

# **Macquarie Australian Market Neutral Fund**

ARSN 104 418 617

## **Annual report - 31 March 2011**

# Macquarie Australian Market Neutral Fund

ARSN 104 418 617

## Annual report - 31 March 2011

### Contents

	<b>Page</b>
Directors' Report	2
Auditor's independence declaration	5
Statement of comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	27
Independent auditor's report to the unitholders of Macquarie Australian Market Neutral Fund	28

This financial report covers Macquarie Australian Market Neutral Fund as an individual entity.

The Responsible Entity of Macquarie Australian 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 Macquarie Australian Market Neutral Fund, present their report together with the financial report of Macquarie Australian Market Neutral Fund ("the Trust") for the period ended 31 March 2011.

### Principal activities

The Trust invests in equities and derivatives in accordance with the provisions of the Trust Constitution.

The Trust did not have any employees during the period.

There were no significant changes in the nature of the Trust's activities during the period.

### Directors

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

B N Terry  
 R Cartwright  
 V Malley  
 C Vignes  
 C Swanger  
 T Graham

### Review and results of operations

During the period, the Trust continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Trust and in accordance with the provisions of the Trust Constitution.

#### Results

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

	<b>1 July 2010 to 31 March 2011</b>	Year ended 30 June 2010
Operating profit before finance costs attributable to unitholders (\$)	<u>1,658,105</u>	<u>1,368,958</u>
<i>Distributions</i>		
Distribution paid and payable	<u>749,861</u>	<u>651,186</u>
Distribution (cents per unit)	<u>11.29</u>	<u>2.18</u>

### Significant changes in state of affairs

The Trust ceased trading on 17 May 2011.

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 period

The Trust ceased trading on 17 May 2011.

No other matter or circumstance has arisen since 31 March 2011 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
- (iii) the state of affairs of the Trust in future financial years.

## **Directors' Report (continued)**

### **Likely developments and expected results of operations**

The Trust terminated on 17 May 2011.

### **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. Under the Trust Constitution, Macquarie Investment Management Limited as responsible entity of the Trust is entitled to be indemnified out of the assets of the Trust for any liability incurred by it in properly performing or exercising any of its powers or duties in relation to 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 period are disclosed in note 11 of the financial statements.

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

The number of interests in the Trust held by the Responsible Entity or its associates as at the end of the financial period are disclosed in note 11 of the financial statements.

### **Interests in the Trust**

The movement in units on issue in the Trust during the period 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 5.

**Directors' Report (continued)**

This report is made in accordance with a resolution of the directors.

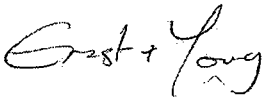
A handwritten signature in black ink, consisting of a stylized 'R' followed by a horizontal line and a large, sweeping flourish that curves upwards and to the right.

R Cartwright  
Director

Sydney  
20 June 2011

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

In relation to our audit of the financial report of Macquarie Australian Market Neutral Fund for the financial year ended 31 March 2011, 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



Darren Handley-Greaves  
Partner  
20 June 2011

**Statement of comprehensive income**

	Notes	1 July 2010 to 31 March 2011 \$	Year ended 30 June 2010 \$
<b>Investment income</b>			
Interest income		1,143,343	1,018,874
Dividend income		741,139	929,061
Net gains on financial instruments held at fair value through profit or loss	5	216,607	579,840
Other operating income		<u>650,138</u>	<u>9,881</u>
<b>Total net investment income</b>		<u>2,751,227</u>	<u>2,537,656</u>
<b>Expenses</b>			
Responsible Entity's fees	11	275,064	374,559
Withholding tax		1,075	-
Other operating expenses		4,106	32,306
Dividends paid on short equity positions		<u>812,877</u>	<u>761,833</u>
<b>Total operating expenses</b>		<u>1,093,122</u>	<u>1,168,698</u>
<b>Operating profit</b>		<u>1,658,105</u>	<u>1,368,958</u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders		(749,861)	(651,186)
Increase in net assets attributable to unitholders	6	<u>(908,244)</u>	<u>(717,772)</u>
<b>Profit/(loss) for the period</b>		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the period</b>		<u>-</u>	<u>-</u>

