



Quay Global Real Estate Fund

ARSN 610 224 381

Financial Report
for the year ended 30 June 2016

Quay Global Real Estate Fund

ARSN 610 224 381

Financial report - 30 June 2016

Contents	Page
Directors' report	2
Auditor's independence declaration	6
Statement of Profit or Loss and Other Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the financial report	11
Directors' declaration	29
Independent audit report	30

This financial report covers Quay Global Real Estate Fund (ARSN 610 224 381) as an individual entity.

The Responsible Entity of Quay Global Real Estate Fund is Bennelong Funds Management Ltd (ABN 39 111 214 085) (AFSL 296806). The Responsible Entity's registered office is:

Bennelong House
First Floor, 9 Queen Street
Melbourne VIC 3000

Directors' report

The directors of Bennelong Funds Management Ltd, the Responsible Entity of Quay Global Real Estate Fund ("the Fund"), present their report together with the financial report of the Fund for the year ended 30 June 2016.

Principal activities

The Fund invests in global listed real estate securities in accordance with the Product Disclosure Statement 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 for the Fund are detailed below:

Service	Provider
Responsible Entity	Bennelong Funds Management Ltd
Investment Manager	Bennelong Australian Equity Partners Pty Ltd
Custodian and Administrator	RBC Investor & Treasury Services Pty Ltd (Replaced BNP Paribas Fund Services Australasia Pty Ltd effective 7 September 2015)
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:

Craig Bingham (Chief Executive Officer)
 Stephen Rix
 Elizabeth Flynn (resigned 27 August 2015)
 Michael Pratt (appointed 4 September 2015, resigned 1st February 2016)
 Andrea Waters (appointed 1st February 2016)

Review and results of operations

The Fund continued to invest funds in accordance with target asset allocations as set out in the Fund's Product Disclosure Statement 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:

	Year ended 30 June 2016 \$	Period ended 30 June 2015 \$
Operating profit before finance costs attributable to unitholders	1,006,347	369,622
Full year distribution - 30 June	103,902	164,938
Full year distribution - 30 June (CPU)	4.29	4.76

Directors' report (continued)

Significant changes in state of affairs

During the financial year, there were two significant changes in the affairs of the fund:

1. Creation of retail class units

Prior to 1 February 2016, the offer of Units contained in the Information Memorandum had been exclusively open to Wholesale Clients (as defined in the Corporations Act). In order to expand the Fund's potential, the Fund opened to Retail Clients (as defined in the Corporations Act), thereby becoming a registered managed investment scheme, from 1 February 2016. Bennelong Funds Management Limited became the responsible entity and trustee of the Fund on 15 January 2016; the incumbent trustee, Quay Global Investors Pty Ltd remains the investment manager of the Fund.

2. Change in performance fee

In keeping with industry best practice, a decision was made to change the way the performance fee for the Fund was calculated. Prior to 1 February 2016, the Fund charged a performance fee of 15% (excluding GST) for outperformance above an annualized return of CPI + 5% (after the payment of the management fee and expenses, but adding back any distributions during the relevant period).

Under the new approach, a performance fee of 15.375% (inclusive of GST, net of RITC) is only charged if the Fund:

- Outperforms the greater of the:
 - o FTSE/NAREIT Developed Index (unhedged AUD); and
 - o The CPIafter any management fees and expenses, but adding back any distributions during the relevant half year period;
- Exceeds the previous High Water Mark where a performance fee was paid; and
- The fund has made up any underperformance against the Index in prior periods.

Matters subsequent to the end of the financial year

There has been no other matter or circumstance since 30 June 2016 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 Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

Directors' report (continued)

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 Bennelong Funds Management Ltd. So long as the officers of the Responsible Entity 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 Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 12 to the financial report.

No fees were paid out of Fund property to the directors of Bennelong Funds Management Ltd during the year.

The number of interests in the Fund held by Bennelong Funds Management Ltd or its associates as at the end of the financial year are disclosed in Note 12 to the financial report.

