

# Wellington Management Portfolios (Australia)

## Global Strategic Equity Portfolio (Hedged)

ARSN 116 524 344

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### **Audited Annual Report**

For the Year Ended 30 June 2009

# Wellington Management Portfolios (Australia) Global Strategic Equity Portfolio (Hedged)

ARSN 116 524 344

## Annual report - 30 June 2009

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This financial report covers Wellington Management Portfolios (Australia) Global Strategic Equity Portfolio (Hedged) as an individual entity.

The Responsible Entity of Wellington Management Portfolios (Australia) Global Strategic Equity Portfolio 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 Wellington Management Portfolios (Australia) Global Strategic Equity Portfolio (Hedged), present their report together with the financial report of Wellington Management Portfolios (Australia) Global Strategic Equity Portfolio (Hedged) ("the Trust") for the year ended 30 June 2009.

### Principal activities

The Trust invests in unlisted unit trusts and derivatives in accordance with the provisions of the Trust Constitution.

The Trust did not have any employees during the year.

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

### 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  
 B Bruck (resigned 18/08/2008)  
 N Roderick  
 P Maher (resigned 05/05/2009)  
 R Cartwright  
 V Malley  
 C Vignes (appointed 18/08/2008)  
 M Rady (appointed 13/10/2008)

### Review and results of operations

During the year, 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:

	Year ended	
	30 June 2009	30 June 2008
Operating profit/(loss) before finance costs attributable to unitholders (\$)	<u>(3,931,924)</u>	<u>(1,164,045)</u>
<i>Distributions</i>		
Distribution paid and payable (\$)	-	<u>1,505,846</u>
Distribution (cents per unit)	-	<u>12.48</u>

### Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Trust that occurred during the financial year under review.

### Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2009 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 will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Trust and in accordance with the provisions of the Trust Constitution.

The results of the Trust's operations will be affected by a number of factors, including the performance of investment markets in which the Trust invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operations of the Trust and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Trust.

### **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 11 on page 22 of the financial statements.

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

The number of interests in the Trust held by the Responsible Entity or its associates as at the end of the financial year are disclosed in note 11 on page 22 of the financial statements.

### **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 balance sheet 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.

**Directors' report (continued)**

**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.

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

A handwritten signature in blue ink, appearing to read 'R. Cartwright', with a large, stylized flourish extending to the right.

R Cartwright  
Director

Sydney  
21 September 2009

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### Auditor's Independence Declaration

As lead auditor for the audit of Wellington Management Portfolios (Australia) Global Strategic Equity Portfolio the year ended 30 June 2009, 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 audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Wellington Management Portfolios (Australia) Global Strategic Equity Portfolio.



E A Barron  
Partner  
PricewaterhouseCoopers

Sydney  
21 September 2009

**Income statement**

	Notes	30 June 2009 \$	30 June 2008 \$
<b>Investment income</b>			
Interest income from financial assets not held at fair value through profit or loss		34	-
Distribution income		78,644	66,457
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	(4,013,548)	(1,224,682)
Other operating income		<u>61,304</u>	<u>104,788</u>
<b>Total net investment income/(loss)</b>		<u>(3,873,566)</u>	<u>(1,053,437)</u>
<b>Expenses</b>			
Responsible Entity's/Manager's fees		56,486	106,209
Other operating expenses		<u>1,872</u>	<u>4,399</u>
<b>Total operating expenses</b>		<u>58,358</u>	<u>110,608</u>
<b>Operating profit/(loss)</b>		<u>(3,931,924)</u>	<u>(1,164,045)</u>
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders		-	(1,505,846)
(Increase)/decrease in net assets attributable to unitholders	6	<u>3,931,924</u>	<u>2,669,891</u>
<b>Profit/(loss) for the year</b>		<u>-</u>	<u>-</u>

