



# Ellerston Global Equity Managers Fund

**ARSN 118 887 095**

Financial Report  
For year ended  
30 June 2017

**TABLE OF CONTENTS**

	<b>Page</b>
Directors' Report .....	1
Auditors' Independence Declaration .....	4
Independent Auditors' Report .....	5
Directors' Declaration .....	8
Statement of Comprehensive Income .....	9
Statement of Financial Position .....	10
Statement of Changes in Net Assets Attributable to Unitholders .....	11
Statement of Cash Flows .....	12
Notes to the Financial Statements .....	13

## DIRECTORS' REPORT

The Directors of Ellerston Capital Limited (ABN 34 110 397 674), (“Ellerston Capital”, “Manager” or the “Responsible Entity”), the Responsible Entity of the Ellerston Global Equity Managers Fund (the “Fund”), present their report together with the annual financial statements of the Fund for the year ended 30 June 2017.

### DIRECTORS

The names of the Directors of the Responsible Entity in office during the financial year and until the date of this report are:

Ashok Jacob (Chairman)  
 Brian O’Sullivan  
 Michael Johnston  
 Guy Jalland  
 Chris Kourtis

### PRINCIPAL ACTIVITIES

The principal activity of the Fund during the year was to invest funds in accordance with the provisions of the Fund’s Constitution and current Product Disclosure Statement.

The Fund invests in a portfolio of global equities that may include financial products such as listed and unlisted shares, managed funds and derivatives.

### FUND INFORMATION

The Fund is an Australian registered scheme, and was constituted on 20 March 2006. The Fund will terminate on 19 March 2086 unless terminated earlier in accordance with the provisions of the Fund Constitution.

The Responsible Entity of Ellerston Global Equity Managers Fund is Ellerston Capital Limited (ABN 34 110 397 674, AFSL No. 283 000). The registered office and principal place of business of the Responsible Entity is Level 11, 179 Elizabeth Street, Sydney, NSW 2000.

### RESULTS

The performance of the Fund, as represented by the results of its operations was as follows:

	2017 \$’000	2016 \$’000
Net operating profit attributable to unitholders	6,093	23,474

### DISTRIBUTIONS

\$4,317,308 (2016: \$30,960,181) was declared and the same amount (2016: \$30,960,181) was payable by the Fund at the year end.

### UNIT PRICE

	2017		2016	
	Ex price \$	Distribution CPU	Ex price \$	Distribution CPU
Unit price (Class A)	1.4339	3.7977	1.4125	35.2261
Unit price (Class B)	1.3979	3.6233	1.3765	34.3289
Unit price (Class C)	1.5760	4.6590	1.5569	38.8245

## **DIRECTORS' REPORT (Continued)**

### **FEES PAID TO AND INTEREST HELD BY THE RESPONSIBLE ENTITY AND ASSOCIATES**

The fees paid to the Responsible Entity and its associates out of Fund property during the financial year are disclosed in Note 3 to the financial statements.

The interests in the Fund held by the Responsible Entity and its associates as at the end of the financial year are disclosed in Note 9 to the financial statements.

### **UNITS ON ISSUE**

The number of units issued and redeemed during the year and the number of units on issue at the end of the year are disclosed in Note 7.

### **FUND ASSETS**

At 30 June 2017, the Fund held assets with a total value of \$192,843,870 (2016: \$216,867,624). The basis for valuation of these assets is disclosed in Note 2 to the financial statements.

### **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

In the opinion of the Directors, there was no significant change in the state of affairs of the Fund during the year.

### **SIGNIFICANT EVENTS AFTER THE REPORTING DATE**

There were no significant matters or circumstances that have arisen since 30 June 2017 that have significantly affected, or may affect, the Fund's operations in future financial years, the results of those operations or the Fund's state of affairs in future years.

### **LIKELY DEVELOPMENTS AND EXPECTED RESULTS**

We are unable to provide a results forecast for the Fund as it is not possible to accurately forecast the returns of the investment portfolio. The Fund will continue to pursue its investment objective which is consistent with the Constitution and Product Disclosure Statement of the Fund.

### **ENVIRONMENTAL REGULATION AND PERFORMANCE**

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

### **INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS**

The Constitution of the Responsible Entity requires it to indemnify, to the extent permitted by the law, all current and former officers of the Responsible Entity against a liability incurred;

- a) In acting as an officer of the Responsible Entity;
- b) In acting as an officer of a subsidiary at the request of the Responsible Entity;
- c) For reasonable legal costs in defending an action for liability incurred in acting as an officer of the Responsible Entity or of a subsidiary at the request of the Responsible Entity.

During the financial year, insurance contracts were entered into to insure the Directors and officers against any liability incurred in their capacity as a Director or officer. The terms of the insurance contracts restrict disclosure of the nature of the liability and amount of the premium. Other than the constitutional provision described above, the Responsible Entity has not otherwise, during or since the end of the financial year, indemnified or agreed to indemnify an officer of Ellerston Capital Limited or its related bodies corporate against a liability incurred.

## **DIRECTORS' REPORT (Continued)**

### **AUDITORS' INDEPENDENCE DECLARATION**

An independence declaration has been provided to the Directors by the auditor of the Fund, Ernst & Young. A copy has been included on page 4 of the report.

### **ROUNDING**

The amounts contained in this report and in the financial report have been rounded under the option available to the Fund under ASIC Class Order 98/100. The Fund is an entity to which the Class Order applies, and in accordance with that Class order, amounts in the Directors' Report and the financial report have been rounded to the nearest thousand dollars (where rounding is appropriate).

Signed in accordance with a resolution of the Directors.



