

# **Wheelhouse Global Equity Income Fund**

## **ARSN 621 200 119**

Financial Report  
for the year ended 30 June 2019

# Wheelhouse Global Equity Income Fund

ARSN 621 200 119

## Financial report - 30 June 2019

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This financial report covers the Wheelhouse Global Equity Income Fund (ARSN 621 200 119) as an individual entity.

The Trustee of the Wheelhouse Global Equity Income Fund is Bennelong Funds Management Ltd (ABN 39 111 214 085) (AFSL 296806). The Trustee's registered office is:

Bennelong House  
Level 1, 9 Queen Street  
Melbourne VIC 3000

## Directors' Report

The directors of Bennelong Funds Management Ltd, the Trustee of the Wheelhouse Global Equity Income Fund ("the Fund"), present their report together with the financial report of the Fund for the year ended 30 June 2019.

### Principal activities

The Fund invests in global authorised investments in accordance with the Product Disclosure Statement ("PDS") and the provisions of the Fund's Constitution.

The Fund did not have any employees during the year.

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

The various service providers to the Fund are detailed below:

<b>Service</b>	<b>Provider</b>
Trustee	Bennelong Funds Management Ltd
Investment Manager	Wheelhouse Investment Partners Pty Ltd
Custodian and Administrator	RBC Investor & Treasury Services Pty Ltd
Statutory Auditor	Deloitte Touche Tohmatsu

### Directors

The following persons held office as directors of Bennelong Funds Management Ltd during the year or since the end of the year and up to the date of this report:

Stephen Rix	Chairman
Craig Bingham	Chief Executive Officer
Andrea Waters	
Vicki Allen	
Lincoln McMahon	
Gary Toomey	(resigned 15 January 2019)

### Review and results of operations

During the year, the Fund invested monies in accordance with the investment policies set out in the Fund's PDS and in accordance with the provisions of the Fund's Constitution.

### Results

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

	<b>Year ended</b>	
	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
Operating profit attributable to unitholders	<b>522,832</b>	450,381
Interim distribution - 30 September	<b>81,632</b>	46,000
Interim distribution - 31 December	<b>106,895</b>	48,776
Interim distribution - 31 March	<b>109,734</b>	49,367
Full year distribution - 30 June	<b>267,701</b>	157,943
Interim distribution -30 September cents per unit (CPU)	<b>1.5000</b>	1.1404
Interim distribution - 31 December cents per unit (CPU)	<b>1.5000</b>	1.2000
Interim distribution - 31 March cents per unit (CPU)	<b>1.5000</b>	1.2000
Full year distribution - 30 June cents per unit (CPU)	<b>3.5220</b>	3.7764

## **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 Fund that occurred during the year.

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

There has been no matter or circumstance 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 of operations**

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

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 Trustee believes it would be likely to result in unreasonable prejudice to the Fund.

### **Indemnification and insurance of officers**

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to the officers of the Trustee. So long as the officers of the Trustee act in accordance with the Fund's Constitution and the law, the officers remain fully indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

### **Indemnity of auditors**

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

### **Fees paid to and interests held in the Fund by the Trustee or its associates**

Fees paid to the Trustee and its associates out of Fund property during the year are disclosed in note 14 to the financial report.

No fees were paid out of Fund property to the directors of the Trustee during the year.

The number of interests in the Fund held by the Trustee or its associates as at the end of the financial year are disclosed in note 14 to the financial report.

## Directors' Report (continued)

### Fees paid to and interests held in the Fund by the Trustee or its associates (continued)

#### *Deferred Fund Expenses*

Under the terms of the Fund's Constitution, the Trustee is entitled to be reimbursed for all operating and administration expenses that have been incurred on behalf of the Fund. The Fund's PDS outlines in Section 6 that the Trustee caps this amount at 0.10% per annum of the Net Asset Value (NAV) of the Fund.

As at 30 June 2019, the Trustee has incurred \$307,599 (2018: \$129,123) in reimbursable expenses in excess of the amount charged to the Fund. This amount represents expenses that have been incurred by the Trustee on behalf of the Fund, for which the Trustee is entitled to, but has deferred, reimbursement. Payment of this amount is contingent upon there being significant growth in the Fund's NAV, such that the payment will not result in expenses exceeding the amount set out in the Fund's PDS at the date of payment, the timing of which cannot be reliably estimated at the reporting date. The Trustee is committed to treating unitholders fairly and will only request reimbursement of this amount in the event that the Fund's NAV is sufficient and if the payment does not have any significant adverse impact on unitholders.

#### Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in note 6 to the financial report.

The value of the Fund'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 report.

#### Environmental regulation

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

#### 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 5.

This report is made in accordance with a resolution of the directors of Bennelong Funds Management Ltd.



Craig Bingham (Chief Executive Officer)  
Director

Melbourne  
25 September 2019

25 September 2019

The Board of Directors  
Bennelong Funds Management Limited  
as Responsible Entity for Wheelhouse Global Equity Income Fund  
Level 1, 9 Queen Street  
MELBOURNE VIC 3000

Dear Directors


## **Independence Declaration – Wheelhouse Global Equity Income Fund**

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Bennelong Funds Management Limited, the Responsible Entity, regarding the annual financial report for Wheelhouse Global Equity Income Fund.

