

# **FFTW Absolute Return Fixed Income Trust**

ARSN 120 566 547

## **Annual report**

**For the year ended 30 June 2016**

# FFTW Absolute Return Fixed Income Trust

ARSN 120 566 547

## Annual report

## For the year ended 30 June 2016

### 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 members of FFTW Absolute Return Fixed Income Trust

This annual report covers FFTW Absolute Return Fixed Income Trust as an individual entity.

The Responsible Entity of FFTW Absolute Return Fixed Income Trust is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:  
Level 2, 575 Bourke Street,  
Melbourne, VIC 3000.

## Directors' report

The directors of Equity Trustees Limited, the Responsible Entity of FTW Absolute Return Fixed Income Trust (the "Fund"), present their report together with the financial statements of the Fund, for the year ended 30 June 2016.

### Principal activities

The Fund invests in fixed interest securities, money market instruments and derivatives in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution. The Fund was constituted on 9 June 2006 and commenced operations on 14 August 2015. Until this date the Fund had been dormant since its inception on 12 July 2006.

The Fund did not have any employees during the year.

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

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	BNP Paribas Investment Partners (Australia) Limited
Delegated Investment Manager	Fisher, Francis Trees & Watts, Inc.
Custodian and Administrator	BNP Paribas Fund Services Australasia Pty Limited
Statutory Auditor	PricewaterhouseCoopers

### Directors

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

J A (Tony) Killen OAM	Chairman (resigned 28 June 2016)
David F Groves	Deputy Chairman (retired 14 December 2015)
Robin B O Burns	Managing Director (resigned 3 May 2016)
Michael J O'Brien	(resigned 28 June 2016)
Alice J M Williams	(resigned 28 June 2016)
The Hon Jeffrey G Kennett AC	(resigned 28 June 2016)
Anne M O'Donnell	(resigned 28 June 2016)
Kevin J Eley	(resigned 28 June 2016)
Philip D Gentry	Chairman (appointed 29 June 2016)
Harvey H Kalman	(appointed 29 June 2016)
Geoffory R Rimmer	(appointed 29 June 2016)
Martin G Walsh	(appointed 29 June 2016)

### Review and results of operations

During the year, the Fund continued to invest its funds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund's performance since inception was 1.19% (gross of fees), underperforming its benchmark the Bloomberg Ausbond Bank Bill Index by -0.78%.

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

	Year ended	
	30 June 2016	30 June 2015
Operating profit/(loss) before finance costs attributable to unit holders (\$'000)	1,115	-
Distributions (\$'000)	14,168	-
Distributions (cents per unit)	5.82	-

## Directors' report (continued)

### Significant changes in the state of affairs

The Fund commenced operations on 17 August 2015.

David F Groves retired as a director of Equity Trustees Limited on 14 December 2015.

Michael J O'Brien was appointed as Executive Director of Equity Trustees Limited on 28 April 2016. Prior to this date Michael J O'Brien was a non-executive director of Equity Trustees Limited.

Robin B O Burns resigned as Managing Director of Equity Trustees Limited on 3 May 2016.

J A (Tony) Killen OAM, The Hon Jeffrey G Kennett AC, Michael J O'Brien, Kevin J Eley, Anne M O'Donnell and Alice J M Williams all resigned as directors of Equity Trustees Limited on 28 June 2016. On 29 June 2016 Philip D Gentry, Geoffroy R Rimmer, Harvey H Kalman and Martin G Walsh were appointed directors of Equity Trustees Limited.

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

### Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may have a significant effect on:

- (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.

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

Fees paid to the Responsible Entity and its associates out of Fund property during the year are disclosed in Note 16 to the financial statements.

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 16 to the financial statements.

### Interests in the Fund

The movement in units on issue in the Fund during the year is disclosed in Note 9 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 Commonwealth, State or Territory law.

## Directors' report (continued)

### Rounding of amounts to the nearest thousand dollars

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 thousand dollars in accordance with that ASIC Corporations Instrument, 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  
23 September 2016



## Auditor's Independence Declaration

As lead auditor for the audit of FFTW Absolute Return Fixed Income Trust for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

A handwritten signature in blue ink, appearing to read 'G. Sagonas', is written over a light blue rectangular background.

