

Pzena Emerging Markets Value Fund

(formerly known as "Pzena Emerging Markets Focused Value Fund")

ARSN 613 119 681

Annual report

For the period 29 June 2016 to 30 June 2017

Pzena Emerging Markets Value Fund

(formerly known as "Pzena Emerging Markets Focused Value Fund")

ARSN 613 119 681

Annual report

For the period 29 June 2016 to 30 June 2017

Contents

Directors' report

Auditor's independence declaration

Statement of comprehensive income

Statement of financial position

Statement of changes in equity

Statement of cash flows

Notes to the financial statements

Directors' declaration

Independent auditor's report to the unit holders of Pzena Emerging Markets Value Fund
(formerly known as "Pzena Emerging Markets Focused Value Fund")

This annual report covers Pzena Emerging Markets Value Fund as an individual entity.

The Responsible Entity of Pzena Emerging Markets Value Fund is Equity Trustees Limited
(ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:
Level 1, 575 Bourke Street
Melbourne, VIC 3000.

Directors' report

The directors of Equity Trustees Limited, the Responsible Entity of Pzena Emerging Markets Value Fund (the "Fund"), present their report together with the financial statements of the Fund for the period 29 June 2016 to 30 June 2017.

The Fund was constituted on 2 June 2016, registered with the Australian Securities and Investments Commission on 29 June 2016 and commenced operations on 26 October 2016.

Principal activities

The Fund invests in a portfolio of equity securities of companies in non-developed countries located throughout the world, often referred to as 'Emerging Markets' or 'Frontier Markets' in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund did not have any employees during the period.

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

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	Pzena Investment Management, LLC
Custodian and Administrator	The Northern Trust Company
Statutory Auditor	KPMG

Directors

The following persons held office as directors of Equity Trustees Limited during or since the end of the period and up to the date of this report:

Philip D Gentry	Chairman
Harvey H Kalman	
Martin G Walsh	(resigned 9 June 2017)
Geoffory R Rimmer	(resigned 4 October 2016)
Ian C Westley	(appointed 12 December 2016)

Review and results of operations

During the period, the Fund invested its funds in accordance with target asset allocations as set out in the Product Disclosure Statement and provisions of the Fund's Constitution.

The Fund's performance was 18.77% (net of fees) for the period ended 30 June 2017. The Fund's benchmark, the MSCI Emerging Market Index (net dividends reinvested) returned 12.51% for the same period.

Directors' report (continued)

Review and results of operations (continued)

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

	For the period 29 June 2016 to 30 June 2017
Operating profit/(loss) before finance costs attributable to unit holders (\$'000)	13,602
Distributions paid and payable (\$'000)	2,526
Distributions (cents per unit)	3.01

Significant changes in state of affairs

The Fund changed its name from Pzena Emerging Markets Focused Value Fund to Pzena Emerging Markets Value Fund on 26 August 2016.

Geoffory R Rimmer resigned as a director of Equity Trustees Limited on 4 October 2016.

Ian C Westley was appointed as a director of Equity Trustees Limited on 12 December 2016.

Martin G Walsh resigned as a director of Equity Trustees Limited on 9 June 2017.

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

Matters subsequent to the end of the financial period

No matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly effect:

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

Likely developments and expected results of operations

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the Product Disclosure Statement and 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

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

Indemnification of auditor

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

Directors' report (continued)

Fees paid to and interests held in the Fund by the Responsible Entity and its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the period are disclosed in Note 14 to the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the period.

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

Interests in the Fund

The movement in units on issue in the Fund during the period is disclosed in Note 7 to the financial statements.

The value of the Fund's assets and liabilities is disclosed on the statement of financial position and derived using the basis set out in Note 2 to the financial statements.

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

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 Equity Trustees Limited.