As lead audit partner for the audit of the financial statements of Wheelhouse Global Equity Income Fund for the financial year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Neil Brown  
Partner  
Chartered Accountants

**Wheelhouse Global Equity Income Fund**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2019**

**Statement of Profit or Loss and Other Comprehensive Income**

		<b>Year ended</b>	
		<b>30 June</b>	<b>30 June</b>
	<b>Notes</b>	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Investment income</b>			
Interest income		<b>25,406</b>	4,934
Dividend income		<b>77,386</b>	36,602
Net gains on financial instruments at fair value through profit or loss	5	<b>481,102</b>	445,179
Other operating income		<b>212</b>	-
<b>Total investment income</b>		<b>584,106</b>	486,715
<b>Expenses</b>			
Management fees	14	<b>53,931</b>	32,189
Custody fees		-	1,688
Other operating expenses		<b>7,343</b>	2,457
<b>Total operating expenses</b>		<b>61,274</b>	36,334
<b>Operating profit attributable to unitholders</b>		<b>522,832</b>	450,381
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	7	<b>(565,962)</b>	(302,086)
Decrease/(increase) in net assets attributable to unitholders	6	<b>43,130</b>	(148,295)
<b>Profit/(loss) for the year</b>		<b>-</b>	-
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>-</b>	-

*The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the notes to the Financial Statements.*

**Wheelhouse Global Equity Income Fund**  
**Statement of Financial Position**  
**As at 30 June 2019**

**Statement of Financial Position**

		<b>As at</b>	
		<b>30 June</b>	<b>30 June</b>
	Notes	<b>2019</b>	<b>2018</b>
		<b>\$</b>	<b>\$</b>
<b>Assets</b>			
Cash and cash equivalents	8	2,145,361	1,605,893
Margin accounts		603,085	550,791
Receivables	11	6,007	22,190
Due from brokers - receivable for securities sold		89,336	54,378
Financial assets at fair value through profit or loss	9	5,348,608	2,344,768
<b>Total assets</b>		<u>8,192,397</u>	<u>4,578,020</u>
<b>Liabilities</b>			
Distributions payable		99,164	-
Due to brokers - payable for securities purchased		122,734	107,251
Payables	12	5,858	5,158
Financial liabilities at fair value through profit or loss	10	50,380	74,637
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u>278,136</u>	<u>187,046</u>
<b>Net assets attributable to unitholders - liability</b>	6	<u>7,914,261</u>	4,390,974
Liabilities attributable to unitholders		<u>(7,914,261)</u>	<u>(4,390,974)</u>
<b>Net Assets</b>		<u>-</u>	<u>-</u>

*The above Statement of Financial Position should be read in conjunction with the notes to the Financial Statements.*



**Wheelhouse Global Equity Income Fund**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2019**

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**Statement of Changes in Equity**

	<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Total equity at the beginning of the financial year</b>	-	-
Operating profit for the year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the financial year</b>	-	-

Under Australian Accounting Standards, 'net assets attributable to unitholders' are classified as a liability rather than equity. As a result there was no equity at the start or the end of the year.

*The above Statement of Changes in Equity should be read in conjunction with the notes to the Financial Statements.*

**Wheelhouse Global Equity Income Fund**  
**Statement of Cash Flows**  
**For the year ended 30 June 2019**

**Statement of Cash Flows**

		<b>Year ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2019</b>	<b>2018</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments at fair value through profit or loss		<b>16,620,933</b>	9,764,513
Purchase of financial instruments at fair value through profit or loss		<b>(19,201,343)</b>	(9,817,418)
Dividends received		<b>74,418</b>	36,252
Interest received		<b>25,406</b>	4,935
Other income received		<b>212</b>	-
Management fees paid		<b>(52,014)</b>	(32,765)
Other expenses paid		<b>(9,423)</b>	(2,787)
<b>Net cash outflow from operating activities</b>	15(a)	<b>(2,541,811)</b>	(47,270)
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		<b>3,228,249</b>	-
Payments for redemptions by unitholders		<b>(91,869)</b>	-
Distributions paid		<b>(16,761)</b>	(20,984)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>3,119,619</b>	(20,984)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>577,808</b>	(68,254)
Cash and cash equivalents at the beginning of the year		<b>1,605,893</b>	1,601,639
Effects of exchange rate changes on cash and cash equivalents		<b>(38,340)</b>	72,508
<b>Cash and cash equivalents at the end of the year</b>	8(a)	<b>2,145,361</b>	1,605,893

Non-cash financing and operating activities are disclosed in note 15(b).

*The above Statement of Cash Flows should be read in conjunction with the notes to the Financial Statements.*

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## **1 General information**

This financial report covers the Wheelhouse Global Equity Income Fund ("the Fund") as an individual entity. The Fund is an registered managed investment scheme (ARSN 621 200 119) and commenced operations on 26 May 2017.

The Trustee of the Fund is Bennelong Funds Management Ltd (ABN 39 111 214 085) (AFSL 296806) (the "Trustee"). The Trustee's registered office is Bennelong House, Level 1, 9 Queen Street, Melbourne, VIC 3000.

The Investment Manager of the Fund is Wheelhouse Investment Partners Pty Ltd.

The principal activity of the Fund during the year was the investment of unitholders' funds as per the objectives stated in the Fund's Product Disclosure Statement ("PDS") and in accordance with the provisions of the Fund's Constitution. There has been no significant change in the nature of this activity during the year.