**Brian O'Sullivan**  
Director

Sydney, 26 September 2017

## **Auditor's Independence Declaration to the Directors of Ellerston Capital Limited as Responsible Entity for Ellerston Global Equity Managers Fund**

As lead auditor for the audit of Ellerston Global Equity Managers Fund for the financial year ended 30 June 2017, I declare 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young



Rohit Khanna

Partner

26 September 2017

## Independent Auditor's Report to the Unitholders of Ellerston Global Equity Managers Fund

### Opinion

We have audited the financial report of Ellerston Global Equity Managers Fund (the "Fund"), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in net assets attributable to unitholders and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- a) giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- b) 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 Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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, 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 the 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 Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

## Auditor's 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.



We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Ernst & Young*

Ernst & Young

*Rohit Khanna*

Rohit Khanna  
Partner  
Sydney  
26 September 2017

## DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Ellerston Capital Limited, I state that:

In the opinion of the Directors:

- (a) The financial statements and notes of the Fund are in accordance with the *Corporations Act 2001*, including:
  - (i) Giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its performance for the year ended on that date; and
  - (ii) Complying with Australian Accounting Standards and *Corporations Regulations 2001*; and
- (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(b).
- (c) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (d) The financial statements are in accordance with the provisions of the Fund's Constitution.

On behalf of the board



**Brian O'Sullivan**  
Director

Sydney, 26 September 2017

## Statement of Comprehensive Income

For the year ended 30 June 2017

(Stated in Australian Dollars)	<i>Note</i>	2017 \$'000	2016 \$'000
<b>INCOME</b>			
Interest revenue		739	773
Dividend and trust distribution revenue		4,377	4,097
Changes in the fair value of investments:			
Designated at fair value through profit or loss		11,270	36,497
Held for trading		(3,317)	(8,560)
Other income		678	914
<b>INVESTMENT INCOME</b>		<b>13,747</b>	<b>33,721</b>
<b>EXPENSES</b>			
Interest expense		729	851
Dividend expense		1,558	1,363
Manager fees	3	2,488	2,209
Performance fees	3	1,189	4,617
Administration expenses		280	261
Bank and broker expenses		1,047	519
Other expenses		363	427
<b>TOTAL EXPENSES</b>		<b>7,654</b>	<b>10,247</b>
<b>NET OPERATING PROFIT ATTRIBUTABLE TO UNITHOLDERS</b>		<b>6,093</b>	<b>23,474</b>
Other comprehensive income		-	-
Distributions to unitholders	4	(4,317)	(30,960)
<b>CHANGE IN NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<b>1,776</b>	<b>(7,486)</b>

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

## Statement of Financial Position

As at 30 June 2017

(Stated in Australian Dollars)	<i>Note</i>	2017 \$'000	2016 \$'000
<b>ASSETS</b>			
Cash and cash equivalents	12	7,395	8,956
Due from brokers	8	2,073	38,248
Interest and dividends receivable		340	46
Other receivables		325	208
Financial assets at fair value through profit or loss	5	182,711	169,409
<b>TOTAL ASSETS</b>		<b>192,844</b>	<b>216,867</b>
<b>LIABILITIES</b>			
Due to brokers	8	3,229	10,861
Management and Performance fees payable	3	426	1,057
Administration fees payable		17	19
Interest and dividends payable		197	93
Distributions Payable	4	4,317	30,960
Redemptions payable		4,113	1,337
Other payables		563	671
Financial liabilities at fair value through profit or loss	5	22,723	47,694
<b>TOTAL LIABILITIES EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<b>35,585</b>	<b>92,692</b>
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		<b>157,259</b>	<b>124,175</b>

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

## Statement of Changes in Net Assets Attributable to Unitholders

For the year ended 30 June 2017

(Stated in Australian Dollars)	2017 \$'000	2016 \$'000
<b>NET ASSETS ATTRIBUTABLE TO UNITHOLDERS</b>		
Opening balance	124,175	128,850
Change in net assets attributable to unitholders	1,776	(7,486)
Application of units	17,211	7,517
Redemption of units	(9,920)	(10,643)
Units issued upon reinvestment of distributions	24,017	5,937
<b>Closing Balance</b>	<b>157,259</b>	<b>124,175</b>

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

## Statement of Cash Flows

For the year ended 30 June 2017

(Stated in Australian Dollars)	<i>Note</i>	2017 \$'000	2016 \$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Purchase of investments		(329,453)	(214,581)
Sale of investments		327,674	224,612
Interest received		717	763
Dividend and trust distribution received		4,105	4,240
Other income		563	824
Interest and dividend paid		(2,181)	(2,209)
Performance fees paid		(1,832)	(7,896)
Manager fees paid		(2,478)	(2,188)
Administration fees paid		(282)	(257)
Other expenses paid		(1,517)	(899)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	12(b)	<b>(4,684)</b>	<b>2,409</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipt from issue of units		17,211	7,517
Distribution paid/payable		(6,943)	(2,063)
Payments for redemption of units		(7,145)	(9,306)
<b>NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES</b>		<b>3,123</b>	<b>(3,852)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(1,561)</b>	<b>(1,443)</b>
Cash and cash equivalents at beginning of year		8,956	10,399
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	12(a)	<b>7,395</b>	<b>8,956</b>

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

# Notes to the Financial Statements

For the year ended 30 June 2017  
(Stated in Australian Dollars)

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## 1. ORGANISATION AND ACTIVITIES

Ellerston Global Equity Managers Fund (the “Fund”) is an Australian registered fund, constituted on 20 March 2006. The Fund commenced operations on 1 May 2006. Ellerston Capital Limited is the Manager and Responsible Entity of the Fund and is incorporated and domiciled in Australia. The registered office and principal place of business of the Responsible Entity is located at Level 11, 179 Elizabeth Street, Sydney, New South Wales.

The nature of the operations and principal activities of the Fund are described in the Directors’ report.

The financial report of the Fund has been authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 26 September 2017.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the Fund Constitution, the requirements of the Corporations Act 2001, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board (“AASB”).

The financial report has been prepared on a historical cost basis, except for financial assets and financial liabilities held at fair value through profit or loss, that have been measured at fair value. Cost is based on the fair values of the consideration given in exchange for assets.

The Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current, additional information regarding this is included in the relevant notes.

The financial report is presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$’000) unless otherwise stated under the option available to the Fund under ASIC Class Order 98/100. The Fund is an entity to which the class order applies.