Deferred Fund Expenses

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

As at 30 June 2016, the Responsible Entity has incurred \$29,392 (2015: Nil) in reimbursable expenses in excess of the amount charged to the Fund. This amount represents expenses that have been incurred by the Responsible Entity on behalf of the Fund, for which the Responsible Entity 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.

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.

Directors' report (continued)

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 6.

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



Craig Bingham (Chief Executive Officer)
Director

Melbourne
28 September 2016

The Board of Directors
Bennelong Funds Management Limited
First Floor, 9 Queen Street
MELBOURNE VIC 3000

Dear Directors

INDEPENDENCE DECLARATION – QUAY GLOBAL REAL ESTATE 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 Quay Global Real Estate Fund.

As lead audit partner for the audit of the financial statements of Quay Global Real Estate Fund for the financial year ended 30 June 2016, 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

Melbourne, 28 September 2016

Quay Global Real Estate Fund
Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2016

Statement of Profit or Loss and Other Comprehensive Income

	Notes	Year ended 30 June 2016 \$	Period ended 30 June 2015 \$
Investment income			
Interest income		201	3,348
Dividend income		170,348	101,933
Net gains on financial instruments designated at fair value through profit or loss	5	<u>944,880</u>	<u>315,679</u>
Total investment income		<u>1,115,429</u>	<u>420,960</u>
Expenses			
Other operating expenses		5,504	2,594
Management Fees	12	41,636	19,574
Performance Fees	12	<u>61,942</u>	<u>29,170</u>
Total operating expenses		<u>109,082</u>	<u>51,338</u>
Operating profit attributable to unitholders		<u>1,006,347</u>	<u>369,622</u>
Finance costs attributable to unitholders			
Distributions to unitholders	7	(103,902)	(164,938)
(Increase) in net assets attributable to unitholders	6	<u>(902,445)</u>	<u>(204,684)</u>
Profit/(loss) for the year		<u>-</u>	<u>-</u>
Other comprehensive income		-	-
Total comprehensive income for the year		<u>-</u>	<u>-</u>

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

Quay Global Real Estate Fund
Statement of Financial Position
As at 30 June 2016

Statement of Financial Position

		As at	
		30 June 2016	30 June 2015
		\$	\$
Assets			
Cash and cash equivalents	8	252,900	107,957
Other receivables	10	24,185	12,783
Investments in financial assets designated at fair value through profit or loss	9	<u>5,582,562</u>	<u>4,432,023</u>
Total assets		<u>5,859,647</u>	<u>4,552,763</u>
Liabilities			
Due to brokers - payable for securities purchased		44,419	-
Payables	11	10,536	11,682
Distributions payable		64,255	154,698
Other liabilities		<u>-</u>	<u>60,000</u>
Total liabilities (excluding net assets attributable to unitholders)		<u>119,210</u>	<u>226,380</u>
Net assets attributable to unitholders - liability	6	<u>5,740,437</u>	<u>4,326,383</u>
Liabilities attributable to unitholders		<u>(5,740,437)</u>	<u>(4,326,383)</u>
Net Assets		<u><u>-</u></u>	<u><u>-</u></u>

The above Statement of Financial Position should be read in conjunction with the Notes to the Financial Report.

**Quay Global Real Estate Fund
Statement of Changes in Equity
For the year ended 30 June 2016**

Statement of Changes in Equity

	Year ended 30 June 2016 \$	Period ended 30 June 2015 \$
Total equity at the beginning of the financial year	-	-
Operating profit for the year	-	-
Other comprehensive income	-	-
Total comprehensive income	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the financial year	-	-

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 Report.