George Sagonas  
Partner  
PricewaterhouseCoopers

Melbourne  
23 September 2016

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**PricewaterhouseCoopers, ABN 52 780 433 757**  
Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

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**Statement of comprehensive income**

		Year ended	
	Note	30 June 2016 \$'000	30 June 2015 \$'000
<b>Investment income</b>			
Interest income		3,105	-
Net foreign exchange gain/(loss)		1,073	-
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	<u>(1,857)</u>	<u>-</u>
<b>Total investment income/(loss)</b>		<u>2,321</u>	<u>-</u>
<b>Expenses</b>			
Interest expense		12	-
Management fees	16	863	-
Custody and administration fees		139	-
Other expenses		<u>192</u>	<u>-</u>
<b>Total expenses</b>		<u>1,206</u>	<u>-</u>
<b>Operating profit/(loss)</b>		<u>1,115</u>	<u>-</u>
<b>Finance costs attributable to unit holders</b>			
Distributions to unit holders	10	(14,168)	-
(Increase)/decrease in net assets attributable to unit holders	9	<u>13,053</u>	<u>-</u>
<b>Profit/(loss) for the year</b>		<u>-</u>	<u>-</u>
Other comprehensive income		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<u>-</u>	<u>-</u>

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

**Statement of financial position**

		<b>30 June 2016 \$'000</b>	<b>As at</b>	30 June 2015 \$'000
	Note			
<b>Assets</b>				
Cash and cash equivalents	11	17,393		-
Margin accounts		25,324		-
Due from brokers - receivable for securities sold		1,074		-
Receivables	13	94		-
Financial assets held at fair value through profit or loss	6	<u>267,070</u>		-
<b>Total assets</b>		<u>310,955</u>		-
<b>Liabilities</b>				
Due to brokers - payable for securities purchased		6,917		-
Payables	14	221		-
Financial liabilities held at fair value through profit or loss	7	<u>22,015</u>		-
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<u>29,153</u>		-
<b>Net assets attributable to unit holders - liability</b>	9	<u>281,802</u>		-

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

**Statement of changes in equity**

	<b>30 June 2016 \$'000</b>	<b>Year ended 30 June 2015 \$'000</b>
<b>Total equity at the beginning of the financial year</b>	-	-
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the financial year</b>	-	-

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 year.

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

**Statement of cash flows**

		Year ended	
		30 June	30 June
		2016	2015
	Note	\$'000	\$'000
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		885,900	-
Purchase of financial instruments held at fair value through profit or loss		(1,126,969)	-
Net movement in margin accounts		(25,324)	-
Interest income received		3,095	-
Interest expense paid		(12)	-
GST received/(paid)		(84)	-
Management fees paid		(736)	-
Custody and administration fees paid		(45)	-
Other expenses paid		(192)	-
<b>Net cash inflow/(outflow) from operating activities</b>	12(a)	<b>(264,367)</b>	<b>-</b>
<b>Cash flows from financing activities</b>			
Proceeds from applications by unit holders		280,687	-
<b>Net cash inflow/(outflow) from financing activities</b>		<b>280,687</b>	<b>-</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Effect of foreign currency exchange rate changes on cash and cash equivalents		16,320	-
		1,073	-
<b>Cash and cash equivalents at the end of the year</b>	11	<b>17,393</b>	<b>-</b>
Non-cash operating and financing activities	12(b)	14,168	-

*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	Financial liabilities held at fair value through profit or loss
8	Derivative financial instruments
9	Net assets attributable to unit holders
10	Distributions to unit holders
11	Cash and cash equivalents
12	Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities
13	Receivables
14	Payables
15	Remuneration of auditor
16	Related party transactions
17	Events occurring after the reporting period
18	Contingent assets and liabilities and commitments

## 1 General information

These financial statements cover FFTW Absolute Return Fixed Income Trust (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 9 June 2006, commenced operations on 14 August 2015 and will terminate on 8 June 2086 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 2, 575 Bourke Street, Melbourne, VIC 3000. The financial statements are presented in Australian dollars unless otherwise noted.