The financial report was authorised for issue by the directors on 25 September 2019.

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

The principal accounting policies applied in the preparation of this financial report are set out below. These policies have been consistently applied, unless otherwise stated in the following text.

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

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Interpretations and the *Corporations Act 2001* in Australia.

The Fund is a for-profit entity for the purposes of preparing the financial report.

The financial report is 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 assets and net assets attributable to unitholders. The amount expected to be recovered or settled within 12 months after the end of each reporting period in relation to these balances cannot be reliably determined.

#### *Compliance with International Financial Reporting Standards (IFRS)*

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### **(b) New accounting standards and interpretations**

The Fund has initially adopted AASB 9 *Financial Instruments* and AASB 15 *Revenue from Contracts with Customers* from 1 July 2018. Under the transition methods chosen, comparative information is not restated as detailed below. There was no material effect on the adoption of these standards to the Fund for the year ended 30 June 2019.

## 2 Summary of significant accounting policies (continued)

### (b) New accounting standards and interpretations (continued)

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

AASB 9 *Financial Instruments* addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139. Classification and measurement of securities is driven by the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

The Fund does not hold debt instruments that could result in reclassification of financial instruments to amortised cost or fair value through other comprehensive income. The derecognition rules have not changed from the previous and the Fund does not apply hedge accounting.

AASB 9 has been applied retrospectively by the Fund without the use of hindsight and it has determined that adoption did not result in a change to the classification or measurement of financial instruments in either the current or comparative period. The Fund's investment portfolio continues to be classified as 'fair value through profit or loss (FVTPL)'; and other financial assets which are held for collection continue to be measured at amortised cost.

The adoption of AASB 9 introduces a new expected credit loss (ECL) new impairment model. There was no material impact on the adoption from the application of the new impairment model.

#### (ii) AASB 15 *Revenue from Contracts with Customers*

AASB 15 will replace 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 sources of income are interest, dividend and gains on financial instruments held at a fair value through profit or loss. 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 report.

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

### (c) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions and 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 not subject to a significant risk of change in value.

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

### (d) Receivables

Receivables may include amounts for dividends, distributions, interest and outstanding settlements on the sale of investments. Dividends and distributions are accrued when the right to receive payment is established. Receivables are recognised and carried at their original amounts and subsequently at amortised cost less impairment. Amounts are generally received within 30 days of being recorded as receivables.

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

### **(d) Receivables (continued)**

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from brokers at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses.

### **(e) Due from/to brokers**

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date and normally settled within two business days.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from brokers at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses.

### **(f) Financial instruments**

#### *(i) Classification*

- Fund's investments designated at fair value through profit or loss upon initial recognition

These include investments in listed equity securities.

Derivative financial instruments such as futures, forward currency contracts, options and swaps are also included under this classification.

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

The Fund 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.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all the risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged.

#### *(iii) Measurement*

At initial recognition, the Fund measures a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of comprehensive income.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income within net gains / (losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs. The quoted market price used for financial assets held by the Fund is the last traded price and the quoted market price for financial liabilities is the current asking price.

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

### **(f) Financial instruments (continued)**

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. Accordingly, there may be a difference between the fair value at initial recognition and amounts determined using a valuation technique. If such a difference exists, the Fund recognises the difference in the statement of comprehensive income to reflect a change in factors, including time, that market participants would consider in setting a price.

Further details on how the fair values of financial instruments are determined are disclosed in note 3(e).

#### *(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.

### **(g) Applications and redemptions**

Applications received for units in the Fund are recorded net of any buy spread, payable upon application for units in the Fund. Redemptions from the Fund are recorded gross of any sell spread payable upon redemption of units.

### **(h) Distributions**

In accordance with the Fund's Constitution, the Fund distributes income adjusted for amounts determined by the Trustee to unitholders by cash or through reinvestment. The distributions are recognised in the Statement of Profit or Loss and Other Comprehensive Income as finance costs attributable to unitholders. Distributions declared effective 30 June in relation to unit holders who have previously elected to reinvest distributions are recognised as reinvested effective 30 June.

### **(i) Payables**

Payables are recognised for amounts to be paid in the future for goods and services received whether or not billed to the Fund, and include outstanding settlements on the purchase of investments. Amounts are generally paid within 30 days of being recorded as payables.

### **(j) Margin accounts**

Margin accounts comprise of cash held as collateral for derivatives transactions. The cash is held by the broker and is only available to meet margin calls. Balance as at 30 June 2019: \$603,085 (2018: \$550,791).

### **(k) Net assets attributable to unitholders**

In accordance with AASB 132 *Financial Statements: Presentation*, unitholder's funds are classified as a financial liability and disclosed as such in the Statement of Financial Position, being referred to as "Net assets attributable to unitholders". Unitholders' funds are classified as a liability as the units can be redeemed from the Fund at any valuation point for cash. 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 put the units back to the Fund. Changes in the value of this financial liability are recognised in the Statement of Profit or Loss and Other Comprehensive Income as they arise.

### **(l) Investment income**

Interest income is recognised in the Statement of Profit or Loss and Other Comprehensive Income using the accruals method. Dividend income is recognised on the ex dividend date with any related withholding tax recorded as an expense.

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

### **(l) Investment income (continued)**

Changes in fair value of financial instruments are recorded in accordance with the policies described in note 2(f) to the financial report.

