



Ellerston Global Equity Managers Fund

ARSN 118 887 095

Financial Report
For year ended
30 June 2018

TABLE OF CONTENTS

	Page
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 2018.

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. There has been no significant changes in the nature of this activity during the year.

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:

	2018 \$'000	2017 \$'000
Net operating profit before finance costs	37,517	6,093

DISTRIBUTIONS

\$22,556,335 (2017: \$4,317,308) was declared and the same amount \$22,556,335 (2017: \$4,317,308) was payable by the Fund at the year end.

Distribution cents-per-unit (CPU) are:

	2018 CPU	2017 CPU
Class A	20.7520	3.7977
Class B	20.0412	3.6233
Class C	23.0245	4.6590

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 2018, the Fund held assets with a total value of \$262,617,090 (2017: \$204,681,886). The basis for valuation of these assets is disclosed in Note 2 to the financial statements.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

The Fund has amended its Constitution to enable it to elect into the Attribution Managed Investment Trust ("AMIT") tax regime with effect from 1 July 2017 and comply with the requirements of the AMIT regime.

In the opinion of the Directors, there were no other significant changes 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 2018 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

The Fund will maintain its investment strategy in accordance with its Constitution and will continue to pursue its investment objective as set out in its offer documents.

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

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to 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.

DIRECTORS' REPORT (Continued)

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.

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 Legislative Instrument 2016/191. The Fund is an entity to which the legislative instrument applies, and in accordance with that instrument, 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, 25 September 2018

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 2018, 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
25 September 2018

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 2018, 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 2018 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
25 September 2018

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 2018 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, 25 September 2018

Statement of Comprehensive Income

For the year ended 30 June 2018

(Stated in Australian Dollars)	<i>Note</i>	2018 \$'000	2017 \$'000
INCOME			
Interest revenue		157	739
Dividend and trust distribution revenue		5,654	4,377
Changes in the fair value of investments:			
Designated at fair value through profit or loss		49,520	11,270
Held for trading		(6,037)	(3,317)
Other income		1,199	678
TOTAL INVESTMENT INCOME		50,493	13,747
EXPENSES			
Interest expense		1,350	729
Dividend expense		610	1,558
Manager fees	3	2,786	2,488
Performance fees	3	6,947	1,189
Administration expenses		307	280
Bank and broker expenses		648	1,047
Other expenses		328	363
TOTAL OPERATING EXPENSES		12,976	7,654
NET OPERATING PROFIT BEFORE FINANCE COSTS		37,517	6,093
FINANCE COSTS ATTRIBUTABLE TO UNITHOLDERS			
Distributions to unitholders	4	(22,556)	(4,317)
Change in net assets attributable to unitholders		14,961	1,776
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		-	-

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

Statement of Financial Position

As at 30 June 2018

(Stated in Australian Dollars)	<i>Note</i>	2018 \$'000	2017 \$'000
ASSETS			
Cash and cash equivalents	11	2,234	7,395
Due from brokers	8	4,871	2,073
Receivables of interest income, dividends and trust distributions		3,014	340
Other receivables		437	325
Financial assets at fair value through profit or loss	5	252,061	194,549
TOTAL ASSETS		262,617	204,682
LIABILITIES			
Due to brokers	8	33,979	3,229
Management and performance fees payable	3	395	426
Administration fees payable		42	17
Interest and dividends payable		227	197
Distributions payable	4	22,556	4,317
Redemptions payable		1,417	4,113
Other payables		347	563
Financial liabilities at fair value through profit or loss	5	33,513	34,561
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)		92,476	47,423
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		170,141	157,259

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 2018

(Stated in Australian Dollars)	2018 \$'000	2017 \$'000
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		
Opening balance	157,259	124,175
Change in net assets attributable to unitholders	14,961	1,776
Application of units	1,393	17,211
Redemption of units	(7,004)	(9,920)
Units issued upon reinvestment of distributions	3,532	24,017
Closing Balance	170,141	157,259

