



# **Greencape Broadcap Fund**

ARSN 121 326 341

## **Annual report - 30 June 2018**

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ARSN 121 326 341

## Annual report - 30 June 2018

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These financial statements cover Greencape Broadcap Fund as an individual entity.

The Responsible Entity of Greencape Broadcap Fund is Fidante Partners Limited (ABN 94 002 835 592). The Responsible Entity's registered office is:

Level 2  
5 Martin Place  
Sydney NSW 2000

**Greencape Broadcap Fund**  
**Financial highlights**  
**For the year ended 30 June 2018**

## Financial highlights

Financial highlights for Greencape Broadcap Fund ('the Trust') include the following:

### Performance

The table below shows historical discrete annual return performance of the Trust for the past five years. Calculation of performance is after all fees, except any entry fees that have been deducted, and assumes that all distributions were reinvested during that year. The total return is the aggregate of capital growth and distribution returns.

	<b>2018</b>	2017	2016	2015	2014
	%	%	%	%	%
<b>Class A</b>					
Capital growth	<b>9.51</b>	5.25	0.50	(5.29)	10.00
Distribution of income	<b>9.42</b>	8.71	5.38	9.21	9.35
Total return (%)	<b>18.93</b>	13.96	5.88	3.92	19.35
<b>Class I</b>					
Capital growth	<b>7.54</b>	5.17	0.93	(5.37)	9.54
Distribution of income	<b>12.07</b>	8.78	5.45	9.48	10.08
Total return (%)	<b>19.61</b>	13.95	6.38	4.11	19.62
<b>Class P (seeded 1 October 2014)</b>					
Capital growth	<b>11.91</b>	5.53	1.25	(10.02)	-
Distribution of income	<b>7.36</b>	8.71	4.59	4.30	-
Total return (%)	<b>19.27</b>	14.24	5.84	(5.72)	-
<b>Alpha class (closed 26 July 2016)</b>					
Capital growth	-	-	0.58	(5.47)	9.14
Distribution of income	-	-	5.69	9.61	10.41
Total return (%)	-	-	6.27	4.14	19.55

Effective 30 September 2017, the Wholesale class of units' name was formally changed to Class A, Premier class of units' name was formally changed to Class I and IDPS class of units' name was formally changed to Class P.

Consistent with the statements in the current product disclosure statement, future performance is not guaranteed. Investors should exercise care in using past performance as a predictor of future performance.

### Indirect Cost Ratio (ICR)

The Indirect Cost Ratio (ICR) is the ratio of the Trust's management costs over the Trust's average net assets attributable for the year, expressed as a percentage. The ICR of the Trust for the past five years has been:

	<b>2018</b>	2017	2016	2015	2014
	%	%	%	%	%
Class A	<b>1.53</b>	0.95	1.37	1.09	1.45
Class I	<b>0.95</b>	0.95	0.95	0.95	0.95
Class P (seeded 1 October 2014)	<b>1.22</b>	0.70	1.20	0.70	-
Alpha class (closed 26 July 2016)	-	0.75	1.23	0.88	1.35

**Greencape Broadcap Fund**  
**Financial highlights**  
**For the year ended 30 June 2018**  
**(continued)**

**Financial highlights (continued)**

**Indirect Cost Ratio (ICR) (continued)**

The ICR calculation above includes performance fee expense as well as management fees and has been annualised. The out-performance resulted in performance fees being incurred with 0.58% (2017:0.00%) reflected for Class A, 0.052% (2017: 0.00%) for Class P and 0.00% (2017: 0.00%) for the Alpha class (closed 26 July 2016). Class I is not subject to performance fees.

Management costs include management fees and other expenses or reimbursements deducted in relation to the Trust, but do not include transactional and operational costs such as brokerage. Management costs are not paid directly by the unitholders of the Trust.

**Unit redemption prices**

Unit redemption prices (quoted ex-distribution and exclusive of exit fees) are shown as follows:

	<b>2018</b>	2017
	<b>\$</b>	\$
<b>Class A</b>		
At 30 June	<b>1.4577</b>	1.3311
High during year	<b>1.5696</b>	1.4330
Low during year	<b>1.3219</b>	1.2438
	<b>2018</b>	2017
	<b>\$</b>	\$
<b>Class I</b>		
At 30 June	<b>1.2642</b>	1.1756
High during year	<b>1.3881</b>	1.2645
Low during year	<b>1.1675</b>	1.0989
	<b>2018</b>	2017
	<b>\$</b>	\$
<b>Class P</b>		
At 30 June	<b>1.0401</b>	0.9294
High during year	<b>1.0969</b>	0.9986
Low during year	<b>0.9230</b>	0.8667
	<b>2018</b>	2017
	<b>\$</b>	\$
<b>Alpha class (closed 26 July 2016)</b>		
At 30 June	-	-
High during year	-	1.7076
Low during year	-	1.6116

## Directors' report

The Directors of Fidante Partners Limited, the Responsible Entity of Greencape Broadcap Fund, present their report together with the financial statements of Greencape Broadcap Fund ('the Trust') for the year ended 30 June 2018.

### Directors

The following persons held office as Directors of Fidante Partners Limited during the year or since the end of the year and up to the date of this report, unless otherwise stated:

T Bofinger (appointed 1 July 2018)  
A Collins  
A Murphy  
I Saines  
A Tobin  
R Willis (resigned 30 June 2018)

### Principal activities

The principal activity of the Trust during the year was to invest in accordance with the provisions of the Trust's Constitution.

There were no significant changes in the nature of the Trust's activities during the year.

The Asset Manager of the Trust is Greencape Capital Pty Limited.

### Review and results of operations

The Trust maintains its strategy of investing in equity securities, listed unit trusts and derivatives. These investments may include up to 10% in stocks listed on any international stock exchange. The Trust has expanded its portfolio for the financial year ending 30 June 2018 by investing in international stocks. The Trust continued to invest in accordance with target asset allocations as set out in the current product disclosure statement.