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

**Statement of financial position**

	Notes	31 March 2011 \$	30 June 2010 \$
<b>Assets</b>			
Cash and cash equivalents	7	4,235,800	35,825,014
Margin account		49,754	-
Due from brokers - receivable for securities sold		212,618	1,131,371
Interest receivable		54,202	77,241
Dividends receivable		86,282	79,524
Receivables		11,124	6,400
Financial assets held at fair value through profit or loss	8	<u>2,585,511</u>	<u>25,034,528</u>
<b>Total assets</b>		<u>7,235,291</u>	<u>62,154,078</u>
<b>Liabilities</b>			
Distributions payable		8,982	2,018
Due to brokers - payable for securities purchased		19,142	40,503
Dividends payable		128,463	80,489
Responsible entity fees payable		76,274	98,210
Financial liabilities held at fair value through profit or loss	9	<u>2,558,774</u>	<u>23,256,099</u>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u>2,791,635</u>	<u>23,477,319</u>
<b>Net assets attributable to unitholders - liability</b>	6	<u>4,443,656</u>	<u>38,676,759</u>

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

**Statement of changes in equity**

	1 July 2010 to 31 March 2011 \$	Year ended 30 June 2010 \$
<b>Total equity at the beginning of the period</b>	-	-
Total comprehensive income for the period	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the period</b>	-	-

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 period.

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

**Statement of cash flows**

	1 July 2010 to 31 March 2011	Year ended 30 June 2010
Notes	\$	\$
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments held at fair value through profit or loss	40,039,254	39,720,094
Purchase of financial instruments held at fair value through profit or loss	(37,221,207)	(40,287,870)
Dividends received on long equity positions	726,772	1,003,252
Dividends paid on short equity positions	(765,103)	(813,738)
Interest received	1,162,771	957,274
Other income received	696,599	70,527
Responsible Entity's fees paid	(320,105)	(373,182)
Payment of other expenses	(23,951)	(15,168)
<b>Net cash inflow from operating activities</b>	12(a) <b>4,295,030</b>	<b>261,189</b>
<b>Cash flows from financing activities</b>		
Proceeds from applications by unitholders	30,276,482	5,453,203
Payments for redemptions by unitholders	(66,157,279)	(8,066)
Distributions paid	(3,447)	-
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(35,884,244)</b>	<b>5,445,137</b>
<b>Net increase in cash and cash equivalents</b>	<b>(31,589,214)</b>	5,706,326
Cash and cash equivalents at the beginning of the period	<b>35,825,014</b>	30,118,688
<b>Cash and cash equivalents at the end of the period</b>	7 <b>4,235,800</b>	35,825,014
Non-cash financing activities	12(b) <b>739,450</b>	650,869

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

## 1 General information

This financial report covers Macquarie Australian Market Neutral Fund ("the Trust") as an individual entity. The Trust was constituted on 17 April 2003.

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.

During the year, the Board of directors approved to change the financial year end of the Trust from 30 June to 31 March. This change was made to synchronize the financial year end of the Trust and its parent entity. The parent of the Trust is van Eyk Blueprint Absolute Australian Shares Fund.

During the period, the Trust continued to invest funds in accordance with target asset allocations as set out in the current offer document and in accordance with the provisions of the Trust Constitution.

The financial statements were authorised for issue by the directors on 20 June 2011. 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.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

#### *Compliance with International Financial Reporting Standards*

The financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### (b) Financial instruments

#### (i) Classification

The Trust's investments are categorised as at fair value through profit or loss. They comprise:

- Financial instruments held for trading

These include derivative financial instruments such as futures contracts. The Trust does not designate any derivatives as hedges in a hedging relationship.

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

These include financial assets that are not held for trading purposes and which may be sold. These include investments in exchange traded equity instruments.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Trust's documented investment strategy. The Trust'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 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

The Trust 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 classified as financial liabilities at fair value through profit or loss.

Loans and receivables/payables comprise amounts due to or from the Trust.

#### (ii) Recognition/derecognition

The Trust recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the right to receive cashflows from the investments has expired or the Trust has transferred substantially all risks and rewards of ownership.

#### (iii) Measurement

##### (a) Financial assets and liabilities held at fair value through profit or loss

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the statement of comprehensive income.

Details on how the fair value of financial instruments is determined are disclosed in note 3.

##### • Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the statement of financial position date without any deduction for estimated future selling costs. Financial assets are priced at current bid prices, while financial liabilities are priced at current asking prices.

##### • Fair value in an inactive or unquoted market

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the statement of financial position date applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the statement of financial position date. Fair values for unquoted equity investments are estimated, if possible, using applicable pricing/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Trust would receive or pay to terminate the contract at the statement of financial position date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties.

##### (b) Loans and receivables

Loans and receivables are measured initially at fair value plus transaction costs and subsequently amortised using the effective interest rate method, less impairment losses if any. Such assets are reviewed at each statement of financial position date to determine whether there is objective evidence of impairment for example when there has been a significant or prolonged decline in the fair value below cost.

If any such indication of impairment exists, an impairment loss is recognised in the statement of comprehensive income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

If in a subsequent period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write down, the write down is reversed through the statement of comprehensive income.

### (c) Net assets attributable to unitholders

Units are redeemable at the unitholders' option and are therefore classified as financial liabilities. The units can be put back to the Trust at any time for cash based on the redemption price. The fair value of redeemable units is measured at the redemption amount that is payable (based on the redemption unit price) at the statement of financial position date if unitholders exercised their right to put the units back to the Trust.

### (d) 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 and other short term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts, if any, are shown separately on 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.

### (e) Investment income

Interest income on all financial instruments not held at fair value through profit or loss is recognised using the effective interest rate method.

Dividend income is recognised on the ex-dividend date.

Dividends declared on securities sold short are recorded as a dividend expense on the ex-dividend date.

### (f) Expenses

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

### (g) 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).

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 currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the statement of comprehensive income.

## 2 Summary of significant accounting policies (continued)

### (h) Distributions

In accordance with the Trust Constitution, the Trust distributes its distributable (taxable) income, and any other amounts determined by the Responsible Entity, to unitholders by cash or reinvestment. The distributions are recognised in the statement of comprehensive income as finance costs attributable to unitholders.

### (i) 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.

### (j) Due from/to brokers

Amounts due from/to brokers represent payables for securities purchased and receivables for securities sold that have been contracted for but not yet delivered by the end of the period. A provision for impairment of amounts due from brokers is established when there is objective evidence that the Trust will not be able to collect all amounts due from the relevant broker. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are considered indicators that the amount due from brokers is impaired.

### (k) Receivables

Receivables may include amounts for trust distributions, interest and securities sold where settlement has not yet occurred. Distributions are accrued when the right to receive payment is established. Interest is accrued at the reporting date from the time of last payment in accordance with the policy set out in note 2(e) above. Amounts are generally received within 30 days of being recorded as receivables.

Receivables include such items as Reduced Input Tax Credit (RITC).

### (l) Payables

Payables include liabilities and accrued expenses owing by the Trust which are unpaid as at the reporting date.

The distribution amount payable to unitholders as at the reporting date is recognised separately on the statement of financial position when unitholders are presently entitled to the distributable income under the Trust's Constitution.

### (m) Applications and redemptions

Applications received for units in the Trust are recorded net of any entry fees payable prior to the issue of units in the Trust. Redemptions from the Trust are recorded gross of any exit fees payable after the cancellation of units redeemed.

### (n) Goods and Services Tax (GST)

The GST incurred on the costs of various services provided to the Trust by third parties such as investment management fees have been passed onto the Trust. The Trust qualifies for RITC at a rate of 75% hence investment management fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position. Cash flows relating to GST are included in the statement of cash flows on a gross basis.

## 2 Summary of significant accounting policies (continued)

### (o) 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.

For the majority of the Trust's financial instruments, quoted market prices are readily available. Certain financial instruments, for example, over-the-counter derivatives or unquoted securities are fair valued using valuation techniques. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Responsible Entity, independent of the area that created them. Models are calibrated by back-testing to actual transactions to ensure that outputs are reliable.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other financial instruments, including amounts due from/to brokers and accounts payable, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

### (p) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for the 31 March 2011 reporting period. 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 AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and AASB 2010 Amendment to Australia Accounting Standards arising from AASB 9 (December 2010) (effective from 1 January 2013).*

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption.

AASB 9 permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not traded.

