



# HUNTER HALL GLOBAL VALUE LIMITED

ANNUAL REPORT

ACN 107 462 966

30 JUNE  
2017

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HEAD OFFICE**

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# CORPORATE DIRECTORY

## DIRECTORS

David Groves	Non-Executive Chairman
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Julian Constable	Non-Executive Director
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Frank Gooch	Non-Executive Director
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Russel Pillemer	Non-Executive Director
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## COMPANY SECRETARY

Paula Ferrao

## PRINCIPAL AND REGISTERED OFFICE

Level 12, 167 Macquarie Street  
Sydney NSW 2000  
Tel: +61 2 8524 9900  
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Email: [clientservice@pengana.com](mailto:clientservice@pengana.com)  
Website: [www.pengana.com](http://www.pengana.com)

## AUDITOR

Ernst & Young  
200 George Street  
Sydney NSW 2000

## SHARE REGISTER

Computershare Investor Services Pty Limited  
Level 4, 60 Carrington Street  
Sydney NSW 2000



## LETTER FROM THE CHAIRMAN

### DEAR FELLOW SHAREHOLDERS,

On behalf of your Board I am pleased to report on the significant progress that has been made in restructuring your company to provide shareholders with a well-managed, less volatile, global, listed investment company.

The past year has seen enormous changes at Hunter Hall Global Value Limited (ASX: HHV) and at the parent company of its Investment Manager, Hunter Hall International Limited (HHL), following the sudden and unexpected resignation of Mr Peter Hall in January 2017 from the boards of HHV and HHL. Having previously been Mr Hall's alternate on the HHV Board, I formally became a Non-Executive Director in January 2017 and Chairman in April 2017.

Your Board has consulted with major stakeholders and commenced the implementation of initiatives to better position HHV to deliver stability of management and consistent returns to shareholders.

Importantly, the investment manager has implemented their proven international equities investment strategy and process that is designed to achieve our investment objectives of generating long-term consistent returns whilst reducing volatility and the risk of losing capital.

HHV has entered the new financial year in a strong and stable position. We are excited about the future and have the utmost confidence in the investment manager's ability to manage our portfolio in order to achieve our investment objectives.

### CHANGES AT THE INVESTMENT MANAGER

On 1 June 2017 HHL merged with Pengana Holdings Pty Ltd to create Pengana Capital Group Limited (ASX: PCG, "Pengana"). The combined group creates a more substantial business, with significant expertise in funds management and, most importantly to HHV shareholders, significant expertise in the international equities arena.

### INVESTMENT STRATEGY AND TEAM

Russel Pillemer, the Chief Executive Officer of PCG, has provided more information about PCG, the new investment strategy and the international equities team in the report from the Investment Manager also included in this Annual Report.

## INVESTMENT PERFORMANCE

Over the 12 months to 30 June 2017 the company's post-tax net assets decreased by 7% when adjusted for dividends paid during the period. This was a weak investment result in a strong year for equity markets and we understand our shareholders' disappointment with this performance.

In this regard, I note that the investment strategy that was previously employed by HHL has been replaced in its entirety and has no relevance to the future management of HHV. The portfolio has now been almost completely repositioned to align with the new strategy which your directors expect will deliver a much improved result in 2018.

## SHARE PRICE

The company's share price decreased from \$1.33 at 30 June 2016 to a low of \$1.06, before recovering to \$1.11 at 30 June 2017.

Pleasingly, the share price improved and the discount to NTA at which the HHV shares have traded has narrowed since the announcement of the initiatives outlined in this letter.

## DIVIDENDS

HHV aims to deliver regular and growing fully franked dividends provided HHV has sufficient profit reserves and franking credits and it is within prudent business practices. Being a company that invests in a portfolio of global equities, the generation of franking credits is primarily limited to the payment of company tax by HHV in Australia.

We were pleased to announce a fully franked final dividend of 3.5 cents per share for 2017, in line with our stated dividend policy. This brings the total fully franked dividend for the financial year to 7.0 cents per share, a 7.7% year-on-year growth. Shareholders on record at 22 September 2017 will receive this dividend on 6 October 2017.

## BONUS OPTIONS

As announced on 6 June 2017, HHV intends to undertake a bonus issue of options (for nil consideration) to all shareholders with an address in Australia or New Zealand. The exercise period will be within 18 months from the issue of the options and the exercise price will

be set at the net asset value per share as at the business day immediately prior to the prospectus date.

A prospectus setting out the terms of issue and the timetable is expected to be made available on or around the 11 October 2017 for an option issue date on or around 1 November 2017.

## BOARD RENEWAL AND REMUNERATION

On 6 April 2017, I became the Chairman of HHV after shareholders voted for the removal of the previous Chairman at a general meeting. I agreed to accept this position until an appropriate replacement could be found.

On 6 June 2017, Frank Gooch and Russel Pillemer joined me and Julian Constable as Non-Executive Directors, adding significant expertise to your Board.

Frank brings over 31 years' experience in the finance and investment industries including as Managing Director of Milton Corporation Limited, a highly regarded Australian Equities listed investment company with a market capitalisation of \$2.9 billion. Subject to Frank's election by shareholders at the upcoming Annual General Meeting (AGM), your Directors intend to elect him as Chairman.

Russel co-founded Pengana in 2003 and has been its Chief Executive Officer since inception. Prior to founding Pengana, he worked in the Investment Banking division of Goldman Sachs in New York and Sydney.

There has also been a substantial reduction in compensation levels for Board members, with annualised fees reducing by 29% for the upcoming 2018 financial year.

## FEE RESTRUCTURE

Even though the Investment Management Agreement that governs the relationship between HHV and the Investment Manager does not provide for any mechanism to change the fee structure, the Independent Board Committee has negotiated a reduction to the base fees paid to the manager from 1.5% to 1.2%. However, this is dependent on shareholders approving a once only resetting of the performance fee high water mark at the Annual General Meeting of shareholders on 20 November 2017.

## ANNUAL GENERAL MEETING

Our Annual General Meeting details are as follows:

Date: Monday, 20 November, 2017

Time: 10:00 am

Location: Computershare  
Level 4, 60 Carrington Street  
Sydney

If you are unable to attend, we encourage you to complete your proxy vote, as there are important changes proposed via resolutions at this meeting, which we feel are for the betterment of the company.

## COMMUNICATION

Your Directors and the Investment Manager are committed to improving the company's communication with its shareholders.

You can keep up-to-date via:

- Investor roadshows with your investment manager two times per year
- Our Annual General Meeting each year
- Our monthly newsletter
- Regular thought leadership and market insights papers
- Webinars and video insights with your investment manager
- A new website launching in September

The best way to ensure that you are kept up-to-date on all of our communications and insights, is to keep your email address updated and current on your Computershare account.

Thank you for your continued support. HHV now has stable management and a clear focus and strategy to deliver consistent returns to shareholders. I look forward to updating shareholders on the performance of HHV at our upcoming AGM.



David Groves  
Chairman  
29 August 2017



## DEAR SHAREHOLDERS,

I am very pleased to have joined the Board of Hunter Hall Global Value Limited (ASX: HHV) as your representative.

This being the first HHV Annual Report since the merger of Hunter Hall International Limited and Pengana Holdings created Pengana Capital Group Limited ('Pengana', ASX: PCG), I want to take this opportunity to introduce myself and Pengana, and give you a brief background on its history, its focus and why its unique model in the funds management industry is a platform that delivers superior long term returns for our investors.

I will also touch briefly on the investment philosophy and the strategy now being applied to HHV's portfolio.

# INVESTMENT MANAGER'S REPORT

## A UNIQUE FUNDS MANAGEMENT MODEL

Having founded Pengana in 2003, I have been its Chief Executive Officer since inception. Pengana is a publicly listed funds management company headquartered in Sydney, Australia, and is a leading provider of premium products that are benchmark unaware and that are actively managed. Currently Pengana has circa \$3.1 billion of funds under management ("FUM"), across both global and Australian equity strategies.

Over our 15 year history, Pengana's primary focus has been on "an unrelenting quest to generate superior long term returns" for our investors – which we define as good long term absolute returns with lower risk and capital preservation.

Pengana's unique funds management business model provides significant competitive advantages and proven ability to deliver superior long term returns. Pengana delivers centralised support from our corporate team, so that our fund managers can focus on managing their portfolios. Our fund managers are our partners and we share the profits of the business with them. In addition, our active strategies coupled with a non-benchmark mandate gives our investment teams the freedom to invest in their best ideas. These elements of the Pengana model provides us with an unrivalled opportunity to attract and retain exceptional fund management teams who are vital to generating long term investment performance across our funds.

The Pengana corporate model itself enhances the security of our clients' investments. Our highly capable centralised risk management, compliance and legal functions result in an extra layer of protection for our investors by providing an inherent

separation of duties that is usually only found at much larger institutional fund managers.

Finally, because of Pengana's ability to grow horizontally (i.e. by adding new teams and strategies) as well as vertically, we can afford to be highly disciplined when it comes to assessing each strategy's capacity constraints. For most strategies, at a large amount of FUM, there is a well know inverse relationship between portfolio size and portfolio performance, and we will close (and have closed) strategies to new investments when we assess that further growth will impede future performance.

## THE PENGANA INTERNATIONAL EQUITIES TEAM

The team that now manages HHV is led by Jordan Cvetanovski (Chief Investment Officer and Portfolio Manager) and Steven Glass (Head of Research & Portfolio Manager). Jordan and Steven have been successfully managing Pengana International Equities Fund ('PIEF') since 2015.

Jordan is a highly regarded international equities fund manager with extensive experience acquired in Europe and Australia. Prior to joining Pengana, Jordan was a Partner at Carmignac Gestion (a Paris based fund manager with in excess of EUR50 billion of funds under management) where he managed three international equity funds. Prior to Carmignac, Jordan worked at Robeco (in the Netherlands), Platinum and BT Funds Management. At Pengana, Jordan employs the same approach to stock selection and portfolio construction that he used successfully over many years in Europe.

Steven is a proven international investor with considerable experience in managing international investments from

Australia. Steven started his international investment career at Platinum Asset Management and prior to joining Pengana, spent seven years working as a Portfolio Manager at Hunter Hall. At Pengana, Steven is responsible for the investment research process.

The team also includes James McDonald (Portfolio Manager) who was Hunter Hall's Chief Investment Officer (CIO) and HHV's Fund Manager since 2015. James has 19 years' experience in global equity markets, having worked at BT Funds Management before joining Hunter Hall.