### **(m) Expenses**

All expenses, including management fees and custodian fees, are recognised in the Statement of Profit or Loss and Other Comprehensive Income on an accruals basis.

### **(n) Increase/(decrease) in net assets attributable to unitholders**

Non distributable income is included in net assets attributable to unitholders and may consist of unrealised changes in the net fair value of financial instruments at fair value through profit or loss, derivative financial instruments, accrued income not yet assessable, expenses provided or accrued for which are not yet deductible, net capital losses and tax free or tax deferred income. Net capital gains on the realisation of any financial instruments (including any adjustments for tax deferred income previously taken directly to net assets attributable to unitholders) and accrued income not yet assessable will be included in the determination of distributable income in the same period in which it becomes assessable for tax. Movements in net assets attributable to unitholders are recognised in the Statement of Profit or Loss and Other Comprehensive Income as finance costs.

### **(o) Income tax**

Under current legislation, the Fund is not subject to income tax provided that unitholders are presently entitled to the income of the Fund. The benefits of any imputation credits and foreign tax paid are passed on to unitholders.

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

The GST incurred on the costs of various services provided to the Fund by third parties such as investment management fees and custodial services has been passed on to the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%; hence investment management fees, custodial fees and other expenses have been recognised in the Statement of Profit or Loss and Other Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Payables 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.

### **(q) Foreign currency translation**

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

Balances included in the Fund'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 Fund competes for funds and is regulated. The Australian dollar is also the Fund's presentation currency.

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

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

The Fund does not isolate that portion of unrealised gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates. Such fluctuations are included with the net gains/(losses) on financial instruments at fair value through profit or loss.



## 2 Summary of significant accounting policies (continued)

### (r) Use of estimates

From time to time the Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As at 30 June 2019 there are no material estimates (30 June 2018: Nil).

### (s) Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded to the nearest dollar unless otherwise indicated.

## 3 Financial risk management

The Fund is exposed to credit risk, liquidity risk and market risk (including price risk and interest rate risk) arising from the financial instruments it holds. The Trustee has outsourced the investment management for managing these risks to the Investment Manager who does so through a process of ongoing identification, measurement and monitoring.

The Fund's overall risk management program focuses on ensuring compliance with the Fund's Constitution, the IM and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance.

All securities investments present a risk of loss of capital. The maximum loss of capital on long equity securities is limited to the fair value of those positions.

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

This information is prepared and regularly reported to relevant parties within the Trustee.

As part of its risk management strategy, the Fund may use derivatives to manage certain risk exposures.

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 geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

In order to avoid excessive concentration of risk, the Fund monitors its exposure to ensure concentrations of risk remain within acceptable levels and either reduces exposure or uses derivative instruments to manage the excessive risk concentrations when they arise.

### (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. The Fund's investment activities are undertaken in accordance with established mandate limits and investment strategies.

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (i) Price risk

The Fund is exposed to equity securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. These investments are classified in the Statement of Financial Position at fair value through profit or loss. The fair value of the investments represents the Fund's maximum price risk.

The table at note 3(b) summarises the sensitivity of the Fund's assets and liabilities to price risk. The analysis is based on the assumption that the markets in which the Fund invests move by +/-10% (2018: +/-10%).

##### (ii) Foreign exchange risk

The Fund holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk. However, the Investment Manager monitors the exposure of all foreign currency denominated assets and liabilities.

Any non-AUD denominated investments are translated using the spot rate at balance sheet date. Non-AUD denominated income is translated at the prevailing spot rate on the date of receipt.

Foreign exchange risk is managed by the investment manager.

The table below summarises the fair value of the Fund's monetary financial assets and liabilities, which are denominated in a currency other than the Australian dollar.

30 June 2019	Australian Dollars A\$	US Dollars A\$	Other currencies A\$	Total A\$
Cash and cash equivalents	20,986	1,375,204	749,171	2,145,361
Margin accounts	-	569,503	33,582	603,085
Receivables	1,761	634	3,612	6,007
Due from brokers - receivable for securities sold	-	86,743	2,593	89,336
Financial assets at a fair value through profit or loss	-	3,656,226	1,692,382	5,348,608
Distribution payables	(99,164)	-	-	(99,164)
Payables	(5,858)	-	-	(5,858)
Due to brokers - payable for securities purchased	-	(101,009)	(21,725)	(122,734)
Financial liabilities at fair value through profit or loss	-	(44,126)	(6,254)	(50,380)
	<u>(82,275)</u>	<u>5,543,175</u>	<u>2,453,361</u>	<u>7,914,261</u>
Open option contracts (buy)	-	13,025	1,022	14,047
Open option contracts (sell)	-	(44,126)	(6,254)	(50,380)
	-	<u>(31,101)</u>	<u>(5,232)</u>	<u>(36,333)</u>

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

30 June 2018	Australian Dollars A\$	US Dollars A\$	Other currencies A\$	Total A\$
Cash and cash equivalents	4,734	1,055,250	545,909	1,605,893
Margin accounts	-	495,216	55,575	550,791
Receivables	20,898	370	921	22,189
Due from brokers - receivable for securities sold	-	30,901	23,477	54,378
Financial assets at a fair value through profit or loss	-	1,482,557	862,211	2,344,768
Payables	(5,158)	-	-	(5,158)
Due to brokers - payable for securities purchased	-	(83,413)	(23,837)	(107,250)
Financial liabilities at fair value through profit or loss	-	(61,191)	(13,446)	(74,637)
	<u>20,474</u>	<u>2,919,690</u>	<u>1,450,810</u>	<u>4,390,974</u>
Open option contracts (buy)	-	-	4,030	4,030
Open option contracts (sell)	-	-	(13,446)	(13,446)
	-	-	(9,416)	(9,416)

#### (iii) Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument may fluctuate because of changes in market interest rates. Interest rate risk is not considered to be significant.