Philip D Gentry
Chairman

Melbourne
26 September 2017

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Pzena Emerging Markets Value Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of Pzena Emerging Markets Value Fund for the financial year ended 30 June 2017 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG



Andrew Reeves
Partner

Sydney
26 September 2017

Pzena Emerging Markets Value Fund
Statement of comprehensive income
For the period 29 June 2016 to 30 June 2017

Statement of comprehensive income

	Note	For the period 29 June 2016 to 30 June 2017 \$'000
Investment income		
Dividend income		1,612
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	<u>12,746</u>
Total investment income/(loss)		<u>14,358</u>
Expenses		
Management fees	14	425
Custody and administration fees		75
Transaction costs		213
Other expenses		43
Total expenses		<u>756</u>
Operating profit/(loss)		<u>13,602</u>
Finance costs attributable to unit holders		
Distributions to unit holders	8	(2,526)
(Increase)/decrease in net assets attributable to unit holders	7	<u>(11,076)</u>
Profit/(loss) for the period		<u>-</u>
Other comprehensive income		-
Total comprehensive income for the period		<u>-</u>

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Pzena Emerging Markets Value Fund
Statement of financial position
As at 30 June 2017

Statement of financial position

	Note	As at 30 June 2017 \$'000
Assets		
Cash and cash equivalents	9	3,001
Receivables	11	676
Due from brokers - receivable for securities sold		46
Financial assets held at fair value through profit or loss	6	<u>96,217</u>
Total assets		<u>99,940</u>
Liabilities		
Distribution payable	8	2,526
Payables	12	256
Due to brokers - payable for securities purchased		<u>29</u>
Total liabilities (excluding net assets attributable to unit holders)		<u>2,811</u>
 Net assets attributable to unit holders - liability	 7	 <u>97,129</u>

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

Pzena Emerging Markets Value Fund
Statement of changes in equity
For the period 29 June 2016 to 30 June 2017

Statement of changes in equity

	For the period 29 June 2016 to 30 June 2017 \$'000
Total equity at the beginning of the financial period	-
Profit/(loss) for the period	-
Other comprehensive income	-
Total comprehensive income	<u>-</u>
Transactions with owners in their capacity as owners	-
Total equity at the end of the financial period	<u>-</u>

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

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

Pzena Emerging Markets Value Fund
Statement of cash flows
For the period 29 June 2016 to 30 June 2017

Statement of cash flows

	Note	For the period 29 June 2016 to 30 June 2017 \$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through profit or loss		8,586
Purchase of financial instruments held at fair value through profit or loss		(92,074)
Net foreign exchange gain/(loss)		9
Dividends received		949
Management fees paid		(200)
Custody and administration fees paid		(20)
Transaction costs paid		(213)
Other expenses paid		(27)
Net cash inflow/(outflow) from operating activities	10(a)	<u>(82,990)</u>
Cash flows from financing activities		
Proceeds from applications by unit holders		<u>86,000</u>
Net cash inflow/(outflow) from financing activities		<u>86,000</u>
Net increase/(decrease) in cash and cash equivalents		3,010
Cash and cash equivalents at the beginning of the period		-
Effects of foreign currency exchange rate changes on cash and cash equivalents		(9)
Cash and cash equivalents at the end of the period	9	<u>3,001</u>
Non-cash operating and financing activities	10(b)	53

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

Notes to the financial statements

Contents

1	General information
2	Summary of significant accounting policies
3	Financial risk management
4	Fair value measurement
5	Net gains/(losses) on financial instruments held at fair value through profit or loss
6	Financial assets held at fair value through profit or loss
7	Net assets attributable to unit holders
8	Distributions to unit holders
9	Cash and cash equivalents
10	Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities
11	Receivables
12	Payables
13	Remuneration of auditor
14	Related party transactions
15	Events occurring after the reporting period
16	Contingent assets and liabilities and commitments

1 General information

These financial statements cover Pzena Emerging Markets Value Fund (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 2 June 2016 and will terminate in accordance with the Fund's Constitution or by law, unless terminated earlier in accordance with the provisions of the Fund's Constitution.

The Responsible Entity of the Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975) (the "Responsible Entity"). The Responsible Entity's registered office is Level 1, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in the Australian currency unless otherwise noted.

The Fund invests in a portfolio of equity securities of companies in non-developed countries located throughout the world, often referred to as 'Emerging Markets' or 'Frontier Markets' in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. 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. These policies have been consistently applied to all periods presented, unless otherwise stated in the following text.

