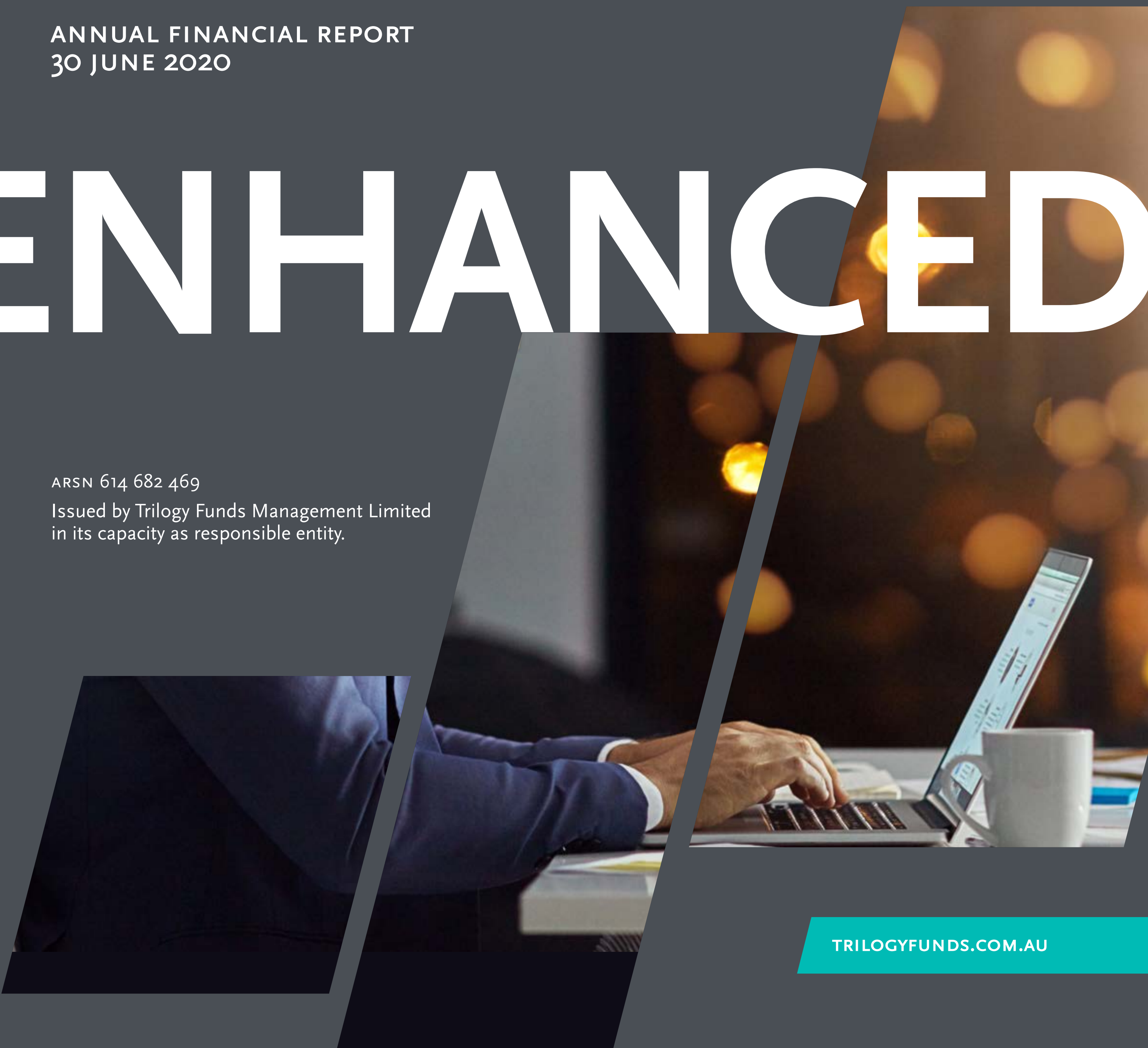
Trilogy Enhanced Income Fund

ANNUAL FINANCIAL REPORT
30 JUNE 2020

ENHANCED



ARSN 614 682 469

Issued by Trilogy Funds Management Limited in its capacity as responsible entity.

TRILOGYFUNDS.COM.AU

29 October 2020

MESSAGE FROM THE EXECUTIVE DEPUTY CHAIRMAN

As we all know FY 2020 was a particularly difficult one for all investors.

Our investors experienced another year of consistent and stable returns during the 2019-20 financial year. Despite market disruption, due to COVID-19, we were able to maintain our focus on preserving investors' capital and managing risk and continued to pay monthly distributions.

As market sentiment has improved, we have seen an increased number of investors adding to their existing Trilogy investments during a period where our flagship products have provided investors with competitive returns.

The exposure to the Trilogy Monthly Income Trust has underpinned the returns provided to investors in the Trilogy Enhanced Income Fund (Fund) in the recent low interest environment.

We thank you for your continued support of the Fund and remain committed to helping you achieve your financial goals. If you have any questions, please contact a member of our Investor Relations team on 1800 230 099 or email investorrelations@trilogyfunds.com.au.

Yours sincerely,

Rodger Bacon
Executive Deputy Chairman
Trilogy Funds Management Limited

Trilogy Enhanced Income Fund (Formerly Trilogy Enhanced Cash)
Contents page

Trilogy Enhanced Income Fund (Formerly Trilogy Enhanced Cash)
Directors' report
30 June 2020

The Directors of Trilogy Funds Management Limited, the Responsible Entity of Trilogy Enhanced Income Fund (Formerly Trilogy Enhanced Cash) (Scheme), present their report together with the financial statements of the Scheme for the year ended 30 June 2020. The Scheme was registered as a managed investment scheme on 15 September 2016.

Responsible Entity

The Responsible Entity is incorporated and domiciled in Australia. The registered office and principal place of business of the Responsible Entity and the Scheme is Level 23, 10 Eagle Street, Brisbane, QLD, 4000.

