

Morphic Global Opportunities Fund

ARSN 159 465 157

Annual financial report

For the year ended 30 June 2018

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This financial report covers the Morpheic Global Opportunities Fund as an individual entity.

The Responsible Entity of Morpheic Global Opportunities Fund is Perpetual Trust Services Limited (ABN 48 000 142 049, AFSL number 236648). The Responsible Entity's registered office is Level 18, 123 Pitt Street, Sydney NSW 2000.

Directors' report

The Directors of Perpetual Trust Services Limited ("the Responsible Entity") of the Morpheic Global Opportunities Fund, present their report together with the financial report of the Morpheic Global Opportunities Fund (the "Fund"), for the year ended 30 June 2018.

Principal activities

The Fund is a registered managed investment fund domiciled in Australia.

The Fund was constituted on 12 July 2012 and commenced operations on 2 August 2012.

The Fund did not have any employees during the year.

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

Directors

The following persons held office as Directors of the Responsible Entity during the year or since the end of the year and up to the date of this report:

Name	Date of appointment/resignation
Andrew Cannane	Resigned as Director on 23 February 2018
Glenn Foster	
Christopher Green	
Michael Henry Vainauskas	
Andrew Mclver	Alternate Director for Michael Vainauskas
Vicki Riggio	Appointed as Alternate Director for Christopher Green on 1 December 2017 Resigned as Alternate Director for Andrew Cannane on 23 February 2018 Resigned as Alternate Director for Christopher Green on 20 April 2018 Appointed as a Director on 20 April 2018
Rodney Garth Ellwood	Resigned as Alternate Director for Christopher Green on 1 December 2017
Gillian Larkins	Appointed as Alternate Director for Glenn Foster on 14 July 2017
Neil Wesley	Resigned as Alternate Director for Glenn Foster on 14 July 2017
Phillip Blackmore	Appointed as Alternate Director for Christopher Green and Vicki Riggio on 6 July 2018

Directors' report (continued)

Review and results of operations

During the year the Fund invested in global shares and other investments, including derivatives, to manage volatility and other risks in the portfolio in accordance with the provisions of the Fund's Product Disclosure Statement and the Fund's Constitution.

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

	Year ended	
	30 June 2018 \$	30 June 2017 \$
Net operating income/(loss) for the year	15,470,773	14,826,104
Distribution paid and payable	7,237,089	4,009,160
Number of units	71,825,271	78,863,814
Distribution (cents per unit)	15.82	5.08

Significant changes in state of affairs

The Fund has amended its Constitution to change the obligation to distribute trust income to unitholders effective 1 July 2017 as part of a process to become eligible to elect into the new Attribution Managed Investment Trust ("AMIT") tax regime.

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

Matters subsequent to the end of the financial year

Phillip Blackmore was appointed as an alternate director for Christopher Green and Vicki Riggio on 6 July 2018.

After the reporting date, an investor redeemed \$32m constituting 27% of the net asset value of the Fund as at 30 June 2018. The Fund continues to operate as a going concern after the redemption.

No other matter or circumstance has arisen since 30 June 2018 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 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 and auditors

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity acts in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

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 14 of the report.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 14 of the financial report.

Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 13 of 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 of the financial report.

Environmental regulation

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

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the Directors of Perpetual Trust Services Limited.



Director
Perpetual Trust Services Limited

Sydney
13 September 2018

13 September 2018

Board of Directors
Perpetual Trust Services Limited
Level 12, 123 Pitt Street
SYDNEY NSW 2000

Dear Board Members

**PERPETUAL TRUST SERVICES LIMITED
AS THE RESPONSIBLE ENTITY FOR MORPHIC GLOBAL
OPPORTUNITIES 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 Perpetual Trust Services Limited, as the Responsible Entity for Morphic Global Opportunities Fund.

As lead audit partner for the audit of the financial report of Morphic Global Opportunities Fund for the financial year ended 30 June 2018, I declare that to the best of my knowledge and belief, that 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



CROWE HORWATH SYDNEY



SUWARTI ASMONO
Partner

Statement of Comprehensive Income

	Note	Year ended	
		30 June 2018 \$	30 June 2017 \$
Investment income			
Interest income		17,152	1,145
Fee income		1,970	2,317
Dividend income		2,838,365	2,946,950
Net gains/(losses) on financial instruments held at fair value through profit or loss	4	15,202,564	14,537,842
Net gains/(losses) on foreign exchange		416,461	461,642
Other income		2,657	-
Total net investment income		18,479,169	17,949,896
Expenses			
Management fees and expense recoveries (MER)	14	2,153,158	1,888,025
Dividend expense		85,985	191,764
Withholding tax expense		409,711	416,782
Interest expense		233,978	316,876
Amortisation expense		2,676	24,414
Other operating expenses		122,888	285,931
Total operating expenses		3,008,396	3,123,792
Operating profit/(loss) for the year		15,470,773	14,826,104
Finance costs attributable to unitholders			
Distributions to unitholders	6	-	(4,009,160)
(Increase)/decrease in net assets attributable to unitholders	13	-	(10,816,944)
Profit/(loss) for the year		15,470,773	-
Other comprehensive income		-	-
Total comprehensive income for the year		15,470,773	-

Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to Note 1 for further detail.

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Statement of Financial Position

	Note	As at 30 June 2018 \$	As at 30 June 2017 \$
Assets			
Current assets			
Cash and cash equivalents	7, 15 (b)	29,725,659	19,153,481
Receivables	9	1,181,055	851,772
Financial assets held at fair value through profit or loss	8	135,384,899	145,130,226
Total current assets		166,291,613	165,135,479
Non-current assets			
Intangible assets		-	2,676
Total non-current assets		-	2,676
Total assets		166,291,613	165,138,155
Liabilities			
Current liabilities			
Borrowings	7, 15(b)	22,520,770	20,166,761
Financial liabilities held at fair value through profit or loss	8	20,643,234	14,689,609
Distributions payable	6	4,603,922	4,009,160
Payables	10	168,103	4,061,638
Total current liabilities		47,936,029	42,927,168
Net assets attributable to unitholders - liability*	13	-	122,210,987
Net assets attributable to unitholders – equity*	13	118,355,584	-

*Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to Note 1 for further detail.