#### Results

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

	<b>30 June 2018 \$'000</b>	30 June 2017 \$'000
Net operating profit	<u>59,635</u>	33,138
Distributions paid and payable	<u>36,526</u>	20,785
Distributions (cents per unit) - Class A	<u>12.36</u>	10.84
Distributions (cents per unit) - Class I	<u>14.01</u>	9.66
Distributions (cents per unit) - Class P	<u>6.69</u>	-
Distributions (cents per unit) - Alpha class (closed 26 July 2016)	<u>-</u>	7.54

## **Directors' report (continued)**

### **Significant changes in state of affairs**

In the opinion of the Directors, there were no significant changes in the state of affairs of the Trust that occurred during the financial year.

### **Matters subsequent to the end of the financial year**

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

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

### **Likely developments and expected results of operations**

The Trust will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust's Constitution.

Further information on likely developments in the operations of the Trust 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 Trust.

### **Indemnity and insurance of officers**

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to the officers of Fidante Partners Limited. So long as the officers of Fidante Partners Limited act in accordance with the Trust's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditors of the Trust are in no way indemnified out of the assets of the Trust.

### **Fees paid to and interests held in the Trust by the responsible entity or its related entities**

Fees paid to the Responsible Entity and its related entities out of Trust property during the year are disclosed in note 14 to the financial statements.

No fees were paid out of Trust property to the Directors of the Responsible Entity during the year.

The number of interests in the Trust held by the Responsible Entity or its related entities as at the end of the financial year are disclosed in note 14 to the financial statements.

### **Interests in the Trust**

The movement in units on issue in the Trust during the year is set out below:

	<b>30 June 2018 No. '000</b>	30 June 2017 No. '000
Units on issue - Opening	<b>197,168</b>	187,812
Units issued	<b>142,217</b>	53,789
Units redeemed	<b>(29,089)</b>	(44,433)
Units on issue - Closing	<b>310,296</b>	197,168

The movement in units on issue in the Trust during the year is further disclosed in note 5 to the financial statements.

**Directors' report (continued)**

**Interests in the Trust (continued)**

	<b>30 June 2018 \$'000</b>	30 June 2017 \$'000
<b>Value of assets</b>		
Value of Trust assets at 30 June	<b>472,330</b>	271,454

The value of the Trust's assets and liabilities is disclosed in the statement of financial position and derived using the basis set out in note 2 to the financial statements.

**Environmental regulation**

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

**Rounding of amounts to the nearest thousand dollars**

The Trust is an entity of a kind referred to in ASIC Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest thousand in accordance with that 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 7.

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



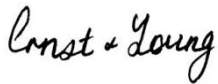
**A Collins  
Director**

**Sydney  
12 September 2018**

## Auditor's Independence Declaration to the Directors of Fidante Partners Limited

As lead auditor for the audit of Greencape Broadcap 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



Rita Da Silva  
Partner  
12 September 2018



**Greencape Broadcap Fund**  
**Statement of comprehensive income**  
**For the year ended 30 June 2018**

**Statement of comprehensive income**

	Notes	30 June 2018 \$'000	30 June 2017 \$'000
<b>Income</b>			
Interest income		405	221
Dividend income		10,615	8,946
Distribution income		577	482
Other income		150	258
Net gains on financial instruments held at fair value through profit or loss	3	53,487	26,102
Net foreign exchange gains/(losses)		134	(3)
<b>Total income</b>		<u>65,368</u>	<u>36,006</u>
<b>Expenses</b>			
Management fees	14	3,226	2,377
Performance fees	14	1,727	-
Transaction costs		523	329
Other expenses		257	162
<b>Total expenses</b>		<u>5,733</u>	<u>2,868</u>
<b>Net profit before finance costs</b>		<u>59,635</u>	<u>33,138</u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	6	(36,526)	(20,785)
Increase in net assets attributable to unitholders	5	(23,109)	(12,353)
<b>Other comprehensive income</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>-</u>

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Greencape Broadcap Fund**  
**Statement of financial position**  
**As at 30 June 2018**

**Statement of financial position**

	Notes	<b>30 June 2018 \$'000</b>	30 June 2017 \$'000
<b>Assets</b>			
Cash and cash equivalents	15(b)	<b>43,203</b>	18,500
Receivables	7	<b>4,106</b>	2,125
Financial assets held at fair value through profit or loss	8	<b>425,021</b>	250,829
<b>Total assets</b>		<b>472,330</b>	271,454
<b>Liabilities</b>			
Distributions payable	6	<b>32,135</b>	14,900
Payables	10	<b>1,805</b>	955
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<b>33,940</b>	15,855
<b>Net assets attributable to unitholders</b>	5	<b>438,390</b>	255,599

*The above statement of financial position should be read in conjunction with the accompanying notes.*

**Greencape Broadcap Fund**  
**Statement of changes in unitholder funds**  
**For the year ended 30 June 2018**

**Statement of changes in unitholder funds**

	<b>30 June 2018</b>	30 June 2017
Notes	<b>\$'000</b>	\$'000
<b>At 1 July - Opening Balance - Liability</b>	<b>255,599</b>	231,397
Change in net assets attributable to unitholders	<b>23,109</b>	12,353
Applications for units	<b>200,465</b>	70,800
Redemptions of units	<b>(41,846)</b>	(60,055)
Units issued upon reinvestment of distributions	<b>1,063</b>	1,104
<b>At 30 June - Closing Balance - Liability</b>	<b>438,390</b>	255,599
5		

*The above statement of changes in unitholder funds should be read in conjunction with the accompanying notes.*

