

Touchstone Index Unaware Fund

ARSN 610 756 413

Financial Report
for the period 4 April 2016 to 30 June 2016

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This financial report covers the Touchstone Index Unaware Fund (ARSN 610 756 413) as an individual entity.

The Responsible Entity of the Touchstone Index Unaware 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 the Touchstone Index Unaware Fund ("the Fund"), present their report together with the financial report of the Fund, for the period 4 April to 30 June 2016.

The Fund was constituted on 15 February 2016, registered on 25 February 2016 and commenced trading activities on 4 April 2016. Hence, there are no prior period comparatives. Accordingly this financial report reflects the results of the Fund's activities from 4 April 2016 to 30 June 2016.

Principal activities

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

The Fund did not have any employees during the period.

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

The various service providers for the Fund are detailed below:

| Service | Provider |
|-----------------------------|--|
| Responsible Entity | Bennelong Funds Management Ltd |
| Investment Manager | Touchstone Asset Management 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 period or since the end of the financial 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 1 st February 2016 |
| Andrea Waters | Appointed 1 st February 2016 |

Review and results of operations

The Fund invests funds in accordance with the 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:

| | 4 April 2016 to 30 June 2016 \$ |
|---|---------------------------------------|
| Operating profit before finance costs attributable to unit holders | <u>30,661</u> |
| Distribution | 0.79 cpu |
| Distribution - 30 June | <u>21,122</u> |
| | <u>21,122</u> |

Directors' Report (continued)

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of the affairs of the Fund that occurred during the period.

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 the 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.

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 auditor

The auditor of the Fund is in no way indemnified out of the assets of the Fund.

Fees paid 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 period 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 period.

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 0.05% per annum of the Net Asset Value (NAV) of the Fund.

As at 30 June 2016, the Responsible Entity has incurred \$28,132 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. 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.

Directors' Report (continued)

Interests in the Fund

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

The value of the Fund's assets and liabilities are disclosed on 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 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 – TOUCHSTONE INDEX UNAWARE 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 Touchstone Index Unaware Fund.

As lead audit partner for the audit of the financial statements of Touchstone Index Unaware 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

Statement of Profit or Loss and Other Comprehensive Income for the period ended 30 June 2016

| | Notes | 4 April 2016 to 30 June 2016 \$ |
|--|-------|---------------------------------------|
| Investment income | | |
| Interest income | | - |
| Dividend income | | 17,598 |
| Net gains on financial instruments designated at fair value through profit or loss | 5 | 19,389 |
| Other operating income | | - |
| Total investment income | | 36,987 |
| Expenses | | |
| Management fees | 12 | 6,013 |
| Performance fees | 12 | - |
| Custody fees | | 313 |
| Total operating expenses | | 6,326 |
| Operating profit attributable to unitholders | | 30,661 |
| Finance costs attributable to unitholders | | |
| Distribution to unitholders | 7 | (21,122) |
| Increase in net assets attributable to unitholders | 6 | (9,539) |
| Profit/(loss) for the period | | - |
| Other comprehensive income | | - |
| Total comprehensive income for the period | | - |

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

Statement of Financial Position as at 30 June 2016

| | Notes | 4 April 2016 to 30 June 2016 \$ |
|---|-------|---------------------------------------|
| Assets | | |
| Cash and cash equivalents | 8 | 307,704 |
| Other receivables | 10 | 18,487 |
| Due from brokers – receivable for securities sold | | 63,878 |
| Investments in financial assets designated at fair value through profit or loss | 9 | <u>2,366,114</u> |
| Total assets | | <u><u>2,756,183</u></u> |
| Liabilities | | |
| Due to brokers – payable for securities purchased | | 40,607 |
| Payables | 11 | 4,916 |
| Distribution payable | | <u>20,114</u> |
| Total liabilities (excluding net assets attributable to unitholders) | | <u>65,637</u> |
| Net assets attributable to unitholders – liability | 6 | 2,690,546 |
| Liabilities attributable to unitholders | | <u>(2,690,546)</u> |
| Net assets | | <u><u>-</u></u> |

