



The ARA Investment Fund

ARSN 104 232 448

Annual Report

30 June 2019

Issued by ARA Consultants Limited AFS Licence Number 224150
As Responsible Entity for The ARA Investment Fund

Responsible Entity and Issuer of this Report

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Date of Issue: ?? September 2019

This Report has been prepared by ARA Consultants Limited in order to meet the legislative requirements for reporting to investors of The ARA Investment Fund ('Fund'). This Annual Report forms part of your Periodic Statement for the year ended 30 June 2019. It should be read in conjunction with your Annual Distribution Statement and your AMIT Member Annual Statement for the year ended 30 June 2019.

Disclaimer: This Report has been prepared by the Responsible Entity ('RE') for investors of The ARA Investment Fund. The above parties have consented to be named in this Report. The Custodian and the Auditor have not authorised or caused the issue of this Report.

Although the RE believes that the information in this Report is accurate and reliable at the date of issue, the RE and its related entities, directors, officers, and employees do not make any representation or warranty as to the accuracy, reliability, or completeness of the material in this Report. Except in so far as liability under any statute cannot be excluded, the RE, its related entities, directors, officers, and employees do not accept liability (whether arising in contract, tort, negligence, or otherwise) for any error or omission in this Report or for any loss or damage (whether direct, indirect, consequential, or otherwise) suffered by any recipient of this information or any other person. Whilst all due care has been taken in the preparation of this Report, the RE reserves the right to correct any errors or omissions.

The RE, any investment manager, or other service provider to the Fund, does not guarantee the investment performance of any investment offered or the repayment of capital. Investments in the Fund are subject to investment risk including loss of income and capital invested.

Some of the information in this Report is based on an interpretation of the government's press releases, income tax, and other laws that were current as at 30 June 2019. The information or advice contained in this Report is of a general nature only and has been prepared without taking account of your investment objectives, financial situation, and needs. Before making any investment decision in relation to the Fund, you should consider obtaining professional financial advice from a licensed financial adviser that takes into account your objectives, financial situation, and needs.

The rights of investors are set out in the Fund's Constitution. Should there be any inconsistency between this Report and the Fund's Constitution, the terms of the Fund's Constitution will prevail.

Contents

Investments	4
Investment Holdings in the Fund by Portfolio Option as at 30 June 2018	6
Investment Holdings in the Fund by Portfolio Option as at 30 June 2017	7
Features and Historical Performance	8
General Information about the Fund	11

Following in this Report is a description of the three Investment Options offered by the ARAIF and the performance of each Investment Option up to and including 30 June 2019.

When considering this information, please note that performance data should not be taken or relied upon as an indicator of the future performance of the Fund. Performance information is also shown after the deduction of all fees and other costs but does not reflect the Management Fee rebates for which some investors are eligible. If you have qualified for any rebates during the reporting period, the dollar amounts rebated are shown on your Annual Distribution Statement.

Investment Options within The ARA Investment Fund

There are three investment strategies ('Investment Options') within the ARAIF:

- Defensive portfolio
- Growth portfolio
- Equities portfolio.

The table on page 5 sets out the minimum and maximum asset allocation ranges that have been set for each of the Investment Options as part of the overall strategy for each of these Options. This will enable you to compare them with the actual allocations as at 30 June 2019 the details of which are set out on page 7 of this Report.

Investments

Strategy name	Defensive		Growth		Equities	
Management Strategy	Invests in a variety of assets designed to provide an attractive income yield, greater in aggregate than bank bills or term deposits, but still highly liquid. The Responsible Entity may invest directly or via a managed trust.		Invests in growth assets, some listed on stock exchanges, some unlisted. These assets may include shares, property, interest bearing and unlisted securities. The Responsible Entity may invest directly or via a managed trust.		Invests predominantly in growth assets, some listed on the Stock Exchanges and may also include unlisted, interest bearing and international securities. The Responsible Entity may invest directly or via a managed trust.	
Type of Investors for whom it is intended to be suitable for	Designed for investors with a low tolerance to fluctuation in the value of their portfolio and who are content to accept a lower long term return as a consequence.		Designed for investors with a moderate tolerance to short-term fluctuation in the value of their portfolio, in the pursuit of a more attractive medium term return.		Designed for investors with a high tolerance to short-term fluctuation in the value of their portfolio, in the pursuit of a more attractive long term return.	
Asset Classes	Allowable Range (%)	Current Strategic Benchmark (%)	Allowable Range (%)	Current Strategic Benchmark (%)	Allowable Range (%)	Current Strategic Benchmark (%)
Defensive Assets	55-100	85	10-70	40	0-55	10
Growth Assets	0-45	15	30-90	60	45-100	90
Investment Return Objectives	To exceed the RBA Cash Rate by at least 1% per annum, before tax and after fees and expenses, over rolling three year periods.		To exceed the RBA Cash Rate by at least 3% per annum, before tax and after fees and expenses, over rolling five year periods.		To exceed the RBA Cash Rate by at least 4% per annum, before tax and after fees and expenses, over rolling five year periods.	
Minimum suggested time for Investment	Up to 3 years		4-7 years plus		7 years plus	
Risk Level	Low to Medium		Medium to High		High	