**Greencape Broadcap Fund**  
**Statement of cash flows**  
**For the year ended 30 June 2018**

**Statement of cash flows**

	<b>30 June 2018</b>	30 June 2017
Notes	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Purchase of financial instruments held for trading	(2,163)	(1)
Dividends received	9,864	8,311
Interest received	386	220
Distributions received	499	485
Other income received	150	257
Management fees paid	(3,052)	(2,357)
Performance fees paid	(1,213)	-
Payment of other expenses	(758)	(404)
<b>Net cash inflow from operating activities</b>	<b>3,713</b>	<b>6,511</b>
	15(a)	
<b>Cash flows from investing activities</b>		
Proceeds from sale of investments designated at fair value through profit or loss	105,077	105,139
Purchase of investments designated at fair value through profit or loss	(224,494)	(103,130)
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(119,417)</b>	<b>2,009</b>
<b>Cash flows from financing activities</b>		
Proceeds from applications by unitholders	200,167	70,743
Payments for redemptions by unitholders	(42,000)	(59,753)
Distributions paid	(18,228)	(10,847)
<b>Net cash inflow from financing activities</b>	<b>139,939</b>	<b>143</b>
<b>Net increase in cash and cash equivalents</b>	<b>24,235</b>	<b>8,663</b>
Cash and cash equivalents at the beginning of the year	18,500	9,838
Effects of exchange rate changes on cash and cash equivalents	468	(1)
	<b>18,968</b>	<b>9,837</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>43,203</b>	<b>18,500</b>
	15(b)	

*The above statement of cash flows should be read in conjunction with the accompanying notes.*

## **1 General information**

These financial statements cover Greencape Broadcap Fund ('the Trust') as an individual entity. The Trust is an Australian registered managed investment scheme and was constituted on 29 August 2006. The Trust will terminate on 29 August 2086 unless terminated earlier in accordance with the provisions of the Trust's Constitution.

The financial statements were authorised for issue by the Directors on 12 September 2018.

The nature of the operating and principal activities of the Trust are described in the Directors' report.

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 has amended the Trust's Constitution to allow the Trust to operate as an AMIT. The Responsible Entity has sent a notice to unitholders on the Trust's intention to elect into the AMIT regime from the financial year ended 30 June 2018. As at 30 June 2018, the Trust met the conditions to operate as an AMIT and reassessed the other criteria in AASB 132 *Financial Instruments: Presentation* for classifying unitholders' funds. The Trust has determined that unitholders' funds should continue to be classified as a financial liability on 30 June 2018 as they do not meet the criteria under AASB 132 *Financial Instruments: Presentation* to be classified as equity. Refer to note 2(c) and note 5 for further information.

## **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following note.

### **(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with the Trust's Constitution, Australian Accounting Standards and the *Corporations Act 2001*.

The financial statements are presented in Australian dollars and are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

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. All balances are expected to be recovered or settled within twelve months, except for investments in financial instruments and net assets attributable to unitholders. The amounts expected to be recovered or settled beyond twelve months after the end of each reporting period cannot be reliably determined.

#### *Compliance with International Financial Reporting Standards*

The financial statements have been prepared in accordance with the Australian Accounting Standards as issued by the Australian Accounting Standards Board and the International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **(b) Financial instruments**

#### *(i) Classification*

The Trust's investments are carried at fair value through profit or loss. They comprise:

- Financial instruments held for trading

These include derivative financial instruments such as forward currency contracts. The Trust does not designate any derivatives as hedges in a hedging relationship.

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets that are not held for trading purposes but which may be sold. These are investments in listed equities and listed unit trusts.

## **2 Summary of significant accounting policies (continued)**

### **(b) Financial instruments (continued)**

#### *(ii) Recognition/derecognition*

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cash flows from the investments has expired or the Trust has transferred substantially all risks and rewards of ownership.

#### *(iii) Measurement*

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

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities held at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in the fair value recognised in the statement of comprehensive income.

- Fair value in an active market

The fair values of financial assets and liabilities traded in active markets are based on their quoted market prices at the reporting date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices at the reporting date, while financial liabilities are priced at current offer prices.

- Fair value in an inactive or unquoted market

The fair values of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of other substantially similar instruments, 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 reporting date applicable for an instrument with similar terms and conditions. For other pricing models, inputs are based on market data at the end of the reporting period.

The fair values of derivatives that are not exchange traded are estimated at the amount that the Trust would receive or pay to terminate the contract at balance date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black Scholes option valuation model.

#### *(iv) Offsetting financial instruments*

Financial assets and 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, or realise the asset and settle the liability simultaneously.

### **(c) Net assets attributable to unitholders - Liability**

Units are redeemable at the unitholders' option and are classified as financial liabilities as the Trust is required to distribute its taxable income, and the units can be redeemed by the unitholders at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the reporting date if unitholders exercised their right to redeem units in the Trust.

## **2 Summary of significant accounting policies (continued)**

### **(c) Net assets attributable to unitholders - Liability (continued)**

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

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Trust's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Trust, and it is not a contract settled in the Trust's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss and cannot be guaranteed.

As at 30 June 2017, net assets attributable to unitholders are classified as a financial liability. Effective from 30 June 2018, unitholders' funds have not been reclassified from financial liability to equity as they did not satisfy all the above criteria, following the amendments to the Trust's Constitution on election into the AMIT regime.

### **(d) Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other 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.

Payments and receipts relating to the purchase and sale of investment securities held for trading are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Trust's main income generating activity.

Payments and receipts relating to the purchase and sale of investment securities designated at fair value are classified as cash flows from investing activities, as movements in the fair value of these securities represent the Trust's investment activity.

### **(e) Collateral and margin accounts**

Collateral and margin accounts represent short term investments which are not held for the purpose of meeting short-term cash commitments. They also include restricted deposits for derivative financial instruments and/or for securities sold short. Margin accounts represent cash deposits held with brokers as collateral against open futures contracts.

### **(f) Investment income**

Net gain from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes. Any foreign exchange differences are recorded as a separate line item. Net gain from financial instruments at fair value through the profit or loss excludes any interest, dividend, distribution income and is recorded in accordance with the policies described in note 2(b).

Dividend income is recognised on the ex-dividend date when the right to receive payment is established with any related foreign withholding tax recorded as an expense. The Trust currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the profit or loss.

Distribution income is accrued when the right to receive payment is established.

### **(g) Expenses**

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

## **2 Summary of significant accounting policies (continued)**

### **(h) Income tax**

Under current legislation, the Trust is not subject to income tax as all assessable income, exempt income and non-assessable income will be attributed to unitholders under the AMIT regime.

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

Realised capital losses are not distributed/attributed to unitholders but are retained in the Trust to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed/attributed to unitholders.

The benefit of imputation credits and foreign tax paid are passed on to unitholders.

