Morphic Global Opportunities Fund

ARSN 159 465 157

Annual report
For the year ended June 30, 2019

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Directors' Report

Perpetual Trust Services Limited (ABN 48 000 142 049) is the responsible entity (the "Responsible Entity") of Morphic Global Opportunities Fund (the "Fund"). The directors of the Responsible Entity (the "Directors") present their report together with the financial statements of the Fund for the year ended June 30, 2019.

Principal Activities

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

The Fund seeks to provide longer term capital growth through investing in ethically screened Global shares and using other investments, including derivatives, to manage volatility and other risks in the portfolio. The Fund will aim to outperform the MSCI All Countries Total Return Daily Index ("the Index") in Australian dollars, a broad index covering world share markets, over rolling three year periods.

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

The Fund did not have any employees during the year (2018: Nil).

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

Directors

The Directors of Perpetual Trust Services Limited during the year and up to the date of this report are shown below. The Directors were in office for this entire period except where stated otherwise:

Name	Date of appointment/resignation
Glenn Foster	
Christopher Green	Resigned as Director on October 17, 2018
Michael Vainauskas	
Andrew McIver	Resigned as Alternate Director for Michael Vainauskas on September 2, 2019 Appointed as Alternate Director for Glenn Foster on September 2, 2019
Vicki Riggio	
Gillian Larkins	Resigned as Alternate Director for Glenn Foster on October 12, 2018
Phillip Blackmore	Appointed as Alternate Director for Christopher Green and Vicki Riggio on July 6, 2018 Resigned as Alternate Director for Christopher Green on October 17, 2018
Richard McCarthy	Appointed as a Director on October 17, 2018

Review and results of operations

During the year, the Fund invested in accordance with the investment objective and guidelines as set out in the governing documents of the Fund and in accordance with the provision of the Fund's Constitution.

Results

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

	Year ended June 30, 2019	Year ended June 30, 2018
Profit/(loss) for the year ($)	**2,781,450**	15,470,773
Distributions paid and payable ($)	**2,445,264**	7,237,089
Distributions (cents per unit)	**20.78**	15.82

Directors' Report (continued)

Significant changes in state of affairs

During the year, investors redeemed $54.9m. The Fund continues to operate as a going concern after the redemption.

There were no other significant changes in the state of affairs of the Fund that occurred during the year.

Matters subsequent to the end of the financial year

On September 2, 2019, Andrew McIver resigned as the Alternate Director for Michael Vainauskas and was appointed as an Alternate Director for Glenn Foster.

No other matter or circumstance has arisen since June 30, 2019 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed, and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regard to the 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 act in accordance with the Fund's Constitution and the *Corporations Act 2001,* 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's property during the year are disclosed in Note 17 of the financial statements.

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

The number of units in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 17 of the financial statements.

Units in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 10 of the financial statements.

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 statements.

Environmental regulation

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

Rounding of amounts to the nearest dollar

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the Directors' report. Amounts in the Directors' report have been rounded to the nearest dollar in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

Directors' Report (continued)

Auditor's independence declaration

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

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

Director
Perpetual Trust Services Limited

Sydney
September 23, 2019

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060
Grosvenor Place
225 George Street
Sydney NSW 2000
Australia

Tel: +61 (0) 2 9322 7000
www.deloitte.com.au

The Board of Directors
Perpetual Trust Services Limited
As the Responsible Entity of Morphic Global Opportunities Fund
Level 18, 123 Pitt Street
Sydney NSW 2000

23 September 2019

Dear Directors,

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 Responsible Entity for the Morphic Global Opportunities Fund.

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

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Declan O'Callaghan

Declan O'Callaghan
Partner
Chartered Accountants

Statement of profit or loss and other comprehensive income

	Notes	Year ended June 30, 2019 $	June 30, 2018 $
Investment income			
Dividend and distribution income		**1,879,563**	2,838,365
Interest income		**20,337**	17,152
Net gains/(losses) on financial instruments at fair value through profit or loss	6	**3,439,521**	15,202,564
Net foreign exchange gain/(loss)	16	**(189,959)**	416,461
Other income		**8,810**	4,627
Total investment income/(loss)		**5,158,272**	18,479,169
Expenses			
Management fees and expense recoveries (MER)	17	**1,354,453**	2,153,158
Dividend expense		**147,495**	85,985
Withholding tax expense		**293,828**	409,711
Interest expense		**453,808**	233,978
Other operating expenses		**127,238**	125,564
Total operating expenses		**2,376,822**	3,008,396
Profit/(loss) for the year		**2,781,450**	15,470,773
Other comprehensive income		**-**	-
Total comprehensive income		**2,781,450**	15,470,773

The above Statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

	Notes	As at June 30, 2019 $	June 30, 2018 $
Assets			
Cash and cash equivalents	12	**24,675,130**	24,518,508
Deposits pledged to brokers for margin	13	**3,065,361**	5,207,151
Dividends and distributions receivable		**221,905**	261,812
GST receivable		**23,830**	43,169
Due from brokers - receivable for securities sold		**426,800**	876,074
Financial assets at fair value through profit or loss	7	**97,425,417**	135,599,072
Total assets		**125,838,443**	166,505,786
Liabilities			
Bank overdraft	12	**32,763,422**	21,091,377
Deposits received from brokers for margin	13	**2,283,531**	1,429,393
Distributions payable	11	**578,075**	4,603,922
Management fees payable		**102,923**	167,810
Dividends payable		**43,138**	-
Interest payable		**1,242**	-
Withholding tax payable		**-**	293
Due to brokers - payable for securities purchased		**1,176,894**	-
Financial liabilities at fair value through profit or loss	8	**12,536,926**	20,857,407
Total liabilities		**49,486,151**	48,150,202
Net assets attributable to unitholders – equity	10	**76,352,292**	118,355,584

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

Statement of changes in equity

	Notes	Year ended June 30, 2019 $	June 30, 2018 $
Total equity at the beginning of the financial year		**118,355,584**	-
Reclassification due to AMIT tax regime implementation*		**-**	122,210,987
Comprehensive income for the year			
Profit/(loss) for the year		**2,781,450**	15,470,773
Other comprehensive income		**-**	-
Total comprehensive income		**2,781,450**	15,470,773
Transactions with unitholders			
Applications	10	**11,198,132**	23,226,121
Redemptions	10	**(54,884,504)**	(37,886,615)
Units issued upon reinvestment of distributions	10	**1,346,894**	2,571,407
Distributions paid and payable	10	**(2,445,264)**	(7,237,089)
Total transactions with unitholders		**(44,784,742)**	(19,326,176)
Total equity at the end of the financial year		**76,352,292**	118,355,584

* Effective from 1 July 2017, the Fund's units have been reclassified from financial liability to equity. Refer to Note 2 for further details.