Directors

The names of the directors in office at any time during, or since the end of the period are:

Name and qualifications	***Age***	***Experience and special responsibilities***
Robert M Willcocks Independent Non-Executive Chairman BA, LL.B, LL.M	71	Member of the Audit Committee Former partner with Mallesons Stephen Jaques (now King & Wood Mallesons) Mr Willcocks has been a non-executive director (sometimes Chairman) of a number of listed companies and is currently a director of one such company Chairman - Responsible Entity since 9 October 2009
Rodger I Bacon Executive Deputy Chairman BCom(Merit), AICD, SFFin	74	Member of the Audit Committee Former executive director of Challenger International Limited Mr Bacon is a former director of several companies including, Financial Services Institute of Australasia. Director – Responsible Entity since 9 July 2004
John C Barry Executive Director BA, FCA	68	Chairman of the Audit Committee Former executive director of Challenger International Limited Mr Barry is a director of several companies, including former Chairman of Westpac RE Limited Director – Responsible Entity since 9 July 2004
Philip A Ryan Managing Director and Company Secretary LL.B, Grad Dip Leg Prac, FTIA, FFIN	59	Member of the Compliance Committee Mr Ryan is a solicitor and member of the Queensland Law Society Inc. Former partner of a Brisbane law firm Mr Ryan is a director of several companies Director – Responsible Entity since 13 October 1997
Rohan C Butcher Non-Executive Director Grad Dip PM, BASc(QS), Registered Builder, Licensed Real Estate Agent	51	Member of the Audit Committee Member of the Lending Committee Consultant to several major companies providing development management services Director – Responsible Entity since 29 July 2008

Principal activities

As noted above the Responsible Entity registered the Scheme as a managed investment scheme on 15 September 2016 and commenced operations from that date. The Scheme is domiciled in Australia.

The principal activity of the Scheme during the period was to invest a portion of the Scheme's funds in cash and cash-style investments such as a range of short to medium bank term deposits, bills of exchange, promissory notes, bonds, fixed or floating rate debt securities as well as income securities. These may be held directly or indirectly through listed or unlisted managed investment schemes, or other investment vehicles or portfolio arrangements. The remaining portion of the Scheme's funds are invested in another registered managed investment scheme operated by Trilogy, Trilogy Monthly Income Trust (TMIT), a registered pooled mortgage fund which makes loans secured by registered first mortgages. The Trust itself has no borrowings and there is no intention to borrow on behalf of the Trust. The purpose of the Scheme's investment mandate is to generate a competitive income stream for its investors. The Scheme did not have any employees during the year. The Responsible Entity aimed to pay investors withdrawals within 7 days notice, however the Constitution of the Scheme provided for withdrawals to be paid within a reasonable period not exceeding 6 months.

Impact of COVID-19 and review of operations and results

Impact of COVID-19

The COVID-19 pandemic has had a significant impact on global economic conditions. Credit spreads were severely impact by global investor sentiment which created a dislocation in the domestic fixed income market. To avoid disposing these securities at dislocated prices in order to meet the day to day operations of the Scheme, the Responsible Entity made the decision to extend the withdrawal period to 90 days, still within the 6 month period allowed. In April 2020 a new product disclosure statement (PDS) was issued. Features of this new PDS included the redemption notice period of approximately 90 days as well increasing the target allocation to TMIT from approximately 30% to 35%. This redemption notice period has since been reduced to 30 days in July 2020.

Financial overview

As a result of the reclassification of net assets attributable to unitholders from liabilities to equity under the Attribution Managed Investment Trust (AMIT) tax regime, the Scheme's distributions are no longer classified as a finance cost in the statement of comprehensive income, but rather as distributions paid in the statement of changes in equity.

The net profit attributable to unitholders for the year ended 30 June 2020 is $2,775,516 (2019: $1,570,964). The Scheme recorded no impairment losses during the year (2019: nil).

Distributions to unitholders during the year totalled $2,775,516 (2019: $1,570,964). The total carrying value of the Scheme’s assets as at 30 June 2020 was $75,522,964, representing a net asset value (NAV) of $1.00 per unit (2019: $1.00).

Distributions to unitholders

The return to unitholders of the Scheme was as follows (refer Note 5):	**30 Jun 2020**	30 Jun 2019
	$	$
Distributions paid during the period	**2,580,887**	1,438,436
Distributions payable at period end	**194,629**	132,528
	2,775,516	1,570,964
Average net return to unitholders p.a.	**3.81%**	4.52%

Trilogy Enhanced Income Fund (Formerly Trilogy Enhanced Cash)
Directors' report
30 June 2020

Impact of COVID-19 and review of operations and results (continued)

Units on issue
During the year 79,661,201 units were issued for cash (2019: 58,137,984), 627,419 units were issued through reinvestments of distributions (2019: 491,182), while 67,276,751 units were redeemed from the Scheme (2019: 32,516,927). The Scheme had 75,317,578 units units on issue at 30 June 2020 (2019: 62,305,709). The Scheme recorded no impairment losses during the year (2019: nil).

Indirect cost ratio (ICR)
The ICR is the ratio of the Scheme's management costs over the Scheme's average net assets for the period, expressed as a percentage.

Management costs include management fees and other expenses or reimbursements deducted in relation to the Scheme, but do not include transactional and operational costs. Management costs are deducted from distributions to unitholders.

The ICR for the Scheme for the year 30 June 2020 is 0.11% p.a. (30 June 2019: 0.31% p.a.).

Interests of the Responsible Entity

The following fees were paid to the Responsible Entity and its associates out of the Scheme property during the period (refer Note 13(c)).

	30 Jun 2020	30 Jun 2019
	$	$
Responsible Entity management fees	**120,194**	148,566
Responsible Entity management fees rebated	**(35,518)**	(37,477)
	84,676	111,089
Other fees and expenses		
Expenses incurred by the Responsible Entity and not reimbursed by the Scheme	**210,009**	291,439

The Responsible Entity (including its associates) does not hold any units in the Scheme as at 30 June 2020 (2019: nil).

Significant changes in the state of affairs

In the opinion of the Responsible Entity there were no significant changes in the state of affairs of the Scheme that occurred during the financial year.

Events subsequent to the end of the reporting period

Issue of a new PDS
As noted above, the Scheme's withdrawal requests were processed and the day to day operations of the Scheme began to normalise following the effects of the pandemic on the Scheme's investors. The Responsible Entity issued another PDS in July 2020 where the name of the Scheme was changed to better reflect the attributes of its investments. The Responsible Entity also took the opportunity to change the Scheme's redemption policy to 30 days from receipt of a notice from investors.

Events subsequent to the end of the reporting period (continued)

Other than the item noted above, there has not arisen in the interval between the end of financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

Likely developments and expected results of operations
The Scheme will continue to pursue its principal activities in the next financial year in order to achieve the target return for unitholders.

Environmental regulation
The operations of the Scheme 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 Scheme.

Options
No options were:

(i) Granted over unissued units in the Scheme during or since the end of the financial period; or
(ii) Granted to the Responsible Entity.

No unissued units in the Scheme were under option as at the date on which this report is made.

No units were issued in the Scheme during or since the end of the period as a result of the exercise of an option over unissued units in the Scheme.