The Trust currently incurs withholding tax on investment income imposed by certain countries. Such income is recorded gross of withholding tax in the statement of comprehensive income.

### **(i) Distributions**

In accordance with the Trust's Constitution, the Trust distributes income adjusted for amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

### **(j) Change in net assets attributable to unitholders**

Income not distributed is included in net assets attributable to unitholders. Where unitholder funds are classified as a liability, movements in net assets attributable to unitholders are recognised in the statement of comprehensive income as finance costs.

### **(k) Goods and Services Tax (GST)**

The GST incurred on the costs of various services provided to the Trust by third parties such as investment management fees have been passed onto the Trust. The Trust qualifies for Reduced Input Tax Credits (RITC) at the rates of 75% and 55%, as applicable, on all investment management fees and other expenses. Accordingly, all relevant expenditure has been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

### **(l) Receivables**

Receivables may include amounts for interest, dividends and trust distributions. Interest is accrued at the reporting date from the time of last payment. Dividends and trust distributions are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

Receivables may include amounts for RITC receivable from the ATO and application monies receivable from unitholders.

Trades are recorded on trade date, and normally settled within three business days. Sales of financial instruments and assets that are unsettled at the reporting date are included in receivables.

### **(m) Payables**

Payables may include liabilities and accrued expenses owing by the Trust which are unpaid as at the reporting date.

Payables may include amounts for GST payable to the ATO and redemption monies payable to unitholders.

Trades are recorded on trade date, and normally settled within three business days. Purchases of financial instruments that are unsettled at the reporting date are included in payables.



## **2 Summary of significant accounting policies (continued)**

### **(m) Payables (continued)**

The distribution amount payable to unitholders as at the reporting date is recognised separately on the statement of financial position when the right for unitholders to receive payment is established.

### **(n) Applications and redemptions**

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

Unit redemption prices are determined by reference to the net assets of the Trust divided by the number of units on issue.

### **(o) Foreign currency**

#### *(i) Functional and presentation currency*

Items included in the Trust's financial statements are measured using the currency of the primary economic environment in which it operates (the 'functional currency'). This is the Australian dollar, which reflects the currency of the economy in which the Trust competes for funds and is regulated. The Australian dollar is also the Trust's presentation currency.

#### *(ii) Transactions and balances*

Transactions in foreign currencies are translated into presentation currency, Australian dollars, at the foreign exchange rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated into Australian dollars at the foreign exchange rate ruling at the reporting date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the transaction. Non-monetary items measured at fair value in a foreign currency shall be translated to Australian dollars using the exchange rates ruling at the date when the fair value was determined.

### **(p) Use of estimates**

For the majority of the Trust's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. Models are calibrated by back testing to actual transactions to ensure that outputs are reliable.

For certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

### **(q) Unit prices**

Unit prices are determined in accordance with the Trust's Constitution and are calculated as the net assets attributable to unitholders of the Trust, less estimated costs, divided by the number of units on issue, on a forward pricing basis, as determined by the Responsible Entity.

## 2 Summary of significant accounting policies (continued)

### (r) Terms and conditions on units

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

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

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

### (s) New accounting standards and interpretations

In the Directors' opinion, there are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2017 that have had a material impact on the Trust's financial statements or accounting policies.

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

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

*AASB 9 Financial Instruments* addresses the classification and measurement of financial assets and liabilities. The current four categories of financial assets, stipulated in *AASB 139 Financial Instruments: Recognition and Measurement*, will be replaced with two measurement categories: fair value and amortised cost. AASB 9 only permits the recognition of fair value gains/(losses) in other comprehensive income if they relate to equity investments that are not held for trading (and this election is taken); or debt investments that meet the contractual cash flow characteristics test and is held in a business model of both collecting contractual cash flow and selling. The Trust does not expect any significant impact on the financial statements arising from an adoption of the standard.

### (t) Rounding of amounts

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

## 3 Net gains on financial instruments held at fair value through profit or loss

Net gains recognised in relation to financial instruments held at fair value through profit or loss:

	<b>30 June 2018</b>	30 June 2017
	<b>\$'000</b>	\$'000
Designated at fair value	<b>53,487</b>	26,102
Net gains on financial instruments held at fair value through profit or loss	<b>53,487</b>	26,102

#### 4 Auditor's remuneration

The cost incurred for auditing the financial report of the Trust is paid directly by the Responsible Entity. The audit fees paid/payable by the Responsible Entity for the year were \$6,800 (2017: \$6,500).

#### 5 Net assets attributable to unitholders - Liability

As stipulated within the Trust's Constitution, each unit represents a right to an individual share in the Trust and does not extend to a right to the underlying assets of the Trust. There are three separate active and open classes of units and each unit has the same rights, preferences and restrictions attaching to it as all other units of the Trust.

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

	<b>30 June 2018</b>	30 June 2017	<b>30 June 2018</b>	30 June 2017
	<b>No. '000</b>	No. '000	<b>\$'000</b>	\$'000
<b>Net assets attributable to unitholders</b>				
<b>- Class A</b>				
<b>At 1 July - Opening Balance - Liability</b>	<b>158,723</b>	138,758	<b>211,500</b>	175,398
Applications for units	<b>126,077</b>	51,008	<b>184,570</b>	68,937
Redemptions of units	<b>(28,098)</b>	(31,756)	<b>(40,841)</b>	(43,383)
Units issued upon reinvestment of distributions	<b>786</b>	713	<b>1,063</b>	928
Change in net assets attributable to unitholders	-	-	<b>19,502</b>	9,620
<b>At 30 June - Closing Balance - Liability</b>	<b>257,488</b>	158,723	<b>375,794</b>	211,500

	<b>30 June 2018</b>	30 June 2017	<b>30 June 2018</b>	30 June 2017
	<b>No. '000</b>	No. '000	<b>\$'000</b>	\$'000
<b>Net assets attributable to unitholders</b>				
<b>- Class I</b>				
<b>At 1 July - Opening Balance - Liability</b>	<b>33,788</b>	41,543	<b>39,765</b>	46,412
Applications for units	<b>118</b>	133	<b>149</b>	158
Redemptions of units	-	(7,888)	-	(9,000)
Change in net assets attributable to unitholders	-	-	<b>2,999</b>	2,195
<b>At 30 June - Closing Balance - Liability</b>	<b>33,906</b>	33,788	<b>42,913</b>	39,765

