

**ASX Release**

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**2018 Financial Report and Dividend**

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**Wednesday, 29 August 2018**

**Highlights**

- \$12.050 million pre-tax profit, an increase of 7.2% in Net Tangible Assets (NTA) per share
- Fully franked 2.5 cents per share dividend declared (**Dividend**)
- Shareholders can elect to participate in the Dividend Reinvestment Plan (**DRP**) by 5 October 2018.

Absolute Equity Performance Fund Limited ACN 608 552 496 (ASX:AEG) (the **Company**) today announces its results for the year ended 30 June 2018.

Investment operations for the year ended 30 June 2018 resulted in an operating profit before tax of \$12,050,856 (2017: \$3,280,597) and an operating profit after tax of \$9,478,818 (2017: \$3,540,816).

NTA backing for each ordinary share at 30 June 2018 after tax was \$1.18 (2017: \$1.13). NTA backing for each ordinary share at 30 June 2018 before tax was \$1.19 (2017: \$1.11).

The Board has declared a dividend of 2.5 cents per share and confirms that the DRP will operate with respect to this Dividend.

The Dividend, which will be fully franked, will trade ex-entitlement on 18 September 2018 and will be paid on 19 October 2018.

The two dividends paid in respect to 2017-2018 financial year operations total 4.5 cents per share, fully franked.

**ENDS**

**For more information please contact:**

Lisa Dadswell  
Company Secretary  
[lisa.dadswell@boardroomlimited.com.au](mailto:lisa.dadswell@boardroomlimited.com.au)

# **Absolute Equity Performance Fund Limited**

A.B.N. 17 608 552 496

## **Appendix 4E for the year ended 30 June 2018**

**Absolute Equity Performance Fund Limited**  
**Appendix 4E**  
**For the year ended 30 June 2018**

**Results for Announcement to the Market \***

	<b>2018</b>	<b>2017</b>	<b>up</b>	<b>% mv't</b>
	<b>\$</b>	<b>\$</b>		
Revenue from ordinary activities	28,864,772	17,255,623	11,609,149	67.28
Profit before tax for the year	12,050,856	3,280,597	8,770,259	267.34
Profit from ordinary activities after tax attributable to members	9,478,818	3,540,816	5,938,002	167.70

*\* All comparisons are for the year ended 30 June 2017.*

**Dividends**

A fully franked final dividend in respect of the year ended 30 June 2017 of 2.5 cents per share was paid on 6 December 2017 for Absolute Equity Performance Fund Limited ("AEG" or "the Company").

A fully franked interim dividend of 2.0 cents per share was paid on 18 May 2018.

Subsequent to year end, the Company has declared a fully franked final dividend of 2.5 cents per share to be paid on 19 October 2018. The record date for entitlement of the final dividend is 19 September 2018 and the ex-dividend date is 18 September 2018.

**Dividend Re-Investment Plan**

The Company's Dividend Re-Investment Plan ("DRP") will operate in relation to the final dividend. The DRP has been structured to take account of the relationship between the market price of the Company's shares and the Company's net tangible asset value ("NTA") per share at the relevant time when dividends are being invested.

If the prevailing share price is greater than or equal to NTA per share, DRP participants will be issued new shares. If the prevailing share price is less than the NTA per share, the Company will buy the securities on-market and if additional securities are required to satisfy DRP Participants, issue new shares.

The last day for the receipt of an election notice for participation in the DRP is 5 October 2018.

**Net Tangible Assets \***

<b>Net tangible assets per share</b>	<b>30 June 2018</b>	<b>30 June 2017</b>
- before tax	\$1.19	\$1.11 *
- after tax	\$1.18	\$1.13 *

*\* Not adjusted for outstanding options.*

**Expiry of Loyalty Options**

65,295,482 of the Company's listed options, exercisable at \$1.10 on or before 16 November 2017, have expired unexercised.

### **Investment Strategy and Review**

The Investment Strategy seeks to limit market risk by constructing a long/short market neutral portfolio via a series of pairs of predominantly S&P/ASX100 companies. Portfolio selection is based on fundamental analysis and typically comprises 30 to 35 pairs of companies. Company pairs are generally in similar industries or sectors, thus limiting the Portfolio's exposure to general market direction. The Investment Strategy produces returns that are uncorrelated with equities and has been able to profit in rising and falling markets. Our Investment Manager, Bennelong Long Short Equity Management, has delivered 16.5% net compound annualised returns since it first implemented this innovative Investment Strategy in February 2002\*.

Whilst the past year saw the number of stated long/short Listed Investment Companies ("LICs") grow, AEG remains a unique offering and is not comparable with the highly-directional LICs. The Portfolio is market neutral and domestic in nature and offers an attractive diversification opportunity for investors.

The past few months have also seen the discount to NTA of the share price consistently eliminated. Both the Board and the Investment Manager aim to ensure the share price tracks the NTA per share as closely as possible and regularly review the options available to the Company to achieve this. Neither a large discount nor a large premium are in our view in the best interests of Shareholders. Tailwinds for the elimination of the sizeable share price discount to NTA per share have been strong, including stable performance, a fully franked dividend yield of 3.86%\*\*, broker recommendations and the limited availability of capacity in this unique strategy.

\*Bennelong Long Short Equity Fund as at 30 June 2018. Past performance is not an indication of future performance.

\*\*For the financial year to 30 June 2018.

### **Audit**

This Appendix 4E is based on the 2018 Annual Report which has been audited. All the documents comprise the information required by Listing Rule 4.3A.



Marc Fisher  
Chairman

Sydney  
29 August 2018

# Absolute Equity Performance Fund Limited

ABN 17 608 552 496

## Annual Report

for the period ended 30 June 2018

**Absolute Equity Performance Fund Limited**  
**ABN 17 608 552 496**  
**Corporate directory**

**Corporate Directory**

<b>Directors</b>	Marc Fisher Graham Hand Andrew Reeve-Parker	Chairman & Non-Independent Director Independent Director Independent Director
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<b>Secretaries</b>	Jeff Phillips and Lisa Dadswell
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<b>Investment Manager</b>	Benelong Long Short Equity Management Pty Limited Level 1 9 Queen Street Melbourne Victoria 3000
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<b>Registered Office</b>	Absolute Equity Performance Fund Limited Level 12, Grosvenor Place 225 George Street Sydney NSW 2000 Telephone: (02) 8016 2819
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<b>Auditor</b>	Pitcher Partners Level 22 MLC Centre 19 Martin Place Sydney NSW 2000 Telephone: (02) 9221 2099
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<b>Share Register</b>	Boardroom Pty Limited Level 15, 225 George Street Sydney NSW 2000 Telephone: (02) 9290 9600 Fax: (02) 9279 0664
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<b>Stock Exchange</b>	Australian Securities Exchange (ASX) The home exchange is Sydney ASX code: AEG
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<b>Annual General Meeting</b>	16 November 2018
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**Absolute Equity Performance Fund Limited**  
**ABN 17 608 552 496**  
**Annual Report – 30 June 2018**

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**Absolute Equity Performance Fund Limited**  
**Chairman's Letter**  
**30 June 2018**

Dear Fellow Shareholders,

The second full financial year of investing for Absolute Equity Performance Fund Limited ("AEG" or "the Company") ended on 30 June 2018. We are pleased to report a significant increase in after-tax profits to \$9.48 million (9.67 cents per share) versus the prior year (\$3.54 million; 3.84 cents per share). The result was driven by a Portfolio return of 10.93%, affording the ability to announce our third fully franked dividend of 2.5 cents to be paid on 19 October 2018.

### **Investment Strategy and Review**

The Investment Strategy seeks to limit market risk by constructing a long/short market neutral portfolio via a series of pairs of predominantly S&P/ASX100 companies. Company selection is based on fundamental analysis. The Portfolio is diversified and typically comprises 30 to 35 pairs of companies. Company pairs are generally in similar industries or sectors, thus limiting the Portfolio's exposure to general market direction. The Investment Strategy produces returns that are uncorrelated with equities and has been able to profit in rising and falling markets. Our Investment Manager, Bennelong Long Short Equity Management, has delivered 16.5% net compound annualised returns since it first implemented this innovative Investment Strategy in February 2002\*.

Whilst the past year saw the number of so-called long/short Listed Investment Companies ("LICs") grow, AEG remains a unique offering and is not comparable to the highly-directional LICs. Our Portfolio is market neutral and domestic in nature and offers an attractive diversification opportunity for investors.

The past few months have also seen the discount to Net Tangible Assets ("NTA") of the share price consistently eliminated. Both the Board and the Investment Manager aim to ensure the share price tracks the NTA per share as closely as possible and regularly review the options available to the Company to achieve this. Neither a large discount nor a large premium are in our view in the best interests of Shareholders. Tailwinds for the elimination of the sizeable share price discount to NTA per share have been strong, including stable performance, a fully franked dividend yield of 3.86%\*\* , broker recommendations and the limited availability of capacity in this unique strategy.

Over the past 12 months, the Board formally convened five times, although communication was at least weekly. We continue to enhance the reporting in our Monthly Performance Report by incorporating new metrics and charts that we believe will be informative for Shareholders and in keeping with the maturing profile of the Company. We are happy to receive feedback, so feel free to contact us at [info@aepfund.com.au](mailto:info@aepfund.com.au) if you have a view to share.

### **Dividends**

The Company's third dividend will be 2.5 cents, payable to anyone owning shares on 19 September 2018. The dividend will be fully franked based on a corporate tax rate of 30%.

Since the Company's Investment Strategy is absolute return in nature, it is desirable to reinvest profits and maximise the compounding effect of your investment. This is in contrast to strategies that are intended to be income-generating. Nevertheless, the Board recognises that many Shareholders appreciate a steady stream of franked dividends. We continually evaluate the Company's ability to strike the right balance and meet the needs of our Shareholders. To the extent that we have sufficient profit reserves and franking credits available, the Company will endeavour to pay a dividend semi-annually.

The Company's Dividend Reinvestment Plan ("DRP") was revamped ahead of the last dividend paid, a key benefit being that the DRP will not be dilutive to NTA per share. If the share price at the Relevant Time is less than the NTA per share, dividends on shares subject to the Plan will be used to cause the acquisition of the Company's shares on-market. We continue to believe this represents the current best practice in terms in a DRP and would encourage Shareholders to review and sign-up to the DRP if they have not done so already.



**Absolute Equity Performance Fund Limited**  
**Chairman's Letter**  
**30 June 2018 (continued)**

**Annual General Meeting**

The Company's third Annual General Meeting will be held in Melbourne at 10am on 16 November 2018 at Bennelong House, Level 2, 9 Queen Street. The Portfolio Manager, Sam Shepherd, will provide an overview of the Investment Strategy and an update on the Portfolio and recent performance. We hope to meet many of you in person in an interactive discussion. A dial-in conference number will also be provided. We recommend diarising the date and participating as your comments and feedback are important inputs in our decision-making as a Board.

Thank you for your continued support.



**Marc Fisher**  
Chairman

29 August 2018

\*Bennelong Long Short Equity Fund as at 30 June 2018. Past performance is not an indication of future performance.

\*\*For the financial year to 30 June 2018.

## Investment Manager's Report

### Company Performance

The Company's portfolio of investments delivered a return of 10.93% for the 12 months ended 30 June 2018.

Portfolio Returns	
1 Year	10.93%
2 Year	7.08%
Since Inception*	5.89%

\* Net Tangible Assets performance since listing (at \$1.065 after listing-related expenses in December 2015). Includes the hypothetical re-investment of Dividends.