The Trust has not yet decided when to adopt AASB 9. Management does not expect this will have a significant impact on the Trust's financial statements as the Trust does not hold any available for sale investments.

(ii) *Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011).*

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment clarifies and simplifies the definition of a related party and removes the requirement for government related entities to disclose details of all transactions with the government and other government related entities. The Trust will apply the amended standard from 1 April 2011. The amendments will not have any effect on the Trust's financial statements.

(iii) *AASB 2010-6 Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets (effective for annual reporting periods beginning on or after 1 July 2011).*

In November 2010, the AASB issued AASB 2010-6 Disclosures on Transfers of Financial Assets which amends AASB 1 First time Adoption of Australian Accounting and AASB 7 Financial Instruments: Disclosures to introduce additional disclosures in respect of risk exposures arising from transferred financial assets. The amendments will affect particularly entities that sell, factor, securitise, lend or otherwise transfer financial assets to other parties. The amendments will not have any impact on the Trust's disclosures. The Trust intends to apply the amendment from 1 April 2012.

(iv) *Amendments to AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (effective for annual reporting periods beginning on or after 1 July 2010 / 1 January 2011).*

## 2 Summary of significant accounting policies (continued)

### (p) New accounting standards and interpretations (continued)

In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Trust does not expect that any adjustments will be necessary as the result of applying the revised rules.

## 3 Financial risk management

### (a) Strategy in using financial instruments

The Trust's activities expose it to a variety of financial risks: market risk (including price risk), credit risk and liquidity risk.

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. The Trust uses derivative financial instruments to alter certain risk exposures.

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

### (b) Market risk

#### (i) Price risk

The Trust trades in financial instruments by taking positions in traded and over-the-counter instruments, including derivatives, to take advantage of short-term market movements in equity markets.

All securities investments present a risk of loss of capital. The investment manager moderates this risk through a careful selection of securities and other financial instruments within specified limits. There is unlimited downside risk with short positions, which is mitigated by setting and monitoring short limit positions, tracking error limits and market exposure limits. Additional market risk arises from the leverage resulting from stock borrowing. The risk is limited by setting market exposure limits which restrict the amount of leverage. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Trust's overall market positions are monitored on a daily basis by the Trust's investment manager.

In accordance with the Trust's policy, the risk management department of the Trust's investment manager monitors the Trust's overall market price sensitivity on a daily basis. This risk is managed by:

- seeking to ensure the Trust is fully invested
- limiting investments in less liquid, long dated floats
- limiting exposure to floats
- limiting market exposure and tracking error on equities sold short
- managing exposure to particular sectors and single securities
- seeking to ensure stock and sector weights are within defined limits
- seeking to ensure that the Trust is investing in accordance with its stated objectives

The Trust's equity securities and trading derivative financial instruments are susceptible to market price risk arising from uncertainties about future prices of the instruments.

The Trust's returns should theoretically have a low correlation with equity market returns due to the market neutral strategy. The Trust targets a volatility of 15% (2010: 15%) and is therefore exposed to an element of price risk, however this price risk should be independent of general directional equity market moves. The risk is measured using sensitivity analysis as disclosed in note 3(c).

### 3 Financial risk management (continued)

#### (b) Market risk (continued)

##### (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 majority of the Trust's financial assets and liabilities are non-interest bearing. Given its market neutral investment strategy however, the Trust may hold material amounts of cash resulting in a potentially significant amount of risk due to fluctuations in the prevailing levels of market interest rates. The risk is measured using sensitivity analysis as described in note 3(c). Any excess cash and cash equivalents are invested at short-term market interest rates.

#### (c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Trust's operating profit and net assets attributable to unitholders to price risk and interest rate risk. The reasonably possible movements in the risk variables have been determined based on management's best estimate, having regard to a number of factors, including historical levels of changes in interest rates, historical correlation of the Trust's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market shocks resulting from changes in the performance of the economies, markets and securities in which the Trust invests. As a result, historic variations in risk variables are not a definitive indicator of future variations in the risk variables.

	Price risk		Interest rate risk	
	Impact on operating profit/Net assets attributable to unitholders			
	-15%	+15%	-25 bps	+25 bps
	\$	\$	\$	\$
<b>31 March 2011</b>	<b>(4,011)</b>	<b>4,011</b>	<b>(10,590)</b>	<b>10,590</b>
30 June 2010	(266,764)	266,764	(89,563)	89,563

#### (d) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and other financial institutions and amounts due from brokers. 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.