Indemnification of officers
Indemnification
Under the Scheme constitution the Responsible Entity is required to indemnify all current and former officers of the Responsible Entity (but not including auditors) out of the property of the Responsible Entity against:

(a) any liability for costs and expenses which may be incurred by that person in defending civil or criminal proceedings in which judgement is given in that person’s favour, or in which the person is acquitted, or in the connection with an application in relation to any such proceedings in which the court grants relief to the person under the Corporations Act 2001; and
(b) a liability incurred by the person, as an officer of the Responsible Entity or of a related body corporate, to another person (other than the Responsible Entity or a related body corporate) unless the liability arises out of conduct involving a lack of good faith.

Insurance premiums
During the year, the Responsible Entity paid an insurance premium in respect of a contract insuring each of the officers of the Responsible Entity. The amount of the premium is, under the terms of the insurance contract, confidential. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Responsible Entity or related body corporates. This insurance premium does not cover auditors. The Scheme has not indemnified any auditor of the Scheme.

Proceedings on behalf of the Responsible Entity

No person has applied for leave of Court to bring proceedings on behalf of the Responsible Entity in relation to Scheme, or intervene in any proceedings to which the Responsible Entity in relation to the Scheme is a party, for the purpose of taking responsibility on behalf of the Responsible Entity for all or any part of those proceedings. The Responsible Entity was not a party to any such proceedings during the year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

This report is made in accordance with a resolution of the Directors of the Responsible Entity.

Philip A Ryan
Managing Director

28 October 2020
Brisbane

Rodger I Bacon
Executive Deputy Chairman

28 October 2020
Brisbane

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DECLARATION OF INDEPENDENCE BY P A GALLAGHER TO THE DIRECTORS OF TRILOGY FUNDS MANAGEMENT LIMITED FOR TRILOGY ENHANCED INCOME FUND (FORMERLY TRILOGY ENCHANCED CASH)

As lead auditor for the audit of Trilogy Enhanced Income Fund for the year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

P A Gallagher
Director

BDO Audit Pty Ltd

Brisbane, 28 October 2020

Trilogy Enhanced Income Fund (Formerly Trilogy Enhanced Cash)
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2020

	Note	2020 $	2019 $
Investment revenue - investments	4	**2,555,525**	1,685,114
Other income		**370,202**	-
		2,925,727	1,685,114
Expenses			
Net gain/(loss) on financial instruments held at fair value	9(a)	**(62,992)**	5,487
Responsible Entity management fees	13(c)	**(84,676)**	(111,089)
Other management fees		**-**	(6,422)
Bank fees		**(2,543)**	(2,126)
		(150,211)	(114,150)
Profit for the year before finance costs		**2,775,516**	1,570,964
Profit for the year attributable to unitholders		**2,775,516**	1,570,964
Other comprehensive income			
Other comprehensive income		**-**	-
Total comprehensive income for the year		**2,775,516**	1,570,964

Trilogy Enhanced Income Fund (Formerly Trilogy Enhanced Cash)
Statement of financial position
As at 30 June 2020

	Note	2020 $	2019 $
Assets			
Cash and cash equivalents	7	**3,368,940**	2,844,319
Trade and other receivables	8	**780,243**	415,209
Financial assets	9	**71,373,781**	60,709,461
Total assets		**75,522,964**	63,968,989
Liabilities			
Trade and other payables	10	**10,757**	1,530,752
Distributions payable	5	**194,629**	132,528
Total liabilities		**205,386**	1,663,280
Net assets attributable to unitholders	11	**75,317,578**	62,305,709

Trilogy Enhanced Income Fund (Formerly Trilogy Enhanced Cash)
Statement of changes in equity
For the year ended 30 June 2020

	Note	Contributed equity $	Accumulated profits/(losses) $	Total equity $
Balance at 1 July 2018		62,305,709	-	62,305,709
Comprehensive income:				
Profit for the year		-	1,570,964	1,570,964
Other comprehensive income for the year		-	-	-
Total comprehensive income for the year		-	1,570,964	1,570,964
Transactions with unitholders in their capacity as owners:				
Applications	11	58,137,984	-	58,137,984
Redemptions	11	(32,516,927)	-	(32,516,927)
Units issued upon reinvestment of distributions	11	491,182	-	491,182
Distributions paid/payable	11	-	(1,570,964)	(1,570,964)
Balance at 30 June 2019		62,305,709	-	62,305,709
Balance at 1 July 2019		**62,305,709**	**-**	**62,305,709**
Comprehensive income:				
Profit for the year		**-**	**2,775,516**	**2,775,516**
Other comprehensive income for the year		**-**	**-**	**-**
Total comprehensive income for the year		**-**	**2,775,516**	**2,775,516**
Transactions with unitholders in their capacity as owners:				
Applications	11	**79,661,201**	**-**	**79,661,201**
Redemptions	11	**(67,276,751)**	**-**	**(67,276,751)**
Units issued upon reinvestment of distributions	11	**627,419**	**-**	**627,419**
Distributions paid/payable	11	**-**	**(2,775,516)**	**(2,775,516)**
Balance at 30 June 2020		**75,317,578**	**-**	**75,317,578**

Trilogy Enhanced Income Fund (Formerly Trilogy Enhanced Cash)
Statement of cash flows
For the year ended 30 June 2020

	Note	2020	2019
		$	$
Cash flows from operating activities			
Interest received - cash and cash equivalents		**119,047**	212,768
Distributions received - managed investment schemes		**2,119,296**	1,393,570
Fees paid to the Responsible Entity		**(120,194)**	(99,013)
Other fees paid		**(1,295,342)**	(3,518)
Net cash provided by operating activities	12	**822,807**	67,387
Cash flows from investing activities			
Investments in managed investment schemes		**(18,990,337)**	(28,103,601)
Redemptions from managed investment schemes		**8,917,540**	15,795,000
Investments in corporate bonds		**(3,554,516)**	(13,406,082)
Redemptions from corporate bonds		**-**	10,503
Investments in short term bank deposits		**-**	(4,950,000)
Redemptions from short term bank deposits		**2,900,000**	5,860,000
Net cash used in investing activities		**(10,727,313)**	(24,794,180)
Cash flows from financing activities			
Distributions paid to unitholders		**(2,582,740)**	(1,436,420)
Receipts from issue of units		**13,011,867**	26,011,674
Receipts to be returned		**-**	1,400,382
Net cash provided by financing activities		**10,429,127**	27,412,056
Net increase in cash and cash equivalents		**524,621**	2,685,263
Cash at beginning of the reporting period		**2,844,319**	159,056
Cash and cash equivalents at end of financial year	7	**3,368,940**	2,844,319