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

	Note	Year ended	
		30 June 2018 \$'000	30 June 2017 \$'000
Total equity at the beginning of the financial year			
Reclassification due to AMIT tax regime implementation*	13	122,210,987	-
Comprehensive income for the year			
Profit/(loss) for the year		15,470,773	-
Other comprehensive income		-	-
Total comprehensive income		15,470,773	-
Transactions with unitholders			
Applications	13	23,226,121	-
Redemptions	13	(37,886,615)	-
Reinvestment of distributions	13	2,571,407	-
Distributions paid and payable	13	(7,237,089)	-
Total transactions with unitholders		(19,326,176)	-
Total equity at the end of the financial year*		118,355,584	-

*Effective from 1 July 2017, the Fund's units have been reclassified from financial liability to equity. Refer to Note 1 and Note 13 for further detail. As a result, equity transactions, including distributions have been disclosed in the above statement for the year ended 30 June 2018.

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Statement of Cash Flows

	Note	Year ended	
		30 June 2018 \$	30 June 2017 \$
Cash flows from operating activities			
Proceeds from maturity/sales of financial instruments held at fair value through profit or loss		117,905,671	114,130,241
Purchase of financial instruments held at fair value through profit or loss		(90,948,128)	(99,218,151)
Dividends received		2,831,022	2,952,370
Interest received		17,152	1,145
Dividends paid		(106,127)	(172,626)
Interest paid		(240,900)	(310,018)
Fee income received		1,970	2,317
Other income received		2,657	-
Net payments on foreign exchange activities		203,352	416,227
Management fees paid		(2,331,403)	(1,701,332)
Performance fees paid		-	-
RITC received		(16,837)	13,001
Withholding tax paid		(409,418)	(416,782)
Other operating expenses paid		(172,537)	(318,475)
Net cash inflow from operating activities	15 (a)	26,736,474	15,377,917
Cash flows from financing activities			
Proceeds from applications by unitholders		23,226,121	24,530,857
Payments for redemptions by unitholders		(37,886,615)	(28,196,407)
Distributions paid		(4,070,920)	(2,847,018)
Net cash outflow from financing activities		(18,731,414)	(6,512,568)
Net increase in cash and cash equivalents		8,005,060	8,865,349
Cash and cash equivalents at the beginning of the year		(1,013,280)	(9,924,044)
Effect of exchange rate fluctuations on cash		213,109	45,415
Cash and cash equivalents at the end of the year	7, 15 (b)	7,204,889	(1,013,280)

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

1 General information

This financial report covers the Morpheic Global Opportunities Fund (the "Fund") as an individual entity. The Fund was constituted on 12 July 2012 and commenced operations on 2 August 2012. The Fund will terminate on the 80th anniversary of the establishment date unless terminated earlier in accordance with the provisions of the Fund Constitution.

The Responsible Entity of the Fund is Perpetual Trust Services Limited (the "Responsible Entity"). The Responsible Entity's registered office is Level 18, 123 Pitt Street, Sydney NSW 2000. The financial report is presented in the Australian currency.

The Responsible Entity is incorporated and domiciled in Australia. The Investment Manager of the Fund is Morpheic Asset Management Pty Ltd ("the Investment Manager").

The Prime Brokers/Custodians of the Fund are Merrill Lynch International (Australia) Ltd and Morgan Stanley & Co. International plc.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. The Attribution Managed Investment Trust ("AMIT") regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. In order to allow the Fund to elect into the AMIT tax regime, the Fund's Constitution has been amended and the other conditions to adopt the AMIT tax regime have been met effective 1 July 2017. The Responsible Entity is therefore no longer contractually obligated to pay distributions. Consequently the units in the Fund have been reclassified from a financial liability to equity on 1 July 2017, see Note 13 for further information.

The financial report was authorised for issue by the Directors on 13 September 2018. The Directors of the Responsible Entity have the power to amend and reissue the financial report.

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 to all years presented, 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 and Interpretations issued by the Accounting Standards Board and the *Corporations Act 2001* in Australia. Morpheic Global Opportunities Fund is a for-profit unit trust for the purpose 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 generally expected to be recovered or settled within twelve months. The amount expected to be recovered or settled 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.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

The Fund's investments are categorised as at fair value through profit or loss. They comprise of:

- Financial instruments held for trading.

These are futures, options, foreign exchange swaps, equity swaps and forward foreign exchange contracts. The Fund does not designate any derivatives as hedges in a hedging relationship.

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

These include financial assets and liabilities that are not classified as held for trading purposes which may be sold. These are investments in exchange traded equity instruments.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy.

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities at fair value through profit or loss.

(ii) Recognition/derecognition

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

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

- the rights to receive cash flows from the asset have expired;
- the Fund retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' agreement; or
- the Fund has transferred its rights to receive cash flows from the asset and either:
 - (a) has transferred substantially all the risks and rewards of the asset; or
 - (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Any gains or losses arising on derecognition of the asset are included in the Statement of Comprehensive Income in the year the asset is derecognised as realised gains or losses on financial instruments.

(iii) Measurement

(a) Financial assets and liabilities held at fair value through profit or loss

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

- 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 reporting date without any deduction for estimated future selling costs. Financial assets and financial liabilities are priced at closing price.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iii) Measurement (continued)

(a) Financial assets and liabilities held at fair value through profit or loss (continued)

- Fair value not in an active market

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

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

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders.

The units can be put back to the Fund at any time for cash based on the redemption price.

The units are carried at the redemption amount that is payable at the reporting date if the holder exercises the right to put the units back to the Fund.

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

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

As at 30 June 2017, net assets attributable to unitholders are classified as a financial liability. Effective from 1 July 2017, the Fund's units have been reclassified from financial liability to equity as they satisfied all the above criteria.

(d) Cash and cash equivalents

For Statement of Cash Flows presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the Statement of Financial Position.

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.

2 Summary of significant accounting policies (continued)

(e) Margin accounts

Margin accounts comprise cash held as collateral for derivative transactions and short sales. The cash is held by the broker and is only available to meet margin calls.

(f) Investment income

Interest income and expenses are recognised in the Statement of Comprehensive Income for all financial instruments that are not held at fair value through profit and loss using the effective interest method. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Fund estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Dividend income is recognised on the ex-dividend date net of any related foreign withholding tax.

Trust distributions are recognised on an entitlements basis.

Net gains/(losses) on financial assets and financial liabilities held at fair value through profit or loss arising on a change in fair value are calculated as the difference between the fair value at year end and the fair value at the previous valuation point. Net gains/(losses) do not include interest or dividend income.