The Fund invests in fixed interest securities, money market instruments and derivatives 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 years presented, unless otherwise stated in the following text.

### (a) Basis of preparation

The accounting policies applied in these financial statements are the same as those applied to the Fund's financial statements for the year ended 30 June 2015.

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 does 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 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)

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

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

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

## 2 Summary of significant accounting policies (continued)

### (a) Basis of preparation (continued)

#### (iii) *New standards and interpretations not yet adopted*

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

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

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption. The directors do not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Fund's investments are 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 interest 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 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 foreign 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 financial liabilities that are not held for trading purposes and which may be sold. These are investments in fixed interest securities and money market instruments.

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

Fixed deposits are initially recognised at fair value and then carried at amortised cost using the effective interest method.

#### (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.

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*

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

#### (iii) Measurement (continued)

At initial recognition, the Fund measures a financial asset and a financial liability 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 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 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.

As 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 the 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.

### (e) Margin accounts

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

### (f) Investment income

#### (i) Interest income

Interest income on cash and cash equivalents is recognised in the statement of comprehensive income on an accruals basis. Interest income on financial assets held at fair value through profit or loss is recognised using the effective interest method. Changes in fair value of financial instruments are recorded in accordance with the policies described in Note 2(b) to the financial statements.

The effective interest method is a method of calculating the amortised cost of a financial asset or liability and of allocating the interest income or 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 instruments (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.

## 2 Summary of significant accounting policies (continued)

### (g) Expenses

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

### (h) Income tax

Under current legislation, the Fund is not subject to income tax 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.

### (i) Distributions

In accordance with the Fund's Constitution, the Fund distributes income adjusted for amounts determined by the Responsible Entity, to unit holders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unit holders.

### (j) 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.

### (k) Foreign currency translation

#### (i) *Functional and presentation currency*

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

#### (ii) *Transactions and balances*

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

The Fund does not isolate that portion of unrealised gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates. Such fluctuations are included with the net gains or 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 year end. Trades are recorded on trade date, and for equities normally settled within two business days. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Fund will not be able to collect all amounts due from the relevant broker. Indicators that the amount due from brokers is impaired include significant financial difficulties of the broker, probability that the broker will enter into bankruptcy or financial reorganisation and default in payments.

### (m) Receivables

Receivables may include amounts for interest. 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.

## 2 Summary of significant accounting policies (continued)

### (n) Payables

Payables include liabilities and accrued expenses owing 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 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 30 June of the same financial year.

### (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 management, administration and custodian services where applicable, have been passed onto 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.

### (q) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates are continually evaluated and 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, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

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

For more information on how fair value is calculated refer to Note 4 to the financial statements.

### (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 off to the nearest thousand dollars in accordance with that ASIC Corporations Instrument, unless otherwise indicated.

### (s) Comparative revisions

Comparative information has been revised when appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

### 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 Constitution, the Product Disclosure Statement and the investment guidelines of the Fund and seeks to maximise the returns derived for the level of risk to which the Fund is exposed to and seeks to minimise potential adverse effects on the Funds' financial performance.

All securities investments present a risk of loss of capital.

The investments of the Fund, and associated risks, are managed by a specialist Investment Manager, BNP Paribas Investment Partners (Australia) Limited and delegated Investment Manager, Fisher, Francis Trees & Watts, Inc. 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 include sensitivity analysis in the case of market risk and ratings analysis for credit risk.

#### (a) Market risk

##### (i) Price risk

The Fund is exposed to price risk on equity 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 table in Note 3(b) summarises the sensitivity of the Fund's assets and liabilities to price risk. The analysis is based on the assumption that the markets in which the Fund invests moved by +/-10% (2015: +/-10%).

##### (ii) Foreign exchange risk

The Fund operates internationally and holds both monetary and non-monetary assets and liabilities denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary assets and liabilities 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, not foreign exchange risk. The delegated Investment Manager monitors the exposure of all foreign currency denominated assets and liabilities.

