

Ellerston Global Equity Managers Fund

ARSN 118 887 095

Financial Report

For the year ended 30 June 2019

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 2019.

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:

	2019 \$'000	2018 \$'000
Net operating profit/(loss) before finance costs	(30,448)	37,517

DISTRIBUTIONS

There was neither distribution declared (2018: \$4,317,308) nor payable (2018: \$4,317,308) by the Fund at the year end.

Distribution cents-per-unit (CPU) are:

	2019 CPU	2018 CPU
Class A	-	20.7520
Class B	-	20.0412
Class C	-	23.0245

DIRECTORS' REPORT (Continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

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

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial 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

The operations of the Fund are not subject to any particular or significant environmental regulation under a Commonwealth, State or Territory law.

RELEVANT INFORMATION

Following is a list of relevant information required under the Corporations Act 2001:

- (i) Fees paid to the Responsible Entity – Refer Note 3 to the Financial Statements
- (ii) Unitholdings of related parties of the Responsible Entity in the Fund – Refer Note 9 to the Financial Statements
- (iii) Applications and Redemptions in the Fund during the year – Refer Note 7 to the Financial Statements
- (iv) The value of the Fund's assets and basis of valuation – Refer to Statement of financial position and Note 2 respectively
- (v) The number of interests in the Fund as at 30 June 2019 – Refer Note 7 to the Financial Statements
- (vi) Distributions payable to unitholders as at 30 June 2019 – Refer to Statement of financial position

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)

INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Fund has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

Signed in accordance with a resolution of the Directors of Ellerston Capital Limited.

On behalf of the Directors



Brian O'Sullivan
Director

Sydney, 26 September 2019



**Building a better
working world**

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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 the financial report of Ellerston Global Equity Managers Fund for the financial year ended 30 June 2019, 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

Rohit Khanna
Partner
26 September 2019



**Building a better
working world**

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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 2019, 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 2019 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 of Ellerston Capital Limited (the Responsible Entity) 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 Responsible Entity 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.



**Building a better
working world**

- 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.

A handwritten signature in black ink that reads "Ernst & Young".

Ernst & Young

A handwritten signature in black ink that reads "Rohit Khanna".

Rohit Khanna
Partner
Sydney
26 September 2019

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 2019 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 2019

**Statement of Comprehensive Income
For the year ended 30 June 2019**

(Stated in Australian Dollars)	<i>Note</i>	2019 \$'000	2018 \$'000
INCOME			
Interest income		778	157
Dividend and trust distribution income		5,030	5,654
Net foreign exchange gains/(losses)		401	(160)
Net changes in fair value of financial assets and liabilities at fair value through profit or loss		(31,569)	43,643
Other income		432	1,199
TOTAL INVESTMENT INCOME/(LOSS)		(24,928)	50,493
EXPENSES			
Interest expense		829	1,350
Dividend expense		508	610
Manager fees	3	2,477	2,786
Performance fees	3	-	6,947
Administration expenses		280	307
Bank and broker expenses		1,034	648
Other expenses		392	328
TOTAL OPERATING EXPENSES		5,520	12,976
NET OPERATING PROFIT/(LOSS) BEFORE FINANCE COSTS		(30,448)	37,517
FINANCE COSTS ATTRIBUTABLE TO UNITHOLDERS			
Distributions to unitholders	4	-	(22,556)
Change in net assets attributable to unitholders		(30,448)	14,961
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 2019**

(Stated in Australian Dollars)	<i>Note</i>	2019 \$'000	2018 \$'000
ASSETS			
Cash and cash equivalents	11	30,173	2,234
Due from brokers	8	10,862	4,871
Receivables of interest income, dividends and trust distributions		115	3,014
Other receivables		449	437
Loan receivable	9(c)	1,000	-
Financial assets at fair value through profit or loss	5	126,784	252,061
TOTAL ASSETS		169,383	262,617
LIABILITIES			
Due to brokers	8	4,306	33,979
Management and performance fees payable	3	384	395
Administration fees payable		64	42
Interest and dividends payable		28	227
Distributions payable	4	-	22,556
Redemptions payable		2,626	1,417
Other payables		545	347
Financial liabilities at fair value through profit or loss	5	13,267	33,513
TOTAL LIABILITIES (EXCLUDING NET ASSETS ATTRIBUTABLE TO UNITHOLDERS)		21,220	92,476
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		148,163	170,141