(g) Expenses

All expenses, including manager's fees, are recognised in the Statement of Comprehensive Income on an accruals basis.

(h) Income tax

Under current legislation, the Fund is not subject to income tax provided the taxable income of the Fund is fully distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Fund).

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

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

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

(i) Distributions

In accordance with the Fund's Constitution, the Fund has the discretion to distribute its distributable income to unitholders by cash or reinvestment. The distributions are recognised in the Statement of Changes in Equity.

2 Summary of significant accounting policies (continued)

(j) Increase/(decrease) in net assets attributable to unitholders

Income not distributed is included in net assets attributable to unit holders. Where the Fund's units are classified as financial liabilities, movements in net assets attributable to unit holders are recognised in the statement of comprehensive income as finance costs.

(k) Due from/to brokers

Amounts due from/to brokers represent payables for securities purchased and receivables for securities sold that have been contracted for but not yet delivered by the end of the year. Trades are recorded on trade date, and normally settled on terms consistent with the applicable exchange through which the trade was conducted. 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. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired.

(l) Receivables

Receivables may include amounts for dividends, interest, trust distributions and amounts due from brokers. Dividends and trust distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in Note 2(f) above. Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as Reduced Input Tax Credits (RITC).

(m) Capitalised costs

Capitalised costs have a finite useful life and are amortised on a systematic basis based on its future economic benefits (ie. 3 to 7 years).

(n) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the Fund's financial report 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 Comprehensive Income.

The Fund does not isolate that portion of 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 from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

2 Summary of significant accounting policies (continued)

(o) Payables

Payables include liabilities, amounts due to brokers and accrued expenses owing by the Fund which are unpaid as at the end of the reporting year.

A separate distribution payable is recognised in the statement of financial position.

Distributions declared effective 30 June in relation to unit holders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following financial year.

(p) Applications and redemptions

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

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

(q) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) hence investment management fees, custodial fees and other expenses have been recognised in the Statement of Comprehensive Income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of Financial Position. Cash flows relating to GST are included in the Statement of Cash Flows on a gross basis.

(r) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the 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.

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

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

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

(s) New and revised accounting requirements applicable to the current year reporting period

The amendments made by AASB 2016-2 *Amendments to Australian Accounting Standard - Disclosure Initiative: Amendments to AASB 107* require disclosure of changes in liabilities arising from financing activities. The relevant information is provided in note 13.

There are no other new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2017 that have a material impact on the Fund.

2 Summary of significant accounting policies (continued)

(t) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 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 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The 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 changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Fund's investments are held at fair value through profit or loss, the change in impairment rules will not impact the Fund.

- AASB 15 *Revenue from Contracts with Customers* (effective from 1 January 2018)

AASB 15 will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are interest, dividends and distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the directors do not expect the adoption of AASB 15 to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements.

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.

3 Financial risk management

(a) Objectives, strategies, policies and processes

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, foreign currency risk and interest rate risk), credit risk and liquidity risk. The management of these risks is conducted by the Fund's Investment Manager who manages the Fund's assets in accordance with its investment objectives.

A financial risk management framework has been established by the Fund's Investment Manager who conducts regular assessment processes in order to ensure that procedures and controls are adequately managing the risks arising from the Fund's investment activities.

The Responsible Entity has established a Compliance Committee which is responsible for developing and monitoring the Fund's compliance monitoring policies, including those related to its activities. Compliance monitoring policies and systems are reviewed periodically to reflect changes in market conditions and the Fund's activities.

This framework includes:

- Integrated computer systems and processes with checks and balances;
- Policies and procedures covering operations;
- Post-trade investment compliance monitoring;
- Segregation of the dealing and investment management function from the administration and settlement function; and
- An independent service provider for the valuation of securities.

The Responsible Entity also has in place a framework to identify, control, report and manage compliance and business obligations, and to ensure that the interests of unitholders in the Fund are protected.

3 Financial risk management (continued)

(a) Objectives, strategies, policies and processes (continued)

Compliance is integrated into the day to day operations of the Responsible Entity Services team (“RES”), a Perpetual Corporate Trust (“CT”) business unit within the Responsible Entity.

This framework includes:

- Policies and procedures,
- Committee and board reporting,
- Staff training,
- Formal service provider agreements,
- Compliance reporting by the Investment Manager, Investment Administrator and Custodian (the “Service Providers”),
- Regular monitoring visits of Service Providers, and
- Monitoring of RES compliance in accordance with Risk and Control Self Assessment Program.

RES is ultimately responsible for compliance monitoring. The RES business unit includes the roles of General Manager, Managed Fund Services, Head of Responsible Entity, Risk Manager, Senior Manager Corporate Clients and Manager Corporate Clients.

RES undertakes periodic on-site monitoring reviews of the Fund’s service providers, focusing on the general control environment and investment management, administration and custodial functions as provided to the Responsible Entity of the Fund. This is conducted to ensure that the service providers continue to satisfy their obligations as detailed within the relevant service agreement entered into with the Responsible Entity. To mitigate some of this risk Morgan Stanley & Co. International plc were appointed as an additional Prime Broker/Custodian and has a credit rating of A-1 (30 June 2017: A-1).

(b) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises of three types of risks: price risk, foreign currency risk and interest rate risk. Market risk is managed and monitored using sensitivity analysis, and minimised through ensuring that all investment activities are undertaken in accordance with established mandates and investment strategies.

The market risk disclosures are prepared on the basis of the Fund’s direct investments and not on a look-through basis for investments held in the Fund.

The sensitivity of the Fund’s net assets attributable to unitholders (and net operating profit/(loss)) to price risk and interest rate risk is measured by the reasonably possible movements approach. This approach is determined based on management’s best estimate, having regard to a number of factors, including the historical correlation of the Fund’s investments with the relevant benchmarks and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Fund invests. As a result, historic variations in the risk variables are not a definitive indicator of future variations in the risk variables.

(i) Price risk

Equity price risk is the risk that the fair value of equities will fluctuate because of changes in market prices, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Equity price risk exposure arises from the Fund’s investment portfolio. The investments are classified on the Statement of Financial Position as financial assets and liabilities held at fair value through profit or loss. All securities investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Investment Manager mitigates this price risk through diversification and a careful selection of securities and other financial instruments within specified guidelines.

