

EMERGING MARKETS MASTERS FUND

ARSN 158 717 072

APPENDIX 4D - CONDENSED INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

(The previous corresponding period is the half-year ended 31 December 2015)

Results for announcement to the market

	Half-year to 31 December 2016 (\$)	Half-year to 31 December 2015 (\$)	Change from previous period (\$)	Change from previous period (%)
Revenue from ordinary activities	\$144,481	\$22,153	Up \$122,328	Up 552%
Profit/(loss) from ordinary activities after tax attributable to unitholders	\$4,974,488	(\$10,724,857)	Up \$15,699,345	Up 146%
Net profit/(loss) for the period to unitholders	\$4,974,488	(\$10,724,857)	Up \$15,699,345	Up 146%
Basic gains/(loss) per unit	5.27 cents	(12.60 cents)	Up 17.87 cents	Up 142%
Diluted gains/(loss) per unit	5.27 cents	(12.60 cents)	Up 17.87 cents	Up 142%

Significant features of operating performance

The profit attributable to unitholders for the half-year ended 31 December 2016 was \$4,974,488 (31 December 2015: loss of \$10,724,857). The increase in profit is due to the solid performance of underlying investments, as well as a more favourable environment for emerging market equity investments in general.

As at 31 December 2016, the Fund has made investments in 15 funds.

Distributions

During the half-year ended 31 December 2016, Emerging Markets Masters Fund (**the Fund**) declared a distribution of 3 cents per unit, which amounted to a total of \$2,817,912. The Record Date for determining entitlements to the distribution was 30 December 2016.

The Fund operates a Distribution Reinvestment Plan (**DRP**) under which unitholders may elect to have all, or part, of their distribution reinvested in new units. To participate in the DRP, unitholders should elect to participate before the Record Date.

Results for announcement to the market (continued)

Explanation of operating activities

Revenue from ordinary activities of the Fund for the half-year ended consists entirely of the Fund's investment activities and is made up as follows:

	31 December 2016	31 December 2015
Distribution income	\$139,878	\$16,994
Interest income	\$4,603	\$5,159
Total	\$144,481	\$22,153

As at 31 December 2016, the Fund had net assets of \$165,209,967 (30 June 2016: \$161,999,613).

	31 December 2016 \$/unit	30 June 2016 \$/unit
Net Tangible Assets per Unit	\$1.76	\$1.74

Event subsequent to the reporting date

The distribution for the half-year ended 31 December 2016 totalling \$2,817,912 was paid to unitholders on 3 February 2017. 587,872 units were issued at \$1.76 per unit on 6 February 2017 under the Fund's Distribution Reinvestment Plan.

Other than those disclosed in this report, there have been no other events subsequent to the reporting date.

Other information

This report is based on the Condensed Interim Financial Report which has been subject to review by an independent auditor. The independent auditor's review report forms part of the Condensed Interim Financial Report.

All documents comprise the information required by Listing Rule 4.2A.3.

Attachments forming part of Appendix 4D

Attachment 1 – Condensed Interim Financial Report, including Directors' Report.



Alexander MacLachlan

Chairman of Walsh & Company Investments Limited, Responsible Entity

21 February 2017

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Emerging Markets Masters Fund

ARSN 158 717 072

Condensed Interim Financial Report - 31 December 2016

Emerging Markets Masters Fund

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**Emerging Markets Masters Fund
Directors' report
31 December 2016**

Directors

The directors of Walsh & Company Investments Limited, the Responsible Entity of Emerging Markets Masters Fund (the **Fund**), present their report together with the condensed interim financial statements of the Fund for the half-year ended 31 December 2016.

The directors of the Responsible Entity at any time during or since the end of the financial period are shown below:

Alexander MacLachlan
Tristan O'Connell
Tom Kline

Directors have been in office since the start of the half-year to the date of this report unless otherwise stated.

Review of operations

The profit for the Fund after providing for income tax amounted to \$4,974,488 (31 December 2015: loss of \$10,724,857).

At 31 December 2016, the net asset value of the Fund was \$1.76 per unit (30 June 2016: \$1.74).

Distributions

The Fund declared a distribution of 3 cents per unit totalling \$2,817,912 for the half-year ended 31 December 2016. This was paid to unitholders on 3 February 2017. A distribution reinvestment plan is in place in relation to the distributions.