Total shareholder return, as measured by share price movement and dividends paid over the course of the year, was 9.3%. Volatility of returns was 11.2% over the year which was consistent with the history of the Investment Strategy. The Investment Strategy uses leverage to enhance returns which amplifies the volatility of the underlying long and short portfolio. Over the long term, volatility has ranged between 10% and 15%, similar to equity market volatility.

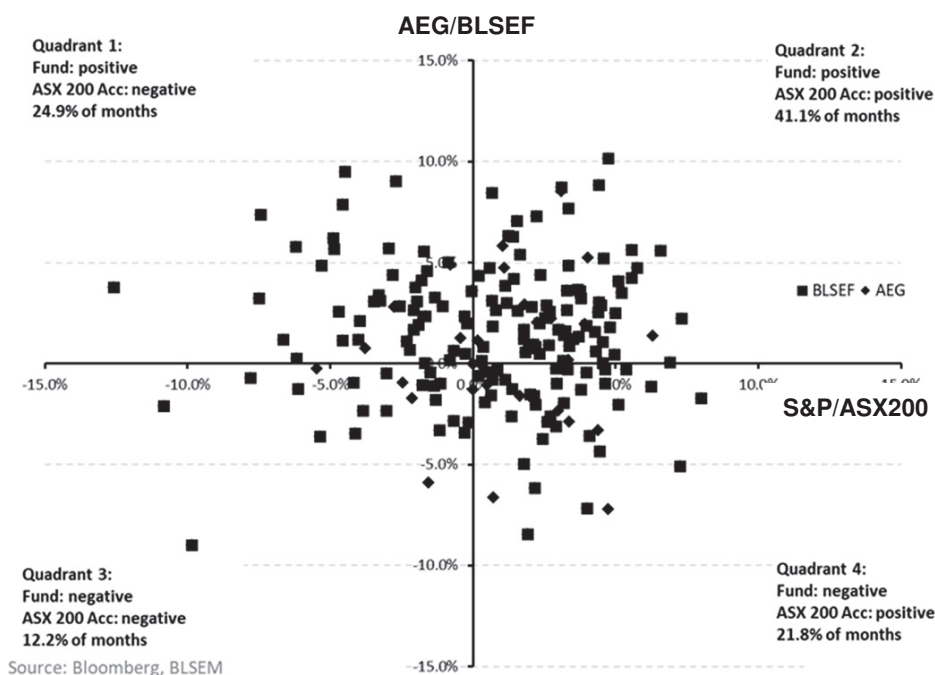
The Portfolio was managed within defined parameters with net exposure (long positions offset by short positions) averaging 1.4%, gearing averaging 4.7x and the number of pairs averaging 30. There was no change to the investment team, and no change in responsibilities within the team.

### Returns and Correlations against the Share Market

Although the Company started investing in December 2015, the underlying Investment Strategy is the same as run by the Investment Manager for 16 years. Over this time, the monthly returns of the Investment Strategy against the Australian share market (not our benchmark but used for comparison) are shown in the chart below. Each point on the chart plots the monthly return of the Investment Strategy against the return of the share market for the same month.

The chart demonstrates the lack of correlation of returns, highlighted by the points in quadrants 1 and 4, when the direction of the Investment Strategy's return is opposite to the market. We regard this lack of correlation as a key attraction of the Company. Points above the horizontal axis are positive returns and 65% of monthly Investment Strategy returns have been positive. Points to the right of the vertical axis are positive share market returns.

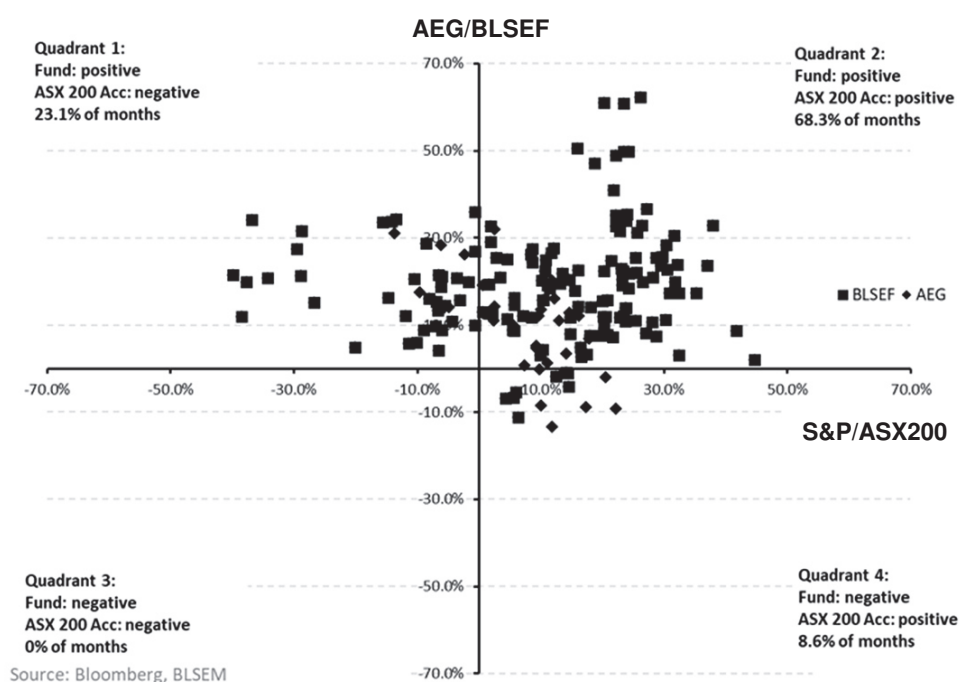
### AEG/BLSEF vs S&P/ASX200 Accumulation Index – Monthly Returns Period Ending 30 June 2018



**Returns and Correlations against the Share Market (continued)**

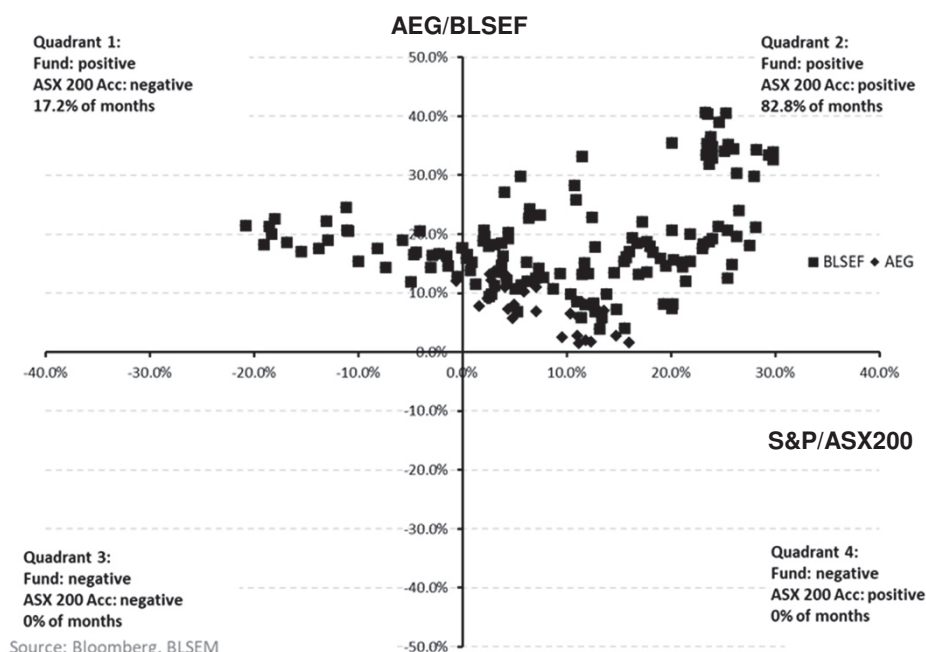
The next chart below shows returns for rolling 12-month periods. There have been 186 12-month periods over the 16-year history of the Investment Strategy. The clear distinction with the prior chart is that over a more appropriate 12-month period for measuring returns, the number and depth of negative periods for the Investment Strategy dramatically shrinks. There have been no 12-month periods in the history of the Investment Strategy with a negative return when the share market has been negative, in quadrant 3. It is the absence of "directional" bets due to the market neutral/sector neutral technique which has helped to limit the duration and depth of negative periods.

**AEG/BLSEF vs S&P/ASX200 Accumulation Index – Rolling 12 Month Returns**  
**Period Ending 30 June 2018**



Furthermore, using rolling 2-year periods to assess returns shows there have been no negative returns for the Investment Strategy. The share market has delivered a negative return in 17% of the 174 periods, with the largest over a 24-month period for the share market of -21%.

**AEG/BLSEF vs S&P/ASX200 Accumulation Index – Rolling 24 Month Returns**  
**Period Ending 30 June 2018**



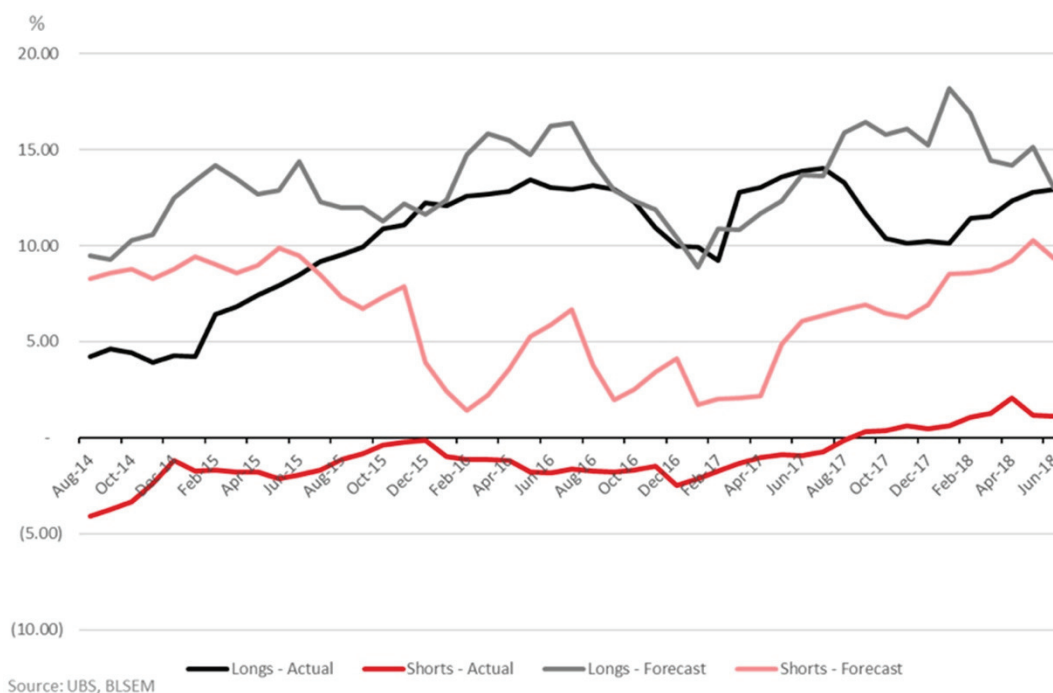
**Fundamental Performance of Companies in the Portfolio**

As the Portfolio carries close to zero net exposure to the equity market (our long and short portfolio are almost equal in size), the direction of the market has little influence on returns. This is demonstrated by the absence of correlation of returns with the share market and other asset classes. The driver of our returns comes entirely from the relative performance of the companies in the Portfolio. Over the 2017-2018 year, we experienced a favourable balance of positive company results and announcements to our long portfolio, and negative to our short portfolio.

The chart below shows the relative fundamental performance of the Investment Strategy through time. The black line is the earnings growth the long portfolio has delivered over the last four years. The grey line is the forecast (UBS/Consensus forecasts) earnings growth 12 months ago. The Portfolio has delivered what had been forecast. The red line indicates the short portfolio has delivered no earnings growth over the four years, despite the hope reflected in the light red line which persistently predicted high single digit growth. This persistent hope embedded in many forecasts has the effect of making those companies appear “cheaper” than they actually are on near-term multiples.