Interest rate risk management is undertaken by maintaining as close to a fully invested position as possible thus limiting the exposure of the Fund to interest rate risk.

The table at note 3(b) summarises the Fund's sensitivity to interest rate risk.

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
30 June 2019	\$	\$	\$	\$
<b>Assets</b>				
Cash and cash equivalents	2,145,361	-	-	2,145,361
Margin accounts	603,085	-	-	603,085
Receivables	-	-	6,007	6,007
Due from brokers - receivable for securities sold	-	-	89,336	89,336
Financial assets at fair value through profit or loss	-	-	5,348,608	5,348,608
<b>Total assets</b>	<u>2,748,446</u>	<u>-</u>	<u>5,443,951</u>	<u>8,192,397</u>

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
30 June 2019	\$	\$	\$	\$
<b>Liabilities</b>				
Distributions payable	-	-	99,164	99,164
Due to brokers - payable for securities purchased	-	-	122,734	122,734
Payables	-	-	5,858	5,858
Financial liabilities at fair value through profit or loss	-	-	50,380	50,380
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	-	-	278,136	278,136
<b>Net exposure</b>	<b>2,748,446</b>	-	<b>5,165,815</b>	<b>7,914,261</b>
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
30 June 2018	\$	\$	\$	\$
<b>Assets</b>				
Cash and cash equivalents	1,605,893	-	-	1,605,893
Margin accounts	550,791	-	-	550,791
Receivables	-	-	22,190	22,190
Due from brokers - receivable for securities sold	-	-	54,378	54,378
Financial assets at fair value through profit or loss	-	-	2,344,768	2,344,768
<b>Total assets</b>	<b>2,156,684</b>	-	<b>2,421,336</b>	<b>4,578,020</b>
<b>Liabilities</b>				
Due to brokers - payable for securities purchased	-	-	107,251	107,251
Payables	-	-	5,158	5,158
Financial liabilities at fair value through profit or loss	-	-	74,637	74,637
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	-	-	187,046	187,046
<b>Net exposure</b>	<b>2,156,684</b>	-	<b>2,234,290</b>	<b>4,390,974</b>

An analysis of financial liabilities by maturities is provided in note 3(d) on page 20.

### 3 Financial risk management (continued)

#### (b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unitholders to price, interest rate risk and foreign exchange risk. The reasonably possible movements in the risk variables have been determined based on the Trustee's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates, interest rates and the historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables. The price risk variables relate to a weighted average percentage movement in the price of equities owned at 30 June 2019. The interest rate risk variables relate to a weighted average percentage movement in cash and cash equivalents at 30 June 2019. The foreign exchange risk analysis is based on the assumption the Australian dollar weakened and strengthened by 10% against the material foreign currencies to which the fund is exposed as at 30 June 2019.

	Impact on operating loss / net assets attributable to unitholders					
	Price risk		Interest rate risk		Foreign exchange risk	
	-10 %	+10%	-1%	+1%	-10%	+10%
	\$	\$	\$	\$	\$	\$
<b>30 June 2019</b>	<b>(529,824)</b>	<b>529,824</b>	<b>(21,454)</b>	<b>21,454</b>	<b>(503,925)</b>	<b>615,908</b>
30 June 2018	(227,013)	227,013	(16,059)	16,059	(265,426)	324,410

These estimates assume a constant market exposure.

#### (c) Credit risk

Credit (or counterparty) risk is the risk that one party to a financial instrument will fail to perform its contractual obligations and cause the Fund to incur a financial loss.

The Fund's maximum credit risk exposure at reporting date in relation to each class of recognised financial asset, other than equity and derivative financial instruments, is the carrying amount of those assets as indicated 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 the reporting date.

In relation to equity and derivative financial instruments, credit risk arises from the potential failure of counterparties to meet their obligations under the contract or arrangement. The risk associated with these contracts is minimised by undertaking transactions with counterparties on recognised exchanges, or where applicable, ensuring that transactions are undertaken with a large number of counterparties.

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.

#### (d) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its obligations associated with financial assets and liabilities. Cash flow risk is the risk that future cash flows associated with financial instruments will fluctuate in amount or timing.

### 3 Financial risk management (continued)

#### (d) Liquidity risk (continued)

These risks are controlled through the Fund's investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

Financial liabilities of the Fund comprise trade and other payables, distributions payable, derivative instruments and net assets attributable to unitholders. Trade and other payables and distributions payable have no contractual maturities but are typically settled within 30 days of the obligation arising. Payment obligations in respect of derivative financial instruments arise and are met pursuant to their terms of issue.

The table below details the Fund's financial liabilities into the relevant maturity groupings based on the remaining year at reporting date to the contractual maturity date.

