

# **Pzena Funds**

## **Annual report**

### **For the year ended 30 June 2018**

These financial reports cover the following Pzena Funds:

**Pzena Emerging Markets Value Fund**

ARSN 613 119 681

**Pzena Global Expanded Value Fund**

ARSN 613 118 522

# **Pzena Funds Annual report For the year ended 30 June 2018**

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Independent auditor's report to the unit holders of Pzena Funds

This annual report covers the following Funds as individual entities:

Pzena Emerging Markets Value Fund  
Pzena Global Expanded Value Fund

The Responsible Entity of the Pzena Funds 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 the Pzena Funds (the "Funds"), present their report together with the financial statements of the Funds for the year ended 30 June 2018.

### Pzena Emerging Markets Value Fund

### Pzena Global Expanded Value Fund

The Funds are collectively known as "Pzena Funds".

#### Principal activities

The principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the Funds' current Product Disclosure Statements and their Constitutions.

The Funds did not have any employees during the year.

The Pzena Global Expanded Value Fund has remained dormant since it was constituted on 10 June 2016.

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

The various service providers for the Funds are detailed below:

| Service                     | Providers                        |
|-----------------------------|----------------------------------|
| 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 reporting period and up to the date of this report:

|                   |                          |
|-------------------|--------------------------|
| Philip D Gentry   | Chairman                 |
| Harvey H Kalman   |                          |
| Ian C Westley     |                          |
| Michael J O'Brien | (appointed 11 July 2018) |

#### Review and results of operations

During the year, the Funds continued to invest funds in accordance with their Product Disclosure Statement and the provisions of the Funds' Constitutions.

The Funds' performance and the Funds' benchmark returns for the year ended 30 June 2018 were as follows:

| Fund name                         | Benchmark                    | Net return (net of fees) | Benchmark return |
|-----------------------------------|------------------------------|--------------------------|------------------|
| Pzena Emerging Markets Value Fund | MSCI Emerging Market Index   | 6.17%                    | 12.33%           |
| Pzena Global Expanded Value Fund  | MSCI All Country World Index | -                        | -                |

## Directors' report (continued)

The performance of the Funds, as represented by the results of its operations, were as follows:

|   | Pzena Emerging Markets Value Fund |  | Pzena Global Expanded Value Fund |  |
|---|-----------------------------------|--|----------------------------------|--|
|   | Year ended<br>30 June<br>2018     | For the period<br>29 June 2016<br>to 30 June<br>2017 | Year ended<br>30 June<br>2018    | For the period<br>29 June 2016<br>to 30 June<br>2017 |
| Operating profit/(loss) for the year (\$'000) | <b>6,403</b>                      | 13,602   | -                                | -  |
| Distributions paid and payable (\$'000)       | <b>7,627</b>                      | 2,526  | -                                | -  |
| Distributions (cents per unit)                | <b>8.43</b>                       | 3.01   | -                                | -  |

### Significant changes in the state of affairs

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

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

Michael J O'Brien was appointed as a director of Equity Trustees Limited on 11 July 2018.

No other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may have a significant effect on:

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

### Likely developments and expected results of operations

The Funds 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 Funds' Constitutions.

The results of the Funds' operations will be affected by a number of factors, including the performance of investment markets in which the Funds invest. 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 Funds 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 Funds' Constitutions and the Law, the officers remain indemnified out of the assets of the Funds against losses incurred while acting on behalf of the Funds.

### Indemnification of auditor

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

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

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

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

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

### Interests in the Funds

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

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

## Directors' report (continued)

### Environmental regulation

The operations of the Funds are not subject to any particular or significant environmental regulations under 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.

### Financial statements presentation

The Funds are entities of the kind referred to in *ASIC Corporations (Related Scheme Reports) Instrument 2015/839* and in accordance with that Instrument, Funds with a common Responsible Entity (or related Responsible Entities) can include their financial reports in adjacent columns in a single set of financial reports.

### 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 4.

This report is made in accordance with a resolution of the directors of Equity Trustees Limited through a delegated authority given by the Equity Trustees Limited's Board.



Philip D Gentry  
Chairman

Melbourne

26 September 2018



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

To the Directors of Equity Trustees Limited, as Responsible Entity for the Schemes:

- Pzena Emerging Markets Focused Value Fund
- Pzena Global Expanded Value Fund

I declare that, to the best of my knowledge and belief, in relation to the audit of the Schemes for the financial year ended 30 June 2018 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.

A handwritten signature in blue ink, appearing to read 'AR', with a horizontal line extending to the right.