Events subsequent to reporting period

The distribution announced on 15 December 2016 totalling \$2,817,912 was paid to unitholders on 3 February 2017. 587,872 units were issued at \$1.76 per unit on 6 February 2017 under the Fund's Distribution Reinvestment Plan.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

Auditor's independence declaration

The lead auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Alex MacLachlan
Chairman of Walsh & Company Investments Limited, Responsible Entity

21 February 2017



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

To: the directors of Walsh & Company Investments Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half-year ended 31 December 2016 there have been:

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

KPMG

KPMG

Andrew Reeves
Partner

Sydney

21 February 2017

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Emerging Markets Masters Fund
Condensed statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016

	Note	31 December 2016 \$	31 December 2015 \$
Revenue	2	144,481	22,153
Net gain/(loss) on financial assets at fair value through profit or loss	3	6,205,971	(9,658,999)
Foreign currency movements		(5,235)	257,307
Expenses			
Management and administration fees	8	(977,024)	(959,506)
Professional expenses		(158,866)	(220,091)
Listing and registry expenses		(102,185)	(91,257)
Investment transaction costs		(1,145)	(18,298)
Custodian fees		(15,492)	(12,252)
Due diligence expenses		(86,203)	(23,963)
Other expenses		(29,814)	(19,951)
Profit/(loss) before income tax expense		4,974,488	(10,724,857)
Income tax expense		-	-
Profit/(loss) after income tax expense for the half-year attributable to the owners of Emerging Markets Masters Fund		4,974,488	(10,724,857)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income/(loss) for the half-year attributable to the owners of Emerging Markets Masters Fund		<u>4,974,488</u>	<u>(10,724,857)</u>
		Cents	Cents
Basic earnings per unit profit/(loss)		5.27	(12.60)
Diluted earnings per unit profit/(loss)		5.27	(12.60)

The above condensed statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Emerging Markets Masters Fund
Condensed statement of financial position
As at 31 December 2016

	31 December	30 June 2016
Note	2016 \$	2016 \$
Assets		
Cash and cash equivalents	1,918,608	2,610,010
Receivables	58,630	645,971
Financial assets	4 <u>166,445,284</u>	<u>161,718,594</u>
Total assets	<u>168,422,522</u>	<u>164,974,575</u>
Liabilities		
Payables	388,027	170,372
Distributions payable	<u>2,824,528</u>	<u>2,804,590</u>
Total liabilities	<u>3,212,555</u>	<u>2,974,962</u>
Net assets	<u>165,209,967</u>	<u>161,999,613</u>
Equity		
Issued capital	5 147,610,370	146,556,592
Retained earnings	<u>17,599,597</u>	<u>15,443,021</u>
Total equity	<u>165,209,967</u>	<u>161,999,613</u>

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

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Emerging Markets Masters Fund
Condensed statement of changes in equity
For the half-year ended 31 December 2016

	Issued capital \$	Retained profits \$	Total equity \$
Balance at 1 July 2015	131,812,246	34,676,443	166,488,689
Loss after income tax expense for the half-year	-	(10,724,857)	(10,724,857)
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive loss for the half-year	-	(10,724,857)	(10,724,857)
<i>Transactions with owners in their capacity as owners:</i>			
Issue of ordinary units	1,039,484	-	1,039,484
Issue and buyback costs	(6,542)	-	(6,542)
Distributions paid	-	(2,557,376)	(2,557,376)
Balance at 31 December 2015	<u>132,845,188</u>	<u>21,394,210</u>	<u>154,239,398</u>
	Issued capital \$	Retained profits \$	Total equity \$
Balance at 1 July 2016	146,556,592	15,443,021	161,999,613
Profit after income tax expense for the half-year	-	4,974,488	4,974,488
Other comprehensive income for the half-year, net of tax	-	-	-
Total comprehensive income for the half-year	-	4,974,488	4,974,488
<i>Transactions with owners in their capacity as owners:</i>			
Issue of ordinary units (note 5)	1,053,778	-	1,053,778
Distributions paid	-	(2,817,912)	(2,817,912)
Balance at 31 December 2016	<u>147,610,370</u>	<u>17,599,597</u>	<u>165,209,967</u>

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

Emerging Markets Masters Fund
Condensed statement of cash flows
For the half-year ended 31 December 2016