	Less than 1 month	1-6 months	6-12 months	Over 12 months	Total
At 30 June 2019	\$	\$	\$	\$	\$
Distributions payable	99,164	-	-	-	99,164
Payables	5,858	-	-	-	5,858
Due to brokers - payable for securities purchased	122,734	-	-	-	122,734
Financial liabilities at fair value through profit or loss	44,387	5,993	-	-	50,380
Net assets attributable to unitholders	7,914,261	-	-	-	7,914,261
	<u>8,186,404</u>	<u>5,993</u>	<u>-</u>	<u>-</u>	<u>8,192,397</u>

	Less than 1 month	1-6 months	6-12 months	Over 12 months	Total
At 30 June 2018	\$	\$	\$	\$	\$
Distributions payable	107,251	-	-	-	107,251
Payables	5,158	-	-	-	5,158
Financial liabilities at fair value through profit or loss	59,191	15,446	-	-	74,637
Net assets attributable to unitholders	4,390,974	-	-	-	4,390,974
	<u>4,562,574</u>	<u>15,446</u>	<u>-</u>	<u>-</u>	<u>4,578,020</u>

#### (e) Fair value estimation

The carrying amounts of the Fund's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities at fair value through profit or loss are measured initially at fair value including any transaction costs that are attributable to the acquisition or issue of the financial asset or financial liability. Subsequent to initial recognition, all instruments at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Profit or Loss and Other Comprehensive Income.

### 3 Financial risk management (continued)

#### (e) Fair value estimation (continued)

##### (i) Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

For the majority of its investments, the Fund 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 Fund is the current bid price; the appropriate quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices 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

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 reporting period applicable for an instrument with similar terms and conditions.

#### (f) Fair value hierarchy

AASB 13 requires the Fund to classify 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).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

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, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

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

### 3 Financial risk management (continued)

#### (f) Fair value hierarchy (continued)

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

As at 30 June 2019	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:				
Listed equity securities	5,334,561	-	-	5,334,561
Options	14,047	-	-	14,047
<b>Total</b>	<b>5,348,608</b>	<b>-</b>	<b>-</b>	<b>5,348,608</b>

<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss:				
Options	50,380	-	-	50,380
<b>Total</b>	<b>50,380</b>	<b>-</b>	<b>-</b>	<b>50,380</b>

As at 30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Financial assets at fair value through profit or loss:				
Listed equity securities	2,314,677	-	-	2,314,677
Options	30,091	-	-	30,091
<b>Total</b>	<b>2,344,768</b>	<b>-</b>	<b>-</b>	<b>2,344,768</b>

<b>Financial liabilities</b>				
Financial liabilities at fair value through profit or loss:				
Options	74,637	-	-	74,637
<b>Total</b>	<b>74,637</b>	<b>-</b>	<b>-</b>	<b>74,637</b>



#### 4 Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Fund:

	Year ended	
	30 June 2019	30 June 2018
	\$	\$
<b>Audit services</b>		
Deloitte Touche Tohmatsu		
Audit of the Financial Report of the Fund	10,400	10,404
Audit of the Compliance plan of the Fund	2,085	2,081
<b>Total remuneration for audit services</b>	<b>12,485</b>	<b>12,485</b>

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

	Year ended	
	30 June 2019	30 June 2018
	\$	\$
<b>Financial instruments</b>		
<b>Financial assets</b>		
Net realised gains on financial instruments at fair value through profit or loss	407,564	302,912
Net unrealised gains on financial instruments at fair value through profit or loss	49,281	193,646
<b>Total financial assets</b>	<b>456,845</b>	<b>496,558</b>
<b>Financial liabilities</b>		
Net unrealised gains/(losses) on financial instruments at fair value through profit or loss	24,257	(51,379)
<b>Total financial liabilities</b>	<b>24,257</b>	<b>(51,379)</b>
<b>Total net gains on financial instruments at fair value through profit or loss</b>	<b>481,102</b>	<b>445,179</b>

## 6 Net assets attributable to unitholders

The movement in the number of units and net assets attributable to unitholders during the year was as follows:

	<b>As at</b>			
	<b>30 June 2019</b>	<b>30 June 2018</b>	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>Units</b>	<b>Units</b>	<b>\$</b>	<b>\$</b>
Opening balance	<b>4,338,038</b>	4,033,824	<b>4,390,974</b>	3,936,699
Applications	<b>3,078,199</b>	18,954	<b>3,208,249</b>	20,001
Redemptions	<b>(91,358)</b>	-	<b>(91,869)</b>	-
Units issued upon reinvestment of distributions	<b>441,332</b>	285,260	<b>450,037</b>	285,979
(Decrease)/increase in net assets attributable to unitholders	<u>-</u>	<u>-</u>	<u><b>(43,130)</b></u>	<u>148,295</u>
<b>Closing balance</b>	<u><b>7,766,211</b></u>	<u>4,338,038</u>	<u><b>7,914,261</b></u>	<u>4,390,974</u>

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. Each unit has the same rights attaching to it as all other units of the Fund.

### Capital risk management

The Fund considers its net assets attributable to unitholders as capital, notwithstanding that 'net assets attributable to unitholders' is classified as a financial liability. Net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

Applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Investment Manager. Under the terms of the Fund's Constitution, the Trustee 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.

