

# **Custom Portfolio Solutions - Global Managers Trust**

ARSN 155 638 047

## **Annual Financial Report - 30 June 2018**

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## **Directors' report**

The directors of BetaShares Capital Ltd, the Responsible Entity of Custom Portfolio Solutions - Global Managers Trust (the "Fund"), present their report together with the financial statements of the Fund for the year ended 30 June 2018 and the auditor's report thereon.

### **Responsible Entity**

The Responsible Entity of Custom Portfolio Solutions - Global Managers Trust is BetaShares Capital Ltd (ABN 78 139 566 868). The Responsible Entity's registered office and principal place of business is Level 11, 50 Margaret Street, Sydney, NSW, 2000.

### **Principal activities**

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

The principal activity of each Fund is to invest in accordance with the investment objective and guidelines as set out in the Fund's current Product Disclosure Statement and its 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.

### **Directors**

The following persons held office as directors of BetaShares Capital Ltd during the year or since the end of the year and up to the date of this report:

David Nathanson (appointed 21 September 2009)  
Alex Vynokur (appointed 21 September 2009)  
Taeyong Lee (appointed 12 August 2015, resigned 31 August 2018)  
Thomas Park (appointed 12 August 2015)  
Junggho Rhee (appointed 1 September 2018)

### **Review and results of operations**

During the year, the Fund continued to invest in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution as amended for the changes outlined above.

The results of operation of the Fund is disclosed in the statement of comprehensive income. The income distributions payable by the Fund are disclosed in the statement of financial position. The income distributions paid and payable by the Fund are disclosed in Note 4 to the financial statements.

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

In the opinion of the directors, there were no 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**

The Responsible Entity has elected into the Attribution Managed Investment Trust ('AMIT') regime for the Fund for the year ending 30 June 2019 and subsequent years. Under the AMIT regime the units in the Fund will be reclassified from financial liability to equity from 1 July 2018.

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, or
- (ii) the results of those operations in future financial years, or

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

### **Matters subsequent to the end of the financial year (continued)**

(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.

The future returns of the Fund, as measured by the Fund's net asset value per unit plus any distributions, are generally dependent upon the performance of the portfolio of international equity securities, held either directly or indirectly via pooled funds, which are managed by the Fund's selected investment managers. The Fund maintains its investment strategy to provide unitholders with a return that aims to provide long term capital growth and some income (over five years or more) by investing in a diversified portfolio of listed international shares managed directly, or indirectly via pooled funds, by one or more selected investment managers.

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

No insurance premiums are paid for out of the assets of the Fund in regard to insurance cover provided to either the Responsible Entity, its officers or the auditor of the Fund. As long as the officers of the Responsible Entity 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. The auditor of the Fund is in no way indemnified out of the assets of the Fund.

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

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

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

No interests in the Fund were held by the Responsible Entity or its associates as at the end of the financial year.

### **Interests in the Fund**

The movement in units on issue in the Fund during the year is disclosed in Note 3 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 a Commonwealth, State or Territory law.

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

The Fund is an entity of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and in accordance with that instrument, amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

**Directors' report (continued)**

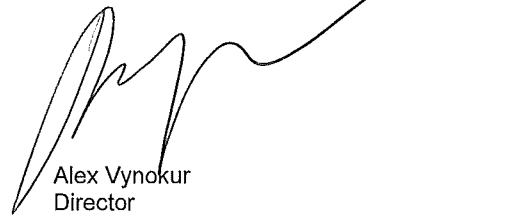
**Auditor's independence declaration**

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.



David Nathanson  
Director



Alex Vynokur  
Director

Sydney  
17 September 2018



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

To the Directors of BetaShares Capital Ltd, as Responsible Entity for Custom  
Portfolio Solutions - Global Managers Trust

I declare that, to the best of my knowledge and belief, in relation to the audit of the Custom Portfolio  
Solutions - Global Managers Trust for the financial year ended 30 June 2018 there have been:

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

KPMG

Michael O Connell

Partner

Sydney

17 September 2018

**Custom Portfolio Solutions - Global Managers Trust**  
**Statement of comprehensive income**  
**For the year ended 30 June 2018**