**5 Net assets attributable to unitholders - Liability (continued)**

	<b>30 June 2018 No. '000</b>	30 June 2017 No. '000	<b>30 June 2018 \$'000</b>	30 June 2017 \$'000
<b>Net assets attributable to unitholders - Class P</b>				
<b>At 1 July - Opening Balance - Liability</b>	<b>4,657</b>	3,482	<b>4,334</b>	3,066
Applications for units	<b>15,236</b>	1,827	<b>15,746</b>	1,705
Redemptions of units	<b>(991)</b>	(652)	<b>(1,005)</b>	(615)
Change in net assets attributable to unitholders	-	-	<b>608</b>	178
<b>At 30 June - Closing Balance - Liability</b>	<b>18,902</b>	4,657	<b>19,683</b>	4,334

	<b>30 June 2018 No. '000</b>	30 June 2017 No. '000	<b>30 June 2018 \$'000</b>	30 June 2017 \$'000
<b>Net assets attributable to unitholders - Alpha class (closed 26 July 2016)</b>				
<b>At 1 July - Opening Balance - Liability</b>	-	4,029	-	6,521
Redemptions of units	-	(4,137)	-	(7,057)
Units issued upon reinvestment of distributions	-	108	-	176
Change in net assets attributable to unitholders	-	-	-	360
<b>At 30 June - Closing Balance - Liability</b>	-	-	-	-

	<b>30 June 2018 \$'000</b>	30 June 2017 \$'000
<b>Total net assets attributable to unitholders</b>	<b>438,390</b>	255,599

Effective 26 July 2016, the Alpha class of units was closed and all outstanding units were redeemed.

**Capital risk management**

Daily applications and redemptions are reviewed relative to the liquidity of the Trust's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Trust's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

The Trust monitors the level of daily applications and redemptions relative to the liquid assets in the Trust. Sufficient liquid assets are maintained within the Trust. Liquid assets include cash and cash equivalents, listed equity securities and listed unit trusts.

## 6 Distributions to unitholders

### Timing of distributions

The distributions for the year were as follows:

	<b>30 June 2018 \$'000</b>	<b>30 June 2018 CPU</b>	30 June 2017 \$'000	30 June 2017 CPU
<b>Distributions - Class A</b>				
Distributions paid - September	2,007	1.14	2,004	1.35
Distributions paid - December	273	0.13	2,020	1.28
Distributions paid - March	1,240	0.55	694	0.42
Distributions payable - June	<b>27,140</b>	<b>10.54</b>	12,368	7.79
	<b>30,660</b>		17,086	

	<b>30 June 2018 \$'000</b>	<b>30 June 2018 CPU</b>	30 June 2017 \$'000	30 June 2017 CPU
<b>Distributions - Class I</b>				
Distributions paid - September	348	1.03	512	1.23
Distributions paid - December	213	0.63	432	1.28
Distributions paid - March	182	0.54	128	0.38
Distributions payable - June	<b>4,005</b>	<b>11.81</b>	2,286	6.77
	<b>4,748</b>		3,358	

	<b>30 June 2018 \$'000</b>	<b>30 June 2018 CPU</b>	30 June 2017 \$'000	30 June 2017 CPU
<b>Distributions - Class P</b>				
Distributions paid - September	47	0.81	-	-
Distributions payable - December	21	0.19	-	-
Distributions paid - March	60	0.45	-	-
Distributions payable - June	<b>990</b>	<b>5.24</b>	-	-
	<b>1,118</b>		-	

## 6 Distributions to unitholders (continued)

	30 June 2018 \$'000	30 June 2018 CPU	30 June 2017 \$'000	30 June 2017 CPU
<b>Distributions - Alpha class (closed 26 July 2016)</b>				
Distributions paid - September	-	-	38	0.97
Distributions paid - December	-	-	41	0.94
Distributions paid - March	-	-	16	0.35
Distributions payable - June	-	-	246	5.28
	-		<u>341</u>	

The component of the final distribution for the year which was unpaid at the reporting date is shown in the statement of financial position.

## 7 Receivables

	30 June 2018 \$'000	30 June 2017 \$'000
<b>Receivables</b>		
Dividends receivable	2,190	1,648
Distributions receivable	256	178
Interest receivable	38	18
Applications receivable	482	184
Outstanding trade settlements	1,021	65
GST receivable	119	32
<b>Total receivables</b>	<u>4,106</u>	<u>2,125</u>

## 8 Financial assets held at fair value through profit or loss

	30 June 2018 \$'000	30 June 2017 \$'000
Notes		
<b>Held for trading</b>		
Derivatives	9 <u>127</u>	-
Total held for trading	<u>127</u>	-
<b>Designated at fair value through profit or loss</b>		
Equity securities	407,155	239,697
Listed unit trusts	17,739	11,132
Total designated at fair value through profit or loss	<u>424,894</u>	<u>250,829</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>425,021</u>	<u>250,829</u>

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in notes 12 and 13 respectively.

## 9 Derivative financial instruments

In the normal course of business the Trust enters into transactions in various derivative financial instruments which have certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variables.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include many different instruments such as forwards, futures and options. Derivatives are considered to be part of the investment process and the use of derivatives is an essential part of the Trust's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Trust against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Trust.

The Trust holds the following derivative instruments:

### (a) Forward currency contracts

A forward currency contract is primarily used by the Trust to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Trust agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward currency contracts are valued at the prevailing market price at the end of each reporting period. The Trust recognises a gain or loss equal to the change in fair value at the end of each reporting period.

The Trust's derivative financial instruments at year-end are detailed below (2017: \$Nil):

<b>30 June 2018</b>	<b>Fair values</b>		
	<b>Contract/ notional \$'000</b>	<b>Assets \$'000</b>	<b>Liabilities \$'000</b>
<b>Long Positions</b>			
<b>Forward currency contracts</b>	<b>34,431</b>	<b>127</b>	<b>-</b>
	<b>34,431</b>	<b>127</b>	<b>-</b>

An overview of the risk exposures and fair value measurements relating to derivative financial instruments are included in note 12 and note 13.

