

# **Newgate Real Estate and Infrastructure Fund**

ARSN 626 618 764

## **Annual report**

**For the year ended 30 June 2019**

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## **Annual report For the year ended 30 June 2019**

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This annual report covers Newgate Real Estate and Infrastructure Fund as an individual entity.

The Responsible Entity of Newgate Real Estate and Infrastructure Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:

Level 1, 575 Bourke Street  
Melbourne, VIC 3000.

## **Directors' report**

The directors of Equity Trustees Limited, the Responsible Entity of Newgate Real Estate and Infrastructure Fund (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2019.

## **Principal activities**

The Fund invests in both long and short equity swap positions comprised of Real Estate Investment Trusts (REITs), real estate companies, real estate related companies and Infrastructure securities listed on a public exchange in accordance with the Product Disclosure Statement and provisions of the Fund's Constitution.

The Fund did not have any employees during the year.

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

The various service providers for the Fund are detailed below:

<b>Service</b>	<b>Provider</b>
Responsible Entity	Equity Trustees Limited
Investment Manager	Newgate Investment Management Pty Ltd
Custodian and Administrator	Mainstream Fund Services Pty Ltd
Prime Broker	Macquarie Bank Limited
Statutory Auditor	PricewaterhouseCoopers

## **Directors**

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

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 Fund continued to invest in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

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

	<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2019</b>	<b>2018</b>
Operating profit/(loss) for the year (\$'000)	<b>(248)</b>	2,116
Distributions paid and payable (\$'000)	-	1,878
Distributions (cents per unit)	-	19.00

## **Directors' report (continued)**

### **Significant changes in the state of affairs**

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

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 year.

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

No matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may have a significant effect on:

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

### **Likely developments and expected results of operations**

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

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

### **Indemnification and insurance of officers**

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

### **Indemnification of auditor**

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

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

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

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

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 15 to the financial statements.

### **Interests in the Fund**

The movement in units on issue in the Fund during the year is disclosed in Note 8 to the financial statements.

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

## **Directors' report (continued)**

### **Environmental regulation**

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

### **Rounding of amounts to the nearest thousand dollars**

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

### **Auditor's independence declaration**

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

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



Philip D Gentry  
Chairman

Melbourne  
9 October 2019



## *Auditor's Independence Declaration*

As lead auditor for the audit of Newgate Real Estate and Infrastructure Fund for the year ended 30 June 2019, I declare that 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.

A handwritten signature in blue ink, appearing to read 'G. Sagonas'.

George Sagonas  
Partner  
PricewaterhouseCoopers

Melbourne  
9 October 2019

**Newgate Real Estate and Infrastructure Fund**  
**Statement of comprehensive income**  
**For the year ended 30 June 2019**

**Statement of comprehensive income**

		<b>Year ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2019</b>	<b>2018</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Investment income</b>			
Interest income from financial assets at fair value through profit or loss		<b>255</b>	170
Dividend income		<b>1,111</b>	644
Net gain/(loss) on financial instruments at fair value through profit or loss	7	<b>(537)</b>	2,578
Other income		<b>16</b>	-
<b>Total investment income/(loss)</b>		<b>845</b>	3,392
<b>Expenses</b>			
Dividend expense		<b>454</b>	262
Interest expense		<b>333</b>	241
Management fees	15	<b>291</b>	187
Performance fees	15	-	488
Responsible Entity fees	15	<b>9</b>	1
Custody and administration fees		-	53
Withholding tax expense		-	2
Other operating expenses		<b>6</b>	42
<b>Total expenses</b>		<b>1,093</b>	1,276
<b>Operating profit/(loss) for the year</b>		<b>(248)</b>	2,116
<b>Finance costs attributable to unit holders</b>			
Distributions to unit holders	9	-	(1,878)
(Increase)/decrease in net assets attributable to unit holders	8	<b>248</b>	(238)
<b>Profit/(loss) for the year</b>		-	-
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		-	-

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

Newgate Real Estate and Infrastructure Fund  
Statement of financial position  
As at 30 June 2019

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**Statement of financial position**