Note:

Specific investments held by the various options will frequently change as the Fund is actively and continuously managed on behalf of investors. The percentages shown in the above table are the minimum and maximum asset allocation ranges that have been set for each Investment Option.

You can obtain updated information about the asset allocations in writing upon request from ARA, free of charge. See contact details on page 14.

To 30 June 2019, returns before tax, after management fees and before the application of any of the management fee rebates to which investors may be entitled, were:

Investment returns to 30 June 2019			
	Defensive portfolio	Growth portfolio	Equities portfolio
12 months to 30 June 2019			
Result	3.3%	4.0%	5.4%
Portfolio objective	2.9%	4.9%	6.0%*
Since inception (annualised)			
Result	4.8% p.a.	6.1% p.a.	6.9% p.a.
Portfolio objective	5.1% p.a. (Inception April 2003)	7.2% p.a. (Inception April 2003)	7.3% p.a.* (Inception July 2003)

* These figures are based on historical objectives. The objectives for this fund from 1 July 2019 are shown in the table on page 5.

Investment Holdings in the Fund by Portfolio Option as at 30 June 2019

The following table identifies the investments that made up each portfolio option, their asset class and the proportions of the overall option as at 30 June 2019.

	Asset Class	Defensive	Growth	Equities
National Australia Bank	Cash & Tier 1 Fixed Interest	2.5%	6.0%	15.7%
National Australia Bank Term Deposits		22.5%	16.1%	5.4%
Challenger Life Guaranteed Annuities		31.0%	11.0%	0.0%
Smarter Money Cash Fund		8.6%	8.6%	2.6%
Betashares Cash ETF		3.0%	0.0%	0.0%
Cash and Tier 1 Fixed Interest - total		67.6%	41.7%	23.7%
Smarter Money Income Fund	Other Fixed Interest	6.2%	1.7%	7.1%
Infradebt Other Fixed Interest		0.0%	1.3%	4.8%
Other Fixed Interest - total	6.2%	3.0%	11.9%	
River Capital Growth Fund	Listed Securities	2.3%	10.9%	6.3%
Sterling Equity		5.0%	8.8%	11.7%
Anacacia Wattle Fund		3.0%	8.0%	6.0%
Pentalpha Income For Life		4.0%	0.0%	0.0%
Betashares Aust Sustainable ETF		0.0%	4.2%	12.4%
Future Generation Global		0.0%	0.0%	4.3%
Vanguard World Ex-US ETF		0.5%	2.6%	6.8%
Vitalharvest Trust		0.0%	0.0%	2.0%
Listed Securities – total	14.8%	34.5%	49.5%	
Anacacia Capital	Private (Unlisted) Equity	2.1%	5.2%	5.2%
Cobram Estate		2.0%	2.2%	1.1%
Polaris Marine		1.9%	3.5%	2.3%
Hastings Utilities Trust		0.0%	4.5%	2.3%
Proserpine Capital Partners		5.4%	5.4%	4.0%
Unlisted Investments - total	11.4%	20.8%	14.9%	
Total		100.0%	100.0%	100.0%

Note: This table includes investments approved and committed at 30 June.

Investment Holdings in the Fund by Portfolio Option as at 30 June 2018

The following table identifies the investments that made up each portfolio option, their asset class and the proportions of the overall option as at 30 June 2018.

