

Arrowstreet Global Market Neutral Fund

ARSN 130 655 837

Annual report - 30 June 2010

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This financial report covers Arrowstreet Global Market Neutral Fund as an individual entity.

The Responsible Entity of Arrowstreet Global Market Neutral Fund is Macquarie Investment Management Limited (ABN 66 002 867 003). The Responsible Entity's registered office is Mezzanine Level, No. 1 Martin Place, Sydney, NSW 2000

Directors' report

The directors of Macquarie Investment Management Limited, a wholly owned subsidiary of Macquarie Group Limited, the Responsible Entity of Arrowstreet Global Market Neutral Fund, present their report together with the financial report of Arrowstreet Global Market Neutral Fund ("the Trust") for the year ended 30 June 2010.

Principal activities

The Trust invests in international shares and derivatives in accordance with the provisions of the Trust's Constitution.

The Trust did not have any employees during the year.

The Trust did not trade during the financial year under review.

Directors

The following persons held office as directors of Macquarie Investment Management Limited during the year or since the end of the year and up to the date of this report:

B N Terry
 N Roderick (resigned 29/03/2010)
 R Cartwright
 V Malley
 C Vignes
 M Rady (resigned 01/02/2010)
 C Swanger (appointed 08/02/2010)
 T Graham (appointed 29/03/2010)

Review and results of operations

The Trust did not trade during the financial year under review.

Results

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

	Year ended 30 June 2010	For the Period 29 April 2008 to 30 June 2009
Operating (loss)/profit before finance costs attributable to unitholders (\$)	<u>(1,932)</u>	<u>5,252,837</u>
<i>Distributions</i>		
Distribution paid and payable (\$)	<u>-</u>	<u>152,001</u>
Distribution (cents per unit)	<u>-</u>	<u>0.12</u>

Significant changes in state of affairs

The Trust ceased trading on 26 May 2009.

In the opinion of the directors, there were no other significant changes in the state of affairs of the Trust that occurred during the financial year under review which are not otherwise disclosed in this report.

Matters subsequent to the end of the financial year

The Trust is in the process of being terminated.

No matter or circumstance has arisen since 30 June 2010 that has significantly affected, or may significantly affect:

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

Directors' report (continued)

(iii) the state of affairs of the Trust in future financial years.

Indemnification and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Trust in regards to insurance cover provided to either the officers of Macquarie Investment Management Limited or the auditors of the Trust. So long as the officers of Macquarie Investment Management Limited act in accordance with the Trust Constitution and the Law, the officers remain indemnified out of the assets of the Trust against losses incurred while acting on behalf of the Trust. The auditors of the Trust are in no way indemnified out of the assets of the Trust.

Fees paid to and interests held in the Trust by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Trust property during the year are disclosed in note 7 of the financial statements.

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

Interests in the Trust

The movement in units on issue in the Trust during the year is disclosed in note 6 of the financial statements.

The value of the Trust's assets and liabilities is disclosed on the statement of financial position and derived using the basis set out in note 2 of the financial statements.

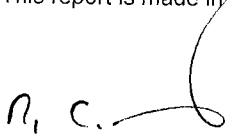
Environmental regulation

The operations of the Trust are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

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.

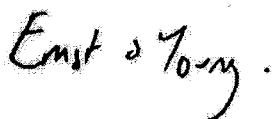


R Cartwright
Director

Sydney
16 August 2010

Auditor's Independence Declaration to the Directors of Macquarie Investment Management Limited, as Responsible Entity for Arrowstreet Global Market Neutral Fund

In relation to our audit of the financial report of Arrowstreet Global Market Neutral Fund for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.