		As at	
		30 June	30 June
		2019	2018
	Note	\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents	10	12,811	13,118
Receivables	12	163	183
Financial assets at fair value through profit or loss	5	4,309	1,244
<b>Total assets</b>		<b>17,283</b>	<b>14,545</b>
<b>Liabilities</b>			
Distributions payable	9	-	1,878
Payables	13	142	303
Due to brokers - payable for securities purchased		1,133	77
Subscription received in advance		75	121
<b>Total liabilities (excluding net assets attributable to unit holders)</b>		<b>1,350</b>	<b>2,379</b>
<b>Net assets attributable to unit holders - liability</b>	8	<b>15,933</b>	<b>12,166</b>

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



Newgate Real Estate and Infrastructure Fund  
Statement of changes in equity  
For the year ended 30 June 2019

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**Statement of changes in equity**

	Note	Year ended	
		30 June 2019 \$'000	30 June 2018 \$'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 the end of the year.

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

**Newgate Real Estate and Infrastructure Fund**  
**Statement of cash flows**  
**For the year ended 30 June 2019**

**Statement of cash flows**

		<b>Year ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2019</b>	<b>2018</b>
	<b>Note</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments at fair value through profit or loss		<b>271</b>	2,632
Purchase of financial instruments at fair value through profit or loss		<b>(2,818)</b>	(1,206)
Interest income received from financial assets at fair value through profit or loss		<b>253</b>	161
Dividends received		<b>1,131</b>	677
Other income received		<b>16</b>	-
Dividend expense paid on short position securities		<b>(581)</b>	(141)
Interest expense paid		<b>(312)</b>	(236)
Management fees paid		<b>(245)</b>	(180)
Performance fees paid		<b>(66)</b>	(422)
Custody and administration fees paid		<b>(7)</b>	(53)
Responsible Entity fees paid		<b>(10)</b>	-
Other expenses paid		<b>(31)</b>	(46)
<b>Net cash inflow/(outflow) from operating activities</b>	11(a)	<b>(2,399)</b>	1,186
<b>Cash flows from financing activities</b>			
Proceeds from applications by unit holders		<b>14,330</b>	7,052
Payments for redemptions by unit holders		<b>(12,015)</b>	(1,105)
Increase/(decrease) in subscriptions received in advance		<b>(46)</b>	(2,024)
Distributions paid to unit holders		<b>(177)</b>	(54)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>2,092</b>	3,869
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(307)</b>	5,055
Cash and cash equivalents at the beginning of the financial year		<b>13,118</b>	8,063
<b>Cash and cash equivalents at the end of the financial year</b>	10	<b>12,811</b>	13,118
Non-cash operating and financing activities	11(b)	<b>1,701</b>	15

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

## Notes to the financial statements

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## **1 General information**

These financial statements cover Newgate Real Estate and Infrastructure Fund (the "Fund") as an individual entity in accordance with the provisions of the Fund's Constitution.

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

The Fund invests in both long and short equity swap positions comprised of Real Estate Investment Trusts (REITs), real estate companies, real estate related companies and Infrastructure securities listed on a public exchange in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The financial statements were authorised for issue by the directors on the date the Directors' declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

## **2 Summary of significant accounting policies**

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

### **(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 at fair value through profit or loss 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*

The Fund had to change some of its accounting policies as a result of new and revised accounting standards which became effective for the first time in the current reporting period. The affected policies are:

## 2 Summary of significant accounting policies (continued)

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

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

- *AASB 9 Financial Instruments* (and applicable amendments)

AASB 9 became effective for annual periods beginning on or after 1 January 2018. It addresses the classification, measurement and derecognition of financial assets and liabilities and replaces the multiple classification and measurement models in AASB 139. The derecognition rules have not changed from the previous requirements, and the Fund does not apply hedge accounting.

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

AASB 9 has been applied retrospectively by the Fund without the use of hindsight and it has determined that adoption did not result in a change to the classification or measurement of financial instruments in either the current or prior periods. The Fund's investment portfolio continues to be classified as fair value through profit or loss and other financial assets which are held for collection continue to be measured at amortised cost. There was no material impact on adoption from the application of the new impairment model.