**Absolute Equity Performance Fund Limited**  
**Investment Manager's Report**  
**30 June 2018 (continued)**

**Investment Strategy – Forecast vs Actual Earnings Growth**  
**August 2014 to June 2018**



### Dividends

The Company has settled into a semi-annual dividend payment policy, to the extent that there are sufficient profit reserves and franking credits available. The table below details the dividends paid or announced to date. For the year to 30 June 2018, the dividend yield was a fully franked 3.86%.

Announced	Paid	Franking	Amount
29 August 2018	19 October 2018	30%	2.5 cents
28 February 2018	18 May 2018	30%	2.0 cents
14 August 2017	6 December 2017	30%	2.5 cents

**Sam Shepherd**  
Portfolio Manager  
29 August 2018

**Absolute Equity Performance Fund Limited**  
**Portfolio Composition**  
**30 June 2018**

**Long Equity Positions as at 30 June 2018**

Bluescope Steel Limited  
 CSL Limited  
 Qantas Airways Limited  
 Aristocrat Leisure Limited  
 Resmed Inc  
 ALS Limited  
 Oil Search Limited  
 Macquarie Group Limited  
 Origin Energy Limited  
 James Hardie Industries SE  
 Iluka Resources Limited  
 Seek Limited  
 Xero Limited  
 Link Administration Holdings Limited  
 Challenger Limited  
 Transurban Group  
 TPG Telecom Limited  
 Carsales.com Limited  
 Orica Limited  
 Harvey Norman Holdings Limited  
 Crown Resorts Limited  
 Janus Henderson Group PLC  
 JB Hi-Fi Limited  
 Mineral Resources Limited  
 Brambles Limited  
 Ramsay Health Care Limited  
 Magellan Financial Group Limited  
 Woolworths Limited  
 Syrah Resources Limited  
 Fortescue Metals Group Limited  
 NIB Holdings Limited

<b>Total Fair Value Long Portfolio</b>	<b>\$282,440,948</b>
<b>Total Fair Value Short Portfolio<sup>1</sup></b>	<b>\$(275,432,026)</b>

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<sup>1</sup> Total fair value of the short portfolio is not disclosed due to its sensitive nature.

**Corporate Governance Statement**

The Board of Directors of the Company is responsible for corporate governance. The Board has chosen to prepare the Corporate Governance Statement ("CGS") in accordance with the third edition of the ASX Corporate Governance Council's Principles and Recommendations. The CGS is available on a Company's website ([www.aepfund.com.au](http://www.aepfund.com.au)) under the "About Us" section.

**Absolute Equity Performance Fund Limited**  
**Directors' Report**  
**For the year ended 30 June 2018**

**Directors' Report**

The Directors present their Report together with the Financial Report of Absolute Equity Performance Fund Limited (the Company) for the year ended 30 June 2018. All comparatives are for the year ended 30 June 2017.

**Directors**

The following persons held office as Directors of the Company during the financial year:

Marc Fisher	Chairman & Non-Independent Director
Graham Hand	Independent Director
Andrew Reeve-Parker	Independent Director

Directors have been in office since the start of the financial year to the date of this Report.

**Principal Activities**

The Company was established to provide investors with the opportunity to invest in a diversified portfolio of Australian listed equities, with the aim of achieving positive returns regardless of share market performance, through an "equity market neutral" style of investing. The Company's objective is to deliver absolute returns through capital growth and income regardless of market movements.

There have been no significant changes in the Company's principal activities during the year and no change is anticipated in the future.

**Review of Operations**

The Company invests predominantly in S&P/ASX100 and other large capitalisation Australian listed companies. The investments seek to provide long-term capital growth with, when possible, a steady dividend yield, franked to the maximum extent possible.

Investment operations for the year ended 30 June 2018 resulted in an operating profit before tax of \$12,050,856 (2017: \$3,280,597) and an operating profit after tax of \$9,478,818 (2017: \$3,540,816).

Asset backing for each ordinary share at 30 June 2018 after tax was \$1.18 (2017: \$1.13). Asset backing for each ordinary share at 30 June 2018 before tax was \$1.19 (2017: \$1.11).

**Dividends**

Dividends paid or declared for payment during the financial year are as follows:

Fully franked dividend of 2.5 cents per share paid on 6 December 2017 as recommended in last year's report

Interim fully franked dividend of 2.0 cents per share paid on 18 May 2018

Final fully franked dividend of 2.5 cents per share to be paid on 19 October 2018

**Financial Position**

The net asset value of the Company as at 30 June 2018 was \$119,161,322 (2017: \$104,497,567).

**Matters Subsequent to the End of the Financial Year**

Subsequent to year-end, the Company declared a fully franked final dividend of 2.5 cents per share to be paid on 19 October 2018.

Mr Tharun Kuppana was also replaced by Ms Lisa Dadswell as Joint Company Secretary of the Company on 7 August 2018.

Apart from the above, no other matter or circumstance has occurred subsequent to year-end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

**Likely Developments and Expected Results of Operations**

The Company will continue to pursue its investment objectives for the long-term benefit of Shareholders. The Investment Strategy is fixed and its implementation will be reviewed from time to time at the discretion of the Investment Manager, with oversight from the Company.

**Environmental Regulation**

The Company is not affected by any significant environmental regulation in respect of its operations.

To the extent that any environmental regulations may have an incidental impact on the Company's operations, the Directors of the Company are not aware of any breach by the Company of those regulations.



**Absolute Equity Performance Fund Limited**  
**Directors' Report**  
**For the year ended 30 June 2018 (continued)**

**Information on Directors**

**Marc Fisher**

Chairman & Non-Independent Director

***Experience and expertise***

Marc Fisher has 21 years' experience in financial markets. He is a Senior Managing Director of LumX Group (formerly Gottex), a specialist in alternative investments and risk management with approximately AUD 9 billion (equivalent) funds under management or advice. He is responsible globally for risk-premia investments, product development, marketing and is a member of the Group Executive Committee. Marc joined LumX from FRM in Hong Kong (now Man Group PLC's multi-manager business) where he was a Management Committee member and Chairman of their Asia Pacific business excluding Japan and Korea. Additionally, Marc ran FRM's Private Client product range and served as Product Head for their Managed Futures fund.

Previously, Marc was a Managing Director at Citigroup in London, where he founded and managed a global fund-linked product development and marketing business. Prior to Citigroup, Marc started his career at Deutsche Bank in London, where he held a number of trading, marketing and product development positions with an emphasis on multi asset class derivatives. He holds a Bachelor of Veterinary Medicine (BVSc) (Hons) degree from Bristol University.

***Other Current Directorships***

Marc Fisher holds domestic directorships in Perma Capital Pty Limited, HARC International Pty Limited and ZG Advisors Pty Limited. Marc also holds directorships in overseas companies in both the technology and financial services sectors.

***Former Directorships in Last Three Years***

Marc Fisher has not held any other directorships of listed companies within the last three years.

***Special Responsibilities***

Chairman of the Board

***Interests in Shares and Options***

Details of Marc Fisher's interests in shares of the Company are included in the Remuneration Report.

***Interests in contracts***

Marc Fisher has no interests in contracts of the Company.

**Graham Hand**

Independent Director

***Experience and Expertise***

Graham Hand has 41 years' experience in financial markets. He was General Manager, Capital Markets, at Commonwealth Bank then Deputy Treasurer of the State Bank of NSW and later Managing Director, Treasury at NatWest Markets Australia. He then embarked on full-time consulting, where his clients included AMP, Westpac, Commonwealth Bank and Colonial First State. He was appointed General Manager, Funding & Alliances at Colonial First State, where he managed the funding for \$10 billion of geared funds and established seven boutique asset management alliances, including Acadian (Australia), Realindex and Aspect Capital. He is currently a member of the Compliance Committee of Lazard Asset Management Pacific Co, the Investment Committee of Balance Impact and Advisory Board of OpenInvest.

Graham is the Managing Editor of Cuffelinks, a leading financial newsletter.

Graham has an honours degree in economics from the University of NSW and a Diploma from FINSIA.

***Other Current Directorships***

Graham Hand holds board directorships in two private companies unrelated to financial services.

***Former Directorships in Last Three Years***

Graham Hand has not held any other directorships of listed companies within the last three years.

***Interests in Shares and Options***

Details of Graham Hand's interests in shares of the Company are included in the Remuneration Report.

***Interests in Contracts***

Graham Hand has no interests in contracts of the Company.

**Absolute Equity Performance Fund Limited**  
**Directors' Report**  
**For the year ended 30 June 2018 (continued)**

**Information on Directors (continued)**

**Andrew Reeve-Parker** Independent Director

***Experience and expertise***

Andrew is a Representative, Director and Responsible Manager of NW Advice Pty Limited (AFSL 241715). Andrew joined NW Advice Pty Limited (previously Neville Ward Advice Pty Ltd) in 2004 and is responsible for providing financial advice to NW Advice Pty Limited's client base, principally focused on strategy and asset allocation.

Prior to these roles, Andrew worked for Deutsche Asset Management (in London, United Kingdom), the Commonwealth Bank of Australia and the National Australia Bank in roles spanning funds management to custody and settlements.

Andrew holds a Bachelor of Business majoring in Finance and an Advanced Diploma in Financial Services.

***Other Current Directorships***

Andrew is also a Director and Responsible Manager for Wealth Focus Pty Ltd (AFSL 314872) and is a Non-Executive Director of Datacenter Limited.

***Former Directorships in Last Three Years***

Andrew Reeve-Parker was a Non-Executive Director of PM Capital Asian Opportunities Fund Limited (May 2014 to October 2016).

***Interests in Shares and Options***

Details of Andrew Reeve-Parker's interests in shares of the Company are included in the Remuneration Report.

***Interests in Contracts***

Andrew Reeve-Parker has no interests in contracts of the Company.

***Company secretaries***

**Jeff Phillips**

***Experience and Special Responsibilities***

Jeff is the Chief Financial Officer of Bennelong Funds Management and has 20 years of experience in financial services, the last 13 being in funds management. He joined Bennelong in June 2012. Leading the finance team, he is responsible for the operations, reporting and product management functions. Prior to joining Bennelong, Jeff spent eight years with Aviva Investors/Portfolio Partners in senior finance and operational roles. Other previous employers include Brand Finance, Morgan Stanley (London office) and PricewaterhouseCoopers. Jeff holds a Bachelor of Economics (Accounting) from Monash University and is a Member of Chartered Accountants Australia & New Zealand. He is also on the board of Melbourne-based community organisation, Family Life.

**Tharun Kuppanda (Resigned 7 August 2018)**

***Experience and Special Responsibilities***

Tharun was an employee of Boardroom Pty Limited in their Corporate Secretarial Services Division in Sydney. He holds a Bachelor of Business and a Bachelor of Laws.

**Lisa Dadswell (Appointed 7 August 2018)**

***Experience and Special Responsibilities***

Lisa is employed by Boardroom Pty Limited in their Corporate Secretarial Services Division in Sydney. She is an Associate of the Institute of Chartered Secretaries and Administrators and has an Honours Degree in Law.