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

Statement of Changes in Equity for the period ended 30 June 2016

| | 4 April 2016 to 30 June 2016 \$ |
|--|---------------------------------------|
| Total equity at the beginning of the period | - |
| Operating profit for the period | - |
| Other comprehensive income | - |
| Total comprehensive income | <hr/> |
| Transactions with owners in their capacity as owners | <hr/> |
| Total equity at the end of the period | <hr/> <hr/> |

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

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

Statement of Cash Flows for the period ended 30 June 2016

| | Notes | 4 April 2016 to 30 June 2016 \$ |
|---|-------|---------------------------------------|
| Cash flows from operating activities | | |
| Proceeds from sale of financial instruments designated at fair value through profit or loss | | 224,376 |
| Purchase of financial instruments designated at fair value through profit or loss | | (2,594,373) |
| Dividends received | | - |
| Interest received | | - |
| Other income received | | - |
| GST paid | | (866) |
| Management fees paid | | (1,433) |
| Performance fees paid | | - |
| Payment of other expenses | | - |
| Net cash outflow from operating activities | 13(a) | <u>(2,372,296)</u> |
| Cash flows from financing activities | | |
| Proceeds from applications by unitholders | | 2,680,000 |
| Payments for redemptions by unitholders | | - |
| Distributions paid | | - |
| Net cash inflow from financing activities | | <u>2,680,000</u> |
| Net increase/(Decrease) in cash and cash equivalents | | |
| | | - |
| Cash and cash equivalents at the beginning of the period | | <u>307,704</u> |
| Cash and cash equivalents at end of the period | 8 | <u><u>307,704</u></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.

Notes to the Financial Report (continued)

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1. General Information

This financial report covers the Touchstone Index Unaware Fund ("the Fund") as an individual entity. The Fund is a registered managed investment scheme (ARSN 610 756 413) and commenced operations on 4 April 2016. Hence, there are no prior period comparatives.

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 Bennelong Australian Equity Partners Pty Ltd.

The principal activity of the Fund during the period was the investment of unitholders' funds as per the objectives stated in the Fund's Product Disclosure Statement 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 period.

The financial report was authorised for issue by the directors on 26 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 report of the Fund also complies 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.

(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:

Notes to the Financial Report (continued)

2. Summary of significant accounting policies (continued)

(b) New accounting standards and interpretations (continued)

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 period. 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 in 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.
- Financial instruments held for trading
Derivative financial instruments such as futures, forward currency contracts, options and swaps are included under this classification.

Notes to the Financial Report (continued)

2. Summary of significant accounting policies (continued)

(f) Financial instruments (continued)

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

(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.

Notes to the Financial Report (continued)

2. Summary of significant accounting policies (continued)

(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.

(q) 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.

Notes to the Financial Report (continued)

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.

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%.

(ii) Foreign Exchange risk

The Fund has the right to invest in non-AUD denominated listed equities, therefore exposing the fund to foreign exchange risk.

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.

Notes to the Financial Report (continued)

3. Financial risk management (continued)

(a) Market risk (continued)

(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.

| 30 June 2016 | Floating interest rate \$ | Fixed interest rate \$ | Non-interest bearing \$ | Total \$ |
|--|---------------------------------|------------------------------|-------------------------------|------------------|
| Assets | | | | |
| Cash and cash equivalents | 307,704 | - | - | 307,704 |
| Dividend receivable | - | - | 17,598 | 17,598 |
| Receivables | - | - | 889 | 889 |
| Due from brokers - receivable for securities sold | - | - | 63,878 | 63,878 |
| Financial assets designated at fair value through profit or loss | - | - | 2,366,114 | 2,366,114 |
| Interest receivable | - | - | - | - |
| Total assets | 307,704 | - | 2,448,479 | 2,756,183 |