Rounding out the team as Equity Analysts are Ryan Fisher who recently joined Pengana from Goldman Sachs, where he was Managing Director within the Global Investment Research division and a highly-rated sell-side analyst specialising in Financials; Tim Blake who was previously at Hunter Hall having also worked at other Australian based fund managers and Ronald Yu.

## THE PENGANA INTERNATIONAL EQUITIES STRATEGY

As David touched on earlier, and as we announced on 6 June 2017, the strategy and process for HHV is now aligned with the PIEF and the ultimate aim of HHV is now to generate long-term consistent returns whilst reducing volatility and the risk of losing capital. Our experience has taught us that this is best achieved by creating an appropriately diversified portfolio of highly cash generative and growing businesses purchased at compelling valuations.

HHV is now designed and managed with this philosophy, adapted for a listed investment company structure.

HHV's portfolio will typically hold between 30 to 50 global companies, invested in both developed and emerging markets, across a variety of

geographies, industries and company sizes with a focus on value and growth. The strategy is long-only and you can expect the portfolio to be 80% to 100% invested at all times. Ethical screening and risk management guidelines, which include maximum stock, country, industry and portfolio segment exposures, are applied.

The portfolio is designed to be a core international equities holding because it is focused on managing risk and generating returns throughout different market conditions.

Companies that meet the investment criteria are divided into three segments: Core, Cyclical and Opportunistic:

- The Core segment comprises 60% to 80% of the portfolio and consists of stable and growing businesses that generate consistent returns, usually represented between 15 to 30 stocks in the portfolio, each 2-5% of the portfolio;
- The Cyclical segment comprises nil to 30% of the portfolio and consists of companies operating in cyclical industries that are poised for a cyclical upturn, which is not recognised in their share price, usually represented between nil to 15 stocks in the portfolio, each 1.5-3% of the portfolio;
- The Opportunistic segment comprises nil to 20% of the portfolio and consists of companies that are unique, company specific situations that offer attractive potential upside. This portfolio structure provides a healthy level of stability with the opportunity for material upside gains, usually represented between nil to 10 stocks in the portfolio, each 1.5-3% of the portfolio.

Risk, including volatility, is managed at the individual stock level and the

overall portfolio level. At the individual stock level the team seeks companies that are consistently cash generative. These companies typically have strong market positions in industries with favourable outlooks, proven management, compelling valuations and have limited debt. These requirements provide multiple levels of protection against loss and dampen the volatility of returns. There is also a minimum market capitalisation of AUD\$1.5 billion for any stock to ensure adequate liquidity for the fund to enter and exit the stock with ease. For the Cyclical and Opportunist segments there are stop losses in place if it becomes evident that our investment thesis is not playing out.

## CURRENT PORTFOLIO POSITIONING

Since taking over the management of your investments, the Pengana team have successfully repositioned the portfolio to align with the strategy I outlined above. I am confident that the portfolio is now well placed to deliver consistent long-term returns with reduced volatility and the reduced risk of capital loss. A detailed portfolio allocation as at 30 June 2017 is included in the Shareholder Information section of this Annual Report.

I urge you to keep your email address up to date with our registry, Computershare, so that we can keep you up to date on the progress of our strategy.

Thank you for your support and I am very much looking forward to meeting you at the Company's Annual General Meeting in November 2017.



**Russel Pillemer**  
Non-Executive Director and CEO of  
Pengana Capital Group Limited

THE ULTIMATE AIM IS NOW TO GENERATE LONG-TERM CONSISTENT RETURNS WHILST REDUCING VOLATILITY AND THE RISK OF LOSING CAPITAL. OUR EXPERIENCE HAS TAUGHT US THAT THIS IS BEST ACHIEVED BY CREATING AN APPROPRIATELY DIVERSIFIED PORTFOLIO OF HIGHLY CASH GENERATIVE AND GROWING BUSINESSES PURCHASED AT COMPELLING VALUATIONS.



# DIRECTORS' REPORT

Your Directors present their report on Hunter Hall Global Value Limited for the financial year ended 30 June 2017.

## DIRECTORS

The names of Directors in office at any time during or since the end of the year are:

David Groves	Chairman (appointed 6 April 2017) and Non-Executive Director (appointed 13 January 2017 after resigning as Alternate Director to Peter Hall on 13 January 2017)
Julian Constable	Non-Executive Director
Francis Gooch	Non-Executive Director (appointed 5 June 2017)
Russel Pillemer	Non-Executive Director (appointed 5 June 2017)
Robert Millner	Non-Executive Director (appointed 10 April 2017, resigned 5 June 2017)
Paul Jensen	Non-Executive Director and Chairman (removed 6 April 2017)
Peter Hall, AM	Non-Executive Director (resigned 12 January 2017)

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

## INFORMATION ON DIRECTORS

During the period, the following persons held office as Director:

### David Groves – BCom., MCom., CA, FAICD

Non-independent, Chairman (appointed 6 April 2017) and  
Non-Executive Director (appointed 13 January 2017)

Mr Groves is a Non-Executive Director of Hunter Hall Global Value Limited. Prior to being appointed a Non-Executive Director, he was an Alternate Director for Mr Peter Hall. He is also a member of the Audit, Risk and Compliance Committee. He was a member of the Remuneration Committee and of the Nominations Committee until their dissolution on 25 May 2017.

Mr Groves has 26 years' experience as a company Director. Mr Groves is a Non-Executive Director of Pipers Brook Vineyard Pty Ltd and Tasman Sea Salt Pty Ltd and serves as an Executive Director of a number of private companies. Mr Groves is a former Director of Equity Trustees Ltd, Tassal Group Ltd and GrainCorp Ltd and a former executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia.

Mr Groves is also a Non-Executive Director of Pengana Capital Group Limited, Chairman of the Pengana Group Audit, Risk and Compliance Committee and a member of the Pengana Group Nomination and Remuneration Committee.

Mr Groves is a member of the Australian Institute of Chartered Accountants and a fellow of the Australian Institute of Company Directors.

### Julian Constable – MAICD

Independent, Non-Executive Director (appointed 25 May 2010)

Mr Constable is a Non-Executive Director of Hunter Hall Global Value Limited. He is also Chairman of the Hunter Hall Global Value Limited Audit, Risk and Compliance Committee and of the Independent Board Committee. He was Chairman of the Remuneration Committee and of the Nominations Committee until their dissolution on 25 May 2017.

Mr Constable is a senior investment advisor at Bell Potter Securities Ltd, having worked in this capacity since 1998. In this role his key attributes are developing new business and building relationships with clients. He has worked in the stockbroking industry since 1984, in both trading and advisory areas, at firms including Pembroke Securities Ltd, Pring Dean McNall, Hambros Equities and Potter Warburg Dillon Read.

Mr Constable has been a Non-Executive Director of the ASX-listed HGL Ltd since August 2003 and is a member of its Remuneration Committee.

## **DIRECTORS' REPORT (CONTINUED)**

### **Francis Gooch – B.Bus, CPA**

Independent, Non-Executive Director (appointed 5 June 2017)

Mr Gooch is a Non-Executive Director of Hunter Hall Global Value Limited. He is also a member of the Hunter Hall Global Value Limited Audit, Risk and Compliance Committee and of the Independent Board Committee.

Mr Gooch has been the Managing Director of Milton Corporation Limited since 2004 and Chief Executive since 1999 and is a member of its Investment Committee.

Mr Gooch has more than 30 years' experience in the finance and investment industries.

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### **Russel Pillemer – B.Com, CA**

Non-independent, Non-Executive Director (appointed 5 June 2017)

Mr Pillemer is a Non-Executive Director of Hunter Hall Global Value Limited.

Mr Pillemer is also Managing Director and Chief Executive Officer of Pengana Capital Group Limited.

Mr Pillemer co- founded Pengana in 2003 and has been its Chief Executive Officer since inception. Prior to founding Pengana, Mr Pillemer worked in the Investment Banking Division of Goldman Sachs in New York where he specialised in providing advice to funds management businesses. Before moving to New York, he was responsible for leading Goldman Sachs' Australian Financial Institutions Group. Mr Pillemer was previously Chairman of Centric Wealth Group and a Principal of Turnbull Pillemer Capital.

He is a member of the Institute of Chartered Accountants in Australia and has a Bachelor of Commerce (Hons) from the University of New South Wales.

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### **Robert Millner – FAICD, B.Com**

Non-Executive Director (appointed 10 April 2017, resigned 5 June 2017)

Following the removal of Mr Jensen as a Director of the company at the General Meeting held 6 April 2017, Mr Millner was appointed as a Non-Executive Director.

Mr Millner resigned following the appointment of Mr Francis Gooch as Non-Executive Director.

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### **Paul Jensen – FAICD, B.Com**

Independent, Non-Executive Director and Chairman (removed 6 April 2017)

Mr Jensen was the Non-Executive Chairman of Hunter Hall Global Value Limited.

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### **Peter Hall, AM – B.A.**

Non-independent, Non-Executive Director (resigned 12 January 2017)

Mr Hall was a Non-Executive Director of Hunter Hall Global Value Limited and resigned from this role on 12 January 2017.

## COMPANY SECRETARY

### **Paula Ferrao – B. Bus**

Company Secretary (appointed 2 June 2017)

Ms Ferrao is the Company Secretary for Hunter Hall Global Value Limited.

Ms Ferrao is also an executive of Pengana Capital Group Limited. Ms Ferrao was previously interim Chief Executive Officer of Hunter Hall International Limited from January until its merger with Pengana Holdings Pty Ltd on 1 June 2017. Prior to that she was Chief Financial Officer of Hunter Hall International Limited since 2010.

Ms Ferrao has 19 years' experience in the funds management industry with strong expertise in financial reporting and tax for corporate entities, listed investment companies, managed investment schemes and public offer superannuation funds and in all aspects of fund operations.

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### **Hean Siew – B Ec, LL.B**

Company Secretary (appointed 9 January 2017, resigned 2 June 2017)

Mr Siew was the Company Secretary for Hunter Hall Global Value Limited and resigned from this role on 2 June 2017.

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### **Christina Seppelt – BEcon, LL.B, MLM**

Company Secretary (resigned 9 January 2017)

Ms Seppelt was the Company Secretary of Hunter Hall Global Value Limited and resigned from this role on 9 January 2017.

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## OPERATING AND FINANCIAL REVIEW

### **Company overview and principal activities**

Hunter Hall Global Value Limited is a listed investment company that was incorporated on 22 December 2003 to invest in a portfolio of permitted investments. The company's Investment Manager, Hunter Hall Investment Management Limited, is a wholly owned subsidiary of Pengana Capital Group Limited (PCG).