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 2019**

(Stated in Australian Dollars)	2019 \$'000	2018 \$'000
NET ASSETS ATTRIBUTABLE TO UNITHOLDERS		
Opening balance	170,141	157,259
Change in net assets attributable to unitholders	(30,448)	14,961
Application of units	9,759	1,393
Redemption of units	(21,120)	(7,004)
Units issued upon reinvestment of distributions	19,831	3,532
Closing Balance	148,163	170,141

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 2019

(Stated in Australian Dollars)	<i>Note</i>	2019 \$'000	2018 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Purchase of investments		(246,534)	(327,733)
Sale of investments		283,732	340,607
Interest received		777	187
Dividend and trust distribution received		7,930	2,951
Other income		420	1,086
Interest and dividend paid		(1,536)	(1,931)
Performance fees paid		(155)	(7,010)
Manager fees paid		(2,333)	(2,753)
Administration fees paid		(259)	(282)
Other operating expenses paid		(1,227)	(1,191)
NET CASH FLOWS FROM OPERATING ACTIVITIES	11(b)	<u>40,815</u>	<u>3,931</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipt from issue of units		9,759	1,394
Distribution paid		(2,725)	(785)
Payments for redemption of units		(19,910)	(9,701)
NET CASH FLOWS USED IN FINANCING ACTIVITIES		<u>(12,876)</u>	<u>(9,092)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS			
		27,939	(5,161)
Cash and cash equivalents at beginning of year		<u>2,234</u>	<u>7,395</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	11(a)	<u>30,173</u>	<u>2,234</u>

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 2019
(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 from 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 2019, 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 2019 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 26 September 2019.

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. The Fund is a for-profit entity for the purpose of preparing financial statements.

(b) Statement of compliance

The financial report has been prepared in accordance with the 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.

Notes to the Financial Statements (continued)
For the year ended 30 June 2019
(Stated in Australian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Changes in accounting standards

The significant accounting policies adopted in the preparation of these financial statements are consistent with those applied in the preparation of the Fund's financial statements for the year ended 30 June 2019, except for the adoption of new standards and interpretations effective as at 1 July 2018 noted below:

i) AASB 9 Financial Instruments (and applicable amendments)

AASB 9 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 adoption of the amendment does not have a significant impact on the recognition, classification and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss. On adoption of AASB 9 the equity securities, listed unit trusts, listed hybrid securities and derivatives are mandatorily classified as fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, the change in impairment rules does not impact the financial assets that continue to all be accounted for at fair value through profit or loss. The Fund's cash and cash equivalents, receivables and due from brokers continue to be classified and measured at amortised cost. The impact of expected credit losses on financial assets measured at amortised cost is immaterial.

ii) AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue which covers contracts for goods and services and AASB 111 Construction Contracts which covers construction contracts. AASB 15 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 source of income are interest, dividends and distributions, and gains on financial instruments measured at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of AASB 15 does not have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2018 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(e) Financial Instruments

In the current period, the Fund has adopted AASB 9 Financial Instruments. See Note 2(c)(i) for an explanation of the impact.

(i) 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.

Notes to the Financial Statements (continued)
For the year ended 30 June 2019
(Stated in Australian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (continued)

(ii) Derecognition

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

- (a) The rights to receive cash flows from the asset have expired; or
- (b) 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
- (c) Either (1) the Fund has transferred substantially all the risks and rewards of the asset, or (2) 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 expired.

(iii) Classification and measurement

In accordance with AASB 9, the Fund classifies its financial assets and financial liabilities at initial recognition into the categories of financial assets and financial liabilities discussed below.

Financial assets

The Fund classifies its financial assets as subsequently measured at amortised cost or measured at fair value through profit or loss on the basis of both:

- The entity's business model for managing the financial assets
- The contractual cash flow characteristics of the financial asset

Financial assets measured at amortised cost

A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The Fund includes in this category short-term non-financing receivables.