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

**Balance sheet**

	Notes	30 June 2009 \$	30 June 2008 \$
<b>Assets</b>			
Cash and cash equivalents	7	78,678	1,505,846
Receivables		27,578	227,792
Financial assets held at fair value through profit or loss	8	<u>6,172,487</u>	<u>22,733,173</u>
<b>Total assets</b>		<u>6,278,743</u>	<u>24,466,811</u>
<b>Liabilities</b>			
Distributions payable		-	1,505,846
Responsible Entity's/Manager's fees payable		12,267	215,300
Financial liabilities held at fair value through profit or loss	9	<u>4,583</u>	<u>12,551,848</u>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u>16,850</u>	<u>14,272,994</u>
<b>Net assets attributable to unitholders - liability</b>	6	<u>6,261,893</u>	<u>10,193,817</u>

*The above balance sheet should be read in conjunction with the accompanying notes.*

**Statement of changes in equity**

	30 June 2009 \$	30 June 2008 \$
<b>Total equity at the beginning of the financial year</b>	-	-
Profit/(loss) for the year	-	-
Net income/(expense) recognised directly in equity	-	-
<b>Total recognised income and expense for the financial year</b>	-	-
Transactions with equity holders in their capacity as equity holders	-	-
<b>Total equity at the end of the financial year</b>	-	-

Under AIFRS, 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.*

**Cash flow statement**

	Notes	30 June 2009 \$	30 June 2008 \$
<b><i>Cash flows from operating activities</i></b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		2,428,718	118,426,361
Purchase of financial instruments held at fair value through profit or loss		(2,350,201)	(117,676,422)
Other income received		161	-
Payment of other expenses		-	(17,723)
<b>Net cash inflow/(outflow) from operating activities</b>	12(a)	<u>78,678</u>	<u>732,216</u>
<b><i>Cash flows from financing activities</i></b>			
Distributions paid		<u>(1,505,846)</u>	<u>(2,009,212)</u>
<b>Net cash inflow/(outflow) from financing activities</b>		<u>(1,505,846)</u>	<u>(2,009,212)</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(1,427,168)</b>	<b>(1,276,996)</b>
Cash and cash equivalents at the beginning of the year		<u>1,505,846</u>	<u>2,782,842</u>
<b>Cash and cash equivalents at the end of the year</b>	7	<u>78,678</u>	<u>1,505,846</u>

*The above cash flow statement should be read in conjunction with the accompanying notes.*

## 1 General information

This financial report covers Wellington Management Portfolios (Australia) Global Strategic Equity Portfolio (Hedged) ("the Trust") as an individual entity. The Trust was constituted on 18 October 2005.

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 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 21 September 2009. 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, Urgent Issues Group Interpretations 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)*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of the Trust, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards.

### (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 including forward foreign exchange 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, such as investments in unlisted trusts.

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.

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.

## 2 Summary of significant accounting policies (continued)

### (b) Financial instruments (continued)

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 income statement.

Investments in unlisted unit trusts are recorded at the redemption value per unit as reported by the managers of such trusts, provided redemptions can be effected at such values at reporting date. Where redemptions from such unit trusts have been frozen at balance date, a valuation technique is applied.

##### (b) Loans and receivables

Loan assets 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 balance sheet 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 carrying amount.

If any such indication of impairment exists, an impairment loss is recognised in the income statement 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.

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 income statement.

### (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 balance sheet date if unitholders exercised their right to put the units back to the Trust.

### (d) Cash and cash equivalents

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

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments including cash management trusts, and bank overdrafts.

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.

## 2 Summary of significant accounting policies (continued)

### (e) Investment income

Interest income and expenses are recognised in the income statement for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in note 2(b).

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial asset or liability. When calculating the effective interest rate, the Trust estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between the parties to the contract that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

Trust distributions are recognised on an entitlements basis.

### (f) Expenses

All expenses, including Responsible Entity's/Manager's fees, are recognised in the income statement 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 (ie 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.

### (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 income statement 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 income statement as finance costs.

