Lucerne Growth

ARSN 621 610 848

Annual report

For the period from 8 September 2017 (date of constitution) to 30 June 2018

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Contents

This annual report covers Lucerne Growth as an individual entity.

The Responsible Entity of Lucerne Growth is The Trust Company (RE Services) Limited (ABN 45 003 278 831 AFSL 235150), part of the Perpetual Limited group of companies.

The Responsible Entity's registered office is:
Level 18 Angel Place
123 Pitt Street
Sydney NSW 2000

Directors' report

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity (the "Responsible Entity") of the Lucerne Growth (the "Fund"). The Directors of the Responsible Entity (the "Directors") present their report together with the financial statements of the Fund for the period from 8 September 2017 (date of constitution) to 30 June 2018.

Principal activities

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

The Fund will invest in other funds. There are allocation limits placed on asset classes and strategies of the underlying funds. The Fund is also able to invest directly in primary and secondary market securities and derivatives as well as accounts receivable invoices. The Fund registered with Australian Securities and Investments Commission ("ASIC").

The Fund was constituted on 8 September 2017 and commenced operations on 1 December 2017.

The Fund did not have any employees during the period.

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

Directors

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

Andrew Cannane	Resigned as Director on 23 February 2018
Glenn Foster	
Christopher Green	
Michael Vainauskas	
Andrew McIver	Alternate Director for Michael Vainauskas
Vicki Riggio	Appointed as Alternate Director for Christopher Green on 24 December 2017 Resigned as Alternate Director for Andrew Cannane on 23 February 2018 Resigned as Alternate Director for Christopher Green on 20 April 2018 Appointed as Director on 20 April 2018
Rodney Ellwood	Resigned as Alternate Director for Christopher Green on 24 December 2017
Gillian Larkins	Appointed as Alternate Director for Glenn Foster on 14 July 2017
Neil Wesley	Resigned as Alternate Director for Glenn Foster on 14 July 2017
Phillip Blackmore	Appointed as Alternate Director for Christopher Green and Vicki Riggio on 6 July 2018

Review and results of operations

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

Results

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

	For the period from 8 September 2017 (date of constitution) to 30 June 2018
Operating profit before financing costs attributable to unit holders ($'000)	**440**
Distributions paid and payable ($'000)	**516**
Distributions (cents per unit)	**2.30**

Directors' report (continued)

Significant changes in state of affairs

The Fund has amended its Constitution to change the obligation to distribute trust income to unit holders effective 21 September 2017 as part of a process to become eligible to elect into the new Attribution Managed Investment Trust ("AMIT") tax regime.

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

Matters subsequent to the end of the financial period

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

Other than the matter noted above, no other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect:

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

Likely developments and expected results of operations

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

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

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regard to the insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the Corporations Act 2001, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

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

Fees paid to the Responsible Entity and its associates out of Fund's property during the period are disclosed in Note 13 of the financial statements.

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

The number of units in the Fund held by the Responsible Entity or its associates as at the end of the financial period are disclosed in Note 13 of the financial statements.

Units in the Fund

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

The value of the Fund's assets and liabilities is disclosed in the Statement of Financial Position and derived using the basis set out in Note 2 of the financial statements.

Environmental regulation

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

Rounding of amounts to the nearest 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.

Directors' report (continued)

Auditor's independence declaration

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

This report is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.

Director
The Trust Company (RE Services) Limited

Sydney
25 September 2018

Ernst & Young
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Sydney NSW 2000 Australia
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Auditor's Independence Declaration to the Directors of The Trust Company (RE Services) Limited

As lead auditor for the audit of Lucerne Growth for the financial period from 8 September 2017 (date of constitution) to 30 June 2018, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

Rohit Khanna
Partner
Sydney
25 September 2018

Statement of comprehensive income

	Note	For the period from 8 September 2017 (date of constitution) to 30 June 2018 $'000
Investment income		
Interest income		**11**
Distribution income		**747**
Net foreign exchange gains/(losses)		**(9)**
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	**(117)**
Other income		**4**
Total investment income		**636**
Expenses		
Management fees	13	**56**
Performance fees	13	**62**
Custody and administration fees		**30**
Responsible Entity's expense	13	**27**
Other operating expenses		**21**
Total expenses		**196**
Operating profit for the period		**440**
Finance costs attributable to unit holders		
Distributions to unit holders	8	**(516)**
Decrease in net assets attributable to unit holders	7	**76**
Profit/(loss) for the period		**-**
Other comprehensive income		**-**
Total comprehensive income for the period		**-**