(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 these 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 do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities and net assets attributable to unit holders.

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 12 months, however, an estimate of that amount cannot be determined as at reporting date.

In the case of net assets attributable to unit holders, the units are redeemable on demand at the unit holder's option. However, holders of these instruments typically retain them for the medium to long term. As such, the amount expected to be settled within 12 months cannot be reliably determined.

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

These financial statements of the Fund also comply with IFRS as issued by the International Accounting Standards Board (IASB).

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(ii) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2017 reporting period and have not been early adopted by the Fund. The directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

- **AASB 9 *Financial Instruments*** (and applicable amendments), (effective from 1 January 2018)

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

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

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

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

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

(b) Financial instruments

(i) Classification

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

- Financial Instruments held for trading

These are investments in derivative financial instruments such as forward currency contracts. The Fund does not designate any derivatives as hedges in a hedging relationship.

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

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

Financial assets and liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy as outlined in the Product Disclosure Statement. The Fund's policy is for the Investment Manager to evaluate information about these financial instruments on a fair value basis together with other related financial information.

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 and financial liabilities from this date.

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

(iii) Measurement

- Financial instruments held at fair value through profit or loss

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

Subsequent to initial recognition, all financial assets and liabilities designated as at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in fair value of 'financial assets and liabilities at fair value through profit or loss' category are presented in the statement of comprehensive income in the period in which they arise.

For further details on how the fair value of financial instruments is determined please see Note 4 to the financial statements.

(iv) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when the Fund has 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.

At the end of the reporting period, there are no financial assets or liabilities offset or with the right to offset in the statement of financial position.

(c) Net assets attributable to unit holders

Units are redeemable at the unit holders' option; however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unit holders. The units are classified as financial liabilities as the Fund is required to distribute its distributable income in accordance with the Fund's Constitution.

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

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

(d) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

2 Summary of significant accounting policies (continued)

(e) Investment Income

(i) Interest Income

Interest income on cash and cash equivalents is recognised in the statement of comprehensive income on an accruals basis. Changes in fair value of financial instruments are recorded in accordance with the policies described in Note 2(b) to the financial statements.

(ii) Dividends

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 comprehensive income.

(f) Expenses

All expenses are recognised in the statement of comprehensive income on an accruals basis.

(g) Income tax

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

(h) Distributions

The Fund distributes its distributable income, in accordance with the Fund's Constitution, to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

(i) Increase/decrease in net assets attributable to unit holders

Income not distributed is included in net assets attributable to unit holders. Movements in net assets attributable to unit holders are recognised in the statement of comprehensive income as finance costs.

(j) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

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

2 Summary of significant accounting policies (continued)

(k) 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 period end. Trades are recorded on trade date, and normally settled within two business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, and the probability that the broker will enter into bankruptcy or financial reorganisation and default in payments.

(l) Receivables

Receivables may include amounts for dividends and interest. Dividends are accrued where the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

Collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(m) Payables

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

As the Fund has a contractual obligation to distribute its distributable income, a separate distribution payable is recognised in the statement of financial position as at the end of each reporting period and where this amount remains unpaid as at the end of the reporting period.

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

(n) 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.

(o) Goods and services tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as management, administration and custodian services where applicable, have been passed on to the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%. Hence fees for these services and any other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Amounts 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.

(p) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial period. 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 more information on how fair value is calculated refer to Note 4 to the financial statements.

2 Summary of significant accounting policies (continued)

(q) Comparative period

The Fund was constituted on 2 June 2016, registered with the Australian Securities and Investments Commission on 29 June 2016 and commenced operations on 26 October 2016. The reporting period covers the period 29 June 2016 to 30 June 2017, hence there is no comparative information.

(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* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars, unless otherwise indicated.

3 Financial risk management

The Fund's activities expose it to a variety of financial risks including market risk (which incorporates price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement and the investment guidelines of the Fund. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential effects on the Fund's financial performance. The Fund's policy allows it to use derivative financial instruments in managing its financial risks.