**Absolute Equity Performance Fund Limited**  
**Directors' Report**  
**For the year ended 30 June 2018 (continued)**

**Meetings of Directors**

The numbers of meetings of the Company's Board of Directors held during the year ended 30 June 2018, and the number of meetings attended by each Director were:

	<b>Directors' Meetings</b>	
	<b>A</b>	<b>B</b>
Marc Fisher	5	5
Graham Hand	5	5
Andrew Reeve-Parker	5	5

A = Number of meetings attended

B = Number of meetings held during the time the Director held office during the period

**Remuneration Report (Audited)**

This Report details the nature and amount of remuneration for each Director of the Company in accordance with the Corporations Act 2001. Tharun Kuppanda in his capacity as one of the Company Secretaries was remunerated under a service agreement with Boardroom Limited. Jeff Phillips in his capacity as one of the Company Secretaries, is the CFO of Bennelong Funds Management, an entity associated with the Investment Manager. Please refer to Note 16 to the financial statements which sets out the details of remuneration paid to the Investment Manager.

All Directors of the Company are Non-Executive Directors. The Board from time to time determines remuneration of Directors within the maximum amount approved by the Shareholders at the Annual General Meeting. Directors are not entitled to any other remuneration.

Fees and payments to Directors reflect the demands that are made on them and their responsibilities. The performance of Directors is reviewed annually. The Board determines the remuneration levels and ensures they are competitively set to attract and retain appropriately qualified and experienced Directors.

The maximum total remuneration of the Directors of the Company has been set at \$95,000 per annum. Directors do not receive bonuses nor are they issued options on securities as part of their remuneration. Directors' fees cover all main Board activities and membership of committees.

Directors' remuneration is not directly linked to the Company's performance.

The following table shows details of the remuneration received or receivable by the Directors of the Company for the current and prior financial year. The Directors did not receive payment of their remuneration in respect of the quarter ended 30 June 2018 until after year end.

	<b>Short term employee benefits</b>	<b>Post-employment benefits</b>	<b>Total</b>
	<b>Salary and fees</b>	<b>Superannuation</b>	
<b>2018</b>			
<b>Name</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Marc Fisher	35,000	-	35,000
Graham Hand	27,397	2,603	30,000
Andrew Reeve-Parker	27,397	2,603	30,000
<b>Total Director Remuneration</b>	<b>89,794</b>	<b>5,206</b>	<b>95,000</b>
<b>2017</b>			
<b>Name</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Marc Fisher	35,000	-	35,000
Graham Hand	27,397	2,603	30,000
Andrew Reeve-Parker	27,397	2,603	30,000
<b>Total Director Remuneration</b>	<b>89,794</b>	<b>5,206</b>	<b>95,000</b>

The Company has no employees other than Non-Executive Directors and therefore does not have a remuneration policy for employees.

The Directors are the only people considered to be key management personnel of the Company.

**Absolute Equity Performance Fund Limited**  
**Directors' Report**  
**For the year ended 30 June 2018 (continued)**

**Director Related Entity Remuneration**

All transactions with related entities are made on normal commercial terms and conditions.

Jeff Phillips, the Company Co-Secretary, is the CFO of Bennelong Funds Management, an entity associated with the Investment Manager, Bennelong Long Short Equity Management Pty Limited.

The associated fees payable to the Investment Manager are listed below:

*Management Fee*

The Company's Portfolio of investments is managed by the Investment Manager. The Investment Manager is entitled to receive a Management Fee payable monthly in arrears equivalent to 1.5% per annum (plus GST) of the net asset value of the portfolio before all taxes are calculated on the last business day of each calendar month. For the year ended 30 June 2018 the Investment Manager was paid a Management Fee of \$1,692,424 (2017: \$1,464,518). As at 30 June 2018, the balance payable to the Investment Manager was \$154,079 (2017: \$132,322) (including GST).

*Performance Fee*

The Investment Manager is entitled to be paid a Performance Fee of 20% (plus GST) of the amount (if any) by which the net asset value of the Portfolio before all taxes on the last day of the current performance calculation period exceeds the high watermark.

Full details of the terms of the Performance Fee calculation are disclosed in Note 16 to the financial statements.

No Performance Fee is payable if the closing net asset value of the Portfolio before all taxes is below the high watermark.

As at 30 June 2018, the balance of Performance Fee payable to the Investment Manager was \$2,775,531 (2017: \$1,040,391) (including GST).

The term of the Management Agreement is ten years unless terminated earlier in accordance with the Agreement.

No Director has received or become entitled to receive a benefit (other than those detailed above) by reason of a contract made by the Company or a related Company with the Director or with a firm of which he is a member or with a Company in which he has substantial financial interest.

**Equity Instrument Disclosures Relating to Directors**

As at the date of this report, the Company's Directors and their related parties held the following interests in the Company:

*Ordinary Shares Held*

**2018**

<b>Director</b>	<b>Balance at 1 July 2017</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance at 30 June 2018</b>
Marc Fisher	1	-	-	1
Graham Hand <sup>1</sup>	227,272	-	-	227,272
Andrew Reeve-Parker <sup>2</sup>	40,585	266,667	-	307,252
	<b>267,858</b>	<b>266,667</b>	<b>-</b>	<b>534,525</b>

<sup>1</sup> 136,363 shares beneficially held by Random Walk Pty Limited <December Super Fund A/C> and 90,909 shares beneficially held by Deborah Karen Solomon.

<sup>2</sup> 7,436 shares beneficially held by AJRP Super Fund, 124,816 shares beneficially held by Reeve-Parker Super Fund and 175,000 shares beneficially held by Belinda Anne Russo (a related party).

**Absolute Equity Performance Fund Limited**  
**Directors' Report**  
**For the year ended 30 June 2018 (continued)**

**Equity Instrument Disclosures Relating to Directors (continued)**

*Ordinary Shares Held (continued)*

**2017**

<b>Director</b>	<b>Balance at 1 July 2016</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance at 30 June 2017</b>
Marc Fisher	1	-	-	1
Graham Hand **	227,272	-	-	227,272
Andrew Reeve-Parker **	909	39,676	-	40,585
	<u>228,182</u>	<u>39,676</u>	<u>-</u>	<u>267,858</u>

\*\* Held through indirect interests

**Equity Instrument Disclosures Relating to Directors (continued)**

*Options Held ^*

**2018**

<b>Director</b>	<b>Balance at 1 July 2017</b>	<b>Acquisitions</b>	<b>Expired</b>	<b>Balance at 30 June 2018</b>
Marc Fisher	-	-	-	-
Graham Hand <sup>1</sup>	227,272	-	(227,272)	-
Andrew Reeve-Parker <sup>2</sup>	181,109	-	(181,109)	-
	<u>408,381</u>	<u>-</u>	<u>(408,381)</u>	<u>-</u>

<sup>1</sup> 136,363 options beneficially held by Random Walk Pty Limited <December Super Fund A/C> and 90,909 options beneficially held by Deborah Karen Solomon

<sup>2</sup> 96,394 options beneficially held by AJRP Super Fund and 84,715 options beneficially held by Reeve-Parker Super Fund

The Company's options expired unexercised on 16 November 2017.

**2017**

<b>Director</b>	<b>Balance at 1 July 2016</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance at 30 June 2017</b>
Marc Fisher	-	-	-	-
Graham Hand **	227,272	-	-	227,272
Andrew Reeve-Parker **	181,109	-	-	181,109
	<u>408,381</u>	<u>-</u>	<u>-</u>	<u>408,381</u>

\*\* Held through indirect interests

<sup>^</sup> Loyalty options that were exercisable at \$1.10 and expired on 16 November 2017.

Directors and Director-related entities acquired options in the Company on the same terms and conditions available to other Shareholders.

**End of Remuneration Report**

**Insurance and Indemnification of Officers and Auditors**

During or since the end of the financial year, the Company has not given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums.

The Company has paid premiums to insure each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director of the Company, other than conduct involving a wilful breach of duty in relation to the Company or the improper use by the Directors of their position.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been an auditor of the Company.

**Absolute Equity Performance Fund Limited**  
**Directors' Report**  
**For the year ended 30 June 2018 (continued)**

**Proceedings on Behalf of the Company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the Court under section 237 of the *Corporations Act 2001*.

**Non-Audit Services**

During the year Pitcher Partners, the Company's Auditor, did not perform any other services in addition to their statutory duties for the Company except as disclosed in Note 14 to the financial statements.

The Board of Directors is satisfied that the provision of other services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The Directors are satisfied that the services disclosed in Note 14 did not compromise the Auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the Auditor; and
- the nature of the services provided do not compromise the general principles relating to the auditor independence in accordance with the APES 110 *Code of Ethics for Professional Accountants* set by the Accounting Professional and Ethical Standards Board.

**Rounding of Amounts to Nearest Dollar**

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the Directors' report and in the Financial Report have been rounded to the nearest dollar unless otherwise specified.

**Options**

During the year ended 30 June 2018, 8,856,208 ordinary shares of the Company were issued on the exercise of options. 65,295,482 of the Company's options have expired unexercised.

**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 16.

This report is made in accordance with a resolution of Directors.



**Marc Fisher**  
Chairman

29 August 2018

**Auditor's Independence Declaration**  
**To The Directors of Absolute Equity Performance Fund Limited**  
**ABN 17 608 552 496**

In relation to the independent audit of Absolute Equity Performance Fund Limited for the year ended 30 June 2018, I declare that to the best of my knowledge and belief there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contraventions of any applicable code of professional conduct.

This declaration is in respect of Absolute Equity Performance Fund Limited.



**S M WHIDDETT**  
Partner

**PITCHER PARTNERS**  
Sydney

29 August 2018

**Absolute Equity Performance Fund Limited**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2018**

**Statement of Profit or Loss and Other Comprehensive Income**

	Note	30 June 2018 \$	30 June 2017 \$
<b>Investment income from ordinary activities</b>			
Net realised gains/ (losses) on disposal of investments		1,826,373	(1,922,514)
Net unrealised gains on market value movement of investments		20,066,113	11,342,420
Interest income received		1,071,199	956,088
Dividend income received		<u>5,901,087</u>	<u>6,879,629</u>
<b>Total income</b>		<b><u>28,864,772</u></b>	<b><u>17,255,623</u></b>
<b>Expenses</b>			
Management fees		(1,692,424)	(1,464,518)
Performance fees		(2,620,943)	(1,040,391)
Administration fees		(37,028)	(38,547)
Prime broker fees		(10,399)	(9,015)
Stock loan fees		(1,104,372)	(947,301)
Dividends paid on borrowed stock		(10,566,039)	(9,707,194)
Legal fees		(6,630)	(5,062)
Brokerage commission		(378,603)	(390,642)
Accounting fees		(62,177)	(31,760)
Share registry fees		(63,978)	(62,523)
Tax fees		(13,420)	(2,475)
Directors' fees		(67,434)	(95,000)
Secretarial fees		(36,890)	(23,249)
ASX fees		(58,422)	(71,382)
Audit fees		(27,454)	(19,702)
Other expenses		<u>(67,703)</u>	<u>(66,265)</u>
<b>Total expenses</b>		<b><u>(16,813,916)</u></b>	<b><u>13,975,026</u></b>
<b>Profit before income tax</b>		<b><u>12,050,856</u></b>	<b><u>3,280,597</u></b>
Income tax (expense)/ benefit	5	<u>(2,572,038)</u>	<u>260,219</u>
<b>Profit for the period after income tax</b>		<b><u>9,478,818</u></b>	<b><u>3,540,816</u></b>
<b>Other comprehensive income</b>			
Other comprehensive income for the period, net of tax		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the period</b>		<b><u>9,478,818</u></b>	<b><u>3,540,816</u></b>
<b>Cents</b>			
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company:</b>			
Basic and diluted earnings per share	19	9.67	3.84