### (j) Foreign currency translation

#### *i) Functional and presentation currency*

Items included in the Trust's financial statements are measured using the currency of the primary economic environment in which it operates (the "functional currency"). This is the Australian dollar, which reflects the currency of the economy in which the Trust competes for funds and is regulated. The Australian dollar is also the Trust's presentation currency.

## 2 Summary of significant accounting policies (continued)

### (j) Foreign currency translation (continued)

#### ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translations at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

The Trust does not isolate that portion of gains or losses on securities and derivative financial instruments that are measured at fair value through profit or loss and which is due to changes in foreign exchange rates from that which is due to changes in the market price of securities. Such fluctuations are included with the net gains or losses on financial instruments at fair value through profit or loss.

### (k) 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 year. 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.

### (l) Receivables

Receivables may include amounts for trust distributions and interest. Trust 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 RITC and application monies receivable from unitholders.

### (m) Payables

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

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

### (n) 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.

### (o) 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 Reduced Input Tax Credits (RITC) at a rate of 75% hence investment management fees and other expenses have been recognised in the income statement 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 balance sheet. Cash flows relating to GST are included in the cash flow statement on a gross basis.

## 2 Summary of significant accounting policies (continued)

### (p) 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. However, 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.

### (q) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2009 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) Revised AASB 101 *Presentation of Financial Statements* and AASB 2007-8 *Amendments to Australian Accounting Standards arising from AASB 101 (effective from 1 January 2009)*

The revised AASB 101 requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If a Trust has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Trust will apply the revised standard from 1 July 2009.

#### (ii) AASB 132 *Financial Instruments: Presentation* and AASB 2008-2 *Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations Arising on Liquidation (Revised AASB 132) (effective from 1 January 2009)*

Revised AASB 132 is applicable for reporting periods beginning on or after 1 January 2009. The Trust has not adopted this standard early. Application of this standard will not affect any of the amounts recognised in the financial statements as the Trust is obligated to distribute all of its taxable income in accordance with the Trust's Constitution. Accordingly, there will be no change to classification of unitholders' funds as a liability and therefore no impact on profit or loss and equity.

#### (iii) AASB 2009-2 *Amendments to Australian Accounting Standards - Improving Disclosures about Financial Instruments (effective from 1 January 2009)*

In April 2009, the AASB published amendments to AASB 7 *Financial Instruments: Disclosures* to improve the information that entities report about their liquidity risk and the fair value of their financial instruments. The amendments require fair value measurement disclosures to be classified into a new three-level hierarchy and additional disclosures for items whose fair value is determined by valuation techniques rather than observable market values. The AASB also clarified and enhanced the existing requirements for the disclosure of liquidity risk of derivatives. The Trust will apply the amendments from 1 July 2009. They will not affect any of the amounts recognised in the financial statements.

## 2 Summary of significant accounting policies (continued)

### (r) Early adoption of standards

The Trust has early adopted AASB 8 Operating Segments in the year ended 30 June 2009. The application of AASB 8 will not impact the Trust as the Trust is outside the scope of AASB 8 because it does not have debt or equity instruments traded in a public market, or file its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market. Following the early adoption of AASB 8, the Trust has omitted the segment disclosure previously required under AASB 114 Segment Reporting.

## 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, foreign exchange risk and interest rate risk), credit risk and liquidity risk.

The Trust's overall risk management programme focuses on ensuring compliance with the Trust's Information Memorandum 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 investment management department under policies approved by MIML'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, taking positions in unlisted unit trusts and derivatives.

All securities investments present a risk of loss of capital. The Investment Manager moderates this risk by appointing external managers via Investment Management Agreements to carefully select securities and other financial instruments within specified limits. 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 Responsible Entity.

In accordance with the Trust's policy, the risk management department of the Responsible Entity monitors the Trust's overall market price sensitivity on a daily basis. This is done by seeking to ensure the Trust is fully invested in underlying trusts as per the Trust's Information Memorandum.