### *New Accounting standards and Interpretations not yet mandatory or early adopted*

Standards issued but not yet effective up to the date of issuance of the Fund’s financial statements are listed below. The Fund intends to adopt applicable standards when they become effective.

#### (i) **AASB 9 Financial Instruments (and applicable amendments), (effective from 1 January 2018)**

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption.

The directors do not expect this to have a significant impact on the recognition and measurement of the Fund’s financial instruments as those carried at fair value through profit or loss are expected to continue to be measured at fair value through profit or loss.

The derecognition rules have not been changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Fund’s investments are all held at fair value through profit or loss, the change in impairment rules will not significantly impact the Fund.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017  
(Stated in Australian Dollars)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (a) Basis of preparation (continued)

##### (ii) AASB 15 Revenue from Contracts with Customers, (effective from 1 January 2018)

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are interest, dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of the new revenue recognition rules to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

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

#### (b) Statement of compliance

The financial report has been prepared in accordance with Australian Accounting Standards as issued by the AASB and compliance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

#### (c) Basis of consolidation

The Fund is an investment entity and, as such, does not consolidate the entities it controls. Instead, interests in subsidiaries are classified as fair value through profit or loss, and measured at fair value. This represents a change in accounting policy since financial year 2014, more details of which are provided in Note 10.

#### (d) Investments in financial assets and liabilities

##### *Financial Instruments*

##### (i) Classification

The Fund classifies its financial assets and financial liabilities into the categories below in accordance with AASB 139.

##### **Financial assets and liabilities at fair value through profit or loss**

The category of financial assets and liabilities at fair value through the profit or loss is sub-divided into:

##### *Financial assets and liabilities held for trading:*

Financial assets held for trading include derivative securities. These assets are acquired principally for the purpose of generating a profit from short-term fluctuation in price. Derivative financial instruments entered into by the Fund do not meet the hedge accounting criteria as defined by AASB 139. Consequently hedge accounting is not applied by the Fund.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017  
(Stated in Australian Dollars)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Investments in financial assets and liabilities (continued)

##### (i) Classification (continued)

*Financial instruments designated as at fair value through profit or loss upon initial recognition:*

These include investments in equity securities, investments in managed funds and investment in subsidiaries that are not held for trading. These financial assets are designated on the basis that they are part of a group of financial assets which are managed and have their performance evaluated on a fair value basis in accordance with risk management and investment strategies of the Fund as set out in the Fund's offering document. The financial information about these financial assets is provided internally on that basis to the Investment Manager.

In accordance with the exception under AASB 10 Consolidated financial statements, the Fund does not consolidate subsidiaries in the financial statements. Investments in subsidiaries are accounted for as financial instruments at fair value through profit or loss. The exception is applicable for annual periods beginning on or after 1 January 2016, but early adoption is permitted and the Fund has early adopted this exception.

##### (ii) Recognition

The Fund recognises a financial asset or a financial liability when, and only when, it becomes a party to the contractual provisions of the instrument.

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognised on the trade date, i.e., the date that the Fund commits to purchase or sell the asset.

##### (iii) De-recognition

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- i. The rights to receive cash flows from the asset have expired; or
- ii. The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- iii. Either (a) the Fund has transferred substantially all the risks and rewards of the asset, or (b) the Fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expires.

##### (iv) Initial measurement

Financial assets and financial liabilities at fair value through profit or loss are recorded in the Statement of Financial Position at fair value. All transaction costs for such instruments are recognised directly in profit or loss.

##### (v) Subsequent measurement

After initial measurement, the Fund measures financial instruments which are classified as at fair value through profit or loss at fair value. Subsequent changes in the fair value of those financial instruments are recorded in 'Change in fair value of investments'. Interest earned is recorded in 'Interest revenue' according to the terms of the contract. Dividend revenue and distributions received from trusts are recorded in 'Dividend and trust distribution revenue'.

##### (vi) Fair value measurement

The Fund measures financial assets and liabilities at fair value through profit or loss at fair value at each balance sheet date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017

(Stated in Australian Dollars)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (d) Investments in financial assets and liabilities (continued)

##### (vi) Fair value measurement (continued)

The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Fund.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Fund uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

This item includes changes in the fair value of financial assets and liabilities held for trading or designated upon initial recognition as 'held at fair value through profit or loss' and excludes interest and dividend income and expenses. Amounts 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.

#### (e) Derivative financial instruments

Typically, derivative contracts serve as components of the Fund's investment strategy and are utilised primarily to structure and hedge investments, to enhance performance and reduce risk to the Fund (the Fund does not designate any derivative as a hedging instrument for hedge accounting purposes). The derivative contracts that the Fund trades include futures, over-the-counter (OTC) options, exchange-traded options, forward contracts and contracts for differences.

The Fund uses derivative financial instruments to hedge its risks associated primarily with market and foreign currency fluctuations. Derivative financial instruments may also be used for trading purposes where the Responsible Entity believes this would be more effective than investing directly in the underlying financial instruments.

Derivatives often reflect at their inception only a mutual exchange of promises with little or no transfer of tangible consideration. However, these instruments frequently involve a high degree of leverage and are very volatile. A relatively small movement in the underlying security of a derivative contract may have a significant impact on the profit or loss of the Fund.

Derivatives do not qualify for hedge accounting and are classified as held for trading, with gains or losses arising from changes in fair value taken to Statement of Comprehensive Income for the year. The Fund holds the following derivative instruments:

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017

(Stated in Australian Dollars)

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (e) Derivative financial instruments (continued)

##### (i) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

##### (ii) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities prices. Options held by the Fund are exchange-traded and over the counter. The Fund is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value.

##### (iii) Forward currency contracts

Forward currency contracts are primarily used by the Fund to hedge against foreign currency exchange risks on its non Australian dollar denominated investments. A forward currency contract represents an agreement that obligates two parties to exchange a series of cash flows at specified intervals based upon changes in specified foreign exchange rates. The hedging effects of forward currency contracts on the Fund's foreign currency exposure are provided on Note 13.