- *AASB 15 Revenue from Contracts with Customers*

AASB 15 became effective for annual periods beginning on or after 1 January 2018 which is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are interest, dividends and distributions, and gains on financial instruments at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of AASB 15 does not have a material 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.

#### iii. *New standards and interpretations not yet adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

### (b) Financial instruments

#### i. *Classification*

- Financial assets

The Fund classifies its financial assets in the following measurement categories:

- those to be measured at fair value through profit or loss; and
- those to be measured at amortised cost.

The Fund classifies its financial assets based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

- Financial assets (continued)

#### *i. Classification (Continued)*

The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

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

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

For cash and cash equivalents and receivables, these assets are held in order to collect the contractual cash flows and the contractual terms of these assets give rise on specified dates to cash flow that are solely payments of principal and interest on the principal amount outstanding. Consequently, these are measured at amortised cost.

- Financial liabilities

The Fund makes short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are held for trading and are consequently classified as financial liabilities at fair value through profit or loss. Derivative contracts that have a negative fair value are presented as liabilities at fair value through profit or loss.

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (due to brokers, distributions payable, management fees payable, applications received in advance, audit and tax fees payable, administration fees payables and custodian fees payable).

#### *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 the fair value of the financial assets or financial liabilities from this date.

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

#### *iii. Measurement*

- Financial instruments at fair value through profit or loss

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

Subsequent to initial recognition, all financial assets and liabilities 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 statement of comprehensive income within 'net gains/(losses) on financial instruments at fair value through profit or loss' in the period in which they arise. This also includes dividend expenses on short sales of securities, which have been classified at fair value through profit or loss.

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

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

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

- Financial instruments at fair value through profit or loss (continued)

For financial assets and financial liabilities at amortised cost, they are initially measured at fair value including directly attributable costs and are subsequently measured according to their classification.

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

#### *iv. Impairment*

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

#### *v. Offsetting financial instruments*

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

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

### **(c) Net assets attributable to unit holders**

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

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

## 2 Summary of significant accounting policies (continued)

### (e) Investment income

#### *i. Interest income*

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents. Interest from financial assets at fair value through profit or loss is determined based on the contractual coupon interest rate and includes interest from debt securities.

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

Interest income on financial assets at fair value through profit or loss is also recognised in the statement of comprehensive income, included in the net gains/(losses) on financial instruments at fair value through profit or loss. Changes in fair value of financial instruments at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

#### *ii. Dividends*

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

### (f) Expenses

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

### (g) Income tax

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unit holders.

The Fund currently incurs withholding taxes imposed by certain countries on investment income and capital gains. Such income or gains are recorded gross of withholding taxes in the statement of comprehensive income. Withholding taxes are included in the statement of comprehensive income within other operating expenses.

### (h) Distributions

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

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

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



## 2 Summary of significant accounting policies (continued)

### (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 year 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 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 the end of the year. The due from brokers balance is held for collection and are recognised initially at fair value and subsequently measured at amortised cost.

### (l) 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.

### (m) Payables

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

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

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

### (n) Applications and redemptions

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

### (o) Goods and services Tax (GST)

The GST incurred on the costs of various services provided to the Fund by third parties such as 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.

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

### **(p) 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.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, for example over-the-counter derivatives or unquoted securities, are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments. For more information on how fair value is calculated please see Note 4 to the financial statements.

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

### **(q) 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.

### **(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 Fund's activities expose it to a variety of financial risks: market risk (including price risk, currency risk, and interest rate risk), credit risk and liquidity risk.

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

All securities investments present a risk of loss of capital. The maximum loss of capital on long equity and debt securities is limited to the fair value of those positions. The maximum loss of capital on long futures and forward currency contracts is limited to the notional contract values of those positions. On equities sold short, the maximum loss of capital can be unlimited.

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

The Fund's overall market positions are monitored on a periodic basis, at least monthly, by the Fund's Manager. Compliance with the Fund's investment guideline is also monitored on an ongoing basis by the Manager.