3 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk (continued)

The Fund's overall market positions are monitored regularly by the Fund's Investment Manager.

Net assets attributable to unitholders include investments in equity securities.

As at 30 June 2018 and 30 June 2017 the overall market exposures were as follows:

	As at 30 June 2018 \$	As at 30 June 2017 \$
Equity securities designated at fair value through profit or loss	134,813,940	137,414,616
Derivatives held for trading	570,959	7,715,610
Listed equity securities sold short	(20,129,450)	(14,644,004)
Derivatives liabilities held for trading	(513,784)	(45,605)
	114,741,665	130,440,617

At 30 June 2018, if the equity prices had increased by 10% with all other variables held constant, this would have increased net assets attributable to unitholders (and net operating profit/(loss)) by approximately \$11,474,167 (2017: \$13,044,062). Conversely, if the equity and derivative prices had decreased by 10%, this would have decreased net assets attributable to unitholders (and net operating profit/(loss)) by approximately \$11,474,167 (2017: \$13,044,062).

The following table summarises the Fund's exposure to various industry sectors as at 30 June 2018 and 30 June 2017:

Sector	As at 30 June 2018 %	As at 30 June 2017 %
Diversified financials	77.04%	82.67%
Banks	7.17%	1.88%
Real estate	6.50%	1.97%
Capital goods	4.45%	3.32%
Consumer services	3.26%	2.58%
Consumer durables and apparel	2.59%	0.46%
Utilities	2.14%	0.00%
Hardware	0.94%	0.00%
Transportation	0.74%	(1.02%)
Semiconductors	0.69%	0.00%
Media	0.00%	2.85%
Software and services	0.00%	2.23%
Health care equipment and services	0.00%	2.00%
Retailing	0.00%	0.72%
Insurance	0.00%	(0.02%)
Pharmaceuticals, biotech and life sciences	0.00%	(1.43%)
Food and staples retailing	(0.64%)	1.79%
Telecommunications Services	(2.14%)	0.00%
Beverage	(2.74%)	0.00%
	100.00%	100.00%

(ii) Foreign exchange risk

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

3 Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

The Fund holds assets denominated in currencies other than the Australian dollar, the functional currency. It is therefore exposed to foreign exchange risk, as the value of the securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

The Investment Manager hedges the capital component of all overseas listed security purchases back into Australian dollars. Hedging of the income component is at the Investment Manager's discretion. However, for accounting purposes, the Fund does not designate any derivatives as hedges in a hedging relationship, and hence these derivative financial instruments are classified as at fair value through profit or loss.

The Fund uses forward foreign exchange contracts to reduce currency risk on specific investments within the portfolio.

The following table summarises the Fund's assets and liabilities, monetary and non-monetary, which are denominated in a currency other than the Australian dollar as per below.

The table below indicates the effect of a reasonably possible movement of the currency rates against the Australian Dollar on the Statement of Comprehensive Income, with all other variables held constant.

	As at 30 June 2018						Total
	US Dollars \$	Hong Kong Dollar \$	Euro \$	Japanese Yen \$	Other Currencies \$	Total \$	
Cash and cash equivalents	16,267,416	5,208,770	756,325	5,981,134	246,344	28,459,989	
Dividends receivable	241,317	-	-	4,494	-	245,811	
Due from broker/unsettled trades	-	348,228	-	-	-	348,228	
Financial assets held at fair value through profit or loss	104,770,575	3,528,035	6,943,180	15,508,044	2,548,387	133,298,221	
Financial assets held for trading	380,557	58,155	39,543	33,450	-	511,705	
Dividends payable on short positions	-	-	-	-	-	-	
Financial liabilities held at fair value through profit or loss	(7,751,215)	(2,449,600)	-	(6,789,714)	-	(16,990,529)	
Financial liabilities held for trading	(697,910)	45,251	-	-	-	(652,659)	
Bank overdraft	(10,951,414)	(2,824,827)	(1,130,348)	(4,088,511)	(1,389,842)	(20,384,942)	
	102,259,326	3,914,012	6,608,700	10,648,897	1,404,889	124,835,824	
Net increase/(decrease) in exposure from foreign currency forward contracts - sell foreign currency	965,952	(1,693,231)	372,934	(1,918,408)	1,223,450	(1,049,303)	
Net exposure	103,225,278	2,220,781	6,981,634	8,730,489	2,628,339	123,786,521	

3 Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

	As at 30 June 2017						Total \$
	US Dollars \$	Hong Kong Dollar \$	Euro \$	Japanese Yen \$	Other Currencies \$		
Cash and cash equivalents	13,932,928	519,405	-	3,364,008	366,305		18,182,646
Dividends receivable	247,099	-	-	7,370	-		254,469
Due from broker/unsettled trades	303,308	250,823	-	-	-		554,131
Financial assets held at fair value through profit or loss	116,915,765	1,112,700	7,565,427	9,201,652	2,619,072		137,414,616
Financial assets held for trading	6,297,690	-	351,120	-	-		6,648,810
Dividends payable on short positions	-	(18,065)	-	-	-		(18,065)
Financial liabilities held at fair value through profit or loss	(4,974,328)	(1,133,332)	-	(3,038,304)	(3,863,914)		(13,009,878)
Financial liabilities held for trading	6,774	-	(91,075)	38,696	-		(45,605)
Bank overdraft	(14,689,940)	(5,291)	(1,528,950)	(2,965,622)	(82,753)		(19,272,556)
	118,039,296	726,240	6,296,522	6,607,800	(961,290)		130,708,568
Net increase/(decrease) in exposure from foreign currency forward contracts - sell foreign currency	(903,196)	(514,033)	1,528,565	(391,016)	(2,022,151)		(2,301,831)
Net exposure	117,136,100	212,207	7,825,087	6,216,784	(2,983,441)		128,406,737

3 Financial risk management (continued)

(b) Market risk (continued)

(ii) Foreign exchange risk (continued)

The table below indicates the effect of a reasonably possible movement of the currency rates against the Australian Dollar on the Statement of Comprehensive Income, with all other variables held constant.