KPMG

Andrew Reeves  
Partner

Sydney  
26 September 2018

## Statements of comprehensive income

|   | Note | Pzena Emerging Markets Value Fund       |  | Pzena Global Expanded Value Fund        |  |
|---|------|---|--|---|--|
|   |      | Year ended<br>30 June<br>2018<br>\$'000 | For the period<br>29 June 2016<br>to 30 June<br>2017<br>\$'000 | Year ended<br>30 June<br>2018<br>\$'000 | For the period<br>29 June 2016<br>to 30 June<br>2017<br>\$'000 |
| <b>Investment income</b>  |      |   |  |   |  |
| Interest income   |      | -                                       | -  | -                                       | -  |
| Dividend income   |      | 3,096                                   | 1,612  | -                                       | -  |
| Net foreign exchange gain/(loss)  |      | (39)                                    | -  | -                                       | -  |
| Net gains/(losses) on financial instruments held at fair value through profit or loss | 5    | 4,443                                   | 12,746   | -                                       | -  |
| <b>Total investment income/ (loss)</b>  |      | <b>7,500</b>                            | <b>14,358</b>  | <b>-</b>                                | <b>-</b>   |
| <b>Expenses</b>   |      |   |  |   |  |
| Management fees   | 14   | 851                                     | 425  | -                                       | -  |
| Custody and administration fees   |      | 109                                     | 75   | -                                       | -  |
| Transaction costs   |      | 68                                      | 213  | -                                       | -  |
| Other expenses  |      | 69                                      | 43   | -                                       | -  |
| <b>Total expenses</b>   |      | <b>1,097</b>                            | <b>756</b>   | <b>-</b>                                | <b>-</b>   |
| <b>Operating profit/(loss) for the year</b>   |      | <b>6,403</b>                            | <b>13,602</b>  | <b>-</b>                                | <b>-</b>   |
| <b>Finance costs attributable to unit holders</b>                                     |      |   |  |   |  |
| Distributions to unit holders   | 8    | (7,627)                                 | (2,526)  | -                                       | -  |
| (Increase)/decrease in net assets attributable to unit holders                        | 7    | 1,224                                   | (11,076)   | -                                       | -  |
| <b>Profit/(loss) for the year</b>   |      | <b>-</b>                                | <b>-</b>   | <b>-</b>                                | <b>-</b>   |
| Other comprehensive income  |      | -                                       | -  | -                                       | -  |
| <b>Total comprehensive income for the year</b>  |      | <b>-</b>                                | <b>-</b>   | <b>-</b>                                | <b>-</b>   |

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

## Statements of financial position

|  | Note | Pzena Emerging Markets Value Fund |                 | Pzena Global Expanded Value Fund |                 |
|--|------|-----------------------------------|-----------------|----------------------------------|-----------------|
|  |      | As at                             |                 | As at                            |                 |
|  |      | 30 June<br>2018                   | 30 June<br>2017 | 30 June<br>2018                  | 30 June<br>2017 |
|  |      | \$'000                            | \$'000          | \$'000                           | \$'000          |
| <b>Assets</b>  |      |                                   |                 |                                  |                 |
| Cash and cash equivalents  | 9    | 3,167                             | 3,001           | -                                | -               |
| Receivables  | 11   | 766                               | 676             | -                                | -               |
| Due from brokers – receivable for securities sold                            |      | -                                 | 46              | -                                | -               |
| Financial assets held at fair value through profit or loss                   | 6    | 107,738                           | 96,217          | -                                | -               |
| <b>Total assets</b>  |      | <b>111,671</b>                    | <b>99,940</b>   | <b>-</b>                         | <b>-</b>        |
| <b>Liabilities</b>   |      |                                   |                 |                                  |                 |
| Distributions payable  | 8    | 7,627                             | 2,526           | -                                | -               |
| Payables   | 12   | 284                               | 256             | -                                | -               |
| Due to brokers – payable for securities purchased                            |      | 118                               | 29              | -                                | -               |
| <b>Total liabilities (excluding net assets attributable to unit holders)</b> |      | <b>8,029</b>                      | <b>2,811</b>    | <b>-</b>                         | <b>-</b>        |
| <b>Net assets attributable to unit holders - liability</b>                   | 7    | <b>103,642</b>                    | <b>97,129</b>   | <b>-</b>                         | <b>-</b>        |

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



**Statements of changes in equity**

|  | Pzena Emerging Markets Value Fund       |  | Pzena Global Expanded Value Fund        |  |
|--|---|--|---|--|
|  | Year ended<br>30 June<br>2018<br>\$'000 | For the period<br>29 June 2016<br>to 30 June<br>2017<br>\$'000 | Year ended<br>30 June<br>2018<br>\$'000 | For the period<br>29 June 2016<br>to 30 June<br>2017<br>\$'000 |
| <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 statements of changes in equity should be read in conjunction with the accompanying notes.*