**Statement of comprehensive income**

		Year ended	
		30 June	30 June
		2018	2017
	Notes	\$'000	\$'000
<b>Investment income</b>			
Interest income		24	7
Dividend/distribution income		6,862	3,511
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	11,701	12,363
Net foreign exchange gains/(losses)		53	(184)
<b>Total net investment income/(loss)</b>		<u>18,640</u>	<u>15,697</u>
<b>Expenses</b>			
Management fees		3,606	1,629
Transaction costs		45	29
Other operating expenses		291	155
<b>Total operating expenses</b>		<u>3,942</u>	<u>1,813</u>
<b>Operating profit/(loss) before finance costs for the year</b>		<u>14,698</u>	<u>13,884</u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	4	<u>(19,948)</u>	<u>(2,653)</u>
<b>Changes in net assets attributable to unitholders (total comprehensive income)</b>	3	<u>(5,250)</u>	<u>11,231</u>

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

**Custom Portfolio Solutions - Global Managers Trust**  
**Statement of financial position**  
**As at 30 June 2018**

**Statement of financial position**

		As at	
		30 June	30 June
		2018	2017
	Notes	\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents		3,387	29,722
Financial assets held at fair value through profit or loss	6	269,633	213,832
Due from brokers - receivables for securities sold		5	2,606
Other receivables		<u>4,612</u>	<u>465</u>
<b>Total assets</b>		<u>277,637</u>	<u>246,625</u>
<b>Liabilities</b>			
Financial liabilities held at fair value through profit or loss	6	-	3
Distributions payable	4	19,948	2,653
Due to brokers - payables for securities purchased		-	26,401
Other payables		<u>2,609</u>	<u>1,966</u>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u>22,557</u>	<u>31,023</u>
<b>Net assets attributable to unitholders - liability</b>	3	<u>255,080</u>	<u>215,602</u>

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



**Statement of changes in equity**

The Fund's net assets attributable to unitholders are classified as a liability under *AASB 132 Financial Instruments: Presentation*. As such, the Fund has no equity and no items of changes in equity have been presented for the current or comparative year.

**Custom Portfolio Solutions - Global Managers Trust**  
**Statement of cash flows**  
**For the year ended 30 June 2018**

**Statement of cash flows**

		<b>Year ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2018</b>	<b>2017</b>
	Notes	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Purchase/maturity of financial instruments held at fair value through profit or loss		<b>(256,321)</b>	(120,771)
Proceeds from sale/maturity of financial instruments held at fair value through profit or loss		<b>188,472</b>	22,520
Dividends/distributions received		<b>6,811</b>	3,408
Interest received		<b>24</b>	7
Management fees paid		<b>(3,282)</b>	(1,486)
Transaction costs paid		<b>(45)</b>	(29)
Other operating expenses paid		<b>(311)</b>	(220)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>7</b>	<b>(64,652)</b>	(96,571)
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		<b>84,176</b>	142,454
Payments for redemptions by unitholders		<b>(43,205)</b>	(12,288)
Distributions paid		<b>(2,653)</b>	(8,890)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>38,318</b>	121,276
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		<b>(26,334)</b>	24,705
Cash and cash equivalents at the beginning of the financial year		<b>29,722</b>	5,014
Effects of exchange rate changes on cash and cash equivalents		<b>(1)</b>	3
<b>Cash and cash equivalents at the end of the financial year</b>		<b>3,387</b>	29,722

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

**Contents of the notes to the financial statements**

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## **1 General information**

These financial statements cover Custom Portfolio Solutions - Global Managers Trust (the "Fund") as an individual entity. The Fund was registered on 22 February 2012 and commenced operations on 27 March 2013. The Responsible Entity cannot issue or redeem any units from the 80th anniversary of the day before the day the Fund commenced, if that issue or redemption would cause a contravention of the rule against perpetuities or any other rule of law or equity. The Fund may be terminated in accordance with the provisions of the Fund's Constitution. The Fund is domiciled in Australia.

The Responsible Entity of the Fund is BetaShares Capital Ltd (the "Responsible Entity"). The Responsible Entity's registered office is Level 11, 50 Margaret Street, Sydney, NSW 2000.

The Fund's investment strategy is to provide unitholders with long-term capital growth and some income (over 5 years or more) by investing in a diversified portfolio of listed international shares managed directly, or indirectly via pooled funds, by one or more selected investment managers.

The financial statements were authorised for issue by the directors on 17 September 2018. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

The financial statements are presented in Australian dollars, which is the Fund's functional currency.

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented.

### **(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 Custom Portfolio Solutions - Global Managers Trust is a for-profit unit trust for the purpose of preparing the financial statements.