Note 1 Reporting entity

Trilogy Enhanced Income Fund (Formerly Trilogy Enhanced Cash) (Scheme) is a registered managed investment scheme (MIS) under the Corporations Act 2001 (Act). The financial statements of the Scheme are for the year ended 30 June 2020. As stipulated by the Scheme's constitution, the life of the Scheme is limited to a period of not more than 80 years from the anniversary of the commencement of the Scheme. At this time, the Scheme is to realise the assets and distribute all surplus funds to unitholders. The Scheme is a for-profit entity.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts (MIT's) was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Attribution Managed Investment Trust (AMIT) regime allows MIT's that meet certain requirements to make an irrevocable choice to be an AMIT. In order to allow the Funds to elect into the AMIT tax regime, the Fund's constitution has been amended and the other conditions to adopt the AMIT tax regime have been met effective 1 July 2017. The Responsible entity is therefore no longer contractually obligated to pay distributions. Consequently the units in the fund have been re-classified from a financial liability to equity on 1 July 2017, see note 11 for further information.

Note 2 Basis of preparation

(a) Statement of compliance

The financial statements are a general purpose financial report which has been prepared in accordance with Australian Accounting Standards including Australian Accounting Interpretations adopted by the Australian Accounting Standards Board and the Act. The financial statements of the Scheme comply with International Financial Reporting Standards and interpretations in their entirety.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified where applicable, by the measurement at fair value of financial assets and financial liabilities. Assets and liabilities have been presented in decreasing order of liquidity, providing more reliable and more relevant information, due to the nature of activities of the Scheme.

The financial statements were approved by the Board of Directors of Trilogy Funds Management Limited (Responsible Entity) on 28 October 2020.

(b) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Scheme's functional currency.

(c) Key assumptions and sources of estimation

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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 and in any future period affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised are disclosed in:

- Note 8: Impairment losses (interest receivable);
- Note 14(b): Financial risk management (credit risk)

Note 3 Significant accounting policies

There are no new relevant Accounting Standards mandatory for future reporting periods which need to be considered for early adoption.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. The Scheme has not early adopted any accounting standard.

(a) Revenue and income recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Scheme and the revenue can be reliably measured. The following specific recognition criteria must also be met before income is recognised.

(i) Changes in the fair value of investments

Net gains or losses on investments held for trading or designated as at fair value through profit or loss are calculated as the difference between the fair value at sale, or at year end, and the fair value at the previous valuation point. This includes both realised and unrealised gains and losses, but does not include interest or dividend revenue.

(b) Expenses

All expenses, including management fees, are recognised in the statement of profit or loss and other comprehensive income on an accruals basis.

(c) Taxation

Under current legislation the Scheme is not subject to income tax as its taxable income including assessable realised capital gains is distributed in full to the unitholders. The Scheme fully distributes its distributable income, calculated in accordance with the Scheme's constitution and applicable taxation legislation, to the unitholders who are presently entitled to the income under the constitution.

Realised capital losses are not distributed to unitholders but are retained in the Scheme to be offset against any future realised capital gains. If realised capital gains exceeds realised capital losses the excess is distributed to the unitholders.

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised that portion of the gain that is subject to capital gains tax will be distributed so that the Scheme is not subject to capital gains tax.

(d) Unit prices

The unit price is based on unit price accounting outlined in the Scheme's Constitution and Product Disclosure Statement (PDS).

The unit price, both when acquiring units in the Scheme and when withdrawing from the Scheme, is fixed at $1.00 per unit. Generally, the price of units in a managed investment scheme varies as the market value of assets rises or falls, however the Scheme is operated using a fixed price methodology whereby the unit price is always fixed at $1.00.

The Responsible Entity aims for the net asset value of each unit to be kept at $1.00 by calculating, allocating and distributing interest and other income (which may include income received or accrued and unrealised gains) earned on the Scheme's investments at the end of the each month.

Note 3 Significant accounting policies (continued)
(d) Unit prices (continued)

If at the end of any month the net asset value of each unit is less than $1.00 then, depending on the amount by which the value is less than $1.00, there are mechanisms under the Scheme's constitution to bring the net asset value of a unit to $1.00, which include suspending applications and redemptions until income is received or accrued to bring the value per unit to $1.00, choosing to redeem investors' units and, in some circumstances, the Responsible Entity may be bound to compulsorily redeem investors' units on a pro rata basis.

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

(i) the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;

(ii) the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;

(iii) the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and

(iv) the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

Effective from 1 July 2017, the Fund's units have been reclassified from financial liability to equity as they satisfied all the above criteria.

(e) Distributions to unitholders

Distributions to unitholders on units issued are recognised in the statement of changes in equity from 1 July 2017 as distributions paid/payable. Distributions paid to unitholders are included in cash flows from operating activities in the statement of cash flows.

(f) Applications and redemptions

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

The application and redemption prices are determined as the net asset value of the Scheme per the Constitution adjusted for the estimated transaction costs, divided by the number of units on issue on the date of the application or redemption.

(g) Terms and conditions of units on issue

The Scheme has assets consisting of mortgages and cash. Initially unitholders funds are placed in a short term investment account for which those unitholders are issued Cash units. Cash units are entitled to income distributions calculated on the interest earned from the short term investment account (no management fees or management costs are levied on Cash units).

Once a suitable investment opportunity is found, the unitholders funds are removed from the short term investment account and their Cash units are converted into Allocated units, whereby their funds are lent to approved borrowers. Allocated units are entitled to income distributions from earnings of the Scheme (less costs).

Note 3 Significant accounting policies (continued)
(g) Terms and conditions of units on issue (continued)

Each unit confers upon the unitholder an equal interest in the Scheme and is of equal value. A unit does not confer an interest in any particular asset or investment of the Scheme. Unitholders have various rights under the Constitution and the Corporations Act 2001, including the right to:

- have their units redeemed;
- receive income and capital distributions;
- attend and vote at meetings of unitholders; and
- participate in the termination and winding up of the Scheme.

(h) Finance costs
Interest expense includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of the interest-bearing financial liability and its amount at maturity calculated on an effective interest rate basis.

(i) Trade and other receivables
Receivables are recorded at amortised cost less impairment and may include amounts for distributions and interest. Distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment. Amounts are generally received within 30 days of being recorded as receivables.

(j) Statement of changes in equity
The scheme has completed a statement of changes in equity as all unitholders funds have been classified as equity from 1 July 2017.