## Statements of cash flows

|   | Note  | Pzena Emerging Markets Value Fund       |  | Pzena Global Expanded Value Fund        |  |
|---|-------|---|--|---|--|
|   |       | Year ended<br>30 June<br>2018<br>\$'000 | For the period<br>29 June 2016<br>to 30 June<br>2017<br>\$'000 | Year ended<br>30 June<br>2018<br>\$'000 | For the period<br>29 June 2016<br>to 30 June<br>2017<br>\$'000 |
| <b>Cash flows from operating activities</b>   |       |   |  |   |  |
| Proceeds from sale of financial instruments held at fair value through profit or loss |       | 14,782                                  | 8,586  | -                                       | -  |
| Purchase of financial instruments held at fair value through profit or loss           |       | (21,725)                                | (92,074)   | -                                       | -  |
| Net foreign gain/(loss)   |       | (41)                                    | 9  | -                                       | -  |
| Dividends received  |       | 2,996                                   | 949  | -                                       | -  |
| Management fees paid  |       | (582)                                   | (200)  | -                                       | -  |
| Custody and administration fees paid  |       | (143)                                   | (20)   | -                                       | -  |
| Transaction costs paid  |       | (68)                                    | (213)  | -                                       | -  |
| Other expenses paid   |       | (55)                                    | (27)   | -                                       | -  |
| <b>Net cash inflow/(outflow) from operating activities</b>                            | 10(a) | <b>(4,836)</b>                          | <b>(82,990)</b>  | <b>-</b>                                | <b>-</b>   |
| <b>Cash flows from financing activities</b>   |       |   |  |   |  |
| Proceeds from applications by unit holders  |       | 5,000                                   | 86,000   | -                                       | -  |
| Payments for redemptions by unitholders   |       | -                                       | -  | -                                       | -  |
| Distributions paid to unit holders  |       | -                                       | -  | -                                       | -  |
| <b>Net cash inflow/(outflow) from financing activities</b>                            |       | <b>5,000</b>                            | <b>86,000</b>  | <b>-</b>                                | <b>-</b>   |
| <b>Net increase/(decrease) in cash and cash equivalents</b>                           |       | <b>164</b>                              | <b>3,010</b>   | <b>-</b>                                | <b>-</b>   |
| Cash and cash equivalents at the beginning of the year                                |       | 3,001                                   | -  | -                                       | -  |
| Effects of foreign currency exchange rate changes on cash and cash equivalents        |       | 2                                       | (9)  | -                                       | -  |
| <b>Cash and cash equivalents at the end of the year</b>                               | 9     | <b>3,167</b>                            | <b>3,001</b>   | <b>-</b>                                | <b>-</b>   |
| Non-cash operating and financing activities   | 10(b) | 2,737                                   | 53   | -                                       | -  |

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

## Notes to the financial statements

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## 1 General information

These financial statements cover the below Funds, (the "Funds") as individual entities. The Funds are Australian registered managed investment schemes which were constituted on the dates in the below table and will terminate in accordance with the provisions of the Funds' Constitutions or by Law.

|                                   |              |
|-----------------------------------|--------------|
| Pzena Emerging Markets Value Fund | 10 June 2016 |
| Pzena Global Expanded Value Fund  | 10 June 2016 |

The Responsible Entity of the Funds 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 principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the Funds' current Product Disclosure Statements and their Constitutions.

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

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 Funds are for-profit entities 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 statements of financial position are 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 Funds manage 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 the 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 Funds also comply with IFRS as issued by the International Accounting Standards Board (IASB).

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

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2017 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

#### (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 2018 reporting period and have not been early adopted by the Funds. The directors' assessment of the impact of these new standards (to the extent relevant to the Funds) and interpretations are set out below:

## 2 Summary of significant accounting policies (continued)

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

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

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

AASB 9 addresses the recognition, 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 Funds' 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 Funds do not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Funds' investments are all held at fair value through profit or loss, the change in impairment rules will not materially impact the Funds.

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

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

### (b) Financial instruments

#### (i) *Classification*

The Funds' 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 Funds 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 Funds' documented investment strategy as outlined in the Product Disclosure Statement. The Funds' policy is for the Investment Manager to evaluate information about these financial instruments on a fair value basis together with other related financial information.

#### (ii) *Recognition and derecognition*

The Funds recognise financial assets and financial liabilities on the date they become party to the contractual agreement (trade date) and recognise 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 Funds have 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 Funds measure a financial asset at its fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statements of comprehensive income.

## **2 Summary of significant accounting policies (continued)**

### **(b) Financial instruments (continued)**

#### *(iii) Measurement (continued)*

Subsequent to initial recognition, all financial assets and liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of 'financial assets or liabilities at fair value through profit or loss' category are presented in the statements 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 statements of financial position when the Funds have 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 statements 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 Funds are required to distribute their distributable income in accordance with the Funds' Constitutions.

The units can be put back to the Funds 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 Funds.

### **(d) Cash and cash equivalents**

For the purpose of presentation in the statements 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 Funds' main income generating activity.

### **(e) Investment income**

#### *(i) Interest income*

Interest income on cash and cash equivalents is recognised in the statements of comprehensive income on an accruals basis. Other changes in fair value of such 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. The Funds currently incur withholding tax imposed by certain countries on investment income. Such income is recorded net of withholding tax in the statements of comprehensive income. Trust distributions are recognised on an entitlement basis.