Financial assets measured at fair value through profit or loss (FVPL)

A financial asset is measured at FVPL if:

- Its contractual terms do not give rise to cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding;
- It is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell; or
- At initial recognition, it is irrevocably designated as measured at FVPL when doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

The equity securities, listed unit trusts and listed hybrid securities are mandatorily classified as fair value through profit or loss.

Notes to the Financial Statements (continued)
For the year ended 30 June 2019
(Stated in Australian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Financial Instruments (continued)

Financial assets (continued)

In applying that classification, a financial asset or financial liability is considered to be held for trading if it is:

- acquired or incurred principally for the purpose of selling or repurchasing it in the near term;
- on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which, there is evidence of a recent actual pattern of short-term profit-taking; or
- It is a derivative (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument).

Financial liabilities

Financial liabilities measured at amortised cost

This category includes all financial liabilities, other than those measured at fair value through profit or loss. The Fund includes in this category short-term payables.

Financial liabilities measured at FVPL

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss. The Fund includes in this category listed equity securities – short, future and forward contracts - short and unlisted equity swap - short.

The equities and derivatives are mandatorily classified as fair value through profit or loss.

(iv) 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 'Net changes in fair value of financial assets and liabilities at fair value through profit or loss'.

(v) Impairment of Financial assets

The Fund holds only cash and cash equivalents, receivables and due from brokers with no financing component and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply the simplified approach for expected credit losses (ECL) under AASB 9. Therefore, the Fund does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

(f) 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.

Notes to the Financial Statements (continued)
For the year ended 30 June 2019
(Stated in Australian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Derivative financial instruments (continued)

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:

(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.

(g) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statement of financial position when there is a legally enforceable 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 year, the Fund has no financial assets or liabilities in the Statement of financial position which are presented on the net basis.

(h) 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.

Notes to the Financial Statements (continued)
For the year ended 30 June 2019
(Stated in Australian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) 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.

(j) 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.

Trust distributions income

Trust distributions are recognised as income on an entitlements basis.

Net changes in fair value of financial assets and liabilities at fair value through profit or loss

Net changes in fair value of financial assets and liabilities 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 income.

Other income

Other income is brought to an account on an accrual basis.

(k) Expenses

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

(l) Income tax

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 2019
(Stated in Australian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) 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.

(n) 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 as 'Net foreign exchange gains/(losses)'.

(o) Goods and services tax (GST)

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; and
- (ii) For receivables and payables which are recognised inclusive of GST.

Reduced input taxed credits (RITC) recoverable by the Fund from the taxation authority are recognised as receivables in the Statement of financial position.

(p) 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.

(q) 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.

(r) 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.

Notes to the Financial Statements (continued)
For the year ended 30 June 2019
(Stated in Australian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Distributions to unitholders

Upon adopting the AMIT regime, the Responsible Entity is no longer contractually obligated to pay distributions. The Responsible Entity will attribute the Fund's income to unitholders on a fair and reasonable basis, however, the Responsible entity will not have a requirement under the Fund Constitution to distribute Fund income to unitholders.

Prior to that, in accordance with the Fund Constitution, the Fund fully distributed its distributable income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment.

Distributions to unitholders are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

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.

(t) 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.

(u) 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.

(v) 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 2019
(Stated in Australian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) 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 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.

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

(w) New standards, amendments and interpretations effective after 1 July 2019 and have not been early adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

(x) Rounding of amounts

The Fund is an entity of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Notes to the Financial Statements (continued)
For the year ended 30 June 2019
(Stated in Australian Dollars)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) Comparative disclosures

Where appropriate, comparative disclosures have been reclassified/amended to be consistent with the current year's presentation. Such reclassifications/amendments have not affected the Statement of comprehensive income or Statement of financial position.

3. MANAGER FEES AND PERFORMANCE FEES

The Responsible Entity receives from the Fund an investment manager fee of 1.50% (2018: 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% (2018:16.50%) 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:

	2019 \$'000	2018 \$'000
Manager fees expense	2,477	2,786
Manager fees payable	384	240
Performance fees expense	-	6,947
Performance fees payable	-	155

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.

There was neither distribution declared (2018: \$22,556,335) nor payable (2018: \$22,556,335) by the Fund at the year end.