All securities investments present a risk of loss of capital. The maximum loss on long equity securities is limited to the fair value of those positions. The maximum loss on capital on futures and forward currency contracts is limited to the notional contract values of those positions.

The investments of the Fund, and the associated risks, are managed by a specialist Investment Manager, Pzena Investment Management, LLC, under an Investment Management Agreement ("IMA") approved by the Responsible Entity, and containing the investment strategy and guidelines of the Fund, consistent with those stated in the Product Disclosure Statement.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods are explained below.

(a) Market risk

(i) Price risk

The Fund is exposed to price risk on equity securities listed or quoted on recognised securities exchanges and derivatives. Price risk arises from investments held by the Fund for which prices in the future are uncertain. Where non-monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which are considered a component of price risk.

The Investment Manager employs portfolio construction techniques within a risk management framework to control both overall portfolio risk and unintended concentration of risk due to factors that the portfolio may be sensitive to. For risk management purposes risk is determined on an active basis; that is, with reference to the behaviour of the index (MSCI Emerging Markets Index) to which the Fund is benchmarked for performance purposes. Risk management is employed both to avoid excessive risk and to ensure the Fund is taking sufficient risk to enable it to meet its investment objective.

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

3 Financial risk management continued)

(a) Market risk (continued)

(ii) Foreign exchange risk

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

	US Dollars A\$'000	Hong Kong Dollars A\$'000	Korean Won A\$'000	All other foreign currencies A\$'000
As at 30 June 2017				
Cash and cash equivalents	10	141	-	341
Dividends receivable	189	350	25	99
Due from brokers - receivable for securities sold	-	-	46	-
Financial assets held at fair value through profit or loss	20,246	18,678	20,981	36,312
Due to brokers - payable for securities purchased	-	-	-	(29)
Net exposure	20,445	19,169	21,052	36,723

The table at Note 3(b) summarises the sensitivities of the Fund's monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the Australian dollar weakened and strengthened by 10% against the material foreign currencies to which the Fund is exposed.

(iii) Interest rate risk

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

(b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unit holders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in foreign exchange rates, interest rates and the historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

Impact on operating profit/net assets attributable to unit holders

	Price risk		Foreign exchange risk	
	-10 % \$'000	10 % \$'000	-10 % \$'000	10 % \$'000
As at 30 June 2017	(9,622)	9,622	113	(113)

3 Financial risk management continued)

(c) Credit risk

The Fund is exposed to credit risk, which is the risk that a counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Fund.

The Fund does not have a significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The main concentration of credit risk, to which the Fund is exposed, arises from cash and cash equivalents and amounts due from brokers balances. None of these assets are impaired nor past their due date. The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents and amounts due from brokers.

(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 or can only do so on terms that are materially disadvantageous.

Exposure to liquidity risk for the Fund may arise from the requirement to meet daily unit holder redemption requests or to fund foreign exchange related cash flow requirements.

Liquidity risk is managed by holding assets that are actively priced and can be readily disposed of.

In order to manage the Fund's overall liquidity, 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 unit holders. The Fund did not reject or withhold any redemptions during the financial period.

Maturities of non-derivative financial liabilities

The following table analyses the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows. Units are redeemed on demand at the unit holder's option. However, the Responsible Entity does not envisage that the contractual maturity disclosed in the table below will be representative of the actual cash flows, as holders of these instruments typically retain them for the medium to long term.

	Less than 1 month \$'000	1 to 6 months \$'000	6 to 12 months \$'000	Over 12 months \$'000	Total \$'000
As at 30 June 2017					
Distribution payable	2,526	-	-	-	2,526
Payables	-	256	-	-	256
Due to brokers - payable for securities purchased	29	-	-	-	29
Net assets attributable to unit holders	<u>97,129</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,129</u>
Contractual cash flows (excluding derivatives)	<u>99,684</u>	<u>256</u>	<u>-</u>	<u>-</u>	<u>99,940</u>

4 Fair value measurement

The Fund measures and recognises financial assets and liabilities held at fair value through profit or loss on a recurring basis.