	Asset Class	Defensive	Growth	Equities
National Australia Bank at Call Deposits	Cash & Tier 1 Fixed Interest	7.8%	13.1%	32.6%
National Australia Bank Term Deposits		21.4%	8.0%	
Challenger Life Guaranteed Annuities		18.5%	8.8%	
Smarter Money Cash		11.3%	6.7%	0.4%
Smarter Money Income		4.5%	2.9%	5.8%
Bank Hybrids & ETF		7.8%	0.4%	2.7%
Cash and Tier 1 Fixed Interest - total		71.3%	39.9%	41.5%
River Capital Growth	Listed Securities	1.9%	9.9%	6.9%
Macquarie True Index- Linked Australian Share Fund			2.9%	13.9%
Sterling Equity Fund		2.9%	6.0%	6.1%
Anacacia Wattle Fund		2.5%	7.1%	6.3%
Pentalpha Income for Life Fund		3.9%		
Listed Securities - total		11.2%	25.9%	33.2%
ProTen Limited	Private (Unlisted) Equity	3.2%	6.3%	6.8%
Hastings Utilities Trust of Australia			4.6%	2.8%
Anacacia Capital		4.1%	9.3%	9.4%
Cobram Estate		2.0%	2.4%	
Proserpine Capital Partners		7.0%	10.0%	6.3%
Warakirri Dairy Trust		1.2%	1.6%	
Unlisted Investments - total		17.5%	34.2%	25.3%
Total		100.0%	100.0%	100.0%

Note: This table includes investments approved and committed at 30 June.

Features and Historical Performance

Defensive portfolio

The Option invests in a variety of assets designed to provide an attractive income yield, greater in aggregate than bank bills or term deposits but still highly liquid. This Option is designed for those investors with a low tolerance to fluctuation in the value of their portfolio, and who are content to accept a lower long-term return as a consequence. The return will be mainly by way of an income yield, with little or no capital gain expected.

Option Commencement Date	Option Size as at 30 June 2019
25 April 2003	\$164,266,350

Performance information, after fees and costs:

Year ended 30 June	Return
*2003	2.3%
2004	5.7%
2005	11.5%
2006	8.9%
2007	10.8%
2008	0.4%
2009	-8.1%
2010	6.5%
2011	9.1%
2012	0.5%
2013	5.5%
2014	6.1%
2015	4.3%
2016	5.2%
2017	4.1%
2018	3.4%
2019	3.3%

*This performance figure is from the Option Commencement Date (see above) and does not represent a 12-month return.

Please note that all performance figures assume reinvestment of distributions.

Note: Past performance is not an indicator of the future performance of this Investment Option.

The results shown are after all fees and expenses and before applying any management fee rebates.

Growth portfolio

The Option invests in growth assets, some listed on the Australian Stock Exchange (ASX), some unlisted. These assets may include shares, property, interest bearing securities and (private) unlisted securities. The Responsible Entity may invest directly or via a managed trust. The Option is designed for those investors with a high tolerance to short-term fluctuation in the value of their portfolio, in the pursuit of a more attractive long-term return. The return will be mainly by way of realised and unrealised capital gains, with a relatively low income yield.

Option Commencement Date	Option Size as at 30 June 2019
25 April 2003	\$254,780,385

Performance information, after fees and costs:

Year ended 30 June	Return
*2003	1.7%
2004	7.6%
2005	12.2%
2006	12.9%
2007	15.5%
2008	-6.5%
2009	-12.3%
2010	7.6%
2011	16.2%
2012	-2.1%
2013	9.7%
2014	8.0%
2015	6.3%
2016	9.7%
2017	6.8%
2018	6.0%
2019	5.4%

*This performance figure is from the Option Commencement Date (see above) and does not represent a 12-month return.

Please note that all performance figures assume reinvestment of distributions.

Note: Past performance is not an indicator of the future performance of this Investment Option.

The results shown are after all fees and expenses and before applying any management fee rebates.

Equities Portfolio

The Option is designed for those investors with a high tolerance to short-term fluctuation in the value of their portfolio, in pursuit of a more attractive long-term return. The return will mainly be by way of realised and unrealised capital gains, with a relatively low-income yield. Franking credits attached to share dividends will accrue to investors in proportion to their unitholding in the Option, and fund managers are obliged to distribute capital gains realised as a result of trading activities along with dividend and interest income.