Foreign exchange risk is managed by the use of Derivatives (foreign currency exchange forwards), which aims to limit the effect of currency movements between the Australian dollar and other currencies.

The table below summarises the fair value of the Fund's assets and liabilities, both monetary and non-monetary, that are denominated in a currency other than the Australian dollar.

	US Dollars A\$'000	Euros A\$'000	All other foreign currencies A\$'000
<b>As at 30 June 2016</b>			
Cash and cash equivalents	16,396	781	113
Margin accounts	25,043	160	104
Due from brokers - receivable for securities sold	1,074	-	-
Receivables	7	-	-
Financial assets held at fair value through profit or loss	225,360	9,729	21,381
Due to brokers - payable for securities purchased	(6,917)	-	-
<b>Net exposure</b>	<b>260,963</b>	<b>10,670</b>	<b>21,598</b>
Net increase/(decrease) in exposure from forward foreign currency contracts	(252,316)	(23,605)	(16,801)
<b>Net exposure including foreign currency forward contracts</b>	<b>8,647</b>	<b>(12,935)</b>	<b>4,797</b>

The table in Note 3(b) summarises the sensitivity of the Fund's monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the Australian dollar weakened/strengthened by 10% (2015: +/-10%) against the material foreign currencies to which the Fund is exposed.

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

##### (iii) Interest rate risk

The Fund's interest bearing financial assets 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 impact of interest rate risk is measured using sensitivity analysis.

Interest rate risk is managed by the delegated Investment Manager. Interest rate based strategies in the Fund can rise or fall, in line with yield curve fluctuations. In general, the fixed rate debt security valuations increase when interest rates fall, and decrease when interest rates rise. Given the Fund follows a long/short strategy, there is flexibility for the delegated Investment Manager to position the portfolio for both rises and falls in interest rates

The table below summarises the Fund's exposure to interest rate risk at the end of the reporting period.

As at 30 June 2016	Floating interest rate		Fixed interest rate			Non interest bearing	Total
	\$'000	3 months or less \$'000	4 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000		
<b>Assets</b>							
Cash and cash equivalents	17,393	-	-	-	-	-	17,393
Margin accounts	-	-	-	-	-	25,324	25,324
Due from brokers - receivable for securities sold	-	-	-	-	-	1,074	1,074
Receivables	-	-	-	-	-	94	94
Financial assets held at fair value through profit or loss	<u>30,238</u>	<u>85,114</u>	<u>16,629</u>	<u>21,800</u>	<u>102,689</u>	<u>10,600</u>	<u>267,070</u>
<b>Total assets</b>	<u>47,631</u>	<u>85,114</u>	<u>16,629</u>	<u>21,800</u>	<u>102,689</u>	<u>37,092</u>	<u>310,955</u>
<b>Liabilities</b>							
Due to brokers - payable for securities purchased	-	-	-	-	-	6,917	6,917
Payables	-	-	-	-	-	221	221
Financial liabilities held at fair value through profit or loss	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,015</u>	<u>22,015</u>
<b>Total liabilities</b> (excluding net assets attributable to unit holders)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,153</u>	<u>29,153</u>
<b>Net exposure</b>	<u>47,631</u>	<u>85,114</u>	<u>16,629</u>	<u>21,800</u>	<u>102,689</u>	<u>7,939</u>	<u>281,802</u>

The table at Note 3(b) summarises the impact of an increase/decrease of interest rates on the Fund's operating profit and net assets attributable to unit holders through changes in fair value of changes in future cash flows. The analysis is based on the assumption that the interest rates changed by +/- 100 basis points from the year end rates with all other variables held constant

### 3 Financial risk management (continued)

#### (b) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit and net assets attributable to unit holders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimates, having regard to a number of factors, including historical levels of change in foreign exchange rates, interest rates and 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 performance 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 variations in the risk variables.

