

Paradice Global Small Cap Fund (formerly known as “Paradice Global Small Mid Cap Fund”)

ARSN 161 493 456

Interim report

For the half-year ended 31 December 2018

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This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended 30 June 2018 and any public announcements made in respect of Paradice Global Small Cap Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim report covers Paradice Global Small Cap Fund as an individual entity.

The Responsible Entity of Paradice Global Small Cap Fund is Equity Trustees Limited (ABN 46 004 031 298) (AFSL 240975).

The Responsible Entity's registered office is:
Level 1, 575 Bourke Street
Melbourne, VIC 3000.

Directors' report

The directors of Equity Trustees Limited, the Responsible Entity of Paradice Global Small Cap Fund (formerly known as "Paradice Global Small Mid Cap Fund") (the "Fund"), present their report together with the interim financial statements of the Fund for the half-year ended 31 December 2018.

Principal activities

The Fund invests predominately in global small and mid-capitalisation companies (excluding Australian and New Zealand companies) that have a weighted average capitalisation of less than US\$5 billion, as well as cash in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund did not have any employees during the half-year.

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

The various service providers for the Fund are detailed below:

Service	Provider
Responsible Entity	Equity Trustees Limited
Investment Manager	Paradice Investment Management Pty Ltd
Custodian and Administrator	State Street Australia Limited*
Statutory Auditor	PricewaterhouseCoopers

*State Street Australia Limited was appointed as Custodian and Administrator on 5 November 2018 following the retirement of National Australia Bank who acted as Custodian and Administrator until 4 November 2018.

Directors

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

Philip D Gentry	Chairman
Harvey H Kalman	
Ian C Westley	
Michael J O'Brien	(appointed 11 July 2018)

Review and results of operations

During the half-year, the Fund continued to invest its funds in accordance with the Product Disclosure Statement and the provisions of the Fund's Constitution.

The Fund's performance was -11.19% (net of fees) for the half-year ended 31 December 2018. The Fund's benchmark, the S&P Global BMI (US\$1bn – \$5bn Market Cap Range) Net Total Return ex Australia and New Zealand Index in AUD returned -9.90% for the same period.

Directors' report (continued)

Review and results of operations (continued)

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

	Half-year ended	
	31 December 2018	31 December 2017
Operating profit/(loss) for the half-year (\$'000)	(94,483)	61,592
Distributions paid and payable (\$'000)	-	1,622
Distributions (cents per unit)	-	0.61

Significant changes in the state of affairs

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

On 10 October 2018, the Fund changed its name from Paradise Global Small Mid Cap Fund to Paradise Global Small Cap Fund.

State Street Australia Limited was appointed as Custodian and Administrator on 5 November 2018 following the retirement of National Australia Bank who acted as Custodian and Administrator until 4 November 2018.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Fund that occurred during the financial half-year ended 31 December 2018.

Rounding of amounts to the nearest thousand dollars

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

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

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



Philip D Gentry
Chairman

Melbourne
7 March 2019



Auditor's Independence Declaration

As lead auditor for the review of Paradise Global Small Cap Fund (formerly known as "Paradise Global Small Mid Cap Fund") for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been:

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

A handwritten signature in black ink, appearing to read 'G. Sagonas', is written over a light blue horizontal line.

George Sagonas
Partner
PricewaterhouseCoopers

Melbourne
7 March 2019

Condensed statement of comprehensive income

	Note	Half-year ended	
		31 December 2018	31 December 2017
		\$'000	\$'000
Investment income			
Interest income from financial assets at amortised cost		282	242
Dividend and distribution income		5,951	4,921
Net foreign exchange gain/(loss)		162	(373)
Net gains/(losses) on financial instruments at fair value through profit or loss	4	(94,535)	60,668
Other income		<u>1</u>	<u>1</u>
Total investment income/(loss)		<u>(88,139)</u>	<u>65,459</u>
Expenses			
Management fees		4,914	3,355
Custody and administration fees		284	211
Withholding taxes		845	-
Transaction costs		243	251
Other expenses		<u>58</u>	<u>50</u>
Total expenses		<u>6,344</u>	<u>3,867</u>
Operating profit/(loss) for the half-year		<u>(94,483)</u>	<u>61,592</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive income for the half-year		<u>(94,483)</u>	<u>61,592</u>

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

Condensed statement of financial position

		As at	
		31 December 2018	30 June 2018
	Note	\$'000	\$'000
Assets			
Cash and cash equivalents		37,885	57,407
Receivables	9	1,055	1,959
Due from brokers - receivable for securities sold		767	-
Financial assets at fair value through profit or loss	5	<u>692,344</u>	<u>746,476</u>
Total assets		<u>732,051</u>	<u>805,842</u>
Liabilities			
Distributions payable	8	-	23,733
Payables	10	1,578	2,401
Financial liabilities at fair value through profit or loss	6	<u>2</u>	<u>-</u>
Total liabilities		<u>1,580</u>	<u>26,134</u>
Net assets attributable to unit holders - equity	7	<u>730,471</u>	<u>779,708</u>