#### (f) Offsetting financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the Statement of Financial Position. As at the end of the reporting period, the Fund has no financial assets or liabilities in the Statement of Financial Position which are presented on the offsetting basis.

#### (g) 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 Fund and the revenue can be reliably measured. The following specific recognition criteria must also be met before income is recognised:

##### *Dividends*

Dividends are recognised as income or expense on the date the share is quoted ex-dividend. Income is shown net of any non-recoverable withholding taxes.

##### *Interest income*

Revenue is recognised as the interest accrues (using the effective interest rate method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset. Interest income earned on cash and cash equivalents is recognised in the statement of comprehensive income on an accruals basis.

##### *Changes in the fair value of investments*

Net gains or losses on investments held for trading or designated 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 purchase or at the previous reporting date. This includes both realised and unrealised gains and losses, but does not include interest or dividend revenue.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017  
(Stated in Australian Dollars)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (h) Expenses

All expenses including fees and commissions are recognised on an accrual basis.

#### (i) Cash and cash equivalents

For the purpose of Statement of Financial Position and Statement of Cash Flows, cash comprises cash on hand and demand deposits. Cash equivalents are short term highly liquid investments with original maturities of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and are held for the purpose of the meeting short-term cash commitments rather than for investment or other purposes.

#### (j) Due from/to brokers

Due from/to brokers represents cash deposits and loans with brokers, including balances transferred as collateral against open positions, and amounts receivable and payable for securities transactions that have not yet settled at year end.

#### (k) Receivables

A receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

#### (l) Payables

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

#### (m) Provisions

Provisions are recognised when the Fund has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

#### (n) Income Taxes

Under current legislation, the Fund is not subject to income tax provided the unitholders are presently entitled to the income of the Fund and the Fund fully distributes its net taxable income. In jurisdictions other than Australia, in some cases foreign taxes will be withheld at source on dividends and certain interest received by the Fund. Capital gains derived by the Fund in such jurisdictions generally will be exempt from foreign income or withholding taxes at source. The tax rates and laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

#### (o) Distributions

In accordance with the Fund's Constitution, the Fund fully distributes its distributable income to unitholders. Distributions are payable at the end of each year.

Such distributions are determined by reference to net taxable income. Distributable income includes net gains arising from the disposal of investments less any carried forward realised losses from prior periods. Unrealised gains and losses on investments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable or distributable until realised. Net realised losses are not distributed to unitholders but are retained to be offset against any future realised gain.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017

(Stated in Australian Dollars)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (p) Foreign currency translation

Both the functional and presentation currency of the Fund and its subsidiaries is Australian dollars (\$) which is the currency of the primary economic environment in which it operates.

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the year or in a previous financial report are recognised in the Statement of Comprehensive Income in the period in which they arise.

#### (q) Applications and redemptions

Applications received for units in the Fund are recorded net of any entry fees payable prior to the issue of units in the Fund. Redemptions from the Fund, where permitted, 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 Fund adjusted for the estimated transaction costs, divided by the number of units on issue on the date of the application or redemption.

#### (r) Terms and conditions of units

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

- receive income distributions;
- attend and vote at meetings of unitholders; and
- participate in the distribution of net proceeds on termination and winding of the Fund on a pro rate basis.

The rights, obligations and restrictions attached to each unit in a Class are identical in all respects.

Unitholders may make a request to redeem their units by giving written notice to the Responsible Entity 45 days before a Redemption Date, which is the last business day of each calendar quarter.

#### (s) Goods and services tax

Revenues, expenses, cash flows, assets and liabilities are recognised net of the amount of goods and services tax (GST) except where:

- (i) the amount of GST incurred is not recoverable from the taxation authority it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- (ii) for receivables and payables which are recognised inclusive of GST.

Reduced input taxed credits (RITC) recoverable from, or payable to, the taxation authority from the Fund are recognised as receivables or payables in the Statement of Financial Position.

#### (t) Significant accounting judgements, estimates and assumptions

The preparation of the Fund's financial statements requires management to make judgments, estimates and assumptions that affect the amounts recognised in the financial statements. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The significant accounting policies have been consistently applied in the current financial year and the comparative period, unless otherwise stated. Comparative information has been re-presented to be consistent with current period disclosures where necessary.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017  
(Stated in Australian Dollars)

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (t) Significant accounting judgements, estimates and assumptions (continued)

##### Fair value of financial instruments

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques. The inputs to be taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility.

Changes in assumptions about these factors could affect the reported fair value of financial instruments. Contingent consideration, resulting from business combinations, is valued at fair value at the acquisition date as part of the business combination. When the contingent consideration meets the definition of a financial liability, it is subsequently re-measured to fair value at each reporting date. The determination of the fair value is based on discounted cash flows. The key assumptions take into consideration the probability of meeting each performance target and the discount factor.

##### Assessment as investment entity

The Fund elected to early adopt AASB 2014-5 from financial year 2014. This standard provides an exception to the consolidation requirement which is mandatory for entities that meet the definition of an "investment entity". Entities that meet the definition of an investment entity within AASB 10 are required to measure their subsidiaries at fair value through profit or loss rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment services;
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income or both; and
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Fund's objective is to generate superior returns for unitholders, with a focus on risk and capital preservation and the Fund's investment strategy is to provide investors with exposure to global markets through a long short equity strategy.

All investments are reported at fair value to the extent allowed by AASB in the Fund's annual reports. The Fund has a clearly documented exit strategy for all of its investments.

The Board has also concluded that the Fund meets the additional characteristics of an investment entity, in that it has more than one investment; the investments are predominantly in the form of equities and similar securities and it has more than one investor.

The Fund has related party investors as disclosed in note 9(b). All transactions between the Fund and its related parties are at market value and on commercial terms and conditions. As such, the related parties do not transact with the Fund on terms that are unavailable to other unitholders. Therefore this does not preclude the Fund from meeting the definition of an investment entity.