Ernst & Young



Graeme McKenzie
Partner
16 August 2010

Statement of comprehensive income

	Notes	30 June 2010 \$	For the period 29 April 2008 to 30 Jun 2009 \$
Investment income			
Interest income		-	950,328
Dividend income		-	3,233,276
Net gains on financial instruments held at fair value through profit or loss	5	-	3,618,287
Other operating income		-	-
Total net investment income		<u>-</u>	<u>7,801,891</u>
Expenses			
Responsible Entity's fees	7	-	602,163
Performance fees	7	-	1,146,643
Coupons paid		-	275,248
Withholding tax expense		-	195,565
Other operating expenses		<u>1,932</u>	<u>329,435</u>
Total operating expenses		<u>1,932</u>	<u>2,549,054</u>
Operating (loss)/profit		<u>(1,932)</u>	<u>5,252,837</u>
Finance costs attributable to unitholders			
Distributions to unitholders		-	(152,001)
Decrease/(increase) in net assets attributable to unitholders	6	<u>1,932</u>	<u>(5,100,836)</u>
Profit/(loss) for the year/period		<u>-</u>	<u>-</u>
Total comprehensive income for the year/period		<u>-</u>	<u>-</u>

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

Statement of financial position

	Notes	30 June 2010 \$	30 June 2009 \$
Assets			
Cash and cash equivalents		-	<u>7,092</u>
Total assets		-	<u>7,092</u>
Liabilities			
Other payables		-	<u>5,160</u>
Total liabilities (excluding net assets attributable to unitholders)		-	<u>5,160</u>
Net assets attributable to unitholders - liability	6	-	<u>1,932</u>

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

Statement of changes in equity

	30 June 2010 \$	For the period 29 April 2008 to 30 June 2009 \$
Total equity at the beginning of the year	-	-
Total comprehensive income for the year	-	-
Transactions with owners in their capacity as owners	-	-
Total equity at the end of the year	<u>-</u>	<u>-</u>

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result there was no equity at the start or end of the year.

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

Arrowstreet Global Market Neutral Fund
Statement of cash flows
For the year ended 30 June 2010

Statement of cash flows

	30 June 2010	For the period 29 April 2008 to 30 June 2009
Notes	\$	\$
Cash flows from operating activities		
Proceeds from sale of financial instruments held at fair value through profit or loss	-	758,945,579
Purchase of financial instruments held at fair value through profit or loss	-	(770,755,398)
Dividends received	-	3,036,649
Interest received	-	950,313
Other expenses paid	(7,092)	(457,086)
Responsible Entity's fees paid	-	(659,622)
Performance fees paid	-	(1,230,544)
Net cash outflow from operating activities	8(a) (7,092)	(10,170,109)
Cash flows from financing activities		
Proceeds from applications by unitholders	-	125,130,926
Payments for redemptions by unitholders	-	(130,381,831)
Net cash outflow from financing activities	-	(5,250,905)
Net decrease in cash and cash equivalents	(7,092)	(15,421,014)
Cash and cash equivalents at the beginning of the year/period	7,092	-
Effects of foreign currency exchange rate changes on cash and cash equivalents	-	15,428,106
Cash and cash equivalents at the end of the year/period	-	7,092
Non-cash financing activities	8(b)	152,001

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

1 General information

This financial report covers Arrowstreet Global Market Neutral Fund ("the Trust") as an individual entity. The Trust was constituted on 29 April 2008 and it ceased trading on 26 May 2009.

The Responsible Entity of the Trust is Macquarie Investment Management Limited (the "Responsible Entity"). The Responsible Entity's registered office is Mezzanine Level, No.1 Martin Place, Sydney, NSW 2000. The financial report is presented in Australian currency.

The Trust did not trade during the financial year under review.

The financial statements were authorised for issue by the directors on 16 August 2010. The directors of the Responsible Entity have the power to amend and reissue the financial report.

2 Summary of significant accounting policies

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

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, and the *Corporations Act 2001* in Australia.

The financial report is prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

Compliance with International Financial Reporting Standards (IFRS)

The financial statements have been prepared in accordance with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

(b) Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown separately in the statement of financial position.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represent the Trust's main income generating activity.

(c) Investment income

Interest income is recognised in the statement of comprehensive income for all financial instruments that are not held at fair value through profit or loss using the effective interest method.

(d) Expenses

All expenses, including Responsible Entity's fees, are recognised in the statement of comprehensive income on an accruals basis.

(e) Income tax

Under current legislation, the Trust is not subject to income tax provided the taxable income of the Trust is fully distributed either by way of cash or reinvestment (i.e. unitholders are presently entitled to the income of the Trust).