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

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

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

The fair value of financial assets and liabilities traded in active markets (such as listed equity securities) are based on their last traded prices at the close of trading at the end of the reporting period or where there was no trade, their quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

The quoted market prices used for financial assets and liabilities held by the Fund is a calculated mid price using the current bid and ask 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.

(b) Recognised fair value measurements

The following table presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2017.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
As at 30 June 2017				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Listed equity securities	96,217	-	-	96,217
Total financial assets	96,217	-	-	96,217

(c) Transfer between levels

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

There were no transfers between levels in the fair value hierarchy at the end of the reporting period.

(d) Financial instruments not carried at fair value

The carrying value of receivables and payables are assumed to approximate their fair values.

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

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

	For the period 29 June 2016 to 30 June 2017 \$'000
Financial assets	
Net gain/(loss) on financial assets designated as at fair value through profit or loss	<u>12,746</u>
Net gains/(losses) on financial assets held at fair value through profit or loss	<u>12,746</u>
Net realised gain/(loss) on financial assets held at fair value through profit or loss	2,020
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	<u>10,726</u>
Net gains/(losses) on financial assets held at fair value through profit or loss	<u>12,746</u>
Total net gains/(losses) on financial instruments held at fair value through profit or loss	<u>12,746</u>

6 Financial assets held at fair value through profit or loss

	As at 30 June 2017 \$'000
Designated at fair value through profit or loss	
Listed equity securities	<u>96,217</u>
Total designated at fair value through profit or loss	<u>96,217</u>
Total financial assets held at fair value through profit or loss	<u>96,217</u>

7 Net assets attributable to unit holders

Movements in number of units and net assets attributable to unit holders during the period were as follows:

	For the period 29 June 2016 to	
	30 June 2017	30 June 2017
	Units '000	\$'000
Opening balance	-	-
Applications	83,897	86,053
Increase/(decrease) in net assets attributable to unit holders	-	11,076
Closing balance	83,897	97,129

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 in 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. Units are redeemed on demand at the unit holder's option. However, holders of these instruments typically retain them from medium to long term. As such, the amount expected to be settled within twelve months after the end of the reporting period cannot be reliably determined.

Capital risk management

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

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets 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 unit holders.

8 Distributions to unit holders

The distributions declared for the period were as follows:

	For the period 29 June 2016 to	
	30 June 2017	30 June 2017
	\$'000	CPU
Distributions		
June (payable)	2,526	3.01
Total distributions	2,526	3.01

9 Cash and cash equivalents

	As at 30 June 2017 \$'000
Cash at bank	3,001
Total cash and cash equivalents	3,001

These accounts are earning a floating interest rate of between 0.00% and 0.30% as at 30 June 2017.

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

	For the period 29 June 2016 to 30 June 2017 \$'000
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	
Profit/(loss) for the period	-
Increase/(decrease) in net assets attributable to unit holders	11,076
Distribution to unit holders	2,526
Proceeds from sale of financial instruments held at fair value through profit or loss	8,586
Purchase of financial instruments held at fair value through profit or loss	(92,074)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(12,746)
Net foreign exchange (gain)/loss	9
Management fee payments satisfied by issued units	53
Net change in receivables	(676)
Net change in payables	256
Net cash inflow/(outflow) from operating activities	<u>(82,990)</u>
(b) Non-cash operating and financing activities	
The following management fee payments were satisfied by the issue of units under the differential fee arrangement	<u>53</u>
Total non-cash operating and financing activities	<u>53</u>

As described in Note 2(i), income not distributed is included in net assets attributable to unit holders. The change in this amount for the period (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.

11 Receivables

	As at 30 June 2017 \$'000
Dividends receivable	663
GST receivable	13
Total receivables	<u>676</u>

12 Payables

	As at 30 June 2017 \$'000
Management fees payable	172
Custody fees payable	55
Audit fees payable	29
Total payables	<u>256</u>

13 Remuneration of auditor

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

	For the period 29 June 2016 to 30 June 2017 \$
KPMG	
<i>Audit and other assurance services</i>	
Audit of financial statements	10,000
Audit of the compliance plan	3,750
Total remuneration for audit and other assurance services	13,750
<i>Taxation services</i>	
Tax compliance services	12,100
Total remuneration for other services	12,100
Total remuneration of KPMG	25,850

The auditor's remuneration is borne by the Fund. Fees are stated exclusive of GST.