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

Statement of financial position

	Note	As at 30 June 2018 $'000
Assets		
Cash and cash equivalents	9	**3,133**
Prepaid expenses		**45**
Receivables	11	**725**
Financial assets held at fair value through profit or loss	4, 6	**19,450**
Total assets		**23,353**
Liabilities		
Distributions payable	8	**516**
Management fees payable	13	**14**
Performance fees payable	13	**62**
Custody and administration fees payable		**14**
Responsible Entity's fees payable	13	**27**
Other operating expenses payable	12	**15**
Total liabilities (excluding net assets attributable to unit holders)		**648**
Net assets attributable to unit holders - liability	7	**22,705**

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

Statement of changes in net assets attributable to unit holders

	Note	For the period from 8 September 2017 (date of constitution) to 30 June 2018 $'000
Total net assets attributable to unit holders - liability at the beginning of the financial period		**-**
Applications	7	**23,237**
Redemptions	7	**(456)**
Change in net assets attributable to unit holders	7	**(76)**
Total transactions with unit holders		**22,705**
Total net assets attributable to unit holders - liability at the end of the financial period	7	**22,705**

The above Statement of changes in net assets attributable to unit holders should be read in conjunction with the accompanying notes.

Statement of cash flows

	Note	For the period from 8 September 2017 (date of constitution) to 30 June 2018 $'000
Cash flows from operating activities		
Proceeds from sale of financial assets held at fair value through profit or loss		**4,856**
Purchase of financial assets held at fair value through profit or loss		**(24,423)**
Interest income received		**11**
Distribution received		**28**
Management fees paid		**(42)**
Custody and administration fees paid		**(17)**
Other expenses paid		**(52)**
Net cash outflow from operating activities	10(a)	**(19,639)**
Cash flows from financing activities		
Proceeds from applications by unit holders		**23,237**
Payments for redemptions by unit holders		**(456)**
Distributions paid to unit holders		**-**
Net cash inflow from financing activities		**22,781**
Net increase in cash and cash equivalents		**3,142**
Cash and cash equivalents at the beginning of the financial period		**-**
Effect of foreign currency exchange rate changes on cash and cash equivalents		**(9)**
Cash and cash equivalents at the end of the financial period	9	**3,133**
Non-cash operating and financing activities	10(b)	-

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

Notes to the financial statements

Contents

1 General information

These financial statements cover Lucerne Growth (the "Fund") as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 8 September 2017. The Fund will terminate two days before the 80th anniversary of the date of the Constitution or at the discretion of the Responsible Entity as set out in the Fund's Constitution, whichever is earlier. The Fund is managed with the intention of generating capital appreciation and income over the long term without regard to equity indices. The recommended minimum investment timeframe is 5 years.

The Responsible Entity of the Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 223150) (the “Responsible Entity”). The Responsible Entity’s registered office is Level 18 Angel Place, 123 Pitt Street, Sydney NSW 2000. The financial statements are presented in the Australian currency unless otherwise noted.

On 5 May 2016, a new tax regime applying to Managed Investment Trusts (“MITs”) was established under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. The Attribution Managed Investment Trust (“AMIT”) regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT.

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.

(a) Basis of preparation

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

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

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within 12 months, except for investments in financial assets and liabilities and net assets attributable to unit holders.

The Fund manages financial assets at fair value through profit or loss based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within 12 months, however, an estimate of that amount cannot be determined as at reporting date.

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

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

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 standards, interpretations or amendments to existing standards that are effective for the first time for the financial period beginning 8 September 2017 that have a material impact on the amounts recognised in 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 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 annual period beginning 1 January 2018)

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

- AASB 15 *Revenue from Contracts with Customers* (effective from annual period beginning 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.

2 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

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

- AASB 15 *Revenue from Contracts with Customers* (effective from annual period beginning 1 January 2018) (continued)

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

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

(b) Financial instruments

(i) Classification

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

- 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. The Fund invests primarily in other funds. There are allocation limits placed on asset classed and strategies of the underlying funds. The Fund is also able to invest directly in primary and secondary market securities and derivatives.