In accordance with the Trust's policy, the risk management area of the investment manager monitors the Trust's credit position on a daily basis. The Compliance Committee of the Responsible Entity reviews any identified exceptions to internal risk policies and procedures on a quarterly basis.

#### (e) Liquidity risk

The Trust is exposed to daily cash redemptions of redeemable units. It therefore invests the majority of its assets in investments that are traded in an active market and can be readily disposed of.

The Trust may, from time to time, invest in derivative contracts traded over the counter, which are not traded in an organised market and may be illiquid. As a result, the Trust may not be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirements or to respond to specific events such as a deterioration in the creditworthiness of any particular issuer. No such investments were held at the end of reporting period.

In accordance with the Trust's policy, the risk management area of the investment manager monitors the Trust's liquidity position on a daily basis. This is managed by:

### 3 Financial risk management (continued)

#### (e) Liquidity risk (continued)

- monitoring liquidity with respect to liquid assets and large single client holdings
- restricting exposure to illiquid, long-dated stock floats

The Compliance Committee of the Responsible Entity reviews any identified exceptions to internal risk policies and procedures on a quarterly basis.

Subject to the Trust's constitution, redeemable units are redeemed on demand at the holder's option. All other liabilities are payable within 30 days.

#### (f) Fair value estimation

The carrying amounts of all the Trust's financial assets and financial liabilities at the end of each reporting period approximated their fair values as all financial assets and liabilities not fair valued are short term in nature.

The Trust classifies fair value measurements using a fair value hierarchy that reflects the subjectivity of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- 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 (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a level 3 measurement. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes 'observable' requires significant judgement by the Responsible Entity. The Responsible Entity considers observable data to be that market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The table below sets out the Trust's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at 31 March 2011 and 30 June 2010.

31 March 2011	Level 1 \$	Level 2 \$	Level 3 \$	Total balance \$
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
- Equity securities	2,585,511	-	-	2,585,511
<b>Total</b>	<u>2,585,511</u>	<u>-</u>	<u>-</u>	<u>2,585,511</u>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
- Equity securities sold short	2,543,274	-	-	2,543,274
- Derivatives	15,500	-	-	15,500
<b>Total</b>	<u>2,558,774</u>	<u>-</u>	<u>-</u>	<u>2,558,774</u>

### 3 Financial risk management (continued)

30 June 2010	Level 1 \$	Level 2 \$	Level 3 \$	Total \$
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss at inception:				
Equity securities	24,871,928	-	-	24,871,928
Derivatives	<u>162,600</u>	<u>-</u>	<u>-</u>	<u>162,600</u>
<b>Total</b>	<u><b>25,034,528</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>25,034,528</b></u>
<b>Financial liabilities</b>				
Financial liabilities held for trading:				
- Equity securities sold short	<u>23,256,099</u>	<u>-</u>	<u>-</u>	<u>23,256,099</u>
<b>Total</b>	<u><b>23,256,099</b></u>	<u><b>-</b></u>	<u><b>-</b></u>	<u><b>23,256,099</b></u>

### 4 Auditor's remuneration

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

	1 July 2010 to 31 March 2011 \$	Year ended 30 June 2010 \$
<b>Audit services</b>		
Audit of financial reports	4,515	4,300
Other audit work under the <i>Corporations Act 2001</i>	<u>305</u>	<u>290</u>
Total remuneration for audit services	<u><b>4,820</b></u>	<u><b>4,590</b></u>

Audit fees are paid out of the Responsible Entity's own resources. All other expenses are paid by the Trust.

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

Net gains recognised in relation to financial instruments held at fair value through profit or loss:

	1 July 2010 to 31 March 2011 \$	Year ended 30 June 2010 \$
<b>Financial assets</b>		
Net losses on financial instruments held for trading	(132,413)	(437,696)
Net gains on financial instruments designated as at fair value through profit or loss	<u>349,020</u>	<u>1,017,536</u>
Net gains on financial instruments held at fair value through profit or loss	<u><b>216,607</b></u>	<u><b>579,840</b></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 a right to an individual 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.