| 30 June 2016 | Floating interest rate \$ | Fixed interest rate \$ | Non-interest bearing \$ | Total \$ |
|---|---------------------------------|------------------------------|-------------------------------|------------------|
| Liabilities | | | | |
| Distribution payable | - | - | 20,114 | 20,114 |
| Due to brokers - payable for securities purchased | - | - | 40,607 | 40,607 |
| Payables | - | - | 4,916 | 4,916 |
| Total liabilities (excluding net assets attributable to unit holders) | - | - | 65,637 | 65,637 |
| Net exposure | 307,704 | - | 2,382,842 | 2,690,546 |

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

Notes to the Financial Report (continued)

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 | (236,611) | 236,611 | (3,077) | 3,077 |

(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.

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.

Notes to the Financial Report (continued)

3. Financial risk management (continued)

(d) Liquidity risk (continued)

| 30 June 2016 | Less than 1 month \$ | 1-6 months \$ | 6-12 months \$ | Over 12 months \$ |
|---|----------------------------|------------------|-------------------|-------------------------|
| Due to brokers | 40,607 | - | - | - |
| Distribution payable | 20,114 | - | - | - |
| Payables | 4,916 | - | - | - |
| Net assets attributable to unit holders | <u>2,690,548</u> | - | - | - |
| | <u>2,756,185</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 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.

(iii) 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.

Notes to the Financial Report (continued)

3. Financial risk management (continued)

(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 judgment, 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 table below sets out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2016.

| 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 | <u>2,366,114</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>2,366,114</u> | <u>-</u> | <u>-</u> | <u>-</u> |

Notes to the Financial Report (continued)

4. Auditor's remuneration

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

| | 4 April 2016 to 30 June 2016 |
|--|---------------------------------|
| | \$ |
| Audit services | |
| <i>Audit services</i> | |
| Deloitte Touche Tohmatsu | |
| Audit of the Financial Report of the Fund | 10,000 |
| Audit of the Compliance Plan of the Fund | 2,000 |
| | <u>12,000</u> |
| Total remuneration for audit services | <u><u>12,000</u></u> |

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

| | 4 April 2016 to 30 June 2016 |
|--|---------------------------------|
| | \$ |
| Financial instruments | |
| Net unrealised loss on financial instruments designated as at fair value through profit or loss | (3,883) |
| Net realised gains on financial instruments designated as at fair value through profit or loss | 23,272 |
| | <u>19,389</u> |
| Total net gain on financial instruments held at fair value through profit or loss | <u><u>19,389</u></u> |

6. Net assets attributable to unitholders

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

| | 4 April 2016 to 30 June 2016 | 4 April 2016 to 30 June 2016 |
|--|---------------------------------|---------------------------------|
| | Units | \$ |
| Units on issue | | |
| Opening balance | - | - |
| Applications | 2,674,866 | 2,680,000 |
| Redemptions | - | - |
| Units issued upon reinvestment of distributions | 997 | 1,007 |
| Change in net assets attributable to unitholders | <u>-</u> | <u>9,539</u> |
| Closing balance | <u><u>2,675,863</u></u> | <u><u>2,690,546</u></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.

Notes to the Financial Report (continued)

6. Net assets attributable to unitholders (continued)

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 period were as follows:

| | 4 April 2016 to 30 June 2016 \$ |
|------------------------|---------------------------------------|
| Distributions | |
| Distribution - 30 June | <u>21,122</u> |
| | <u><u>21,122</u></u> |

8. Cash and cash equivalents

| | 30 June 2016 \$ |
|--------------|-----------------------|
| Cash at bank | <u>307,704</u> |
| | <u><u>307,704</u></u> |

Cash at bank is earning 0.0% interest as at 30 June 2016.