(k) Goods and services tax
Management fees and other expenses are recognised net of the amount of GST recoverable from the Australian Taxation Office (ATO) as a reduced input tax credit (RITC).

Payables are stated with the amount of GST included.

The GST recoverable from the ATO is included in trade and other receivables, while GST payable to the ATO is included in trade and other payables, both of which are presented in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis.

(l) Trade and other payables
Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Scheme during the reporting period, which remains unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(m) Impairment of non-financial assets
At the end of each reporting period, the Responsible Entity assesses whether there is any indication that an asset may be impaired. The assessment will include considering external and internal sources of information. For mortgage loans such information includes but is not limited to:

Note 3 Significant accounting policies (continued)

(m) Impairment of non-financial assets (continued)

- Valuations of security properties completed by registered valuers;
- Appraisals from real estate agents;
- Actual sale prices realised on completed projects;
- Recent offers to purchase security properties arising out of marketing campaigns;
- Current market conditions at the reporting date;
- Status of individual loans; and
- Estimated time to realise mortgage loans and interest receivable.

If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset to its carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of profit or loss and other comprehensive income.

A provision for impairment loss represents estimates of losses that may be incurred based on a number of assumptions, including amounts that may be received upon repayment or sale of an underlying security and the period until funds are returned. In the current economic conditions there is uncertainty as to the amount that could be realised on the sale of underlying securities, and the time it may take to achieve a sale. Accordingly, actual impairment losses incurred may differ significantly from estimates of impairment losses.

Where it is not possible to estimate the recoverable amount of an individual asset, the Responsible Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(n) Comparative figures

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

Note 4 Revenue from investments

	2020			2019		
	Average balance $	**Interest revenue $**	**Weighted average rate p.a.%**	Average balance $	Interest revenue $	Weighted average rate p.a.%
Cash & TDs	**2,210,425**	**1,120**	**0.35%**	4,462,500	118,302	2.61%
MIS*	**59,729,135**	**2,289,114**	**3.72%**	9,733,796	1,473,917	4.49%
Directly held debt instruments	**16,690,375**	**265,291**	**1.59%**	12,097,115	92,895	4.10%
Total revenue		**2,555,525**	**3.50%**		1,685,114	4.33%

*MIS represents investments held in unlisted managed investment schemes.

Weighted average balance is comprised of the balance of each identified investment vehicle held by the Fund at the end of each month for a 12 month period prior to June 2020. The weighted average rate is the blended rate returned by the Fund based on the investment rate returned for a 12 month period prior to June 2020.

Direct holdings represent debt instruments held by the Scheme and managed under an Investment Management Agreement (IMA) with an external service provider.

Note 5 Distributions to unitholders

	2020		2019	
	$	**Cents/unit**	$	Cents/unit
Ordinary units				
Distribution paid during the period	**2,580,887**	**3.56**	1,438,436	4.13
Distribution payable at period end	**194,629**	**0.25**	132,528	0.39
	2,775,516	**3.81**	1,570,964	4.52

Note 6 Auditor's remuneration

During the period the following fees were paid or payable for services provided by the auditor of the Scheme, BDO Audit Pty Ltd (i):

	2020	2019
	$	$
Audit and other assurance services		
• Audit of the financial statements	**21,900**	15,000
• Audit of the compliance plan	**3,250**	3,000
Total remuneration for audit and other services	**25,150**	18,000

(i) Auditor's remuneration and taxation fees are paid by the Responsible Entity, not by the Scheme (refer Note 13).

Note 7 Cash and cash equivalents

	2020	2019
	$	$
Cash at bank	**3,368,940**	2,844,319

Note 8 Trade and other receivables

	2020	2019
	$	$
Interest receivable - term deposits	**-**	23,824
Distributions receivable - MIS	**388,504**	291,473
Other receivables	**391,739**	100,575
GST receivable/(payable)	**-**	(663)
	780,243	415,209

(a) Impairments
The Scheme recorded no impairment losses in respect of trade and other receivables for the period as part of the annual balance date review procedures.

(b) Past due but not impaired receivables
As at 30 June 2020 none of the Scheme's trade and other receivables were past due, nor were they impaired.

(c) Collateral pledged
No collateral is held over trade and other receivables.

Note 9 Financial assets

	2020	2019
	$	$
Short term bank deposits	**-**	2,900,000
Investments in unlisted Managed Investment Schemes (i)	**54,427,756**	44,417,951
Directly held debt instruments	**16,946,025**	13,391,510
	71,373,781	60,709,461

(i) The Scheme's investment mandate stipulates that investor funds are to be invested at a ratio of approximately 65% into cash and cash style investments (including unlisted MIS and rated corporate bonds) and approximately 35% into the Trilogy Monthly Income Trust, a registered managed investment scheme for which Trilogy Funds Management Limited also acts as responsible entity.

The Scheme's investments are carried at fair value through profit or loss.

(a) Movement in financial assets

	2020	2019
	$	$
Balance at beginning of period	**60,709,461**	35,909,793
Cash investments	**22,544,852**	46,459,684
Redemption of cash investments	**(11,817,540)**	(21,665,503)
Fair value gain/(loss) on investments	**(62,992)**	5,487
Balance at end of period	**71,373,781**	60,709,461

(b) Recognised fair value measurements

(i) Fair value hierarchy
This section explains the judgements and estimates made in determining the fair value of the Scheme's investment in unlisted managed investment schemes. To provide an indication about the reliability of the inputs used in determining fair value, the Scheme has classified its investments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

	Level 1	**Level 2**	**Level 3**	**Total**
	$	**$**	**$**	**$**
2020				
Short term bank deposits	-	-	-	-
Investments in unlisted MIS	-	54,427,756	-	54,427,756
Directly held debt instruments		16,946,025	-	16,946,025
	-	71,373,781	-	71,373,781
2019				
Short term bank deposits	2,900,000	-	-	2,900,000
Investments in unlisted MIS	-	44,417,951	-	44,417,951
Directly held debt instruments	-	13,391,510	-	13,391,510
	2,900,000	57,809,461	-	60,709,461

Note 9 Financial assets (continued)
(b) Recognised fair value measurements (continued)
(i) Fair value hierarchy (continued)

There were no transfers between levels 1, 2 or 3 during the period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level in the fair value measurement hierarchy as follows:

Level 1: the instrument has quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: a valuation technique is used using inputs other than quoted prices within level 1 that are observable for the financial instrument, either directly (i.e. as prices), or indirectly (i.e. derived from prices); and
Level 3: a valuation technique is used using inputs that are not observable based on observable market data (unobservable inputs).