**Quay Global Real Estate Fund
Statement of Cash Flows
For the year ended 30 June 2016**

Statement of Cash Flows

	Year ended 30 June 2016 \$	Period ended 30 June 2015 \$
Cash flows from operating activities		
Proceeds from sale of financial instruments designated at fair value through profit or loss	1,423,339	830,705
Purchase of financial instruments designated at fair value through profit or loss	(1,583,760)	(4,946,836)
Dividend received	164,696	90,715
Interest received	253	3,295
GST paid	(5,801)	(1,512)
Management fees paid	(36,692)	(16,280)
Performance fees paid	(69,919)	(21,193)
Payment of other expenses	(3,618)	(2,396)
Net cash (outflow) from operating activities	13(a) <u>(111,502)</u>	<u>(4,063,502)</u>
Cash flows from financing activities		
Proceeds from applications by unitholders	4,500,851	4,181,699
Payments for redemptions by unitholders	(4,088,887)	-
Distributions paid	(154,699)	(10,240)
Net cash inflow from financing activities	<u>257,265</u>	<u>4,171,459</u>
Net increase in cash and cash equivalents	145,763	107,957
Cash and cash equivalents at the beginning of the financial year	107,957	-
Effects of exchange rate changes on cash and cash equivalents	(820)	-
Cash and cash equivalents at the end of the year	8 <u>252,900</u>	<u>107,957</u>

Non-cash financing and operating activities are disclosed in note 13(b).

The above Statement of Cash Flows should be read in conjunction with the Notes to the Financial Report.

Contents of the notes to the financial report

	Page	
1	General information	12
2	Summary of significant accounting policies	12
3	Financial risk management	16
4	Auditor's remuneration	22
5	Net gains on financial instruments designated at fair value through profit or loss	22
6	Net assets attributable to unitholders	23
7	Distributions to unitholders	24
8	Cash and cash equivalents	24
9	Financial assets held at fair value through profit or loss	24
10	Receivables	25
11	Payables	25
12	Related party transactions	25
13	Reconciliation of profit/(loss) to net cash (outflow) from operating activities	27
14	Events occurring after the reporting date	27
15	Contingent assets and liabilities and commitments	28

1 General information

These financial statements cover the Quay Global Real Estate Fund ("the Fund") as an individual entity. The Fund was constituted on 16 June 2014. The Fund commenced operations on 30 July 2014 as an unregistered scheme and was only available to wholesale investors via an information memorandum. The Fund became a registered managed investment scheme on 27 January 2016.

The Fund commenced operations on 31st July 2014. As such the comparative information presented is for the period 31st July 2014 to 30th June 2015. The current period information is for the year ended 30 June 2016.

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

The Investment Manager of the Fund is Quay Global Investors Pty Ltd.

The Fund invests in Australian and global listed equities in accordance with the provisions of the Fund's Constitution.

There were no significant changes in the nature of the Fund's activities during the year, apart from becoming a registered managed investment scheme and the change in performance fee methodology.

The financial report was authorised for issue by the directors on 28 September 2016.

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

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2015 that have a material impact on the Fund.

2 Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

(i) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2016 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

AASB 9 Financial Instruments and applicable amendments (effective from 1 January 2018).

AASB 9 Financial Instruments addresses the classification, measurement, impairment and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting. The standard is not applicable until 1 January 2018 but is available for early adoption. The directors do not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not been changed from the previous requirements and the Fund does not apply hedge accounting. The Fund has not yet decided when to adopt AASB 9.

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, 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, interest and outstanding settlements on the sale of investments. Dividends 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.

(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. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter into bankruptcy or financial reorganisation and default on payments.

(f) Financial instruments

(i) Classification

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

These include financial assets that are not held for trading purposes and which may be sold. These are investments in listed equity securities.

2 Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

- Financial instruments held for trading

Derivative financial instruments such as futures, forward currency contracts, options and swaps are 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 designated at fair value through profit or loss are expensed in the statement of comprehensive income. The fair value of financial assets and liabilities traded in active markets is 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, while financial liabilities are priced at current asking prices. In the unlikely event that no bid price is available for a financial asset, the Responsible Entity will determine the most suitable price based on all relevant information available.

Details on how the fair values of financial instruments are determined are disclosed in Note 3 (d).

(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 Responsible Entity to unitholders by cash or through reinvestment. The distributions are recognised in the Statement of Profit or Loss and Other Comprehensive Income as distribution to unitholders.

(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 derivative transactions. The cash is held by the broker and is only available to meet margin calls. Balance as at 30 June 2016: Nil (30 June 2015: Nil).