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

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

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

Subsequent to initial recognition, all financial assets and 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 within net gains/(losses) on financial instruments held at fair value through profit or loss in the period in which they arise.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of financial assets and liabilities traded in active markets is subsequently based on their quoted market prices 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 and the quoted market price for financial liabilities is the current asking price.

The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

Further details on how the fair values of financial instruments are determined are disclosed in Note 4 to the financial statements.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(iv) Offsetting financial instruments

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

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 redeemable units of the Fund fails to meet both criterias as below:

- The puttable units is part of a class of units that is subordinate to other unit classes and instruments;
- All puttable units in the most subordinate class have identical features.

The units can be put back to the Fund at any time for cash based on the redemption price, which is equal to a proportionate share of the Fund's net asset value attributable to the unit holders.

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the unit 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, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(e) Investment income

(i) Interest income

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

(ii) Distributions

Distribution income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

(f) Expenses

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

(g) Income tax

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

2 Summary of significant accounting policies (continued)

(h) Distributions

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

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

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

(j) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

(k) Receivables

Receivables may include amounts for interest and dividends. Dividends are accrued when the right to receive payment is established. Interest is accrued at the end of each reporting period from the time of last payment in accordance with the policy set out in Note 2(e) above. 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.

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

(l) Payables

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

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 1 July of the next financial year.

2 Summary of significant accounting policies (continued)

(m) 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.

(n) Goods and services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as custodial services and investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% or 75%; hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(o) Use of estimates

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The valuation methods and policies applied by the Responsible Entity must be consistent with ordinary commercial practices for valuing financial instruments of the relevant kind. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity.

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 please see Note 4 to the financial statements.

(p) Rounding of amounts

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars unless otherwise indicated.

3 Financial risk management

The Fund's activities expose it to a variety of financial risks. The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The management of these risks is conducted by the Fund's Investment Manager who manages the Fund's assets in accordance with its investment objective.

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

This framework includes:

- Integrated computer systems and processes with checks and balances;
- Policies and procedures covering operations;
- Post trade investment compliance monitoring;
- Segregation of the dealing and investment management function from the administration and settlement function;
- An independent service provider for the valuation of securities; and
- A compliance function within the Investment Manager with a separate reporting line from the portfolio management team.

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

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

3 Financial risk management (continued)

This framework includes:

- Policies and procedures;
- Committee and board reporting;
- Staff training;
- Formal service provider agreements;
- Compliance reporting by the Investment Manager, Investment Administrator and Custodian (the "Service Providers");
- Regular reviews of Service Providers; and
- Monitoring of Responsible Entity Services compliance in accordance with Control Self-Assessment methodology.

Responsible Entity Services team is ultimately responsible for compliance monitoring. The Responsible Entity Services team includes the roles of Head of Responsible Entity Services, Senior Risk Manager, Senior Manager - Corporate Clients, Client Manager - Corporate Clients. Responsible Entity Services undertakes monitoring visits of the Fund's Service Providers, focusing on the general control environment and investment management, administration and custodial functions as provided to the Responsible Entity of the Fund. This is conducted to ensure that the Service Providers continue to satisfy their obligations as detailed within the relevant service agreement entered into with the Responsible Entity.

(a) Market risk

Market risk is the risk that changes in market risk factors, such as equity prices, foreign exchange rates, interest rates and other market prices will affect the Fund's income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The Fund is exposed to market risks influencing investment valuations. The Fund may utilise derivatives to manage this risk.

(i) Price risk

The Fund is exposed to price risk on fund investment. This arises from investments held by the Fund for which prices in the future are uncertain.

Price risk is managed by Lucerne Australia Pty Ltd and the Fund seeks to mitigate price risk by ensuring the Fund is managed in line with its Investment Management Agreement ("IMA"). The Investment Manager monitors the Fund on a regular basis.

The table at Note 3(b) summarises the sensitivities of the Fund's assets and liabilities to price risk. The analysis is based on the assumption that the investment portfolio in which the Fund invests moves by +/-10% from the year end prices with all other variables held constant.

(ii) Interest rate risk

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

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 risk is measured using sensitivity analysis.

Interest rate risk is managed as a part of price risk, and measured using the sensitivity analysis at Note 3(b).