Throughout the year the Fund invested in equity swaps. In undertaking these contracts the Fund does not have an interest in the underlying securities, however the swap positions provides the Fund with exposure to the movement in the underlying holding.

### 3 Financial risk management (continued)

These contracts are traded through a Broker. The Fund provides the Broker a certain amount of "margin" for each trade and the Broker provides the "loan to value" (LVR) component. These contracts are reset on a monthly basis and at that date, cash will be moved from or to the Fund. This cash movement will be based on the realised gain/loss of the underlying securities within the swap, and dividend income or expenses, any interest income or expense, and commissions that must be paid.

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

#### (a) Market risk

##### i. Price risk

The Fund is exposed to price risk on equity securities, capital ventures at fair value through profit or loss and derivative price risk. This arises from investments held by the Fund for which prices in the future are uncertain.

Price risk is managed by Newgate Investment Pty Ltd and the Fund seeks to mitigate price risk by ensuring the Fund is managed in line with its 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 reasonably possible change that the markets in which the Fund invests moves by +/-10% (2018: +/-10%).

##### 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
<b>As at 30 June 2019</b>				
<b>Assets</b>				
Cash and cash equivalents	12,811	-	-	12,811
Receivables	-	-	163	163
Financial assets at fair value through profit or loss	-	-	4,309	4,309
<b>Total assets</b>	<b>12,811</b>	<b>-</b>	<b>4,472</b>	<b>17,283</b>
<b>Liabilities</b>				
Distributions payable	-	-	-	-
Payables	-	-	142	142
Due to brokers - payable for securities purchased	-	-	1,133	1,133
Subscription received in advance	-	-	75	75
<b>Total liabilities (excluding net assets attributable to unit holders)</b>	<b>-</b>	<b>-</b>	<b>1,350</b>	<b>1,350</b>
<b>Net exposure</b>	<b>12,811</b>	<b>-</b>	<b>3,122</b>	<b>15,933</b>

### 3 Financial risk management (continued)

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

##### ii. Interest rate risk (continued)

	Floating interest rate \$'000	Fixed interest rate \$'000	Non-interest bearing \$'000	Total \$'000
As at 30 June 2018				
Assets				
Cash and cash equivalents	13,118	-	-	13,118
Receivables	-	-	183	183
Financial assets at fair value through profit or loss	-	-	1,244	1,244
Total assets	13,118	-	1,427	14,545
Liabilities				
Distributions payable	-	-	1,878	1,878
Payables	-	-	303	303
Due to brokers - payable for securities purchased	-	-	77	77
Subscription received in advance	-	-	121	121
Total liabilities (excluding net assets attributable to unit holders)	-	-	2,379	2,379
Net exposure	13,118	-	(952)	12,166

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 reasonably possible change that interest rates changed by +/- 100 basis points (2018: +/- 100 basis points) from the year 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% \$'000	+10% \$'000	-100bps \$'000	+100bps \$'000
As at 30 June 2019	(431)	431	(128)	128
As at 30 June 2018	(124)	124	(131)	131

### 3 Financial risk management (continued)

#### (c) Credit risk

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

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 listed securities 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 daily 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.

##### i. Maturities of non-derivative financial liabilities

###### As at 30 June 2019

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000
Due to brokers	1,133	-	-	-
Payables	142	-	-	-
Net assets attributable to unit holders	15,933	-	-	-
Distributions payable	-	-	-	-
Subscription received in advance	75	-	-	-
Contractual cash flows (excluding derivatives)	17,283	-	-	-

###### As at 30 June 2018

	Less than 1 month \$'000	1-6 months \$'000	6-12 months \$'000	1-2 years \$'000
Due to brokers	77	-	-	-
Payables	303	-	-	-
Net assets attributable to unit holders	12,166	-	-	-
Distributions payable	-	1,878	-	-
Subscription received in advance	121	-	-	-
Contractual cash flows (excluding derivatives)	12,667	1,878	-	-

### 3 Financial risk management (continued)

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

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

At 30 June 2019, there was cash collateral of \$10,930,693 (2018: \$12,916,680) held by Macquarie to support performance swaps entered into by the Fund.