Option Commencement Date	Option Size as at 30 June 2019
19 July 2003	\$46,049,388

Performance information, after fees and costs:

Year ended 30 June	Return
*2004	10.6%
2005	15.1%
2006	17.4%
2007	25.5%
2008	-18.3%
2009	-8.4%
2010	12.4%
2011	13.0%
2012	-8.0%
2013	18.4%
2014	8.8%
2015	6.4%
2016	7.1%
2017	7.1%
2018	6.4%
2019	5.4%

*This performance figure is from the Option Commencement Date (see above) and does not represent a 12-month return.

Please note that all performance figures assume reinvestment of distributions.

Note: Past performance is not an indicator of the future performance of this Investment Option.

The results shown are after all fees and expenses and before applying any management fee rebates.

General Information about the Fund

Custodian

The Custodian appointed for the purposes of the Fund is National Australia Bank Limited ABN 12 004 044 937, the holder of AFS Licence No. 230686.

The Custodian provides additional protection for your investment and is authorised by ARA to deal with the Fund's assets. The Custodian does not guarantee the repayment of capital nor fund performance.

Compliance Plan

The Fund has a formal Compliance Plan that sets out the procedures that ARA must follow to ensure compliance with the Fund's Constitution and the Corporations Act. The Board of Directors of ARA monitors compliance via an independent Compliance Committee which must report breaches to the Directors.

Tax File Number

Providing your Tax File Number ('TFN') is not compulsory. However, without your TFN or appropriate exemption information, we are required to withhold tax from your income distributions at the highest marginal rate (plus the Medicare Levy) until your TFN or exemption is quoted.

Fees and Other Costs

Your investment account balance shown on your Annual Distribution Statement is calculated after allowing for the Management Costs charged by the Fund. Management Costs are defined under the law and in broad terms are intended to capture all those costs involved in managing the Fund and deriving returns for investors. Therefore, the size of your investment account balance is influenced by the Management Costs charged by the Fund.

Management costs that are not deducted directly from your investment account are shown in your Annual Distribution Statement as Other Management Costs. Instead of being deducted directly from your investment account, other management costs are accounted for when determining the weekly unit prices for the Fund. Because all the management costs charged by the Fund are taken into account when determining weekly unit prices and are not deducted directly from investors' accounts, then for the purposes of the Fund Management Costs are the same as Other Management Costs.

Other Management Costs are derived from the following:

- the annual Management Fee per annum includes Goods and Services Tax ('GST') for the year ended 30 June 2019 charged by ARA in its capacity as Responsible Entity of the Fund and in relation to which you may qualify for a rebate (see below);
- the investment management charges incurred by the Fund in the acquisition and/or disposal of investments in the Fund and employing external fund managers; and
- out of pocket expenses which ARA as Responsible Entity of the Fund is permitted to recover from the Fund (e.g. audit fees, custody fees, legal fees etc.). These costs can vary from year to year and are estimated to be 0.100% p.a. subject to a maximum of 0.205% p.a. of the balance of your investment account from time to time.

If you qualify for a rebate of the annual Management Fee, that rebate will reduce the other management costs you pay. Rebates are allocated to your account in the form of additional units. The total of the dollar amounts of the rebates for which you qualified and were applied to your account during the reporting period is shown on your Annual Distribution Statement.

In relation to Other Management Costs the law requires that they be shown on your Annual Distribution Statement for the reporting period (i.e. 2018/2019 financial year) as a single dollar amount. The dollar amount is calculated by multiplying the 'Indirect Cost Ratio' ('ICR' – see below) for each Investment Option by the average balance of your investment account in each such Option during the reporting period. The dollar amount applicable to you is shown under the heading Other Management Costs on your Annual Distribution Statement.

The ICR is calculated for each Investment Option by dividing the other management costs attributable to each of the Fund's Investment Options by the average of the net assets of each Option for the reporting period.

Additional Explanation of Fees and Costs

As well as other management costs, there may be other incidental fees (e.g. cheque dishonour fees) that are deducted directly from your investment account. These fees which are shown individually on your Annual Distribution Statement are deducted from your account as and when they are paid.

The Fund does not charge transaction costs such as fees on your money when it moves in or out of your investment account (e.g. establishment, contribution, withdrawal, and termination fees), nor does it charge buy-sell spreads, or fees for switching between Investment Options.