### **(f) Expenses**

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

### **(g) Income tax**

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

## **2 Summary of significant accounting policies (continued)**

### **(h) Distributions**

The Funds distribute their distributable income, in accordance with the Funds' Constitutions, 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. Where the Funds' units are classified as financial liabilities, movements in net assets attributable to unit holders are recognised in the statements of comprehensive income as finance costs.

### **(j) Foreign currency translation**

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

Balances included in the Funds' financial statements are measured using the currency of the primary economic environment in which they operate (the "functional currency"). This is the Australian dollar which reflects the currency of the economy in which the Funds compete for funds and are regulated. The Australian dollar is also the Funds' 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 statements of comprehensive income.

The Funds do not isolate that portion of unrealised gains or losses on 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 within the net gains/(losses) on financial instruments at fair value through profit or loss.

### **(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 year 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 Funds 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, trust distributions and interest. Dividends and trust distributions are accrued when 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 statements of comprehensive income within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the statements of comprehensive income.

### **(m) Payables**

Payables include liabilities, accrued expenses owed by the Funds and any distributions declared which are unpaid as at the end of the reporting period.

As the Funds have a contractual obligation to distribute their distributable income, a separate distribution payable is recognised in the statements 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 1 July of the following financial year.

### **(n) Applications and redemptions**

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

## **2 Summary of significant accounting policies (continued)**

### **(o) Goods and services tax (GST)**

The GST incurred on the costs of various services provided to the Funds by third parties such as management, administration and custodian services where applicable, have been passed on to the Funds. The Funds qualify 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 statements 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 statements of financial position. Cash flows relating to GST are included in the statements of cash flows on a gross basis.

### **(p) Use of estimates**

The Funds make 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 Funds' 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 counter party), 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.

### **(q) Rounding of amounts**

The Funds are entities 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.

### **(r) Comparative revisions**

Comparative information has been revised where 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 Funds' activities expose them 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 Funds' overall risk management programme focuses on ensuring compliance with the Funds' Product Disclosure Statements and the investment guidelines of the Funds. It also seeks to maximise the returns derived for the level of risk to which the Funds are exposed and seeks to minimise potential effects on the Funds' financial performance. The Funds' policy allows them to use derivative financial instruments in managing their 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 forward currency contracts is limited to the notional contract values of those positions.

The investments of the Funds, 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 Funds, consistent with those stated in the Product Disclosure Statements.

The Pzena Global Expanded Value Fund has not held any financial instruments since its inception on 10 June 2016. As a result, the Fund does not have any exposure to market risk (which incorporates price risk, foreign exchange risk and interest rate risk), credit risk and liquidity risk and will not appear in tables in Note 3.

The Funds use different methods to measure different types of risk to which they are exposed. These methods are explained below.



### 3 Financial risk management (continued)

#### (a) Market risk

##### (i) Price risk

The Funds are exposed to price risk on equity securities listed or quoted on recognised securities exchanges and derivatives. Price risk arises from investments held by the Funds 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 indexes to which the Funds are benchmarked for performance purposes. Risk management is employed both to avoid excessive risk and to ensure the Funds are taking sufficient risk to enable them to meet their investment objectives.

The table at Note 3(b) summarises the sensitivities of the Funds' assets and liabilities to price risk. The analysis is based on the assumption that the markets in which the Funds invest move by +/- 10% (2017: +/- 10%).

##### (ii) Foreign exchange risk

The Funds operate internationally and hold 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.

#### Pzena Emerging Markets Value Fund

|  | US<br>Dollars<br>A\$'000 | Hong Kong<br>Dollars<br>A\$'000 | Korean<br>Won<br>A\$'000 | All other<br>foreign<br>currencies<br>A\$'000 |
|--|--------------------------|---------------------------------|--------------------------|---|
| <b>As at 30 June 2018</b>                                  |                          |                                 |                          |   |
| Cash and cash equivalents                                  | -                        | -                               | -                        | 620   |
| Dividends receivable                                       | 189                      | 318                             | 72                       | 183   |
| Due from brokers – receivable for securities sold          | -                        | -                               | -                        | -   |
| Financial assets held at fair value through profit or loss | 24,963                   | 20,231                          | 22,539                   | 40,123  |
| Due to brokers - payable for securities purchased          | -                        | (118)                           | -                        | -   |
| <b>Net exposure</b>  | <b>25,152</b>            | <b>20,431</b>                   | <b>22,611</b>            | <b>40,926</b>                                 |
| <br>   |                          |                                 |                          |   |
| <b>As at 30 June 2017</b>                                  |                          |                                 |                          |   |
| 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)  |
| <b>Net exposure</b>  | <b>20,445</b>            | <b>19,169</b>                   | <b>21,052</b>            | <b>36,723</b>                                 |

The table at Note 3(b) summarises the sensitivities of the Funds' monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the Australian dollar weakened and strengthened by 10% (2017: 10%) against the material foreign currencies to which the Funds are 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 Funds to interest rate risk.

