

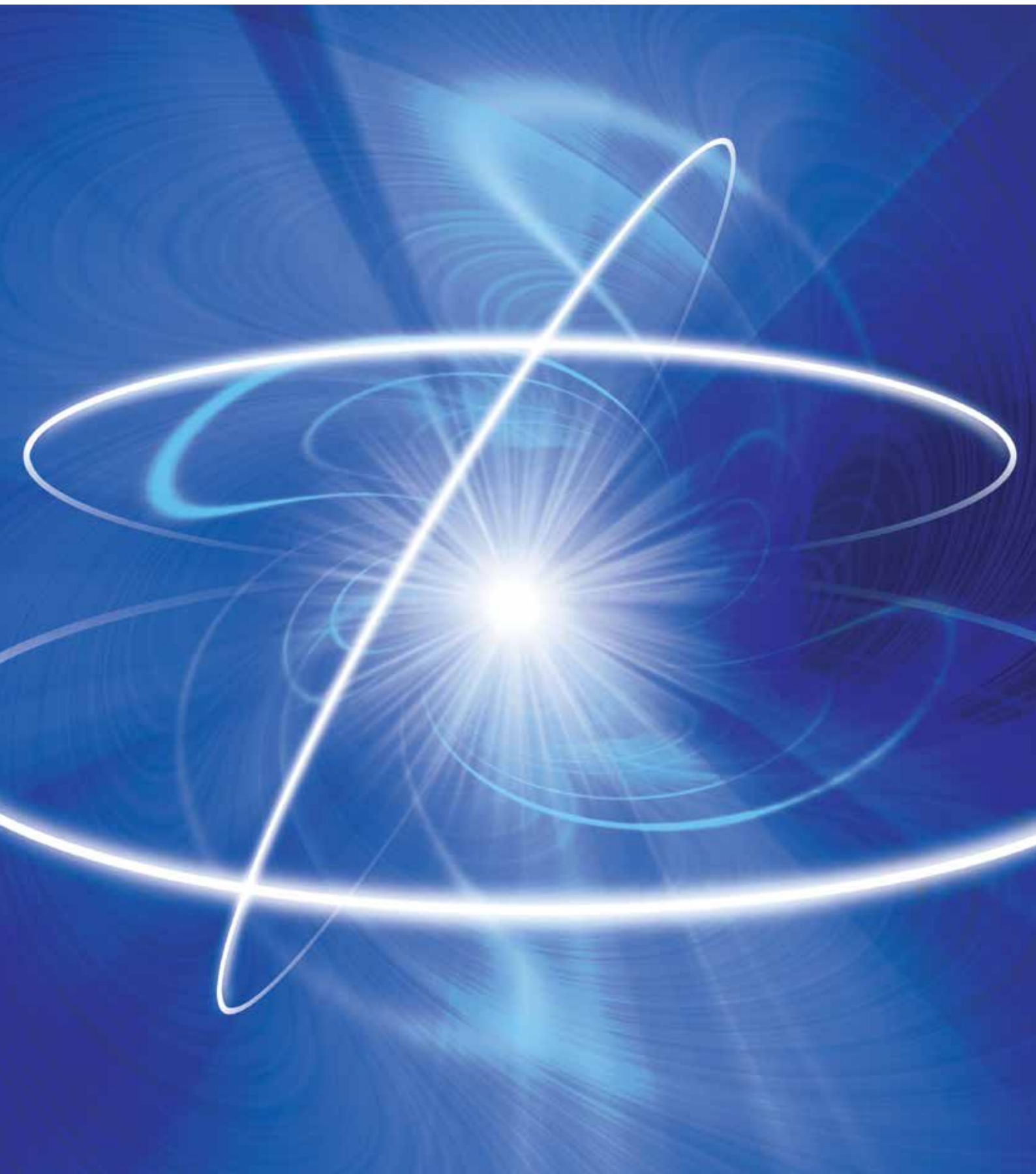


# Man AHL Alpha

(AUD)

ARSN 138 643 768

Interim financial report  
for the half-year ended 31 December 2016



# Man AHL Alpha (AUD) Fund

ARSN 138 643 768

## Interim financial report for the half-year ended 31 December 2016

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This interim financial report does not include all the notes of the type normally included in a set of annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 30 June 2016 and any public announcements made in respect of Man AHL Alpha (AUD) Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

These financial statements cover Man AHL Alpha (AUD) Fund as an individual entity.