The above Statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

	Notes	Year ended June 30, 2019 $	June 30, 2018 $
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		**75,537,159**	117,905,671
Purchase of financial instruments at fair value through profit or loss		**(40,618,296)**	(90,948,128)
Dividends and distributions received		**1,919,470**	2,831,022
Dividends paid		**(104,357)**	(106,127)
Interest received		**20,337**	17,152
Interest paid		**(452,566)**	(240,900)
Amount received from/(paid to) brokers for margin		**2,995,928**	5,793,199
Net foreign currency gains/(losses)		**(1,147,232)**	203,352
Other income received		**8,810**	4,627
Management fees paid		**(1,419,340)**	(2,331,403)
RITC (paid)/received		**19,339**	(16,837)
Withholding tax paid		**(294,121)**	(409,418)
Other expenses paid		**(127,238)**	(172,537)
Net cash inflow/(outflow) from operating activities	14 (a)	**36,337,893**	32,529,673
Cash flows from financing activities			
Proceeds from applications by unitholders		**11,198,132**	23,226,121
Payments for redemptions by unitholders		**(54,884,504)**	(37,886,615)
Distributions paid		**(5,124,217)**	(4,070,920)
Net cash inflow/(outflow) from financing activities		**(48,810,589)**	(18,731,414)
Net increase/(decrease) in cash and cash equivalents		**(12,472,696)**	13,798,259
Cash and cash equivalents at the beginning of the year		**3,427,131**	(10,584,237)
Effects of foreign currency exchange rate changes on cash and cash equivalents		**957,273**	213,109
Cash and cash equivalents at the end of the year	12	**(8,088,292)**	3,427,131
Non-cash financing activities			
Issue of units under the distribution reinvestment plan	14 (b)	**1,346,894**	2,571,407

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

Notes to the financial statements

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1 General Information

These financial statements cover Morphic Global Opportunities Fund (the “Fund”) as an individual entity. The Fund was constituted on July 12, 2012 and commenced operations on August 2, 2012. The Fund will terminate in accordance with the provisions of the Fund’s Constitution.

Perpetual Trust Services Limited (ABN 48 000 142 049) is the responsible entity of the Fund (the "Responsible Entity"). The Responsible Entity’s registered office is Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

The Investment Manager of the Fund is Morphic Asset Management Pty Ltd (the "Investment Manager").

The Fund seeks to provide longer term capital growth through investing in ethically screened Global shares and using other investments, including derivatives, to manage volatility and other risks in the portfolio. The Fund will aim to outperform the MSCI All Countries Total Return Daily Index (“the Index”) in Australian dollars, a broad index covering world share markets, over rolling three year periods.

The prime brokers/custodian of the Fund are Merrill Lynch International (Australia) Ltd and Morgan Stanley & Co. International plc.

The financial statements were authorised for issue by the directors of the Responsible Entity (the "Directors of the Responsible Entity") on September 23, 2019. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001* in Australia. The Fund is a for-profit entity for the purpose of preparing the financial statements.

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

The Statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets, financial liabilities and net assets attributable to unitholders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within twelve months, however, an estimate of that amount cannot be determined as at year end.

In the case of net assets attributable to unitholders, the units are redeemable on demand at the unitholder’s option. However, unitholders typically retain units for the medium to long-term. As such, the amount expected to be settled within twelve months cannot be reliably determined.

(i) Compliance with International Financial Reporting Standards (IFRS)

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

(ii) New and amended standards adopted by the Fund

AASB 9 *'Financial Instruments'* became effective for annual periods beginning on or after January 1, 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139.

Classification and measurement of debt securities is driven by the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

A debt instrument is measured at amortised cost if the objective of the business model is to hold the financial asset for the collection of the contractual cash flows and the contractual cash flows under the instrument represent solely payments of principal and interest (SPPI).

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New and amended standards adopted by the Fund (continued)

A debt instrument is measured at fair value through other comprehensive income if the objective of the business model is to hold the financial asset both to collect contractual cash flows from solely payments of principal and interest (SPPI) and to sell.

All other debt instruments must be recognised at fair value through profit or loss. An entity may however, at initial recognition, irrevocably designate a financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

Derivative and equity instruments are measured at fair value through profit or loss unless, for equity instruments not held for trading, an irrevocable option is taken to measure at fair value through other comprehensive income. AASB 9 also introduces a new expected credit loss (ECL) impairment model.

AASB 9 has been applied retrospectively by the Fund and did not result in a change to the classification or measurement of financial instruments in either the current or comparative period. The Fund’s financial assets and financial liabilities continue to be classified as fair value through profit or loss. There was no material impact on adoption from the application of the new impairment model.

AASB 15 *Revenue from Contracts with Customers* became effective for annual periods beginning on or after January 1, 2018. The adoption of this standard did not have a material impact on the Fund's accounting policies nor the amounts recognised in the financial statements.

There are no other standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning January 1, 2018 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

(b) Financial instruments

(i) Classification

The Fund’s investments are classified at fair value through profit or loss. They comprise:

- Assets

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund’s portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund’s documented investment strategy. The Fund’s policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities and derivatives, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

For debt securities, the contractual cash flows are solely payments of principal and interest, however they are neither held for collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund’s business model’s objective. Consequently, the debt securities are measured at fair value through profit or loss.

- Liabilities

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 held for trading and are consequently classified as financial liabilities at fair value through profit or loss. These are investments in short term securities, listed equities.

Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(ii) Recognition and derecognition

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

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

(iii) Measurement

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

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statement of profit or loss and other comprehensive income within net gains/(losses) on financial instruments at fair value through profit or loss in the year in which they arise. Dividend expense on short sales of securities, which have been classified at fair value through profit or loss, are presented as a separate line item in the Statement of profit or loss and other comprehensive income.

Further details on how the fair value of financial instruments are determined are disclosed in Note 5.

(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 reporting date if the holder exercises the right to put the units back to the Fund. This amount represents the expected cash flows on redemption of these units.

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 it 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.

Effective from July 1, 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

Cash comprises deposits held at custodian banks. Cash equivalents are short-term, highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

2 Summary of significant accounting policies (continued)

(d) Cash and cash equivalents (continued)

Bank overdrafts are shown under 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.

(e) Deposits pledged to/received from brokers for margin

Deposits pledged to/received from brokers for margin represents cash balances pledged to, or cash balances received from, the Fund's prime brokers and counterparties. The collateral held with brokers is made up of cash held for securities and derivatives trading.

(f) Investment income

Investment transactions are accounted for on a trade date basis. Realised gains and losses are recorded using historical cost information (identified cost method). Dividend income, net of foreign taxes withheld, if any, is recorded on the ex- date. Interest income is recognised in the Statement of profit or loss and other comprehensive income for all financial instruments using effective interest method. Other changes in fair value on assets at fair value through profit or loss 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 with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Statement of profit or loss and other comprehensive income.

Trust distributions are recognised on an entitlement basis.

Net gains/(losses) on financial assets and financial liabilities 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.

(g) Expenses

All expenses, including management fees, Responsible Entity's fees, administration fees and custody fees, are recognised in the Statement of profit or loss and other comprehensive income on an accrual basis.

(h) Income tax

Under current legislation, the Fund is not subject to income tax as unitholders are presently entitled to the income of the Fund.

