-	-
Past due but performing	14	6,137,906	10	8,145,357
Past due but under performing				
Under−performing				
31 − 90 days	-	-	-	-
91 −180 days	4	4,254,693	3	892,000
181 +days	7	2,753,361	2	384,000
Mortgage in possession	-	-	-	-
Past due and under−performing	11	7,008,054	5	1,276,000
Impaired and past due:				
Non−performing				
31 − 90 days	-	-	-	-
91 −180 days	-	-	-	-
181 +days	-	-	-	-
Mortgage in possession	-	-	-	-
Total impaired and past due	-	-	-	-
Total past due	25	13,145,960	15	9,421,357

Only loans and receivables that are past due in excess of 30 days are assessed and allocated into the above three categories.

Note 7. Other Receivables

	31 December 2019 $	30 June 2019 $
Current assets		
Loan Management Fees Receivable	1,115	35,705
GST Refundable	188,053	65,108
Legal & Marketing Fees Receivable	335	10,561
	189,503	111,374

Note 8. Trade and Other Payables

	31 December 2019 $	30 June 2019 $
Current liabilities		
Performance Fees Payable	1,301,337	488,402
Other Creditors	3,103	-
Withholding Tax Payable	3,796	3,738
	1,308,236	492,140

a. Financial liabilities at amortised cost classified as trade and other payables:

	31 December 2019 $	30 June 2019 $
Trade & Other Payables		
- Total Current	1,308,236	492,140
	1,308,236	492,140

b. The fair value of financial liabilities (including trade and other payables) is equivalent to their carrying amount.

Note 9. Borrowings

	31 December 2019 $	30 June 2019 $
Current liabilities		
Loan - Australian Secured Capital Fund Ltd	6,820	16,775
	6,820	16,775

Note 10. Issued Units

a. Units on Issue

The Fund has authorised 66,889,829 (30 June 2019: 46,140,215) units on issue at $1 each amounting to $66,889,829 (30 June 2019: $46,140,215).

	6 Months to 31 December 2019 No.	6 Months to 30 June 2019 No.
Number of fully paid units		
At beginning of the reporting period	46,140,215	30,620,052
Units issued during the year	69,201,146	54,795,447
Units redeemed during the year	(48,451,532)	(39,275,284)
At the end of the reporting period	66,889,829	46,140,215

Units are of equal value and unit holders are entitled to share in the income of ASCF High Yield Fund in proportion to their unit holding. Upon liquidation each unit holder is entitled to a pro rata share of the Fund's net assets.

b. Capital Management

Management controls the capital of the Fund to ensure that adequate cash flows are generated to Fund its lending portfolio programs and that returns from investments are maximised. The board ensures that the overall risk management strategy is in line with this objective.

As a result of the ability to issue and redeem units, the capital of the Fund can vary depending on the demand for redemptions and applications to the Fund. The Fund is not subject to externally imposed capital requirements and issues and redeems units in accordance with the constitution and product disclosure statement.

The Fund's objectives for managing capital, being net assets attributable to unitholders is to manage the recoverability of the loans in consultation with unitholders and borrowers such that capital value of unitholders Funds is not compromised.

The board operates under policies approved by it. Risk management policies are approved and reviewed by the board on an annual basis. These include credit risk policies and future cash flow requirements. The Fund's capital consists of financial liabilities, supported by financial assets.

Note 11. Cash Flow Information

	6 Months to 31 December 2019 $	6 Months to 31 December 2018 $
Reconciliation of profit to unitholders with net cash provided by operating activities		
- Profit/(loss) for the year	-	-
- Profit/(loss) before investor distributions	2,484,124	1,184,273
- Increase/(decrease) in loans receivable	(14,303,132)	(10,569,997)
- Increase/(decrease) in other receivables	(466,792)	21,654
- (Increase)/decrease in trade and other payables	1,609,919	(47,503)
	(10,675,881)	(9,411,573)

Note 12. Events after the reporting period

The Fund has opted to change its legal name from ASCF #2 Fund to ASCF High Yield Fund.

Subsequent to 31 December 2019, the outbreak of what is now known as COVID-19 has continued to spread, resulting in significant volatility within the Australian and global economies as well as Government imposed social distancing practices. The Fund, and the Directors of the Responsible Entity are continuing to closely monitor the performance of the loans receivable in the Fund. As at the date of this interim financial report, whilst the Directors are not aware of any objective evidence of impairment to loans receivable that existed as at the reporting date, or to loans originated subsequent to the reporting date, it is also not practicable to estimate the future financial impact (if any) on the Fund, that may result from this significant global event.