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

	2019 \$'000	2018 \$'000
Financial assets at fair value through profit or loss		
Listed equities	100,376	213,742
Unlisted equities	8,517	5,353
Unlisted investment in funds	16,025	31,968
Exchange traded options	1,544	651
Futures contracts	-	54
Forward contracts	322	293
Total financial assets	126,784	252,061

In the comparative period, the Fund classified its equity securities and investment in funds as 'Financial assets designated at fair value' and its derivatives as 'Held for trading'.

Notes to the Financial Statements (continued)
For the year ended 30 June 2019
(Stated in Australian Dollars)

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

	2019 \$'000	2018 \$'000
Financial liabilities at fair value through profit or loss		
Listed equities	12,575	24,169
Listed corporate bond	-	1,866
Unlisted equity swaps	598	7,447
Futures contracts	92	17
Forward contracts	2	14
Total financial liabilities	13,267	33,513

In the comparative period, the Fund classified its equity securities and corporate bond as 'Financial liabilities designated at fair value' and its derivatives as 'Held for trading'.

6 FAIR VALUE MEASUREMENT

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets/liabilities at fair value through profit or loss (see Note 5)
- Derivative financial instruments (see Note 5)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current year.

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value hierarchy:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the year. Financial assets and liabilities are priced at last traded prices.

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the annual financial statements. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments which represents quoted prices in the active market.

A financial instrument is regarded as quoted in an active market if quoted prices for an identical asset are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the year applicable for an instrument with similar terms and conditions.

Notes to the Financial Statements (continued)
For the year ended 30 June 2019
(Stated in Australian Dollars)

6 FAIR VALUE MEASUREMENT (CONTINUED)

For other pricing models, inputs are based on market data at the end of the year. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the year taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward currency contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

Recognised fair value measurement

The tables below set out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy as at 30 June 2019 and 30 June 2018.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2019				
<i>Financial assets at fair value through profit or loss</i>				
Listed equities	100,376	-	-	100,376
Unlisted equities	-	-	8,517	8,517
Unlisted investment in funds	-	16,025	-	16,025
Exchange traded options	1,544	-	-	1,544
Forward contracts	-	322	-	322
Total financial assets	101,920	16,347	8,517	126,784
<i>Financial liabilities at fair value through profit or loss</i>				
Listed equities	12,575	-	-	12,575
Unlisted equity swaps	-	598	-	598
Futures contracts	92	-	-	92
Forward contracts	-	2	-	2
Total financial liabilities	12,667	600	-	13,267

Notes to the Financial Statements (continued)
For the year ended 30 June 2019
(Stated in Australian Dollars)

6 FAIR VALUE MEASUREMENT (CONTINUED)

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

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 judgment after considering factors specific to the instrument.

The fair value of listed equity and publicly traded derivatives is based on quoted market prices or binding dealer price quotations 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.

Notes to the Financial Statements (continued)
For the year ended 30 June 2019
(Stated in Australian Dollars)

6 FAIR VALUE MEASUREMENT (CONTINUED)

Quantitative information of significant unobservable inputs – Level 3

Description	\$'000	Valuation techniques	Significant unobservable inputs	Range (weighted average)
2019				
Unlisted Equities	3,366	Earning Multiple	Earning Multiple	3X – 15X
	5,151	Recent transaction price	n/a	n/a
2018				
Unlisted Equities	750	Earning Multiple	Earning Multiple	14X-15X
	750	Net Asset Value	n/a	n/a
	3,781	Recent transaction price	n/a	n/a
	72	Market transaction price	n/a	n/a

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

Description	Year	Input	Sensitivity used*	Effect on fair value \$'000
<i>Unlisted Equities</i>	2019	Earning Multiple	1X	722
		Recent transaction price	n/a	n/a
<i>Unlisted Equities</i>	2018	Earning Multiple	1X	52
		Net Asset Value	n/a	n/a
		Recent transaction price	n/a	n/a
		Market transaction price	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 Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the year.

(i) *Transfers between levels*

There were no transfers between levels in the fair value hierarchy for the years ended 30 June 2019 and 30 June 2018.

(ii) *Fair value measurements using significant unobservable inputs (level 3)*

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.