	<b>Impact on operating profit/net assets attributable to unit holders</b>					
	<b>Price risk</b>		<b>Interest rate risk</b>		<b>Foreign exchange risk</b>	
	<b>-10%</b>	<b>+10%</b>	<b>+100 bps</b>	<b>-100 bps</b>	<b>-10%</b>	<b>+10%</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>As at 30 June 2016</b>	<b>(24,506)</b>	<b>24,506</b>	<b>8,946</b>	<b>(8,946)</b>	<b>(25,565)</b>	<b>25,565</b>
As at 30 June 2015	-	-	-	-	-	-

#### (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.

##### (i) Debt securities

The Fund invests in debt securities which have an investment grade categorisation as rated by Standard and Poor's. For unrated assets a rating is assigned by the Investment Manager using an approach that is consistent with the approach used by rating agencies. All debt securities must have a minimum investment grade as outlined in the Fund's Product Disclosure Statement.

An analysis of debt by rating is set out in the table below.

	<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2016</b>	<b>2015</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>International debt securities rating</b>		
<b>Rating</b>		
AAA	11,174	-
AA	5,852	-
BBB+ to B-	17,703	-
Not rated	221,741	-
<b>Total</b>	<b>256,470</b>	<b>-</b>

##### (ii) Derivative financial instruments

The delegated Investment Manager has certain criteria for engaging counterparties for this purpose. Credit worthiness, operational effectiveness, compliance with the delegated Investment Manager's best execution policy, and the choice of the counterparty may be contingent upon certain counterparty risk mitigation criteria, including limits. The delegated Investment Manager will seek to minimise this risk by entering into transactions with counterparties which are, in their opinion, established and reputable. Additionally, the delegated Investment Manager will look to mitigate counterparty risk through the use of collateral for over-the-counter derivatives.

##### (iii) Cash and cash equivalents

The exposure to credit risk for cash and cash equivalents is low as all counterparties have a rating of A-1 (as determined by the Standard & Poor's) or higher.

### 3 Financial risk management (continued)

#### (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.

Liquidity risk is managed by maintaining a predominantly liquid portfolio through investing the majority of its assets in listed securities which are traded in an active market, 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 2016.

#### (i) Maturities of non-derivative financial liabilities

The table below 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 outflows, as holders of these instruments typically retain them for the medium to long term.

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
<b>As at 30 June 2016</b>					
Due to brokers - payable for securities purchased	6,917	-	-	-	6,917
Payables	221	-	-	-	221
Net assets attributable to unit holders - liability	<u>281,802</u>	-	-	-	<u>281,802</u>
<b>Contractual cash flows</b>	<u>288,940</u>	-	-	-	<u>288,940</u>
	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
<b>As at 30 June 2015</b>					
Due to brokers - payable for securities purchased	-	-	-	-	-
Payables	-	-	-	-	-
Net assets attributable to unit holders - liability	-	-	-	-	-
<b>Contractual cash flows</b>	-	-	-	-	-

### 3 Financial risk management (continued)

#### (d) Liquidity risk (continued)

##### (ii) Maturities of net settled derivative financial instruments

The table below analyses the Fund's net settled derivative financial instruments based on their contractual maturity. The Fund may, at its discretion, settle financial instruments prior to their original contractual settlement date, in accordance with its investment strategy, where permitted by the terms and conditions of the relevant instruments.

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
<b>At 30 June 2016</b>					
Net settled derivatives					
Forward foreign currency contracts	(10,675)	-	-	-	(10,675)
Swaps	19,311	19,025	18,869	276,704	333,909
Options	3	390	157	-	550
Futures	55	(322)	-	-	(267)
<b>Total net settled derivatives</b>	<b>8,694</b>	<b>19,093</b>	<b>19,026</b>	<b>276,704</b>	<b>323,517</b>
	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	Over 12 months \$'000	Total \$'000
<b>At 30 June 2015</b>					
Net settled derivatives					
Forward foreign currency contracts	-	-	-	-	-
Swaps	-	-	-	-	-
Options	-	-	-	-	-
Futures	-	-	-	-	-
<b>Total net settled derivatives</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 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 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 the accounting policies set out in Note 2 to the financial statements.