The Board has concluded that the Fund meets the definition of an investment entity. These conclusions will be reassessed on an annual basis, if any of these criteria or characteristics changes.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017  
(Stated in Australian Dollars)

### 3. MANAGER FEES AND PERFORMANCE FEES

The Responsible Entity receives from the Fund an investment manager fee of 1.50% (2016: 1.50%) per annum of the net asset value of the units (before deduction of the investment manager fee and before deduction for any accrued performance fees). This fee is payable monthly in arrears.

The Responsible Entity receives from the Fund a performance fee of 16.50% (2016:16.50%) on positive performance subject to a high water mark.

Manager and performance fees paid and payable for the year are shown in the table below:

	2017 \$'000	2016 \$'000
Manager fees expense	2,488	2,209
Manager fees payable	208	197
Performance fees expense	1,189	4,617
Performance fees payable	218	860

### 4. DISTRIBUTIONS PAID AND PAYABLE TO UNITHOLDERS

A distribution of \$4,317,308 (2016: \$30,960,181) was declared and the same amount \$4,317,308 (2016: \$30,960,181) was payable by the Fund at the year end.

### 5. INVESTMENTS IN FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	2017 \$'000	2016 \$'000
<b>Financial assets:</b>		
Designated at fair value through profit or loss:		
<i>Listed:</i>		
Equities	136,308	127,859
<i>Unlisted:</i>		
Equities	11,616	16,049
Investment in funds	33,669	24,653
Convertible Bond	501	-
Held for trading:		
Contract for differences	-	82
Exchange traded options	215	429
Forward contracts	337	303
Futures contracts	65	34
<b>Total financial assets</b>	<b>182,711</b>	<b>169,409</b>

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017

(Stated in Australian Dollars)

### 5. INVESTMENTS IN FINANCIAL ASSETS AND FINANCIAL LIABILITIES AT FAIR VALUE THROUGH ROFIT OR LOSS (CONTINUED)

	2017 \$'000	2016 \$'000
<b>Financial liabilities:</b>		
Designated at fair value through profit or loss:		
<i>Listed:</i>		
Equities	19,495	47,051
Corporate Bond	2,958	-
Held for trading		
Contract for differences	-	31
Forward contracts	58	162
Futures contracts	212	450
<b>Total financial liabilities</b>	<b>22,723</b>	<b>47,694</b>

### 6 FAIR VALUE OF FINANCIAL INSTRUMENTS

AASB 13 requires disclosures relating to fair value measurements using a three-level fair value hierarchy. The level within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. Assessing the significance of a particular input requires judgement, considering factors specific to the asset or liability. The following table shows financial instruments recognised at fair value, categorised between those whose fair value is based on:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following table shows financial instruments recorded at fair value, analysed between those whose fair value is based on quoted market prices, those involving valuation techniques where all the model inputs are observable in the market and those where the valuation technique involves the use of non-market observable inputs.

<b>30 June 2017</b>	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets:</b>				
Designated at fair value through profit or loss:				
<i>Listed:</i>				
Equities	136,308	-	-	136,308
<i>Unlisted:</i>				
Equities	-	-	11,616	11,616
Investment in funds	-	33,669	-	33,669
Convertible Bond	-	-	501	501
Held for trading:				
Exchange traded options	215	-	-	215
Futures contracts	65	-	-	65
Forward contracts	-	337	-	337
<b>Total financial assets</b>	<b>136,588</b>	<b>34,006</b>	<b>12,117</b>	<b>182,711</b>

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017  
(Stated in Australian Dollars)

### 6 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

<i>30 June 2017</i>	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial liabilities</b>				
Designated at fair value through profit or loss:				
<i>Listed:</i>				
Equities	19,495	-	-	19,495
Corporate Bond	2,958	-	-	2,958
Held for trading:				
Futures contracts	212	-	-	212
Forward contracts	-	58	-	58
<b>Total financial liabilities</b>	<b>22,665</b>	<b>58</b>	<b>-</b>	<b>22,723</b>
<i>30 June 2016</i>	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets:</b>				
Designated at fair value through profit or loss:				
<i>Listed:</i>				
Equities	127,859	-	-	127,859
<i>Unlisted:</i>				
Equities	-	-	16,049	16,049
Investment in funds	-	24,653	-	24,653
Held for trading:				
Contract for differences	82	-	-	82
Exchange traded options	429	-	-	429
Futures contracts	34	-	-	34
Forward contracts	-	303	-	303
<b>Total financial assets</b>	<b>128,404</b>	<b>24,956</b>	<b>16,049</b>	<b>169,409</b>
<b>Financial liabilities</b>				
Designated at fair value through profit or loss:				
<i>Listed:</i>				
Equities	47,051	-	-	47,051
Held for trading:				
Contract for differences	31	-	-	31
Futures contracts	450	-	-	450
Forward contracts	-	162	-	162
<b>Total financial liabilities</b>	<b>47,532</b>	<b>162</b>	<b>-</b>	<b>47,694</b>

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017  
(Stated in Australian Dollars)

### 6 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The level in which instruments are classified in the hierarchy is based on the lowest input that is significant to the fair value measurement in its entirety. Assessment of the significance of an input requires judgement after considering factors specific to the instrument.

The fair value of listed equities as well as publicly traded derivatives is based on last traded prices at the reporting date, without any deduction for transaction costs.

The Fund uses widely recognised valuation models for determining fair values of over-the-counter derivatives. For these financial instruments, inputs into models are market observable.

The fair values of currency exchange contracts (forwards and swaps) are calculated by reference to current exchange rates for contracts with similar maturity and risk profiles.

For all other financial instruments, fair value is determined using valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist and other relevant valuation models.

#### Quantitative information of significant unobservable inputs – Level 3:

<i>Description</i>	<i>\$'000</i>	<i>Valuation techniques</i>	<i>Significant unobservable inputs</i>	<i>Range (weighted average)</i>
<b><u>2017</u></b>				
Unlisted Equities	600	Earning Multiple	Earning Multiple	6X-7X
	1,400	Net Asset Value	n/a	n/a
	9,616	Market transaction prices	n/a	n/a
Unlisted Convertible Bond	501	Market transaction prices	n/a	n/a
<b><u>2016</u></b>				
Unlisted Equities	16,049	Recent transactions*	n/a	n/a

\* The fair value of the unlisted Level 3 financial instruments was based on their most recent purchase values.