## 10 Payables

	<b>30 June 2018 \$'000</b>	<b>30 June 2017 \$'000</b>
<b>Payables</b>		
Amounts owing to the Responsible Entity	<b>892</b>	204
Redemptions payable	<b>189</b>	343
Outstanding trade settlements	<b>724</b>	408
<b>Total payables</b>	<b>1,805</b>	955

## **11 Offsetting financial assets and financial liabilities**

Financial assets and 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 or realise the asset and settle the liability simultaneously. As at 30 June 2018 there are no financial assets and financial liabilities that have been offset in the statement of financial position (2017: \$Nil). As at 30 June 2018, the Trust has no netting arrangements which if applied would have a material impact on the disclosure of financial assets and liabilities.

## **12 Financial risk management**

### **(a) Overview**

The Trust's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

The Trust's overall risk management program focuses on ensuring compliance with the Trust's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Trust is exposed. The Trust may use derivative financial instruments to alter certain risk exposures. The Responsible Entity is responsible for identifying and controlling the risks that arise from these financial instruments.

The allocation of assets between the various types of financial instruments is determined by the Trust's Asset Manager who manages the Trust's assets to achieve the Trust's investment objectives.

Divergence from target allocations and the composition of the assets is monitored on a regular basis.

The Responsible Entity of the Trust is aware of the risks associated with the business of investment management. A financial risk management framework has been established to ensure that procedures and controls adequately manage the risks arising from current business activities. Central controls include (but are not limited to):

- clear policies and procedures covering operations;
- post trade investment compliance monitoring;
- segregation of the dealing and investment management function from the administration and settlement function;
- an independent service provider for the valuation of securities; and
- a compliance function with a separate reporting line from the Trusts' Management team.

As part of the risk management framework, the Responsible Entity is subject to regular reporting and committee meetings regarding risk and compliance issues. The purpose is to facilitate a flow of information between the Trust and the Responsible Entity's Board and Committees. Any material matters identified are promptly investigated and reported.

As part of its risk management strategy, the Trust may use derivatives including exchange traded derivatives, to manage exposures resulting from changes in index prices, equity risks and exposures arising from forecast transactions.

There are no changes in the strategies used to manage the financial risks from the previous reporting period.

### **(b) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Trust's income or the value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Trust is exposed to market risks influencing investment valuations. The Trust may utilise derivatives to manage this risk.



## **12 Financial risk management (continued)**

### **(b) Market risk (continued)**

#### *(i) Price risk*

Price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting all instruments traded in the market.

Part (c) below sets out how this component of price risk is managed and measured. Investments are classified in the statement of financial position at fair value through profit or loss. All securities investments present a risk of loss of capital. Except for equities sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from equities sold short can be unlimited.

The fund manager mitigates this price risk through diversification and a rigorous selection of securities and other financial instruments within specified limits set by the Board. Part (c) of this note summarises the impact of an increase/decrease of the S&P/ASX 300 Accumulation Index on the Trust's net assets attributable to unitholders at 30 June 2018. The analysis is based on the assumptions that the index increased by 10% (2017: 10%) and decreased by 10% (2017: 10%) with all other variables held constant and that the fair value of the Trust's portfolio of equity securities and derivatives moved according to the historical correlation with the index. The impact mainly arises from the possible change in the fair value of listed equities, listed unit trusts and over-the-counter derivatives.

Daily monitoring of trade restrictions and derivative exposure against limits is undertaken with any breach of these limit restrictions reported.

#### *(ii) Foreign exchange risk*

Trusts that invest in international assets are exposed to foreign exchange risk. Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Fund managers may enter into derivatives contracts (such as forwards, swaps, options and futures) through approved foreign exchange dealers to minimise risk. However, the use of these contracts must be consistent with the investment strategy and restrictions of the Trust, and agreed acceptable level of foreign exchange risk.

The Trust holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates.

The Trust also enters into forward currency contracts principally to hedge the foreign exchange risk implicit in the value of the portfolio securities denominated in foreign currencies and to secure a particular exchange rate for a planned purchase or sale of securities. The term of these contracts rarely exceeds 12 months and may not necessarily indicate the total effect on the Trust's net assets attributable to unitholders of future movements in foreign exchange rates.

## 12 Financial risk management (continued)

### (b) Market risk (continued)

#### (ii) Foreign exchange risk (continued)

The table below summarises the Trust's exposure to foreign exchange risk.

#### 30 June 2018

	AUD \$'000	USD \$'000	Total \$'000
<b>Assets</b>			
Cash and cash equivalents	38,739	4,464	43,203
Receivables	4,106	-	4,106
Financial assets held at fair value through profit or loss	394,796	30,225	425,021
<b>Total assets</b>	<b>437,641</b>	<b>34,689</b>	<b>472,330</b>
<b>Liabilities</b>			
Distribution payable	(32,135)	-	(32,135)
Payables	(1,805)	-	(1,805)
<b>Total liabilities</b>	<b>(33,940)</b>	<b>-</b>	<b>(33,940)</b>
<b>Net assets attributable to unitholders</b>	<b>403,701</b>	<b>34,689</b>	<b>438,390</b>

#### 30 June 2017

	AUD \$'000	USD \$'000	Total \$'000
<b>Assets</b>			
Cash and cash equivalents	18,500	-	18,500
Receivables	2,125	-	2,125
Financial assets held at fair value through profit or loss	250,829	-	250,829
<b>Total assets</b>	<b>271,454</b>	<b>-</b>	<b>271,454</b>
<b>Liabilities</b>			
Distribution payable	(14,900)	-	(14,900)
Payables	(955)	-	(955)
<b>Total liabilities</b>	<b>(15,855)</b>	<b>-</b>	<b>(15,855)</b>
<b>Net assets attributable to unitholders</b>	<b>255,599</b>	<b>-</b>	<b>255,599</b>

The table in part (c) of this note summarises the sensitivities of the Trust's financial instruments to foreign exchange risk. The analysis is based on the assumption that the Australian Dollar weakened and strengthened by 10% (2017: 10%) against the material foreign currencies to which the Trust is exposed.