Currency	Change in Increase/ (decrease) %	As at 30 June 2018
		Effect on net profit attributable to Increase/ (decrease) \$
United States Dollar	10%/(10%)	(9,384,116)/11,469,475
Hong Kong Dollar	10%/(10%)	(201,889)/246,753
Euro	10%/(10%)	(634,694)/775,737
Japanese Yen	10%/(10%)	(793,681)/970,054
Other currencies	10%/(10%)	(238,940)/292,038
		(11,253,320)/13,754,057

Currency	Change in Increase/ (decrease) %	As at 30 June 2017
		Effect on net profit attributable to Increase/ (decrease) \$
United States Dollar	10%/(10%)	(10,423,548)/12,739,892
Hong Kong Dollar	10%/(10%)	(19,291)/23,578
Euro	10%/(10%)	(711,372)/869,454
Japanese Yen	10%/(10%)	(554,641)/677,895
Other currencies	10%/(10%)	271,222/(331,494)
		(11,437,630)/13,979,325

(iii) Interest rate risk

The majority of the Fund's financial assets are non-interest-bearing. Interest-bearing financial assets and interest-bearing financial liabilities mature or re-price in the short-term, no longer than twelve months. As a result, the Fund is subject to limited exposure to interest rate risk due to fluctuations in the prevailing levels of market interest rates.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. This risk is controlled through the Fund's investment in financial instruments, which under normal market conditions are readily convertible to cash as the majority are listed on the ASX or foreign exchanges. In addition, the Fund maintains sufficient cash and cash equivalents to meet normal operating requirements.

The Fund's Constitution provides for the daily application and redemption of units and it is therefore exposed to the liquidity risk of meeting unitholder redemptions at any time.

In accordance with the Fund's policy, the Investment Manager monitors the Fund's liquidity position on a daily basis.

3 Financial risk management (continued)

(c) Liquidity risk (continued)

Maturity analysis for financial liabilities

The table below analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

At 30 June 2018	Less than 1 month \$	1-3 months \$	3-12 months \$	12-60 months \$
Borrowings	22,520,770	-	-	-
Distributions payable	4,603,922	-	-	-
Payables	168,103	-	-	-
Financial liabilities held at fair value through profit or loss	20,129,450	-	-	-
Contractual cash flows (excluding gross settled derivatives)	47,422,245	-	-	-
At 30 June 2017	Less than 1 month \$	1-3 months \$	3-12 months \$	12-60 months \$
Borrowings	20,166,761	-	-	-
Distributions payable	4,009,160	-	-	-
Payables	4,061,638	-	-	-
Financial liabilities held at fair value through profit or loss	14,644,004	-	-	-
Net assets attributable to unitholders	122,210,987	-	-	-
Contractual cash flows (excluding gross settled derivatives)	165,092,550	-	-	-

The table below analyses the Fund's derivative financial assets and liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

At 30 June 2018	Less than 1 month \$	1-6 months \$	6-12 months \$	1-2 years \$
Foreign currency forward contracts	6,372,860	-	-	-
Total	6,372,860	-	-	-
At 30 June 2017	Less than 1 month \$	1-6 months \$	6-12 months \$	1-2 years \$
Foreign currency forward contracts	2,778,331	6,350,000	-	-
Total	2,778,331	6,350,000	-	-

3 Financial risk management (continued)

(d) Credit risk

The Fund is exposed to credit risk, which is the risk that the counterparty will be unable to pay amounts in full when they are due.

The Fund's financial assets which are principally subject to concentrations of credit risk consist principally of assets held with the Custodian/Prime Broker.

The clearing and depository operations for the Fund's security transactions are mainly concentrated with one counterparty, namely Merrill Lynch International (Australia) Ltd. Merrill Lynch International (Australia) Ltd had a credit rating of A-1 as at 30 June 2018 (30 June 2017: A-1). To mitigate some of this risk Morgan Stanley & Co. International plc were appointed as an additional Prime Broker/Custodian and has a credit rating of A-1 (30 June 2017: A-1).

(e) Fair values of financial assets and financial liabilities

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The table below presents the Fund's assets measured and recognised at fair value by level of the following fair value measurement hierarchy:

Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)

Level 3 - inputs for the asset or liability that are not based on observable market data (unobservable inputs)

At 30 June 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Financial assets				
<i>Designated at fair value through profit or loss</i>				
Listed equities	134,813,940	-	-	134,813,940
Total financial assets designated at fair value through profit or loss	134,813,940	-	-	134,813,940
<i>Held for trading</i>				
Derivatives				
Futures	297,482	-	-	297,482
Options	43,821	-	-	43,821
Forward currency exchange contracts	8,697	-	-	8,697
Swap contracts	-	220,959	-	220,959
Total financial assets held for trading	350,000	220,959	-	570,959
Total financial assets	135,163,940	220,959	-	135,384,899

3 Financial risk management (continued)

(e) Fair values of financial assets and financial liabilities (continued)

At 30 June 2018	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
Financial liabilities				
<i>Designated at fair value through profit or loss</i>				
Listed equities	(20,129,450)	-	-	(20,129,450)
Total financial liabilities designated at fair value through profit or loss	(20,129,450)	-	-	(20,129,450)
<i>Held for trading</i>				
Derivatives				
Futures	(513,784)	-	-	(513,784)
Total financial liabilities held for trading	(513,784)	-	-	(513,784)
Total financial liabilities	(20,643,234)	-	-	(20,643,234)
At 30 June 2017				
Financial assets				
<i>Designated at fair value through profit or loss</i>				
Listed equities	137,414,616	-	-	137,414,616
Total financial assets designated at fair value through profit or loss	137,414,616	-	-	137,414,616
<i>Held for trading</i>				
Derivatives				
Futures	254,427	-	-	254,427
Options	69,867	-	-	69,867
Forward currency exchange contracts	28,661	-	-	28,661
Swap contracts	-	7,362,655	-	7,362,655
Total financial assets held for trading	352,955	7,362,655	-	7,715,610
Total financial assets	137,767,571	7,362,655	-	145,130,226
Financial liabilities				
<i>Designated at fair value through profit or loss</i>				
Listed equities	(14,644,004)	-	-	(14,644,004)
Total financial liabilities designated at fair value through profit or loss	(14,644,004)	-	-	(14,644,004)
<i>Held for trading</i>				
Derivatives				
Futures	(40,299)	-	-	(40,299)
Options	(5,306)	-	-	(5,306)
Total financial liabilities held for trading	(45,605)	-	-	(45,605)
Total financial liabilities	(14,689,609)	-	-	(14,689,609)

The fair value of financial instruments traded in active markets (listed domestic and international equities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets and financial liabilities held by the Fund is the current closing price. These instruments are included in level 1.