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

Condensed statement of changes in equity

	Note	Half-year ended	
		31 December 2018 \$'000	31 December 2017 \$'000
Total equity at the beginning of the half-year		779,708	-
Reclassification due to AMIT tax regime implementation	7	-	469,252
Comprehensive income for the half-year			
Profit/(loss) for the half-year		(94,483)	61,592
Other comprehensive income		-	-
Total comprehensive income		(94,483)	61,592
Transactions with unit holders			
Applications	7	142,068	102,726
Redemptions	7	(107,634)	(53,858)
Reinvestment of distributions	7	10,812	2,584
Distributions paid and payable	7	-	(1,622)
Total transactions with unit holders		45,246	49,830
Total equity at the end of the half-year		730,471	580,674

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

Condensed statement of cash flows

	Half-year ended	
	31 December 2018	31 December 2017
	\$'000	\$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments at fair value through profit or loss	105,620	61,541
Purchase of financial instruments at fair value through profit or loss	(146,654)	(112,738)
Net foreign exchange gain/(loss)	250	-
Interest income received from financial assets at amortised cost	282	242
Dividends and distributions received	6,003	5,244
Other income received	-	1
Management fees paid	(5,203)	(2,517)
Transactions costs paid	(243)	(247)
Custody and administration fees paid	(284)	(211)
Other expenses paid	(139)	(183)
Net cash inflow/(outflow) from operating activities	<u>(40,368)</u>	<u>(48,868)</u>
Cash flows from financing activities		
Proceeds from applications by unit holders	142,068	103,520
Payments for redemptions by unit holders	(108,213)	(54,700)
Distributions paid to unit holders	(12,921)	(3,847)
Net cash inflow/(outflow) from financing activities	<u>20,934</u>	<u>44,973</u>
Net increase/(decrease) in cash and cash equivalents	(19,434)	(3,895)
Cash and cash equivalents at the beginning of the half-year	57,407	42,472
Effect of foreign currency exchange rate changes on cash and cash equivalents	(88)	(139)
Cash and cash equivalents at the end of the half-year	<u>37,885</u>	<u>38,438</u>
Non-cash operating and financing activities		
Issue of units under the distribution reinvestment plan	10,812	2,584
Dividend and distribution income reinvested	134	-

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

Notes to the condensed financial statements

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1 General information

These interim financial statements cover Paradice Global Small Cap Fund (the “Fund”) as an individual entity. The Fund is an Australian registered managed investment scheme which was constituted on 16 June 2012 and will terminate in accordance with the provisions of the Fund’s Constitution or by Law.

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

The Fund invests predominately in global small and mid-capitalisation companies (excluding Australian and New Zealand companies) that have a weighted average capitalisation of less than US\$5 billion, as well as cash in accordance with the Product Disclosure Statement and the provisions of the Fund’s Constitution.

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

2 Basis of preparation

These interim financial statements have been prepared in accordance with Australian Accounting Standards AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *Interim Financial Reporting*.

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2018 and any public announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Significant accounting policies

Except as disclosed below, the accounting policies in these interim financial statements are the same as those applied in the Fund’s financial statements for the year ended 30 June 2018.

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

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

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

Financial instruments

(i) Classification

- Financial assets

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

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

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

2 Basis of preparation (continued)

(a) Significant accounting policies (continued)

(i) Classification (continued)

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

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

- Financial liabilities

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

For financial liabilities that are not classified at fair value through profit or loss, these are classified as financial liabilities at amortised cost (distributions payable, management fees payable, redemptions payable, and withholding tax payable).

Investment income

Interest income from financial assets at amortised cost is recognised on a time-proportionate basis using the effective interest method and includes interest from cash and cash equivalents.

- AASB 15 Revenue from Contracts with Customers

AASB 15 replaces 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 Fund's main sources of income are interest, dividends, distributions and gains on financial instruments at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the adoption of AASB 15 does not have a material impact on the Fund's accounting policies or the amounts recognised in the interim financial statements.

3 Fair value measurement

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis. The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

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

The fair value of financial assets and liabilities traded in active markets (such as equity securities and unit trusts) are based on quoted market prices at the close of trading at the end of the reporting period without any deduction for estimated future selling costs.

For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

3 Fair value measurement (continued)

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

The quoted market price used for financial assets held by the Fund is the current bid price; the quoted market price for financial liabilities is the current asking price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(b) Recognised fair value measurements

The table below presents the Fund's financial assets and liabilities measured and recognised at fair value as at 31 December 2018 and 30 June 2018.

As at 31 December 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Warrants	67	-	-	67
Equity securities	667,044	-	-	667,044
Unit trusts	25,233	-	-	25,233
Total financial assets at fair value through profit or loss	692,344	-	-	692,344
Financial liabilities at fair value through profit or loss				
Forward currency contracts	-	2	-	2
Total financial liabilities at fair value through profit or loss	-	2	-	2
As at 30 June 2018	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Equity securities	718,362	-	-	718,362
Unit trusts	28,114	-	-	28,114
Total financial assets at fair value through profit or loss	746,476	-	-	746,476

(c) Transfer between levels

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

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

3 Fair value measurement (continued)

(d) Financial instruments not carried at fair value

The carrying value of financial assets and liabilities carried at amortised cost are assumed to approximate their fair value due to their short term nature.