(ii) Valuation techniques used to determine level 2 and level 3 fair values
The fair value of the financial asset not traded in an active market (investments in unlisted managed investment schemes) is determined using valuation techniques which uses observable market data.

Note 10 Trade and other payables

	2020	2019
	$	$
Trade payables	**9,196**	130,368
Other payables*	**1,561**	1,400,384
	10,757	1,530,752

* 2019 included investor funds to be returned, which were returned in July 2019

Note 11 Net assets attributable to unitholders

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

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

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

	2020		2019	
	Ordinary units	**Contributed capital**	Ordinary units	Contributed capital
	No	**$**	No	$
Balance - 1 July	**62,305,709**	**62,305,709**	36,193,470	36,193,470
Units issued	**79,661,201**	**79,661,201**	58,137,984	58,137,984
Units issued upon reinvestment of distributions	**627,419**	**627,419**	491,182	491,182
Units redeemed	**(67,276,751)**	**(67,276,751)**	(32,516,927)	(32,516,927)
Distributions paid and payable	**-**	**(2,775,516)**	-	(1,570,964)
Profit for the year	**-**	**2,775,516**	-	1,570,964
Balance - 30 June	**75,317,578**	**75,317,578**	62,305,709	62,305,709

Note 11 Net assets attributable to unitholders (continued)

Net asset value per unit	**2020**	2019
Net asset value per unit as at 30 June	**$1.00**	$1.00

Units in the Scheme entitle the unitholder to participate in distributions and proceeds on the winding up of the Scheme in proportion to the number of units held.

On a show of hands each unitholder present at a meeting in person or by proxy is entitled to one vote, and on a poll each member has one vote for each dollar of the value of the total units they have in the Scheme.

Note 12 Reconciliation of cash flows from operating activities

	2020	2019
	$	$
Profit for the year attributable to unitholders	**2,775,516**	1,570,964
Adjustments for:		
Fair value movement of financial instruments held at fair value	**62,994**	(5,487)
Distributions to unitholders	**-**	(1,570,964)
Changes in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables*	**(365,034)**	(76,615)
(Decrease)/increase in trade and other payables*	**(1,650,669)**	127,983
(Decrease)/increase in distributions payable	**-**	21,506
Net cash used in operating activities	**822,807**	**67,387**

*Net of funds to be received / returned to investors

Note 13 Related party transactions

(a) Responsible Entity
The Responsible Entity of the Trilogy Enhanced Income Fund (Formerly Trilogy Enhanced Cash) is Trilogy Funds Management Limited ABN 59 080 383 679.

(b) Key management personnel
The Scheme does not employ personnel in its own right. However it is required to have an incorporated Responsible Entity to manage the activities of the Scheme. The Executive Directors of the Responsible Entity are key personnel of that entity and their names are Rodger I Bacon, John C Barry and Philip A Ryan. The Responsible Entity also has two Non-Executive Directors being Robert M Willcocks and Rohan C Butcher.

The Responsible Entity is entitled to a management fee which is determined on a daily basis, calculated on the total value of units on issue in the Scheme.

No compensation is paid to the Directors of the Responsible Entity or to the key personnel of the Responsible Entity by the Scheme.

(c) 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.

Note 13 Related party transactions (continued)

(c) Transactions with related parties (continued)

The following transactions occurred with related parties:

i. Transactions recorded in the statement of profit or loss and other comprehensive income

	2020	2019
	$	$
Fees paid directly by the Scheme		
Responsible Entity management fees (i)	**120,194**	148,566
Responsible Entity management fees rebated (i)	**(35,518)**	(37,477)
	84,676	111,089

ii. Transactions not recorded in the statement of profit or loss and other comprehensive income

	2020	2019
	$	$
Fees not paid directly by the Scheme (ii)		
Audit and other assurance services (refer Note 6)	**25,150**	18,000
Bank fees	**200**	200
Compliance fees	**9,379**	41,145
Custodian fees	**14,875**	15,000
Marketing costs	**90,941**	172,981
Research fees	**30,304**	14,500
Taxation fees	**6,928**	4,750
Legal fees	**19,750**	-
Postage and printing	**12,482**	24,863
	210,009	291,439

iii. Balances recorded in the statement of financial position

	2020	2019
	$	$
Payables		
Trade and other payables (i)	**-**	16,954

(i) The Responsible Entity is entitled to a management fee of 0.35% p.a. (plus GST). This fee is calculated on the total value of units held by the Scheme. The Responsible Entity has waived a portion of its management fee during the period. Costs are paid for by the Responsible Entity, or a related party to it, on behalf of the Scheme.

(d) Related party investments held by the Scheme

Details of holdings by the Scheme in the Responsible Entity, other schemes operated by the Responsible Entity and entities associated with Directors of the Responsible Entity are as follows:

Note 13 Related party transactions (continued)

(d) Related party investments held by the Scheme (continued)

	Interest held %	Unitholding $	Units issued No.	Units redeemed No.	Distributions paid and/or payable $
2020					
Trilogy Monthly Income Trust	33.88	25,520,930	25,520,930	-	1,886,892
2019					
Trilogy Monthly Income Trust	30.97	19,297,553	11,370,201	3,595,000	1,004,385

(e) Units in the Scheme held by other related parties

Details of holdings in the Scheme by the Responsible Entity, other schemes operated by the Responsible Entity and entities associated with Directors of the Responsible Entity are as follows:

	Interest held %	Unitholding $	Units issued No.	Units redeemed No.	Distributions paid and/or payable $
2020					
Trilogy Monthly Income Trust	19.98	15,050,000	15,050,000	-	523,071
2019					
Trilogy Monthly Income Trust	15.10	13,350,000	13,350,000	-	517,893

(f) Key management personnel loan disclosures

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

(g) Other transactions within the Scheme

Apart from those details disclosed in this note, no Director has entered into a material contract with the Scheme from inception to the end of the financial period and there were no material contracts involving Directors' interests subsisting at year end.

Note 14 Financial risk management

Overview

The Scheme's assets principally consist of investments in short term bank deposits and investments in other unlisted managed investment schemes. It holds these investment assets at the discretion of the Responsible Entity in accordance with the Scheme's constitution and PDS.

Specific financial risk exposures and management

The main risks the Scheme is exposed to through its financial instruments are capital risk, credit risk, liquidity risk and market risk relating to interest rate risk.

The nature and extent of the financial instruments employed by the Scheme are discussed below. This note presents information about the Scheme's exposure to each of the above risks, the Scheme's objectives, policies and processes for measuring and managing risk.