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 2018

(Stated in Australian Dollars)	<i>Note</i>	2018 \$'000	2017 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Purchase of investments		(327,733)	(341,291)
Sale of investments		340,607	339,512
Interest received		187	717
Dividend and trust distribution received		2,951	4,105
Other income		1,086	563
Interest and dividend paid		(1,931)	(2,181)
Performance fees paid		(7,010)	(1,832)
Manager fees paid		(2,753)	(2,478)
Administration fees paid		(282)	(282)
Other operating expenses paid		(1,191)	(1,517)
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	11(b)	3,931	(4,684)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt from issue of units		1,394	17,211
Distribution paid		(785)	(6,943)
Payments for redemption of units		(9,701)	(7,145)
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		(9,092)	3,123
NET DECREASE IN CASH AND CASH EQUIVALENTS			
Cash and cash equivalents at beginning of year		7,395	8,956
CASH AND CASH EQUIVALENTS AT END OF YEAR	11(a)	2,234	7,395

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 2018
(Stated in Australian Dollars)

1. GENERAL INFORMATION

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 Fund invests in a portfolio of global equities that may include financial products such as listed and unlisted shares, managed funds and derivatives in accordance with the provisions of the Fund’s Constitution and current Product Disclosure Statement.

On 5 May 2016, the Attribution Managed Investment Trust (“AMIT”) regime, applying to Managed Investment Trusts was enacted under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. With its introduction, the Responsible Entity made an announcement in June 2017 to unitholders on the Fund’s intention to elect into the AMIT regime for the financial year ended 30 June 2018 (and for subsequent financial years). On 24 July 2017, the Responsible Entity amended the Fund’s Constitution to allow the Fund to elect into and comply with the AMIT regime. As at 30 June 2018, the Fund met the conditions to operate as an AMIT and reassessed the other criteria in AASB 132 *Financial Instruments: Presentation* for classifying net assets attributable to unitholders. The Fund has determined that the net assets attributable to unitholders should continue to be classified as a financial liability on 30 June 2018 as they do not meet the criteria under AASB 132 to be classified as equity.

The financial report of the Fund has been authorised for issue in accordance with a resolution of the Directors of the Responsible Entity on 25 September 2018.

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 statements are presented in Australian Dollars and all values are rounded to the nearest \$’000 except where otherwise indicated.

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(Stated in Australian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

(i) AASB 9 Financial Instruments (and applicable amendments)

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 July 2018.

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 and financial assets at amortised cost are immaterial, the change in impairment rules will not materially impact the Fund.

(ii) AASB 15 Revenue from Contracts with Customers

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 distributions, 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.

(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 Instruments: Recognition and Measurement*.

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(Stated in Australian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(i) Classification (continued)

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.

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.

(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'.

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(Stated in Australian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(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.

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

Fair value 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. Changes in the fair value of 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 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 2018

(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 net.

(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 revenue

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.

Trust distribution Revenue

Trust distributions are recognised as income on an entitlements basis.

Notes to the Financial Statements (continued)

For the year ended 30 June 2018

(Stated in Australian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Revenue and income recognition (continued)

Other income

Other income is brought to account on an accruals basis.

Changes in the fair value of investments

Changes in the fair value of 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 nor expenses.

(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

Receivables are recognised when a right to receive a payment is established. Amounts are generally received within 30 days of being recognised as receivables. Given the short-term nature of most receivables, their nominal amounts approximate their fair value.

(l) Payables

Payables are recognised when the Fund becomes liable. Payables are measured at their nominal amounts. Amounts are generally paid within 30 days of being recognised as payables. Given the short-term nature of most payables, their nominal amounts approximate their fair value.

(m) Income taxes

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unit holders.

In the comparative period, and under tax legislation, the Fund was not liable to pay income tax since, under the terms of the Fund Constitution, the unitholders were presently entitled to the income of the Fund and the Fund fully distributes its 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 most foreign 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(Stated in Australian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) 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.