### **INVESTMENT OBJECTIVE**

The aim of Hunter Hall Global Value Limited is to generate long-term consistent returns whilst reducing volatility and the risk of losing capital.

### **REVIEW OF OPERATIONS**

The net loss after tax of the company amounted to \$22.9m (2016: profit of \$30.5m).

At 30 June 2017 the company's after tax net asset backing was \$1.19 per share compared to an after tax net asset backing of \$1.35 per share at 30 June 2016. During the year the company paid dividends to shareholders of 7 cents per share (2016: 11 cents per share).

Net assets at 30 June 2017 totalled \$289.9m (2016: \$328.3m).

Cash holdings at 30 June 2017 were \$26.1m (2016: \$70.1m).

**DIRECTORS' REPORT (CONTINUED)****DIVIDENDS**

	2017 \$'000	2016 \$'000
Final fully franked dividend of 3.5 cents per share to be paid 6 October 2017 not provided for in the attached financial reports (2016: final fully franked dividend of 3.5 cents).	8,547	8,505
Interim fully franked dividend of 3.5 cents per share paid on 21 April 2017 (2016: Interim fully franked dividend of 3.0 cents).	8,524	7,273
	<b>17,071</b>	<b>15,778</b>

On 25 July 2017 the Board of Hunter Hall Global Value Limited declared a final fully franked dividend of 3.5 cents per share, in line with the company's stated dividend policy. This brings the total fully franked dividend for the year to 30 June 2017 to 7.0 cents per share and represents a 7.7% growth on prior year.

**DIVIDEND POLICY**

The company's objective is to pay a regular and growing stream of fully franked dividends to its shareholders, provided the company has sufficient profit reserves and franking credits and it is within prudent business practices.

**STRATEGY AND FUTURE OUTLOOK**

The company aims to meet its investment objective of generating long-term consistent returns whilst reducing volatility and the risk of losing capital, and to pay a regular and growing stream of fully franked dividends to our shareholders, provided the company has sufficient profit reserves and franking credits and it is within prudent business practices.

The company is committed to ensuring that its Net Tangible Assets (NTA) per share is appropriately reflected in its share price. To achieve this we are continuously seeking to improve our communication with shareholders, deploy value creating capital management strategies and being disciplined in managing the company's expenses.

The company's portfolio is primarily invested in equities and given the volatility in investment markets it is extremely difficult to forecast its profit for the coming year. The company provides weekly NTA announcements to the Australian Securities Exchange, and they can also be accessed via the website of the company's Investment Manager: [www.pengana.com](http://www.pengana.com)

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

Mr Peter Hall AM tendered his resignation, for personal reasons, as Chief Investment Officer (CIO) of Hunter Hall International Limited (HHL) on 27 December 2016. After discussion with the HHL Board, Mr Hall resigned as Chief Executive Officer (CEO) on 9 January 2017, immediately relinquishing his executive responsibilities.

On 30 December 2016, the Board approved an on-market share buy-back facility giving the company the ability to purchase on-market up to 24,243,355 shares, representing 10% or less of the smallest total number of shares on issue at any time during the prior twelve months. The share buy-back was implemented as part of the Board's capital management strategy. As at the date of this report, no shares have been bought back.

Mr Hall tendered his resignation as a Director of Hunter Hall Global Value Limited (HHV) on 12 January with immediate effect. The Board was pleased to appoint Mr David Groves as a Director. Mr Groves served as Mr Hall's alternate Director prior to his appointment and he is also a Non-Executive Director of HHL (now Pengana Capital Group or PCG).

Following a general meeting of members of Hunter Hall Global Value Limited held on 6 April 2017, shareholders voted for Mr Jensen's removal as a Director of the company.

On 1 June 2017, Hunter Hall International Limited merged with Pengana Holdings Pty Ltd to create Pengana Capital Group Limited, the parent of the Investment Manager.

## **SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS (CONTINUED)**

On 6 June 2017, Hunter Hall Global Value Limited announced the following strategic initiatives:

- Board renewal: in addition to appointing Mr Francis Gooch as independent Non-Executive Director it is planned that Mr Gooch will become Chairman following the company's 2017 Annual General Meeting (AGM).
- Compensation of Board members: there has been a substantial reduction in compensation levels for Board members from 1 July 2017
- Investment team: HHV will now be managed by a vastly experienced team of six, including investment professionals from both Pengana and Hunter Hall.
- Investment strategy: the ultimate aim of HHV changed to generate long-term consistent returns whilst reducing volatility and the risk of losing capital
- Dividend Policy: revised policy as disclosed above to deliver "regular and growing" dividends
- Bonus options issuance: intention to undertake a bonus issue of options (for nil consideration) to all shareholders with an address in Australia or New Zealand. The exercise period will be within 18 months from the issue of the options and the exercise price will be set at the net asset value per share as at the business day immediately prior to the prospectus date.
- Fee structure: the Independent Board Committee negotiated with PCG a restructure of the HHV investment management fees from 1.5% to 1.2% and the 'resetting' of the performance fee high watermark. This restructuring will require approval from HHV shareholders, which will be sought at the next AGM.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the company that occurred during the financial year.

## **EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

On 25 July 2017 the Board of Hunter Hall Global Value Limited declared a final fully franked dividend of 3.5 cents per share, in line with the company's stated dividend policy. This brings the total fully franked dividend for the year to 30 June 2017 to 7.0 cents per share and represents a 7.7% growth on prior year.

The after tax net assets of the company at 18 August 2017 were \$285.99m, a decrease of 1.4% or \$3.95m from the \$289.94m recorded at 30 June 2017. As at 18 August 2017 the performance fee deficit not brought to account had reduced from \$18.79m at 30 June 2017 to \$18.63m.

**DIRECTORS' REPORT (CONTINUED)****REMUNERATION REPORT (AUDITED)**

The Board presents the Remuneration Report for the company for the year ended 30 June 2017, which forms part of the Directors' Report and has been prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

**1. REMUNERATION GOVERNANCE**

The Board is responsible for ensuring that the composition of the Board is appropriate and that the level of remuneration is reasonable.

**2016 Annual General Meeting**

The Remuneration Report for the financial year ended 30 June 2016 was passed at the company's 2016 Annual General Meeting.

**2. DETAILS OF KEY MANAGEMENT PERSONNEL**

Key Management Personnel (KMP) for the year ended 30 June 2017 are those persons who are identified as having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any Non-Executive Director (NED) of the company.

Names and positions held of Directors and Officers of the company in office at any time during the financial year are:

David Groves	Chairman (appointed 6 April 2017) and Non-Executive Director (appointed 13 January 2017 after resigning as Alternate Director to Peter Hall on 13 January 2017)
Julian Constable	Non-Executive Director
Francis Gooch	Non-Executive Director (appointed 5 June 2017)
Russel Pillemer	Non-Executive Director and Chief Executive Officer at PCG (appointed 5 June 2017)
Robert Millner	Non-Executive Director (appointed 10 April 2017, resigned 5 June 2017)
Paul Jensen	Non-Executive Director and Chairman (removed 6 April 2017)
Peter Hall, AM	Non-Executive Director (resigned 12 January 2017)
Paula Ferrao	Company Secretary (appointed 2 June 2017)

The company has no employees. All operational and administrative duties are performed by PCG, the parent company of the Investment Manager. No employees of PCG are remunerated by the company.

Names and positions held of PCG personnel that the company considers KMPs by virtue of their roles and responsibilities are:

Jordan Cvetanovski	Chief Investment Officer (since 1 June 2017) and Portfolio Manager at PCG
Steven Glass	Head of Research and Portfolio Manager at PCG
James McDonald	Former Chief Investment Officer of HHL and Portfolio Manager at PCG

Unless otherwise noted, all KMP held their positions for the whole of the year ended 30 June 2017.

### 3. REMUNERATION

#### a. Remuneration policy

The company's policy is to remunerate NEDs fairly, taking into account responsibilities, qualifications, experience and time commitment. This has been done to ensure the company can attract and retain high quality NEDs as part of the Board renewal process.

#### b. Aggregate Fee Limit

The Aggregate Fee Limit (AFL) available to NEDs is \$250,000.

#### c. Equity-based remuneration

NEDs are remunerated by way of cash benefits. The company currently has no intention to remunerate NEDs by any way other than cash benefits.

#### d. Directors' shareholding

	Held at 1 July 2016	Purchases	Sales	Other	Held at 30 June 2017
<b>Non-Executive</b>					
David Groves (appointed 13 January 2017)	–	40,000	–	–	40,000
Francis Gooch (appointed 5 June 2017)	–	25,000	–	–	25,000
Russel Pillemer (appointed 5 June 2017)	–	–	–	–	–
Julian Constable	275,000	25,000	–	–	300,000
Robert Millner (appointed 10 April 2017, resigned 5 June 2017)	–	–	–	–	–
Paul Jensen (resigned 6 April 2017) <sup>1</sup>	25,388	25,640	–	(51,028)	–
Peter Hall AM (resigned 12 January 2017) <sup>1</sup>	5,087,972	–	–	(5,087,972)	–

As consequence of Peter Hall resigning as a Director of the company and of Hunter Hall International Limited, he no longer has a relevant interest in these shares that are held by Hunter Hall International Limited, Hunter Hall Investment Management Limited and arising from his control of Hunter Hall International Limited.

#### e. Director remuneration

HHV has reviewed the compensation of Board members and from 1 July 2017 will reduce the Chairman's compensation from \$96,000 (inclusive of superannuation) to \$65,700 (inclusive of superannuation) and Director compensation from \$60,000 (inclusive of superannuation) to \$43,800 (inclusive of superannuation).

Remuneration and other terms of employment for NEDs are accepted via a written letter of offer.

Peter Hall was not remunerated by the company, nor David Groves, during his tenure as alternate to Mr Hall. It should be noted that due to his role as CEO of PCG, Russel Pillemer will also not be remunerated for his role as a NED of HHV.

<sup>1</sup>Due to resignations of Peter Hall on 12 January 2017 as a Director and Paul Jensen on 6 April 2017 as Director and Chairman of the company, they are no longer required to be included in the Directors' Shareholding register.

**DIRECTORS' REPORT (CONTINUED)**  
**REMUNERATION REPORT (AUDITED) (CONTINUED)**
**e. Director remuneration (continued)**

The following table outlines the remuneration provided to NEDs for the years ended 30 June 2017 and 30 June 2016.