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

The Trust's market risk is affected by changes in market prices. The Trust is benchmarked against the MSCI All Country World Index ex-Australia (AUD Hedged). The table on page 17 summarises the sensitivities of the Trust's unlisted investments and derivative financial instrument to market price risk.

#### (ii) Foreign exchange risk

The Trust holds both monetary and non-monetary assets denominated in currencies other than the Australian dollar. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk. Foreign exchange risk arises as the value of monetary securities denominated in other currencies will fluctuate due to changes in exchange rates. The risk is measured using sensitivity analysis.

The Trust's policy is to hedge up to 100% of the direct foreign currency exposure on both monetary and non-monetary financial assets and liabilities. However, for accounting purposes, the Trust does not designate any derivatives as hedges in a hedging relationship, and hence these derivative financial instruments are classified as at fair value through profit or loss.

Compliance with the Trust's policy is reported to the Board quarterly on an exceptions basis.

### 3 Financial risk management (continued)

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

The table below summarises the Trust's assets and liabilities that are denominated in a currency other than Australian dollar.

30 June 2009	US Dollars A\$	Euro A\$	Japanese Yen A\$	British Pound A\$	Other currencies A\$	Total A\$
Financial assets held at fair value through profit or loss						
- Forward foreign exchange contracts	-	24,072	16,143	2,599	82,079	124,893
<b>Total assets</b>	<u>-</u>	<u>24,072</u>	<u>16,143</u>	<u>2,599</u>	<u>82,079</u>	<u>124,893</u>
Financial liabilities held at fair value through profit or loss						
- Forward foreign exchange contracts	-	-	-	-	4,583	4,583
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,583</u>	<u>4,583</u>
<b>Net assets attributable to unitholders - liability</b>	<u>-</u>	<u>24,072</u>	<u>16,143</u>	<u>2,599</u>	<u>77,496</u>	<u>120,310</u>
30 June 2008	US Dollars A\$	Euro A\$	Japanese Yen A\$	British Pound A\$	Other currencies A\$	Total A\$
Financial liabilities held at fair value through profit or loss						
- Forward foreign exchange contracts	5,037,323	2,509,215	783,270	381,380	3,840,660	12,551,848
<b>Total liabilities</b>	<u>5,037,323</u>	<u>2,509,215</u>	<u>783,270</u>	<u>381,380</u>	<u>3,840,660</u>	<u>12,551,848</u>
<b>Net assets attributable to unitholders - liability</b>	<u>(5,037,323)</u>	<u>(2,509,215)</u>	<u>(783,270)</u>	<u>(381,380)</u>	<u>(3,840,660)</u>	<u>(12,551,848)</u>

The table on page 17 summarises the sensitivities of the Trust's monetary assets and liabilities to foreign exchange risk. The analysis is based on the assumption that the Australian dollar weakened/strengthened by 15% (2008: 10%) against other currencies to which the fund is exposed.

#### (iii) Interest rate risk

The majority of the Trust's financial assets and liabilities are non-interest bearing. As a result, the Trust is not subject to significant amounts of risk due to fluctuations in the prevailing levels of market interest rates. Any excess cash and cash equivalents are invested at short-term market interest rates.

### 3 Financial risk management (continued)

#### (c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Trust's operating profit and net assets attributable to unitholders to interest rate risk, foreign exchange risk and other price 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 and foreign exchange 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.

Reasonably possible movements in the risk variables for price risk are 15% (2008: 15%) and for foreign exchange risk are 15% (2008: 10%)

	Price risk		Foreign exchange risk	
	Impact on operating profit/Net assets attributable to unitholders			
	+	-	+	-
	\$	\$	\$	\$
30 June 2009	925,186	(925,186)	18,047	(18,047)
30 June 2008	1,527,199	(1,527,199)	(1,255,216)	1,255,216

#### (d) Credit risk

Credit risk arises from the Trust's investment in underlying trusts.

For derivative financial instruments, the Investment Manager has established limits such that, at any time, the fair value of favourable contracts outstanding are counterparties included in the Board's Approved Counterparties list.