The Responsible Entity of Man AHL Alpha (AUD) Fund is Man Investments Australia Limited (ABN 47 002 747 480) (AFS Licence No. 240581). The Responsible Entity's registered office is Level 27, Chifley Tower, 2 Chifley Square, Sydney NSW 2000.

## Directors' report

The directors of Man Investments Australia Limited, the Responsible Entity of Man AHL Alpha (AUD) Fund, present their report together with the interim financial report of Man AHL Alpha (AUD) Fund ("the Scheme") for the reporting period ended 31 December 2016 ("the reporting period").

### Scheme's information

The Scheme is an Australian registered scheme. Man Investments Australia Limited, the Responsible Entity, is a company limited by shares, incorporated and domiciled in Australia.

### Responsible Entity

The Responsible Entity of Man AHL Alpha (AUD) Fund is Man Investments Australia Limited (ABN 47 002 747 480) (AFS Licence No. 240581). The Responsible Entity's registered office and principal place of business is Level 27, Chifley Tower, 2 Chifley Square, Sydney NSW 2000.

### Directors

The following persons held office as directors of Man Investments Australia Limited during the reporting period or since the end of the reporting period and up to the date of this report:

Hersh Gandhi  
 Peter Holmes  
 Jasveer Singh (Resigned 17 June 2016)  
 Rene Herren (Resigned 29 June 2016)  
 Robyn Grew (Appointed 24 June 2016) (Resigned 19 October 2016)  
 Oliver Stern (Appointed 28 June 2016)  
 James Douglas (Resigned 5 August 2016)  
 Stephen Jordan (Appointed 8 August 2016)  
 Murray Steel (Appointed 20 October 2016)

### Review and results of operations

There have been no significant changes to the operations of the Scheme since the previous financial period. The Scheme continued to invest funds in accordance with target asset allocations as set out in the governing documents of the Scheme and in accordance with the provisions of the Scheme's Constitution.

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

	<b>For the reporting period ended</b>	
	<b>31 December</b>	31 December
	<b>2016</b>	2015
	<b>\$</b>	<b>\$</b>
Profit/(loss) before finance costs attributable to unitholders	<u><b>(12,971,215)</b></u>	<u>14,395,738</u>
 <i>Class A</i>		
Distribution paid and payable	-	-
Distribution (cents per unit - CPU)	-	-
 <i>Class B</i>		
Distributions paid and payable	-	-
Distributions (cents per unit - CPU)	-	-

## Directors' report (continued)

### Events occurring after the reporting period

Except as disclosed in note 5 in the financial statements, no other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect:

- (i) the operations of the Scheme in future reporting periods, or
- (ii) the results of those operations in future reporting periods, or
- (iii) the state of affairs of the Scheme in future reporting periods.

### Auditor's independence declaration

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

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



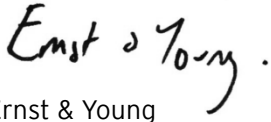
Peter Holmes  
Director

Sydney  
15 March 2017

## Auditor's Independence Declaration to the Directors of Man Investments Australia Limited as the Responsible Entity for Man AHL Alpha (AUD) Fund

As lead auditor for the review of Man AHL Alpha (AUD) Fund for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