<b>2017</b>	<b>Short-term benefits</b>	<b>Post-employment benefits</b>	<b>Total remuneration</b>
	<b>Director's Fees</b>	<b>Superannuation</b>	<b>Total</b>
<b>Non-Executive Directors</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
David Groves	42,903	–	42,903
Julian Constable	54,795	5,205	60,000
Francis Gooch	3,333	317	3,650
Russel Pillemer	–	–	–
Robert Millner	–	–	–
Paul Jensen	80,000	–	80,000
Peter Hall AM	–	–	–
	<b>181,031</b>	<b>5,522</b>	<b>186,553</b>

<b>2016</b>	<b>Short-term benefits</b>	<b>Post-employment benefits</b>	<b>Total remuneration</b>
	<b>Director's Fees</b>	<b>Superannuation</b>	<b>Total</b>
<b>Non-Executive Directors</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Paul Jensen	67,171	–	67,171
Julian Constable	54,795	5,205	60,000
Philip Marcus Clark AM	43,836	4,164	48,000
Alex Koroknay	22,831	2,169	25,000
David Groves	–	–	–
Peter Hall AM	–	–	–
	<b>188,633</b>	<b>11,538</b>	<b>200,171</b>

#### **f. Service agreements**

Remuneration and other terms of employment for the Non-Executive Directors are formalised in service agreements with the company.

**David Groves, Chairman, Non-Executive Director and member of the Audit, Risk and Compliance Committee, the Remuneration Committee and the Nominations Committee**

- Commenced on 13 January 2017
- No term of agreement has been set unless the Director is not re-elected by shareholders of the company
- Base annual salary, inclusive of superannuation \$60,000 from 13 January to 7 April 2017 and \$96,000 as a Chairman from 7 April to 30 June 2017

**Julian Constable, independent Non-Executive Director, Chair of the Audit, Risk and Compliance Committee, the Remuneration Committee and the Nominations Committee and of the Independent Board Committee**

- Commenced on 25 May 2010
- No term of agreement has been set unless the Director is not re-elected by shareholders of the company
- Base annual salary, inclusive of superannuation, for the year ended 30 June 2017 of \$60,000

**Francis Gooch, independent Non-Executive Director and member of the Audit, Risk and Compliance Committee and of the Independent Board Committee**

- Commenced on 5 June 2017
- No term of agreement has been set unless the Director is not re-elected by shareholders of the company
- Base annual salary, inclusive of superannuation, for the year ended 30 June 2017 of \$43,800

**Paul Jensen, independent Non-Executive Director**

- Commenced on 12 October 2015
- Base annual salary, inclusive of superannuation, for the year ended 30 June 2017 of \$96,000.
- Ended 6 April 2017

**Robert Millner, Independent Non-Executive Director**

- Commenced on 10 April 2017
- Ended 5 June 2017

**Russel Pillemer, Non-independent Non-Executive Director**

- Commenced on 5 June 2017

Neither Mr Millner nor Mr Pillemer were remunerated by the company.

**From 1 July 2017, the base salary will be \$43,800 inclusive of superannuation for Non-Executive Directors and \$65,700 inclusive of superannuation for the Chairman.**

End of Audited Remuneration Report

## DIRECTORS' REPORT (CONTINUED)

## MEETINGS OF DIRECTORS

During the financial year, 27 meetings were held, including Board and committee meetings. Attendances were:

	Directors' meetings		Audit and risk committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
David Groves (appointed 13 January 2017)	9	9	2	2
Julian Constable	19	19	4	4
Francis Gooch (appointed on 5 June 2017)	1	1	–	–
Russel Pillemer (appointed on 5 June 2017)	1	1	–	–
Robert Millner (appointed 10 April 2017, resigned 5 June 2017)	2	2	1	1
Paul Jensen (resigned 6 April 2017)	16	16	3	3
Peter Hall AM (resigned 12 January 2017)	4	3	–	–
David Groves as alternate	9	9	2	2

	Remuneration committee		Nominations committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
David Groves (appointed 13 January 2017)	1	1	1	1
Julian Constable	1	1	1	1
Francis Gooch (appointed on 5 June 2017)	–	–	–	–
Russel Pillemer (appointed on 5 June 2017)	–	–	–	–
Robert Millner (appointed 10 April 2017, resigned 5 June 2017)	1	1	1	1
Paul Jensen (resigned 6 April 2017)	–	–	–	–
Peter Hall AM (resigned 12 January 2017)	–	–	–	–
David Groves as alternate	–	–	–	–

	Independent Board committee	
	Number eligible to attend	Number attended
David Groves (appointed 13 January 2017)	–	–
Julian Constable	2	2
Francis Gooch (appointed on 5 June 2017)	–	–
Russel Pillemer (appointed on 5 June 2017)	–	–
Robert Millner (appointed 10 April 2017, resigned 5 June 2017)	1	1
Paul Jensen (resigned 6 April 2017)	1	1
Peter Hall AM (resigned 12 January 2017)	–	–
David Groves as alternate	–	–

## ENVIRONMENTAL ISSUES

The company's operations are not subject to any environmental regulation under the law of the Commonwealth and State.

## PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the company or 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 any part of those proceedings. The company was not a party to any such proceedings during the year.

## ROUNDING OF AMOUNTS

The company is of a kind referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the rounding off of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain areas, to the nearest dollar (unless stated otherwise).

## INDEMNIFYING AND INSURANCE OF DIRECTORS AND OFFICERS

The company insures each of the Directors and officers in office 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 Directors and officers of the company, other than conduct involving a wilful breach of duty in relation to the company. Details of the amount of premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

## INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

## AUDITOR

Ernst & Young was appointed as the auditor on 16 November 2016 in accordance with section 327 of the *Corporation Act 2001*. ASIC consented to the resignation of Grant Thornton Audit Pty Ltd to take effect on the same day at the Annual General Meeting (AGM).

## NON-AUDIT SERVICES

Ernst & Young received or are due to receive \$11,000 for the provision of non-audit services.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

## AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's Independence Declaration as required under s307c of the *Corporations Act 2001* is set out on the following page and forms part of this report.

Signed in accordance with a resolution of the Board of Directors,



David Groves  
Chairman  
Sydney  
29 August 2017

# AUDITOR'S INDEPENDENCE DECLARATION



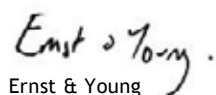
Ernst & Young  
200 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
ey.com/au

## Auditor's Independence Declaration to the Directors of Hunter Hall Global Value Limited

As lead auditor for the audit of Hunter Hall Global Value Limited for the financial year ended 30 June 2017, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

  
Ernst & Young



Graeme McKenzie  
Partner  
29 August 2017

# STATEMENT OF COMPREHENSIVE INCOME

For the year ended:

	Note	30 June 2017 \$'000	30 June 2016 \$'000
<b>Investment income</b>			
Interest income		358	211
Dividend income		3,145	3,597
Changes in fair value of investments	2	(30,173)	44,799
Other operating income		27	51
<b>Total investment (loss)/income</b>		<b>(26,643)</b>	<b>48,658</b>
Management fees	3(a)	(5,051)	(5,096)
<b>Expenses</b>			
Directors' fees		(181)	(200)
Administration fees		(90)	(88)
Custody fees		(46)	(65)
ASX listing fees		(84)	(90)
Share registry fees		(367)	(122)
Recruitment fees		–	(35)
Audit fees		(77)	(75)
Tax fees		(11)	(23)
Legal and professional expenses		(339)	(86)
Disbursements, mailing and printing		(29)	(18)
Other expenses		(112)	(94)
Expenses relating to prior periods		–	(120)
		<b>(1,336)</b>	<b>(1,016)</b>
<b>Total expenses</b>		<b>(6,387)</b>	<b>(6,112)</b>
<b>(Loss)/profit before income tax</b>		<b>(33,030)</b>	<b>42,546</b>
Income tax benefit/(expense)	4	10,153	(12,057)
<b>Net (loss)/profit after income tax</b>		<b>(22,877)</b>	<b>30,489</b>
<b>Other comprehensive (loss)/income</b>			
Other comprehensive (loss)/income for the year		–	–
<b>Total comprehensive (loss)/income for the year</b>		<b>(22,877)</b>	<b>30,489</b>
Basic and diluted (losses)/earnings per share (cents per share)	5	(9.4)	12.6

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

# STATEMENT OF FINANCIAL POSITION

As at:		30 June 2017 \$'000	30 June 2016 \$'000
	Note		
<b>Assets</b>			
Cash and cash equivalents	6	26,104	70,144
Trade and other receivables	7	9,571	666
Financial assets	8	254,577	283,496
Deferred tax assets	4 (e)	855	298
<b>Total assets</b>		<b>291,107</b>	<b>354,604</b>
<b>Liabilities</b>			
Trade and other payables	9	1,167	3,657
Current tax liabilities		–	3,989
Deferred tax liabilities	4 (d)	–	18,698
<b>Total liabilities</b>		<b>1,167</b>	<b>26,344</b>
<b>Net assets</b>		<b>289,940</b>	<b>328,260</b>
<b>Equity</b>			
Issued capital	10	304,806	303,220
Profit reserve	12	99,047	103,497
Retained losses	11	(113,913)	(78,457)
<b>Total equity</b>		<b>289,940</b>	<b>328,260</b>

The Statement of Financial Position is presented on a liquidity basis and should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY

	Note	Issued capital \$'000	Profit reserve \$'000	Retained loses \$'000	Total \$'000
<b>Balance as at 1 July 2015</b>		301,126	99,565	(78,457)	322,234
Profit for the year		–	–	30,489	30,489
Transfer to profit reserve		–	30,489	(30,489)	–
<b>Transactions with owners in their capacity as owners:</b>					
Contributed equity	10	2,126	–	–	2,126
Capitalised costs	10	(32)	–	–	(32)
Dividends paid	13	–	(26,557)	–	(26,557)
<b>Balance as at 30 June 2016</b>		<b>303,220</b>	<b>103,497</b>	<b>(78,457)</b>	<b>328,260</b>
Loss for the year		–	–	(22,877)	(22,877)
Transfer to profit reserve		–	12,579	(12,579)	–
<b>Transactions with owners in their capacity as owners:</b>					
Contributed equity	10	1,586	–	–	1,586
Dividends paid	13	–	(17,029)	–	(17,029)
<b>Balance as at 30 June 2017</b>		<b>304,806</b>	<b>99,047</b>	<b>(113,913)</b>	<b>289,940</b>

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

# STATEMENT OF CASH FLOWS

For the year ended:		30 June 2017 \$'000	30 June 2016 \$'000
	Note		
<b>Cash flows from operating activities</b>			
Proceeds from sale of investments		444,455	324,992
Payments for purchases of investments		(454,735)	(259,193)
Interest received		361	206
Dividends received		3,124	4,239
Other income received		27	51
Management fees paid		(5,124)	(5,085)
Income tax paid		(13,884)	(4,032)
Payment to suppliers		(1,334)	(809)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>14</b>	<b>(27,110)</b>	<b>60,369</b>
<b>Cash flows from financing activities</b>			
Listing costs		–	(32)
Dividends paid	13	(15,443)	(24,431)
<b>Net cash outflow from financing activities</b>		<b>(15,443)</b>	<b>(24,463)</b>
Net (decrease)/increase in cash and cash equivalents held		(42,553)	35,906
Cash and cash equivalents at beginning of year		70,144	33,064
Translation of foreign cash held		(1,487)	1,174
<b>Cash and cash equivalents at end of year</b>	<b>6</b>	<b>26,104</b>	<b>70,144</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

## NOTE 1: CORPORATE INFORMATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Hunter Hall Global Value Limited (the Company) for the year ended 30 June 2017 were authorised for issue in accordance with a resolution of the Directors on 29 August 2017.