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

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed equity securities) are based on 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 price used for financial assets held by the Fund is the current bid price; the quoted market price for financial liabilities is the current asking price. When the Fund holds derivatives with offsetting market risks, it uses mid-market prices as a basis for establishing fair values for the offsetting risk positions and applies this bid or asking price to the net open position, as appropriate.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

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.

#### 4 Fair value measurement (continued)

##### (b) Fair value in an inactive or unquoted market (level 2)

The fair value of financial assets and liabilities that are not 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.

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 period 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 period. 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 period 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. The fair value of an option contract is determined by applying the Black Scholes option valuation model.

##### (c) Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2016.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>As at 30 June 2016</b>				
<b>Financial assets</b>				
Financial assets held for trading:				
Derivatives	931	9,669	-	10,600
Financial assets designated at fair value through profit or loss:				
Interest bearing securities	-	256,470	-	256,470
<b>Total financial assets</b>	<b>931</b>	<b>266,139</b>	<b>-</b>	<b>267,070</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading				
Derivatives	1,198	20,817	-	22,015
<b>Total financial liabilities</b>	<b>1,198</b>	<b>20,817</b>	<b>-</b>	<b>22,015</b>
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>As at 30 June 2015</b>				
<b>Financial assets</b>				
Financial assets held for trading:				
Derivatives	-	-	-	-
Financial assets designated at fair value through profit or loss:				
Interest bearing securities	-	-	-	-
<b>Total financial assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial liabilities</b>				
Financial liabilities held for trading				
Derivatives	-	-	-	-
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 4 Fair value measurement (continued)

##### (d) 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.

##### (e) Financial instruments not carried at fair value

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

Net assets attributable to unit holders' carrying value differ from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior reporting period.

#### 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 financial liabilities held at fair value through profit or loss:

	Year ended	
	30 June 2016 \$'000	30 June 2015 \$'000
<b>Financial assets</b>		
Net gain/(loss) on financial assets held for trading	2,427	-
Net gain/(loss) on financial assets designated at fair value through profit or loss	<u>(4,284)</u>	<u>-</u>
Net gains/(losses) on financial assets held at fair value through profit or loss	<u>(1,857)</u>	<u>-</u>
Net realised gain/(loss) on financial assets held at fair value through profit or loss	14,973	-
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	<u>(16,830)</u>	<u>-</u>
Net gains/(losses) on financial assets held at fair value through profit or loss	<u>(1,857)</u>	<u>-</u>
<b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<u>(1,857)</u>	<u>-</u>

#### 6 Financial assets held at fair value through profit or loss

		As at	
		30 June 2016 \$'000	30 June 2015 \$'000
<b>Held for trading</b>			
Derivatives	8	<u>10,600</u>	<u>-</u>
Total held for trading		<u>10,600</u>	<u>-</u>
<b>Designated at fair value through profit or loss</b>			
Interest bearing securities		<u>256,470</u>	<u>-</u>
Total designated at fair value through profit or loss		<u>256,470</u>	<u>-</u>
<b>Total financial assets held at fair value through profit or loss</b>		<u>267,070</u>	<u>-</u>

## 7 Financial liabilities held at fair value through profit or loss

		As at	
		30 June 2016 \$'000	30 June 2015 \$'000
<b>Held for trading</b>			
Derivatives	8	<u>22,015</u>	-
Total held for trading		<u>22,015</u>	-
<b>Total financial liabilities held at fair value through profit or loss</b>		<u>22,015</u>	-

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

## 8 Derivative financial instruments

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

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

Derivative transactions include a wide assortment of instruments, such as forwards, futures and options. 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.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Fund.

The Fund holds the following derivatives:

### (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 are 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) Options

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

### (c) Forward currency contracts

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

## 8 Derivative financial instruments (continued)

### (d) Swaps

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

A credit default swap is an agreement whereby one counterparty pays a regular fee, usually expressed as a percentage of the notional principle, to another counterparty in return for security against default by the underlying loan or asset.