### 4 Fair value measurements

The Fund measures and recognises financial assets and liabilities 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.

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 independent pricing services for the valuation of its investments.

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

The fair value of financial assets and liabilities traded in active markets 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 last 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 level 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.

The Investment Manager's approach to valuation of Level 3 investments takes into account market convention as well as the Australian Private Equity and Venture Capital Association (AVCAL) guidelines. The Investment Manager selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset being measured. The valuation techniques selected by the Investment Manager are consistent with one or more of the following valuation approaches:

- *Market approach:* valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets including ongoing discussions with potential purchasers.
- *Income approach:* valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach:* valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

When selecting a valuation technique, the Investment Manager gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

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 measured and recognised at fair value as at 30 June 2019 and 30 June 2018:

###### As at 30 June 2019:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets at fair value through profit or loss</b>				
Listed equity securities	97	-	-	97
Unlisted equity securities	-	3,292	920	4,212
<b>Total financial assets at fair value through profit or loss</b>	<b>97</b>	<b>3,292</b>	<b>920</b>	<b>4,309</b>

###### As at 30 June 2018:

<b>Financial assets at fair value through profit or loss</b>				
Listed equity securities	516	-	-	516
Unlisted equity securities	-	525	203	728
<b>Total financial assets at fair value through profit or loss</b>	<b>516</b>	<b>525</b>	<b>203</b>	<b>1,244</b>

There were no financial liabilities measured and recognised at fair value as at 30 June 2019 and 30 June 2018.

#### 4 Fair value measurements (continued)

##### (d) Transfer between levels

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

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

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

The following table presents the movement in level 3 instruments for the year ended 30 June 2019 and 30 June 2018.

	Financial assets at fair value through profit or loss \$'000	Total \$'000
<b>Opening balance - 1 July 2017</b>	-	-
Purchases	198	198
Sales	-	-
Gains/(losses) recognised in the statement of comprehensive income	5	5
<b>Closing balance - 30 June 2018</b>	<u>203</u>	<u>203</u>
 Purchases	 670	 670
Sales	-	-
Gains/(losses) recognised in the statement of comprehensive income	47	47
<b>Closing balance - 30 June 2019</b>	<u>920</u>	<u>920</u>

##### i. Valuation inputs and relationships to fair value

The following table summarises the quantitative information about the significant unobservable inputs used in level 3 fair value measurements. See Note 4(b) for the valuation techniques adopted.

Description	Fair value \$'000	Unobservable inputs	Relationship of unobservable inputs to fair value
<b>As at 30 June 2019</b>			
<b><u>Unlisted equity securities</u></b>			
<b>Reach Ventures 2017 LP</b>	250	Adjusted cost of capital	Increased/(decreased) cost of capital (+/- 50 basis points (bps)) would (decrease)/ increase fair value by \$13,500.
<b>Guardian Pty Ltd</b>	670	Cost of capital	Increased/(decreased) cost of capital (+/- 50 basis points (bps)) would (decrease)/ increase fair value by \$34,500.
<b>As at 30 June 2018</b>			
<b><u>Unlisted equity securities</u></b>			
<b>Reach Ventures 2017 LP</b>	203	Cost of capital	Increased/(decreased) cost of capital (+/- 50 basis points (bps)) would (decrease)/ increase fair value by \$10,000.
<b>Guardian Pty Ltd</b>	Nil	N/A	N/A



#### 4 Fair value measurements (continued)

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

###### ii. Valuation processes

Portfolio reviews are undertaken regularly by management to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 3 securities. Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. For certain security types, in selecting the most appropriate valuation model, management performs back testing and considers actual market transactions.

##### (f) 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 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 year.

#### 5 Financial assets at fair value through profit of loss

	As at	
	30 June	30 June
	2019	2018
	\$'000	\$'000
Listed equity securities	97	516
Unlisted equity securities	4,212	728
<b>Total financial assets at fair value through profit or loss *</b>	<b>4,309</b>	<b>1,244</b>

\* The Fund's investments in equity securities were previously designated at fair value through profit or loss. On adoption of AASB 9 all above investments are mandatorily classified as fair value through profit or loss.