Hunter Hall Global Value Limited is a for-profit company limited by shares incorporated and domiciled in Australia. The Company's principal place of business changed on 2 June 2017 from Level 2, 56 Pitt Street, Sydney NSW 2000 to Level 12, 167 Macquarie Street, Sydney NSW 2000.

Further information on the nature of the operations and principal activities of the Company is provided in the Directors' Report.

### Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (AASB) and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis unless stated otherwise and is presented in Australian dollars. Investments in financial assets and liabilities are recorded at fair value through profit and loss.

### Compliance with International Financial Reporting Standards

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

### Summary of significant accounting policies

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. They have been consistently applied unless otherwise stated.

#### a. Revenue and other income

Dividend income is recognised on the date shares are quoted ex-dividend. Distribution income is recognised as of the date the unit value is quoted ex-distribution. Interest income is recognised on an accruals basis.

All revenue is stated net of the amount of Goods and Services Tax (GST).

#### b. Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits with banks or financial institutions.

#### c. Fair values of financial assets and liabilities

##### Recognition and measurement

Financial assets and liabilities are recognised when the Company becomes a party to the binding contractual provisions to the instrument. For financial assets this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial assets and liabilities are valued at fair value. Financial instruments are classified into the following categories and fair values of financial instruments are determined on the following basis:

##### i. Investments

All investments are initially recognised at cost, being the fair value of the consideration given including brokerage and other acquisition charges associated with the investment. After initial recognition, investments have been classified as "fair value through profit or loss". Gains and losses on investments are recognised in the Statement of Comprehensive Income.

Last market close price is used for all investments quoted in an active market. Where this price falls outside the bid-ask spread, discretion is used as to whether the most appropriate price is the bid price or last market close price.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## c. Fair values of financial assets and liabilities (continued)

## ii. Derivative financial instruments

## Forward foreign exchange hedging contracts

The Company only uses forward foreign exchange hedging contracts to hedge the risks associated with foreign currency fluctuations. The Company has established foreign exchange dealing lines with major Australian banks. Forward foreign exchange hedging contracts are marked to market daily and are disclosed as financial assets or financial liabilities as the valuation requires.

The fair value of forward foreign exchange hedging contracts is calculated by reference to current forward exchange rates for contracts with the same maturity profiles.

Gains and losses arising from changes in fair value are taken directly to the Statement of Comprehensive Income.

## Exchange traded equity options

Exchange traded equity options are initially recognised at cost, being the fair value of the consideration given including brokerage and other acquisition charges associated with the exchange traded equity options. After initial recognition, exchange traded equity options have been classified as "fair value through profit or loss". Gains and losses on exchange traded equity options are recognised in the Statement of Comprehensive Income.

## iii. Trade and other receivables

Trade and other receivables are initially recognised at fair value. They are subsequently stated at amortised cost.

## iv. Trade and other payables

Trade and other payables are initially recognised at fair value. They are subsequently stated at amortised cost.

## d. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Refer to note 15 to the financial statements for further information.

## e. Foreign currency translation

Foreign currency transactions are translated into Australian dollars (AUD) using the exchange rates at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign assets and liabilities at year end exchange rates are recognised in the Statement of Comprehensive Income.

Translation differences on monetary assets and liabilities, forward foreign exchange hedging contracts, exchange traded equity options and investments are reported as part of the change of value of investments on the Statement of Comprehensive Income. All other foreign exchange gains and losses are presented in the Statement of Comprehensive Income within revenue.

Assets and liabilities denominated in a foreign currency are translated using the exchange rates at reporting date.

#### f. Income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided for using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

#### g. Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or is expensed. Receivables and payables in the Statement of Financial Position are shown inclusive of GST. Cash flows are presented in the Statement of Cash Flows on a gross basis, and for the GST component of investing and financing activities, which are disclosed as operating cash flows.

#### h. Profit reserve

The profit reserve consists of amounts transferred during the year from retained losses that are preserved for future dividend payments.

#### i. Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company.

##### Key estimates – recognition of Deferred Tax Asset (DTA)

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and the level of future taxable profits. Refer to note 4 for further details on income tax.

#### j. Rounding of amounts

Unless otherwise shown in the financial statements, amounts have been rounded to the nearest thousand dollars and are shown in A\$'000.

Hunter Hall Global Value Limited is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## k. New and amended standards adopted by the Company

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2016 that have a material impact on the Company.

## l. New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting period and have not been early adopted by the Company. The Directors' assessment of the impact of these new standards (to the extent relevant to the Company) and interpretations is set out below:

– AASB 9 *Financial Instruments* (and applicable amendments) (effective for the Company from 1 July 2018)

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

– AASB 15 *Revenue from Contracts with Customers* (effective for the Company from 1 July 2018)

AASB 15 will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer, so the notion of control replaces the existing notion of risks and rewards.

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

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

## NOTE 2: CHANGES IN FAIR VALUE OF INVESTMENTS

	2017 \$'000	2016 \$'000
Changes in the fair value of listed equities	(28,695)	51,272
Changes in the fair value of forward foreign exchange hedging contracts	(224)	(4,164)
Changes in the fair value of exchange traded equity options	2	–
Changes in the fair value of foreign cash held	(1,256)	(2,309)
<b>Total changes in fair value of investments</b>	<b>(30,173)</b>	<b>44,799</b>

### NOTE 3: EXPENSES

#### a. Management fees

In accordance with the Investment Management Agreement between the Company and Hunter Hall Investment Management Limited (the Investment Manager), the Investment Manager is entitled to a management fee of 1.5% per annum of the gross value of the investment portfolio, payable on a monthly basis.

The amounts paid and payable to the Investment Manager in accordance with the Investment Management Agreement were:

	2017 \$'000	2016 \$'000
<b>Management fees</b>	<b>5,051</b>	<b>5,096</b>

#### b. Performance fees

In accordance with the Investment Management Agreement between the Company and Hunter Hall Investment Management Limited (the Investment Manager). The Investment Manager is entitled to a performance fee of 15% of any outperformance when the investment return of the portfolio outperforms the MSCI World Total Return Index, Net Dividends Reinvested in A\$. The method of calculating the fee is detailed in the Investment Management Agreement. The performance fee has a high watermark.

As at 30 June 2017 the performance was still below this high watermark and accordingly no performance fee was due and payable.

<b>Performance fee deficit not brought to account</b>	<b>(18,788)</b>	<b>(3,813)</b>
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#### c. Auditor's remuneration

During the year the following fees were paid or payable by the Company for services provided by the auditor of the Company. The auditor of the Company is Ernst & Young (2016: Grant Thornton Audit Pty Ltd).

##### Ernst & Young

###### Audit and assurance services

Audit and review of financial statements	65	–
Other services	8	–
<b>Total remuneration for audit and other assurance services</b>	<b>73</b>	<b>–</b>

###### Non-assurance services

Tax compliance services	11	–
<b>Total remuneration for taxation services</b>	<b>11</b>	<b>–</b>

<b>Total remuneration of Ernst &amp; Young</b>	<b>84</b>	<b>–</b>
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##### Grant Thornton Audit Pty Ltd

###### Audit and assurance services

Audit and review of financial statements	4	65
<b>Total remuneration for audit and other assurance services</b>	<b>4</b>	<b>65</b>

###### Non-assurance services

Tax compliance services	–	10
<b>Total remuneration for taxation services</b>	<b>–</b>	<b>10</b>

<b>Total remuneration of Grant Thornton Audit Pty Ltd</b>	<b>4</b>	<b>75</b>
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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## NOTE 4: INCOME TAX

	2017 \$'000	2016 \$'000
a. Income tax (expense) attributable for the year differs from the prima facie amount payable on the operating profit. The difference is reconciled as follows:		
<b>(Loss)/profit before income tax expense</b>	<b>(33,030)</b>	<b>42,546</b>
Prima facie income tax benefit/(expense) on net profit at 30%	9,909	(12,763)
Adjustments to prior periods	(413)	–
Foreign withholding tax	170	279
Franking credits	487	427
	<b>10,153</b>	<b>(12,057)</b>
b. The major components of income tax benefit/(expense) are:		
Current income tax benefit/(expense)	(8,689)	(12,930)
Current tax adjustment for prior periods	(413)	–
Deferred income tax benefit/(expense)	19,255	873
	<b>10,153</b>	<b>(12,057)</b>
c. Deferred tax (liabilities) relate to the following:		
Unrealised gains on investments	–	(18,891)
Other temporary differences	–	193
	<b>–</b>	<b>(18,698)</b>
d. Deferred tax assets relate to the following:		
Unrealised losses on investments	465	–
Costs associated with the issue of shares	166	263
Other temporary differences	224	35
	<b>855</b>	<b>298</b>

#### NOTE 5: EARNINGS PER SHARE (EPS)

	2017 \$'000	2016 \$'000
Net (loss)/profit after tax used in the calculation of basic EPS	(22,877)	30,489
	No. Shares	No. Shares
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	243,522,203	242,232,788

The earnings per share have been calculated using the profit attributable to the shareholders of the Company as the numerator.