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Scheme's risk management framework.

Note 14 Financial risk management (continued)

The Board is responsible for developing and monitoring the Fund's risk management policies. The Responsible Entity's risk management policies are established to identify and analyse the risks faced by the Scheme, including those risks managed by the Responsible Entity, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Scheme’s activities.

The Responsible Entity’s Treasury Committee and its Audit Committee oversees how management monitors compliance with the Scheme’s risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Scheme. At this time, it is difficult to ascertain the full impact COVID-19 may have on the performance of the Scheme as it is rapidly changing. There can be no guarantee that investor confidence in credit or mortgage investments will not change in a manner adverse to investors in the Scheme. The general economic, health, social and political climates in which the Scheme operates or other like events are outside the control of Responsible Entity.

(a) Capital risk

Risk of capital loss and compulsory redemption units
The unit price is fixed at $1.00 and the Responsible Entity aims to maintain a net asset value backing for each unit of $1.00 per unit. However, it is possible that a capital loss on one or more of the Scheme’s investments results in the value of a unit (or its ‘net asset backing’) becoming less than the fixed unit price of $1.00. The constitution requires the Responsible Entity to take steps to bring the unit value back to $1.00 which may result in suspension of further applications and withdrawals from the Scheme until income received or accrued brings the unit value back up to $1.00, meaning that unitholders not be able to make further investments in the Scheme, and it may take longer than 7 days for a redemption request to be paid.

Additionally, if the net asset value of a unit is less than $1.00 at the end of the month, then the constitution of the Scheme allows, and in certain circumstances, requires the Responsible Entity to implement a pro rata compulsory redemption and cancellation mechanism to return the net value of each unit on issue to $1.00. This means that some units may be redeemed for nil value and cancelled to bring the net value of each of the Scheme’s remaining units on issue to $1.00.

Capital management
The Scheme's capital management strategy seeks to maximise unitholder value through optimising the level and use of capital resources and the mix of debt funding.

The Scheme's capital management objectives aim to:

- Ensure that the Scheme complies with capital and distribution requirements of its Constitutions and PDS;
- Ensure sufficient capital resources to support the Scheme's operational requirements;
- Continue to support the scheme's credit worthiness; and
- Safeguard the Scheme's ability to continue as a going concern.

In a stable economic environment the Scheme is generally able to alter its capital mix by adjusting distributions paid to unitholders.

Note 14 Financial risk management (continued)

(b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Scheme and cause a loss. The Responsible Entity manages the exposure to credit risk on an ongoing basis.

The carrying amount of the Scheme's financial assets represents the maximum credit exposure. A reduction in the value of an investment may be from a political, social, economic, or a health event such as COVID-19 during which credit markets experienced and may continue to experience a degree of dislocation. The Scheme's maximum exposure to credit risk at the reporting date is as follows:

	Note	2020	2019
		$	$
Financial assets			
Cash and cash equivalents	7	**3,368,940**	2,844,319
Trade and other receivables	8	**780,243**	415,210
Investments in financial instruments	9	**71,373,781**	60,709,461
Total financial assets		**75,522,964**	63,968,990

(i) Investment risk – structure of underlying managed investment scheme

Where the Scheme invests in another managed investment scheme, it carries the risk that there could be a change of that fund's responsible entity/investment manager, loss of key personnel, or the responsible entity/investment manager may not meet their obligations or perform as expected, assets may be lost, inaccurately recorded or misappropriated, fees and charges may change, systems may fail and insurance may be inadequate or insurers not pay at all. Additionally, any changes in the economic or regulatory environment that impacts upon the performance of the responsible entity or investment manager of a fund may have an effect upon the returns obtained from the Scheme.

(ii) Operations risk – structure of underlying managed Investment

A managed investment scheme that the Scheme invests in will carry the operational risks inherent in that particular scheme. For example, the assets in which the scheme invests in could be assigned credit ratings by independent ratings agencies and in the case where they are downgraded this could significantly reduce the value of an asset in the Scheme. Additionally, it is possible that the investment manager of a scheme that the Scheme invests in uses derivatives from time to time to manage risks of that scheme as considered appropriate by the relevant investment manager. These carry risks as well, including that the value of a derivative fails to move in line with the underlying assets, the potential liquidity of an asset, potential leverage resulting from the position and counterparty risk.

A further example concerns borrowing risk. While the Scheme does not intend to borrow, it could be that a scheme in which the Scheme invests has an ability to borrow. The risk with borrowing is that it magnifies both good and bad returns. Further, where the Scheme invests in listed income securities, these will carry the risk of volatility that arises from investments in the share market (including any capital gains or losses that may eventuate), which may have an impact on the returns obtained from the Scheme.

More general risks that may impact upon the Scheme when investing in a managed investment scheme include liquidity risk (if the scheme cannot meet withdrawal requests, this may have an impact on withdrawals from the Scheme), market risk (if the valuation of the scheme's assets are materially affected, this may have an impact on the value of the Scheme's assets) and interest rate risk (any change in returns from the assets of the scheme may have an impact on the returns obtained from the Scheme).

Note 14 Financial risk management (continued)
(b) Credit risk (continued)

(iii) Investment environment risks
Changes to the regulatory environment relating to financial services, taxation and other regimes may adversely affect investors in the Fund. Government policies can affect the Fund in a number of ways that could be detrimental or beneficial to investors in the Fund. Similarly, changes in the health or social environment can impact the Trust and cause short term or long term market disruption to investments made by the Fund that would be detrimental to investors in the Fund. At this time, it is difficult to ascertain what the impact, if any, COVID-19 may have on the performance of the Fund as it is rapidly changing. There can be no guarantee that investor confidence in credit or mortgage investments will not change in a manner adverse to investors in the Fund. The general economic, health, social and political climates in which the Fund operates or other like events are outside the control of Trilogy.

(iv) Credit risk - individual investments
A reduction in the value of an investment may be from a political, social, economic, or a health event such as COVID-19 during which credit markets experienced and may continue to experience a degree of dislocation.

(v) Short term bank deposits
This is the risk that the value of an individual investment made by the Scheme directly or indirectly in a cash related product may change or become more volatile, potentially causing a reduction in the value of the Scheme and increasing its volatility. This may be because, amongst other things, there are changes in the Government's policies, the Responsible Entity's operations or management, or business environment, or a change in perceptions of the risk of any investment. Various risks may lead to the issuer of the investment defaulting on its obligations and reducing the value of the investment to which the Scheme has an exposure.