2 Summary of significant accounting policies (continued)

(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.

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

(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 designated 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.

(p) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as custodial services and investment management fees 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.

2 Summary of significant accounting policies (continued)

(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.

(r) Use of estimates

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 2016 there are no material estimates. As at 30 June 2016 there are no material estimates.

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 Responsible Entity 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 programme focuses on ensuring compliance with the Fund's Constitution, the Product Disclosure Statement 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 Responsible Entity. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Responsible Entity is willing to accept.

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

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

3 Financial risk management (continued)

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.

(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% (2015: +/-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.

As at 30 June 2016, the foreign exchange risk was immaterial.

(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.

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 2016	\$	\$	\$	\$
Assets				
Cash and cash equivalents	252,900	-	-	252,900
Receivables	-	-	24,185	24,185
Financial assets designated at fair value through profit or loss	-	-	5,582,562	5,582,562
Total assets	252,900	-	5,606,747	5,859,647

3 Financial risk management (continued)

(a) Market risk (continued)

	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
30 June 2016	\$	\$	\$	\$
Liabilities				
Distribution payable	-	-	64,255	64,255
Due to brokers - payable for securities purchased	-	-	44,419	44,419
Payables	-	-	10,536	10,536
Total liabilities (excluding net assets attributable to unitholders)	-	-	119,210	119,210
Net exposure	252,900	-	5,487,537	5,740,437
	Floating interest rate	Fixed interest rate	Non-interest bearing	Total
30 June 2015	\$	\$	\$	\$
Assets				
Cash and cash equivalents	107,957	-	-	107,957
Receivables	-	-	12,783	12,783
Financial assets designated at fair value through profit or loss	-	-	4,432,023	4,432,023
Total assets	107,957	-	4,444,806	4,552,763
Liabilities				
Distribution payable	-	-	154,698	154,698
Payables	-	-	11,682	11,682
Applications received in advance	-	-	60,000	60,000
Total liabilities (excluding net assets attributable to unitholders)	-	-	226,380	226,380
Net Exposure	107,957	-	4,218,426	4,326,383

An analysis of financial liabilities by maturities is provided in paragraph (c) on page 19.

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 and interest rate risk. The reasonably possible movements in the risk variables have been determined based on the Responsible Entity's best estimates. 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 Fund invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables. The price risk variables relate to a weighted average percentage movement in the price of equities owned at 30 June 2016. The interest rate risk variables relate to a weighted average percentage movement in cash and cash equivalents at 30 June 2016.

	Impact on operating profit / net assets attributable to unitholders			
	Price risk		Interest rate risk	
	-10 %	+10%	-1%	+1%
	\$	\$	\$	\$
30 June 2016	(558,256)	558,256	(2,529)	2,529
30 June 2015	(443,202)	443,202	(1,080)	1,080

(c) 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.

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 2016					
Due to brokers - payable for securities purchased	44,419	-	-	-	44,419
Distributions payable	64,255	-	-	-	64,255
Payables	10,536	-	-	-	10,536
Net assets attributable to unitholders	<u>5,740,437</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,740,437</u>
	<u>5,859,647</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,859,647</u>

3 Financial risk management (continued)

(c) Liquidity risk (continued)

	Less than 1 month	1-6 months	6-12 months	Over 12 months	Total
At 30 June 2015	\$	\$	\$	\$	\$
Applications received in advance	60,000	-	-	-	60,000
Distributions payable	154,698	-	-	-	154,698
Payables	11,682	-	-	-	11,682
Net assets attributable to unitholders	<u>4,326,383</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,326,383</u>
	4,552,763	-	-	-	4,552,763

(d) 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 designated 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 designated 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.

(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 derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the reporting 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.

3 Financial risk management (continued)

(e) 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 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 not provided by independent sources that are actively involved in the relevant market.

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 2016 and 30 June 2015.