(o) Net assets attributable to unitholders

The Fund's capital is represented by the units which are redeemable at the unit holders' option, however the Responsible Entity may suspend redemption if it is in the best interest of unit holders.

Quantitative information about the Fund's capital is provided in the Statement of Changes in Net Assets Attributable to Unitholders and in Note 7. The units are entitled to income which is attributed by the Responsible Entity and to payment of a proportionate share of the Fund's net asset value on the redemption date or upon winding up of the Fund.

(p) Distributions

Distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders. In the comparative period, in accordance with the Fund Constitution, the Fund fully distributes its distributable income to unitholders.

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.

(q) 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 year are recognised in the Statement of Comprehensive Income in the period in which they arise.

(r) 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(Stated in Australian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Terms and conditions of units

Each unit within a unit class 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 up of the Fund on a pro rata basis.

The rights, obligations and restrictions attached to each unit in Class A, B and C are identical in all respects other than the high water mark applicable to each of these three classes.

Unitholders may make a request to redeem their units by giving written notice to the Responsible Entity:

- 45 days for Class A and B before a Redemption Date, which is the last business day of each calendar quarter; or
- 30 days for Class C before a Redemption Date, which is the last business day of each calendar month.

(t) Goods and services tax

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

- (i) where 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.

(u) 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.

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 are 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(Stated in Australian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Significant accounting judgements, estimates and assumptions (continued)

Assessment as 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 the accounting standards 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.

3. MANAGER FEES AND PERFORMANCE FEES

The Responsible Entity receives from the Fund an investment manager fee of 1.50% (2017: 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% (2017:16.50%) 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:

	2018 \$'000	2017 \$'000
Manager fees expense	2,786	2,488
Manager fees payable	240	208
Performance fees expense	6,947	1,189
Performance fees payable	155	218

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(Stated in Australian Dollars)

4. DISTRIBUTIONS PAID AND PAYABLE TO UNITHOLDERS

Distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

On 24 July 2017, the Responsible Entity amended the Fund's Constitution to allow the Fund to elect into and comply with the AMIT regime. Refer to Note 1 and Note 2 (p) for further details.

A distribution of \$22,556,335 (2017: \$4,317,308) was declared and the same amount \$22,556,335 (2017: \$4,317,308) was payable by the Fund at the year end.

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

	2018 \$'000	2017 \$'000
Financial assets:		
Designated at fair value through profit or loss:		
<i>Listed:</i>		
Equities	213,742	148,146
<i>Unlisted:</i>		
Equities	5,353	11,616
Investment in funds	31,968	33,669
Convertible Bond	-	501
Held for trading:		
Exchange traded options	651	215
Forward contracts	293	337
Futures contracts	54	65
Total financial assets	252,061	194,549
Financial liabilities:		
Designated at fair value through profit or loss:		
<i>Listed:</i>		
Equities	24,169	19,495
Corporate Bond	1,866	2,958
Held for trading		
Equity swaps	7,447	11,838
Forward contracts	14	58
Futures contracts	17	212
Total financial liabilities	33,513	34,561

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

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(Stated in Australian Dollars)

6 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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.

<i>30 June 2018</i>	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets:				
Designated at fair value through profit or loss:				
<i>Listed:</i>				
Equities	213,742	-	-	213,742
<i>Unlisted:</i>				
Equities	-	-	5,353	5,353
Investment in funds	-	31,968	-	31,968
Held for trading:				
Exchange traded options	651	-	-	651
Forward contracts	-	293	-	293
Futures contracts	54	-	-	54
Total financial assets	214,447	32,261	5,353	252,061
Financial liabilities				
Designated at fair value through profit or loss:				
<i>Listed:</i>				
Equities	24,169	-	-	24,169
Corporate Bond	1,866	-	-	1,866
Held for trading:				
Equity swaps	-	7,447	-	7,447
Futures contracts	17	-	-	17
Forward contracts	-	14	-	14
Total financial liabilities	26,052	7,461	-	33,513

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(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
Financial assets:				
Designated at fair value through profit or loss:				
<i>Listed:</i>				
Equities	148,146	-	-	148,146
<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
Total financial assets	148,426	34,006	12,117	194,549
Financial liabilities				
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:				
Equity swaps	-	11,838	-	11,838
Futures contracts	212	-	-	212
Forward contracts	-	58	-	58
Total financial liabilities	22,665	11,896	-	34,561

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.