The Fund operated solely in one segment which is the business of investment management within Australia.

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 are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders.

#### *Compliance with International Financial Reporting Standards*

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

#### *Use of estimates and judgements*

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.

## 2 Summary of significant accounting policies (continued)

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

#### *Use of estimates and judgements (continued)*

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and regularly reviewed by experienced personnel of the Responsible Entity, independent of the area that created them.

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 certain other financial instruments, including amounts due from/to brokers and payables, the carrying amounts approximate fair value due to the short-term nature of these financial instruments.

#### *Investment entity exception*

The Fund meets the definition of an investment entity and therefore apply the investment entity amendments to AASB 10 *Consolidated Financial Statements* ("AASB 10"), AASB 12 *Disclosure of Interests in Other Entities* and AASB 127 *Separate Financial Statements*. AASB 10 is applicable to all investees; among other things, it requires the consolidation of an investee if the Fund controls the investee on the basis of de facto circumstances. An exception however exists where an entity meets the definition of an investment entity.

The Fund meets the definition of investment entity due to the following factors:

- (a) the Fund obtains funds from one or more unitholders for the purpose of providing the unitholders with investment management services;
- (b) the Fund commits to their unitholders that their business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- (c) the Fund measures and evaluates the performance of substantially all of their investments on a fair value basis.

In making the above assessments, the Fund has multiple investments and multiple investors. Their investors are generally unrelated parties of the Fund. Although all units attributable to unitholders are recognized as debt rather than equity, unitholders invest for returns from capital appreciation, investment income, or both. Directors of the RE have concluded that the Fund meets the definition of investment entity.

#### *Assessment of the Fund's investments as structured entities*

The Fund has assessed whether the securities in which it invests are structured entities. The Fund has considered the voting rights and other similar rights afforded to investors in this fund, including the rights to remove the fund manager or redeem holdings. The Fund has assessed whether these rights are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds. The Fund has concluded that the managed investment funds in which it invests are not structured entities.

### (b) Changes in accounting policy and transition

There were no changes in the accounting policies of the Fund during the financial year.

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

### **(c) New accounting 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:

*(i) AASB 9 Financial Instruments (and applicable amendments) (applicable from 1 July 2018)*

AASB 9 *Financial instruments* was available for early adoption but has not been applied in these financial statements. AASB 9 replaces existing guidance on classification and measurements of financial assets and introduces additions relating to the classification and measurement of financial liabilities as part of the project to replace AASB 139: *Financial instruments*. It has also introduced new hedge accounting requirements and revised certain requirements of financial assets. AASB 9 becomes mandatory for the Fund's 30 June 2019 financial statements. Retrospective application of the standard is required.

The directors of Responsible Entity have made an assessment and determined that the standard will not have a significant impact on the recognition and measurement of the Fund's financial instruments as they are held at fair value through profit and loss. The de-recognition rules have not been changed from previous requirements and the Fund does not apply hedge accounting.

*(ii) AASB 15 Revenue from Contracts with Customers (applicable from 1 July 2018)*

The AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard 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 source of income are interest, distributions and dividends and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, management has assessed the impact and determined that the adoption of the new revenue recognition rules will not 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.

### **(d) Financial instruments**

*(i) Classification*

The Fund's investments are classified as financial assets or financial liabilities and are recognised at fair value through profit or loss. They comprise:

- Financial instruments held for trading

Derivative financial instruments such as futures and forward contracts are included under this classification. The Fund does not designate any derivatives as hedges in a hedging relationship.

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

These include financial assets and financial liabilities such as equity instruments that are classified as not held for trading purposes and which may be sold.

Financial instruments 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.

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

### **(d) Financial instruments (continued)**

#### *(ii) Recognition/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.

Investments are derecognised when the right to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

#### *(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 held 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 during the financial year.

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.

- Fair value in an active market

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 and liabilities is the last traded price.

- Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is 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 arms length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models or any 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.

#### *(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.

### **(e) Net assets attributable to unitholders**

Units are redeemable at the unitholders' option and accordingly are therefore classified as financial liabilities. However, applications and redemptions may be suspended by the responsible entity if it is in the best interests of the unitholders. The units are classified as financial liabilities as the Fund is required to distribute its distributable income. The units can be put back to the Fund on a monthly basis (subject to the *Corporations Act 2001* and the Fund's Constitution) for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the end of the reporting period if unitholders exercised their right to redeem units in the Fund.