As at 30 June 2016	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equity securities	5,582,562	-	-	5,582,562
Total	5,582,562	-	-	5,582,562

As at 30 June 2015	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equity securities	4,432,023	-	-	4,432,023
Total	4,432,023	-	-	4,432,023

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

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 2016 \$	Period ended 30 June 2015 \$
Audit services		
<i>Audit services</i>		
Deloitte Touche Tohmatsu		
Audit of the Financial Report of the Fund	10,000	13,000
Audit of the Compliance Plan of the Fund	2,000	-
Total remuneration for audit services	<u>12,000</u>	<u>13,000</u>

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

	Year ended 30 June 2016 \$	Period ended 30 June 2015 \$
Financial instruments		
Net realised gains/(losses) on financial assets held for trading	4,034	(30,158)
Net realised gains on financial instruments designated as at fair value through profit or loss	53,569	152,433
Net unrealised gains on financial instruments designated at fair value through profit or loss	887,762	192,921
Net unrealised (losses)/gains on financial instruments held for trading	<u>(485)</u>	<u>483</u>
Total net gains on financial instruments held at fair value through profit or loss	<u>944,880</u>	<u>315,679</u>

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:

			As at	
	30 June 2016 No.	30 June 2015 No.	30 June 2016 \$	30 June 2015 \$
Opening balance	3,554,270	-	4,326,383	-
Applications	8,093,887	3,554,270	4,560,850	4,121,699
Redemptions	(6,552,385)	-	(4,088,887)	-
Units issued upon reinvestment of distributions	35,832	-	39,646	-
Increase in net assets attributable to unitholders	-	-	902,445	204,684
Closing balance	5,131,604	3,554,270	5,740,437	4,326,383

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 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.

7 Distributions to unitholders

The distributions for the year were as follows:

	Year ended		Period ended	
	30 June 2016 \$	30 June 2016 CPU	30 June 2015 \$	30 June 2015 CPU
Distributions				
Full year distribution - 30 June	<u>103,902</u>	4.29	<u>164,938</u>	4.76
	<u>103,902</u>		<u>164,938</u>	

8 Cash and cash equivalents

	As at	
	30 June 2016 \$	30 June 2015 \$
Cash at bank	<u>252,900</u>	<u>107,957</u>

Cash at bank is earning a floating interest rate of between 1.00% and 1.50% as at 30 June 2016 (30 June 2015: 1.00% and 1.50%).

9 Financial assets held at fair value through profit or loss

	As at	
	30 June 2016 \$	30 June 2015 \$
Designated at fair value through profit or loss		
Listed equity securities	<u>5,582,562</u>	<u>4,432,023</u>
Total financial assets designated at fair value through profit or loss	<u>5,582,562</u>	<u>4,432,023</u>

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

10 Receivables

	As at	
	30 June 2016	30 June 2015
	\$	\$
Dividends receivable	16,871	11,218
Interest receivable	1	53
RITC receivable	7,313	1,512
	24,185	12,783

11 Payables

	As at	
	30 June 2016	30 June 2015
	\$	\$
Management fees payable	8,239	3,294
Performance fees payable	-	7,977
Administration fees payable	2,297	411
	10,536	11,682

12 Related party transactions

Responsible Entity

The Responsible Entity of Quay Global Real Estate 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:

Craig Bingham (Chief Executive Officer)
 Stephen Rix
 Elizabeth Flynn (resigned 27 August 2015)
 Michael Pratt (appointed 4 September 2015, resigned 1st February 2016)
 Andrea Waters (appointed 1st February 2016)

Other key management personnel:

Jeff Phillips (Chief Financial Officer/Company Secretary)

12 Related party transactions (continued)

Key management personnel compensation

Key management personnel are paid by the parent company of the Responsible Entity. Payments made from the Fund to the Responsible Entity 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.