#### Sensitivity analysis to significant changes in unobservable inputs within level 3 hierarchy:

<i>Description</i>	<i>Year</i>	<i>Input</i>	<i>Sensitivity used**</i>	<i>Effect on fair value \$'000</i>
Unlisted Equities	2017	Earning Multiple	1X	92
		Net Asset Value	n/a	n/a
		Market transaction prices	n/a	n/a
Unlisted Convertible Bond	2017	Market transaction prices	n/a	n/a
Unlisted Equities	2016	Recent transactions*	n/a	n/a

\*\* The sensitivity analysis refers to a percentage amount added or deducted from the input and the effect this has on the fair value.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017  
(Stated in Australian Dollars)

### 6 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting year.

	2017 \$'000	2016 \$'000
Designated at fair value through profit or loss:		
<i>Unlisted Equities</i>		
Opening balance	16,049	7,270
Total gains and (losses)		
- in profit or (loss)	162	83
- in other comprehensive income	-	-
Purchases	795	16,313
Sales	-	(2,347)
Transfer from level 3 to level 1	(4,889)	(5,270)
<b>Closing balance</b>	<b>12,117</b>	<b>16,049</b>

Gains or losses included in profit or loss are presented in change in fair value of financial assets and liabilities at fair value through profit or loss as follows:

	2017 \$'000	2016 \$'000
Total unrealised gains/(losses) included in profit or loss for level 3 assets	162	47
Total realised gains/(losses) included in profit or loss for level 3 assets	-	36

### 7 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

The terms and conditions attached to the units are stated in Note 2(q) and Note 2(r).

The movements in units of the Fund during the year ended 30 June 2017 and 30 June 2016 are as follows:

	Class A Units ('000)	Class B Units ('000)	Class C Units ('000)
<b>2017</b>			
Opening balance	8,512	50,843	27,066
Subscription for units	-	87	10,493
Distribution re-invested	1,276	10,527	4,960
Redemption of units	(295)	(4,570)	(1,833)
<b>Closing balance</b>	<b>9,493</b>	<b>56,887</b>	<b>40,686</b>
<b>2016</b>			
Opening balance	8,982	53,550	22,507
Subscription for units	-	-	4,088
Distribution re-invested	307	2,872	777
Redemption of units	(777)	(5,579)	(306)
<b>Closing balance</b>	<b>8,512</b>	<b>50,843</b>	<b>27,066</b>

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017  
(Stated in Australian Dollars)

### 7 NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

#### Capital management

As a result of the ability to issue and redeem units, the capital of the Fund can vary depending on the demand for subscriptions to and redemptions from the Fund. The Fund is not subject to externally imposed capital requirements and has no restrictions on the issue or redemption of units.

The Fund's objectives for managing capital are:

- To invest capital in accordance with the provisions of the Fund's Constitution and the current Product Disclosure Statement.
- To pursue its investment objective which is consistent with the Constitution and Product Disclosure Statement by investing in a portfolio of global equities that may include financial products such as listed and unlisted shares, managed funds and derivatives.

The policies and processes applied by the Fund in managing its capital are outlined in Note 13.

### 8 DUE FROM/TO BROKERS

	2017 \$'000	2016 \$'000
<i>Due from brokers:</i>		
Receivables for investments sold	47	4,975
Broker balance	2,026	33,273
	<b>2,073</b>	<b>38,248</b>
<i>Due to brokers:</i>		
Payables for investments purchased	239	9,534
Broker balance	2,990	1,327
	<b>3,229</b>	<b>10,861</b>

Broker balances represent cash deposits and loans with brokers including balances transferred as collateral against open positions. There was \$289,105 held as collateral with broker accounts as of 30 June 2017 (2016: \$1,639,912).

### 9 RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party including financial or operational decisions.

#### (a) Details of key management personnel

##### (i) Directors

The Directors of the Responsible Entity are considered to be key management personnel of the Fund.

The names of the Directors of the Responsible Entity in office during the financial year and until the date of this report are:

Ashok Jacob (Chairman)  
Brian O'Sullivan  
Michael Johnston  
Guy Jalland  
Chris Kourtis

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017  
(Stated in Australian Dollars)

### 9 RELATED PARTIES (CONTINUED)

(ii) *Compensation of key management personnel*

No Directors fees or other amounts have been paid or are payable at year end to the Directors by the Fund.

#### (b) Units held by related parties

	\$	No. of Units Held As At 30 June	%
			Of the Fund
<b>2017</b>			
<i>Directors of the Responsible Entity</i>			
Ashok Jacob	29,060,804	18,805,191	18.48
Brian O’Sullivan	106,180	75,957	0.07
<b>2016</b>			
Ashok Jacob	22,907,931	15,051,684	18.45
Brian O’Sullivan	83,478	60,795	0.07
<i>Distributions paid/payable</i>		2017	2016
		\$	\$
Ashok Jacob		841,210	5,726,964
Brian O’Sullivan		2,752	20,870

#### (c) Transactions with related parties

(i) Fees paid and payable to the Responsible Entity are disclosed in Note 3.

(ii) The Fund from time to time enters into transactions with parties related to or managed by the Responsible Entity. All related party transactions are made at arm’s length on normal business terms and conditions.

	As at 30 June 2017 \$’000	As at 30 June 2016 \$’000
Investments in other entities managed by the Responsible Entity	9,863*	12,121*

\*Excluding investment in subsidiaries shown in Note 10.