3 Financial risk management (continued)

(e) Fair values of financial assets and financial liabilities (continued)

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. These instruments are included in level 2 and comprise derivative financial instruments.

The carrying amounts of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

4 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and financial liabilities held at fair value through profit or loss:

	Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
<i>Designated at fair value through profit or loss</i>		
Net unrealised gain/(loss) on financial instruments designated at fair value through profit or loss	10,305,175	8,984,177
Net realised gain on financial instruments designated at fair value through profit or loss	7,208,107	2,574,708
Total net gains/(losses) on financial instruments designated at fair value through profit or loss	17,513,282	11,558,885
<i>Held for trading</i>		
Net realised (loss)/gain on financial instruments held for trading	45,033	1,178,837
Net unrealised gain/(loss) on financial instruments held for trading	(2,355,751)	1,800,120
Total net gains on financial instruments held for trading	(2,310,718)	2,978,957
Total net gains/(losses) on financial instruments held at fair value through profit or loss	15,202,564	14,537,842

5 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 2018 \$	Year ended 30 June 2017 \$
Crowe Horwath		
(a) Audit services		
Audit and review of financial reports	42,000	41,050
Total remuneration for audit services	42,000	41,050
(b) Non-audit services		
Tax Compliance Services	6,000	6,000
	6,000	6,000
	48,000	47,050
PricewaterhouseCoopers		
(a) Audit services		
Compliance plan	2,475	4,621
	2,475	4,621
	50,475	51,671

Per the Product Disclosure Statement of the Fund, the Investment Manager is entitled to recoverable fees of 0.27% of the net assets of the Fund. The recoverable fees include audit fees, and any audit fees in excess of the recoverable fees are paid out of the management fees earned by the Investment Manager.

6 Distribution to unitholders

Timing of distributions

The distributions were paid/payable as follows:

	Year ended 30 June 2018		Year ended 30 June 2017	
	\$	Cents per unit	\$	Cents per unit
Distribution paid, 31 December	2,058,730	2.43	-	-
Special distribution paid, 1 June	574,437	6.98	-	-
Distribution payable, 30 June	4,603,922	6.41	4,009,160	5.08
	7,237,089	15.82	4,009,160	5.08

7 Cash and cash equivalents

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

	As at 30 June 2018 \$	As at 30 June 2017 \$
Cash at broker	29,725,659	19,153,481
Bank overdraft	(22,520,770)	(20,166,761)
	7,204,889	(1,013,280)

8 Financial instruments held at fair value through profit or loss

	As at 30 June 2018 \$	As at 30 June 2017 \$
Financial assets		
<i>Designated at fair value through profit or loss</i>		
Listed equities	134,813,940	137,414,616
Total financial assets designated at fair value through profit or loss	134,813,940	137,414,616
<i>Held for trading</i>		
Futures	297,482	254,427
Options	43,821	69,867
Forward currency exchange contracts	8,697	28,661
Swap contracts	220,959	7,362,655
Total financial assets held for trading	570,959	7,715,610
Total financial assets held at fair value through profit or loss	135,384,899	145,130,226
Financial liabilities		
<i>Designated at fair value through profit or loss</i>		
Listed equities	(20,129,450)	(14,644,004)
Total financial liabilities designated at fair value through profit or loss	(20,129,450)	(14,644,004)
<i>Held for trading</i>		
Futures	(513,784)	(40,299)
Options	-	(5,306)
Total financial liabilities held for trading	(513,784)	(45,605)
Total financial liabilities held at fair value through profit or loss	(20,643,234)	(14,689,609)

9 Receivables

	As at 30 June 2018 \$	As at 30 June 2017 \$
Dividends receivable	261,812	254,469
GST receivable	43,169	26,332
Due from broker/unsettled trades	876,074	570,971
Total receivables	1,181,055	851,772

10 Payables

	As at 30 June 2018 \$	As at 30 June 2017 \$
Due to broker	-	3,638,870
Management fees payable	167,810	346,055
Establishment cost payable	-	22,559
Interest payable	-	6,922
Organisation costs payable	-	27,090
Dividends payable on short positions	-	20,142
Withholding tax payable	293	-
Total payables	168,103	4,061,638

11 Derivative financial instruments

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

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

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

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

The Fund holds the following derivative instruments:

(a) Forward currency contracts

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

(b) Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts values are usually settled net daily with the exchange.

11 Derivative financial instruments (continued)

(c) Options

An option is a contractual arrangement under which the seller (writer) grants the purchaser (holder) the right, but not the obligation, either to buy (a call option) or sell (a put option) at or by a set date or during a set period, a specific amount of securities or a financial instrument at a predetermined price. The seller receives a premium from the purchaser in consideration for the assumption of future securities price risk. Options held by the Fund are predominantly exchange traded. The Fund may also hold over-the-counter foreign exchange option contracts traded with the Fund's Prime Broker. The Fund is exposed to credit risk on purchased options to the extent of their carrying amount, which is their fair value. Options are settled on a gross basis.

The Fund's derivative financial instruments at 30 June 2018 and 30 June 2017 are detailed below.

	As at 30 June 2018		
	Contract/ notional value \$	Fair Values	
		Assets \$	(Liabilities) \$
Futures	(964,447,890)	297,482	(513,784)
Options	1,428,000,000	43,821	-
Forward exchange contracts	6,372,860	8,697	-
Swap contracts	4,085,866	220,959	-
	474,010,835	570,959	(513,784)

	As at 30 June 2017		
	Contract/ notional value \$	Fair Values	
		Assets \$	(Liabilities) \$
Futures	363,929,851	254,427	(40,299)
Options	3,014,779,000	69,867	(5,306)
Forward exchange contracts	9,128,331	28,661	-
Swap contracts	12,899,133	7,362,655	-
	3,400,736,315	7,715,610	(45,605)

12 Offsetting financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The gross and net positions of financial assets and liabilities that have been offset in the statement of financial position are disclosed in the first three columns of the following table:

	Effects of offsetting on the statement of financial position			Related amounts not offset Amounts subject to master netting arrangement	
	Gross amounts of financial assets \$	Gross amounts set off in the balance sheet \$	Net amount of financial assets presented in the balance sheet \$	\$	Net amount \$
	As at 30 June 2018				
Financial assets					
Forward contracts	6,372,623	(6,363,926)	8,697	-	8,697
Swap contracts	7,869,931	(7,648,972)	220,959	-	220,959
Total	14,242,554	(14,012,898)	229,656	-	229,656