### 3 Financial risk management (continued)

#### (b) Summarised sensitivity analysis

The following tables summarise the sensitivity of the Funds' 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 Funds' 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 Funds invest. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

| Pzena Emerging Markets Value Fund | Impact on operating profit/net assets attributable to unit holders |        |                       |        |
|-----------------------------------|--|--------|-----------------------|--------|
|                                   | Price risk   |        | Foreign exchange risk |        |
|                                   | -10%   | +10%   | -10%                  | +10%   |
|                                   | \$'000   | \$'000 | \$'000                | \$'000 |
| As at 30 June 2018                | (10,774)   | 10,774 | 126                   | (126)  |
| As at 30 June 2017                | (9,622)  | 9,622  | 113                   | (113)  |

The sensitivity factors for 30 June 2018 were +/-10% for price risk and +/-10% for foreign exchange risk (2017: +/-10% and +/-10%).

#### (c) Credit risk

The Funds are 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 Funds.

The Funds do 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 Funds are exposed, arises from cash and cash equivalents and amounts due from brokers balances. None of these assets are impaired nor past their due date as at the end of the reporting period. 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 Funds may not be able to generate sufficient cash resources to settle their obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Exposure to liquidity risk for the Funds 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 Funds' 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 Funds did not reject or withhold any redemptions during the financial period.

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

The tables below analyse the Funds' 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.

### 3 Financial risk management (continued)

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

(i) *Maturities of non-derivative financial liabilities (continued)*

#### Pzena Emerging Markets Value Fund

| As at 30 June 2018                                    | Less than 1<br>month<br>\$'000 | 1 to 6<br>months<br>\$'000 | 6 to 12<br>months<br>\$'000 | Over 12<br>months<br>\$'000 | Total<br>\$'000 |
|---|--------------------------------|----------------------------|-----------------------------|-----------------------------|-----------------|
| Distributions payable                                 | 7,627                          | -                          | -                           | -                           | 7,627           |
| Payables  | -                              | 284                        | -                           | -                           | 284             |
| Due to brokers - payable for securities purchased     | 118                            | -                          | -                           | -                           | 118             |
| Net assets attributable to unit holders               | <u>103,642</u>                 | <u>-</u>                   | <u>-</u>                    | <u>-</u>                    | <u>103,642</u>  |
| <b>Contractual cash flows (excluding derivatives)</b> | <u>111,387</u>                 | <u>284</u>                 | <u>-</u>                    | <u>-</u>                    | <u>111,671</u>  |

  

| As at 30 June 2017                                | Less than 1<br>month<br>\$ | 1 to 6<br>months<br>\$ | 6 to 12<br>months<br>\$ | Over 12<br>months<br>\$ | Total<br>\$   |
|---|----------------------------|------------------------|-------------------------|-------------------------|---------------|
| Distributions 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 Funds measure and recognise financial assets and liabilities held at fair value through profit or loss on a recurring basis.

The Funds have 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 Funds value their investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of their investments, the Funds rely on information provided by independent pricing services for the valuation of their investments.

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

The fair value of financial assets and liabilities traded in active markets 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 Funds is the current bid price; the quoted market price for financial liabilities is the current asking price.

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) Recognised fair value measurements

The table below presents the Funds' financial assets and liabilities measured and recognised at fair value as at 30 June 2018.

##### Pzena Emerging Markets Value Fund

| As at 30 June 2018  | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| <b>Financial assets</b>   |                   |                   |                   |                 |
| Financial assets designated at fair value through profit or loss: |                   |                   |                   |                 |
| Listed equity securities  | <u>107,738</u>    | -                 | -                 | <u>107,738</u>  |
| <b>Total financial assets</b>                                     | <u>107,738</u>    | -                 | -                 | <u>107,738</u>  |

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

The Pzena Global Expanded Value Fund remains dormant since it was constituted and does not hold any financial instruments.

##### (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.

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 year.

## 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:

|  | Pzena Emerging Markets Value Fund       |  | Pzena Global Expanded Value Fund        |  |
|--|---|--|---|--|
|  | Year ended<br>30 June<br>2018<br>\$'000 | For the period<br>29 June 2016<br>to 30 June<br>2017<br>\$'000 | Year ended<br>30 June<br>2018<br>\$'000 | For the period<br>29 June 2016<br>to 30 June<br>2017<br>\$'000 |
| <b>Financial assets</b>  |   |  |   |  |
| Net gain/(loss) on financial assets designated as at fair value through profit or loss             | 4,443                                   | 12,746   | -                                       | -  |
| Net gains/(losses) on financial assets held at fair value through profit or loss                   | 4,443                                   | 12,746   | -                                       | -  |
| Net realised gain/(loss) on financial assets held at fair value through profit or loss             | 2,803                                   | 2,020  | -                                       | -  |
| Net unrealised gain/(loss) on financial assets held at fair value through profit or loss           | 1,640                                   | 10,726   | -                                       | -  |
| Net gains/(losses) on financial assets held at fair value through profit or loss                   | 4,443                                   | 12,746   | -                                       | -  |
| <b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b> | <b>4,443</b>                            | <b>12,746</b>  | <b>-</b>                                | <b>-</b>   |