The fair value of interest rate swaps is the estimated amount that the entity would receive or pay to terminate the swap at the balance sheet date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

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

As at 30 June 2016

	Contractual/notional \$'000	Fair value	
		Assets \$'000	Liabilities \$'000
Equity futures	(5,319)	-	47
Interest rate futures	(73,433)	931	1,150
Over the counter interest rate options	550	550	-
Interest rate swaps	(57,787)	662	1,272
Forward currency contracts	-	8,016	18,906
Swaptions	-	31	12
Credit default swaps	22,471	374	147
Bond forward	(8,500)	36	481
<b>Total</b>	<b>(122,018)</b>	<b>10,600</b>	<b>22,015</b>

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 and Note 4 to the financial statements. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of derivative financial instruments disclosed above.

## 9 Net assets attributable to unit holders

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

	Year ended		Year ended	
	30 June 2016 Units '000	30 June 2016 \$'000	30 June 2015 Units '000	30 June 2015 \$'000
Opening balance	-	-	-	-
Applications	282,776	280,687	-	-
Redemptions	-	-	-	-
Units issued upon reinvestment of distributions	14,891	14,168	-	-
Increase/(decrease) in net assets attributable to unit holders	-	(13,053)	-	-
<b>Closing balance</b>	<b>297,667</b>	<b>281,802</b>	<b>-</b>	<b>-</b>

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 for the 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.

## 9 Net assets attributable to unit holders (continued)

### 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 Investment Manager. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unit holders.

## 10 Distributions to unit holders

The distributions declared for the year were as follows:

	Year ended			
	30 June 2016		30 June 2015	
	\$'000	CPU	\$'000	CPU
<b>Distributions - Class A</b>				
30 September	1,175	1.24	-	-
30 June	<u>12,993</u>	<u>4.58</u>	<u>-</u>	<u>-</u>
<b>Total distributions</b>	<u>14,168</u>	<u>5.82</u>	<u>-</u>	<u>-</u>

## 11 Cash and cash equivalents

	As at	
	30 June 2016 \$'000	30 June 2015 \$'000
Cash at bank	<u>17,393</u>	<u>-</u>
<b>Total cash and cash equivalents</b>	<u>17,393</u>	<u>-</u>

These accounts are earning interest at a floating interest rate between 0.00% and 1.50% as at 30 June 2016 (2015: nil).

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

	Year ended	
	30 June 2016 \$'000	30 June 2015 \$'000
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unit holders	(13,053)	-
Distributions to unit holders	14,168	-
Proceeds from sale of financial instruments held at fair value through profit or loss	885,900	-
Purchase of financial instruments held at fair value through profit or loss	(1,126,969)	-
Net (gains)/losses on financial instruments held at fair value through profit or loss	1,857	-
Net foreign exchange (gain)/loss	(1,073)	-
Net change in deposits held with brokers	(25,324)	-
Net change in receivables	(94)	-
Net change in payables	221	-
<b>Net cash inflow/(outflow) from operating activities</b>	<u>(264,367)</u>	<u>-</u>

## 12 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities (continued)

### (b) Non-cash operating and financing activities

During the year, the following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan

	<b>14,168</b>	-
<b>Total non-cash operating and financing activities</b>	<b>14,168</b>	-

As described in Note 2(j), income not distributed is included in net assets attributable to unit holders. 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.

## 13 Receivables

	As at	
	30 June 2016 \$'000	30 June 2015 \$'000
Interest receivable	10	-
GST receivable	84	-
<b>Total receivables</b>	<b>94</b>	-

## 14 Payables

	As at	
	30 June 2016 \$'000	30 June 2015 \$'000
Responsible Entity fees payable	22	-
Investment Manager fees payable	105	-
Custody and administration fees payable	94	-
<b>Total payables</b>	<b>221</b>	-

## 15 Remuneration of auditor

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

	Year ended	
	30 June 2016 \$	30 June 2015 \$
<b>PricewaterhouseCoopers (Australian firm)</b>		
<i>Audit services</i>		
Audit and review of financial statements	19,000	1,750
Audit of compliance plan	3,638	3,584
Total remuneration for audit services	<b>22,638</b>	<b>5,334</b>
<i>Taxation services</i>		
Tax compliance services	11,246	-
Total remuneration for taxation services	<b>11,246</b>	-
<b>Total remuneration of PricewaterhouseCoopers (Australian firm)</b>	<b>33,884</b>	<b>5,334</b>

The auditor's remuneration is borne by the Investment Manager, BNP Paribas Investment Partners (Australia) Limited. Fees are stated net of GST.