#### NOTE 6: CASH AND CASH EQUIVALENTS

Cash at bank:

Australian dollar	10,600	8,051
United States dollar	15,504	62,093
	<b>26,104</b>	<b>70,144</b>

#### NOTE 7: TRADE AND OTHER RECEIVABLES

Current tax receivable	793	–
Dividends receivable	127	106
Interest accrued	8	11
GST receivable	99	114
Prepayments	4	32
Outstanding investment settlements	8,540	403
	<b>9,571</b>	<b>666</b>

There are no past due or impaired receivables at reporting date. All trade receivables are expected to be received within 12 months of the reporting date.

#### NOTE 8: FINANCIAL ASSETS

Investments held at fair value	253,739	282,974
Mark to market on forward foreign exchange hedging contracts	–	522
Mark to market on options	838	–
	<b>254,577</b>	<b>283,496</b>

All investments held at 30 June 2017 were listed on recognised exchanges.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## NOTE 9: TRADE AND OTHER PAYABLES

	2017 \$'000	2016 \$'000
Outstanding investment settlements	652	3,028
Accruals	118	169
<b>Payable to related parties:</b>		
Management fees	374	447
Reimbursable expenses	23	13
	<b>1,167</b>	<b>3,657</b>

All trade payables are expected to be settled within 12 months of the reporting date.

## NOTE 10: ISSUED CAPITAL

	No. shares	No. shares
<b>Issued ordinary shares at the beginning of the reporting period</b>	242,967,991	241,039,182
Dividends reinvested (DRP)	1,236,954	1,928,809
<b>Issued ordinary shares at reporting date</b>	<b>244,204,945</b>	<b>242,967,991</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Issued ordinary shares at cost at the beginning of the period</b>	303,220	301,126
Dividends reinvested (DRP)	1,586	2,126
Capitalised costs	–	(32)
<b>Issued ordinary shares at cost at reporting date</b>	<b>304,806</b>	<b>303,220</b>

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote. A reconciliation of the number of ordinary shares outstanding is shown in the table above.

**Capital management**

The Directors manage the Company's capital by regularly ensuring that the Company employs its capital in the most efficient manner. The Directors believe that shareholder value is maximised through effective management of dividends distributed to shareholders, share buy-backs, and share placements. The Company offers its shareholders the opportunity to increase their holdings by participating in the Dividend Reinvestment Plan. These capital management initiatives will be used when deemed appropriate by the Directors. To achieve this, the Directors monitor the weekly and month-end net tangible asset results, investment performance, the Company's expenses and share price movements.

On 30 December 2016, the Board approved an on-market share buy-back facility giving the Company the ability to purchase on-market up to 24,243,355 shares, representing 10% or less of the smallest total shares on issue at anytime during the prior twelve months. The share buy-back was implemented as part of the Board's capital management strategy. As at the date of this report, no shares have been bought back.

For the year ended 30 June 2017, the Company paid dividends of \$17,029,368 (2016: \$26,557,368).

The capital structure of the Company comprises issued capital, reserves and retained losses as disclosed in the Statement of Changes of Equity.

The Company is not subject to externally imposed capital requirements.

## NOTE 11: RETAINED LOSSES

	2017 \$'000	2016 \$'000
Balance at the beginning of the year	(78,457)	(78,457)
Current year (loss)/profit	(22,877)	30,489
Transfer to profit reserve	(12,579)	(30,489)
<b>Balance at the end of the year</b>	<b>(113,913)</b>	<b>(78,457)</b>

## NOTE 12: PROFIT RESERVE

Balance at the beginning of the year	103,497	99,565
Transfer from retained losses	12,579	30,489
Final unfranked special dividend of 4.0 cents paid 18 September 2015	–	(9,642)
Final fully franked dividend of 3.5 cents paid 30 September 2016 (2016: 4.0 cents unfranked)	(8,505)	(9,642)
Interim fully franked dividend of 3.5 cents paid 21 April 2017 (2016: 3.0 cents fully franked)	(8,524)	(7,273)
<b>Balance at the end of the year</b>	<b>99,047</b>	<b>103,497</b>

The profit reserve consists of declared profits, available for the payment of future dividends.

## NOTE 13: DIVIDENDS

### a. Dividends paid

Final unfranked special dividend of 4.0 cents paid 18 September 2015	–	9,642
Final fully franked dividend of 3.5 cents paid 30 September 2016 (2016: 4.0 cents unfranked)	8,505	9,642
Interim fully franked dividend of 3.5 cents paid 21 April 2017 (2016: 3.0 cents fully franked)	8,524	7,273
	<b>17,029</b>	<b>26,557</b>

### b. Dividend reinvestment plan

Final unfranked special dividend of 4.0 cents paid 18 September 2015	–	(753)
Final fully franked dividend of 3.5 cents paid 30 September 2016 (2016: 4.0 cents unfranked)	(792)	(753)
Interim fully franked dividend of 3.5 cents paid 21 April 2017 (2016: 3.0 cents fully franked)	(794)	(620)
	<b>(1,586)</b>	<b>(2,126)</b>

<b>Net dividends paid in cash</b>	<b>15,443</b>	<b>24,431</b>
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	No. shares	No. shares
Final unfranked special dividend of 4.0 cents paid 18 September 2015, reinvestment price: \$1.08	–	697,186
Final fully franked dividend of 3.5 cents paid 30 September 2016, reinvestment price: \$1.39 (2016: 4.0 cents unfranked, reinvestment price: \$1.08)	569,953	697,186
Interim fully franked dividend of 3.5 cents paid 21 April 2017, reinvestment price: \$1.19 (2016: 3.0 cents fully franked, reinvestment price: \$1.16)	667,001	534,437
	<b>1,236,954</b>	<b>1,928,809</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## NOTE 13: DIVIDENDS (CONTINUED)

## c. Franking account

	2017 \$'000	2016 \$'000
Balance at the beginning of the year	1,260	–
Franking credits that will arise from current tax (assets)/liabilities	(793)	3,989
Franking credits from tax paid	9,895	4,033
Payment of interim fully franked dividend	(3,653)	(3,117)
<b>Franking account balance at period-end</b>	<b>6,709</b>	<b>4,905</b>
Payment of declared final fully franked dividend	(3,663)	(3,645)
<b>Franking account balance post payment of final dividend</b>	<b>3,046</b>	<b>1,260</b>

As at 30 June 2017, the \$3.046m franking account balance post payment of final dividend is equivalent to a 2.91 cents per share fully franked dividend.

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.

## NOTE 14: CASH FLOW INFORMATION

	2017 \$'000	2016 \$'000
<b>a. Reconciliation of net cash flow from operating activities to net (loss)/profit after income tax:</b>		
Net (loss)/profit after income tax	(22,877)	30,489
Changes in fair value of investments	30,173	(44,799)
Proceeds from sale of investments	444,455	324,992
Payments for purchases of investments	(454,735)	(259,193)
Change in trade and other receivables	(3)	674
Change in trade and other payables	(114)	164
Change in prepayments	28	17
Change in deferred tax asset	(557)	3,900
Change in deferred tax liability	(18,698)	136
Change in income tax assets	(793)	–
Change in income tax payable	(3,989)	3,989
<b>Net cash inflow from operating activities</b>	<b>(27,110)</b>	<b>60,369</b>
<b>b. Non-cash financing activities</b>		
Issue of shares under the dividends reinvestment plan (DRP)	1,586	2,126

## NOTE 15: FINANCIAL RISK MANAGEMENT

The Company holds the following financial instruments:

	2017 \$'000	2016 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	26,104	70,144
Trade and other receivables	9,571	666
Investments at fair value	254,577	283,496
	<b>290,252</b>	<b>354,306</b>
<b>Financial liabilities</b>		
Trade and other payables	1,167	3,657
	<b>1,167</b>	<b>3,657</b>

From time to time, forward foreign exchange hedging contracts are used by the Company for risk management purposes. There is no gearing through the use of derivatives.

### Financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are market risk and credit risk.

#### a. Market risk

##### (i) Price risk

The Company is exposed to equity securities price risk arising from investments and exchange traded equity options held by the Company and classified on the Statement of Financial Position as fair value through profit or loss of \$254.6m (2016: \$283.0m).

The use of exchange traded equity options resulted in an unrealised gain of \$2,000.

#### Sensitivity analysis

At reporting date, if the equity prices had been 10% lower/higher, profit or loss before income tax of the Company would have decreased/increased by \$25.4m (2016: \$28.3m). The analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for 2016.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## NOTE 15: FINANCIAL RISK MANAGEMENT (CONTINUED)

## a. Market risk (continued)

## (i) Price risk (continued)

The following investments constitute 5% or more of the Company's equity portfolio:

2017 Company	Market value \$'000	%	Business description
IAC InterActive Corp	14,695	5.8%	internet services

2016 Company	Market value \$'000	%	Business description
St Barbara Ltd	40,032	14.1%	gold explorer and producer
Sirtex Medical Ltd	20,772	7.3%	liver cancer treatments
Vocus Communications Ltd	17,999	6.4%	telecommunications
Doray Minerals Limited	16,754	5.9%	gold explorer and producer

## (ii) Foreign exchange risk

As at 30 June 2017 the portfolio (net assets excluding net tax liabilities) was invested 82.8% in international equities (2016: 41.6%), 5.7% in Australian equities (2016: 39.1%) and 11.5% in cash held predominantly in USD (2016: 19.3%). The portfolio had an exposure to foreign cash and investments of A\$263m (2016: \$199m), with nil (2016: 14.4%) of the foreign equity exposure hedged back into Australian dollars by forward foreign exchange hedging contracts.

The use of forward foreign exchange hedging contracts resulted in a realised loss of \$0.3m in the year to 30 June 2017 (2016: loss of \$5.4m) and an unrealised loss of \$0.5m (2016: gain of \$1.3m).

At 30 June 2017 the mark to market on forward foreign exchange hedging contracts was \$nil (2016: unrealised gain of \$0.5m).

The Company is an investor in foreign currency assets and benefits from any weakening in the Australian dollar against those currencies to which it is exposed. The accounting policy in regard to forward foreign exchange hedging contracts and exchange traded equity options is detailed in note 1(c).

## Sensitivity analysis

At reporting date a 10% strengthening/weakening of the Australian dollar at 30 June 2017 would have decreased/increased profit or loss before income tax by \$27.2m (2016: \$17.7m). The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2016.