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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(Stated in Australian Dollars)

6 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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>
2018				
Unlisted Equities	750	Earning Multiple	Earning Multiple	14X-15X
	750	Net Asset Value	n/a	n/a
	3,781	Recent transaction cost	n/a	n/a
	72	Market transaction price	n/a	n/a
2017				
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

* 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	2018	Earning Multiple	1X	52
		Net Asset Value	n/a	n/a
		Recent transaction cost	n/a	n/a
		Market transaction prices	n/a	n/a
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

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

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.

	2018 \$'000	2017 \$'000
<i>Designated at fair value through profit or loss:</i>		
Unlisted Equities and Convertible bond		
Opening balance	12,117	16,049
Total gains and (losses)		
- in profit or (loss)	1,041	162
- in other comprehensive income	-	-
Purchases	3,781	795
Sales	(10,833)	-
Transfers	(753)	(4,889)
Closing balance	5,353	12,117

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(Stated in Australian Dollars)

6 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

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:

	2018 \$'000	2017 \$'000
Total unrealised gains/(losses) included in profit or loss for level 3 assets	(500)	162
Total realised gains/(losses) included in profit or loss for level 3 assets	1,541	-

7 NET ASSETS ATTRIBUTIBLE TO UNITHOLDERS

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

The movements in units and value of the Fund and classes during the year ended 30 June 2018 and 30 June 2017 are as follows:

	Class A \$'000	Class B \$'000	Class C \$'000	Total \$'000
2017				
Opening balance	12,026	70,002	42,147	124,175
Change in net assets attributable to unitholders	213	1,434	129	1,776
Application of units	-	120	17,091	17,211
Redemption of units	(429)	(6,522)	(2,969)	(9,920)
Distribution re-invested	1,802	14,491	7,724	24,017
Closing balance	13,612	79,525	64,122	157,259
2018				
Opening balance	13,612	79,525	64,122	157,259
Change in net assets attributable to unitholders	1,289	7,871	5,801	14,961
Application of units	-	2	1,391	1,393
Redemption of units	(429)	(5,630)	(945)	(7,004)
Distribution re-invested	238	1,794	1,500	3,532
Closing balance	14,710	83,562	71,869	170,141
	Class A Units ('000)	Class B Units ('000)	Class C Units ('000)	Total Units('000)
2017				
Opening balance	8,512	50,843	27,066	86,421
Application of units	-	87	10,493	10,580
Redemption of units	(295)	(4,570)	(1,833)	(6,698)
Distribution re-invested	1,276	10,527	4,960	16,763
Closing balance	9,493	56,887	40,686	107,066
2018				
Opening balance	9,493	56,887	40,686	107,066
Application of units	-	1	768	769
Redemption of units	(255)	(3,444)	(551)	(4,250)
Distribution re-invested	166	1,283	952	2,401
Closing balance	9,404	54,727	41,855	105,986

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(Stated in Australian Dollars)

7 NET ASSETS ATTRIBUTIBLE 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

	2018 \$'000	2017 \$'000
<i>Due from brokers:</i>		
Receivables for investments sold	3,273	47
Broker balance	1,598	2,026
	4,871	2,073
<i>Due to brokers:</i>		
Payables for investments purchased	3,296	239
Broker balance	30,683	2,990
	33,979	3,229

Broker balances represent cash deposits and loans with brokers including balances transferred as collateral against open positions. There was \$1,311,369 held as collateral with broker accounts as of 30 June 2018 (2017: \$289,105).