### 10 INVESTMENT IN SUBSIDIARIES

	2017 \$’000	2016 \$’000
Ellerston Asian Emerging Opportunities Fund	7,358	8,955
Ellerston Asia Fund	7,643	-
Ellerston Global Macro Fund	7,777	-
Ellerston Global Mid Small Cap Fund (Hedged)	1,028	-
Ellerston Japanese Market neutral Fund	-	7,504
<b>Total</b>	<b>23,806</b>	<b>16,459</b>

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017  
(Stated in Australian Dollars)

### 10 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Since financial year 2014, the Fund has adopted AASB 2014-5 "Amendments to Australian Accounting Standards - Investment Entities" as explained in Note 2. As a result, the Fund no longer consolidates its subsidiaries, however it is required to provide certain disclosures, as outlined below:

Summary of unconsolidated subsidiaries	Principle place of business	Proportion of ownership and voting rights	
		2017	2016
Ellerston Asian Emerging Opportunities Fund	Australia	100%	100%
Ellerston Asia Fund	Australia	100%	-
Ellerston Global Macro Fund	Australia	77%	-
Ellerston Global Mid Small Cap Fund (Hedged)	Australia	62%	-
Ellerston Japanese Market Neutral Fund	Australia	-	100%

None of the above subsidiaries control any further subsidiaries.

The Fund has no contractual commitments or current intentions to provide any financial or other support to its unconsolidated subsidiaries. The Fund receives income in the form of distributions from its investments in unconsolidated subsidiaries, and there are no significant restrictions on the transfer of cash from these entities to the Fund. The management and performance fees paid as the result of the Fund's investments in its subsidiaries are fully rebated.

### 11 AUDITORS REMUNERATION

	2017	2016
	\$	\$
Amounts received or receivable by Ernst & Young for:		
Audit & compliance	86,505	82,399
Tax	52,250	52,250
<b>Total</b>	<b>138,755</b>	<b>134,649</b>

### 12 CASH AND CASH EQUIVALENTS

#### (a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise:

	2017	2016
	\$'000	\$'000
Cash at bank	7,395	8,956

Cash at bank earns interest at floating rates based on daily bank deposit rates.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017

(Stated in Australian Dollars)

### 12 CASH AND CASH EQUIVALENTS (CONTINUED)

#### (b) Reconciliation of change in net assets attributable to unitholders for the year to net cash flows from operating activities

	2017 \$'000	2016 \$'000
Change in net assets attributable to unitholders	1,776	(7,486)
<i>Adjustments for:</i>		
Purchase of investments	(329,453)	(214,581)
Proceeds on disposal of investments	327,674	224,612
Net changes in the fair value of investments	(7,953)	(27,937)
<i>(Increase)/decrease in assets:</i>		
Interest and dividends receivable	(293)	134
Other receivables	(117)	(91)
<i>Increase/(decrease) in liabilities:</i>		
Interest and dividends payable	105	4
Management fees payable	11	20
Performance fees payable	(642)	(3,279)
Other payables	(109)	53
Distribution payable	4,317	30,960
<b>Cash flows from operating activities</b>	<b>(4,684)</b>	<b>2,409</b>

#### (c) Non-cash financing activity

Reinvestment of unitholders distribution	24,017	5,937
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### 13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS

#### Financial risk management objectives, policies and processes

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement and monitoring. The Fund is exposed to credit risk, liquidity risk and market risk.

Financial instruments of the Fund comprise investment in financial assets for the purpose of generating a return on the investment made by unitholders, in addition to derivatives, cash and cash equivalents, net assets attributable to unitholders, and other financial instruments such as trade debtors and creditors, which arise directly from its operations.

The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The risks are measured using a method that reflects the expected impact on the results and net assets attributable to unitholders of the Fund from reasonably possible changes in the relevant risk variables. Information about these risk exposures at year end, measured on this basis, is disclosed below. Information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits, is also monitored by the Responsible Entity. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept, with additional emphasis on selected industries.

As part of its risk management strategy, the Fund uses derivatives and other investments, including currency futures and options, forward currency exchange contracts or any combination thereof, to manage exposures resulting from changes in interest rates, foreign currencies, equity risks and exposures arising from forecast transactions.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017  
(Stated in Australian Dollars)

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### 13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

#### Credit risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss.

With respect to credit risk arising from the financial assets of the Fund, other than derivatives, the Fund's exposure to credit risk arises from default of the counterparty, with the current exposure equal to the fair value of these instruments as disclosed in the Statement of Financial Position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values, but best represents the current maximum exposure at year end.

Credit risk arising from derivative financial instruments is, at any time, limited to those with positive fair values.

There are no financial assets that are past due or impaired, or would otherwise be past due or impaired except for the terms having been renegotiated. The Fund minimises its exposure to credit risk on derivatives by only trading with top-tier financial institutions and closely monitors the level of exposure that it holds with each counterparty.

#### *Concentration of credit risk exposure*

Concentrations of risk arise when a number of financial instruments or contracts 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 concentrations of risk, the Fund monitors its exposure to ensure concentrations of risk remain within acceptable levels and either reduces exposure or uses derivative instruments to manage the excessive risk concentrations when they arise.

To reduce the concentration of credit risk exposure the Fund has appointed both Morgan Stanley & Co International Plc and Goldman Sachs International as prime brokers and custodians of the Fund.

The Standard and Poor's long term foreign issuer credit rating of the Fund's counterparties as at 30 June 2017 and 30 June 2016 are:

- A+ for Morgan Stanley & Co International PLC (2016: A).
- A+ for Goldman Sachs International (2016: A)

#### 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. Market risk is managed and monitored on an on-going and stock by stock basis, based on the judgement made by the Responsible Entity.

#### Interest rate risk

Interest rate is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates. Interest rate risk is managed as part of the overall investment strategy of the Fund.

Interest rate risk is immaterial in terms of a possible impact on the net operating profit attributable to unitholders and as such a sensitivity analysis has not been completed for the year ended 30 June 2017 and 30 June 2016.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017  
(Stated in Australian Dollars)

### 13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

#### Foreign currency risk

Currency risk is the risk that the value of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The tables below indicate the currencies to which the Fund had significant exposure on its financial and monetary assets and liabilities. The analysis discloses management's best estimates of the effect of a reasonably possible movement of the currency rate against the Australian dollar, with all other variables held constant on the Statement of Comprehensive Income and Statement of Financial Position. A negative amount in the tables reflects a potential net reduction in Statement of Comprehensive Income or Net Assets, while a positive amount reflects a potential net increase. In practice the actual trading results may differ from the below sensitivity analysis and the difference may be material.