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes



**Absolute Equity Performance Fund Limited**  
**Statement of Financial Position**  
**As at 30 June 2018**

**Statement of Financial Position**

	<b>Note</b>	<b>30 June 2018</b> \$	<b>30 June 2017</b> \$
<b>Assets</b>			
Cash and cash equivalents	<b>6</b>	115,685,640	95,920,765
Trade and other receivables	<b>7</b>	1,452,954	913,680
Financial assets at fair value through profit or loss	<b>8</b>	282,440,948	243,522,995
Deferred tax asset	<b>5</b>	10,744,971	7,238,508
<b>Total assets</b>		<b>410,324,513</b>	347,595,948
<b>Liabilities</b>			
Trade and other payables	<b>9</b>	4,064,458	3,553,645
Financial liabilities at fair value through profit or loss	<b>8</b>	275,432,026	233,956,530
Deferred tax liability	<b>5</b>	11,666,707	5,588,206
<b>Total liabilities</b>		<b>291,163,191</b>	243,098,381
<b>Net Assets</b>		<b>119,161,322</b>	104,497,567
<b>Equity</b>			
Issued capital	<b>10</b>	109,111,714	99,369,885
Accumulated losses	<b>11</b>	(142,946)	(142,946)
Profits reserve	<b>11</b>	10,192,554	5,270,628
<b>Total Equity</b>		<b>119,161,322</b>	104,497,567

The above Statement of Financial Position should be read in conjunction with the accompanying notes

**Absolute Equity Performance Fund Limited**  
**Statement of Changes in Equity**  
**For the year ended 30 June 2018**

**Statement of Changes in Equity**

	Note	Issued Capital \$	Profits Reserve \$	Accumulated Losses \$	Total \$
<b>Balance at 1 July 2017</b>		<u>99,369,885</u>	<u>5,270,628</u>	<u>(142,946)</u>	<u>104,497,567</u>
Profit for the period	11	-	-	9,478,818	9,478,818
Other comprehensive income for the period		-	-	-	-
Transfer of profits during the period	11		9,478,818	(9,478,818)	
	-				
<u>Transactions with owners:</u>					
Dividend paid	12	-	(4,556,892)	-	(4,556,892)
Shares issued on exercise of options	10	<u>9,741,829</u>	<u>-</u>	<u>-</u>	<u>9,741,829</u>
<b>Balance at 30 June 2018</b>		<u><b>109,111,714</b></u>	<u><b>10,192,554</b></u>	<u><b>(142,946)</b></u>	<u><b>119,161,322</b></u>
<b>Balance at 1 July 2016</b>		<u>97,816,121</u>	<u>2,974,210</u>	<u>(1,387,344)</u>	<u>99,402,987</u>
Profit for the period	11	-	-	3,540,816	3,540,816
Other comprehensive income for the period		-	-	-	-
Transfer of profits during the period	11	-	2,296,418	(2,296,418)	-
<u>Transactions with owners:</u>					
Shares issued on exercise of options	10	<u>1,553,764</u>	<u>-</u>	<u>-</u>	<u>1,553,764</u>
<b>Balance at 30 June 2017</b>		<u>99,369,885</u>	<u>5,270,628</u>	<u>(142,946)</u>	<u>104,497,567</u>

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

**Absolute Equity Performance Fund Limited**  
**Statement of Cash Flows**  
**For the year ended 30 June 2018**

**Statement of Cash Flows**

	Note	30 June 2018 \$	30 June 2017 \$
<b>Cash flows from operating activities</b>			
Proceeds from sale of investments		151,872,779	5,605,173
Payment for investments		(128,884,615)	(7,070,957)
Interest received		1,058,444	983,602
Dividends received		5,611,051	6,967,882
Dividends paid on borrowed stock		(10,554,175)	(10,063,287)
Interest paid		(62,176)	(42,357)
Management fees paid		(1,670,667)	(1,458,885)
Performance fees paid		(885,804)	(290,281)
Payment for other expenses		(1,904,899)	(1,759,494)
<b>Net cash (used in)/ provided by operating activities</b>	<b>18</b>	<b>14,579,938</b>	<b>(7,128,604)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(4,556,892)	-
Shares issued on options exercise		9,741,829	1,553,764
<b>Net cash provided by financing activities</b>		<b>5,184,937</b>	<b>1,553,764</b>
<b>Net (decrease)/ increase in cash and cash equivalents held</b>		<b>19,764,875</b>	<b>(5,574,840)</b>
Cash and cash equivalents at beginning of financial year		95,920,765	101,495,605
<b>Cash and cash equivalents at end of financial year</b>	<b>6</b>	<b>115,685,640</b>	<b>95,920,765</b>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes

**Absolute Equity Performance Fund Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018**

**1 General Information**

Absolute Equity Performance Fund Limited (the "Company") is a listed public company domiciled in Australia. The address of the Company's registered office is C/- Boardroom Limited, Level 12, Grosvenor Place 225 George Street Sydney NSW 2000.

The financial statements were authorised for issue on 29 August 2018 by the Directors of the Company.

All comparative information is for the year ended 30 June 2017.

**2 Significant Accounting Policies**

The principal accounting policies adopted 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 the *Corporations Act 2001*, Australian Accounting Standards and Interpretations of the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board. The Company is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected financial assets and financial liabilities.

In accordance with ASIC Corporations (rounding in Directors' Reports) Instrument 2016/191, the amounts in the Directors' Report have been rounded to the nearest dollar unless otherwise specified.

**(b) Investments**

*(i) Classification*

The category of financial assets and financial liabilities comprises:

*Financial instruments held for trading:*

- These include futures, forward contracts, options and interest rate swaps. Derivative financial instruments entered into by the Company do not meet the hedge accounting requirements as defined by the accounting standards. Consequently, hedge accounting is not applied by the Company.

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

- These include financial assets and liabilities that are not held for trading purposes and which may be sold. The fair value through profit or loss classification is available for the majority of the financial assets and liabilities held by the Company and the financial liabilities arising from the units must be fair valued.

*(ii) Recognition/Derecognition*

Financial assets and liabilities at fair value through profit or loss and available for sale financial assets are recognised initially on the trade date at which the Company becomes party to the contractual provisions of the instrument. Other financial assets and liabilities are recognised on the date they originated.

The Company derecognises a financial asset when the contractual rights to the cash flows from the financials assets expire or it transfers the financial asset and the transfer qualifies for derecognition.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

*(iii) Measurement*

*Financial Instruments Designated at Fair Value through Profit or Loss*

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value, with transaction costs that are directly attributable to its acquisition recognised in the Statement of Profit or Loss. 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 Profit or Loss.

**Absolute Equity Performance Fund Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018 (continued)**

**2 Significant Accounting Policies (continued)**

**(c) Fair Value Measurement**

When a financial asset is measured at fair value for recognition or disclosure purposes the fair value is based on the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset, assuming they act in their economic best interests. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets measured at fair value are classified into 3 levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

Shares that are listed or traded on an exchange are fair valued using last sale prices, as at the close of business on the day the shares are being valued. If a quoted market price is not available on a recognised stock exchange, the fair value of the instruments are estimated using valuation techniques, which include the use of recent arm's length market transactions, reference to the current fair value of another instrument that is substantially the same, discounted cash flow techniques, option pricing models or any other valuation techniques that provide a reliable estimate of prices obtained in actual market transactions.

**(d) Income and Expenditure**

Interest income and expenses, including interest income and expenses from non-derivative financial assets, are recognised in the statement of profit or loss as they accrue, using the effective interest method of the instrument calculated at the acquisition date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis. Interest income is recognised on a gross basis, including any withholding tax, if any.

Dividend income relating to exchange-traded equity instruments is recognised in the statement of profit or loss on the ex-dividend date with any related foreign withholding tax recorded as an expense.

Trust distributions (including distributions from cash management trusts) are recognised on a present entitlements basis and recognised in the statement of profit or loss on the day the distributions are announced.

All expenses, including Performance Fees and investment Management Fees, are recognised in the statement of profit or loss on an accruals basis.

**(e) Income Tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

The Company may incur withholding tax imposed by certain countries on investment income. Such income will be recorded net of withholding tax in profit or loss.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted for each jurisdiction.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

**Absolute Equity Performance Fund Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018 (continued)**

**2 Significant Accounting Policies (continued)**

**(f) Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), unless GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the Statement of Financial Position.

**(g) Cash and Cash Equivalents**

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 that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**(h) Trade and Other Receivables**

Trade and other receivables relate to outstanding settlement as well as accrued income in relation to interest and dividends receivable. Trade receivables are generally due for settlement within 30 days.

**(i) Trade and Other Payables**

These amounts represent liabilities for outstanding settlements as well as services provided to the Company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Purchases of investments that are unsettled at the reporting date are included in payables and are normally settled within three business days of trade date.

**(j) Share Capital**

Ordinary shares will be classified as equity. Costs directly attributable to the issue of ordinary shares will be recognised as a deduction from equity, net of any tax effects.

**(k) Profits Reserve**

A profits reserve has been created representing an amount allocated from current and retained earnings that is preserved for possible future dividend payments.

**(l) Earnings per Share**

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial period, adjusted for bonus elements in ordinary shares issued during the period and excluding treasury shares.

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**(m) Operating Segments**

The Company has only one reportable segment. The Company is engaged solely in investment activities, deriving revenue from dividend income, interest income and from the sale of its investments.

**Absolute Equity Performance Fund Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018 (continued)**

**2 Significant Accounting Policies (continued)**

**(n) Critical Accounting Estimates and Judgements**

The Directors evaluate the estimates and judgements incorporated into the financial statements based on historical knowledge and the best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data.

There are no estimates or judgements that have a material impact on the Company's financial results for the year ended 30 June 2018. All material financial assets are valued by reference to quoted prices and therefore no significant estimates or judgements are required in respect to their valuation.

**(o) New Accounting Standards and Interpretations**

Accounting Standards and Interpretations issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the Company when adopted in future years, are discussed below:

AASB 9: *Financial Instruments* and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Company has not adopted AASB 9. This does not have a significant impact on the Company's financial statements as the Company does not expect to elect any investments as not held for trading.

**(p) Functional and Presentation Currency**

Items included in the financial statements are measure using the currency of the primary economic environment in which the Company operates ("the functional currency"). The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

**3 Financial Risk Management**

The Company's financial instruments consist mainly of deposits with banks, trading portfolios, trade and other receivables and trade and other payables.

The Company's activities expose it to a variety of financial risks: market risk (including interest rate risk, foreign exchange risk and price risk), credit risk and liquidity risk. The Board of the Company, with the Investment Manager has implemented a risk management framework to mitigate these risks.

**(a) Market Risk**

The standard defines this as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices.

**(i) Price Risk**

The Company is exposed to price risk. This arises from investments held by the Company and classified in the Statement of Financial Position as financial assets and financial liabilities at fair value through profit or loss.

The Company seeks to manage and constrain market risk by diversification of the investment portfolio across multiple stocks and industry sectors. The portfolio is maintained by the Investment Manager within a range of parameters governing the levels of acceptable exposure to stocks and industry sectors. The relative weightings of the individual securities and relevant market sectors are reviewed normally weekly and risk can be managed by reducing exposure where necessary.

The Investment Strategy involves pairing long positions in companies which are expected to outperform with corresponding short positions in companies which are expected to underperform. The net exposure is a "market neutral" exposure to overall price movements in the broad market, with the sum of the long and short positions close to zero. Therefore, the Directors believe that reporting investment sector exposures as a percentage of the net exposure of the entire Portfolio is not meaningful information.