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

|   | Pzena Emerging Markets Value Fund |                           | Pzena Global Expanded Value Fund |                           |
|---|-----------------------------------|---------------------------|----------------------------------|---------------------------|
|   | As at                             |                           | As at                            |                           |
|   | 30 June<br>2018<br>\$'000         | 30 June<br>2017<br>\$'000 | 30 June<br>2018<br>\$'000        | 30 June<br>2017<br>\$'000 |
| <b>Designated at fair value through profit or loss</b>                  |                                   |                           |                                  |                           |
| Listed equity securities  | 107,738                           | 96,217                    | -                                | -                         |
| Total designated at fair value through profit or loss                   | 107,738                           | 96,217                    | -                                | -                         |
| <b>Total financial assets held at fair value through profit or loss</b> | <b>107,738</b>                    | <b>96,217</b>             | <b>-</b>                         | <b>-</b>                  |

## 7 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<br>30 June<br>2018 | Year ended<br>30 June<br>2018 | For the period<br>29 June 2016<br>to 30 June<br>2017 | For the period<br>29 June 2016<br>to 30 June<br>2017 |
|--|-------------------------------|-------------------------------|--|--|
|  | Units<br>'000                 | \$'000                        | Units<br>'000  | \$'000   |
| <b>Pzena Emerging Markets Value Fund</b>                       |                               |                               |  |  |
| <b>Opening balance</b>   | 83,897                        | 97,129                        | -  | -  |
| Applications   | 4,438                         | 5,211                         | 83,897   | 97,129   |
| Redemptions  | -                             | -                             | -  | -  |
| Reinvestment of distributions                                  | 2,182                         | 2,526                         | -  | -  |
| Increase/(decrease) in net assets attributable to unit holders | -                             | (1,224)                       | -  | -  |
| <b>Closing balance</b>   | <b>90,517</b>                 | <b>103,642</b>                | <b>83,897</b>  | <b>97,129</b>  |

|  | Year ended<br>30 June<br>2018 | Year ended<br>30 June<br>2018 | For the period<br>29 June 2016<br>to 30 June<br>2017 | For the period<br>29 June 2016<br>to 30 June<br>2017 |
|--|-------------------------------|-------------------------------|--|--|
|  | Units<br>'000                 | \$'000                        | Units<br>'000  | \$'000   |
| <b>Pzena Global Expanded Value Fund</b>                        |                               |                               |  |  |
| <b>Opening balance</b>   | -                             | -                             | -  | -  |
| Applications   | -                             | -                             | -  | -  |
| Redemptions  | -                             | -                             | -  | -  |
| Reinvestment of distributions                                  | -                             | -                             | -  | -  |
| Increase/(decrease) in net assets attributable to unit holders | -                             | -                             | -  | -  |
| <b>Closing balance</b>   | <b>-</b>                      | <b>-</b>                      | <b>-</b>   | <b>-</b>   |

As stipulated within the Funds' Constitutions, each unit represents a right to an individual share in the Funds and does not extend to a right in the underlying assets of the Funds.

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

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.

### Capital risk management

The Funds consider their 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 Funds are subject to daily applications and redemptions at the discretion of unit holders.

Daily applications and redemptions are reviewed relative to the liquidity of the Funds' underlying assets on a daily basis by the Responsible Entity. Under the terms of the Funds' 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 during the year were as follows:

|                            | <b>Pzena Emerging Markets Value Fund</b> |                   |                |                |
|----------------------------|--|-------------------|----------------|----------------|
|                            | <b>Year ended</b>                        | <b>Year ended</b> | For the period | For the period |
|                            | <b>30 June</b>                           | <b>30 June</b>    | 29 June 2016   | 29 June 2016   |
|                            | <b>2018</b>                              | <b>2018</b>       | to 30 June     | to 30 June     |
|                            | \$'000                                   | CPU               | 2017           | 2017           |
|                            |  |                   | \$'000         | CPU            |
| <b>Distributions</b>       |  |                   |                |                |
| June (payable)             | <u>7,627</u>                             | <u>8.43</u>       | <u>2,526</u>   | <u>3.01</u>    |
| <b>Total distributions</b> | <u>7,627</u>                             | <u>8.43</u>       | <u>2,526</u>   | <u>3.01</u>    |

There were no distributions declared for the year ended 30 June 2018 (2017: Nil) for Pzena Global Expanded Value Fund.