In practice the actual trading results may differ from the below sensitivity analysis and the difference may be material.

The gross value of foreign exchange forward contract agreement at year end, and the Fund's sensitivity to these contracts, are also included in the tables below.

	<i>Assets excluding gross value of foreign exchange contracts \$'000</i>	<i>Gross Value of foreign exchange forward contracts \$'000</i>	<i>Total assets \$'000</i>	<i>Total liabilities \$'000</i>	<i>Total \$'000</i>	<i>Effect of a 10% change in AUD exchange rate on Net Assets and Net Operating Profit/(Loss) \$'000</i>
<b>30 June 2017</b>						
Australian Dollars	130,217	50,110	180,327	(24,431)	155,896	N/A
United States Dollar	50,707	(38,521)	12,186	(11,062)	1,124	112
Hong Kong Dollars	3,128	(3,097)	31	(1)	30	3
Euro Dollars	6,239	(6,265)	(26)	(78)	(104)	(10)
Indian Rupees	1,741	(1,429)	312	-	312	31
Canadian Dollar	812	(799)	13	(5)	8	1
Other foreign currencies	-	1	1	(8)	(7)	(1)
<b>Total</b>	<b>192,844</b>	<b>-</b>	<b>192,844</b>	<b>(35,585)</b>	<b>157,259</b>	
<b>30 June 2016</b>						
Australian Dollars	149,652	38,535	188,187	(69,872)	118,315	N/A
United States Dollar	46,548	(28,067)	18,481	(18,401)	80	8
Hong Kong Dollars	3,519	167	3,686	(1,154)	2,532	253
Euro Dollars	6,714	(6,337)	377	(1)	376	38
Indian Rupees	3,663	(1,961)	1,702	(2)	1,700	170
Great British Pounds	(6)	43	37	-	37	4
Singapore Dollars	4,550	(2,330)	2,220	(1,948)	272	27
Swiss Franc	0	1,355	1,355	(1,312)	43	4
Indonesian Rupiah	579	-	579	-	579	58
Other foreign currencies	1,648	(1,405)	243	(2)	241	24
<b>Total</b>	<b>216,867</b>	<b>-</b>	<b>216,867</b>	<b>(92,692)</b>	<b>124,175</b>	

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017

(Stated in Australian Dollars)

### 13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

#### Equity price risk

Equity price risk represents the risk that the value of a financial assets or liabilities at fair value through profit or loss will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all instruments in the market.

Equity price risk is managed through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

If the price of each equity in the investment portfolio moves +/- 10%, this will result in a change in net assets attributable to unitholders and a change in net operating profit attributable to unitholders as follows:

	Change in equity price		Equity price risk	
	%	%	\$'000	\$'000
2017	10	(10)	12,843	(12,843)
2016	10	(10)	9,686	(9,686)

#### Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities.

#### *Maturity analysis for financial liabilities*

Financial liabilities of the Fund comprise:

- financial liabilities at fair value through profit or loss, which include securities sold short and are settled within 3 days after trade.
- due to brokers, management and administration fees payable, interest and dividends payable, distributions paid and payable and other payables. They have no contractual maturities but are typically settled within 30 days.

Net assets attributable to unitholders are subject to redemption restrictions mentioned in Note 2(r).

### 14 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Financial assets and financial liabilities are offset and the net amount reported in the Statement of Financial Position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the asset and settle the liability simultaneously. This is generally not the case with master netting agreements unless one party to the agreement defaults and the related assets and liabilities are presented gross in the Statement of Financial Position. As at the end of the reporting period, the Fund has no financial assets or liabilities in the Statement of Financial Position which are presented on the offsetting basis.

## Notes to the Financial Statements (continued)

For the year ended 30 June 2017  
(Stated in Australian Dollars)

### 14 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

The following tables provide information on the financial impact of the netting agreements if they were applied to the recognised financial assets and liabilities:

#### Financial assets

	Gross amount of recognised assets/ (liabilities)	Gross amounts offset in the statement of financial position	Net amount presented on statement of financial position	Amounts subject to master netting arrangements	Amounts related to financial collaterals pledged/ received	Net Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2017</b>						
<i>Derivative financial instruments</i>	617	-	617	(123)	-	494
<b>Total</b>	<b>617</b>	<b>-</b>	<b>617</b>	<b>(123)</b>	<b>-</b>	<b>494</b>
<b>30 June 2016</b>						
<i>Derivative financial instruments</i>	848	-	848	(215)	-	633
<b>Total</b>	<b>848</b>	<b>-</b>	<b>848</b>	<b>(215)</b>	<b>-</b>	<b>633</b>

#### Financial liabilities

	Gross amount of recognised assets/ (liabilities)	Gross amounts offset in the statement of financial position	Net amount presented on statement of financial position	Amounts subject to master netting arrangements	Amounts related to financial collaterals pledged/ received	Net Amount*
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>30 June 2017</b>						
<i>Derivative financial instruments</i>	(270)	-	(270)	123	147	-
<b>Total</b>	<b>(270)</b>	<b>-</b>	<b>(270)</b>	<b>123</b>	<b>147</b>	<b>-</b>
<b>30 June 2016</b>						
<i>Derivative financial instruments</i>	(643)	-	(643)	215	428	-
<b>Total</b>	<b>(643)</b>	<b>-</b>	<b>(643)</b>	<b>215</b>	<b>428</b>	<b>-</b>

\* There was \$289,105 held as collateral with broker accounts as of 30 June 2017 (2016: \$1,639,912).

## **Notes to the Financial Statements (continued)**

**For the year ended 30 June 2017**

**(Stated in Australian Dollars)**

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### **15 COMMITMENTS AND CONTINGENCIES**

There are no commitments or contingencies as at 30 June 2017 (2016: None).

### **16 EVENTS AFTER THE REPORTING DATE**

There were no significant matters or circumstances that have arisen since the end of the year that have significantly affected, or may affect, the Fund's operations in future years, the results of those operations or the Fund's state of affairs in future years.