Net assets attributable to unit holders' carrying value differ from its fair value (deemed to be redemption price for individual units) due to differences in valuation inputs. This difference is not material in the current or prior reporting period.

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

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

	Half-year ended	
	31 December 2018 \$'000	31 December 2017 \$'000
Financial assets		
Net realised gain/(loss) on financial assets at fair value through profit or loss	35,706	15,844
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	<u>(129,857)</u>	<u>44,824</u>
Net gains/(losses) on financial assets at fair value through profit or loss	<u>(94,151)</u>	<u>60,668</u>
Financial liabilities		
Net realised gain/(loss) on financial liabilities at fair value through profit or loss	(382)	-
Net unrealised gain/(loss) on financial liabilities at fair value through profit or loss	<u>(2)</u>	<u>-</u>
Net gains/(losses) on financial liabilities at fair value through profit or loss	<u>(384)</u>	<u>-</u>
Total net gains/(losses) on financial instruments at fair value through profit or loss	<u>(94,535)</u>	<u>60,668</u>

5 Financial assets at fair value through profit or loss

	As at	
	31 December 2018 \$'000	30 June 2018 \$'000
Warrants	67	-
Equity securities	667,044	718,362
Unit trusts	<u>25,233</u>	<u>28,114</u>
Total financial assets at fair value through profit or loss*	<u>692,344</u>	<u>746,476</u>

*The Fund's investments in equity securities and unit trusts were previously designated at fair value through profit or loss and derivatives were held for trading. On adoption of AASB 9 all above investments are mandatorily classified as fair value through profit or loss.

6 Financial liabilities at fair value through profit or loss

	As at	
	31 December 2018	30 June 2018
	\$'000	\$'000
Forward currency contracts	2	-
Total financial liabilities at fair value through profit or loss*	2	-

*The Fund's investments in derivatives were previously held for trading. On adoption of AASB 9 all above investments are mandatorily classified as fair value through profit or loss.

7 Net assets attributable to unit holders

Movements in the number of units and net assets attributable to unit holders during the half-year were as follows:

	Half-year ended			
	31 December 2018	31 December 2018	31 December 2017	31 December 2017
	Units'000	\$'000	Units'000	\$'000
Opening balance	359,268	779,708	240,750	469,252
Applications	67,326	142,068	49,705	102,726
Redemptions	(52,617)	(107,634)	(26,007)	(53,858)
Reinvestment of distributions	4,973	10,812	1,323	2,584
Distributions paid and payable	-	-	-	(1,622)
Profit/(loss) for the half-year	-	(94,483)	-	61,592
Closing balance	378,950	730,471	265,771	580,674

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right in the underlying assets of the Fund.

There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

8 Distributions to unit holders

The distributions declared during the half-year were as follows:

	Half-year ended			
	31 December 2018 \$'000	31 December 2018 CPU	31 December 2017 \$'000	31 December 2017 CPU
Distributions				
December (payable)	-	-	1,622	0.61
Total distributions	-	-	1,622	0.61

9 Receivables

	As at	
	31 December 2018 \$'000	30 June 2018 \$'000
Dividends and distributions receivable	538	1,524
GST receivable	407	434
Other receivables	110	1
Total receivables	1,055	1,959

10 Payables

	As at	
	31 December 2018 \$'000	30 June 2018 \$'000
Management fees payable	1,523	1,812
Redemptions payable	-	579
Withholding tax payable	55	10
Total payables	1,578	2,401

11 Events occurring after the reporting period

No significant events have occurred since the end of the half-year which would impact on the financial position of the Fund as disclosed in the condensed statement of financial position as at 31 December 2018 or on the results and cash flows of the Fund for the half-year ended on that date.

12 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2018 and 30 June 2018.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) The interim financial statements and notes set out on pages 5 to 16 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2018 and of its performance for the half-year ended on that date.
- (b) There are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable.

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



Philip D Gentry
Chairman

Melbourne
7 March 2019



Independent auditor's review report to the unit holders of Paradice Global Small Cap Fund (formerly known as “Paradice Global Small Mid Cap Fund”)

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Paradice Global Small Cap Fund (formerly known as “Paradice Global Small Mid Cap Fund”) (the Fund), which comprises the Condensed statement of financial position as at 31 December 2018, the Condensed statement of comprehensive income, Condensed statement of changes in equity and Condensed statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors of the Responsible Entity's declaration.

Directors of the Responsible Entity's responsibility for the half-year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Paradice Global Small Cap Fund (formerly known as “Paradice Global Small Mid Cap Fund”), ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Paradise Global Small Cap Fund (formerly known as "Paradice Global Small Mid Cap Fund") is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read "George Sagonas", written over a faint, larger version of the PricewaterhouseCoopers logo.

George Sagonas
Partner

Melbourne
7 March 2019