All amounts shown on your Annual Distribution Statement have been calculated after allowing for any GST payable (adjusted for any reduced input tax credits), any stamp duties, and income tax (after deductions), where applicable. Where the Fund is able to claim any tax benefits on behalf of the Fund, those benefits have where appropriate been applied to reduce the costs to investors of the operation and management of the Fund.

Allocation of Earnings

Unit prices are calculated weekly for each Investment Option to provide an indication of the likely earnings for each Investment Option. The income of the Fund is derived from interest, dividends, and other forms of income earned by the investments in the three Investment Options. The income after allowance for fees and other costs is distributed to investors in proportion to their unit holdings in each Investment Option at the end of each quarter. Any taxation liabilities or benefits (such as franking credits) attaching to the Fund's investment income derived in respect of each Investment Option are also allocated proportionately to the units within each Investment Option. Any applicable management fee rebates are paid by crediting your investment account with additional units on a quarterly basis.

Investors who choose to reinvest their income distributions will be issued with additional units. However, the income must still be declared for taxation purposes as it is treated as income received that has been applied to making an additional investment. Investors can alter their decision in respect of reinvesting distributions at any time prior to the distribution at the end of each quarter.

Financial Information

The following is abridged financial information for the fund which has been extracted from the audited fund accounts. You may request a copy of the audited fund accounts, including the auditor's report, by contacting the Responsible Entity, ARA Consultants Limited by telephone on (03) 9853 1688 or by email at info@araconsultants.com.au.

	30 June 2019	30 June 2018
	\$'000	\$'000
Assets		
Cash and cash equivalents	32,117	94,585
Receivables	12,063	10,230
Financial assets held at fair value through profit or loss	420,175	357,450
Total Assets	\$464,355	\$462,265
Liabilities		
Accounts payable and accrued expenses	1,615	636
Amounts payable on settlement of acquisition of Fund assets	1,000	-
Distribution payable to unitholders	25,303	7,865
Total Liabilities	25,303	8,501
Net assets attributable to unitholders	\$436,437	\$453,764

Information Retention

In order to meet your income tax obligations as a unitholder, you should retain statements relating to applications, distributions, and withdrawals, for at least 5 years from the end of the financial year in which you lodge your tax return.

These statements will assist you in providing the necessary information required to calculate any capital gain or loss arising on any redemption or withdrawal.

You should be aware that the ultimate interpretation of the law rests with the courts.

Taxation law and the Australian Taxation Office interpretations and rulings may be issued or altered at any time.

Complaints

If you are not satisfied with any aspect of our services in relation to the Fund, you should contact our Complaints Officer, Alan Rimmer, either by writing to him at ARA Consultants Limited, PO Box 2273, Kew, Victoria 3101 or by phoning him on (03) 9853 1688.

Our objective is to seek a resolution to your complaint as quickly as possible. For this purpose, we will where practical, contact you personally within two days of receiving your complaint with a suggested solution. Whether or not it will be possible to provide a solution within such a short period will depend upon the nature of your complaint and the amount of investigation that may be necessary.

If your complaint is not resolved to your satisfaction within 45 days of receipt of your complaint, you can contact the following independent external complaints resolution scheme:

Australian Financial Complaints Authority
GPO Box 3
MELBOURNE VIC 3001

Phone: 1800 931 678
Email: info@afca.org.au
Internet: www.afca.org.au

Further Information

Further information about the Fund is available on request. Any such request should be sent to our Client Service Team whose contact details are set out below. You will not be charged for any of this information.

Alternatively, some of the information that you are seeking may be available on ARA's website at www.araconsultants.com.au. However, to access your personal information you will need to have a Client ID and a password registered with ARA. If you are not already registered and would like to become registered, please contact ARA (see below).

Contact Details

If you would like to change your Investment Option(s), register for website access, or require any other information concerning your investment in the Fund, please contact our Client Service Team as follows:

Client Service Team
The ARA Investment Fund
C/- ARA Consultants Limited
PO Box 2273
KEW VIC 3101

Phone: (03) 9853 1688
Fax: (03) 9853 1622
Email: info@araconsultants.com.au
Internet: www.araconsultants.com.au

It is recommended that you seek professional advice before deciding to make a change to your Investment Option(s), or any other financial decisions relating to the Fund.



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