	2019 \$'000	2018 \$'000
<i>Designated at fair value through profit or loss:</i>		
Unlisted Equities and Convertible bond		
Opening balance	5,353	12,117
Total (losses) and gains		
- in (loss) or profit	(1,222)	1,041
- in other comprehensive income	-	-
Purchases	4,454	3,781
Sales	(68)	(10,833)
Transfers	-	(753)
Closing balance	8,517	5,353

Notes to the Financial Statements (continued)
For the year ended 30 June 2019
(Stated in Australian Dollars)

6 FAIR VALUE MEASUREMENT (CONTINUED)

(iii) *Fair values of other financial instruments*

Due to their short-term nature, the carrying amounts of receivables and payables approximate fair value.

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:

	2019 \$'000	2018 \$'000
Total unrealised loss included in profit or loss for level 3 assets	(1,245)	(500)
Total realised gain included in profit or loss for level 3 assets	23	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 2019 and 30 June 2018 are as follows:

	Class A \$'000	Class B \$'000	Class C \$'000	Total \$'000
2019				
Opening balance	14,710	83,562	71,869	170,141
Change in net assets attributable to unitholders	(2,456)	(14,802)	(13,190)	(30,448)
Application of units	-	-	9,759	9,759
Redemption of units	(965)	(5,913)	(14,242)	(21,120)
Distribution re-invested	1,273	9,556	9,002	19,831
Closing balance	12,562	72,403	63,198	148,163
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)
2019				
Opening balance	9,404	54,727	41,855	105,986
Application of units	-	-	6,346	6,346
Redemption of units	(669)	(4,618)	(9,698)	(14,985)
Distribution re-invested	826	6,347	5,317	12,490
Closing balance	9,561	56,456	43,820	109,837
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 2019
(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

	2019 \$'000	2018 \$'000
<i>Due from brokers:</i>		
Receivables for investments sold	10,315	3,273
Broker balance	547	1,598
	10,862	4,871
<i>Due to brokers:</i>		
Payables for investments purchased	2,462	3,296
Broker balance	1,844	30,683
	4,306	33,979

Broker balances represent cash deposits and loans with brokers including balances transferred as collateral against open positions. There was \$872,930 held as collateral with broker accounts as of 30 June 2019 (2018: \$1,311,369).

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 2019
(Stated in Australian Dollars)

9 RELATED PARTIES (CONTINUED)

(b) Units held by related parties

2019	\$	No. of Units Held As At 30 June	%
<i>Directors of the Responsible Entity</i>			Of the Fund
Ashok Jacob	31,006,666	21,973,841	20.98
Brian O'Sullivan	11,294	8,829	0.01
2018			
Ashok Jacob	32,131,945	19,348,637	18.89
Brian O'Sullivan	117,317	77,926	0.07
		2019	2018
<i>Distributions paid/payable</i>		\$	\$
Ashok Jacob		-	4,360,343
Brian O'Sullivan		-	15,617

(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 2019 \$'000	As at 30 June 2018 \$'000
Investments in other entity managed by the Responsible Entity	14,228*	19,545*

* Excluding investment in unconsolidated subsidiaries shown in Note 10.

Equity Swap Arrangements

During year ended 30 June 2019 and 30 June 2018, 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 2019 and 30 June 2018, 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.

Loan

The Fund and the Ellerston Loan Fund (the Borrower) are related through Ellerston Capital Limited, the common Investment Manager and Responsible Entity. The Fund entered into the loan agreement with the Borrower on normal commercial terms with a return of 15% pa.

Repayment to the Fund will be on the occurrence of any of the following:

- 1) a request by the Borrower where it has obtained appropriate fiancé from another source;
- 2) a call for repayment of the total outstanding amount or any portion of the amount by the Fund at any time;
- 3) termination of any of the arrangements in relation to the Ellerston SIV program;
- 4) an event of default occurs which is defined on the agreement; or
- 5) 12 months from the date of the agreement of 19 December 2018.