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

### **(f) 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, and bank overdrafts. The carrying amount of cash approximates fair 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.

### **(g) Investment income**

Interest income is recognised in the statement of comprehensive income for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(d).

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.

Trust distributions are recognised on an entitlements basis.

### **(h) Expenses**

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

### **(i) Income tax**

The Fund is not subject to income tax provided as unitholders are presently entitled to the taxable income (including assessable realised capital gains) of the Fund.

### **(j) Distributions**

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

### **(k) Change in net assets attributable to unitholders**

Income not distributed is included in net assets attributable to unitholders. Movements in net assets attributable to unitholders are recognised in the statement of comprehensive income.

### **(l) Foreign currency translation**

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

The Fund does not isolate that portion of unrealised gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.



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

### **(l) Foreign currency translation (continued)**

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.

### **(m) Due from/to brokers**

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

### **(n) Other receivables**

Other receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions 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(g) above. Amounts are generally received within 30 days of being recorded as receivables. The carrying amount of receivables approximates fair value.

### **(o) Other payables**

Other payables include liabilities and accrued expenses owing by the Fund which are unpaid as at the end of the reporting period.

The distribution amount payable to unitholders as at the end of each reporting period is recognised separately in the statement of financial position when unitholders are presently entitled to the distributable income.

### **(p) Applications and redemptions**

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

### **(q) Goods and Services Tax (GST)**

The GST incurred on the costs of various services provided to the Fund by third parties such as investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (RITC) at a rate of 55% to 85%; 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.

### **(r) Rounding of amounts**

The Fund is an entity of the 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 off to the nearest thousand dollars, unless otherwise indicated.

### 3 Net assets attributable to unitholders

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.

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

	30 June		As at	
	2018	30 June 2017	30 June 2018	30 June 2017
	No. of units '000	No. of units '000	\$'000	\$'000
Opening balance	289,339	110,571	215,602	74,309
Applications	115,609	197,782	88,248	142,454
Redemptions	(56,143)	(19,014)	(43,520)	(12,392)
Change in net assets attributable to unitholders	-	-	(5,250)	11,231
Closing balance	<u>348,805</u>	<u>289,339</u>	<u>255,080</u>	<u>215,602</u>

### Capital risk management

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

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 extend the period allowed for satisfaction of redemption of units or reject or spread redemptions in specified circumstances.

### 4 Distributions to unitholders

The distributions paid/payable for the year were as follows:

	Year ended		Year ended	
	30 June 2018	30 June 2018	30 June 2017	30 June 2017
	\$'000	CPU	\$'000	CPU
<b>Distributions</b>				
Distributions payable - June	<u>19,948</u>	5.77	<u>2,653</u>	1.04
	<u>19,948</u>		<u>2,653</u>	

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

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

	Year ended	
	30 June 2018 \$'000	30 June 2017 \$'000
Net gains/(losses) on financial instruments held for trading	(542)	161
Net gains/(losses) on financial instruments designated at fair value through profit or loss	<u>12,243</u>	<u>12,202</u>
<b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<u>11,701</u>	<u>12,363</u>

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

	As at	
	30 June 2018 \$'000	30 June 2017 \$'000
<b>Financial assets</b>		
<b>Designated at fair value through profit or loss</b>		
Listed securities	269,253	213,832
Quoted managed funds	<u>380</u>	<u>-</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>269,633</u>	<u>213,832</u>
<b>Financial liabilities</b>		
<b>Held for trading</b>		
Foreign currency contracts	<u>-</u>	<u>3</u>
<b>Total financial liabilities held at fair value through profit or loss</b>	<u>-</u>	<u>3</u>

An overview of the risk exposures relating to financial instruments at fair value through profit or loss is included in note 8.

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

	Year ended	
	30 June 2018 \$'000	30 June 2017 \$'000
<b>Reconciliation of operating profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Operating profit/(loss) for the year	14,698	13,884
Proceeds from sale/maturity of financial instruments held at fair value through profit or loss	188,472	22,520
Purchase/maturity of financial instruments held at fair value through profit or loss	(256,321)	(120,771)
Net (gains)/losses on financial instruments held at fair value through profit or loss	(11,701)	(12,363)
Net foreign exchange (gains)/losses	(53)	184
Net change in dividends/distributions receivable	13	(105)
Net change in receivables and other assets	(88)	9
Net change in payables and other liabilities	328	71
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(64,652)</b>	<b>(96,571)</b>

## 8 Financial risk management

The Fund is a managed investment scheme (MIS) that primarily invests directly in a portfolio of securities listed on international stock exchanges, as well derivative instruments and cash and cash equivalents.