## 7 Distributions to unitholders

The distributions for the year were as follows:

	<b>Year ended</b>		<b>Year ended</b>	
	<b>30 June 2019</b>	<b>30 June 2019</b>	<b>30 June 2018</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>CPU</b>	<b>\$</b>	<b>CPU</b>
<b>Distributions</b>				
Distributions paid - September	<b>81,632</b>	<b>1.5000</b>	46,000	1.1404
Distributions paid - December	<b>106,895</b>	<b>1.5000</b>	48,776	1.2000
Distributions paid - March	<b>109,734</b>	<b>1.5000</b>	49,367	1.2000
Distributions payable - June	<u><b>267,701</b></u>	<u><b>3.5220</b></u>	<u>157,943</u>	<u>3.7764</u>
	<u><b>565,962</b></u>		<u>302,086</u>	

## 8 Cash and cash equivalents

	As at	
	30 June 2019	30 June 2018
	\$	\$
Cash at bank	<u>2,145,361</u>	<u>1,605,893</u>

These accounts are earning a floating interest rate of between 0.59% and 0.85% as at 30 June 2019 (30 June 2018: 0.00% and 0.85%).

### (a) Reconciliation to cash at the end of the year

The above figures reconcile to the amount of cash shown in the Statement of Cash Flows at the end of the year as follows:

	As at	
	30 June 2019	30 June 2018
	\$	\$
Balance as above	<u>2,145,361</u>	<u>1,605,893</u>
Balances per Statement of Cash Flows	<u>2,145,361</u>	<u>1,605,893</u>

## 9 Financial assets at fair value through profit or loss

	As at	
	30 June 2019	30 June 2018
	\$	\$
<b>Financial assets at fair value through profit or loss</b>		
Listed equity securities	5,334,561	2,314,677
Options	<u>14,047</u>	<u>30,091</u>
<b>Total financial assets at fair value through profit or loss</b>	<u>5,348,608</u>	<u>2,344,768</u>

An overview of the risk exposures relating to financial assets held at fair value through profit or loss is included in note 3.

## 10 Financial liabilities at fair value through profit or loss

	As at	
	30 June 2019	30 June 2018
	\$	\$
<b>Financial liabilities at fair value through profit or loss</b>		
Options	<u>50,380</u>	<u>74,637</u>
<b>Total financial liabilities at fair value through profit or loss</b>	<u>50,380</u>	<u>74,637</u>

## 11 Receivables

	As at	
	30 June 2019	30 June 2018
	\$	\$
Dividend receivable	3,483	1,292
RITC receivable	1,761	898
Applications receivable	-	20,000
Other receivables	<u>763</u>	<u>-</u>
<b>Total</b>	<u>6,007</u>	<u>22,190</u>

## 12 Payables

	As at	
	30 June 2019	30 June 2018
	\$	\$
Management fees payable	5,199	2,936
Custody fees payable	<u>659</u>	<u>2,222</u>
<b>Total</b>	<u>5,858</u>	<u>5,158</u>

## 13 Derivative financial instruments

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 Fund'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 Fund against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities

### 13 Derivative financial instruments (continued)

- 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 Fund.

The Fund holds the following derivative instruments:

#### 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 price risk. Options held by the Fund are exchange-traded. The Fund is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

#### As at 30 June 2019

	Contract / notional \$	Fair values	
		Assets \$	Liabilities \$
Options	<u>541,347</u>	<u>14,047</u>	<u>50,380</u>
	<u>541,347</u>	<u>14,047</u>	<u>50,380</u>

#### As at 30 June 2018

	Contract / notional \$	Fair values	
		Assets \$	Liabilities \$
Options	<u>664,467</u>	<u>30,091</u>	<u>74,637</u>
	<u>664,467</u>	<u>30,091</u>	<u>74,637</u>

## **14 Related party transactions**

### **Trustee**

The Trustee of the Wheelhouse Global Equity Income Fund is Bennelong Funds Management Ltd (ABN 39 111 214 085) (AFSL 296806). Accordingly, transactions with entities related to Bennelong Funds Management Ltd are disclosed below.

### **Key management personnel**

Key management personnel includes persons who were directors of Bennelong Funds Management Ltd at any time during the financial year or since the end of the year up to the date of this report:

Directors:

Stephen Rix	Chairman
Craig Bingham	Chief Executive Officer
Andrea Waters	
Vicki Allen	
Lincoln McMahon	
Gary Toomey	(resigned 15 January 2019)

Other key management personnel:

Jeff Phillips	Chief Financial Officer/Company Secretary
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### **Key management personnel compensation**

Key management personnel are paid by the parent company of the Trustee. Payments made from the Fund to the Trustee do not include any amounts directly attributable to the compensation of key management personnel.

### **Key management personnel loan disclosures**

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting year.

### **Other transactions within the Fund**

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving key management personnel's interests existing at year end.

### **Trustee's/manager's fees and other transactions**

Under the terms of the Fund's Constitution and the current IM for the Fund, the Trustee is entitled to receive fees.