#### 6 Derivative financial instruments

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

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

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

- hedging to protect an asset or liability of the Fund against a fluctuation in market values or to reduce volatility;
- a substitution for trading of physical securities; and
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

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

## 6 Derivative financial instruments (continued)

### (a) Options

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

### (b) Equity swaps

An equity swap is an agreement between counterparties to exchange a set of payments, determined by a stock or index return, with another set of payments (usually an interest-bearing (fixed or floating rate) instrument, but they can also be the return on another stock or index). Equity swaps are used to substitute for a direct transaction in stock. The two cash flows are usually referred to as "legs". As with other swaps, the difference in the payment streams is netted.

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

#### As at 30 June 2019

	Contractual/ notional \$'000	Assets \$'000	Liabilities \$'000
Options	141	-	-
Swaps	14,319	-	-
<b>Total derivatives</b>	<b>14,460</b>	<b>-</b>	<b>-</b>

#### As at 30 June 2018

Swaps	4,092	-	-
<b>Total derivatives</b>	<b>4,092</b>	<b>-</b>	<b>-</b>

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

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

	Year ended 30 June 2019 \$'000	30 June 2018 \$'000
<b>Financial assets</b>		
Net realised gain/(loss) on financial assets at fair value through profit or loss	(1,902)	2,332
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	1,365	246
Net gains/(losses) on financial assets at fair value through profit or loss	(537)	2,578
<b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b>	<b>(537)</b>	<b>2,578</b>

## 8 Net assets attributable to unit holders

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

	Year ended		Year ended	
	30 June	30 June	30 June	30 June
	2019	2019	2018	2018
	Units		Units	
	'000	\$'000	'000	\$'000
Opening balances	9,880	12,166	5,078	5,966
Applications	11,793	14,329	5,590	7,052
Redemptions	(10,081)	(12,015)	(804)	(1,105)
Reinvestment of distributions	1,717	1,701	16	15
Increase/(decrease) in net assets attributable to unit holders	-	(248)	-	238
<b>Closing balance</b>	<b>13,309</b>	<b>15,933</b>	<b>9,880</b>	<b>12,166</b>

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

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 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.

## 9 Distributions to unit holders

The distributions declared during the year were as follows:

	Year ended		Year ended	
	30 June	30 June	30 June	30 June
	2019	2019	2018	2018
	\$'000	CPU	\$'000	CPU
<b>Distributions</b>				
June (payable)	-	-	1,878	19.00
<b>Total distributions</b>	<b>-</b>	<b>-</b>	<b>1,878</b>	<b>19.00</b>

## 10 Cash and cash equivalents

	As at	
	30 June 2019 \$'000	30 June 2018 \$'000
Cash at bank	12,811	13,118
<b>Total cash and cash equivalents</b>	<b>12,811</b>	<b>13,118</b>

These accounts are earning a floating interest rate between 1.25% and 1.50% as at 30 June 2019 (30 June 2018: 0.00% and 1.50%).

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

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

	Year ended	
	30 June 2019 \$'000	30 June 2018 \$'000
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unit holders	(248)	238
Distributions to unit holders	-	1,878
Proceeds from sale of financial instruments at fair value through profit or loss	271	2,632
Purchase of financial instruments at fair value through profit or loss	(2,818)	(1,206)
Net (gains)/losses on financial instruments at fair value through profit or loss	537	(2,578)
Net change in receivables	20	23
Net change in payables	(161)	199
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(2,399)</b>	<b>1,186</b>

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

	Year ended	
	30 June 2019 \$'000	30 June 2018 \$'000

The following distribution payments to unit holders were satisfied by the issue of units under the distribution reinvestment plan.