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

	Floating interest rate $'000	Fixed interest rate $'000	Non-interest bearing $'000	Total $'000
As at 30 June 2018				
Assets				
Cash and cash equivalents	**3,133**	**-**	**-**	**3,133**
Receivables	**-**	**-**	**725**	**725**
Financial assets held at fair value through profit or loss	**-**	**-**	**19,450**	**19,450**
Total assets	**3,133**	**-**	**20,175**	**23,308**
Liabilities				
Distributions payable	**-**	**-**	**516**	**516**
Management fees payable	**-**	**-**	**14**	**14**
Performance fees payable	**-**	**-**	**62**	**62**
Custody and administration fees payable	**-**	**-**	**14**	**14**
Responsible Entity's fees payable	**-**	**-**	**27**	**27**
Other operating expenses payable	**-**	**-**	**15**	**15**
Total liabilities (excluding net assets attributable to unit holders)	**-**	**-**	**648**	**648**
Net exposure	**3,133**	**-**	**19,527**	**22,660**

3 Financial risk management (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

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 interest rates changed by +/- 100 basis points from the period end rates with all other variables held constant.

(b) Summarised sensitivity analysis

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

	Impact on operating profit/net assets attributable to unit holders			
	Price risk		Interest rate risk	
	-10%	+10%	-100bps	+100bps
	$'000	$'000	$'000	$'000
As at 30 June 2018	**(1,945)**	**1,945**	**(313)**	**313**

(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.

Credit risk refers to a risk of loss arising from the failure of a borrower or other party to a contract to meet its obligations. This may arise in derivatives, fixed interest securities and mortgage securities. Entry into transactions, such as derivatives, may give rise to counterparty risk. Substantial losses could be incurred if a counterparty fails to deliver on its contractual obligations, or experiences financial difficulties.

For this reason the Fund engages with counterparties believed to exhibit suitable creditworthiness at the time of execution. In addition, such transactions are appropriately documented; this may include provision for credit protection measures.

(i) Settlement of securities transactions

All transactions in non-listed funds are settled/paid for upon delivery using approved brokers. The risk of default is considered low, as delivery of securities sold is only made once the broker has received payment. Payment is made once purchase on the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

(ii) Maximum exposure to credit risk

The maximum exposure to credit risk before any credit enhancements at the end of each reporting period is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

(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 monthly unit holder redemption requests or to fund foreign exchange related cash flow requirements. Liquidity risk is managed by the Investment Manager.

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.

3 Financial risk management (continued)

(d) Liquidity risk (continued)

(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.

As at 30 June 2018	**Less than 1 month $'000**	**1-6 months $'000**	**6-12 months $'000**	**1-2 years $'000**
Financial liabilities at fair value through profit or loss	**-**	**-**	**-**	**-**
Management fees payable	**14**	**-**	**-**	**-**
Performance fees payable	**62**	**-**	**-**	**-**
Custody and administration fees payable	**14**	**-**	**-**	**-**
Responsible Entity's fees payable	**27**	**-**	**-**	**-**
Other operating expenses payable	**15**	**-**	**-**	**-**
Net assets attributable to unit holders	**22,705**	**-**	**-**	**-**
Distributions payables	**-**	**516**	**-**	**-**
Contractual cash flows (excluding derivatives)	**22,837**	**516**	**-**	**-**

4 Fair value measurements

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 and liabilities measured at fair value on a non-recurring basis in the current reporting period.

Financial assets held at fair value through profit or loss

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

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

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, the Fund relies on information provided by underlying fund managers and/or any independent third party pricing services for the valuation of its investments.

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

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices 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 appropriate 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.

(b) Fair value in an inactive or unquoted market (level 2 and level 3)

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.

4 Fair value measurements (continued)

(b) Fair value in an inactive or unquoted market (level 2 and 3) (continued)

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.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

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

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

(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 2018:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets				
Financial assets designated at fair value through profit or loss				
Fund investments	-	19,450	-	19,450
Total financial assets	-	19,450	-	19,450

(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 is no transfer between levels of Fund's financial assets and liabilities measured and recognised at fair value as at 30 June 2018.

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

There was no movement in level 3 instruments for the period ended 30 June 2018 as the direct fund investments of the Fund is open ended and actively traded.