Financial instruments 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

Distributions are payable as set out in the Fund's offering document. Such distributions are determined by the Responsible Entity of the Fund. Distributable income includes capital gains arising from the disposal of financial instruments. Unrealised gains and losses on financial instruments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised. Capital losses are not distributed to unitholders but are retained to be offset against any realised capital gains.

2 Summary of significant accounting policies (continued)

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

Movements in net assets attributable to unitholders are recognised in the Statement of changes in equity for the current year ended June 30, 2019.

(k) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Assets and liabilities in foreign currencies are translated into the functional currency at the prevailing exchange rate at the valuation date. Transactions denominated in foreign currencies are translated into the functional currency at the prevailing exchange rate on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of profit or loss and other comprehensive income. The Fund's income earned and expense incurred on foreign denominated balances are translated into the functional currency at the prevailing exchange rate on the date of such activity.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined. Translation differences on assets and liabilities carried at fair value are reported in the Statement of profit or loss and other comprehensive income on a net basis within net gains/(losses) on financial instruments at fair value through profit or loss.

(l) Due from/to brokers

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and consequently measured at amortised cost.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amounts due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

(m) Receivables

Receivables may include amounts for interest and trust distributions. Interest is accrued at each dealing date in accordance with policy set out in Note 2(f) above. Trust distributions are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

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

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. Using expected credit loss model, an allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators and historical experience that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short- term receivables are not discounted if the effect of discounting is immaterial.

2 Summary of significant accounting policies (continued)

(m) Receivables (continued)

The amount of the impairment loss, if any, is recognised in the Statement of profit or loss and other comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of profit or loss and other comprehensive income.

(n) Payables

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting year.

Payables may include amounts for redemptions of units in the Fund where settlement has not yet occurred. These amounts are unsecured and are usually paid within 30 days of recognition.

The distribution amount payable to unitholders as at the end of each reporting year is recognised separately in the Statement of financial position when unitholders are presently entitled to the distributable income under the Fund's Constitution.

(o) 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.

(p) 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, custodian services and management fees have been passed onto the Fund. The Fund qualifies for RITC, hence management fees, administration and custody 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"). 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.

(q) 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 are 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, including unquoted securities are fair valued using valuation techniques determined by the Investment Manager, in accordance with the valuation procedures approved by the Responsible Entity. 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, independent of the area that created them.

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

For certain other balances reported on Statement of financial position, including amounts due from/to brokers, accounts payable and accrued expenses, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

(r) Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission (ASIC) relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest dollar in accordance with the ASIC Corporations Instrument, unless otherwise indicated.

(s) Comparatives

Where required by the Accounting Standards and / or for improved presentation purposes, certain comparative figures have been adjusted to conform to changes in presentation for the current year.

3 Financial risk management

(a) Overview

The Fund's activities expose it to a variety of financial risks. The management of these risks is conducted by the Fund's Investment Manager who has been appointed by the Responsible Entity under an Investment Management Agreement to manage the Fund's assets in accordance with the investment objective and strategy.

The Responsible Entity has in place a framework which includes:

- The investment manager providing the Responsible Entity with regular records on their compliance with the Investment Management Agreement.
- Completion of regular reviews on the Service Provider which may include a review of the investment managers risk management framework to manage the financial risks of the Fund.
- Regular reporting on the liquidity of the fund in accordance with the Fund's Liquidity Risk Management Statement.

The Fund's Investment Manager has in place a framework to identify and manage the financial risk in accordance with the investment objective and strategy. This includes an investment due diligence process and on-going monitoring of the investments in the Fund. Specific controls the Investment Manager applies to manage the financial risks are detailed under each risk specified below:

(b) Market risk

(i) Price risk

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

All securities investments present a risk of loss of capital. The Fund's market price risk is managed through (i) deliberate securities selection, and (ii) diversification of the investment portfolio.

The Fund uses derivatives (including but not limited to futures, options, forward foreign currency exchange contracts and swaps) for speculation in order to implement the investment strategy of the Fund and to manage the risk associated with the fair value of certain investments. The notional or contractual amount of derivatives provides only a measure of the involvement in these types of transactions and does not represent the amounts subject to market price risk. The Fund manages market price risk by establishing limits as to the types and degrees of risk that may be undertaken. Additionally, the Fund monitors the fluctuation in its value and compares these fluctuations to its risk objective.

As at year end, the overall market exposures were as follows:

As at June 30, 2019	**Fair value $**	**% of net asset attributable to unitholders**
Financial assets		
Financial assets at fair value through profit or loss:		
Listed Equities	**97,175,189**	**127.27**
Swaps	**241,322**	**0.32**
Options	**8,906**	**0.01**
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
Listed Equities	**12,533,908**	**16.42**
Futures	**3,018**	**-**

3 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk (continued)

As at June 30, 2018	Fair value $	% of net asset attributable to unitholders
Financial assets		
Financial assets at fair value through profit or loss:		
Listed Equities	134,813,940	113.91
Futures	511,655	0.43
Forward foreign currency exchange contracts	8,697	0.01
Swaps	220,959	0.19
Options	43,821	0.04
Financial liabilities		
Financial liabilities at fair value through profit or loss:		
Listed Equities	20,129,450	17.01
Futures	727,957	0.62

At June 30, 2019, if the equity and derivative 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 $8,488,849 (2018: $11,474,167). 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 $8,488,849 (2018: $11,474,167).

The following table summarises the Funds exposure to various industry sectors as at June 30, 2019 and June 30, 2018.

	As at	
Sector	**June 30, 2019**	June 30, 2018
	%	%
Diversified Financials	**93.15**	77.04
Consumer services	**5.90**	3.26
Capital goods	**4.45**	4.45
Banks	**2.39**	7.17
Media	**0.42**	-
Hardware	**0.31**	0.94
Real estate	**-**	6.50
Semiconductors	**-**	0.69
Telecommunications Services	**-**	(2.14)
Retailing	**(0.04)**	-
Utilities	**(0.42)**	2.14
Consumer durables and apparel	**(0.76)**	2.59
Food and staples retailing	**(0.79)**	(0.64)
Beverage	**(1.21)**	(2.74)
Transportation	**(3.40)**	0.74
	100.00	100.00

The Fund has investments in derivative financial instruments that were susceptible to the universal risks of securities markets and associated uncertainties of future prices and rates. The derivative positions primarily held by the Fund resulted in exposure to interest rates, foreign exchange rates, commodities and equity prices.

3 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk (continued)

Economic risks taken by the Fund are monitored and managed by two independent groups within the Investment Manager: the portfolio management team and the risk management team. The Fund has explicit risk limits for each asset class which take into account correlations within and across asset classes to estimate the risk of the whole portfolio. The Fund also explicitly caps the risk the portfolio will take as a whole by actively targeting the volatility of the Fund at predefined levels. Further, the Fund risk weights the asset classes to avoid concentrated bets by asset or asset class. The Fund's bottom up risk management approach involves diversification across trading models and markets, exercising stringent risk control regarding the size of positions and applying stop loss and stop gain limits to all positions.

The Investment Manager calculates a Value at Risk (VaR) measure as an indicator of the sensitivity of the value of the Fund's derivative positions to changes in market prices and rates.