2 Summary of significant accounting policies (continued)

(e) Income tax (continued)

Financial instruments held at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Trust is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Trust to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

The Trust can incur withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

(f) Increase/decrease in net assets attributable to unitholders

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

(g) Payables

Payables includes liabilities and accrued expenses owing by the Trust which are unpaid as at year end.

(h) Use of estimates

The Trust makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(i) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods. The directors' assessment of the impact of these new standards (to the extent relevant to the Trust) and interpretations is set out below:

(i) AASB 9 *Financial Instruments* and related amendment AASB 2009-11 replacing AASB 139 *Financial Instruments: Recognition and Measurement*

The Australian Accounting Standards Board has now issued AASB 9 Financial Instruments which altered the classification and measurement of financial instruments. Under the new standard only two possible classifications arise, rather than the four existing classifications currently available under AASB 139 Financial Instruments: Recognition and Measurement, and will result in all financial assets being measured at amortised cost or fair value through profit or loss, or through other comprehensive income. Financial liabilities are currently excluded from the scope of this standard. The standard is mandatorily applicable for annual reporting periods beginning on or after 1 January 2013. The Trust has not adopted this standard early and is still assessing the full impact of this standard.

3 Financial risk management

(a) Strategy in using financial instruments

The Trust's overall risk management programme focuses on ensuring compliance with the Trust's governing documents and the law and seeks to maximise the returns derived for the level of risk to which the Trust is exposed.

Financial risk management is carried out by the risk management team under policies approved by the Responsible Entity's senior managers or by the board of directors of the Responsible Entity (the Board).

3 Financial risk management (continued)

(b) Market risk

(i) Price Risk

The Trust does not have any exposure to market risk as it does not hold any financial instruments.

(ii) Foreign exchange risk

The Trust is not exposed to foreign exchange risk as all assets are denominated in Australian dollars.

(iii) Interest rate risk

The Trust is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates.

(c) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and other financial institutions. None of these assets are impaired nor past due but not impaired.

The Trust restricts its exposure to credit losses on cash and cash equivalents by managing exposures to single issuers and only investing in banks.

(d) Liquidity Risk

The Trust does not have any exposure to liquidity risk.

4 Auditor's remuneration

During the year the following fees were paid or payable for services provided by the auditor of the Trust:

	30 June 2010 \$	For the period 29 April 2008 to 30 June 2009 \$
Audit services		
Audit and review of financial reports	2,850	7,358
Other audit work under the <i>Corporations Act 2001</i>	<u>290</u>	<u>1,400</u>
Total remuneration for audit services	<u>3,140</u>	<u>8,758</u>

Audit fees are paid out of the Responsible Entity's own resources.

5 Net gains on financial instruments held at fair value through profit or loss

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

	30 June 2010 \$	For the period 29 April 2008 to 30 June 2009 \$
Financial assets		
Net losses on financial instruments held for trading	-	(12,435,526)
Net gains on financial instruments designated as at fair value through profit or loss	-	<u>16,053,813</u>
Total gains on financial instruments held at fair value through profit or loss	-	<u>3,618,287</u>

6 Net assets attributable to unitholders

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

As stipulated within the Trust Constitution, each unit represents an undivided share in the Trust and does not extend to a right to the underlying assets of the Trust. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Trust.

	30 June 2010 No.	30 June 2009 No.	30 June 2010 \$	30 June 2009 \$
Opening balance	-	-	1,932	-
Applications	-	123,995,140	-	125,130,926
Redemptions	-	(124,146,566)	-	(130,381,831)
Units issued upon reinvestment of distributions	-	151,426	-	152,001
(Decrease)/increase in net assets attributable to unitholders	-	-	<u>(1,932)</u>	<u>5,100,836</u>
Closing balance	-	-	-	<u>1,932</u>

Capital risk management

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

7 Related party transactions

Responsible Entity

The Responsible Entity of Arrowstreet Global Market Neutral Fund is Macquarie Investment Management Limited (MIML), a wholly owned subsidiary of Macquarie Group Limited.