#### (iii) Cash flow and fair value interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

## 12 Financial risk management (continued)

### (b) Market risk (continued)

#### (iii) Cash flow and fair value interest rate risk (continued)

The majority of the Trust's financial instruments are non-interest bearing with only cash and cash equivalents being directly subject to interest rate risk.

### (c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Trust's operating profit and net assets attributable to unitholders to price risk and foreign exchange risk for financial assets and liabilities held at balance date. The possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical correlation of the Trust's investments with the relevant benchmark, which is the S&P/ASX 300 Accumulation Index. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Trust invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	<b>Impact on operating profit/Net assets attributable to unitholders</b>			
	<b>Price risk</b>		<b>Foreign exchange risk</b>	
	<b>-10%</b>	<b>+10%</b>	<b>-10%</b>	<b>+10%</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>USD '000</b>	<b>USD '000</b>
<b>30 June 2018</b>	<b>(41,550)</b>	<b>42,104</b>	<b>(6)</b>	<b>6</b>
30 June 2017	(24,668)	24,668	-	-

### (d) Credit risk

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

Credit risk is not considered to be significant to the Trust as the Trust does not hold any direct investments in debt securities or have significant receivables.

### (e) Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due.

The Trust's product disclosure statement provides for daily redemption of units and it is therefore exposed to liquidity risk of meeting unitholders' redemption at any time.

This risk is controlled through the Trust investing the majority of its assets in investments that are traded in an active market and investing only a limited proportion of its assets in investments not actively traded on a stock exchange.

The Trust's investments are considered to be readily realisable.

The investment management process includes the consideration of liquidity, both in terms of market quality and cash flow. In asset construction, securities/investments (including derivatives) are only purchased that meet investment criteria and this includes the assessment of saleability in different market conditions. Before entering into a transaction, consideration is given (among others):

- whether the purpose of the investment is consistent with the investment strategy of the Trust;
- the ease of selling the security should market conditions change unfavourably;
- whether there are sufficient assets to cover the underlying liabilities of that transaction; and
- the overall liquidity level for the Trust.

## **12 Financial risk management (continued)**

### **(e) Liquidity risk (continued)**

Under the terms of its Constitution, the Trust has the ability to manage liquidity risk by delaying redemptions to unitholders, if necessary, until the funds are available to pay them.

#### *Maturity analysis for financial liabilities*

Financial liabilities of the Trust comprise trade and other payables, distributions payable and net assets attributable to unitholders. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days.

Net assets attributable to unitholders are entirely payable on demand.

## **13 Fair value measurement**

### **(a) Fair value estimation**

All financial assets and financial liabilities included in the statement of financial position are carried at recurring fair value.

The carrying amounts of the Trust's financial assets and financial liabilities at the end of each reporting period are equivalent to their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

The Trust values its investments in accordance with the accounting policies set out in note 2. For the majority of its investments, the Trust relies on information provided by independent pricing services for the valuation of its investments.

The quoted market price used for financial assets held by the Trust is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Trust holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair value for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

For over-the-counter instruments including bonds, floating rate notes and loans, fair value is determined using market quoted prices or an external valuation service provider.

The fair value of over-the-counter derivatives is estimated at the amount, determined by an external valuation service provider, the Trust would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value or estimated future cash flows, discounted at appropriate market rates at the valuation date.

### **(b) Fair value hierarchy**

The Trust classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

### 13 Fair value measurement (continued)

#### (b) Fair value hierarchy (continued)

The level in the fair value hierarchy within which an asset or liability is categorised is determined on the basis of the lowest level of input that is significant to the measurement as a whole. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, it is classified as a level 3 measurement. Assessing the significance of a particular input to the fair value measurement as a whole requires judgement and consideration of factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The tables below set out the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy.

#### 30 June 2018

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
<b>Financial assets held for trading:</b>				
Forward currency contracts	-	127	-	127
<b>Financial assets designated at fair value through profit or loss:</b>				
Equity securities	407,155	-	-	407,155
Listed unit trusts	17,739	-	-	17,739
<b>Total</b>	<b>424,894</b>	<b>127</b>	<b>-</b>	<b>425,021</b>

#### 30 June 2017

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
<b>Financial assets designated at fair value through profit or loss:</b>				
Equity securities	239,697	-	-	239,697
Listed unit trusts	11,132	-	-	11,132
<b>Total</b>	<b>250,829</b>	<b>-</b>	<b>-</b>	<b>250,829</b>

Investments whose values are based on quoted market prices in active markets, and therefore classified within level 1, include active listed equities and listed unit trusts.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. These include investments in over-the-counter derivatives. As level 2 investments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information.

## 14 Related party transactions

### (a) Responsible entity

The Responsible Entity of Greencape Broadcap Fund is Fidante Partners Limited whose immediate parent company is Challenger Funds Management Holdings Pty Limited and ultimate parent company is Challenger Limited.

### (b) Key management personnel

#### (i) Directors

Key management personnel includes persons who were Directors of Fidante Partners Limited at any time during the financial year and up to the date of the report as follows:

T Bofinger (appointed 1 July 2018)  
A Collins  
A Murphy  
I Saines  
A Tobin  
R Willis (resigned 30 June 2018)

#### (ii) Other key management personnel

The Responsible Entity is considered to be the key management personnel with authority for the strategic direction and management of the Trust.

The Asset Manager, Greencape Capital Pty Limited, is a related party to the Trust as it is a member of the same group as the Responsible Entity.

### (c) Key management personnel unitholdings

At 30 June 2018 no key management personnel held units in the Trust (2017: Refer below).

30 June 2017

Unitholder	No. of units held opening (Units)	No. of units acquired (Units)	No. of units disposed (Units)	No. of units held closing (Units)	Interest held (%)	Distributions paid/payable by the Trust (\$)
Saines Family Trust	824,197	21,555	(845,752)	-	-	-
Total	824,197	21,555	(845,752)	-	-	-

### (d) Key management personnel compensation

No amount is paid by the Trust directly to the Directors of the Responsible Entity.