VaR is not the only measure used by the Investment Manager in managing market price risk. VaR has been disclosed in these financial statements as it illustrates an aggregate estimate of the overall sensitivity of the Fund's derivative positions to market price risks. The VaR calculated by the Investment Manager is limited by its assumptions.

VaR reflects the sensitivity of the entire portfolio of derivatives held by the Fund to market price risks. The Fund uses the 95th percentile dollar VaR as its measure of overall market price risk. This is the minimum expected reduction in the Fund's net asset value, expressed in dollar terms, over a set time period which has a 5% (or 1 in 20) chance of occurring.

In estimating VaR, the Investment Manager makes certain assumptions in relation to expected returns, correlations volatilities, future prices, yields and other micro and macroeconomic variables. These assumptions are often based on historically observed relationships or subjective assessments. Actual outcomes may differ materially from those based on the assumptions made by the Investment Manager when calculating VaR.

The VaR for both 1 and 5 day periods for the derivatives held in the Fund at June 30, 2019, as estimated by the Investment Manager, are shown in the table below:

	As at June 30, 2019		As at June 30, 2018	
	$	**VAR % NAV**	$	VAR % NAV
1 day holding period	1,205,347	1.57	1,353,415	1.10
5 day holding period	2,755,689	3.58	3,154,831	2.57

The Fund's derivative positions may vary greatly between points in time due to the implementation of the Fund's investment strategy. The table reflects the estimated VaR based on positions held at June 30, 2019 and June 30, 2018.

3 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Fund's interest-bearing financial assets and liabilities expose it to risks associated with the effects of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows.

The table below summarises the Fund's exposure to interest rate risk.

As at June 30, 2019	Floating interest rate $	Fixed interest rate $	Non-interest bearing $	Total $
Financial assets				
Cash and cash equivalents	24,675,130	-	-	24,675,130
Deposits pledged to brokers for margin	3,065,361	-	-	3,065,361
Dividends and distributions receivable	-	-	221,905	221,905
GST receivable	-	-	23,830	23,830
Due from brokers - receivable for securities sold	-	-	426,800	426,800
Financial assets at fair value through profit or loss	-	-	97,425,417	97,425,417
Financial liabilities				
Bank Overdrafts	(32,763,422)	-	-	(32,763,422)
Deposits received from brokers for margin	(2,283,531)	-	-	(2,283,531)
Distributions payable	-	-	(578,075)	(578,075)
Management fees payable	-	-	(102,923)	(102,923)
Dividends payable	-	-	(43,138)	(43,138)
Interest payable	-	-	(1,242)	(1,242)
Due to brokers - payable for securities purchased	-	-	(1,176,894)	(1,176,894)
Financial liabilities at fair value through profit or loss	-	-	(12,536,926)	(12,536,926)
Net exposure	(7,306,462)	-	83,658,754	76,352,292

3 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

As at June 30, 2018	Floating interest rate $	Fixed interest rate $	Non-interest bearing $	Total $
Financial assets				
Cash and cash equivalents	24,518,508	-	-	24,518,508
Deposits pledged to brokers for margin	5,207,151	-	-	5,207,151
Dividends and distributions receivable	-	-	261,812	261,812
GST receivable	-	-	43,169	43,169
Due from brokers - receivable for securities sold	-	-	876,074	876,074
Financial assets at fair value through profit or loss	-	-	135,599,072	135,599,072
Financial liabilities				
Bank overdraft	(21,091,377)	-	-	(21,091,377)
Deposits received from brokers for margin	(1,429,393)	-	-	(1,429,393)
Distributions payable	-	-	(4,603,922)	(4,603,922)
Management fees payable	-	-	(167,810)	(167,810)
Withholding tax payable	-	-	(293)	(293)
Financial liabilities at fair value through profit or loss	-	-	(20,857,407)	(20,857,407)
Net exposure	7,204,889	-	111,150,695	118,355,584

At June 30, 2019, should interest rates have increased/decreased by 50 basis points (2018: 50 basis points) with all other variables remaining constant, the increase/decrease in net assets attributable to unitholders for the year would amount to approximately $877 (2018: $865).

(iii) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund has assets and liabilities denominated in currencies other than Australian dollars, the Fund's functional and presentation currency. The Fund is therefore exposed to currency risk, as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The Investment Manager may enter into forward foreign currency exchange contracts from time to time to hedge against the fluctuation in exchange rates.

The table below summarises the Fund's net exposure to different major currencies, including the notional value of forward foreign currency exchange contracts:

	June 30, 2019 $	June 30, 2018 $
United States Dollar	**82,064,921**	103,225,278
Euro	**3,746,618**	6,981,634
British Pound	**3,771**	829,804
Hong Kong Dollar	**903,493**	2,220,781
Japanese Yen	**(8,399)**	8,730,489
Other currencies	**727,501**	1,798,535

3 Financial risk management (continued)

(b) Market risk (continued)

(iii) Currency risk (continued)

The table below summarises the impact on net assets attributable to unitholders as a result of increases/decreases of key exchange rates on the exposures tabled above, to which the Fund is exposed. The analysis is based on the assumption that the exchange rates had increased/decreased by the respective percentage with all other variables held constant.

		June 30, 2019 Impact $		June 30, 2018 Impact $
	Change %	**+/-**	Change %	+/-
United States Dollar	**10%**	**(7,460,447)/9,118,325**	10%	(9,384,116)/11,469,475
Euro	**10%**	**(340,602)/416,291**	10%	(634,694)/775,737
British Pound	**10%**	**(343)/419**	10%	(75,437)/92,200
Hong Kong Dollar	**10%**	**(82,136)/100,388**	10%	(201,889)/246,753
Japanese Yen	**10%**	**764/(933)**	10%	(793,681)/970,054
Other currencies	**10%**	**(66,136)/80,833**	10%	(163,503)/199,838

This represents management's best estimate of a reasonably possible shift in the foreign exchange rates, having regard to historical volatility of those rates. This increase or decrease in the net assets attributable to unitholders arises mainly from a change in the fair value of financial assets and liabilities at fair value through profit or loss that are denominated in other currencies.

(c) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

The maximum exposure to credit risk at the end of the reporting year is the carrying amount of the financial assets.

(i) Bank deposits, assets held with the custodian and derivative financial instruments

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of bank deposits, assets held with the custodian, derivative financial instruments and the related collateral pledged or received from counterparties.