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



Ernst & Young



Graeme McKenzie  
Partner  
15 March 2017

**Condensed statement of comprehensive income**

	Notes	For the reporting period ended	
		31 December 2016 \$	31 December 2015 \$
<b>Investment income</b>			
Interest income		8,742	10,492
Net gains/(losses) on financial instruments held at fair value through profit or loss		<u>(12,596,236)</u>	<u>14,693,820</u>
<b>Total investment income/(loss)</b>		<u>(12,587,494)</u>	<u>14,704,312</u>
<b>Expenses</b>			
Recoverable expenses		<u>383,721</u>	<u>308,574</u>
<b>Total expenses</b>		<u>383,721</u>	<u>308,574</u>
<b>Profit/(loss) before finance costs attributable to unitholders</b>		<u>(12,971,215)</u>	<u>14,395,738</u>
<b>Finance costs attributable to unitholders</b>			
Increase/(decrease) in net assets attributable to unitholders	2	<u>(12,971,215)</u>	<u>14,395,738</u>
<b>Profit/(loss) for the reporting period attributable to unitholders</b>		<u>-</u>	<u>-</u>
Other comprehensive income for the reporting period attributable to unitholders		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the reporting period attributable to unitholders</b>		<u>-</u>	<u>-</u>

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

**Condensed statement of financial position**

		<b>As at</b>	
		<b>31 December</b>	<b>30 June</b>
		<b>2016</b>	<b>2016</b>
<b>Assets</b>	<b>Notes</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents		2,841,044	5,580,509
Receivables		851,511	2,426,194
Financial assets held at fair value through profit or loss	3	<u>382,620,720</u>	<u>382,996,952</u>
<b>Total assets</b>		<u><b>386,313,275</b></u>	<u><b>391,003,655</b></u>
<b>Liabilities</b>			
Distributions payable		-	793,624
Payables		<u>2,236,996</u>	<u>4,768,042</u>
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u><b>2,236,996</b></u>	<u><b>5,561,666</b></u>
<b>Net assets attributable to unitholders - liability</b>	2	<u><b>384,076,279</b></u>	<u><b>385,441,989</b></u>

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

**Condensed statement of changes in equity**

	For the reporting period ended	
	31 December	31 December
	2016	2015
	\$	\$
<b>Total equity at the beginning of the reporting period</b>	-	-
Profit/(loss) for the reporting period attributable to unitholders	-	-
Other comprehensive income for the reporting period attributable to unitholders	-	-
<b>Total comprehensive income for the reporting period attributable to unitholders</b>	-	-
Transactions with owners in their capacity as owners	-	-
<b>Total equity at the end of the reporting period</b>	-	-

In accordance with AASB 132 *Financial Instruments: Presentation*, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the beginning and the end of the reporting period.

Changes in net assets attributable to unitholders are disclosed in note 2.

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



**Condensed statement of cash flows**

	For the reporting period ended	
	31 December 2016 \$	31 December 2015 \$
<b><i>Cash flows from operating activities</i></b>		
Proceeds from sale of financial instruments held at fair value through profit or loss	2,019,996	-
Purchase of financial instruments held at fair value through profit or loss	(14,240,000)	(46,700,000)
Interest received	8,742	10,492
Payment of other expenses	<u>(383,543)</u>	<u>(302,865)</u>
<b>Net cash (outflow) from operating activities</b>	<b><u>(12,594,805)</u></b>	<b><u>(46,992,373)</u></b>
<b><i>Cash flows from financing activities</i></b>		
Proceeds from applications by unitholders	78,820,982	74,299,221
Payments for redemptions by unitholders	(68,596,125)	(26,226,788)
Distributions paid	<u>(369,517)</u>	<u>-</u>
<b>Net cash inflow from financing activities</b>	<b><u>9,855,340</u></b>	<b><u>48,072,433</u></b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(2,739,465)</b>	<b>1,080,060</b>
Cash and cash equivalents at the beginning of the reporting period	<u>5,580,509</u>	<u>2,345,022</u>
<b>Cash and cash equivalents at the end of the reporting period</b>	<b><u>2,841,044</u></b>	<b><u>3,425,082</u></b>

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## 1 Basis of preparation of interim financial report

These general purpose financial statements for the reporting period ended 31 December 2016 ("the reporting period") have been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standard AASB 134 *Interim Financial Reporting*.