A breakdown of the Company's investment sector net exposure as at 30 June 2018 and 2017 are below:

	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Consumer Discretionary	(10,350,533)	(7,320,820)
Consumer Staples	(9,167,296)	(6,970,418)
Energy	9,732,674	1,848,865
Financials	(15,312,349)	(17,598,039)
Health Care	2,354,504	(2,329,609)
Industrials	34,875,299	38,351,149
Information Technology	9,851,833	15,843,586
Materials	10,082,325	6,315,441
Telecommunication Services	(777,272)	(2,425,646)
Utilities	(24,280,263)	(16,148,043)
	<b>7,008,922</b>	<b>9,566,466</b>

**Absolute Equity Performance Fund Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018 (continued)**

**3 Financial Risk Management (continued)**

**(a) Market Risk (continued)**

*(ii) Cash Flow and Fair Value Interest Rate Risk*

The Company'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.

The table below summarises the Company's exposure to interest rate risks. It includes the Company's assets and liabilities at fair values, categorised by the earlier of contractual repricing or maturity dates.

	<b>Floating Interest rate \$</b>	<b>Non- Interest bearing \$</b>	<b>Total \$</b>
<b>At 30 June 2018</b>			
<b>Financial assets</b>			
Cash and cash equivalents	115,685,640	-	115,685,640
Trade and other receivables	-	1,452,954	1,452,954
Financial assets held at fair value through profit or loss	-	282,440,948	282,440,948
	<u><b>115,685,640</b></u>	<u><b>283,893,902</b></u>	<u><b>399,579,542</b></u>
<b>Financial liabilities</b>			
Trade and other payables	-	(4,064,458)	(4,064,458)
Financial liabilities held at fair value through profit or loss	-	(275,432,026)	(275,432,026)
	-	(279,496,484)	(279,496,484)
<b>Net exposure to interest rate risk</b>	<u><b>115,685,640</b></u>	<u><b>4,397,418</b></u>	<u><b>120,083,058</b></u>
<b>At 30 June 2017</b>			
<b>Financial assets</b>			
Cash and cash equivalents	95,920,765	-	95,920,765
Trade and other receivables	-	913,680	913,680
Financial assets held at fair value through profit or loss	-	243,522,995	243,522,995
	<u><b>95,920,765</b></u>	<u><b>244,436,675</b></u>	<u><b>340,357,440</b></u>
<b>Financial liabilities</b>			
Trade and other payables	-	(3,553,645)	(3,553,645)
Financial liabilities held at fair value through profit or loss	-	(233,956,530)	(233,956,530)
	-	(237,510,175)	(237,510,175)
<b>Net exposure to interest rate risk</b>	<u><b>95,920,765</b></u>	<u><b>6,926,500</b></u>	<u><b>102,847,265</b></u>

The weighted average interest rate of the Company's cash and cash equivalents at 30 June 2018 is 1.5% (2017: 1.50%).

**Sensitivity Analysis**

The Company has performed a sensitivity analysis relating to its exposure to price risk and interest rate risk at the end of each reporting year. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

	<b>2018 \$</b>	<b>2017 \$</b>
<b>Price Risk</b>		
<b>Held-for trading financial assets and liabilities</b>		
Change in Profit before tax		
• Increase in net portfolio prices by 5%	350,446	478,323
• Decrease in net portfolio prices by 5%	(350,446)	(478,323)



**Absolute Equity Performance Fund Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018 (continued)**

**3 Financial Risk Management (continued)**

**(a) Market Risk (continued)**

**Sensitivity Analysis (continued)**

Held-for-trading financial assets and liabilities are actively managed on a short term basis and are fair valued through the Statement of Profit or Loss and Other Comprehensive Income. Any movement in the portfolio price will be realised in the Statement of Profit or Loss and Other Comprehensive Income.

	2018 \$	2017 \$
<b>Interest Rate Risk</b>		
Change in Profit before tax		
• Increase in interest rate by 0.5%	578,428	479,604
• Decrease in interest rate by 0.5%	(578,428)	(479,604)
Change in Equity		
• Increase in interest rate by 0.5%	578,428	479,604
• Decrease in interest rate by 0.5%	(578,428)	(479,604)

**(b) Credit Risk**

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Credit risk primarily arises from investments in debt securities and from trading derivative products. Other credit risk arises from cash and cash equivalents, and deposits with banks and other financial institutions.

Under the arrangements which the Company has entered into to facilitate stock borrowing for covered short selling, borrowed stock is collateralised by the long stock portfolio. If the stock borrowing counterparty became insolvent, it is possible that the Company may not recover all of the collateral that the Fund gave to the counterparty.

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting year is equivalent to the carrying amount and classification of those financial assets as presented in the Statement of Financial Position. The majority of the Company's receivables arise from unsettled trades at year end which are settled three days after trade date.

The Company held no collateral as security or any other credit enhancements.

None of the assets exposed to a credit risk are overdue or considered to be impaired.

**Management of the Risk**

The risk was managed as follows:

- Cash held for investment is primarily invested with highly rated international financial institutions
- Cash held in the company's corporate account is held with a reputable local financial institution; and
- Receivable balances are monitored on an ongoing basis and the Company has no debts past due or impaired.

**(c) Liquidity Risk**

The standard defines this as the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities.

The Investment Manager maintains sufficient unencumbered cash balances to ensure the Company can meet its liabilities as and when they fall due.

The Company's inward cash flows depend upon the level of dividend, distribution revenue received and sale of liquid assets. Should these decrease by a material amount, the Company would amend its outward cash flows accordingly. As the Company's major cash outflows are the purchase of securities and dividends paid to shareholders, the level of both of these is managed by the Board and Investment Manager.

The assets of the Company are largely in the form of readily tradeable securities which can be sold on-market if necessary.

**Absolute Equity Performance Fund Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018 (continued)**

**3 Financial Risk Management (continued)**

**(c) Liquidity Risk (continued)**

*Maturities of financial liabilities*

The tables below analyse the Company's financial liabilities into relevant maturity groupings based on their contractual maturities at year end date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

*Contractual maturities of financial liabilities*

	Less than 1 month \$	More than 1 month \$	Total contractual undiscounted cash flows \$
<b>At 30 June 2018</b>			
<b>Financial liabilities</b>			
Financial liabilities at fair value through profit or loss	-	275,432,026	275,432,026
Trade and other payables	4,064,458	-	4,064,458
<b>Total financial liabilities</b>	<b>4,064,458</b>	<b>275,432,026</b>	<b>279,496,484</b>
<b>At 30 June 2017</b>			
<b>Financial liabilities</b>			
Financial liabilities at fair value through profit or loss	-	233,956,530	233,956,530
Trade and other payables	3,553,645	-	3,553,645
<b>Total financial liabilities</b>	<b>3,553,645</b>	<b>233,956,530</b>	<b>237,510,175</b>

**4 Fair Value Measurements**

The Company measures and recognises its financial assets and liabilities at fair value through profit or loss ("FVTPL") on a recurring basis.

**(a) Fair Value Hierarchy**

AASB 13: *Fair Value Measurement* requires the disclosure of fair value information using a fair value hierarchy reflecting the significance of the inputs in making the measurements. The fair value hierarchy consists of the following levels:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) 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 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

*(i) Recognised fair value measurements*

The following table presents the Company's assets and liabilities measured and recognised at fair value.

	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>At 30 June 2018</b>				
<b>Financial assets at FVTPL</b>				
Australian listed equity securities	282,440,948	-	-	282,440,948
<b>Total financial assets</b>	<b>282,440,948</b>	<b>-</b>	<b>-</b>	<b>282,440,948</b>
<b>Financial liabilities at FVTPL</b>				
Australian listed equity securities sold short	275,432,026	-	-	275,432,026
<b>Total financial liabilities</b>	<b>275,432,026</b>	<b>-</b>	<b>-</b>	<b>275,432,026</b>

**Absolute Equity Performance Fund Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018 (continued)**

**4 Fair Value Measurements (continued)**

At 30 June 2017	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets at FVTPL</b>				
Australian listed equity securities	243,522,995	-	-	243,522,995
<b>Total financial assets</b>	<u>243,522,995</u>	<u>-</u>	<u>-</u>	<u>243,522,995</u>
<b>Financial liabilities at FVTPL</b>				
Australian listed equity securities sold short	233,956,530	-	-	233,956,530
<b>Total financial liabilities</b>	<u>233,956,530</u>	<u>-</u>	<u>-</u>	<u>233,956,530</u>

There were no transfers between levels for recurring fair value measurements during the period.

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

*(ii) Recognised fair value measurements*

The carrying amounts of all financial instruments are reasonable approximations of the respective instrument's fair value.

	2018 \$	2017 \$
<b>5 Income Tax (Expense)/ Benefit</b>		
<b>(a) Numerical Reconciliation of Income Tax Expense/ (Benefit) to Prima Facie Tax Payable</b>		
Prima facie tax on profit before income tax at 30% (2016: 30%)	3,615,256	984,179
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Franked dividends receivable	(28,344)	(12,086)
Imputation credit gross up	442,346	531,583
Foreign income tax offset gross up	7,410	-
Prior year losses now recouped	9,975	8,048
Under/ over adjustments	(119)	-
Imputation credits and foreign income tax offset converted to tax loss	<u>(1,474,486)</u>	<u>(1,771,943)</u>
<b>Income tax expense/ (benefit)</b>	<u><b>2,572,038</b></u>	<u><b>(260,219)</b></u>
The applicable weighted average effective tax rates are as follows:	21.34%	(7.93%)
The effective tax rate reflects the benefit to the Company of franking credits received on dividend income during the year.		
<b>Total income tax expense/ (benefit) results from:</b>		
Deferred tax liability	6,078,501	3,356,829
Deferred tax asset	<u>(3,506,463)</u>	<u>(3,617,048)</u>
<b>Income tax expense/ (benefit)</b>	<u><b>2,572,038</b></u>	<u><b>(260,219)</b></u>
<b>(b) Deferred Tax Assets</b>		
<b>The balance comprises temporary differences attributable to:</b>		
Revenue losses	10,354,034	6,651,778
Realised foreign exchange gains	-	714
Capitalised costs	<u>390,937</u>	<u>586,016</u>
	<u><b>10,744,971</b></u>	<u><b>7,238,508</b></u>
<b>Movements:</b>		
Opening balance	7,238,508	3,621,459
Charged/credited:		
- to profit or loss	3,506,463	3,641,140
- directly to equity	<u>-</u>	<u>(24,091)</u>
<b>Closing balance</b>	<u><b>10,744,971</b></u>	<u><b>7,238,508</b></u>

**Absolute Equity Performance Fund Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018 (continued)**

	2018 \$	2017 \$
<b>5 Income Tax (Expense)/ Benefit (continued)</b>		
<b>(c) Deferred Tax Liabilities</b>		
<b>The balance comprises temporary differences attributable to:</b>		
Fair value adjustments	11,445,170	5,425,336
Accruals	<u>221,537</u>	<u>162,870</u>
	<b><u>11,666,707</u></b>	<b><u>5,588,206</u></b>
<b>Movements:</b>		
Opening balance	5,588,206	2,231,377
Charged/credited:		
- to profit or loss	<u>6,078,501</u>	<u>3,356,829</u>
<b>Closing balance</b>	<b><u>11,666,707</u></b>	<b><u>5,588,206</u></b>
<b>6 Cash and Cash Equivalents</b>		
Cash at bank	<u><b>115,685,640</b></u>	<u>95,920,765</u>
<b>7 Trade and Other Receivables</b>		
Dividends receivable	1,049,511	759,475
GST receivable	32,182	25,025
Other receivable	<u>371,261</u>	<u>129,180</u>
	<b><u>1,452,954</u></b>	<b><u>913,680</u></b>

Receivables are non-interest bearing and unsecured.