The Fund's activities expose it to a variety of financial risks: market risk (including price risk, foreign exchange risk and interest rate risk), counterparty/credit risk and liquidity risk. The Fund uses different methods to measure different types of risk to which it is exposed. Methods include sensitivity analysis in the case of price risk and foreign exchange risk.

The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement and seeks to maximise the returns derived for the level of risk to which the Fund is exposed. Financial risk management is carried out by appointed investment managers under policies approved by the Board of Directors of the Responsible Entity (the Board).

The Board of Directors of the Responsible Entity has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Fund's overall risk management program focuses on ensuring compliance with the Fund's Product Disclosure Statement (PDS) and Investment Guidelines.

Compliance with the Fund's PDS, Constitution and Investment Guidelines is reported to the Board on a regular basis.

### (a) Market risk

Market risk is the risk that changes in market prices, such as 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.

## 8 Financial risk management (continued)

### (a) Market risk (continued)

#### (i) Price risk

The Fund is exposed to equity securities and derivative securities price risk. This arises from investments held by the Fund for which prices in the future are uncertain. Where non monetary financial instruments are denominated in currencies other than the Australian dollar, the price in the future will also fluctuate because of changes in foreign exchange rates which is considered a component of price risk. Investments are classified in the Statement of financial position as at fair value through profit or loss. All securities investments present a risk of loss of capital.

#### *Sensitivity analysis - price risk*

An increase of 10% at the reporting date of the underlying investments' prices of the Fund would have increased profit/decreased loss from operating activities by \$26,963,265 (2017: \$21,383,184). A decrease of 10% would have an equal but opposite effect on the operating profit or loss, on the basis that all other variables remain constant.

#### (ii) Foreign exchange risk

The Fund holds monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk not foreign exchange risk. Foreign exchange risk arises as the value of these financial assets denominated in other currencies will fluctuate due to changes in exchange rates.

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

	As at	
	30 June 2018 \$'000	30 June 2017 \$'000
USD	160,712	92,635
CAD	-	21,350
JPY	18,168	-
EUR	38,294	20,207
Other currencies	<u>51,420</u>	<u>69,268</u>
<b>Net foreign currency exposure</b>	<b><u>268,594</u></b>	<b><u>203,460</u></b>

#### *Sensitivity analysis - foreign exchange risk*

The table below summarises the sensitivities of the Fund's monetary assets and liabilities to foreign exchange risk.

	30 June 2018 \$'000	30 June 2017 \$'000
Impact on profit/(loss) from operating activities and net assets attributable to unitholders		
10% AUD appreciation against foreign currency (2017: 10%)	331	1,940

10% AUD depreciation against foreign currency would have an equal, but opposite effect to the amounts shown in the table above.

## 8 Financial risk management (continued)

### (a) Market risk (continued)

#### *(iii) Interest rate risk*

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Interest rate risk is not considered to be significant to the Fund other than its cash holdings.

### (b) Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund.

#### *(i) Derivative financial instruments*

Derivatives, such as futures and forward contracts, may be used in the Fund to gain or reduce exposure to assets and markets more efficiently or to manage risk (such as currency hedging). Derivatives may also be used from time to time to increase the market exposure of a portfolio managed by a selected investment manager with the intention that the exposure is in line with, but not greater than, that of the broad international equity market. The Responsible Entity does not otherwise intend to use derivatives or any other instrument to gain additional exposure to the equity market.

#### *(ii) 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 of the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

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

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

The custody, clearing and depository operations of the Fund's assets are mainly concentrated with one counterparty, namely RBC Investor Services Trust. RBC Investor Services Trust is a member of a major securities exchange, and at 30 June 2018 had a credit rating of AA- (S&P) and A1 (Moody's) (30 June 2017: AA- (S&P) and A1 (Moody's)). At 30 June 2018, substantially all cash and cash equivalents, balances due from brokers and investments were held in custody by RBC Investor Services Trust.

In accordance with the Fund's policy, the Responsible Entity monitors the Fund's credit position on a regular basis.