This interim financial report does not include all the notes of the type normally included in a set of annual financial statements. Accordingly, this report is to be read in conjunction with the annual financial statements for the year ended 30 June 2016 and any public announcements made in respect of Man AHL Alpha (AUD) Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The financial statements were authorised for issue by the directors on 15 March 2017. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

The accounting policies adopted are consistent with those of the previous annual reporting period, unless otherwise stated.

### *Compliance with International Financial Reporting Standards*

Compliance with AASB 134 ensures that the interim financial report of the Scheme, comprising the financial statements and notes thereto, complies with International Accounting Standard IAS 34 *Interim Financial Reporting*.

## 2 Net assets attributable to unitholders

As stipulated within the Scheme's Constitution, each unit represents a right to an individual share in the Scheme and does not extend to a right to the underlying assets of the Scheme. There are two separate classes of units and each unit has the same rights attaching to it as all other units of the Scheme.

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

	For the reporting period ended			
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	No.	No.	\$	\$
<b>Net assets attributable to unitholders - Unit Class A</b>				
Opening balance	241,776,515	196,835,967	347,239,146	268,657,454
Applications	54,156,887	51,289,027	75,846,382	73,596,103
Redemptions	(46,574,898)	(18,929,094)	(65,063,594)	(27,231,968)
Units issued upon reinvestment of distributions	294,350	-	422,717	-
Increase/(decrease) in net assets attributable to unitholders	-	-	(11,795,213)	14,395,738
<b>Closing balance - Unit Class A</b>	<b>249,652,854</b>	<b>229,195,900</b>	<b>346,649,438</b>	<b>329,417,327</b>

	For the reporting period ended			
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	No.	No.	\$	\$
<b>Net assets attributable to unitholders - Unit Class B</b>				
Opening balance	38,944,845	-	38,202,843	-
Applications	1,410,721	-	1,400,000	-
Redemptions	(1,061,684)	-	(1,000,000)	-
Increase/(decrease) in net assets attributable to unitholders	-	-	(1,176,002)	-
<b>Closing balance - Unit Class B</b>	<b>39,293,882</b>	<b>-</b>	<b>37,426,841</b>	<b>-</b>
<b>Closing balance</b>	<b>288,946,736</b>	<b>229,195,900</b>	<b>384,076,279</b>	<b>329,417,327</b>

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

	<b>As at</b>	
	<b>31 December</b>	<b>30 June</b>
	<b>2016</b>	<b>2016</b>
	<b>\$</b>	<b>\$</b>
<b>Designated at fair value through profit or loss</b>		
Unlisted managed investment scheme	<u><b>382,620,720</b></u>	<u><b>382,996,952</b></u>
<b>Total financial assets held at fair value through profit or loss</b>	<u><b>382,620,720</b></u>	<u><b>382,996,952</b></u>

### 4 Fair value hierarchy

The Scheme is required to classify 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:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: 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); quoted prices for similar securities in active and/or inactive markets; market-corroborated inputs; inputs that are developed based on available market data and reflect assumptions that markets would use when pricing similar securities.
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

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 Scheme. The Scheme 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 Scheme's financial assets and liabilities (by class) measured at fair value according to the fair value hierarchy at the reporting date.

All fair value measurements disclosed are recurring fair value measurements.