Transactions with related parties have taken place at arm's length and in the ordinary course of business. The transactions during the year and amounts at year end between the Fund and the Trustee were as follows:

	<b>Year ended</b>	
	<b>30 June 2019</b>	<b>30 June 2018</b>
	<b>\$</b>	<b>\$</b>
Management fees for the year	<b>53,931</b>	32,189
Aggregate amounts payable to the Trustee at the reporting date	<b>5,858</b>	5,158

## 14 Related party transactions (continued)

### Key management personnel unitholdings

Key personnel and parties related to the Fund during the year, including the Trustee, its associates and other schemes managed by Bennelong Funds Management Ltd, held the following units in the Fund at the end of the year:

#### 30 June 2019

Unitholders	Number of units held closing	Interest held (%)	Number of units acquired during the year	Number of units disposed during the year	Distributions paid/payable by the Fund during the year (\$)
Cogine Pty Ltd ATF MacLeod Investment Trustheld held via Netwealth Investments Limited (Wrap Services a/c)	2,129,816	27.42	1,051,248	-	168,089
Holdfast Capital Pty Ltd ATF Dunvegan Trust	29,308	0.38	2,189	-	2,236

#### 30 June 2018

Unitholders	Number of units held closing	Interest held (%)	Number of units acquired during the year	Number of units disposed during the year	Distributions paid/payable by the Fund during the year (\$)
Cogine Pty Ltd ATF MacLeod Investment Trustheld held via Netwealth Investments Limited (Wrap Services a/c)	1,078,568	24.86	75,171	-	75,224
Holdfast Capital Pty Ltd ATF Dunvegan Trust	27,119	0.63	1,890	-	1,891

### Investments

The Fund did not hold any investments in Bennelong Funds Management Ltd or its related parties during the year.

## 15 Reconciliation of profit/(loss) to net cash flow from operating activities

	Year ended 30 June 2019 \$	30 June 2018 \$
<b>(a) Reconciliation of profit/(loss) for the year to net cash outflow from operating activities</b>		
Operating profit/(loss) for the year	-	-
(Decrease)/increase in net assets attributable to unitholders	(43,130)	148,295
Distributions to unitholders	565,962	302,086
Proceeds from sale of financial instruments at fair value through profit or loss	16,620,933	9,764,513
Purchase of financial instruments at fair value through profit or loss	(19,201,343)	(9,817,418)
Net (gains) on financial instruments at fair value through profit or loss	(481,102)	(445,179)
Net change in receivables excluding applications	(3,831)	(998)
Net change in payables excluding redemptions	700	1,431
<b>Net cash outflow from operating activities</b>	<b>(2,541,811)</b>	<b>(47,270)</b>
<b>(b) Non-cash financing and investing activities</b>		
During the year, the following distribution payments were satisfied by the issue of units in the Fund	<b>450,037</b>	<b>285,979</b>

## 16 Events occurring after the reporting date

No significant events have occurred since the reporting date which would impact on the financial position of the Fund disclosed in the Statement of Financial Position as at 30 June 2019 or on the results and cash flows of the Fund for the year ended on that date.

## 17 Contingent assets and liabilities and commitments

In terms of the Fund's Constitution, the Trustee is entitled to be reimbursed for all operating and administration expenses that have been incurred on behalf of the Fund. The Fund's PDS outlines in Section 6 that the Trustee caps this amount at 0.10% per annum of the Net Asset Value (NAV) of the Fund.

As at 30 June 2019, the Trustee has incurred \$307,599 (2018: \$129,123) of reimbursable expenses in excess of the amount charged to the Fund. This amount represents expenses that have been incurred by the Trustee on behalf of the Fund, for which the Trustee is entitled, but has deferred reimbursement. Payment of this amount is contingent upon there being significant growth in the Fund's NAV, such that the payment will not result in expenses exceeding the amount set out in the Fund's IM at the date of payment, the timing of which cannot be reliably estimated at the reporting date.



## 17 Contingent assets and liabilities and commitments (continued)

The Trustee is committed to treating unitholders fairly and will only request reimbursement of this amount in the event that the Fund's NAV is sufficient and if the payment does not have any significant adverse impact on unitholders.

The following table reflects the movements in deferred fund expenses for the year:

	Year ended 30 June 2019	Year ended 30 June 2018
	\$	\$
Opening balance	129,123	28,224
New expenses incurred for which payment has been deferred	178,476	100,899
Closing balance	<u>307,599</u>	<u>129,123</u>

There were no other contingencies for the Fund at the reporting date.

## Directors' Declaration

The directors of the Trustee declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable;
- (b) in the directors' opinion, the attached financial report is in compliance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board interpretations and International Financial Reporting Standards as stated in note 2 to the financial report;
- (c) in the directors' opinion, the attached financial report and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Fund.

Signed in accordance with a resolution of the directors of the Trustee made pursuant to s.295(5) of the *Corporations Act 2001*.



Craig Bingham (Chief Executive Officer)  
Director

Melbourne  
25 September 2019

# Independent Auditor's Report to the Unitholders of Wheelhouse Global Equity Income Fund

## *Opinion*

We have audited the financial report of Wheelhouse Global Equity Income Fund (the "Fund") which comprises the statement of financial position as at 30 June 2019, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the declaration by Directors.

In our opinion, the accompanying financial report of the Fund is 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 financial performance for the year then ended; and
- (ii) 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## *Other Information*

The directors are responsible for the other information. The other information comprises the information included in the Directors' report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and 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 Company 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 ability of the Fund to continue as a going concern, disclosing, as applicable, matters related 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 has 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 judgement and maintain professional scepticism throughout the audit. We also:

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



DELOITTE TOUCHE TOHMATSU



Neil Brown  
Partner  
Chartered Accountants

Melbourne, 25 September 2019