	31 March 2011 No.	30 June 2010 No.	31 March 2011 \$	30 June 2010 \$
Opening balance	30,388,597	25,609,406	38,676,759	31,862,981
Applications	22,558,495	4,279,915	30,276,482	5,453,203
Redemptions	(49,863,499)	(6,306)	(66,157,279)	(8,066)
Units issued upon reinvestment of distributions	580,057	505,582	739,450	650,869
Increase in net assets attributable to unitholders	-	-	908,244	717,772
Closing balance	<u>3,663,650</u>	<u>30,388,597</u>	<u>4,443,656</u>	<u>38,676,759</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.

The Trust monitors the level of daily applications and redemptions relative to the liquid assets in the Trust.

## 7 Cash and cash equivalents

	31 March 2011 \$	30 June 2010 \$
Cash at bank	78,782	47,174
Deposits at call	4,023,878	34,403,245
Cash collateral	133,140	1,374,595
	<u>4,235,800</u>	<u>35,825,014</u>

## 8 Financial assets held at fair value through profit or loss

	31 March 2011 Fair value \$	30 June 2010 Fair value \$
<b>Held for trading</b>		
Derivatives (note 10)	-	162,600
Total held for trading	<u>-</u>	<u>162,600</u>
<b>Designated at fair value through profit or loss</b>		
Equity securities	2,585,511	24,871,928
Total designated at fair value through profit or loss	<u>2,585,511</u>	<u>24,871,928</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>2,585,511</u>	<u>25,034,528</u>

## 8 Financial assets held at fair value through profit or loss (continued)

	31 March 2011 Fair value \$	30 June 2010 Fair value \$
<b>Comprising:</b>		
<b>Derivatives</b>		
Australian Share Price Index futures	-	162,600
Total derivatives	<u>-</u>	<u>162,600</u>
<b>Equity securities</b>		
Long equities positions - Australian equity securities listed on a prescribed stock exchange	<u>2,585,511</u>	<u>24,871,928</u>
Total equity securities	<u>2,585,511</u>	<u>24,871,928</u>
<b>Total financial assets held at fair value through profit or loss</b>	<u>2,585,511</u>	<u>25,034,528</u>

An overview of the risk exposures relating to financial assets at fair value through profit or loss is included in note 3.

## 9 Financial liabilities held at fair value through profit or loss

	31 March 2011 Fair value \$	30 June 2010 Fair value \$
<b>Held for trading</b>		
Derivatives (note 10)	<u>15,500</u>	-
Total held for trading	<u>15,500</u>	-
<b>Designated at fair value through profit or loss</b>		
Listed equity securities sold short	<u>2,543,274</u>	<u>23,256,099</u>
Total designated at fair value through profit or loss	<u>2,543,274</u>	<u>23,256,099</u>
<b>Total financial liabilities held at fair value through profit or loss</b>	<u>2,558,774</u>	<u>23,256,099</u>
<b>Comprising:</b>		
<b>Listed equity securities sold short</b>		
Short equities positions - Australian equity securities listed on a prescribed stock exchange	<u>2,543,274</u>	<u>23,256,099</u>
Total listed equity securities sold short	<u>2,543,274</u>	<u>23,256,099</u>

## 9 Financial liabilities held at fair value through profit or loss (continued)

	31 March 2011 Fair value \$	30 June 2010 Fair value \$
<b>Derivatives</b>		
Australian share price index futures	<u>15,500</u>	<u>-</u>
Total derivatives	<u>15,500</u>	<u>-</u>
<b>Total financial liabilities held at fair value through profit or loss</b>	<u>2,558,774</u>	<u>23,256,099</u>

An overview of the risk exposures relating to financial liabilities at fair value through profit or loss is included in note 3.

### Collateral arrangement

The Trust has entered into securities borrowing whereby blocks of securities are borrowed from third parties. The amounts above the fair value of the borrowed securities required to be held as collateral depends on the quality of the collateral, calculated on a daily basis. At 31 March 2011, the Trust held collateral of \$133,140 (2010: \$1,374,595) in respect of these securities.