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 Responsible Entity and 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

(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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(Stated in Australian Dollars)

9 RELATED PARTIES (CONTINUED)

(b) Units held by related parties

2018	\$	No. of Units Held As At 30 June	%
<i>Directors of the Responsible Entity</i>			Of the Fund
Ashok Jacob	32,131,945	19,348,637	18.89
Brian O’Sullivan	117,317	77,926	0.07
2017			
Ashok Jacob	29,060,804	18,805,191	18.48
Brian O’Sullivan	106,180	75,957	0.07
		2018	2017
<i>Distributions paid/payable</i>	\$	\$	
Ashok Jacob		4,360,343	841,210
Brian O’Sullivan		15,617	2,752

(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 2018 \$’000	As at 30 June 2017 \$’000
Investments in other entities managed by the Responsible Entity	19,545*	9,863*

* Excluding investment in unconsolidated subsidiaries shown in Note 10.

During year ended 30 June 2018 and 30 June 2017, Ellerston Capital Limited, the Investment Manager and Responsible Entity for the Ellerston Global Equity Managers Fund, entered into an ISDA Master Agreement for the purposes of providing an equity swap arrangement with the Ellerston India Fund, the Ellerston Asia Growth Fund and the Ellerston Asian Emerging Opportunities Fund. As at 30 June 2018 and 30 June 2017, the fair values of the equity swap securities and the corresponding equity securities held are provided in Note 5. The Funds are related through a common Investment Manager.

10 INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES

	2018 \$’000	2017 \$’000
Ellerston Asian Emerging Opportunities Fund	6,206	7,358
Ellerston Asia Growth Fund	7,204	7,643
Ellerston Global Mid Small Cap Fund (Hedged)**	1,156	1,028
Ellerston Global Macro Fund**	3,808	7,777
Total	18,374	23,806

**Unconsolidated subsidiary as at 30 June 2017 only.

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(Stated in Australian Dollars)

10 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Summary of unconsolidated subsidiaries	Principal place of business	Proportion of ownership and voting rights	
		2018	2017
Ellerston Asian Emerging Opportunities Fund	Australia	100%	100%
Ellerston Asia Growth Fund	Australia	100%	100%
Ellerston Global Mid Small Cap Fund (Hedged)**	Australia	38%	62%
Ellerston Global Macro Fund**	Australia	8%	77%

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 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:

	2018 \$'000	2017 \$'000
Cash at bank	2,234	7,395

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

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

	2018 \$'000	2017 \$'000
Change in net assets attributable to unitholders	14,961	1,776
<i>Adjustments for:</i>		
Purchase of investments	(327,733)	(341,291)
Proceeds on disposal of investments	340,607	339,512
Net changes in the fair value of investments	(43,483)	(7,953)
(Increase)/decrease in assets:		
Interest and dividends receivable	(2,674)	(293)
Other receivables	(112)	(117)
Increase/(decrease) in liabilities:		
Interest and dividends payable	29	105
Management fees payable	33	11
Performance fees payable	(63)	(642)
Other payables	(190)	(109)
Distribution payable	22,556	4,317
Cash flows from operating activities	3,931	(4,684)

(c) Non-cash financing activity

Reinvestment of unitholders distribution	3,532	24,017
--	-------	--------

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(Stated in Australian Dollars)

12. AUDITORS REMUNERATION

	2018	2017
	\$	\$
Amounts received or receivable by Ernst & Young for:		
Audit & compliance	86,145	86,505
Tax	75,529	52,250
Total	161,674	138,755

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.

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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(Stated in Australian Dollars)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

Credit risk (continued)

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 2018 and 30 June 2017 are:

- A+ for Morgan Stanley & Co International PLC (2017: A+).
- A+ for Goldman Sachs International (2017: 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 risk 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 profit or loss and net assets attributable to unitholders, and as such a sensitivity analysis has not been completed for the year ended 30 June 2018 and 30 June 2017.