The table below summarises these assets at June 30, 2019 and June 30, 2018:

As at June 30, 2019

	$	**Credit rating**	**Source of credit rating**
Banks and Custodian			
Morgan Stanley	**21,644,804**	**A-1**	**Standard & Poor's**
Merrill Lynch	**55,364,657**	**A-1**	**Standard & Poor's**

As at June 30, 2018

	$	Credit rating	Source of credit rating
Banks and Custodian			
Morgan Stanley	23,077,934	A-1	Standard & Poor's
Merrill Lynch	99,762,888	A-1	Standard & Poor's

3 Financial risk management (continued)

(c) Credit risk (continued)

(i) Bank deposits, assets held with the custodian and derivative financial instruments (continued)

There is risk that derivative counterparties may not perform in accordance with the contractual provisions. The counterparties to the Fund's derivative investments may include affiliates of the Fund's clearing brokers and other major financial institutions. The Fund's exposure to credit risk associated with a counterparty with which it trades OTC derivatives is limited to the balance of the collateral pledged to that counterparty, plus the net unrealised gains on the OTC derivative contracts with such counterparty. In the case of exchange-traded and centrally cleared derivatives, the central clearing house acts as the counterparty to each transaction, and therefore the credit risk associated with the derivative contract and any related collateral amounts pledged is limited to the failure of the clearing house.

The Fund minimises counterparty credit risk through credit limits and approvals, credit monitoring procedures, executing master netting arrangements and managing margin and collateral requirements, as appropriate.

The Fund may record counterparty credit risk valuation adjustments, if material, on certain derivative assets in order to appropriately reflect the credit quality of the counterparty. These adjustments are recorded on the market quotes received from counterparties or other market participants since these quotes may not fully reflect the credit risk of the counterparties to the derivative instruments. The Fund has not recorded any counterparty credit risk valuation adjustments for years ended June 30, 2019 and June 30, 2018.

The Fund also limits its exposure to credit risk by transacting the majority of its securities and contractual commitment activities with broker-dealers, banks and regulated exchanges with high credit ratings and that the Investment Manager considers to be well established.

In the normal course of business, the Fund may enter into agreements with certain counterparties for OTC derivative transactions. A number of the Funds' derivative agreements contain provisions that require the Fund to maintain a predetermined level of capital, and/or provide limits regarding the decline of the Funds' capital over specified time periods. If the Fund were to violate such provisions, the counterparties to the derivative instruments could request immediate payment or demand immediate collateralisation on derivative instruments in net liability positions. If such events are not cured by the Fund or waived by the counterparties, they may decide to curtail or limit extension of credit, and the Fund may be forced to unwind its derivative positions which may result in material losses.

(d) Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due and can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions of units in the Fund. The Fund invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period to contractual maturity, as of the reporting period end. The amounts in the table are the contractual undiscounted cash flows. Balances that are due within 12 months equal their carrying balances as the impact of discounting is not significant.

As at June 30, 2019	Less than 1 month $	1-6 months $	6-12 months $	Over 12 months $
Bank overdraft	**32,763,422**	-	-	-
Deposits received from brokers for margin	**2,283,531**	-	-	-
Distributions payable	**578,075**	-	-	-
Management fees payable	**102,923**	-	-	-
Dividends payable	**43,138**	-	-	-
Interest payable	**1,242**	-	-	-
Due to brokers - payable for securities purchased	**1,176,894**	-	-	-
Financial liabilities at fair value through profit or loss	**12,536,926**	-	-	-
Total financial liabilities	**49,486,151**	-	-	-

3 Financial risk management (continued)

(d) Liquidity risk (continued)

As at June 30, 2018	Less than 1 month $	1-6 months $	6-12 months $	Over 12 months $
Bank overdraft	21,091,377	-	-	-
Deposits received from brokers for margin	1,429,393	-	-	-
Distributions payable	4,603,922	-	-	-
Management fees payable	167,810	-	-	-
Withholding tax payable	293	-	-	-
Financial liabilities at fair value through profit or loss	20,857,407	-	-	-
Total financial liabilities	48,150,202	-	-	-

All derivative financial instruments entered into by the Fund are settled on a net basis.

4 Offsetting financial assets and financial liabilities

The following tables present the Fund's gross OTC derivative assets and liabilities, by counterparty and contract type, net of amounts available for offset under netting arrangements and any related collateral received or pledged by the Fund as of June 30, 2019.

Financial assets

	Effects of offsetting on the Statement of financial position			**Related amounts not offset**		
As at June 30, 2019	**Gross amounts of financial assets $**	**Gross amounts set off in the Statement of financial position $**	**Net amount of financial assets presented in the Statement of financial position $**	**Amounts subject to master netting arrangement $**	**Collateral received/ pledged $**	**Net amount $**
Morgan Stanley						
Swaps	**7,959,203**	**(7,930,974)**	**28,229**	**-**	**-**	**28,229**
Total Morgan Stanley	**7,959,203**	**(7,930,974)**	**28,229**	**-**	**-**	**28,229**
Merrill Lynch						
Swaps	**1,710,743**	**(1,497,650)**	**213,093**	**-**	**-**	**213,093**
Total Merrill Lynch	**1,710,743**	**(1,497,650)**	**213,093**	**-**	**-**	**213,093**
As at June 30, 2018						
Morgan Stanley						
Swaps	3,074,366	(2,997,019)	77,347	-	-	77,347
Total Morgan Stanley	3,074,366	(2,997,019)	77,347	-	-	77,347
Merrill Lynch						
Forward foreign currency exchange contracts	6,372,623	(6,363,926)	8,697	-	-	8,697
Swaps	4,795,564	(4,651,952)	143,612	-	-	143,612
Total Merrill Lynch	11,168,187	(11,015,878)	152,309	-	-	152,309

4 Offsetting financial assets and financial liabilities (continued)

Financial liabilities

	Effects of offsetting on the Statement of financial position			Related amounts not offset		
As at June 30, 2019	**Gross amounts of financial liabilities $**	**Gross amounts set off in the Statement of financial position $**	**Net amount of financial liabilities presented in the Statement of financial position $**	**Amounts subject to master netting arrangement $**	**Collateral received/ pledged $**	**Net amount $**
Morgan Stanley						
Swaps	**(7,930,974)**	**7,930,974**	**-**	**-**	**-**	**-**
Total Morgan Stanley	**(7,930,974)**	**7,930,974**	**-**	**-**	**-**	**-**
Merrill Lynch						
Swaps	**(1,497,650)**	**1,497,650**	**-**	**-**	**-**	**-**
Total Merrill Lynch	**(1,497,650)**	**1,497,650**	**-**	**-**	**-**	**-**
As at June 30, 2018						
Morgan Stanley						
Forward foreign currency exchange contracts	-	-	-	-	-	-
Swaps	(2,997,019)	2,997,019	-	-	-	-
Total Morgan Stanley	(2,997,019)	2,997,019	-	-	-	-
Merrill Lynch						
Forward foreign currency exchange contracts	(6,363,926)	6,363,926	-	-	-	-
Swaps	(4,651,952)	4,651,952	-	-	-	-
Total Merrill Lynch	(11,015,878)	11,015,878	-	-	-	-

Master Agreements

The Fund is a party to master netting arrangements with counterparties (“Master Agreements”). Master Agreements govern the terms of certain like transactions, and reduce the counterparty risk associated with relevant transactions by specifying payment netting mechanisms across multiple transactions and providing standardisation that improves legal certainty. Since different types of transactions have different mechanics and are sometimes traded by different legal entities of a particular counterparty organisation, each type of transaction may be covered by a different Master Agreement, resulting in the need for multiple Master Agreements with a counterparty and its affiliates. As the Master Agreements are specific to unique operations of different asset types, they allow the Fund to close out and net its total exposure to a counterparty in the event of a default with respect to all the transactions governed under a single Master Agreement with a counterparty.