14 Related party transactions

The Responsible Entity of Pzena Emerging Markets Value Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to Pzena Investment Management, LLC, to act as Investment Manager for the Fund and The Northern Trust Company, to act as Custodian and Administrator for the Fund. The contracts are on normal commercial terms and conditions.

(a) Key management personnel

(i) Directors

Key management personnel include persons who were directors of Equity Trustees Limited at any time during or since the end of the financial period and up to the date of this report.

Philip D Gentry	Chairman
Harvey H Kalman	
Martin G Walsh	(resigned 9 June 2017)
Geoffory R Rimmer	(resigned 4 October 2016)
Ian C Westley	(appointed 12 December 2016)

(ii) Other key management personnel

There were no other key management personnel with responsibility for planning, directing and controlling activities of the Fund, directly or indirectly during the financial period.

(b) Transactions with key management personnel

There were no transactions with key management personnel during the reporting period.

(c) Key management personnel unit holdings

Key management personnel did not hold units in the Fund as at 30 June 2017.

(d) Key management personnel compensation

Key management personnel are paid by EQT Services Pty Ltd. Payments made from the Fund to Equity Trustees Limited do not include any amounts directly attributable to the compensation of key management personnel.

14 Related party transactions (continued)

(e) Key management personnel loans

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

(f) Other transactions within the Fund

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

(g) Responsible Entity and Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution and Product Disclosure Statement for the Fund, the Responsible Entity and the Investment Manager are entitled to receive management fees.

The transactions during the period and amounts payable as at period end between the Fund, the Responsible Entity and the Investment Manager were as follows:

	For the period 29 June 2016 to 30 June 2017 \$
Investment management fees for the period	391,657
Total fees payable to the Investment Manager at period end	167,676
Responsible Entity fees for the period	33,484
Total fees payable to the Responsible Entity at period end	4,584

For information on how management fees are calculated please refer to the Fund's Product Disclosure Statement.

(h) Related party unit holdings

No parties related to the Fund (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited), hold units in the Fund.

(i) Investments

The Fund did not hold any investments in Equity Trustees Limited or its related parties during the period.

15 Events occurring after the reporting period

No significant events have occurred since the end of the period which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2017 or on the results and cash flows of the Fund for the period ended on that date.

16 Contingent assets and liabilities and commitments

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

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 to 24 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 30 June 2017 and of its performance for the financial period 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.
- (c) Note 2(a) confirms that the financial statements also comply with the 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 Equity Trustees Limited.



Philip D Gentry
Chairman

Melbourne
26 September 2017



Independent Auditor's Report

To the members of Pzena Emerging Markets Value Fund

Opinion

We have audited the **Financial Report** of Pzena Emerging Markets Value Fund (the Scheme).

In our opinion, the accompanying **Financial Report** of Pzena Emerging Markets Value Fund is in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of the Scheme's financial position as at 30 June 2017, and of its financial performance and its cash flows for the period 29 June 2016 to 30 June 2017; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises the:

- Statement of financial position as at 30 June 2017
- Statement of comprehensive income for the period 29 June 2016 to 30 June 2017
- Statement of changes in equity, and Statement of cash flows for the period 29 June 2016 to 30 June 2017
- Notes including a summary of significant accounting policies
- Directors' Declaration.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 Scheme in accordance with the *Corporations Act 2001* and the relevant ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code). We have fulfilled our other ethical responsibilities in accordance with the Code.

Other Information

Other Information is financial and non-financial information in Pzena Emerging Markets Value Fund's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of Pzena Emerging Markets Value Fund (the Responsible Entity) are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.



In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we 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.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Directors for the Financial Report

The Directors of Pzena Emerging Markets Value Fund (the Responsible Entity) are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Scheme's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Scheme or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- 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 *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They 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.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

Andrew Reeves
Partner

Sydney
26 September 2017