Compensation is paid to the Responsible Entity in the form of fees and is disclosed below.

### (e) Responsible Entity's fees and other transactions

Under the terms of the Trust's Constitution, the Responsible Entity is entitled to receive management fees, calculated by reference to the average daily net assets (excluding net assets attributable to unitholders) of the Trust as follows:

- (i) 0.95% (2017: 0.95%) of Class A;
- (ii) 0.95% (2017: 0.95%) of Class I;
- (iii) 0.70% (2017: 0.70%) of Class P; and
- (iv) 0.00% (2017: 0.75%) of the Alpha class (closed 26 July 2016).

## 14 Related party transactions (continued)

### (e) Responsible Entity's fees and other transactions (continued)

These fees are inclusive of GST, net of RITC available to the Trust per annum.

In addition to the management fee, the Responsible Entity is also entitled to receive performance fees. The performance fees are calculated at 15% of the Trust's daily return (before fees and expenses and after adding back distributions) above the performance benchmark, being the S&P/ASX 300 Accumulation Index.

As the performance benchmark includes an amount representing the current management fee, the Trust must outperform the relevant index on an after management fee basis in order for the performance fee to be paid.

For the year ended 30 June 2018, in accordance with the Trust's Constitution, the Responsible Entity received performance fees for Class A of 0.58% (2017:0.00%), for Class P of 0.052% (2017: 0.00%) and for the Alpha Class (closed 26 July 2016) of 0.00% (2017: 0.00%) (inclusive of GST, net of RITC available to the Trust per annum). Class I is not subject to performance fees.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Trust and the Responsible Entity were as follows:

	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
Management fees for the year paid by the Trust to the Responsible Entity	<b>3,226,291</b>	2,376,927
Performance fees for the year paid by the Trust to the Responsible Entity	<b>1,726,773</b>	199
Aggregate amounts payable to the Responsible Entity at the end of the reporting period	<b>892,014</b>	204,072

### (f) Related party unitholdings

Parties related to the Trust (including Fidante Partners Limited, its related parties and other schemes managed by Fidante Partners Limited), held units in the Trust as follows:

#### 30 June 2018

<b>Unitholder</b>	<b>No. of units held opening (Units)</b>	<b>No. of units acquired (Units)</b>	<b>No. of units disposed (Units)</b>	<b>No. of units held closing (Units)</b>	<b>Interest held (%)</b>	<b>Distributions paid/payable by the Trust (\$)</b>
<b>Challenger Funds Management Holdings Pty Ltd</b>	<b>18</b>	<b>1</b>	<b>-</b>	<b>19</b>	<b>-</b>	<b>2</b>
<b>Total</b>	<b>18</b>	<b>1</b>	<b>-</b>	<b>19</b>	<b>-</b>	<b>2</b>

#### 30 June 2017

Unitholder	No. of units held opening (Units)	No. of units acquired (Units)	No. of units disposed (Units)	No. of units held closing (Units)	Interest held (%)	Distributions paid/payable by the Trust (\$)
Challenger Funds Management Holdings Pty Ltd	17	1	-	18	-	2
Total	17	1	-	18	-	2

## 15 Reconciliation of profit to net cash inflow from operating activities

### (a) Reconciliation of profit to net cash inflow from operating activities

	30 June 2018 \$'000	30 June 2017 \$'000
Net profit attributable to unitholders	59,635	33,138
Net gains on financial instruments held at fair value through profit or loss	(53,487)	(26,102)
Net foreign exchange (gains)/losses	(134)	3
Purchase of financial instruments held for trading	(2,163)	(1)
Participation in dividend and distribution reinvestment plans	(99)	(592)
Net change in receivables and other assets	(727)	45
Net change in payables and other liabilities	688	20
<b>Net cash inflow from operating activities</b>	<b>3,713</b>	<b>6,511</b>

### (b) Components of cash and cash equivalents

Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:

Cash at bank	43,203	18,500
<b>Cash and cash equivalents</b>	<b>43,203</b>	<b>18,500</b>

### (c) Non-cash investing and financing activities

Reinvestment of unitholder distributions	1,063	1,104
Participation in dividend and distribution reinvestment plans	99	592

## 16 Events occurring after the reporting period

No significant events have occurred since the reporting date which would impact on the financial position of the Trust as at 30 June 2018 or on the results and cash flows of the Trust for the year ended on that date.

## 17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2018 (2017: \$Nil).



## **Directors' declaration**

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 8 to 31 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Trust's financial position as at 30 June 2018 and of its performance for the financial year ended on that date;
- (b) the financial statements and notes comply with International Financial Reporting Standards as disclosed in note 2(a); and
- (c) there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of Directors.

On behalf of the Board of Fidante Partners Limited.



**A Collins  
Director**

**Sydney  
12 September 2018**

## Independent Auditor's Report to the unitholders of Greencape Broadcap Fund

### Opinion

We have audited the financial report of Greencape Broadcap Fund (the "Trust"), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in unitholder funds 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 Greencape Broadcap Fund is in accordance with the Corporations Act 2001, including:

- a) giving a true and fair view of the Greencape Broadcap 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 Trust 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 Fidante Partners Limited as the Responsible Entity of the Trust (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 of the Responsible Entity are responsible for assessing the Trust'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 Trust 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 Responsible Entity'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 Trust'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 Trust 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 &amp; Young' in a cursive style.

Ernst & Young

A handwritten signature in black ink that reads 'Rita Da Silva' in a cursive style.

Rita Da Silva  
Partner  
Sydney  
12 September 2018

## **Directory**

### **Responsible Entity**

Fidante Partners Limited  
ABN 94 002 835 592  
AFSL 234668

### **Registered office and principal place of business**

Level 2  
5 Martin Place  
Sydney NSW 2000

### **Custodian**

Citigroup Pty Limited  
Level 23  
2 Park Street  
Sydney NSW 2000

### **Auditor**

For the Responsible Entity and the Trust  
Ernst & Young  
200 George Street  
Sydney NSW 2000