#### *(iv) Other*

The Fund is not materially exposed to credit risk on other financial assets.

### (c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities.

The Fund is exposed to monthly redemptions of redeemable units. The Responsible Entity has the discretion to accept a redemption intra period.

The Fund may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as deterioration in the creditworthiness of any particular issuer or counterparty.

## 8 Financial risk management (continued)

### (c) Liquidity risk (continued)

The table below analyses the Fund's non-derivative and derivative financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	On demand	Less than 6 months	Greater than 6 months	Total
<b>30 June 2018</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Distributions payable	-	19,948	-	19,948
Other payables	-	2,609	-	2,609
Net assets attributable to unitholders	<u>255,080</u>	<u>-</u>	<u>-</u>	<u>255,080</u>
<b>Contractual cash flows (excluding net settled derivatives)</b>	<u>255,080</u>	<u>22,557</u>	<u>-</u>	<u>277,637</u>
	On demand	Less than 6 months	Greater than 6 months	Total
<b>30 June 2017</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Distributions payable	-	2,653	-	2,653
Due to brokers - payable for securities purchased	-	26,401	-	26,401
Other payables	-	1,966	-	1,966
Net assets attributable to unitholders	<u>215,602</u>	<u>-</u>	<u>-</u>	<u>215,602</u>
Contractual cash flows (excluding net settled derivatives)	<u>215,602</u>	<u>31,020</u>	<u>-</u>	<u>246,622</u>
	-	3	-	3
Foreign currency contracts	<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>
Net settled derivatives	<u>-</u>	<u>3</u>	<u>-</u>	<u>3</u>

## 9 Offsetting financial assets and financial liabilities

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.

	Effects of offsetting on the statement of financial position			Related amounts not offset in statement of financial position		
	Gross amounts of financial assets/ (liabilities)	Gross amounts set off in the statement of financial position	Net amount of financial assets/ (liabilities) presented in the statement of financial position	Financial instruments (including non-cash collateral)	Stock and cash collateral pledged	Net amounts
30 June 2018	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial liabilities</b>						
Foreign currency contracts	-	-	-	-	-	-
<b>Total</b>	-	-	-	-	-	-

	Effects of offsetting on the statement of financial position			Related amounts not offset in statement of financial position		
	Gross amounts of financial assets/ (liabilities)	Gross amounts set off in the statement of financial position	Net amount of financial assets/ (liabilities) presented in the statement of financial position	Financial instruments (including non-cash collateral)	Stock and cash collateral pledged	Net amounts
30 June 2017	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Financial liabilities</b>						
Foreign currency contracts	(3)	-	(3)	-	-	(3)
<b>Total</b>	(3)	-	(3)	-	-	(3)



## 10 Fair value measurements

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

### Fair value estimation

The carrying amounts of the Fund's assets and liabilities at the end of each reporting period approximate their fair values.

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

#### *(i) 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 Fund values its investments in accordance with the accounting policies set out in Note 2. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

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.

#### *(ii) 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.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

## 10 Fair value measurements (continued)

### Fair value estimation (continued)

#### (iii) Recognised fair value measurements

The tables below set out the Fund's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 30 June 2018 and 30 June 2017.

30 June 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Listed securities	269,633	-	-	269,633
<b>Total</b>	<b>269,633</b>	<b>-</b>	<b>-</b>	<b>269,633</b>

30 June 2017	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Listed securities	213,832	-	-	213,832
<b>Total</b>	<b>213,832</b>	<b>-</b>	<b>-</b>	<b>213,832</b>
<b>Financial liabilities held for trading:</b>				
Foreign currency contracts	-	3	-	3
<b>Total</b>	<b>-</b>	<b>3</b>	<b>-</b>	<b>3</b>

#### (iv) Transfers between levels

There were no transfers between levels during the period ended 30 June 2018 and 30 June 2017.

#### (v) Movement in level 3 instruments

There were no investments classified as level 3 within the Fund as at 30 June 2018 and 30 June 2017.

#### (vi) Fair value of financial instruments not carried at fair value

The carrying value of trade receivables and trade 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 or prior year.

## 11 Derivative financial instruments

In the normal course of business the Fund may enter 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 instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

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

Derivative transactions include many different instruments such as forwards and futures. 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 may include:

- 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.