(f) Financial instruments not carried at fair value

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

Net assets attributable to unit holders' carrying value differs 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 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:

	For the period from 8 September 2017 (date of constitution) to 30 June 2018 $'000
Financial assets	
Net realised losses on financial instruments designated as at fair value through profit or loss	(56)
Net unrealised losses on financial instruments designated as at fair value through profit or loss	(61)
Net losses on financial assets held at fair value through profit or loss	(117)

6 Financial assets held at fair value through profit or loss

The following table details the financial assets held by the Fund during the period:

	As at 30 June 2018 Fair Value $'000
Designated at fair value through profit or loss	
Fund investments	19,450
Total designated at fair value through profit or loss	19,450
Comprising:	
Equity securities	
Australian fund investments	17,365
International fund investments	2,085
Total fund investments	19,450

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

7 Net assets attributable to unit holders

Movements in the net assets attributable to unit holders during the period were as follows:

	Fee Class 1		Fee Class 2		Total	
	Units '000	$'000	Units '000	$'000	Units '000	$'000
For the period from 8 September 2017 (date of constitution) to 30 June 2018						
Opening balances	-	-	-	-	-	-
Applications	9,919	10,077	12,924	13,160	22,843	23,237
Redemptions	(194)	(200)	(248)	(256)	(442)	(456)
Decrease in net assets attributable to unit holders	-	(15)	-	(61)	-	(76)
Closing balance	9,725	9,862	12,676	12,843	22,401	22,705

As stipulated within the Fund's Constitution, investors can select to apply for Units in Fee Class 1 and Fee Class 2. Fee Class 1 has a higher management fee while Fee Class 2 has a lower management fee but is subject to a performance fee.

Capital risk management

The Fund considers its net assets attributable to unit holders as capital, notwithstanding 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 monthly basis as the Fund is subject to monthly applications and redemptions at the discretion of unit holders.

Monthly applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a monthly basis by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a 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:

	Year ended 30 June 2018 $'000	30 June 2018 CPU
Distributions - Fee Class 1		
June (payable)	237	2.44
Distributions payable	237	2.44
Distributions - Fee Class 2		
June (payable)	279	2.20
Distributions payable	279	2.20

9 Cash and cash equivalents

	As at 30 June 2018 $'000
Cash at bank	3,133
	3,133

10 Reconciliation of net profit to net cash inflow from operating activities

	As at 30 June 2018 $'000
(a) Reconciliation of net profit to net cash outflow from operating activities	
Decrease in net assets attributable to unit holders	(76)
Effect of foreign currency exchange rate changes on cash and cash equivalents	9
Distributions to unit holders	516
Proceeds from sale of financial instruments held at fair value through profit or loss	4,856
Purchase of financial instruments held at fair value through profit or loss	(24,423)
Net gains on financial instruments held at fair value through profit or loss	117
Net change in other assets and receivables	(770)
Net change in payables	132
Net cash outflow from operating activities	(19,639)
(b) Non-cash operating and financing activities	
The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan.	-
Total non-cash operating and financing activities	-

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

11 Receivables

	As at 30 June 2018 $'000
Dividend receivables	719
GST receivables	2
Management fee rebates from investments	4
Total receivables	725

12 Remuneration of auditor

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

	For the period from 8 September 2017 (date of constitution) to 30 June 2018 $
Ernst & Young Australian firm	
Audit and other assurance services	
Audit of financial statements	14,000
Total remuneration for audit and other assurance services	14,000

12 Remuneration of auditor (continued)

	For the period from 8 September 2017 (date of constitution) to 30 June 2018 $
Ernst & Young Australian firm (continued)	
Taxation services	
Tax compliance services	5,500
Total remuneration for taxation services	5,500
Total remuneration for Ernst & Young Australian firm	19,500
PricewaterhouseCoopers Australian firm	
Audit and other assurance services	
Compliance plan audit services	2,350
Total remuneration for audit and other assurance services	2,350
Total remuneration for PricewaterhouseCoopers Australian firm	2,350

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

13 Related party transactions

The Responsible Entity of Lucerne Growth is The Trust Company (RE Services) Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to The Trust Company (RE Services) Limited are disclosed below.

The Responsible Entity has contracted services to Lucerne Australia Pty Ltd, to act as Investment Manager for the Fund, and Mainstream Fund Services Pty Ltd to act as Custodian and Administrator for the Fund. The contracts are on normal commercial terms and conditions.