The Company's total net exposure to fluctuations in foreign currency exchange rates at the reporting date was as follows:

<b>2017 Assets (AUD)</b>	<b>Cash \$'000</b>	<b>Investments \$'000</b>	<b>Options \$'000</b>	<b>Trade and other receivables \$'000</b>	<b>Tax asset \$'000</b>	<b>Total \$'000</b>
Australian dollar	10,600	6,253	–	905	855	18,613
Euro	–	59,209	–	–	–	59,209
British pound	–	28,063	–	108	–	28,171
Hong Kong dollar	–	3,020	–	–	–	3,020
Norwegian kroner	–	3,374	–	37	–	3,411
United States dollar	15,504	125,513	838	8,521	–	150,376
Swedish krona	–	10,221	–	–	–	10,221
Mexican peso	–	461	–	–	–	461
Danish krone	–	8,003	–	–	–	8,003
Brazilian real	–	4,377	–	–	–	4,377
Swiss franc	–	5,245	–	–	–	5,245
	<b>26,104</b>	<b>253,739</b>	<b>838</b>	<b>9,571</b>	<b>855</b>	<b>291,107</b>

<b>2017 Liabilities (AUD)</b>	<b>Cash \$'000</b>	<b>Investments \$'000</b>	<b>Options \$'000</b>	<b>Trade and other payables \$'000</b>	<b>Tax liability \$'000</b>	<b>Total \$'000</b>
Australian dollar	–	–	–	525	–	525
United States dollar	–	–	–	176	–	176
Mexican peso	–	–	–	466	–	466
	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,167</b>	<b>–</b>	<b>1,167</b>

The Company's total net exposure to fluctuations in foreign currency exchange rates at the comparative reporting date was as follows:

<b>2016 Assets (AUD)</b>	<b>Cash \$'000</b>	<b>Investments \$'000</b>	<b>Forwards \$'000</b>	<b>Trade and other receivables \$'000</b>	<b>Tax asset \$'000</b>	<b>Total \$'000</b>
Australian dollar	8,051	145,806	20,291	171	298	174,617
Euro	–	6,940	–	–	–	6,940
British pound	–	12,135	–	–	–	12,135
Hong Kong dollar	–	10,753	(5,379)	–	–	5,374
Japanese yen	–	11,612	–	420	–	12,032
Norwegian kroner	–	5,286	–	–	–	5,286
Korean won	–	1,685	–	–	–	1,685
United States dollar	62,093	88,757	(14,390)	75	–	136,535
	<b>70,144</b>	<b>282,974</b>	<b>522</b>	<b>666</b>	<b>298</b>	<b>354,604</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## NOTE 15: FINANCIAL RISK MANAGEMENT (CONTINUED)

## (ii) Foreign exchange risk (continued)

2016 Liabilities (AUD)	Cash \$'000	Investments \$'000	Forwards \$'000	Trade and other receivables \$'000	Tax liability \$'000	Total \$'000
Australian dollar	–	–	–	629	22,687	23,316
British pound	–	–	–	2,734	–	2,734
Japanese yen	–	–	–	236	–	236
United States dollar	–	–	–	58	–	58
	–	–	–	<b>3,657</b>	<b>22,687</b>	<b>26,344</b>

## (iii) Interest rate risk

The main interest rate risk for the Company arises from its cash holdings. The Company's exposure to interest rate risk is immaterial.

	2017 \$'000	2016 \$'000
<b>Cash and cash equivalents</b>		
Cash balance subject to floating interest rate	26,104	70,144
	%	%
Weighted average effective interest rate	0.76	0.31

## Sensitivity analysis

At reporting date, if the interest rates had been 0.25% lower or higher profit or loss before income taxes of the Company would have (decreased)/increased by \$0.1m (2016: \$0.2m).

## b. Credit risk

Credit risk principally arises from cash deposits, forward foreign exchange hedging contracts, exchange traded equity options held with banks and financial institutions, as well as outstanding receivables.

The Company's major credit risk arises from assets and cash held with the custodian, JP Morgan, and cash on deposit with ANZ. The Company also has minimal exposure through outstanding settlements with brokers.

## c. Liquidity risk

Based on an assumption of trading 10% of the trailing three month daily volume 94.8% of the portfolio could be realised in one month (2016: 84.6%) and 95.9% of the portfolio in six months (2016: 95.9%).

### Maturities of financial liabilities

Financial liabilities held by the Company include management fees payable to the Investment Manager, unsettled trades and other payables. The below table shows the maturities of financial liabilities held by the Company. Forward foreign exchange hedging contracts are also included below where any liability existed at reporting date. Forward foreign exchange hedging contracts are marked to market daily and are disclosed as financial assets or financial liabilities as the valuation requires. Further information on these instruments is in note 15(a).

<b>2017 Financial liabilities</b>	<b>Less than 1 month \$'000</b>	<b>1 to 3 months \$'000</b>	<b>3 to 6 months \$'000</b>	<b>6 to 12 months \$'000</b>	<b>Total \$'000</b>
Due to brokers	652	–	–	–	652
Other payables	515	–	–	–	515
<b>Total</b>	<b>1,167</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,167</b>

<b>2016 Financial liabilities</b>	<b>Less than 1 month \$'000</b>	<b>1 to 3 months \$'000</b>	<b>3 to 6 months \$'000</b>	<b>6 to 12 months \$'000</b>	<b>Total \$'000</b>
Due to brokers	3,028	–	–	–	3,028
Other payables	629	–	–	–	629
<b>Total</b>	<b>3,657</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>3,657</b>

### d. Net fair values

The following table provides an analysis of financial instruments as at reporting date that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial assets such as listed investments held at fair value and exchange traded equity options that are traded in active markets are based on quoted close prices.

Fair value of forward foreign exchange hedging contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## NOTE 15: FINANCIAL RISK MANAGEMENT (CONTINUED)

## d. Net fair values (continued)

2017 Financial assets	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Listed investments at fair value	253,398	–	341	253,739
Exchange traded equity options	838	–	–	838
<b>Total</b>	<b>254,236</b>	<b>–</b>	<b>341</b>	<b>254,577</b>
2016 Financial assets	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Listed investments at fair value	282,974	–	–	282,974
Forward foreign exchange hedging contracts	–	522	–	522
<b>Total</b>	<b>282,974</b>	<b>522</b>	<b>–</b>	<b>283,496</b>

The carrying amount of cash, trade and other receivables and trade and other payables approximate their fair values.

The transfer from level 1 to level 3 relates to Onterran which was suspended in February 2017 due to financial difficulties.

## NOTE 16: RELATED PARTY TRANSACTIONS

Transactions between related parties are on arm's length commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	2017 \$	2016 \$
<b>a. Pengana Capital Group Limited (formerly Hunter Hall International Limited)</b>		
The Company reimburses Pengana Capital Group for any expenses that are paid on behalf of the Company as appropriate under the Company's constitution.	(214,510)	(1,015,235)
<b>b. Hunter Hall Investment Management Ltd (Investment Manager)</b>		
Management fees paid and payable as governed by the Investment Management Agreement	(5,050,962)	(5,095,844)
<b>c. Felsen Pty Limited</b>		
Directors fee paid to Paul Jensen	(80,000)	(67,171)
<b>d. Bell Potter Securities Ltd</b>		
Bell Potter Securities Ltd is a broker used by the Investment Manager and is also the employer of Julian Constable. Payment of brokerage commissions to Bell Potter for trade execution is at normal market rates.		

#### **NOTE 17: STATEMENT OF OPERATIONS BY SEGMENT**

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Chief Investment Officer of the Investment Manager in assessing and determining the allocation of resources.

The Company operates in one business segment, being investment in securities.

#### **NOTE 18: CONTINGENT LIABILITIES**

There were no contingent liabilities at 30 June 2017 that require disclosure.

#### **NOTE 19: SUBSEQUENT EVENTS**

On 25 July 2017 the Board of Hunter Hall Global Value Limited declared a final fully franked dividend of 3.5 cents per share, in line with the Company's stated dividend policy. This brings the total fully franked dividend for the year to 30 June 2017 to 7.0 cents per share and represents a 7.7% growth on prior year.

The after tax net assets of the Company at 18 August 2017 were \$285.99m, a decrease of 1.4% or \$3.95m from the \$289.94m recorded at 30 June 2017.

As at 18 August 2017 the performance fee deficit not brought to account had reduced from \$18.79m at 30 June 2017 to \$18.62m.

There were no other events subsequent to year end that require disclosure other than those matters referred to elsewhere in this report.

The Annual Report was authorised for issue on 29 August 2017 by the Board of Directors.

# DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Hunter Hall Global Value Limited, I state that:

1. In the opinion of the Directors of the Company:
  - a) the financial statements and notes of Hunter Hall Global Value Limited for the financial year ended 30 June 2017 are 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 2017 and of its performance for the year ended on that date; and
    - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
  - b) the financial statements and notes also comply with International Financial Reporting Standards as disclosed in note 1; and
  - c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and Chief Financial Officer in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2017.

On behalf of the Board,



David Groves  
Chairman  
Sydney  
29 August 2017

# INDEPENDENT AUDITOR'S REPORT



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## INDEPENDENT AUDITOR'S REPORT

To the Members of Hunter Hall Global Value Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Hunter Hall Global Value Limited (the Company), which comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Company.

In our opinion, the accompanying financial report of Hunter Hall Global Value 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 2017 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code.

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

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)



## 1. Investment Existence and Valuation

## Why significant

As a listed investment company, the Company has a significant investment portfolio consisting primarily of listed equities and cash accounts. As at 30 June 2017, the value of these listed investments, per Notes 8 and 15 to the financial report was \$254,577,000, which equates to 87.5% of the total assets held by the Company.

As detailed in the Company's accounting policy, as described in Note 1(c), these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standard - AASB 139: *Financial Instruments: Recognition and Measurement* (AASB 139).

Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and the financial report, therefore valuation of the investment portfolio is considered a key area of focus.

## How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of the relevant controls over the recognition and valuation of investments, through an assessment of the audited internal controls report prepared under ASAE 3402 *Assurance Reports on Controls at a Service Organisation*, of the Company's administrator and custodian.

We agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2017.

We checked the valuation of all positions in the portfolio held at 30 June 2017. To validate the fair value in accordance with AASB 139, we agreed the listed securities to independent pricing sources.

We assessed the adequacy of the disclosures in the financial report in accordance with the requirements of AASB 139, AASB 7: *Financial Instruments Disclosures* and AASB 13: *Fair Value Measurement*.

## 2. Management Fees

## Why significant

Management fees paid to the investment manager, Hunter Hall Investment Management Limited, are the most significant expense for the Company.