**8 Financial Assets and Liabilities at Fair Value through Profit or Loss**

Financial assets at fair value through profit or loss are all held for trading and include the following:

Australian listed equity securities	<u><b>282,440,948</b></u>	<u>243,522,995</u>
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Financial liabilities at fair value through profit or loss are all held for trading and include the following:

Australian listed equity securities sold short	<u><b>275,432,026</b></u>	<u>233,956,530</u>
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Changes in fair values of financial assets and liabilities at fair value through profit or loss are recorded as income in the Statement of Profit or Loss and Other Comprehensive Income.

When the Company sells securities it does not possess, it has to cover this short position by acquiring securities at a later date and is therefore exposed to price risk of those securities sold short. The sales agreement is usually settled by delivering borrowed securities. However, the Company is required to return those borrowed securities at a later date.

**9 Trade and Other Payables**

Management fees payable	154,079	132,322
Performance fees payable	2,775,531	1,040,391
Dividend payable	371,582	359,718
Unsettled trades	659,414	1,883,297
Other payables	<u>103,852</u>	<u>137,917</u>
	<b><u>4,064,458</u></b>	<b><u>3,553,645</u></b>

Trade and other payables primarily relate to outstanding settlements and are usually paid within 30 days of recognition.

**Absolute Equity Performance Fund Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018 (continued)**

			2018 \$	2017 \$
<b>10 Issued Capital</b>				
	<b>30 June 2018</b>		<b>30 June 2017</b>	
	<b>No of shares</b>	<b>\$</b>	<b>No of shares</b>	<b>\$</b>
<b>(a) Share Capital</b>				
Ordinary shares	<u>101,264,236</u>	<u>109,111,714</u>	<u>92,408,028</u>	<u>99,369,885</u>
<b>(b) Movements in ordinary share capital</b>				
<b>30 June 2018</b>				
		<b>Number of shares</b>	<b>Application price</b>	<b>\$</b>
Opening balance		92,408,028		99,369,885
Options exercised for \$1.10 per share	(c)	<u>8,856,208</u>	\$1.10	<u>9,741,829</u>
<b>Closing balance</b>		<u><b>101,264,236</b></u>		<u><b>109,111,714</b></u>
<b>30 June 2017</b>				
Opening balance		90,995,515		97,816,121
Options exercised for \$1.10 per share	(d)	<u>1,412,513</u>	\$1.10	<u>1,553,764</u>
<b>Closing balance</b>		<u><b>92,408,028</b></u>		<u><b>99,369,885</b></u>

**(c) Shares Issued on Options Exercised**

The Company's Loyalty Options, which vested on 16 June 2016, have been quoted by ASX and commenced trading on 16 December 2015 (ASX: AEGO). The Loyalty Options were exercisable at \$1.10 and expired on 16 November 2017.

During the year ended 30 June 2018, 8,856,208 ordinary shares of the Company were issued on the exercise of options. 65,295,482 of the Company's options have expired unexercised.

**(d) Terms and Conditions of Issued Capital**

Ordinary shares have the right to receive dividends as declared and in the event of winding up the Company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on shares held. Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

**(e) Capital Risk Management**

The Company's policy is to maintain a strong capital base so as to maintain Shareholder and market confidence. The overall strategy remains unchanged.

To achieve this, the Directors monitor the weekly NTA estimates, monthly NTA results, investment performance, the Company's Indirect Cost Ratio and share price movements. The Board is focused on maximising returns to Shareholders with active capital management a key objective of the Company.

The Company is not subject to any externally imposed capital requirements.

	2018 \$	2017 \$
<b>11 Profits Reserve and Accumulated Losses</b>		
<b>(a) Profits Reserve</b>		
Profits reserve	<u>10,192,554</u>	5,270,628
<b>Movements:</b>		
Opening balance	5,270,628	2,974,210
Transfer of profits during the year	9,478,818	2,296,418
Dividends paid	<u>(4,556,892)</u>	-
	<u><b>10,192,554</b></u>	<u><b>5,270,628</b></u>

**Absolute Equity Performance Fund Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018 (continued)**

	2018 \$	2017 \$
<b>11 Profits Reserve and Accumulated Losses (continued)</b>		
<b>(b) Accumulated Losses</b>		
Accumulated losses	<u>(142,946)</u>	<u>(142,946)</u>
<b>Movements:</b>		
Opening balance	(142,946)	(1,387,344)
Profit for the year	9,478,818	3,540,816
Transfer of profits during the year	<u>(9,478,818)</u>	<u>(2,296,418)</u>
	<u><b>(142,946)</b></u>	<u><b>(142,946)</b></u>
<b>12 Dividends</b>		
<b>(a) Dividends Paid</b>		
Interim fully franked dividend of 2.0 cents per share	2,025,286	-
2017 final dividend (fully franked) of 2.5 cents per share paid in 2018	<u>2,531,606</u>	<u>-</u>
	<u><b>4,556,892</b></u>	<u><b>-</b></u>
<b>(b) Dividends not recognised at the End of the Financial Year</b>		
Since year end, the Directors have declared a final dividend of 2.5 cents per share, fully franked based on tax paid at 30%. The aggregate amount of the dividend with an ex date of 18 September 2018 and a record date of 19 September 2018, expected to be paid on 19 October 2018 out of the profits reserve at 30 June 2018, but not recognised as liability at year end, is:	<u><b>2,531,606</b></u>	<u><b>2,325,928</b></u>
<b>(c) Dividend Reinvestment Plan</b>		
The Company's Dividend Re-Investment Plan ("DRP") will operate in relation to the final dividend. The DRP has been structured to take account of the relationship between the market price of the Company's shares and the Company's net tangible asset value ("NTA") per Share at the relevant time when dividends are being invested.		
If the prevailing share price is greater than or equal to NTA per share, DRP participants will be issued new shares. If the prevailing share price is less than the NTA per share, the Company may buy the securities on-market and if additional securities are required to satisfy DRP Participants, issue new shares.		
The enrollment deadline for participation in the DRP is 5 October 2018.		
<b>(d) Dividend Franking Account</b>		
The franked portions of the final dividends recommended after 30 June 2018 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year.		
Opening balance of franking account	2,782,481	1,010,538
Franking credits on dividends received	1,369,785	1,771,943
Franking credits on dividends paid	<u>(1,952,953)</u>	<u>-</u>
Closing balance of franking account	<u><b>2,199,313</b></u>	<u><b>2,782,481</b></u>
Franking credits on dividends receivable	311,210	92,818
Adjustments for tax payable/refundable in respect of the current period's profits and the receipt of dividends	<u>-</u>	<u>-</u>
Adjusted franking account balance	<u><b>2,510,523</b></u>	<u><b>2,875,299</b></u>
Impact on the franking account of dividends proposed or declared before the financial report authorised for issue but not recognised as a distribution to equity holders during the year *	<u>(1,084,974)</u>	<u>(996,826)</u>
Franking credits available for subsequent reporting years	<u><b>1,425,549</b></u>	<u><b>1,878,473</b></u>

\* The dividend to be paid on 19 October 2018 will utilise \$1,084,974 of the above franking credits based on the current shares on issue.

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

**Absolute Equity Performance Fund Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018 (continued)**

**13 Key Management Personnel Disclosures**

**(a) Key Management Personnel Compensation**

Short-term employee benefits	89,794	89,794
Post-employment benefits	5,206	5,206
	<u>95,000</u>	<u>95,000</u>

Detailed remuneration disclosures are provided in the remuneration report on pages 12 to 14.

**(b) Equity Instrument Disclosures Relating to Key Management Personnel**

*(i) Option holdings <sup>^</sup>*

The numbers of options over ordinary shares in the Company that were held during the financial period by each Director, including their personally related parties, are set out below.

**2018**

<b>Director</b>	<b>Balance at 1 July 2017</b>	<b>Acquisitions</b>	<b>Expired</b>	<b>Balance at 30 June 2018</b>
Marc Fisher	-	-	-	-
Graham Hand <sup>1</sup>	227,272	-	(227,272)	-
Andrew Reeve-Parker <sup>2</sup>	181,109	-	(181,109)	-
	<u>408,381</u>	<u>-</u>	<u>(408,381)</u>	<u>-</u>

<sup>1</sup> 136,363 options beneficially held by Random Walk Pty Limited <December Super Fund A/C> and 90,909 options beneficially held by Deborah Karen Solomon

<sup>2</sup> 96,394 options beneficially held by AJRP Super Fund and 84,715 options beneficially held by Reeve-Parker Super Fund

The Company's options expired unexercised on 16 November 2017.

**2017**

<b>Director</b>	<b>Balance at 1 July 2016</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance at 30 June 2017</b>
Marc Fisher	-	-	-	-
Graham Hand **	227,272	-	-	227,272
Andrew Reeve-Parker **	181,109	-	-	181,109
	<u>408,381</u>	<u>-</u>	<u>-</u>	<u>408,381</u>

\*\* Held through indirect interests

<sup>^</sup> Loyalty options that are exercisable at \$1.10 and expired on 16 November 2017

Directors and Director-related entities disposed of and acquired ordinary shares and options in the Company on the same terms and conditions available to other Shareholders.

*(ii) Shareholdings*

The numbers of shares in the Company held during the financial year by each Director, including their personally related parties, are set out below. There were no shares granted during the financial year as compensation.

**2018**

<b>Director</b>	<b>Balance at 1 July 2017</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance at 30 June 2018</b>
Marc Fisher	1	-	-	1
Graham Hand <sup>1</sup>	227,272	-	-	227,272
Andrew Reeve-Parker <sup>2</sup>	40,585	266,667	-	307,252
	<u>267,858</u>	<u>266,667</u>	<u>-</u>	<u>534,525</u>

<sup>1</sup> 136,363 shares beneficially held by Random Walk Pty Limited <December Super Fund A/C> and 90,909 shares beneficially held by Deborah Karen Solomon.

<sup>2</sup> 7,436 shares beneficially held by AJRP Super Fund, 124,816 shares beneficially held by Reeve-Parker Super Fund and 175,000 shares beneficially held by Belinda Anne Russo (a related party).

**Absolute Equity Performance Fund Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018 (continued)**

**13 Key Management Personnel Disclosures (continued)**

**(b) Equity Instrument Disclosures Relating to Key Management Personnel (continued)**

(ii) *Shareholdings (continued)*

**2017**

	<b>Balance at 1 July 2016</b>	<b>Acquisitions</b>	<b>Disposals</b>	<b>Balance at 30 June 2017</b>
<b>Director</b>				
Marc Fisher	1	-	-	1
Graham Hand **	227,272	-	-	227,272
Andrew Reeve-Parker **	909	39,676	-	40,585
	<u>228,182</u>	<u>39,676</u>	<u>-</u>	<u>267,858</u>

\*\* Held through indirect interests

**14 Remuneration of Auditors**

During the year the following fees were paid or payable for services provided by the auditor of the Company, its related practices and non-related audit firms:

**Pitcher Partners**

	<b>2018 \$</b>	<b>2017 \$</b>
<i>Audit and other assurance services</i>		
Audit and review of financial statements	27,454	37,047
Other assurance services		
NTA assurance services	<u>7,850</u>	<u>9,025</u>
<b>Total remuneration for audit and other assurance services</b>	<b><u>35,304</u></b>	<b><u>46,072</u></b>
<i>Taxation services</i>		
Tax compliance services	<u>11,100</u>	<u>10,500</u>
<b>Total remuneration of Pitcher Partners</b>	<b><u>46,404</u></b>	<b><u>56,572</u></b>

The Board of Directors oversees the relationship with the Company's External Auditors. The board reviews the scope of the audit and the proposed fee. It also reviews the cost and scope of other services provided by the audit firm, to ensure that they do not compromise independence.

**15 Contingencies and Commitments**

The Company had no material contingent liabilities or commitments as at 30 June 2018 (2017: nil).