12 Offsetting financial assets and liabilities (continued)

	Effects of offsetting on the statement of financial position			Related amounts not offset	
	Gross amounts of financial assets	Gross amounts set off in the balance sheet	Net amount of financial assets presented in the balance sheet	Amounts subject to master netting arrangement	Net amount
	\$	\$	\$	\$	\$
Financial liabilities					
Forward contracts	(6,363,926)	(6,363,926)	-	-	-
Swap contracts	(7,648,972)	(7,648,972)	-	-	-
Total	(14,012,898)	(14,012,898)	-	-	-
As at 30 June 2017					
Financial assets					
Forward contracts	9,133,530	(9,104,869)	28,661	-	28,661
Swap contracts	18,117,075	(10,754,420)	7,362,655	-	7,362,655
Total	27,250,605	(19,859,289)	7,391,316	-	7,391,316
Financial liabilities					
Forward contracts	(9,104,869)	(9,104,869)	-	-	-
Swap contracts	(10,754,420)	(10,754,420)	-	-	-
Total	(19,859,289)	(19,859,289)	-	-	-

13 Net assets attributable to unitholders

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

Prior to 1 July 2017 the Fund classified its net assets attributable to unitholders as liabilities in accordance with AASB 132. On 1 July 2017, the Fund has elected into the AMIT tax regime. The Fund's Constitution has been amended on the same date and it no longer has a contractual obligation to pay distributions to unitholders. Therefore the net assets attributable to unitholders of the Fund meet the criteria set out under AASB 132 and are classified as equity from 1 July 2017 onwards.

As a result of the reclassification of net assets attributable to unitholders from liabilities to equity, the Fund's distributions are no longer classified as finance costs in the statement of comprehensive income, but rather as dividends paid in the statement of changes in equity.

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. The Constitution of the Fund allows the Responsible Entity to issue different classes of units with special rights or restrictions. In these instances, the Corporations Act requires the Responsible Entity to treat all investors within a class of units equally and investors in different classes fairly.

13 Net assets attributable to unitholders (continued)

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

	Year ended 30 June 2018		Year ended 30 June 2017	
	No.	\$	No.	\$
Net assets attributable to unitholders				
Opening balance	78,863,814	122,210,987	79,106,338	111,729,554
Applications	14,113,501	23,226,121	16,111,224	24,530,857
Redemptions	(22,790,847)	(37,886,615)	(18,710,784)	(28,196,407)
Units issued upon reinvestment of distributions	1,638,803	2,571,407	2,357,036	3,330,039
Increase/(decrease) in net assets attributable to unitholders	-	-	-	10,816,944
Distributions paid and payable	-	(7,237,089)	-	-
Profit/(loss) for the year	-	15,470,773	-	-
Closing balance	71,825,271	118,355,584	78,863,814	122,210,987

Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to Note 1 for further details.

Capital risk management

The Fund manages its net assets attributable to unitholders as capital, notwithstanding net assets attributable to unitholders are classified as a liability until 30 June 2017. The amount of 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.

The Fund monitors the level of daily applications and redemptions relative to the liquid assets in the Fund. The Fund's strategy is to hold a certain portion of the net assets attributable to unitholders in liquid investments. Liquid assets include cash and cash equivalents and listed equities. 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.

14 Related party transactions

Responsible Entity

The Responsible Entity of the Morpheic Global Opportunities Fund is Perpetual Trust Services Limited.

Morpheic Asset Management Pty Limited is the Investment Manager of the Fund.

14 Related party transactions (continued)

Key management personnel of the Responsible Entity

Directors

Key management personnel includes persons who were Directors of the Responsible Entity at any time during the financial year as follows:

Name	Date of appointment/resignation
Andrew Cannane	Resigned as Director on 23 February 2018
Glenn Foster	
Christopher Green	
Michael Henry Vainauskas	
Andrew McIver	Alternate Director for Michael Vainauskas
Vicki Riggio	Appointed as Alternate Director for Christopher Green on 1 December 2017 Resigned as Alternate Director for Andrew Cannane on 23 February 2018 Resigned as Alternate Director for Christopher Green on 20 April 2018 Appointed as a Director on 20 April 2018
Rodney Garth Ellwood	Resigned as Alternate Director for Christopher Green on 1 December 2017
Gillian Larkins	Appointed as Alternate Director for Glenn Foster on 14 July 2017
Neil Wesley	Resigned as Alternate Director for Glenn Foster on 14 July 2017
Phillip Blackmore	Appointed as Alternate Director for Christopher Green and Vicki Riggio on 6 July 2018

Key management personnel of the Investment Manager

Key management personnel of the Investment Manager at any time during the financial year were as follows:

Nick Minogue	Non-Executive Chairman
Jack Lowenstein	Managing Director & Joint CIO
Chad Slater	Executive Director & Joint CIO
George Gabriel	Non-Executive Director
Gerard Minack	Non-Executive Director
Chuak Chan	Non-Executive Director
Katarina Royds	Non-Executive Director

Responsible Entity fees

All related party transactions are conducted on normal commercial terms and conditions. Responsible Entity fees are paid by the Investment Manager.

Investment Manager fees

(i) Management fees

The Investment Manager is entitled to receive a management fee, payable monthly in arrears, at the rate of 1.35% p.a. of the net asset value of the Fund. The management fee is calculated daily and reflected in the unit price.

14 Related party transactions (continued)

(ii) Performance fees

The Investment Manager is also paid a performance fee which is calculated as 15.375% of the excess performance by the Fund over the Hurdle Return (MSCI All Countries Total Return Daily Index) during the relevant performance period. In the event that the Fund's return is less than the Hurdle Return during the performance period, no performance fee will be payable for that performance period and the under-performance will be carried forward to subsequent performance periods until a performance fee is payable in respect of the Fund. Further, a performance fee will not be payable if the Fund has a negative return. A performance fee will only be payable when the Fund outperforms the Hurdle Return and the performance is positive.

(iii) Expense recovery

The Fund may be charged for certain operating costs such as its fund and tax administration, legal expenses and audit costs. The maximum amount recoverable is limited to 0.27%pa of the net asset value of the Fund and any excess costs are borne by the Investment Manager.