Excluding the above, no other matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

Note 13. Related Party Transactions

The Fund's main related parties are as follows:

a. Entities controlled by the Fund
The Responsible Entity of ASCF Select Income Fund is Australian Secure Capital Fund Ltd.

b. Key Management Personnel:
The directors of the Responsible Entity at Note 13(a) are considered to be Key Management Personnel (KMP) of the Fund. The following directors of the Responsible Entity were in office during the period and up to the date of the report:

Richard John Taylor
Kosta Nicholas Giovanos
Filippo Sciacca

c. Other related parties
Other related parties include close family members of KMP and entities that are controlled or jointly controlled by those KMP, individually or collectively with their close family members.

Transactions with related parties
Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

Performance Fees are paid to the Responsible Entity for the management of the Loans and Investors. The performance fee is calculated and payable monthly. The Performance Fee is calculated as the balance of the Fund's returns after the payment of all Fixed interest payments to investors and other expenses of the Fund. Total performance fees paid in the 31 December 2019 financial half-year equate to $2,778,307 (6 months to 31 December 2018: $1,220,793).

There is an unsecured loan from the Responsible Entity for $6,820 in relation to Auditing fees paid by the Responsible Entity at 31 December 2019. (30 June 2019: $16,775).

Note 14. Key Management Personnel Unitholdings

Associates of Key Management Personnel of Filippo Sciacca, Kosta Giovanos & Richard Taylor held units in the Fund as follows:

	6 months to 31 December 2019 $	6 months to 31 December 2018 $
Opening Investments by Related Parties	3,997,735	5,684,023
Investments Placed by Related Parties During the Year	750,000	850,000
Redemptions Paid to Related Parties During the Year	(1,552,023)	(3,557,000)
Investments in the Fund at Balance Date	2,945,712	2,997,023
Distributions Received by Related Parties from the Fund	152,433	213,232

Except as disclosed above, no key management personnel have entered into any transactions with the Fund during the period and there were no material balances involving key management personnel's interests outstanding at period end.

Note 15. Financial Risk Management

Introduction
The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

Risk Management Structure
The Funds Responsible Entity is responsible for identifying and controlling risks. The Board of Directors supervises the Responsible Entity and is ultimately responsible for the overall risk management approach within the Fund.

Risk Measurement and Reporting System
Monitoring and controlling risks is primarily performed based on policies established by the Responsible Entity. These policies reflect the business strategy and market environment of the Fund, as well as the level of risk the Fund is willing to accept.

Risk Mitigation
The Fund has developed investment guidelines as part of its overall business strategies and its general risk management.

Excessive Risk
Concentration indicates the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentrations of risk arise when a number of financial instruments or loans and advances are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions
In order to avoid excessive concentration of risk, the Funds policies and procedures include guidelines to focus on maintaining a diversified portfolio. The board will manage excessive risk concentrations when they arise.

Market Risk
Market Risk is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.
The Fund is not exposed to currency risk and other price risk; and the Fund does not trade in the financial instruments it holds on its books.
The Fund is not materially exposed to movements in interest rates as Loans Receivable and Unitholders Funds are on fixed interest terms, with only minimal cash and cash equivalents on variable interest rates.

Note 15. Financial Risk Management (continued)

Credit Risk - Loans

Credit risk is the risk that a borrower will cause a financial loss for the Fund, by failing to discharge an obligation (loan default). The risk of losses from the loans undertaken is primarily reduced by the nature and quality of the security taken. The compliance plan only allows loans to borrowers on initial application at a maximum loan to valuation ratio of 80%. Valuers are selected from a panel approved by the board of directors of the Responsible Entity that meet strict criteria.

The Fund minimises concentrations of credit risk in relation to Loans Receivable by undertaking transaction with a large number of customers with in the specified category.

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

Liquidity Risk

Liquidity risk is the risk that the Fund will not be able to meet its short-term payment commitments as they fall due. Mortgage loans are relatively illiquid compared to some other assets classes and delays may occur in converting these investments into cash. This may affect distributions and/or redemptions to investors. The Responsible Entity maintains a policy to minimise liquidity risk by holding assets of the Fund in liquid investments such as cash. Quarterly and annual cashflow forecasting is also used to help monitor future cash flow requirements.