In accordance with the Trust's policy, the risk management area of the Responsible Entity monitors the Trust's credit position of the underlying trust 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 unlisted unit trusts that have daily unit pricing 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.

In accordance with the Trust's policy, the risk management area of the Responsible Entity monitors the Trust's liquidity position on a daily basis. This is managed by ensuring provisions are in place to manage liquidity obligations for all unitholders.

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

Subject to Corporations Act 2001 and the Trust's Constitution, redeemable units are redeemed on demand at the holder's option. All other liabilities are payable within 30 days.

#### 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 2009 \$	30 June 2008 \$
<b>Audit services</b>		
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports	10,058	13,306
Other audit work under the <i>Corporations Act 2001</i>	1,400	979
Other	-	4,290
Total remuneration for audit services	<u>11,458</u>	<u>18,575</u>

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

#### 5 Net gains/(losses) 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 2009 \$	30 June 2008 \$
Net gains/(losses) on financial instruments held for trading	(1,893,754)	(969,729)
Net gains/(losses) on financial instruments designated as at fair value through profit or loss	<u>(2,119,794)</u>	<u>(254,953)</u>
Net gains/(losses) on financial assets held at fair value through profit or loss	<u>(4,013,548)</u>	<u>(1,224,682)</u>

#### 6 Net assets attributable to unitholders

Movements in number of units and net assets attributable to unitholders during the year 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.

	30 June 2009 No.	30 June 2008 No.	30 June 2009 \$	30 June 2008 \$
Opening balance	12,063,809	12,063,809	10,193,817	12,863,708
Increase/(decrease) in net assets attributable to unitholders	-	-	<u>(3,931,924)</u>	<u>(2,669,891)</u>
Closing balance	<u>12,063,809</u>	<u>12,063,809</u>	<u>6,261,893</u>	<u>10,193,817</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

	30 June 2009 \$	30 June 2008 \$
Cash at bank	<u>78,678</u>	<u>1,505,846</u>

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

	30 June 2009 Fair value \$	30 June 2008 Fair value \$
<b>Held for trading</b>		
Derivatives (note 10)	<u>599,167</u>	<u>12,612,300</u>
Total held for trading	<u>599,167</u>	<u>12,612,300</u>

	30 June 2009 Fair value \$	30 June 2008 Fair value \$
<b>Designated at fair value through profit or loss</b>		
Unlisted unit trusts	<u>5,573,320</u>	<u>10,120,873</u>
Total designated at fair value through profit or loss	<u>5,573,320</u>	<u>10,120,873</u>

<b>Total financial assets held at fair value through profit or loss</b>	<u>6,172,487</u>	<u>22,733,173</u>
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	30 June 2009 Fair value \$	30 June 2008 Fair value \$
<b>Derivatives</b>		
Forward foreign exchange contracts	<u>599,167</u>	<u>12,612,300</u>
Total derivatives	<u>599,167</u>	<u>12,612,300</u>

	30 June 2009 Fair value \$	30 June 2008 Fair value \$
<b>Unlisted unit trusts</b>		
Units in International equity trusts	<u>5,573,320</u>	<u>10,120,873</u>
Total unlisted unit trusts	<u>5,573,320</u>	<u>10,120,873</u>

<b>Total financial assets held at fair value through profit or loss</b>	<u>6,172,487</u>	<u>22,733,173</u>
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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

	30 June 2009 Fair value \$	30 June 2008 Fair value \$
<b>Held for trading</b>		
Derivatives (note 10)	<u>4,583</u>	<u>12,551,848</u>
Total held for trading	<u>4,583</u>	<u>12,551,848</u>
<b>Total financial liabilities held at fair value through profit or loss</b>	<u>4,583</u>	<u>12,551,848</u>
	2009 Fair value \$	2008 Fair value \$
<b>Derivatives</b>		
Forward foreign exchange contracts	<u>4,583</u>	<u>12,551,848</u>
Total derivatives	<u>4,583</u>	<u>12,551,848</u>
<b>Total financial liabilities held at fair value through profit or loss</b>	<u>4,583</u>	<u>12,551,848</u>