The Company's accounting policy for management fees is described in Note 3 to the financial report. All expenses are recognised on an accruals basis.

As at 30 June 2017, management fees totalled \$5,051,000 which equates to 79% of total expenses.

## How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of the relevant controls in place in relation to the calculation of management fees, through an assessment of the audited internal controls report of the administrator.

We performed a recalculation of management fees, in accordance with contractual arrangements including agreeing the contract rate to the calculation.

We assessed the adequacy of the disclosures in Note 3 to the financial report.



#### **Information Other than the Financial Report and Auditor's Report**

The Directors are responsible for the other information. The other information comprises the information included in the Company's 2017 Annual Report, 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.

#### **Directors' Responsibilities 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 Company's ability 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 cease operations, or have no realistic alternative but to do so.

## INDEPENDENT AUDITOR'S REPORT (CONTINUED)

**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 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 Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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

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

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 to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year 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**

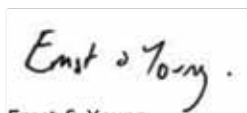
##### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 14 to 17 of the Directors' Report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Hunter Hall Global Value Limited for the year ended 30 June 2017, 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.



Ernst & Young



Graeme McKenzie  
Partner

Sydney  
29 August 2017

# SHAREHOLDER INFORMATION

As at 21 August 2017 there were 7,087 shareholders.

## DISTRIBUTION OF SHAREHOLDERS

Category (size of holding)	Number of shareholders	Number of ordinary shares
1 – 1,000	469	169,507
1,001 – 5,000	1,315	4,427,768
5,001 – 10,000	1,436	11,618,983
10,001 – 100,000	3,631	107,994,532
100,001 – and over	236	119,994,155
<b>TOTAL</b>	<b>7,087</b>	<b>244,204,945</b>

The number of shareholders holding less than a marketable parcel is 267.

## SUBSTANTIAL SHAREHOLDERS

As at 21 August 2017 the following shareholders have notified the Company that they are the substantial shareholders:

	Number of ordinary shares	% of total issued ordinary shares
Wilson Asset Management Group	35,416,868	14.54
Washington H. Soul Pattinson and Company Limited	30,734,274	12.62

## 20 LARGEST SHAREHOLDERS – ORDINARY SHARES (AS AT 21 AUGUST 2017)

Name	Number of ordinary shares	% of total issued ordinary shares
1. RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD <VFA A/C>	35,091,337	14.37
2. WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	16,932,474	6.93
3. WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	7,438,106	3.05
4. PENGANA CAPITAL GROUP LIMITED	4,448,063	1.82
5. HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,320,541	0.95
6. HUNTER HALL INVESTMENT MANAGEMENT LIMITED <HUNTER HALL INV MGMT LTD A/C>	2,042,720	0.84
7. NULIS NOMINEES (AUSTRALIA) LIMITED <NAVIGATOR MAST PLAN SETT A/C>	1,681,444	0.69
8. AUSTRALIAN EXECUTOR TRUSTEES LIMITED <NO 1 ACCOUNT>	1,290,078	0.53
9. NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	1,195,292	0.49
10. BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	1,090,371	0.45
11. NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,061,963	0.43
12. FORSYTH BARR CUSTODIANS LTD <FORSYTH BARR LTD-NOMINEE A/C>	913,848	0.37
13. NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	769,718	0.32
14. MR ORLANDO BERARDINO DI IULIO + MS CATHARINA MARIA KOOPMAN	750,000	0.31
15. TREE POT PTY LTD <TREE POT A/C>	736,000	0.30
16. MRS JEAN THYNE HADGES	643,095	0.26
17. MR FRANCIS MAXWELL HOOPER	579,000	0.24
18. ASHMORE INVESTMENTS PTY LTD	513,330	0.21
19. FITZPATRICK SUPERANNUATION PTY LTD <FITZPATRICK SUPER FUND A/C>	500,000	0.20
20. SOMOKE PTY LIMITED <PULMAN SUPER FUND A/C>	500,000	0.20

## VOTING RIGHTS

Subject to the Company's constitution:

- At meetings of shareholders, each shareholder is entitled to vote in person, by proxy, by attorney or by representative;
- On a show of hands, each shareholder present in person, by proxy, by attorney or by representative is entitled to one vote;
- On a poll, each shareholder present in person, by proxy, by attorney or by representative is entitled to one vote for every share held by the shareholder.

In the case of joint holdings, only one joint holder may vote.

## VOTING BY PROXY

Shareholders may appoint a proxy or attorney to represent them at a shareholder meeting. If a proxy is appointed and the shareholder attends the meeting then that proxy is automatically revoked.

A corporate shareholder may appoint a proxy, an attorney or a corporate representative.

## DIVIDEND PAYMENTS

The Company offers shareholders the following choices of how dividend entitlements can be received:

- Cash – a cheque is mailed to the shareholder's registered address
- Direct Credit Deposit – the dividend is paid directly to the nominated bank account. Direct credits avoid delay in postal delivery and the possibility of lost cheques and are therefore a preferred option.

## TRANSACTIONS IN SECURITIES

	30 June 2017	30 June 2016
Total number of transactions in securities during the year	1,358	1,089
Total brokerage paid or accrued during the year	1,731,922	861,790

## PRINCIPAL REGISTERED ADDRESS OF THE COMPANY

The principal registered office is Level 12, 167 Macquarie Street, Sydney NSW 2000. Telephone (02) 8524 9900.

## REGISTRY

Computershare Investor Services Pty Limited, Level 3, 60 Carrington Street, Sydney NSW 2000. Investor Enquiries 02 8216 5700.

## STOCK EXCHANGE LISTING

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited ("ASX"). The company shares are traded under the symbol HHV. Details of trading activity are published in most daily newspapers and also obtainable from the ASX website: [www.asx.com.au](http://www.asx.com.au).

## INVESTMENT MANAGEMENT AGREEMENT

The Company has appointed Hunter Hall Investment Management Limited (the Manager), under an Investment Management Agreement dated 29 January 2004, to manage the investment portfolio of the Company. The Manager manages and supervises all investments of the Company, including providing monthly valuations, for the term of the contract.

## TERM

The Investment Management Agreement is for an initial period of 25 years commencing 19 March 2004, on the date the Company listed on the ASX, unless terminated earlier in accordance with terms of the Investment Management Agreement.

**SHAREHOLDER INFORMATION (CONTINUED)****POWERS OF THE MANAGER**

For the purpose of carrying out its functions and duties under the Investment Management Agreement, the Manager has the powers of a natural person and absolute and unfettered discretion to manage the investment portfolio and to do all things and execute all documents necessary for the purpose of managing the investment portfolio.

**MANAGEMENT FEE**

In return for the performance of its duties as Manager of the Company's investment portfolio, the Manager is entitled to be paid a monthly management fee equal to 0.125% of the gross value of the investment portfolio calculated on the last day of the month (equivalent to a fee of 1.5% per annum of the average value of the investment portfolio).

**PERFORMANCE FEE**

The Manager is also entitled to a performance fee, equal to 15% of any out-performance of the investment portfolio compared to its benchmark the MSCI World Accumulation Net Return Index in Australian Dollars. The fee is aggregated daily and paid annually, subject to the following:

- i. if the aggregate performance fee for a financial year (including any amounts accrued from a previous year) is a positive amount but the investment return of the investment portfolio is not greater than zero, then that performance fee shall be carried forward (as an accrual) to the following financial year,
- ii. if the aggregate performance fee for a financial year (including any positive or negative amount carried forward from the previous year) is a positive amount but the payment of the accrued performance fee would cause the adjusted investment return of the investment portfolio for the year to be negative, that portion of the performance fee that would cause the investment return of the investment portfolio to be negative shall be carried forward (as an accrual) to the following financial year,
- iii. if the aggregate performance fee for a financial year is a negative amount, no performance fees shall be payable to the Manager in respect of that financial year, and the negative amount shall be added to the performance fee of the succeeding year.

**REIMBURSEMENT OF EXPENSES**

The Company must reimburse to the Manager, in addition to its remuneration and rights of indemnification or reimbursement conferred under any other provision of the Investment Management Agreement or by law, all charges and expenses reasonably and properly incurred by the Manager in respect of the Company.

## PORTFOLIO HOLDINGS – 30 JUNE 2017

Company	Business description	Main country of economic activity
Ahold	retailer	Netherlands
Alfa Laval	industrial machinery	Sweden
Alphabet Inc	web-based search engine	USA
Antofagasta	metal mining	Chile
Aphrodite Gold	gold mining	Australia
Apple	consumer electronics	USA
Archer-Daniels Midland	food manufacturing	USA
Autoliv	auto parts	Sweden
Avita Medical Ltd	skin repair	Australia
B&M European	retail	Luxembourg
BBVA	banking	Spain
Celgene	biotech	USA
Check Point Software	software & programming	Israel
Cigna	insurance	USA
Comcast	communication services	USA
Credit Agricole	banking	France
Deutsche Boerse	electronic trading systems	Germany
Dollar General	retail	USA
Elis	consumer goods	France
Expedia	online travel services	USA
Gilead Science	biopharmaceuticals	USA
GoDaddy	internet services	USA
Howard Hughes	real estate	USA
IAC InterActiveCorp	internet services	USA
Interactive Brokers	financial services	USA
Intercontinental Exchange	exchange	USA
Itau Unibanco	banking	Brazil
Jeronimo Martins	retail	Portugal
K+S	non-metallic mining	Germany
KKR	alternative asset management	USA
Mastercard	consumer finance	USA
Nasdaq 100 E-Mini Dec17 P5400	index options	USA
Nasdaq 100 E-Mini Sep17 P5400	index options	USA
Nestle	consumer goods	Switzerland
Newcrest	gold mining	Australia
Newmont Mining	gold mining	USA
Novo Nordisk	pharmaceuticals	Denmark
Onterran Ltd	non-residential building construction	Australia
Oracle	software	USA
Photocure	medical devices	Norway
Potash Corp	metal mining	Canada
Prada	luxury goods	Italy
Reckitt Benckiser	consumer goods	UK
Santander Mexico	banking	Mexico
SAP	software	Germany
Sealed Air	packaging	USA
Seeing Machines	safety equipment	Australia
Sligro	food & staples retailing	Netherlands
Unilever	consumer goods	UK
Wacker Chemie	chemical manufacturing	Germany
WEBMD Health	publisher	USA
Wolters Kluwer	publisher	Netherlands