	1,701	15
<b>Total non-cash operating and financing activities</b>	<b>1,701</b>	<b>15</b>

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

## 12 Receivables

	As at	
	30 June 2019 \$'000	30 June 2018 \$'000
Interest receivable	18	16
Dividends receivable	143	163
Other receivables	2	4
<b>Total receivables</b>	<b>163</b>	<b>183</b>

### 13 Payables

	As at	
	30 June	30 June
	2019	2018
	\$'000	\$'000
Management fees payable	62	15
Administration fees payable	-	7
Audit fees payable	-	14
Dividends payable - Short	44	172
Other payables	1	-
Performance fees	-	66
Interest payable	35	14
Responsible Entity fees payable	-	1
Tax advisory fees payable	-	14
<b>Total payables</b>	<b>142</b>	<b>303</b>

### 14 Remuneration of auditor

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

	Year ended	
	30 June	30 June
	2019	2018
	\$	\$
<b>PricewaterhouseCoopers</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	17,000	14,420
Audit of compliance plan	3,060	3,060
Total remuneration for audit and other assurance services	20,060	17,480
<i>Taxation services</i>		
Tax compliance services	10,812	10,600
Total remuneration for taxation services	10,812	10,600
<b>Total remuneration for PricewaterhouseCoopers</b>	<b>30,872</b>	<b>28,080</b>

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

### 15 Related party transactions

The Responsible Entity of Newgate Real Estate and Infrastructure Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975). Accordingly, transactions with entities related to Equity Trustees Limited are disclosed below.

The Responsible Entity has contracted services to Newgate Investment Management 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.

## 15 Related party transactions (continued)

### (a) Key management personnel

#### *i. Directors*

Key management personnel include persons who were directors of Equity Trustees Limited at any time during or since the end of the financial year 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)

#### *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 year.

### (b) Transactions with key management personnel

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

### (c) Key management personnel unit holdings

Key management personnel did not hold units in the Fund as at 30 June 2019 (30 June 2018: nil)

### (d) Key management personnel compensation

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

### (e) Key management personnel loans

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

### (f) Other transactions within the Fund

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving management personnel's interests existing at year 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. The Investment Manager is entitled to receive performance fees.

## 15 Related party transactions (continued)

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

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

	Year ended	
	30 June 2019	30 June 2018
	\$	\$
Investment management fees for the year	290,743	187,470
Performance fees for the year	-	487,959
Responsible Entity fees for the year	9,164	-
Total fees payable to the Responsible Entity at year end	69	583
Total fees payable to Investment Manager at year end	61,403	81,655

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 Equity Trustees Limited, its related parties and other schemes managed by Equity Trustees Limited and the Investment Manager) held no units in the Fund as at 30 June 2019 (2018: nil).

### (i) Investments

The Fund did not hold any investments in Equity Trustees Limited or its related parties during the year (2018: nil).

## 16 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 2019 or on the results and cash flows of the Fund for the year ended on that date.

## 17 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2019 and 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 6 to 30 are in accordance with the *Corporations Act 2001*,
  - 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 2019 and of its performance for the year ended on that date,
- (b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and
- (c) Note 2(a) confirms that the financial statements comply with the International Financial Reporting Standards as issued by 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 Equity Trustees Limited's Board.



Philip D Gentry  
Chairman

Melbourne  
9 October 2019





## *Independent auditor's report*

To the unit holders of Newgate Real Estate and Infrastructure Fund

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### *Our opinion*

In our opinion:

The accompanying financial report of Newgate Real Estate and Infrastructure Fund (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 2019 and of its financial performance for the year then ended
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### *What we have audited*

The financial report comprises:

- the statement of financial position as at 30 June 2019
- the statement of comprehensive income for the year then ended
- the statement of changes in equity for the year then ended
- the statement of cash flows for the year then ended
- the notes to the financial statements, which include a summary of significant accounting policies
- the directors' declaration.

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

### *Independence*

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.

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### *Other information*

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

Our opinion on the financial report does not cover the other information and 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 on the other information that we obtained prior to the date of this auditor's report, 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.

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### *Responsibilities of the directors of the Responsible Entity for the financial report*

The directors of the Responsible Entity of the Fund 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 of the Responsible Entity determines 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 of the Responsible Entity are responsible for assessing the ability of the Fund to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Responsible Entity either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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### *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 the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

[http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our auditor's report.

The PricewaterhouseCoopers logo, written in a stylized, cursive script.

PricewaterhouseCoopers

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

George Sagonas  
Partner

Melbourne  
9 October 2019