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

## 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.

## 10 Derivative financial instruments (continued)

The Trust holds the following derivative instruments:

### Forward foreign exchange contracts

Forward foreign exchange contracts are primarily used by the Trust to hedge against foreign currency exchange rate risks on its non-Australian dollar denominated trading securities. The Trust agrees to receive or deliver a fixed quantity of foreign currency for an agreed upon price on an agreed future date. Forward foreign exchange contracts are valued at the prevailing bid price at the reporting date. The Trust recognises a gain or loss equal to the change in fair value at the reporting date.

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

30 June 2009	Contract/ notional	Fair Values	
		Assets \$	Liabilities \$
Buy			
Forward foreign exchange contracts - Australian Dollar (AUD)	6,147,897	474,274	-
Sell			
Forward foreign exchange contracts - Canadian Dollar (CAD)	241,000	31,302	-
Forward foreign exchange contracts - Chinese Yuan (CNY)	953,000	24,462	-
Forward foreign exchange contracts - Swiss Franc (CHF)	-	3,547	-
Forward foreign exchange contracts - European Currency (EUR)	128,000	24,072	-
Forward foreign exchange contracts - British Pound (GBP)	128,000	2,599	-
Forward foreign exchange contracts - Indian Rupee (INR)	-	2,985	-
Forward foreign exchange contracts - Indonesian Rupiah (IDR)	-	1,263	-
Forward foreign exchange contracts - Israel New Shekel (ILS)	268,000	4,577	-
Forward foreign exchange contracts - Japanese Yen (JPY)	13,324,000	16,143	-
Forward foreign exchange contracts - Russian Ruble (RUB)	4,818,000	5,497	-
Forward foreign exchange contracts - Taiwan Dollar (TWD)	-	8,446	-
Forward foreign exchange contracts - United States Dollar (USD)	3,290,000	-	-
Forward foreign exchange contracts - South African Rand (ZAR)	733,000	-	4,583
		<u>599,167</u>	<u>4,583</u>

## 10 Derivative financial instruments (continued)

30 June 2008

	Contract/ notional	Fair Values	
		Assets \$	Liabilities \$
Buy			
Forward foreign exchange contracts - Australian Dollar (AUD)	13,433,486	12,612,300	-
Sell			
Forward foreign exchange contracts - Brazilian Real (BRL)	1,364,476	-	987,623
Forward foreign exchange contracts - Canadian Dollar (CAD)	938,000	-	956,822
Forward foreign exchange contracts - Swiss Franc (CHF)	301,000	-	306,300
Forward foreign exchange contracts - European Currency (EUR)	1,604,817	-	2,509,215
Forward foreign exchange contracts - British Pound (GBP)	186,000	-	381,380
Forward foreign exchange contracts - Indian Rupee (INR)	5,565,000	-	132,185
Forward foreign exchange contracts - Japanese Yen (JPY)	79,817,000	-	783,270
Forward foreign exchange contracts - Korean Won (KRW)	410,840,000	-	405,687
Forward foreign exchange contracts - Mexican Peso (MXN)	680,356	-	123,919
Forward foreign exchange contracts - Russian Ruble (RUB)	13,121,000	-	576,389
Forward foreign exchange contracts - Taiwan Dollar (TWD)	5,480,000	-	187,211
Forward foreign exchange contracts - United States Dollar (USD)	4,862,961	-	5,037,323
Forward foreign exchange contracts - South African Rand (ZAR)	1,266,000	-	164,524
		<u>12,612,300</u>	<u>12,551,848</u>

## 11 Related party transactions

### Responsible Entity

The Responsible Entity of Wellington Management Portfolios (Australia) Global Strategic Equity Portfolio (Hedged) 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 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  
B Bruck (resigned 18/08/2008)  
N Roderick  
P Maher (resigned 05/05/2009)  
R Cartwright  
V Malley  
C Vignes (appointed 18/08/2008)  
M Rady (appointed 13/10/2008)

### Key management personnel unitholdings

At 30 June 2009 no key management personnel held units in the Trust (2008: 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.