Responsible Entity's/manager's fees and other transactions

Under the terms of the Fund's Constitution and the current Product Disclosure Statement for the Fund, the Responsible Entity 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 Responsible Entity were as follows:

	30 June 2016	30 June 2015
	\$	\$
Management fees for the year	41,636	19,574
Performance fees expensed during the year	61,942	29,170
Aggregate amounts payable to the Responsible Entity at the reporting date	8,239	11,271

Key management personnel unitholdings

Key personnel and parties related to the Fund during the year, including the Responsible Entity, 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 2016

Unitholder	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 (\$)
Chris Bedingfield	500,100	12.73	-	-	11,481
JSB Investments (Australia) Pty Ltd	168,903	3.11	168,903	-	3,304
JSB SMSF Investments Pty Ltd	275,051	7.00	52,433	-	6,217
VLB Super Pty Ltd ATF HJB Superannuation Fund	296,736	5.47	296,736	-	5,805
Ninus Kanna	48,259	0.89	48,259	-	944

12 Related party transactions (continued)

30 June 2015

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 (\$)
Chris Bedingfield	500,100	14.09	500,100	-	21,825
JSB SMSF Investments Pty Ltd	222,618	6.27	222,618	-	9,715

Investments

The Fund did not hold any investments in Bennelong Funds Management Ltd or its related parties during the year (2015: Nil).

13 Reconciliation of profit/(loss) to net cash (outflow) from operating activities

	Year ended 30 June 2016 \$	Period ended 30 June 2015 \$
(a) Reconciliation of profit/(loss) to net cash (outflow) from operating activities		
Operating profit/(loss) for the year	-	-
Increase in net assets attributable to unitholders	902,445	204,684
Distribution to unitholders	103,902	164,938
Proceeds from sale of financial instruments designated at fair value through profit or loss	1,423,339	830,705
Purchase of financial instruments designated at fair value through profit or loss	(1,583,760)	(4,946,836)
Realised foreign exchange (gains)	(4,560)	-
Net (gains) on financial instruments designated at fair value through profit or loss	(940,320)	(315,892)
Net change in receivables excluding applications	(11,402)	(1,512)
Net change in payables excluding redemptions	(1,146)	411
Net cash (outflow) from operating activities	(111,502)	(4,063,502)

(b) Non-cash financing and investing activities

During the year, the following distribution payments were satisfied by the issue of units in the Fund

During the year, the following distributions received were satisfied by receipt of units of the relevant equity securities

39,646	-
-	-

14 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 2016 or on the results and cash flows of the Fund for the year ended on that date.

15 Contingent assets and liabilities and commitments

In terms of the Fund's constitution, the Responsible Entity is entitled to be reimbursed for all operating and administration expenses that have been incurred on behalf of the Fund. The Fund's Product Disclosure Statement outlines in Section 7 that the Responsible Entity estimates this amount to be 0.05% per annum of the Net Asset Value (NAV) of the Fund.

As at 30 June 2016, the Responsible Entity has incurred \$29,392 (2015: \$Nil) of reimbursable expenses in excess of the amount charged to the Fund. This amount represents expenses that have been incurred by the Responsible Entity on behalf of the Fund, for which the Responsible Entity 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 PDS at the date of payment, the timing of which cannot be reliably estimated at the reporting date.

The Responsible Entity 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 2016	Period ended 30 June 2015
	\$	\$
Opening balance	-	-
New expenses incurred for which payment has been deferred	29,392	-
Closing balance	29,392	-

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

Directors' declaration

The directors of the Responsible Entity 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, International Financial Reporting Standards and *Corporations Act 2001* 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 Responsible Entity made pursuant to s.295(5) of the *Corporations Act 2001*.



Craig Bingham (Chief Executive Officer)
Director

Melbourne
28 September 2016

Independent Auditor's Report to the Unitholders of Quay Global Real Estate Fund

We have audited the accompanying financial report of Quay Global Real Estate Fund (the "Fund"), which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the fund as set out on pages 7 to 29.

Directors' Responsibility for the Financial Report

The directors of Bennelong Funds Management Limited, as the Responsible Entity of the Fund (the "directors") 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Fund, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

- (a) the financial report of Quay Global Real Estate 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 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) The financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.



DELOITTE TOUCHE TOHMATSU



Neil Brown
Partner
Chartered Accountants

Melbourne, 28 September 2016