**16 Related Party Transactions**

All transactions with related entities are made on normal commercial terms and conditions.

Jeff Phillips, the Company Co-Secretary, is the CFO of Bennelong Funds Management, an entity associated with the Investment Manager, Bennelong Long Short Equity Management Pty Limited.

The associated fees payable to the Investment Manager are listed below:

*Management Fee*

The Company's Portfolio of investments is managed by Bennelong Long Short Equity Management Pty Limited ("Investment Manager"). The Investment Manager is entitled to receive a Management Fee payable monthly in arrears equivalent to 1.5% per annum (plus GST) of the net asset value of the portfolio before all taxes are calculated on the last business day of each calendar month. For the year ended 30 June 2018 the Investment Manager was paid a Management Fee of \$1,692,424 (2017: \$1,464,518). As at 30 June 2018, the balance payable to the Investment Manager was \$154,079 (2017: \$132,322) (including GST).



**Absolute Equity Performance Fund Limited**  
**Notes to the Financial Statements**  
**For the year ended 30 June 2018 (continued)**

**16 Related Party Transactions (continued)**

*Performance Fee*

In return for the performance of its duties as Investment Manager of the Portfolio, the Investment Manager is entitled to be paid a Performance Fee of 20% (plus GST) of the amount (if any) by which the net asset value of the portfolio before all taxes on the last day of the current performance calculation period exceeds the high watermark.

**Performance calculation period is:**

- i. For the first performance calculation period, the period commencing on the date of issue of shares ending on the following 30 June;
- ii. In all other circumstances, the 12 month year ending on 30 June each year.

**High watermark** is the net asset value of the portfolio before all taxes calculated on the last date of the performance calculation period to which the Investment Manager was last entitled to be paid a Performance Fee.

No Performance Fee is payable if the closing net asset value of the portfolio before all taxes is below the high watermark.

As at 30 June 2018, the balance of Performance Fee payable to the Investment Manager was \$2,775,531 (2017: \$1,040,391) (including GST).

The term of the Management Agreement is five years unless terminated earlier in accordance with the Agreement.

**17 Events Occurring after the Reporting Year**

Subsequent to year-end, the Company declared a fully franked final dividend of 2.5 cents per share to be paid on 19 October 2018.

Mr Tharun Kuppana was also replaced by Ms Lisa Dadswell as Joint Company Secretary of the Company on 7 August 2018.

Apart from the above, no other matter or circumstance has occurred subsequent to year-end that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial years.

	2018 \$	2017 \$
<b>18 Reconciliation of Profit after Income Tax to Net Cash Inflow from Operating Activities</b>		
Profit for the year	9,478,818	3,540,816
Unrealised (gains) on market value movement	(20,066,113)	(11,344,799)
Change in operating assets and liabilities:		
(Increase)/ Decrease in trade and other receivables	(301,289)	138,679
Decrease in investments held for trading	21,161,790	459,108
Increase in trade and other payables	1,734,696	337,811
Decrease/ (Increase) in deferred taxes	2,572,036	(260,219)
Net cash (outflow)/ inflow from operating activities	<u>14,579,938</u>	<u>(7,128,604)</u>

**19 Earnings per Share**

Profit after income tax used in the calculation of earnings per share	<u>9,478,818</u>	<u>3,540,816</u>
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**Cents**

**(a) Basic Earnings per Share**

Basic earnings per share attributable to the ordinary equity holders of the Company

<u>9.67</u>	<u>3.84</u>
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**(b) Weighted Average Number of Shares used as Denominator**

**No. of  
shares**

Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share

<u>98,062,130</u>	<u>92,212,096</u>
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As at the end of the year, there are no outstanding securities that are potentially dilutive in nature for the Company.

**Absolute Equity Performance Fund Limited**  
**Directors' Declaration**  
**For the year ended 30 June 2018**

In accordance with a resolution of the Directors of Absolute Equity Performance Fund Limited, the Directors of the Company declare that:

- (a) the financial statements and notes set out on pages 17 to 34 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) note 2(a) confirms that the financial statements also comply with International Financial Reporting standards as issued by the International Accounting Standards Board; and
- (d) the Directors have been given the declarations required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors.



**Marc Fisher**  
Chairman

29 August 2018

**Independent Auditor's Report  
to the Members of Absolute Equity Performance Fund Limited  
ABN 17 608 552 496**

**Report on the Audit of the Financial Report**

*Opinion*

We have audited the financial report of Absolute Equity Performance Fund Limited (the Company), which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year ended 30 June 2018, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- i. giving a true and fair view of the Company's financial position as at 30 June 2018 and of its financial performance for the year then ended; and
- ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*

*Basis of Opinion*

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the Directors of the Company, would be in the same terms if given to the Directors as at the time of this auditor's report.

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

*Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. We have communicated the key audit matters to the Board of Directors, but they are not a comprehensive reflection of all matters that were identified by our audit and that were discussed with the Board of Directors. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<b><i>Valuation, Existence and Completeness of Financial Assets and Liabilities</i></b> <b><i>Refer to Note 8: Financial Assets and Liabilities at fair value through profit or loss</i></b>	
<p>We focused our audit effort on the existence, completeness and valuation of the Company's financial assets and financial liabilities as they are its largest assets and liabilities and represent the most significant driver of the Company's Net Tangible Assets and profits.</p> <p>Investments mostly consist of listed Australian securities. Investments are valued by multiplying the quantity held by the respective market price.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Obtaining an understanding of the investment management process and controls;</li> <li>▪ Reviewing and evaluating the independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Custodian;</li> <li>▪ Reviewing and evaluating the independent audit report on internal controls (ASAE 3402 Assurance Reports on Controls at a Service Organisation) for the Administrator;</li> <li>▪ Making enquiries as to whether there have been any changes to these controls or their effectiveness from the periods to which the audit reports relate and where necessary performing additional procedures;</li> <li>▪ Obtaining a confirmation of the investment holdings directly from the Custodian;</li> <li>▪ Assessing the Company's valuation of individual investment holdings to independent sources;</li> <li>▪ Evaluating the accounting treatment of revaluations of financial assets and financial liabilities for current/deferred tax and unrealised gains or losses; and</li> <li>▪ Assessing the adequacy of disclosures in the financial statements.</li> </ul>

<i>Key audit matter</i>	<i>How our audit addressed the matter</i>
<b><i>Accuracy and Completeness of Management and Performance Fees</i></b> <b><i>Refer to Note 9: Trade and other payables, Note 16: Related party transactions</i></b>	
<p>We focused our audit effort on the accuracy of management and performance fees as they are significant expenses of the Company and their calculation requires adjustments for major events such as payment of company dividends and taxes, capital raisings and capital reductions in accordance with the Investment Management Agreement between the Company and the Investment Manager.</p> <p>In addition, to their quantum, as these transactions are made with related parties, there are additional inherent risks associated with these transactions, including the potential for these transactions to be made on terms and conditions more favourable than if they had been with an independent third-party.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>▪ Making enquiries with the Investment Manager and Those Charged With Governance with respect to any significant events during the period and associated adjustments made as a result, in addition to reviewing ASX announcements;</li> <li>▪ Testing key inputs used in the calculation of management and performance fees and recalculation in accordance with our understanding of the Investment Management Agreement;</li> <li>▪ Assessing the adequacy of disclosures made in the financial statements.</li> </ul>

#### *Other Information*

The Directors are responsible for the other information. The other information comprises the information included in the Company's Annual Report for the year ended 30 June 2018, 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, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### *Responsibilities of the Directors for the Financial Report*

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

In preparing the financial report, the Directors are responsible for assessing the ability of the Company 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 either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

*Auditor's Responsibilities for the Audit of the Financial Report*

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entity or business activities within the Company to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

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

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on the Remuneration Report**

*Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 12 to 14 of the Directors' report for the year ended 30 June 2018. In our opinion, the Remuneration Report of Absolute Equity Performance Fund Limited for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

**Responsibilities**

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards



**S M WHIDDETT**  
Partner

29 August 2018



**PITCHER PARTNERS**  
Sydney

**Absolute Equity Performance Fund Limited**  
**Shareholder Information**  
**30 June 2018**

**Shareholder Information**

The Shareholder information set out below was applicable as at 13 August 2018.

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report, is listed below.

**A. Distribution of Equity Securities**

Analysis of numbers of equity security holders by size of holding:

<b>Holding</b>	<b>Class of equity security</b>		
	<b>Ordinary shares</b>		
	<b>No of Shareholders</b>	<b>Shares</b>	<b>Percentage (%)</b>
1 – 1000	56	19,640	0.02
1,001 – 5,000	267	902,702	0.89
5,001 – 10,000	444	3,678,479	3.63
10,001 – 100,000	1,825	59,883,979	59.14
100,001 and over	124	36,779,436	36.32
	<b>2,716</b>	<b>101,264,236</b>	<b>100.00</b>

There are 38 shareholders each with an unmarketable parcel of shares being a holding of \$500 or less, for a combined total of 4,815 shares.

**B. Equity Security Holders**

Twenty largest quoted equity security holders:

<b>Name</b>	<b>Ordinary shares</b>	
	<b>Number held</b>	<b>Percentage of issued shares (%)</b>
BNP Paribas Nominees Pty Ltd Hub24 Custodial Serv Ltd Drp	2,321,675	2.293
HSBC Custody Nominees (Australia) Limited	1,690,799	1.670
Madad Investments Pty Ltd	1,660,000	1.639
Netwealth Investments Limited <Wrap Services A/C>	1,531,386	1.512
Mdsc Super Fund Pty Ltd <Msv Super Fund A/C>	1,175,000	1.160
Mr Peter Michael Wilmshurst & Ms Gabrielle Rosa Baron <Maj Superannuation Fund A/C>	965,484	0.953
Invia Custodian Pty Limited <F Whiddon Masonic Homes A/C>	940,000	0.928
Navigator Australia Ltd <MLC Investment Sett A/C>	893,406	0.882
R W Kirby Pty Ltd	872,791	0.862
Truebell Capital Pty Ltd <Truebell Investment Fund>	700,000	0.691
Mrs Monica Shepherd	679,915	0.671
NDPM Pty Ltd <Morris Family Super Fund A/C>	600,000	0.593
LIC Investments Pty Ltd <LIC Investments Unit A/C>	595,545	0.588
National Nominees Limited	582,675	0.575
Mrs Barbara Kim Shepherd	556,516	0.550
Invia Custodian Pty Limited <Twilight House A/C>	552,000	0.545
Stephen Chan Superannuation Pty Ltd <Chan S/F A/C>	509,090	0.503
Invia Custodian Pty Limited <Southern Cross Care Ltd A/C>	480,000	0.474
GDH Holdings Pty Ltd <GJ And Dr Higham Family A/C>	454,545	0.449
Neurotribes Holdings Ltd	454,500	0.449
<b>Total</b>	<b>18,215,327</b>	<b>17.988</b>
<b>Total Remaining Holders Balance</b>	<b>83,048,909</b>	<b>82.012</b>



**C. Substantial Holders**

The Company has not been advised of any Shareholder holding a substantial shareholding in Absolute Equity Performance Fund Limited.

**D. Voting Rights**

The voting rights attaching to each class of equity securities are set out below:

Each share is entitled to one vote when poll is called, otherwise each Shareholder present at a meeting or by proxy has one vote on a show of hands.

**E. Stock Exchange Listing**

Quotation has been granted for all of the ordinary shares and Loyalty Options of the Company on all Member Exchanges of the ASX Limited.

**F. Unquoted Securities**

There are no unquoted shares.

**G. Securities Subject to Voluntary Escrow**

There are no securities subject to voluntary escrow.