### Responsible Entity's fees and other transactions

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.

## 11 Related party transactions (continued)

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 2009 \$	30 June 2008 \$
Management fees for the year paid by the Trust to the Responsible Entity	<u>51,663</u>	<u>48,775</u>
Aggregate amounts payable to the Responsible Entity at the reporting date	<u>12,487</u>	<u>13,330</u>

### Related party schemes' unitholdings

Parties related to the Trust (including Macquarie Investment Management Limited, its related parties and other schemes managed by Macquarie Investment Management Limited), hold no units in the Trust as at 30 June 2009 (2008: Nil).

### Investments

The Trust held investments in the following schemes which are also managed by Macquarie Investment Management Limited or its related parties:

	Fair value of investment		Interest held		Distributions received/receivable	
	2009 \$	2008 \$	2009 %	2008 %	2009 \$	2008 \$
Wellington Management Portfolios (Australia) Global Strategic Equity Portfolio	<u>5,573,320</u>	<u>10,120,873</u>	<u>6.03</u>	<u>10.31</u>	<u>78,644</u>	<u>66,457</u>

### 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 director's interests subsisting at year end.

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

	30 June 2009 \$	30 June 2008 \$
<b>(a) Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</b>		
Profit/loss for the year	-	-
Increase/(decrease) in net assets attributable to unitholders	(3,931,924)	(2,669,891)
Net (gains)/losses on financial instruments held at fair value through profit or loss	4,013,548	1,224,682
Proceeds from sale of financial instruments held at fair value through profit or loss	2,428,718	118,426,361
Purchase of financial instruments held at fair value through profit or loss	(2,350,201)	(117,676,422)
Distribution to unitholders	-	1,505,846
Distribution reinvested	(78,644)	(66,457)
Net change in receivables and other assets	200,214	(106,792)
Net change in payables and other liabilities	(203,033)	94,889
<b>Net cash inflow/(outflow) from operating activities</b>	<b>78,678</b>	<b>732,216</b>

### (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

\_\_\_\_\_ - \_\_\_\_\_ -

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 (ie taxable).

## 13 Events occurring after the balance sheet date

No significant events have occurred since balance date which would impact on the financial position of the Trust disclosed in the balance sheet as at 30 June 2009 or on the results and cash flows of the Trust for the year ended on that date.

## 14 Contingent assets and liabilities and commitments

There are no outstanding contingent assets and liabilities or commitments as at 30 June 2009 and 30 June 2008.

## Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 24 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 2009 and of its performance for the financial year 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  
21 September 2009

**Independent auditor's report to the unitholders of  
Wellington Management Portfolios (Australia) Global  
Strategic Equity Portfolio**

**Report on the financial report**

We have audited the accompanying financial report of Wellington Management Portfolios (Australia) Global Strategic Equity Portfolio (the Trust), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for Wellington Management Portfolios (Australia) Global Strategic Equity Portfolio.

*Directors' responsibility for the financial report*

The directors of Macquarie Investment Management Limited (the Responsible Entity) are responsible for the preparation and fair presentation of the financial report in accordance with 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, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. 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 the auditor's judgement, 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 control relevant to the entity'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 entity's internal control. 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

**Independent auditor's report to the unitholders of  
Wellington Management Portfolios (Australia) Global Strategic Equity  
Portfolio (continued)**

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

*Independence*

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

*Auditor's opinion*

In our opinion:

- (a) the financial report of Macquarie BRIC Advantage Fund (Hedged) (formerly Macquarie - Globalis BRIC Advantage Fund (Hedged)) is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Trust's financial position as at 30 June 2009 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*; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 2.

*PricewaterhouseCoopers*

PricewaterhouseCoopers



E A Barron  
Partner

Sydney  
21 September 2009