Notes to the Financial Statements (continued)
For the year ended 30 June 2019
(Stated in Australian Dollars)

9 RELATED PARTIES (CONTINUED)

(c) Transactions with related parties (continued)

Loan	2019
	\$
Opening	-
New loan amounts	3,500,000
Principal repayments received Interest payments receivable as at 30 June	(2,500,000)
	1,233
Total principal and interest redeivable	1,001,233
Interest income for the period to 30 June	24,863

10 INVESTMENT IN UNCONSOLIDATED SUBSIDIARIES

	2019	2018
	\$'000	\$'000
Ellerston Asia Growth Fund	8,838	7,204
Ellerston Asian Emerging Opportunities Fund**	-	6,206
Total	8,838	18,374

Summary of unconsolidated subsidiaries	Principal place of business	Proportion of ownership and voting rights	
		2019	2018
Ellerston Asia Growth Fund	Australia	96%	100%
Ellerston Asian Emerging Opportunities Fund**	Australia	-	100%

**Unconsolidated subsidiary as at 30 June 2018 only.

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:

	2019	2018
	\$'000	\$'000
Cash at bank	30,173	2,234

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 2019
(Stated in Australian Dollars)

11 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

	2019 \$'000	2018 \$'000
Change in net assets attributable to unitholders	(30,448)	14,961
<i>Adjustments for:</i>		
Purchase of investments	(246,534)	(327,733)
Proceeds on disposal of investments	283,731	340,607
Net changes in the fair value of investments	31,169	(43,483)
<i>(Increase)/decrease in assets:</i>		
Interest and dividends receivable	2,899	(2,674)
Other receivables	(12)	(112)
<i>Increase/(decrease) in liabilities:</i>		
Interest and dividends payable	(199)	29
Management fees payable	144	33
Performance fees payable	(155)	(63)
Other payables	220	(190)
Distribution payable	-	22,556
Cash flows from operating activities	40,815	3,931

(c) Non-cash financing activity

Reinvestment of unitholders distribution	19,831	3,532
------------------------------------------	--------	-------

12. AUDITORS REMUNERATION

	2019 \$	2018 \$
Amounts received or receivable by Ernst & Young for:		
Audit & compliance	111,614	86,145
Tax	73,536	75,529
Total	185,150	161,674

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.

Notes to the Financial Statements (continued)
For the year ended 30 June 2019
(Stated in Australian Dollars)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

Financial risk management objectives, policies and processes (continued)

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

(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, and equity prices. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandate limits and investment strategies.

(i) Equity price risk

Equity price risk represents the risk that the value of financial assets or financial liabilities at fair value through profit or loss in table 3(a)(iii) 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		Impact on operating profit before finance costs/Net assets attributable to unitholders	
	%	%	\$'000	\$'000
2019	10	(10)	9,572	(9,572)
2018	10	(10)	18,748	(18,748)

(ii) Foreign exchange risk

Foreign exchange risk arises as the value of financial assets and financial liabilities denominated in other currencies will fluctuate due to changes in 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.

(ii) Foreign exchange 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.

Notes to the Financial Statements (continued)
For the year ended 30 June 2019
(Stated in Australian Dollars)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

	US dollars \$'000	British pounds \$'000	Hong Kong dollars \$'000	All other foreign currencies \$'000	Total \$'000
30 June 2019					
Monetary and Non-Monetary Assets and Liabilities					
Monetary Assets and Liabilities					
Due from brokers	7,909	2,003	739	84	10,735
Due to brokers	(4,762)	-	-	(2,253)	(7,015)
Other payables	(3)	-	-	(4)	(7)
Total Monetary Assets and Liabilities	3,144	2,003	739	(2,173)	3,713
Non-Monetary Assets and Liabilities					
Financial assets at fair value through profit or loss	10,295	4,639	605	4,101	19,640
Financial liabilities at fair value through profit or loss	(2,301)	-	-	(1,576)	(3,877)
Total Non-Monetary Assets and Liabilities	7,994	4,639	605	2,525	15,763
Gross value of foreign exchange forward contracts	(10,772)	(6,615)	(1,389)	(572)	(19,348)
Net exposure to foreign currency on monetary and non-monetary assets and liabilities	366	27	(45)	(220)	128
Effect of a 10% change in AUD exchange rate on profit or loss and net assets attributable to unitholders	37	3	(5)	(22)	13
30 June 2018					
Monetary and Non-Monetary Assets and Liabilities					
Monetary Assets and Liabilities					
Due from brokers	4,846	-	1,440	4,204	10,490
Due to brokers	-	(1,024)	-	(711)	(1,735)
Other receivables and payables	(67)	-	30	(4)	(41)
Total Monetary Assets and Liabilities	4,779	(1,024)	1,470	3,489	8,714
Non-Monetary Assets and Liabilities					
Financial assets at fair value through profit or loss	62,431	1,218	489	7,287	71,425
Financial liabilities at fair value through profit or loss	(11,336)	-	(17)	(2,305)	(13,658)
Total Non-Monetary Assets and Liabilities	51,095	1,218	472	4,982	57,767
Gross value of foreign exchange forward contracts	(55,839)	(41)	(1,802)	(8,127)	(65,809)
Net exposure to foreign currency on monetary and non-monetary assets and liabilities	35	153	140	344	672
Effect of a 10% change in AUD exchange rate on profit or loss and net assets attributable to unitholders	4	15	14	34	67