<b>As at 31 December 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets designated at fair value through profit or loss</b>				
Unlisted managed investment scheme	<u>-</u>	<u><b>382,620,720</b></u>	<u>-</u>	<u><b>382,620,720</b></u>
<b>Total</b>	<u>-</u>	<u><b>382,620,720</b></u>	<u>-</u>	<u><b>382,620,720</b></u>
<b>As at 30 June 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Financial assets designated at fair value through profit or loss</b>				
Unlisted managed investment scheme	<u>-</u>	<u><b>382,996,952</b></u>	<u>-</u>	<u><b>382,996,952</b></u>
<b>Total</b>	<u>-</u>	<u><b>382,996,952</b></u>	<u>-</u>	<u><b>382,996,952</b></u>

#### **4 Fair value hierarchy (continued)**

The pricing for the majority of the Scheme's investments is generally sourced from independent pricing sources, the relevant Investment Managers or reliable brokers' quotes.

Investments whose values are based on quoted market prices in active markets, e.g. recognised stock exchanges, and therefore classified within level 1, include active listed equities and exchange traded derivatives.

Financial instruments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within level 2. The observable inputs include prices and/or those derived from prices. The level 2 instruments include investment-grade corporate bonds, and over-the-counter derivatives.

Investments classified within level 3 have significant unobservable inputs, as they are infrequently traded. Level 3 instruments include certain unlisted unit trusts and corporate debt securities. As observable prices are not available for these securities, the Scheme has used valuation techniques to derive fair value.

Level 2 investments could include those that are not traded in active markets and/or are subject to transfer restrictions (e.g. redemption restrictions). Valuations for these investments may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. Typically, prices of units in unlisted managed investment trusts that are either published on the investment manager's website and/or circulated among market participants as executable quotes are categorised as level 2.

Level 3 instruments could include distressed debt instruments, certain private equity and real estate investments that are not based on market inputs or securities that are in an inactive/illiquid market and are valued using models and internal data. Level 3 investments may be adjusted to reflect illiquid and/or restrictions, however, the adjustments are not based on available market information. Level 3 instruments also include those that have stale price that is, where the pricing for a particular security has remained static for an extended period of time.

Where a valuation model technique is used, the Scheme considers other liquidity, credit and market risk factors, and adjusts the model as deemed necessary. There have been no changes to the valuation techniques used for financial instruments classified as levels 2 and 3.

There have been no transfers between levels during the reporting period.

#### **5 Events occurring after the reporting period**

No significant events have occurred since the reporting date which would impact on the financial position of the Scheme disclosed in the condensed statement of financial position as at 31 December 2016 or on the results and cash flows of the Scheme for the reporting period ended on that date.

#### **6 Contingent assets and liabilities and commitments**

There are no outstanding contingent assets and liabilities or commitments as at 31 December 2016 and 30 June 2016.

## **Directors' declaration**

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 5 to 12 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Australian Accounting Standards as it relates to AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Scheme's financial position as at 31 December 2016 and of its performance, as represented by the results of its operations and cash flows, for the reporting period ended on that date; and
- (b) there are reasonable grounds to believe that the Scheme will be able to pay its debts as and when they become due and payable.
- (c) the financial statements are in accordance with the Scheme's Constitution.

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



Peter Holmes  
Director

Sydney  
15 March 2017

To the members of Man AHL Alpha (AUD) Fund

## Report on the Half-Year Financial Report to the unitholders of Man AHL Alpha (AUD) Fund

We have reviewed the accompanying half-year financial report of Man AHL Alpha (AUD) Fund (“Scheme”), which comprises the condensed statement of financial position as at 31 December 2016, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors’ declaration.

### Directors’ Responsibility for the Half-Year Financial Report

The directors of Man Investments Australia Limited (the Responsible Entity) are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### Auditor’s Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Scheme’s financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Man AHL Alpha (AUD) Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

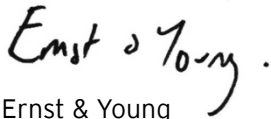
### Independence

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

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Man AHL Alpha (AUD) Fund is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the Scheme's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Graeme McKenzie  
Partner  
Sydney  
15 March 2017