Prime Broker Agreements may be entered into to facilitate execution and/or clearing of equities, bonds, equity option transactions or short sales of securities between certain Funds and selected counterparties. These arrangements provide financing arrangements for such transactions and include guidelines surrounding the rights, obligations, and other events, including, but not limited to, margin, execution, and settlement. These agreements maintain provisions for, among other things, payments, maintenance of collateral, events of default, and termination. Cash and other assets delivered as collateral are typically in the possession of the prime broker and would offset any obligations due to the prime broker.

4 Offsetting financial assets and financial liabilities (continued)

Master Agreements (continued)

Master Futures Client Account Agreements including an Addendum for Cleared Derivatives ("FCM Master Agreements") govern centrally cleared derivative transactions, exchange-traded futures transactions and exchange-traded options transactions which are cleared through a central clearinghouse ("CCP"). On a daily basis, a CCP clears trades that it has received from brokers that are clearing members of the respective CCP and are registered as swap/futures commission merchants with the Commodity Futures Trading Commission (CFTC), or other applicable regulator. The Fund is therefore required to interface with brokers in order to trade centrally cleared derivative transactions, exchange-traded futures transactions and exchange-traded options. Upon entering into an exchange-traded or centrally cleared derivative contract the Fund may pledge cash and/or securities to a trading account as collateral to a central clearinghouse, through a broker, in accordance with the initial margin requirements of the central clearinghouse. Exchange-traded and centrally cleared derivatives contracts are revalued at least daily, and as such, the net appreciation or depreciation of the derivative contracts causes the value of the respective trading account to either move above or below the initial margin requirement. In accordance with the FCM Master Agreements, on a daily basis the Fund will pay or receive cash in an amount that will bring the total value of each trading account back in line with the respective initial margin requirement. Such receipts or payments of cash are known as variation margin. Variation margin is determined separately for exchange-traded futures and centrally cleared swaps and cannot be netted. The movement of variation margin between the Fund and the respective brokers usually occurs the morning after the close of a trading session, and therefore at the end of each day, the total value of a trading account deviates from the initial margin requirement by an amount equal to the current day's net change in unrealised appreciation or depreciation of the derivative contracts.

International Swaps and Derivatives Association, Inc. Master Agreements and Credit Support Annexes ("ISDA Master Agreements") govern over-the-counter ("OTC") derivative transactions entered into between certain Funds and a counterparty. ISDA Master Agreements maintain provisions for general obligations, representations, netting of settlement payments, agreements to deliver supporting documents, collateral transfer and events of default or termination. ISDA Master Agreements contain termination events applicable to the Fund or the counterparty. Such events may include a decline in the Fund's net assets below a specified threshold over a certain period of time or a decline in the counterparty's long-term and short-term credit ratings below a specified level, respectively. In each case, upon occurrence, the other party may elect to terminate early and cause settlement of all OTC swap and foreign exchange contracts outstanding, including the payment of any losses and costs resulting from such early termination, as reasonably determined by the terminating party. Any decision by a party to elect early termination could impact the Fund's future derivative activity.

Collateral pledged by the Fund pursuant to a Master Agreement is held by the counterparty and can be invested or repledged by such counterparty. Collateral pledged by the Fund is identified as an asset in the Fund's Statement of financial position as a component of deposits pledged to brokers for margin.

Collateral received by the Fund pursuant to a Master Agreement is held by the Fund's custodian and can be invested or repledged. Collateral received by the Fund is reflected as a liability in the Statement of financial position in deposits received from brokers for margin.

For financial reporting purposes, derivative assets and liabilities are presented within the Statements of financial position as a component of financial assets at fair value through profit or loss and financial liabilities at fair value through profit or loss on a gross basis, which reflects the full risks and exposures prior to netting under certain circumstances.

5 Fair value measurement

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis.

- Financial assets / liabilities at fair value through profit or loss (FVTPL) (see Note 7 and 8)
- Derivative financial instruments (see Note 9)

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) Fair value in an active market (level 1)

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 year without any deduction for estimated future selling costs.

5 Fair value measurement (continued)

(i) Fair value in an active market (level 1) (continued)

The Fund values its investments and derivatives in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of investments, information provided by independent pricing services is relied upon for valuation of investments.

The quoted market price used to fair value financial assets and financial liabilities held by the Fund is the last-traded prices.

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.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(ii) Valuation techniques used to derive level 2 and level 3 fair value

The fair value of financial assets and liabilities that are not exchange-traded in an active market is determined using valuation techniques. These include the use of recent arm’s length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This may be the case for certain unlisted shares, certain corporate debt securities with suspended applications and withdrawals.

Where discounted cash flow techniques are used, estimated future cash flows are based on management’s best estimates and the discount rate used is a market rate at the end of the reporting year applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting year. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

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 end of the reporting year 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.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

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

5 Fair value measurement (continued)

Recognised fair value measurements

The following table presents the Fund's financial assets and liabilities measured and recognised at fair value as at June 30, 2019 and June 30, 2018.

As at June 30, 2019	**Level 1 $**	**Level 2 $**	**Level 3 $**	**Total $**
Financial assets				
Listed equities	**97,175,189**	**-**	**-**	**97,175,189**
Swaps	**-**	**241,322**	**-**	**241,322**
Options	**-**	**8,906**	**-**	**8,906**
Total	**97,175,189**	**250,228**	**-**	**97,425,417**
Financial liabilities				
Listed equities	**12,533,908**	**-**	**-**	**12,533,908**
Futures	**3,018**	**-**	**-**	**3,018**
Total	**12,536,926**	**-**	**-**	**12,536,926**

As at June 30, 2018	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Listed equities	134,813,940	-	-	134,813,940
Futures	511,655	-	-	511,655
Forward foreign currency exchange contracts	-	8,697	-	8,697
Swaps	-	220,959	-	220,959
Options	-	43,821	-	43,821
Total	135,325,595	273,477	-	135,599,072
Financial liabilities				
Listed equities	20,129,450	-	-	20,129,450
Futures	727,957	-	-	727,957
Total	20,857,407	-	-	20,857,407

(i) Transfers between levels

The Fund's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting year.

There were no transfers between the levels in the fair value hierarchy for the year ended June 30, 2019 and June 30, 2018.

(ii) Fair value measurements using significant unobservable inputs (level 3)

The Fund did not hold any financial instruments with fair value measurements using significant unobservable inputs during the year ended June 30, 2019 or year ended June 30, 2018.

(iii) Valuation processes

Portfolio reviews are undertaken regularly by management to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 3 securities.

Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. For certain security types, in selecting the most appropriate valuation model, management performs back testing and considers actual market transactions. Changes in allocation to or from level 3 are analysed at the end of each reporting year.

(iv) Fair values of other financial instruments

The Fund did not hold any financial instruments which were not measured at fair value in the Statement of financial position. Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate fair value. Net assets attributable to unitholders' carrying value may differ from its par value (deemed to be redemption price for individual units) due to differences in valuation inputs.