## 10 Derivative financial instruments

In the normal course of business the Trust enters into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date and whose value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions include a wide assortment of instruments, such as forwards, futures and options. Derivatives are considered to be part of the investment process. The use of derivatives is an essential part of the Trust's portfolio management. Derivatives are not managed in isolation. Consequently, the use of derivatives is multifaceted and includes:

- hedging to protect an asset or liability of the Trust against a fluctuation in market values or to reduce volatility
- a substitution for trading of physical securities
- adjusting asset exposures within the parameters set in the investment strategy, and adjusting the duration of fixed interest portfolios or the weighted average maturity of cash portfolios.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Trust.

The Trust holds the following derivative instruments:

### Futures

Futures are contractual obligations to buy or sell financial instruments on a future date at a specified price established in an organised market. The futures contracts are collateralised by cash or marketable securities. Changes in futures contracts' values are usually settled net daily with the exchange. Interest rate futures are contractual obligations to receive or pay a net amount based on changes in interest rates at a future date at a specified price, established in an organised financial market.

The Trust's derivative financial instruments at period-end are detailed below:

## 10 Derivative financial instruments (continued)

31 March 2011	Contract/ notional \$	Fair Values	
		Assets \$	Liabilities \$
Australian Share Price Index futures	<u>243,250</u>	-	<u>15,500</u>
Total		<u>-</u>	<u>15,500</u>

30 June 2010	Contract/ notional \$	Fair Values	
		Assets \$	Liabilities \$
Australian share price index futures	<u>2,450,650</u>	<u>162,600</u>	-
Total		<u>162,600</u>	<u>-</u>

## 11 Related party transactions

### Parent entities

The parent entity is van Eyk Blueprint Absolute Australian Shares Fund, which at 31 March 2011 owns 89.46% (2010: 13.38%) of the units of Macquarie Australian Market Neutral Fund.

### Responsible Entity

The Responsible Entity of Macquarie Australian 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 period or since the end of the period and up to the date of this report:

B N Terry  
R Cartwright  
V Malley  
C Vignes  
C Swanger  
T Graham

No directors of the Trust are directors of the parent entity.

### Directors' unitholdings

Directors of MIML held units in the Trust as follows:

## 11 Related party transactions (continued)

### 31 March 2011

Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Trust (\$)
C Vignes	23,193	25,276	0.69	2,141	58	2,640

### 30 June 2010

Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Trust (\$)
C Vignes	22,806	23,193	0.08	387	-	497

### 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.

### Responsible Entity's fees and other transactions

For the period ended 31 March 2011, in accordance with the Trust Constitution, the Responsible Entity received a total fee of 1.03% of net asset value (inclusive of GST, net of RITC available to the Trust) per annum (2010: 1.03%).

A performance fee is payable on the performance of each unitholder's individual investment relative to the performance of the UBS Australian Bank Bill Index. The performance fee is negotiated individually with each client and is not an expense of the Trust.

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 period and amounts payable at period end between the Trust and the Responsible Entity were as follows:

	31 March 2011 \$	30 June 2010 \$
Management fees for the period paid by the Trust to the Responsible Entity	<u>275,064</u>	<u>374,559</u>
Aggregate amounts payable to the Responsible Entity at the reporting date	<u>76,274</u>	<u>98,010</u>

## 11 Related party transactions (continued)

### Related party schemes' unitholdings

Parties related to the Trust (including MIML, its related parties and other schemes managed by MIML), held units in the Trust as follows:

#### 31 March 2011

Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Trust (\$)
Macquarie Alpha Opportunities Fund	26,205,996	-	-	247,865	26,453,861	326,521
van Eyk Blueprint Absolute Australian Shares Fund	4,065,480	3,277,428	89.46	285,950	1,074,002	353,287
Macquarie Equity Index Fund	-	267,329	7.30	22,602,460	22,335,131	30,333,317

#### 30 June 2010

Unitholder	Number of units held opening (Units)	Number of units held closing (Units)	Interest held (%)	Number of units acquired (Units)	Number of units disposed (Units)	Distributions paid/payable by the Trust (\$)
Macquarie Alpha Opportunities Fund	25,492,451	26,205,995	86.24	713,544	-	561,529
van Eyk Blueprint Absolute Australian Shares Fund	-	4,065,480	13.38	4,071,531	6,051	87,113

### Investments

The Trust held investments in the following securities which are also managed by MIML or its related parties:

	31 March 2011 No.	30 June 2010 No.	31 March 2011 \$	30 June 2010 \$
Macquarie Group Limited	-	6,922	-	256,945
Macquarie Atlas Roads Group	-	50,974	-	46,641

## 11 Related party transactions (continued)

### Other transactions within the Trust

From time to time, the fund may purchase or sell securities from/to other MIML funds at the prevailing market rates.