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 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 profit or loss and net assets attributable to unitholders, 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(Stated in Australian Dollars)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

Foreign currency risk (continued)

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>Net foreign currency \$'000</i>	<i>Effect of a 10% change in AUD exchange rate on profit or loss and net assets attributable to unitholders \$'000</i>
30 June 2018						
Australian Dollars	179,904	65,809	245,713	(76,243)	169,470	N/A
United States Dollar	65,498	(55,839)	9,659	(9,624)	35	4
Hong Kong Dollars	1,247	(1,802)	(555)	695	140	14
Euro Dollars	2,635	(6,820)	(4,185)	4,190	5	1
Canadian Dollar	2,612	18	2,630	(2,548)	82	8
British Pound	1,218	(41)	1,177	(1,024)	153	15
Taiwan Dollar	1,251	(1,271)	(20)	67	47	5
New Zealand Dollar	805	(54)	751	(761)	(10)	(1)
Indian Rupees	7,447	-	7,447	(7,227)	220	22
Other foreign currencies	-	-	-	(1)	(1)	-
Total	262,617	-	262,617	(92,476)	170,141	
30 June 2017						
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	13,579	(1,429)	12,150	(11,838)	312	31
Canadian Dollar	812	(799)	13	(5)	8	1
Other foreign currencies	-	1	1	(8)	(7)	(1)
Total	204,682	-	204,682	(47,423)	157,259	

Equity price risk

Equity price risk represents the risk that the value of 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.

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(Stated in Australian Dollars)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

Equity price risk (continued)

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		Impact on profit or loss and net assets attributable to unitholders	
	%	%	\$'000	\$'000
2018	10	(10)	18,748	(18,748)
2017	10	(10)	12,843	(12,843)

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 net.

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(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
30 June 2018						
<i>Derivative financial instruments</i>	998	-	998	(31)	-	967
Total	998	-	998	(31)	-	967
30 June 2017						
<i>Derivative financial instruments</i>	617	-	617	(123)	-	494
Total	617	-	617	(123)	-	494

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
30 June 2018						
<i>Derivative financial instruments</i>	(7,478)	-	(7,478)	31	7,447**	-
Total	(7,478)	-	(7,478)	31	7,447	-
30 June 2017						
<i>Derivative financial instruments</i>	(12,109)	-	(12,109)	123	11,838**	-
Total	(12,109)	-	(12,109)	123	11,838	-

* There was \$1,311,369 held as collateral with broker accounts as of 30 June 2018 (2017: \$289,105).

**The corresponding equity securities were held by the Fund as collateral as provided in Note 5.

Notes to the Financial Statements (continued)

For the year ended 30 June 2018
(Stated in Australian Dollars)

15 RECONCILIATION OF NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

As at 30 June 2018	\$'000
Net assets attributable to unitholders (calculated by administrator in accordance with the valuation policy)	167,761
AASB 13 Adjustment	2,380
Net assets attributable to unitholders (investments calculated in accordance with AASB13)	170,141

There is no AASB 13 Adjustment as at 30 June 2017.

As at 30 June 2018	Class A	Class B	Class C
Net asset value per share (Ex price)			
- calculated by administrator in accordance with the valuation policy	1.5424	1.5055	1.6931
AASB 13 Adjustment per share	0.0219	0.0214	0.0240
Net asset value per share - investments calculated in accordance with AASB13	1.5643	1.5269	1.7171

The AASB 13 Adjustment relates to securities which for subscription/redemption price purposes were valued in accordance with the valuation policy of the Responsible Entity. This valuation methodology differs from what is required by the accounting standards and as such there is a difference between the net asset value calculated by the fund administrator for subscription/redemption price purposes and the net asset value required under accounting standards.

16 COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies as at 30 June 2018 (2017: None).

17 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.