(c) Liquidity risk

The Scheme is operated on the basis that it is 'liquid', meaning there is a reasonable expectation that at all times at least 80% of the Scheme's assets will be able to be realised for their market value within 10 days. Like the Scheme, the underlying funds the Scheme invests in are operated as liquid funds with redemptions available in a short period of time. However, it is possible that the underlying investments have assets that can be 'illiquid' in some circumstances, resulting in delays, or at worst, funds may become frozen. Additionally, there could be high volumes of withdrawal requests, which lead to the underlying funds or the Scheme delaying or freezing the processing of withdrawal requests and impacting the Scheme's ability to fund withdrawals.

The Scheme manages this risk through the following mechanisms:

- Preparing forward-looking cash flow analysis in relation to its operational, investing and financing activities;
- Monitoring undrawn credit facilities;
- Maintaining a reputable credit profile;
- Managing credit risk related to financial assets;
- Only investing surplus cash with major financial institutions; and
- Comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates and does not reflect management's expectations that banking facilities will be rolled forward.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Note 14 Financial risk management (continued)
(c) Liquidity risk (continued)

	Carrying amount	Contractual cash flows	< 6 months	6-12 months	On call (i)
	$	$	$	$	$
2020					
Financial liabilities					
Distributions payable	194,629	194,629	194,629	-	-
Trade and other payables	10,757	10,757	10,757	-	-
	205,386	205,386	205,386	-	-
2019					
Financial liabilities					
Distributions payable	132,528	132,528	132,528	-	-
Trade and other payables	1,530,752	1,530,752	1,530,752	-	-
	1,663,280	1,663,280	1,663,280	-	-

(i) Subject to terms and conditions of the Scheme's PDS.

(d) Market risk

Market risk is the risk that changes in market prices, such as interest rates, will affect the Scheme’s income or the value of its holdings of financial instruments. Market risk embodies the potential for both loss and gains. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

(i) Interest rate risk

Interest bearing financial assets and interest bearing financial liabilities are subject to both fixed and variable interest rates. The Scheme is subject to limited exposure to fair value interest rate risk due to fluctuations in the prevailing levels of market interest rates.

The Scheme’s interest rate risk is managed on a daily basis by management in accordance with policies and procedures in place.

Interest rate sensitivity analysis

An increase or decrease of 100 basis points in interest rates as at the reporting date would have no effect on the net assets attributable to unitholders and operating results. This is due to the fact that interest revenue earned on the Scheme's financial assets is paid to unitholders as a monthly distribution (net of fees paid to the Responsible Entity) and consequently any increase or decrease in interest rates would be inversely reflected in the value of distributions paid by the Scheme.

(ii) Property value risk

The majority of the financial assets held by the Trilogy Monthly Income Trust, in which the Scheme invests, are secured by registered mortgages over real property in Australia. As a result, the Scheme is subject to property value risk in the prevailing levels of market property values. As Trilogy Funds Management Limited acts as responsible entity for both the Scheme and the Trilogy Monthly Income Trust, it seeks to manage property value risk on a regular basis by implementing policies and procedures, including but not limited to:

- The adoption of maximum loan to valuation ratios of 70.00% for new loans;
- Loans limited to $20,000,000; and
- Geographic restrictions.

Note 14 Financial risk management (continued)
(d) Market risk (continued)
(ii) Property value risk

Property value sensitivity analysis
Due to the relatively short term nature of the loans originated by the Responsible Entity within the Trilogy Monthly Income Trust, the Scheme is not overtly exposed to fluctuations in property values.

(iii) Other market risk
The Scheme is not exposed to other material market risks on its financial assets and liabilities.

(e) Fair value estimation
The fair values of financial assets and liabilities approximate their carrying value.

The aggregate fair values and carrying amounts of financial assets and liabilities are disclosed in the statement of financial position and in the notes to the financial statements.

Note 15 Custodian of the Scheme

The Scheme's custodian is The Trust Company Limited. The custodian holds title to the assets of the Scheme in its name on behalf of the Scheme. The total value of net assets held by the custodian at cost as at 30 June 2020 is $75,317,577 (30 June 2019: $62,305,709).

The custodian is entitled to an annual administration fee of $15,000 (plus GST). These fees are paid by the Responsible Entity.

The relationship between the custodian and Responsible Entity is set out in the Custodial Agreement.

Note 16 Litigation and contingent liabilities

There are no contingent liabilities or contingent assets at 30 June 2020.

Note 17 Events subsequent to reporting date

Issue of a new PDS
The Scheme's significant withdrawal requests following the outbreak of the pandemic were successfully processed, and the day to day operations of the Scheme began to normalise. As a result, the Responsible Entity issued another PDS subsequent to the end of the financial year where the name of the Scheme was changed to better reflect the attributes of its investments. The Responsible Entity also took the opportunity to change the Scheme's redemption policy to 30 days from receipt of a notice from investors.

Other than the item noted above, there has not arisen in the interval between the end of financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Responsible Entity, to affect significantly the operations of the Scheme, the results of those operations, or the state of affairs of the Scheme, in future financial years.

Trilogy Enhanced Income Fund (Formerly Trilogy Enhanced Cash)
Directors' declaration

In the opinion of the Directors of Trilogy Funds Management Limited (Responsible Entity), the Responsible Entity of Trilogy Enhanced Income Fund (Formerly Trilogy Enhanced Cash) (Scheme):

(a) The financial statements and notes, as set out on pages 7 to 26 are in accordance with the Corporations Act 2001, including:

  (i) giving a true and fair view of the Scheme's financial position as at 30 June 2020 and of its performance, for the year ended 30 June 2020; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2; and

(c) There are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors of the Responsible Entity.

Philip A Ryan
Managing Director

28 October 2020
Brisbane

Rodger I Bacon
Executive Deputy Chairman

28 October 2020
Brisbane

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INDEPENDENT AUDITOR'S REPORT

To the unitholders of Trilogy Enhanced Income Fund (formerly Trilogy Enhanced Cash)

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Trilogy Enhanced Income Fund (the Registered Scheme), which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of Trilogy Enhanced Income Fund, is in accordance with the *Corporations Act 2001*, including:

(i) Giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Other information

The directors of Trilogy Funds Management Limited, as Responsible Entity of Trilogy Enhanced Income Fund, are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Directors report, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

The directors of Trilogy Funds Management Limited, as responsible entity of Trilogy Enhanced Income Fund, are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company'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 Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf

This description forms part of our auditor's report.

BDO Audit Pty Ltd

BDO

P A Gallagher
Director

Brisbane, 28 October 2020

TRILOGY

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