The Fund holds the following derivative instruments:

### Foreign currency contracts

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

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

#### As at 30 June 2018

	Contract / notional \$'000	Fair values	
		Assets \$'000	Liabilities \$'000
Foreign currency contracts	-	-	-
	-	-	-

#### As at 30 June 2017

	Contract / notional \$'000	Fair values	
		Assets \$'000	Liabilities \$'000
Foreign currency contracts	38,357	-	3
	38,357	-	3

## 12 Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Fund. Audit fees were borne by the Responsible Entity.

	Year ended	
	30 June 2018	30 June 2017
	\$	\$
<b>KPMG</b>		
<i>Audit and other assurance service</i>		
Audit and review of financial reports	9,000	9,000
Audit of compliance plan	2,300	2,300
Total remuneration of audit and other assurance services	11,300	11,300

## 13 Related party transactions

### Responsible Entity

The Responsible Entity of Custom Portfolio Solutions - Global Managers Trust is BetaShares Capital Ltd.

### Key management personnel

The Fund does not employ personnel in its own right. However, the Fund is required to have an incorporated Responsible Entity to manage the activities and this is considered to be key management personnel. The directors of the Responsible Entity, which are key management personnel of the Responsible Entity, during or since the end of the financial year are:

#### (a) Directors

Executive Directors:

David Nathanson (appointed 21 September 2009)

Alex Vynokur (appointed 21 September 2009)

Non-Executive Directors:

Taeyong Lee (appointed 12 August 2015, resigned 31 August 2018)

Thomas Park (appointed 12 August 2015)

Jungho Rhee (appointed 1 September 2018)

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

#### **(b) 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.

#### **Responsible Entity's management fees and other transactions**

The Responsible Entity's fees are calculated in accordance with the Fund's Constitution. The Responsible Entity fee is 0.36% p.a (2017: 0.36%) (after taking account of GST and reduced input tax credits), which is calculated as a percentage of the net asset value of the Fund and is disclosed in the statement of comprehensive income.

	<b>Year ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
Responsible Entity fees expensed during the year	<b>424,205</b>	386,875
Responsible Entity fees payable as at reporting date	<b>170,578</b>	55,051

#### **Related party unitholdings**

Parties related to the Fund (including BetaShares Capital Ltd, its related parties and other schemes managed by BetaShares Capital Ltd), did not hold any units in the Fund for the year ended 30 June 2018 and 30 June 2017.

### **14 Events occurring after the reporting period**

The Responsible Entity has elected into the Attribution Managed Investment Trust ('AMIT') regime for the Fund for the year ending 30 June 2019 and subsequent years. Under the AMIT regime the units in the Fund will be reclassified from financial liability to equity from 1 July 2018.

No other significant events have occurred since the end of the reporting period 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 year 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 (30 June 2017: Nil).

### Directors' declaration

In the opinion of the directors of BetaShares Capital Ltd, the Responsible Entity of Custom Portfolio Solutions - Global Managers Trust

- (a) the financial statements and notes set out on pages 6 to 28 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; 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 financial year ended on that date; and
- (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

The directors draw attention to Note 2(a) of the financial report which contains a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors of BetaShares Capital Ltd.



David Nathanson  
Director



Alex Vynokur  
Director

Sydney  
17 September 2018



# Independent Auditor's Report

To the unitholders of Custom Portfolio Solutions – Global Managers Trust

## Opinion

We have audited the **Financial Report** of the Custom Portfolio Solutions – Global Managers Trust (the Scheme).

In our opinion, the accompanying **Financial Report** of the Custom Portfolio Solutions – Global Managers Trust is in accordance with the *Corporations Act 2001*, including;

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

The **Financial Report** comprises the:

- Statement of financial position as at 30 June 2018;
- Statement of comprehensive income for the year then ended;
- Statement of changes in equity, and Statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration made by the Directors of BetaShares Capital Ltd (the Responsible Entity).

## Basis for opinion

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

Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report.

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

## Other Information

Other Information is financial and non-financial information in the Custom Portfolio Solution – Global Managers Trust's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors of the Responsible Entity are responsible for the Other Information.

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

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

### Responsibilities of Directors for the Financial Report

The Directors the Responsible Entity are responsible for:

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

### Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

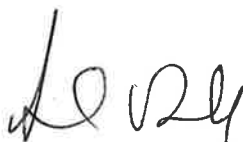
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the Audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar4.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar4.pdf). This description forms part of our Auditor's Report.



KPMG



Michael O Connell

Partner

Sydney

17 September 2018