	31 December	31 December
	2016	2015
	\$	\$
Cash flows from operating activities		
Payments to suppliers	(1,123,535)	(1,163,508)
Interest income received	4,366	4,110
Distributions and rebates received	8,183	16,994
	<u>(1,110,986)</u>	<u>(1,142,404)</u>
Net cash used in operating activities		
Cash flows from investing activities		
Payments for investments	(11,523,130)	(4,114,845)
Receipts from disposal of investments	13,678,135	10,346,755
Net (payments for) from settlement of forward contracts	-	(2,284,070)
	<u>2,155,005</u>	<u>3,947,840</u>
Net cash from investing activities		
Cash flows from financing activities		
Payments for issue and buyback costs	-	(7,021)
Distributions paid	(1,744,196)	(1,501,946)
	<u>(1,744,196)</u>	<u>(1,508,967)</u>
Net cash used in financing activities		
Net (decrease)/increase in cash and cash equivalents	(700,177)	1,296,469
Cash and cash equivalents at the beginning of the financial half-year	2,610,010	2,496,243
Effects of exchange rate changes on cash and cash equivalents	8,775	53,264
	<u>1,918,608</u>	<u>3,845,976</u>
Cash and cash equivalents at the end of the financial half-year		

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

Emerging Markets Masters Fund
Notes to the condensed financial statements
31 December 2016

1. General information

Emerging Markets Masters Fund (the **Fund**) is a Managed Investment Scheme registered and domiciled in Australia. The principal activities of the Fund are to invest in leading global fund products and managers specialising in the global emerging markets equities asset class in order to achieve a combination of long-term capital appreciation and consistent distributions.

The condensed interim financial report is intended to provide users with an update on the latest annual financial statements of the Fund. It is therefore recommended that this condensed interim financial report be read in conjunction with the annual financial statements of the Fund for the year ended 30 June 2016, together with any public announcements made by the Fund during the half-year.

Basis of preparation

The condensed interim financial statements have been prepared on an accrual basis and are based on historical costs, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

a) Statement of compliance

The condensed interim financial statements have been prepared in accordance with Australian Accounting Standards issued by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures the condensed interim financial statements and notes to the condensed interim financial statements of the Fund comply with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

The condensed interim financial statements were authorised for issue by the directors of the Responsible Entity on 21 February 2017.

b) Summary of significant accounting policies

The same accounting policies and methods of computation have been followed in this condensed interim financial report as were applied in the most recent annual financial statements.

The following new and revised Standards and Interpretations applicable to the Fund have been adopted in the current period and have only affected the disclosure and presentation in these financial statements:

- AASB 1031 'Materiality' (2013)
- AASB 2012-3 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'
- AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
- AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'
- AASB 2014-2 'Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements'
- AASB 9 'Financial Instruments', and the relevant amending standards

Emerging Markets Masters Fund
Notes to the condensed financial statements
31 December 2016

2. Revenue

	31 December 2016 \$	31 December 2015 \$
Interest income	4,603	5,159
Distribution income	139,878	16,994
Revenue	<u>144,481</u>	<u>22,153</u>

3. Net gain/(loss) on financial assets at fair value through profit or loss

	31 December 2016 \$	31 December 2015 \$
Unrealised gain/(loss) on revaluation of investments	3,723,981	(9,999,421)
Unrealised gain on revaluation of forward contracts	-	978,332
Realised gain on disposal of investments	2,481,990	1,646,160
Realised (loss) on settlement of forward contracts	-	(2,284,070)
	<u>6,205,971</u>	<u>(9,658,999)</u>

4. Financial assets

Financial assets at fair value through profit or loss

	31 December 2016 \$	30 June 2016 \$
Managed funds - unlisted	166,445,284	159,531,706
Equity investments - unlisted	-	2,186,888
	<u>166,445,284</u>	<u>161,718,594</u>

Refer to note 6 for further information on financial instruments.

Emerging Markets Masters Fund
Notes to the condensed financial statements
31 December 2016

5. Issued capital

	31 December 2016		31 December 2016	
	Units	30 June 2016 Units	\$	30 June 2016 \$
Ordinary units - fully paid	<u>93,930,426</u>	<u>93,321,331</u>	<u>147,610,370</u>	<u>146,556,592</u>

Movements in unit capital

Details	Date	Units	Issue price	\$
Balance	1 July 2016	93,321,331		146,556,592
Issue of ordinary units (i)		<u>609,095</u>	\$1.73	<u>1,053,778</u>
Balance	31 December 2016	<u>93,930,426</u>		<u>147,610,370</u>

(i) In respect of the distribution paid on 1 August 2016, 609,095 ordinary units were issued at \$1.73 per unit

6. Financial instruments

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

The following tables detail the Fund's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Fund can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
31 December 2016				
<i>Assets</i>				
Managed funds - unlisted	-	166,445,284	-	166,445,284
Total assets	-	<u>166,445,284</u>	-	<u>166,445,284</u>
30 June 2016				
<i>Assets</i>				
Managed funds - unlisted	-	159,531,706	-	159,531,706
Equity investments - listed	2,186,888	-	-	2,186,888
Total assets	<u>2,186,888</u>	<u>159,531,706</u>	-	<u>161,718,594</u>

The Fund determines Level 2 fair values for unlisted investments at the redemption price at balance date. For unlisted investments where there is no organised financial market, the net fair value has been based on reasonable estimation of underlying net assets of the investments.