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

	Year ended	
	June 30, 2019 $	June 30, 2018 $
Financial assets		
Net gain/(loss) on financial assets at fair value through profit or loss	**10,376,927**	27,916,577
Financial liabilities		
Net gain/(loss) on financial liabilities as at fair value through profit or loss	**(6,937,406)**	(12,714,013)
Total net gains/(losses) on financial instruments at fair value through profit or loss	**3,439,521**	15,202,564

7 Financial assets at fair value through profit or loss

	As at	
	June 30, 2019 $	June 30, 2018 $
Financial assets at fair value through profit or loss		
Listed equities	**97,175,189**	134,813,940
Futures	**-**	511,655
Forward foreign currency exchange contracts	**-**	8,697
Swaps	**241,322**	220,959
Options	**8,906**	43,821
Total financial assets at fair value through profit or loss	**97,425,417**	135,599,072

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

8 Financial liabilities at fair value through profit or loss

	As at	
	June 30, 2019 $	June 30, 2018 $
Financial liabilities at fair value through profit or loss		
Listed equities	**12,533,908**	20,129,450
Futures	**3,018**	727,957
Total financial liabilities at fair value through profit or loss	**12,536,926**	20,857,407

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

9 Derivative financial instruments

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

9 Derivative financial instruments (continued)

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

- hedging to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; 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.

Certain derivative transactions provide the economic effect of financial leverage by creating additional investment exposure, as well as the potential for greater loss. The Investment Manager targets a level of volatility and sets leverage accordingly.

The Fund holds the following derivative instruments:

(a) 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 may be collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

(b) Forward foreign currency exchange contracts

Forward foreign currency exchange 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 foreign currency exchange contracts are valued at the prevailing bid price at the reporting date. The Fund recognises a gain or loss equal to the change in fair value at the reporting date.

(c) Swaps

A swap is an agreement between two parties to exchange their obligations, (payments) or receipts, at set intervals on a notional principal amount over an agreed time period.

(d) Options

A 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 face value. Options are settled on a gross basis.

The Fund's derivative financial instruments at year-end are detailed below:

As at June 30, 2019	**Contract/notional value**	**Fair values**	
		Assets	**Liabilities**
	$	**$**	**$**
Futures	**574,500**	**-**	**3,018**
Options	**2,208,764**	**8,906**	**-**
Swaps	**6,220,232**	**241,322**	**-**
Total	**9,003,496**	**250,228**	**3,018**

9 Derivative financial instruments (continued)

As at June 30, 2018	Contract/notional value	Fair values	
		Assets	Liabilities
	$	$	$
Futures	964,447,890	511,655	727,957
Options	1,428,000,000	43,821	-
Forward foreign currency exchange contracts	6,372,860	8,697	-
Swaps	4,085,866	220,959	-
Total	2,402,906,616	785,132	727,957

As at the reporting date, the Fund hedged $Nil (2018: $6,372,860) comprising of buy $Nil (2018: $6,372,623) and sale $6,372,860 (2018: $Nil) of its foreign currency exposure.

Risk exposures and fair value measurement

Information about the Fund's exposure to credit risk, foreign exchange, interest rate risk and about the methods and assumptions used in determining fair values is provided in Note 3 to the financial statements. The maximum exposure to credit risk at the end of the reporting year is the carrying amount of each class of derivative financial assets disclosed above.

10 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 has elected into the AMIT tax regime and consequently the Fund's constitution has been amended. The Fund does not have 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.

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

	As at			
	June 30, 2019 No.	June 30, 2018 No.	**June 30, 2019 $**	June 30, 2018 $
Opening balance	**71,825,271**	-	**118,355,584**	-
Reclassification due to AMIT tax regime implementation	**-**	78,863,814	**-**	122,210,987
Applications	**6,826,121**	14,113,501	**11,198,132**	23,226,121
Redemptions	**(34,135,634)**	(22,790,847)	**(54,884,504)**	(37,886,615)
Units issued upon reinvestment of distributions	**817,376**	1,638,803	**1,346,894**	2,571,407
Distributions paid and payable	**-**	-	**(2,445,264)**	(7,237,089)
Profit/(loss) for the year	**-**	-	**2,781,450**	15,470,773
Closing balance	**45,333,134**	71,825,271	**76,352,292**	118,355,584

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. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

Capital risk management

The Fund classifies its net assets attributable to unitholders as equity. 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.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. 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 redemption of units if the exercise of such discretion is in the best interests of unitholders.

11 Distributions to unitholders

Distributions are payable at the end of each financial year. Such distributions are determined by reference to the net taxable income of the Fund.

The distributions for the year were as follows:

	Year ended		Year ended	
	June 30, 2019 $	**June 30, 2019 CPU***	June 30, 2018 $	June 30, 2018 CPU*
Special distribution, September 4	**577,967**	**6.3208**	-	-
Special distribution, September 7	**1,289,222**	**13.1825**	-	-
Distributions paid, December 31	**-**	**-**	2,058,730	2.4294
Special distribution, June 1	**-**	**-**	574,437	6.9783
Distributions payable, June 30	**578,075**	**1.2752**	4,603,922	6.4098
Total distributions	**2,445,264**	**20.7785**	7,237,089	15.8175

* Distribution is expressed as cents per unit amount in Australian Dollars.

12 Cash and cash equivalents

	As at	
	June 30, 2019 $	June 30, 2018 $
Cash at broker	**24,675,130**	24,518,508
Bank overdraft	**(32,763,422)**	(21,091,377)
Total cash and cash equivalents	**(8,088,292)**	3,427,131

13 Deposits pledged to/received from brokers

	As at	
	June 30, 2019 $	June 30, 2018 $
Deposits pledged to brokers for margin	**3,065,361**	5,207,151
Deposits received from brokers for margin	**(2,283,531)**	(1,429,393)
Total	**781,830**	3,777,758

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

	Year ended	
	June 30, 2019 $	June 30, 2018 $
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/(loss) for the year	**2,781,450**	15,470,773
Proceeds from sale of financial instruments at fair value through profit or loss	**75,537,159**	117,905,671
Purchase of financial instruments at fair value through profit or loss	**(40,618,296)**	(90,948,128)
Net (gains)/losses on financial instruments at fair value through profit or loss	**(3,439,521)**	(15,202,564)
Amount received from/(paid to) brokers for margins	**2,995,928**	5,793,199
Net change in other receivables	**59,246**	(24,180)
Net change in other payables	**(20,800)**	(251,989)
Effects of foreign currency exchange rate changes on cash and cash equivalents	**(957,273)**	(213,109)
Net cash inflow/(outflow) from operating activities	**36,337,893**	32,529,673

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

	Year ended	
	June 30, 2019 $	June 30, 2018 $
(b) Non-cash financing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	**1,346,894**	2,571,407

As described in Note 2(j), income not distributed is included in net assets attributable to unitholders. The change in this amount each year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

15 Auditor's remuneration

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

	Year ended	
	June 30, 2019 $	June 30, 2018 $
Deloitte Touche Tohmatsu		
Audit and other assurance services		
Audit and review of financial statements	**19,500**	-
Total remuneration for audit and other assurance services	**19,500**	-
Taxation services		
Taxation services	**11,000**	-
Total remuneration for taxation services	**11,000**	-
Total remuneration of Deloitte Touche Tohmatsu	**30,500**	-
Crowe Horwath		
Audit and other assurance services		
Audit and review of financial statements	**-**	42,000
Total remuneration for audit and other assurance services	**-**	42,000
Non audit services		
Tax compliance services	**-**	6,000
Total remuneration for non audit services	**-**	6,000
Total remuneration of Crowe Horwath	**-**	48,000
PricewaterhouseCoopers		
Audit and other assurance services		
Audit of compliance plan	**2,350**	2,475
Total remuneration for audit and other assurance services	**2,350**	2,475
Total remuneration of PricewaterhouseCoopers	**2,350**	2,475

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.