The transactions during the year and amounts payable at year end between the Fund and the Investment Manager were as follows:

	Year ended	
	30 June 2018	30 June 2017
	\$	\$
Management fees for the year paid/payable by the Fund	1,794,757	1,573,722
Expense recoveries for the year paid/payable by the Fund	358,401	314,303
Organisation expense payable	-	27,090
Establishment cost payable	-	22,559

Key management personnel holdings

The key management personnel of the Responsible Entity did not hold any units in the Fund for the year ended 30 June 2018 (2017: Nil).

14 Related party transactions (continued)

Related party fund's unitholdings

Parties related to the Fund (including Morphic Asset Management Pty Limited and its related parties) held units in the Fund as follows:

Name	Account holdings name	Units held No	Year ended 30 June 2018		Distributions paid/payable \$
			Fair value of investment \$	Interest held %	
Gerard Minack	Gerard John Minack & Terese Ellen Minack The Minack Superannuation Fund Minack Advisors Pty Ltd (Care of) Minack Advisors Discretionary Trust	-	-	-	-
		8,123	13,905	0.0113%	521
		8,123	13,905	0.0113%	521
Jack Lowenstein	Ludwigson Holdings Pty Ltd ATF The Ludwigson Super Fund	1,657,560	2,837,615	2.31%	106,248
	Mare Lowenstein	60,743	103,988	0.08%	3,894
	Mare L and Jack Lowenstein	1,474,525	2,524,273	2.05%	94,515
	Jack Lowenstein	6,460	11,058	0.01%	414
		3,199,288	5,476,934	4.45%	205,071
Chad Slater	Chad Andrew Slater	43,266	74,068	0.06%	2,773
	Miriam Bethany Martin	24,315	41,626	0.03%	1,559
		67,581	115,694	0.09%	4,332
Nick Minogue	Nicholas Robert Minogue	611,443	1,046,743	0.85%	39,193
Caroline Minogue	Nick & Caroline Minogue Foundation	162,286	277,822	0.23%	10,402
	Caroline Rowena Minogue	170,918	292,598	0.24%	10,956
		944,647	1,617,163	1.32%	60,551
Total		4,219,639	7,223,696	5.87%	270,475

14 Related party transactions (continued)

Related party fund's unitholdings (continued)

Name	Account holdings name	Units held No	Year ended 30 June 2017		Distributions paid/payable \$
			Fair value of investment \$	Interest held % %	
Gerard Minack	Gerard John Minack & Terese Ellen Minack The Minack Superannuation Fund Minack Advisors Pty Ltd (Care of) Minack Advisors Discretionary Trust	378,185 7,751 385,936	605,394 12,407 617,801	0.48% 0.98% 1.46%	19,226 394 19,620
Jack Lowenstein	Ludwigson Holdings Pty Ltd ATF The Ludwigson Super Fund Mare Lowenstein Mare L and Jack Lowenstein Jack Lowenstein	1,604,921 137,341 1,427,698 6,164 3,176,124	2,569,135 219,853 2,285,439 9,867 5,084,294	2.04% 0.17% 1.81% 0.01% 4.03%	81,589 6,982 72,579 313 161,463
Chad Slater	Chad Andrew Slater Miriam Bethany Martin	41,284 51,635 92,919	66,088 82,657 148,745	0.05% 0.07% 0.12%	2,099 2,625 4,724
Nick Minogue	Nicholas Robert Minogue Nick & Caroline Minogue Foundation	583,439 154,854 170,918 909,211	933,961 247,888 273,603 1,455,452	0.74% 0.20% 0.22% 1.16%	29,660 7,872 8,689 46,221
Caroline Minogue	Caroline Rowena Minogue				
Total		4,564,190	7,306,292	6.77%	232,028

14 Related party transactions (continued)

Key management personnel compensation

Payments made from the Fund to the Responsible Entity do not include any amounts directly attributable to key management personnel remuneration.

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.

Other transactions within the Fund

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

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

	Year ended 30 June 2018 \$	Year ended 30 June 2017 \$
(a) Reconciliation of net profit/(loss) to net cash inflow from operating activities		
Net profit/(loss) for the year	15,470,773	14,826,104
Proceeds from maturity/sale of financial instruments held at fair value through profit or loss	117,905,671	114,130,241
Purchase of financial instruments held at fair value through profit or loss	(90,948,128)	(99,218,151)
Net gains on financial instruments held at fair value through profit or loss	(15,202,564)	(14,537,842)
Unrealised gain on foreign exchange	(213,109)	(45,415)
Amortisation of organisation costs	2,676	24,414
Net change in receivables	(24,180)	18,421
Net change in accounts payable and accrued liabilities	(254,665)	180,145
Net cash inflow from operating activities	26,736,474	15,377,917
(b) Components of cash and cash equivalents		
Cash as at the end of the financial year as shown in the statement of cash flows is reconciled to the statement of financial position as follows:		
Cash and cash equivalents	29,725,659	19,153,481
Bank overdraft	(22,520,770)	(20,166,761)
	7,204,889	(1,013,280)

16 Events occurring after the reporting period

Phillip Blackmore was appointed as an alternate director for Christopher Green and Vicki Riggio on 6 July 2018.

After the reporting date, an investor redeemed \$32m constituting 27% of the net asset value of the Fund as at 30 June 2018. The Fund continues to operate as a going concern after the redemption.

No other significant events have occurred since the reporting period which would impact on the financial position of the Fund disclosed in the Statement of Financial Position as at 30 June 2018 or on the results and cash flows of the Fund for the year ended on that date.

17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2018 and 30 June 2017.

Directors' declaration

The Directors of Perpetual Trust Services Limited, the Responsible Entity of Morpich Global Opportunities Fund, declare that:

- (a) the financial report and notes set out on pages 6 to 36 are in accordance with the Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its performance for the financial year ended on that date.
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Note 2(a) confirms that the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

This declaration is made in accordance with a resolution of the Directors of Perpetual Trust Services Limited.



Director
Perpetual Trust Services Limited

Sydney
13 September 2018

Independent Auditor's Report to the Members of Morphic Global Opportunities Fund

Opinion

We have audited the financial report of Morphic Global Opportunities Fund (the Fund), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Morphic Global Opportunities Fund is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the information contained in the Fund's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Fund are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during the audit.

Crowe Horwath Sydney

CROWE HORWATH SYDNEY

Suwarti Asmono

SUWARTI ASMONO

Partner

13 September 2018

Sydney