## 9 Cash and cash equivalents

|  | <b>Pzena Emerging Markets Value Fund</b> |              | <b>Pzena Global Expanded Value Fund</b> |         |
|--|--|--------------|---|---------|
|  | <b>As at</b>                             |              | <b>As at</b>                            |         |
|  | <b>30 June</b>                           | 30 June      | <b>30 June</b>                          | 30 June |
|  | <b>2018</b>                              | 2017         | <b>2018</b>                             | 2017    |
|  | \$'000                                   | \$'000       | \$'000                                  | \$'000  |
| Cash at bank                           | <u>3,167</u>                             | <u>3,001</u> | -                                       | -       |
| <b>Total cash and cash equivalents</b> | <u>3,167</u>                             | <u>3,001</u> | -                                       | -       |

These accounts are earning a floating interest rate of between 0.00% and 0.016% as at 30 June 2018 (2017: 0.00% and 0.30%)

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

|   | Pzena Emerging Markets Value Fund       |  | Pzena Global Expanded Value Fund        |  |
|---|---|--|---|--|
|   | Year ended<br>30 June<br>2018<br>\$'000 | For the period<br>29 June 2016<br>to 30 June<br>2017<br>\$'000 | Year ended<br>30 June<br>2018<br>\$'000 | For the period<br>29 June 2016<br>to 30 June<br>2017<br>\$'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  | (1,224)                                 | 11,076   | -                                       | -  |
| Distributions to unit holders   | 7,627                                   | 2,526  | -                                       | -  |
| Proceeds from sale of financial instruments held at fair value through profit or loss   | 14,782                                  | 8,586  | -                                       | -  |
| Purchase of financial instruments held at fair value through profit or loss   | (21,725)                                | (92,074)   | -                                       | -  |
| Net (gains)/losses on financial instruments held at fair value through profit or loss   | (4,443)                                 | (12,746)   | -                                       | -  |
| Net foreign exchange (gain)/loss  | (2)                                     | 9  | -                                       | -  |
| Management fee payments satisfied by issued units   | 211                                     | 53   | -                                       | -  |
| Net change in receivables   | (90)                                    | (676)  | -                                       | -  |
| Net change in payables  | 28                                      | 256  | -                                       | -  |
| <b>Net cash inflow/(outflow) from operating activities</b>  | <b>(4,836)</b>                          | <b>(82,990)</b>  | <b>-</b>                                | <b>-</b>   |
| <b>(b) Non-cash operating and financing activities</b>  |   |  |   |  |
| The following management fee payments were satisfied by the issue of units under the differential fee arrangement                 | 211                                     | 53   | -                                       | -  |
| The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan | 2,526                                   | -  | -                                       | -  |
| <b>Total non-cash operating and financing activities</b>  | <b>2,737</b>                            | <b>53</b>  | <b>-</b>                                | <b>-</b>   |

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 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.

## 11 Receivables

|                          | Pzena Emerging Markets Value Fund  |                                    | Pzena Global Expanded Value Fund   |                                    |
|--------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
|                          | As at<br>30 June<br>2018<br>\$'000 | As at<br>30 June<br>2017<br>\$'000 | As at<br>30 June<br>2018<br>\$'000 | As at<br>30 June<br>2017<br>\$'000 |
| Dividends receivable     | 763                                | 663                                | -                                  | -                                  |
| GST receivable           | 3                                  | 13                                 | -                                  | -                                  |
| <b>Total receivables</b> | <b>766</b>                         | <b>676</b>                         | <b>-</b>                           | <b>-</b>                           |



## 12 Payables

|                                 | Pzena Emerging Markets Value Fund |                           | Pzena Global Expanded Value Fund |                           |
|---------------------------------|-----------------------------------|---------------------------|----------------------------------|---------------------------|
|                                 | As at                             |                           | As at                            |                           |
|                                 | 30 June<br>2018<br>\$'000         | 30 June<br>2017<br>\$'000 | 30 June<br>2018<br>\$'000        | 30 June<br>2017<br>\$'000 |
| Custody fees payable            | 29                                | 55                        | -                                | -                         |
| Audit and taxation fees payable | 21                                | 29                        | -                                | -                         |
| Management fees payable         | 234                               | 172                       | -                                | -                         |
| <b>Total payables</b>           | <b>284</b>                        | <b>256</b>                | <b>-</b>                         | <b>-</b>                  |

## 13 Remuneration of auditor

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

|   | Pzena Emerging Markets Value Fund   |  | Pzena Global Expanded Value Fund    |  |
|---|-------------------------------------|--|-------------------------------------|--|
|   | Year ended<br>30 June<br>2018<br>\$ | For the period<br>29 June 2016<br>to 30 June<br>2017<br>\$ | Year ended<br>30 June<br>2018<br>\$ | For the period<br>29 June 2016<br>to 30 June<br>2017<br>\$ |
|   | <b>KPMG</b>                         |  |                                     |  |
| <i>Audit and other assurance services</i>                 |                                     |  |                                     |  |
| Audit of financial statements                             | 10,000                              | 10,000   | 2,000                               | 2,000  |
| Audit of compliance plan                                  | 3,750                               | 3,750  | 3,750                               | 3,750  |
| Total remuneration for audit and other assurance services | 13,750                              | 13,750   | 5,750                               | 5,750  |
| <i>Taxation services</i>                                  |                                     |  |                                     |  |
| Tax compliance services                                   | 7,455                               | 12,100   | -                                   | -  |
| Total remuneration for taxation services                  | 7,455                               | 12,100   | -                                   | -  |
| <b>Total remuneration of KPMG</b>                         | <b>21,205</b>                       | <b>25,850</b>  | <b>5,750</b>                        | <b>5,750</b>   |

For Pzena Emerging Markets Value Fund, the auditor's remuneration is borne by the Fund. For Pzena Global Expanded Value Fund, the auditor's remuneration is paid directly by the Investment Manager. Fees are stated exclusive of GST.