9. Financial assets designated at fair value through profit or loss

| | 30 June 2016 \$ |
|---|-------------------------|
| Designated at fair value through profit or loss | |
| Listed equity securities | <u>2,366,114</u> |
| Total financial assets designated at fair value through profit or loss | <u><u>2,366,114</u></u> |

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

Notes to the Financial Report (continued)

10. Receivables

| | 30 June 2016 |
|--|---------------|
| | \$ |
| Dividends/distributions receivable | 17,598 |
| Interest receivable | - |
| RITC receivable | 889 |
| Applications received but not yet paid | - |
| | <u>18,487</u> |

11. Payables

| | 30 June 2016 |
|-------------------------|--------------|
| | \$ |
| Management fees payable | 4,580 |
| Other fees payable | 336 |
| Redemptions payable | - |
| | <u>4,916</u> |

12. Related Party Transactions

Responsible Entity

The Responsible Entity of the Touchstone Index Unaware 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 period or since the end of the year and 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 1 st February 2016 |
| Andrea Waters | Appointed 1 st February 2016 |

Other key management personnel:

| | |
|---------------|---|
| Jeff Phillips | Chief Financial Officer/Company Secretary |
|---------------|---|

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 period.

Notes to the Financial Report (continued)

12. Related party transactions (continued)

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 reporting period 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 period and amounts at year end between the Fund and the Responsible Entity were as follows:

| | 30 June 2016 |
|---|---------------------|
| | \$ |
| Management fees for the period | 6,013 |
| Performance fees expensed during the period | - |
| Aggregate amounts payable to the Responsible Entity at the reporting date | 4,916 |

Key management personnel unitholdings

Key personnel and parties related to the Fund during the period, 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 financial year:

| 30 June 2016 | Number of Units held | Interest held % | No. of units acquired during the period | No. of units disposed during the period | Distributions paid / payable during the period \$ |
|---|-----------------------------|------------------------|--|--|--|
| Bennelong Funds Management Group Pty Ltd | 2,500,000 | 93.43 | 2,500,000 | - | 19,741 |
| Windward Capital Pty Ltd | 47,245 | 1.77 | 47,245 | - | 373 |
| SJFS Super Pty Ltd ATF SJFS Superannuation Fund | 100,210 | 3.74 | 100,210 | - | 785 |

Investments

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

Notes to the Financial Report (continued)

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

| | 4 April 2016 to 30 June 2016 |
|--|---------------------------------|
| | \$ |
| (a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities | |
| Operating profit/(loss) for the period | - |
| Increase in net assets attributable to unitholders | 9,539 |
| Distribution to unitholders | 21,122 |
| Proceeds from sale of financial instruments designated at fair value through profit or loss | 224,377 |
| Purchase of financial instruments designated at fair value through profit or loss | (2,594,373) |
| Net gains on financial instruments designated at fair value through profit or loss | (19,389) |
| Investment income reinvested | - |
| Management fee rebate reinvested | - |
| Net change in receivables excluding applications | (18,487) |
| Net change in payables excluding redemptions | 4,916 |
| Net cash inflow/(outflow) from operating activities | (2,372,295) |
| (b) Non-cash financing activities | |
| During the period, the following distribution payments were satisfied by the issue of units in the Fund | 1,008 |
| During the period, the following distributions received were satisfied by receipt of units into the relevant equity securities | - |

14. Events subsequent to 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 period 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 6 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 \$28,132 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.

Notes to the Financial Report (continued)

15. Contingent assets and liabilities and commitments (continued)

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 period:

| | 4 April 2016 to 30 June 2016 |
|--|---|
| | \$ |
| Opening balance | - |
| New expenses for which payment has been deferred | <u>28,132</u> |
| Closing balance | <u><u>28,132</u></u> |

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 the *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 Touchstone Index Unaware Fund

We have audited the accompanying financial report of Touchstone Index Unaware 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 27.

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 Touchstone Index Unaware 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