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 period end.

The bank accounts for the Trust are held with Macquarie Bank Limited (MBL). The Trust may use Macquarie Securities (Australia) Limited and Macquarie Bank Limited, Macquarie Group entities, for broking and clearing services respectively. Fees and expenses are negotiated on an arm's length basis for all transactions with related parties.

Bond Street Custodians Limited, a wholly owned subsidiary of Macquarie Group Limited, is the custodian of the Trust.

The Trust has entered into an Australian Master Securities Lending Agreement (AMSLA) with MBL on commercial terms. Securities are borrowed from MBL, with cash collateral earning interest at the prevailing cash rate less a borrowing cost of approximately 0.65%pa (2010: 0.65%pa), and stock collateral incurring a variable borrowing cost depending on the availability of the stock. This interest rate is typically between 0.40%pa and 3.25% pa (2010: 0.40%pa and 3.25%pa).

	31 March 2011 \$	30 June 2010 \$
Interest on collateral received for the period by the Trust from MBL	<u>611,484</u>	<u>617,637</u>

## 12 Reconciliation of profit/(loss) to net cash inflow from operating activities

	1 July 2010 to 31 March 2011 \$	Year ended 30 June 2010 \$
<b>(a) Reconciliation of profit/(loss) to net cash inflow from operating activities</b>		
Profit/(loss) for the period	-	-
Increase in net assets attributable to unitholders	908,244	717,772
Dividends reinvested	(7,610)	(44,644)
Net gains on financial instruments held at fair value through profit or loss	(216,607)	(579,840)
Proceeds from sale of financial instruments held at fair value through profit or loss	40,039,254	39,720,094
Purchase of financial instruments held at fair value through profit or loss	(37,221,207)	(40,287,870)
Distributions to unitholders	749,861	651,186
Net change in receivables and other assets	17,057	118,479
Net change in payables and other liabilities	<u>26,038</u>	<u>(33,988)</u>
<b>Net cash inflow from operating activities</b>	<u>4,295,030</u>	<u>261,189</u>
<b>(b) Non-cash financing and investing activities</b>		
During the period, the following distribution payments were satisfied by the issue of units under the distribution reinvestment plan	<u>739,450</u>	<u>650,869</u>

As described in note 2(i), 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).

### **13 Events occurring after period end**

The Trust was terminated in accordance with the Trust's Constitution on 17 May 2011. No other significant events have occurred since period end which would impact on the financial position of the Trust disclosed in the statement of financial position as at 31 March 2011 or on the results and cash flows of the Trust for the period ended on that date.

### **14 Contingent assets and liabilities and commitments**

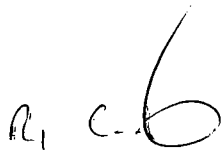
There are no outstanding contingent assets and liabilities or commitments as at 31 March 2011 and 30 June 2010.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 26 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 31 March 2011 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.
- (c) the financial statements also comply with International Financial Reporting Standards as issued by International Accounting Standards Board.

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



R Cartwright  
Director

Sydney  
20 June 2011

## **Independent auditor's report to the unitholders of Macquarie Australian Market Neutral Fund**

We have audited the accompanying financial report of Macquarie Australian Market Neutral Fund, which comprises the statement of financial position as at 31 March 2011, the statement of comprehensive income, statement of changes in equity and 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.

### ***Directors' responsibility for the financial report***

The directors of the Responsible Entity, Macquarie Investment Management Limited, 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

### ***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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 the auditor's 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, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view 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 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.

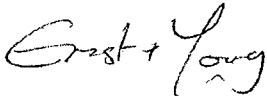
### ***Independence***

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

## Opinion

In our opinion:

- a. the financial report of Macquarie Australian Market Neutral Fund is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of Macquarie Australian Market Neutral Fund's financial position as at 31 March 2011 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 report also complies with *International Financial Reporting Standards* as disclosed in Note 2.



Ernst & Young



Darren Handley-Greaves  
Partner  
Sydney  
20 June 2011