Level 2 fair values for derivatives that are not exchange-traded are estimated at the amount that the Fund would receive or pay to terminate the contract at the reporting date, taking into account current market conditions and the current creditworthiness of the counterparties. Specifically, the fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates on the valuation date.

Emerging Markets Masters Fund
Notes to the condensed financial statements
31 December 2016

6. Financial instruments (continued)

The Fund recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between hierarchy levels during the half year ended 31 December 2016.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date are disclosed in the Statement of Financial Position and in the notes to the financial statements.

7. Distributions paid and payable

	31 December	
	2016	30 June 2016
	\$	\$
Distributions declared and paid during the half-year	2,799,640	2,557,376
Distributions payable	<u>2,824,528</u>	<u>2,804,590</u>
	<u>5,624,168</u>	<u>5,361,966</u>

Distributions per unit for the half year ended 31 December 2016 was \$0.03 (31 December 2015: \$0.03). Distributions payable includes distributions unclaimed or withheld.

8. Related party transactions

Related party investments in the scheme

The Responsible Entity or its associates does not hold any investments in the scheme.

Management fees - Walsh & Company Investments Limited

As Responsible Entity, Walsh & Company Investments Limited charged a Responsible Entity fee of 0.068% (inclusive of GST) of the gross asset value of the Fund. In accordance with the Constitution of the Fund, the Responsible Entity can increase the management fees up to 0.55% per annum without seeking unitholder approval, but has elected to charge a reduced fee for an indefinite period.

Total management fees paid or payable to the Responsible Entity for the half-year ended 31 December 2016 were \$70,661 (31 December 2015: \$65,752), exclusive of GST.

Investment Manager fees - Walsh & Company Asset Management Pty Limited

In connection with the provision of services as Investment Manager, Walsh & Company Asset Management Pty Limited charged an investment management fee of 1.1% per annum (inclusive of GST) of the gross asset value of the Fund. In accordance with the Management Agreement of the Fund, the Investment Manager can increase the management fee up to 2.2% per annum on delivery of three months' notice to the Fund.

Investment management fees paid or payable for the half year ended 31 December 2016 were \$844,848 (31 December 2015: \$827,741), exclusive of GST.

Fund administration fees - Australian Fund Accounting Services Pty Limited

Australian Fund Accounting Services Pty Limited, a wholly-owned subsidiary of the Dixon Advisory Group Pty Limited, the parent of the Responsible Entity, provides fund administration services to the Fund under an agreement with the Responsible Entity. These services include net asset valuation, management accounting, statutory reporting, capital management and taxation. Time spent by administrative staff is charged to the Fund at agreed market derived rates, currently subject to a cap.

Total fund administration fees paid or payable for the half-year ended 31 December 2016 were \$60,000 (31 December 2015: \$60,000), exclusive of GST.

Emerging Markets Masters Fund
Notes to the condensed financial statements
31 December 2016

9. Events after the reporting period

The distribution announced on 15 December 2016 totalling \$2,817,912 was paid to unitholders on 3 February 2017. 587,872 units were issued at \$1.76 per unit on 6 February 2017 under the Fund's Distribution Reinvestment Plan.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the Fund's operations, the results of those operations, or the Fund's state of affairs in future financial years.

10. Contingent liabilities and capital commitments

No material amounts of contingent liabilities or capital commitments exist at balance date.

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**Emerging Markets Masters Fund
Directors' declaration
31 December 2016**

The directors of Walsh & Company Investments Limited, the Responsible Entity of Emerging Markets Masters Fund declare that in the directors' opinion:

- the attached condensed interim financial statements and notes, set out on pages 4 to 12, are in accordance with Corporations Act 2001, including:
 - (i) complying with Australian Accounting Standards AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - (ii) giving a true and fair view of the entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Alex MacLachlan
Chairman of Walsh & Company Investments Limited, Responsible Entity

21 February 2017



Independent auditor's review report to the members of Emerging Markets Masters Fund

Report on the financial report

We have reviewed the accompanying half-year financial report of Emerging Markets Masters Fund (the Fund) which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of profit or loss and other comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes 1 to 10 comprising a summary of accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of Walsh & Company Investments Limited (the Responsible Entity) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As auditor of Emerging Markets Masters Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Emerging Markets Masters Fund is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Fund's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Andrew Reeves
Partner

Sydney

21 February 2017