Key management personnel

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

B N Terry
N Roderick (resigned 29/03/2010)
R Cartwright
V Malley
C Vignes
M Rady (resigned 01/02/2010)
C Swanger (appointed 08/02/2010)
T Graham (appointed 29/03/2010)

No amount is paid by the Trust directly to the directors of the Responsible Entity. Consequently, no compensation as defined in AASB 124 Related Party Disclosures is paid by the Trust to the directors as key management personnel.

Key management personnel unitholdings

At 30 June 2010 no key management personnel held units in the Trust (2009: Nil).

Key management personnel loan disclosures

The Trust has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting period (2009: Nil).

Responsible Entity's fees and other transactions

For the year ended 30 June 2010, in accordance with the Trust Constitution, the Responsible Entity received a total fee of 0.2% of net asset value (inclusive of GST, net of RITC available to the Trust) per annum (2009: 0.2%)

All expenses in connection with the preparation of accounting records and the maintenance of the unit register have been fully borne by the Responsible Entity.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the year and amounts payable at year end between the Trust and the Responsible Entity were as follows:

	30 June 2010 \$	For the period 29 April 2008 to 30 June 2009 \$
Management fees for the year/period paid by the Trust to the Responsible Entity	-	602,457
Performance fees for the year/period paid by the Trust to the Responsible Entity	-	1,146,643

Investments

The Trust held no investments in any schemes which are also managed by MIML or its related parties (2009: Nil).

No distributions receivable remain unpaid as at 30 June 2010 (2009: Nil).

7 Related party transactions (continued)

Other transactions within the Trust

Apart from those details disclosed in this note, no directors of the Responsible Entity have entered into a material contract with the Trust since the end of the previous financial year and there were no material contracts involving directors' interests subsisting at year end.

The bank accounts for the Trust may be held with Macquarie Bank Limited. Fees and expenses are negotiated on an arm's length basis for all transactions with related parties.

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

	30 June 2010 \$	For the period 29 April 2008 to 30 June 2009 \$
(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities		
Profit/loss for the year/period	-	-
(Decrease)/increase in net assets attributable to unitholders	(1,932)	5,100,836
Distributions reinvested	-	152,001
Net gains on financial instruments held at fair value through profit or loss	-	(3,618,287)
Proceeds from sale of financial instruments held at fair value through profit or loss	-	758,945,579
Purchase of financial instruments held at fair value through profit or loss	-	(770,755,398)
Net change in payables and other liabilities	<u>(5,160)</u>	<u>5,160</u>
Net cash outflow from operating activities	<u>(7,092)</u>	<u>(10,170,109)</u>
(b) Non-cash financing and investing activities		
During the year, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	<u>-</u>	<u>152,001</u>

As described in note 2(f), income not distributed is included in net assets attributable to unitholders. The change in this amount each year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable (i.e. taxable).

9 Events occurring after year end

No significant events have occurred since year end which would impact on the financial position of the Trust disclosed in the statement of financial position as at 30 June 2010 or on the results and cash flows of the Trust for the year ended on that date.

10 Contingent assets and liabilities and commitments

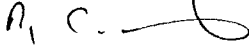
There are no outstanding contingent assets and liabilities or commitments as at 30 June 2010 and 30 June 2009.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 5 to 14 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Trust's financial position as at 30 June 2010 and of its performance for the financial period ended on that date; and
- (b) there are reasonable grounds to believe that the Trust 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.



R Cartwright
Director

Sydney
16 August 2010

Independent auditor's report to the unitholders of Arrowstreet Global Market Neutral Fund

We have audited the accompanying financial report of Arrowstreet Global Market Neutral Fund, ("the Fund") which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Responsible Entity, Macquarie Investment Management Limited, are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 2(a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the fund's preparation and fair presentation of the financial report 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 fund's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

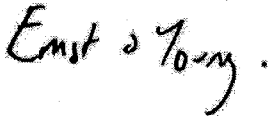
Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Responsible Entity a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Auditor's Opinion

In our opinion:

1. the financial report of Arrowstreet Global Market Neutral Fund is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Arrowstreet Global Market Neutral Fund at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.



Ernst & Young



Graeme McKenzie
Partner
Sydney
16 August 2010