(a) Key management personnel

(i) Directors

Key management personnel include persons who were Directors of The Trust Company (RE Services) Limited during or since the end of the period and to the date of this report.

Andrew Cannane	Resigned as Director on 23 February 2018
Glenn Foster	
Christopher Green	
Michael Vainauskas	
Andrew McIver	Alternate Director for Michael Vainauskas
Vicki Riggio	Appointed as Alternate Director for Christopher Green on 24 December 2017 Resigned as Alternate Director for Andrew Cannane on 23 February 2018 Resigned as Alternate Director for Christopher Green on 20 April 2018 Appointed as Director on 20 April 2018
Rodney Ellwood	Resigned as Alternate Director for Christopher Green on 24 December 2017
Gillian Larkins	Appointed as Alternate Director for Glenn Foster on 14 July 2017
Neil Wesley	Resigned as Alternate Director for Glenn Foster on 14 July 2017
Phillip Blackmore	Appointed as Alternate Director for Christopher Green and Vicki Riggio on 6 July 2018

13 Related party transactions (continued)

(a) Key management personnel (continued)

(ii) Other key management personnel

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

Key management personnel includes persons who were directors of Lucerne Growth acting as the Investment Manager of the Fund during the financial period:

Tom Collinson
Andrew Thompson
Aaryn Nania

(b) Transactions with key management personnel

There were no transactions with key management personnel during the reporting period other than those disclosed in this note.

(c) Key management personnel unit holdings

Key management personnel did not hold units in the Fund as at 30 June 2018.

(d) Key management personnel compensation

Key management personnel are paid by The Trust Company (RE Services) Limited. Payments made from the Fund to The Trust Company (RE Services) Limited 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 period and there were no material contracts involving management personnel's interests existing at period end.

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

Under the terms of the Fund's Constitution and Product Disclosure Statement for the Fund, the Responsible Entity is entitled to receive management fees of 1.15% (including GST and net of reduced input tax credits) for Fee Class 1 and 0.40% (including GST and net of reduced input tax credits) for Fee Class 2. The Investment Manager is entitled to receive performance fees of 12% (including GST and net of reduced input tax credits) for Fee Class 2. There is no performance fees for Fee Class 1.

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

	For the period from 8 September 2017 (date of constitution) to 30 June 2018
	$'000
Management fees for the period paid to Investment Manager	**56**
Performance fees for the period paid to Investment Manager	**62**
Responsible Entity fees for the period paid to Responsible Entity	**27**
Total fees payable to the Responsible Entity at period end	**27**
Management fees payable to Investment Manager	**14**
Performance fees payable to Investment Manager	**62**

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

Investment Management fees reimbursed represent monies put into the Fund to ensure that the Fund's overall management costs remain within that disclosed in the Information Memorandum.

(h) Related party unit holdings

Parties related to the Fund (including The Trust Company (RE Services) Limited, its related parties and other schemes managed by The Trust Company (RE Services) Limited and the Investment Manager) held no units in the Fund as at 30 June 2018.

13 Related party transactions (continued)

(i) Investments

The Fund did not hold any investments in the The Trust Company (RE Services) Limited or its related parties during the period.

14 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 disclosed in the statement of financial position as at 30 June 2018 or on the results and cash flows of the Fund for the period ended on that date.

15 Contingent assets and liabilities and commitments

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

Directors' declaration

In the opinion of the Directors of the Responsible Entity:

(a) The financial statements and notes set out on pages 5 to 24 are in accordance with the *Corporations Act 2001*, including:

(i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its performance for the period ended on that date,

(b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable and

(c) Note 2(a) confirms that the financial statements 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 The Trust Company (RE Services) Limited.

Director

Sydney
25 September 2018

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Independent auditor's report to the unitholders of Lucerne Growth

Opinion

We have audited the financial report of Lucerne Growth (the "Fund"), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for financial period from 8 September 2017 (date of constitution) to 30 June 2018, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a) giving a true and fair view of the Fund's financial position as at 30 June 2018 and of its financial performance for the period ended on that date; and

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

Basis for Opinion

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

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

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

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

Ernst & Young

Ernst & Young

Rohit Khanna
Partner
Sydney
25 September 2018