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cashflows. Units are redeemed at the end of the investment term in line with the product disclosure statement. The Directors do not envisage that the contractual maturity disclosed in the table will be representative of the actual cash outflows, as holders of these instruments typically retain them for the medium to long term.

As at June 2019	Less than 1 Month $	1 - 6 Months $	6 - 12 Months $	1 - 2 Years $
Outstanding Accounts	-	488,402	-	-
Withholding Tax Payable	-	3,738	-	-
Unsecured Liabilities	-	16,775	-	-
Unpaid Unitholder Distributions	-	-	-	-
Net assets attributable to unitholders	-	24,959,805	14,334,100	6,846,310
	-	25,468,720	14,334,100	6,846,310

As at 31 December 2019	Less than 1 Month $	1 - 6 Months $	6 - 12 Months $	1 - 2 Years $
Outstanding Accounts	-	1,301,337	-	-
Withholding Tax Payable	-	3,796	-	-
Unsecured Liabilities	-	6,820	-	-
Unpaid Unitholder Distributions	-	-	-	-
Net assets attributable to unitholders	-	30,867,969	23,773,650	12,248,210
Other Creditors	3,103	-	-	-
	3,103	32,179,922	23,773,650	12,248,210

Note 16. Fair Value Measurements

Fair value hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurement based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

Valuation techniques

The Fund selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Fund are consistent with one or more of the following valuation approaches:

- Market approach: valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.

- Income approach: valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.

- Cost approach: valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Fund gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

Loans and Receivables

The carrying value less expected credit losses of Loans Receivable is a reasonable approximation of their fair values. The allowance for expected credit losses are assessed each reporting period by Directors as disclosed at note 2.

Financial assets and liabilities are recorded at amortised cost. A financial asset shall be measured at amortised cost if both of the following conditions are met:
- The financial assets are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amounts outstanding.

Note 16. Fair Value Measurements (continued)

The Responsible Entity of the Fund has a control framework in place to monitor the measurement of fair value, particularly in relation to Level 3 instruments. The principles of this control framework are based on the following activities:

- Compliance Committee Meeting;
- Compliance Plan guidelines to determine appointment and engagement of approved registered valuers;
- Compliance Monitoring;
- Review of the Fund's Strategy; and
- Due diligence over new loans and rollover of loan facilities.

Note 17. Net Assets Attributable to Unitholders

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

	6 Months to 31 December 2019 No.	6 Months to 31 December 2019 $	6 Months to 30 June 2019 No.	6 Months to 30 June 2019 $
Opening Balance	46,140,215	46,140,215	30,620,052	30,620,052
Applications	69,201,146	69,201,146	54,795,447	54,795,447
Redemptions net of amounts rolled over	(48,451,532)	(48,451,532)	(39,275,284)	(39,275,284)
Closing Balance	66,889,829	66,889,829	46,140,215	46,140,215

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

Units are redeemed at the end of the investment term in line with the product disclosure statement, however, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

ASCF High Yield Fund
(Formerly known as ASCF #2 Fund)
Directors' declaration
31 December 2019

In accordance with a resolution of the directors of ASCF High Yield Fund, the directors of the trustee company declare that:

- The interim-financial statements and notes, present fairly the Fund's financial position as at 31 December 2019 and its performance for the half-year ended on that date in accordance with the Corporations Act 2001, including:

  Giving a true and fair view of its financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and

  Complying with Australian Accounting Standards AASB 134 Interim Financial Reporting; and

- There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Richard Taylor Director	Kosta Giovanos Director	Filippo Cciacca Director

27 March 2020

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Independent Auditor's Report

To the Members of ASCF High Yield Fund (formerly ASCF #2 Fund)

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of ASCF High Yield Fund (the Scheme) which comprises the statement of financial position as at 31 December 2019, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, 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 ASCF High Yield Fund does not give a true and fair view of the financial position of the Scheme as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Emphasis of matter – COVID-19

We draw attention to Note 12 of the half year financial report, which describes the circumstances relating to the material subsequent event regarding COVID-19 and the uncertainty surrounding any potential financial impact on the Scheme. Our opinion is not modified in respect of this matter.

Directors' responsibility for the half year financial report

The Directors of the Scheme 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 Scheme's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of ASCF High Yield Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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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*.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M C Bragg
Partner – Audit & Assurance

Brisbane, 27 March 2020