Notes to the Financial Statements (continued)
For the year ended 30 June 2019
(Stated in Australian Dollars)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

(a) Market risk

(iii) Interest rate risk

Interest rate risk is the risk that a financial instrument's value will fluctuate as a result of the changes in market interest rates.

A significant proportion of the Fund's assets are held in cash and cash equivalents as at 30 June 2019. The table below

summarises the sensitivity of the Fund's operating (loss)/profit before finance costs and net assets attributable to unitholders through changes in fair values or changes in future cash flows, with all other variables held constant. The analysis is based on the assumption that interest rates moved by +/-1% (2018: +/-1%) from the year end rates with all other variables held constant.

	Change in Interest rate		Impact on operating profit before finance costs/Net assets attributable to unitholders	
	%	%	\$'000	\$'000
2019	1	(1)	302	(302)
2018	1	(1)	22	(22)

(b) 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.

The Fund monitors its exposure to ensure concentrations of risk remain within acceptable levels. As at the end of the year, a significant proportion of the Fund's assets were held in financial assets and cash and cash equivalents, of which a portion was held with top-tier Australian banks.

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 2019 and 30 June 2018 are:

- A+ for Morgan Stanley & Co International PLC (2018: A+).
- A+ for Goldman Sachs International (2018: A+)

Notes to the Financial Statements (continued)
For the year ended 30 June 2019
(Stated in Australian Dollars)

13 FINANCIAL INSTRUMENTS AND ASSOCIATED RISKS (CONTINUED)

(c) 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 of outstanding settlements payable, distributions payable and other payables. Outstanding settlements payable as settled within 3 days after trade. Distributions payable and other payables have no contractual maturities but are typically settled within 30 days.

Net assets attributable to unitholders are payable on demand, however the Responsible Entity has the power under the Fund Constitution to amend the timing of redemption payments.

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.

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 financial assets \$'000	Gross amounts offset in the statement of financial position \$'000	Net amount presented on statement of financial position \$'000	Amounts subject to master netting arrangements \$'000	Amounts related to financial collaterals pledged/received \$'000	Net Amount \$'000
30 June 2019						
<i>Derivative financial instruments</i>	1,867	-	1,867	(94)	-	1,773
Total	1,867	-	1,867	(94)	-	1,773
30 June 2018						
<i>Derivative financial instruments</i>	998	-	998	(31)	-	967
Total	998	-	998	(31)	-	967

Notes to the Financial Statements (continued)
For the year ended 30 June 2019
(Stated in Australian Dollars)

14 OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial liabilities

	Gross amount of financial liabilities \$'000	Gross amounts offset in the statement of financial position \$'000	Net amount presented on statement of financial position \$'000	Amounts subject to master netting arrangements \$'000	Amounts related to financial collaterals pledged/received \$'000	Net Amount* \$'000
30 June 2019						
<i>Derivative financial instruments</i>	(692)	-	(692)	94	598**	-
Total	(692)	-	(692)	94	598	-
30 June 2018						
<i>Derivative financial instruments</i>	(7,478)	-	(7,478)	31	7,447**	-
Total	(7,478)	-	(7,478)	31	7,447	-

* There was \$872,930 held as collateral with broker accounts as of 30 June 2019 (2018: \$1,311,369).

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

15 COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies as at 30 June 2019 (2018: 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.