16 Net foreign currency gains/(losses) on financial instruments not at fair value through profit or loss

	Year ended	
	June 30, 2019	June 30, 2018
	$	$
Net foreign currency gains/(losses)	**(189,959)**	416,461

Foreign currency gains and losses on assets and liabilities not measured at fair value through profit or loss have been separately classified on the face of the Statement of profit or loss and other comprehensive income in net foreign currency gains or losses on financial instruments not at fair value through profit or loss.

17 Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Fund if they have the ability, directly or indirectly, to control or exercise significant influence over the Fund in making financial and operating disclosures. Related parties may be individuals or other entities.

Responsible Entity

The Responsible Entity of Morphic Global Opportunities Fund is Perpetual Trust Services Limited (ABN 48 000 142 049). The Investment Manager of the Fund is Morphic Asset Management Pty Ltd.

(a) 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**
Glenn Foster	
Christopher Green	Resigned as Director on October 17, 2018
Michael Vainauskas	
Andrew McIver	Resigned as Alternate Director for Michael Vainauskas on September 2, 2019 Appointed as Alternate Director for Glenn Foster on September 2, 2019
Vicki Riggio	
Gillian Larkins	Resigned as Alternate Director for Glenn Foster on October 12, 2018
Phillip Blackmore	Appointed as Alternate Director for Christopher Green and Vicki Riggio on July 6, 2018 Resigned as Alternate Director for Christopher Green on October 17, 2018
Richard McCarthy	Appointed as a Director on October 17, 2018

(b) Other key management personnel

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

There were no other persons responsible for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial year.

17 Related party transactions (continued)

Key management personnel unit holdings

During or since the end of the year, none of the Directors or Director related entities held units in the Fund, either directly, indirectly or beneficially.

Neither the Responsible Entity nor its affiliates held units in the Fund at the end of the year.

Key management personnel compensation

Key management personnel do not receive any remuneration directly from the Fund. They receive remuneration from a related entity of the Responsible Entity in their capacity as Directors or employees of the Responsible Entity or its related parties. Consequently, the Fund does not pay any compensation to its key management personnel. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

Key management personnel loan disclosures

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

Other transactions within the Fund

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

Responsible Entity's / Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution, the Responsible Entity is entitled to receive a fee of up to 3% (exclusive of GST) per annum of the gross asset value of the Fund. The Investment Manager is entitled to receive a management and performance fee at the rates stipulated in the Fund's governing documents.

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

	June 30, 2019 $	June 30, 2018 $
Management fees for the year paid and payable by the Fund to the Investment Manager	**1,128,711**	1,794,757
Expense recoveries fees for the year paid and payable by the Fund to the Investment Manager	**225,742**	358,401
Aggregate amounts payable to the Investment Manager at reporting date	**102,923**	168,103

17 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:

		Year ended 30 June 2019			
Name	**Account holdings name**	**Units held No.**	**Fair value of investment $**	**Interest held %**	**Distributions paid/payable $**
Gerard Minack	Gerard John Minack & Terese Ellen Minack The Minack Superannuation Fund	-	-	-	-
	Minack Advisors Pty Ltd (Care of) Minack Advisors Discretionary Trust	8,439	14,320	0.02%	108
		8,439	14,320	0.02%	108
Jack Lowenstein	Ludwigson Holdings Pty Ltd ATF The Ludwigson Super Fund	1,657,560	2,812,880	3.66%	21,137
	Mare Lowenstein	63,106	107,091	0.14%	805
	Mare and Jack Lowenstein	1,394,290	2,366,110	3.08%	17,780
	Jack Lowenstein	6,711	11,388	0.01%	86
		3,121,667	5,297,469	6.89%	39,808
Chad Slater	Chad Andrew Slater	44,949	76,278	0.10%	573
	Miriam Bethany Martin	25,261	42,868	0.06%	322
		70,210	119,146	0.16%	895
Nicholas Minogue	Nicholas Robert Minogue	635,228	1,077,981	1.40%	8,100
	Nicholas & Caroline Minogue Foundation	168,599	286,113	0.37%	2,150
Caroline Minogue	Caroline Rowena Minogue	170,918	290,048	0.38%	2,180
		974,745	1,654,142	2.15%	12,430
Total		**4,175,061**	**7,085,077**	**9.22%**	**53,241**

17 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:

		Year ended 30 June 2018			
Name	**Account holdings name**	**Units held No.**	**Fair value of investment $**	**Interest held %**	**Distributions paid/payable $**
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 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
Nicholas Minogue	Nicholas Robert Minogue	611,443	1,046,743	0.85%	39,193
	Nicholas & Caroline Minogue Foundation	162,286	277,822	0.23%	10,402
Caroline Minogue	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**

17 Related party transactions (continued)

Investments

The Fund did not hold any investments in Perpetual Trust Services Limited or of its affiliates or funds managed by Morphic Asset Management Pty Ltd during the year (2018: $Nil).

18 Significant events during the year

During the year, investors redeemed $54.9m. The Fund continues to operate as a going concern after the redemption.

There were no other significant events during the year.

19 Events occurring after year end

On September 2, 2019, Andrew McIver resigned as the Alternate Director for Michael Vainauskas and was appointed as an Alternate Director for Glenn Foster.

The Directors are not aware of any other event or circumstance since the end of the financial year not otherwise addressed within this report that has affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent years. The Fund continues to operate as a going concern.

20 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at June 30, 2019 and June 30, 2018.

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

(a) the financial statements and notes set out on pages 6 to 38 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 June 30, 2019 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; and

(c) Note 2(a) confirms that the financial statements also comply 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
September 23, 2019

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060
Grosvenor Place
225 George Street
Sydney, NSW, 2000
Australia

Phone: +61 2 9322 7000
www.deloitte.com.au

Independent Auditor's Report to the Unitholders 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 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Fund's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Perpetual Trust Services Limited ("Responsible Entity"), would be in the same terms if given to directors as at the time of this auditor's report.

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

Other Information

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

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the Fund's ability 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 of the Responsible Entity.

- 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 of the Responsible Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Declan O'Callaghan

Declan O'Callaghan
Partner
Chartered Accountants
Sydney, 23 September 2019