## 14 Related party transactions

The Responsible Entity of Pzena Funds 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 Funds and The Northern Trust Company, to act as Custodian and Administrator for the Funds. 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 reporting period and up to the date of this report.

## 14 Related party transactions (continued)

### (a) Key management personnel (continued)

|                   |                          |
|-------------------|--------------------------|
| Philip D Gentry   | Chairman                 |
| Harvey H Kalman   |                          |
| Ian C Westley     |                          |
| Michael J O'Brien | (appointed 11 July 2018) |

### (ii) Other key management personnel

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

### (b) Transactions with key management personnel

There were no transactions with key management personnel during the year.

### (c) Key management personnel unit holdings

Key management personnel did not hold units in the Funds as at 30 June 2018 (2017: Nil).

### (d) Key management personnel compensation

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

### (e) Key management personnel loans

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

### (f) Other transactions within the Funds

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

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

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

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

|  | Pzena Emerging Markets Value Fund |                               | Pzena Global Expanded Value Fund |                               |
|--|-----------------------------------|-------------------------------|----------------------------------|-------------------------------|
|  | Year ended                        |                               | Year ended                       |                               |
|  | Year ended<br>30 June<br>2018     | Year ended<br>30 June<br>2017 | Year ended<br>30 June<br>2018    | Year ended<br>30 June<br>2017 |
|  | \$                                | \$                            | \$                               | \$                            |
| Investment management fees for the year                  | 800,995                           | 391,657                       | -                                | -                             |
| Total fees payable to the Investment Manager at year end | 208,282                           | 167,676                       | -                                | -                             |
| Responsible Entity Fees for the year                     | 50,225                            | 33,484                        | -                                | -                             |
| Total fees payable to the Responsible Entity at year end | 25,112                            | 4,584                         | -                                | -                             |

During the year the Investment Manager waived \$135,000 in Pzena Emerging Markets Value Fund's investment management fees (2017: Nil).

For information on how management fees are calculated please refer to the Funds' Product Disclosure Statements.

## **14 Related party transactions (continued)**

### **(h) Related party unit holdings**

Parties related to the Funds (including Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) held no units in the Funds as at 30 June 2018 (2017: Nil).

### **(i) Investments**

The Funds did not hold any investments in Equity Trustees Limited or its related parties during the year (2017: Nil).

## **15 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 Funds as disclosed in the statements of financial position as at 30 June 2018 or on the results and cash flows of the Funds for the year ended on that date.

## **16 Contingent assets and liabilities and commitments**

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2018 and 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 5 to 25 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 Funds' financial position as at 30 June 2018 and of their performance for the financial year ended on that date.
- (b) There are reasonable grounds to believe that the Funds will be able to pay their 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 through a delegated authority given by the Equity Trustees Limited's Board.



Philip D Gentry  
Chairman

Melbourne  
26 September 2018



# Independent Auditor's Report

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To the respective members of the following Schemes:

- Pzena Emerging Markets Focused Value Fund
- Pzena Global Expanded Value Fund

For the purpose of this report, the term Scheme and Schemes denote the individual and distinct entity for which the financial information is prepared and upon which our audit is performed. Each is to be read as a singular subject matter.

## Opinion

We have audited each of the **Financial Reports** of the Schemes.

In our opinion, the accompanying **Financial Report** of each Scheme is in accordance with the *Corporations Act 2001*, including

- giving a true and fair view of that Scheme's financial position as at 30 June 2018, and of its financial performance and its cash flows for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The respective **Financial Reports** of the individual Schemes comprise the:

- Statement of financial position as at 30 June 2018
- Statement of comprehensive income for the year then ended
- Statement of changes in equity, and Statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

## Basis for opinion

We conducted our audits 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 opinions.

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 Schemes 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 the respective Scheme's annual reporting which is provided in addition to the Financial Reports and the Auditor's Report. The Directors of Equity Trustees Limited (the Responsible Entity) are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors Report.

Our opinions on the Financial Reports do 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 audits of the Financial Reports, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Reports or our knowledge obtained in the audits, 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 Equity Trustees Limited (the Responsible Entity) are responsible for:

- preparing the Financial Reports that give a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal controls to enable the preparation of Financial Reports that give a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing each Scheme's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 respective 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 Reports as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinions.

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 Reports.

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/ar4.pdf](http://www.auasb.gov.au/auditors_files/ar4.pdf). This description forms part of our Auditor's Report.

*KRMG*

KPMG

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Andrew Reeves

Partner

Sydney

26 September 2018