## 16 Related party transactions

### Responsible Entity

The Responsible Entity of FFTW Absolute Return Fixed Income Trust is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to the Responsible Entity are disclosed below.

The Responsible Entity has contracted services to BNP Paribas Investment Partners (Australia) Limited, to act as Investment Manager and BNP Paribas Fund Services Australasia Pty Limited 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 includes persons who were directors of Equity Trustees Limited at any time during or since the end of the financial year and up to the date of this report:

J A (Tony) Killen OAM	Chairman (resigned 28 June 2016)
David F Groves	Deputy Chairman (retired 14 December 2015)
Robin B O Burns	Managing Director (resigned 3 May 2016)
Michael J O'Brien	(resigned 28 June 2016)
Alice J M Williams	(resigned 28 June 2016)
The Hon Jeffrey G Kennett AC	(resigned 28 June 2016)
Anne M O'Donnell	(resigned 28 June 2016)
Kevin J Eley	(resigned 28 June 2016)
Philip D Gentry	Chairman (appointed 29 June 2016)
Harvey H Kalman	(appointed 29 June 2016)
Geoffory R Rimmer	(appointed 29 June 2016)
Martin G Walsh	(appointed 29 June 2016)

#### (ii) Other key management personnel

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

### (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 2016 (30 June 2015: nil).

### (d) Key management personnel compensation

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

### (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 year and there were no material contracts involving key management personnel's interests existing at year end.

## 16 Related party transactions (continued)

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

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

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

	Year ended	
	30 June 2016	30 June 2015
	\$	\$
Investment management fees for the year	775,741	-
Responsible Entity fees for the year	87,593	-
Total amounts payable to the Investment Manager at year end	104,778	-
Total amounts payable to the Responsible Entity at year end	21,543	-

The investment management and the Responsible Entity fees are paid directly by the Fund.

### (h) Related party unit holdings

Parties related to the Fund (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) held no units in the Fund as at 30 June 2016 (30 June 2015: nil).

### (i) Investments

The Fund did not hold any investments in Equity Trustees Limited or its related parties during the year (2015: nil).

## 17 Events occurring after the reporting period

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 30 June 2016 or on the results and cash flows of the Fund for the year ended on that date.

## 18 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2016 and 30 June 2015.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The financial statements and notes set out on pages 6 to 28 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 2016 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.
- (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 Equity Trustees Limited.



Philip D Gentry  
Chairman

Melbourne  
23 September 2016



## **Independent auditor's report to the members of FFTW Absolute Return Fixed Income Trust**

### ***Report on the financial report***

We have audited the accompanying financial report of FFTW Absolute Return Fixed Income Trust (the Fund), which comprises the statement of financial position as at 30 June 2016, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### ***Directors' responsibility for the financial report***

The directors of Equity Trustees Limited (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 is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

### ***Auditor's responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

### ***Independence***

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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**PricewaterhouseCoopers, ABN 52 780 433 757**

Freshwater Place, 2 Southbank Boulevard, SOUTHBANK VIC 3006, GPO Box 1331, MELBOURNE VIC 3001  
T: 61 3 8603 1000, F: 61 3 8603 1999, [www.pwc.com.au](http://www.pwc.com.au)

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*Auditor's opinion*

In our opinion:

- (a) the financial report of FFTW Absolute Return Fixed Income Trust is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Fund's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.
- (b) the Fund's financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in blue ink, appearing to be 'George Sagonas'.

George Sagonas  
Partner

Melbourne  
23 September 2016