

Victorian Traditional Owners Trust

ABN 93 731 388 312

REPORT CARD FOR THE YEAR ENDING 30 JUNE 2016

GUNAIKURNAI PEOPLE

The Victorian Traditional Owners Trust (the Trust) was established on 13 September 2011 by Deed between the Attorney General of Victoria and the Trustee, Victorian Traditional Owners Funds Ltd (the Trustee Company).

The directors of the Trustee Company present this report on the Trust for the financial year ended 30 June 2016.

Directors

The names of each person who has been a director of the Trustee Company since the company was incorporated and to the date of this report are:

Mark William Sibree

Elizabeth Helen Eldridge

Gary Andrew Lennon

Principal Activities

The Trust was established for charitable purposes to benefit the Aboriginal people of Victoria. The State of Victoria established a Native Title Settlement Framework to reach agreements with Traditional Owners. The agreements are formalised through the execution of Participation Agreements.

The State of Victoria reached a settlement with the Gunaikurnai people in October 2010 and the Participation Agreement was executed on 3 October 2011. In terms of this Participation Agreement the State of Victoria has paid a settlement amount to the Trust of \$10m. The Gunaikurnai people are represented by the Traditional Owner Group Entity, the Gunaikurnai Land and Waters Aboriginal Corporation Ltd (GLaWAC).

The principal activity of the Trust is to invest settlement funds received on behalf of the beneficiaries.

The Trustee Company has developed a tailored investment strategy for GLaWAC and invested the funds with Victorian Funds Management Corporation (VFMC).

The investment strategy was adopted by the Trustee Company after a series of meetings with GLaWAC. At these meetings GLaWAC outlined its long term and short term investment objectives and its tolerance for risk.

Given GLaWAC's objectives of minimal drawdowns for the short term but increasing over time, for the preservation of the amount of the capital sum (\$10m) (adjusted for inflation) at

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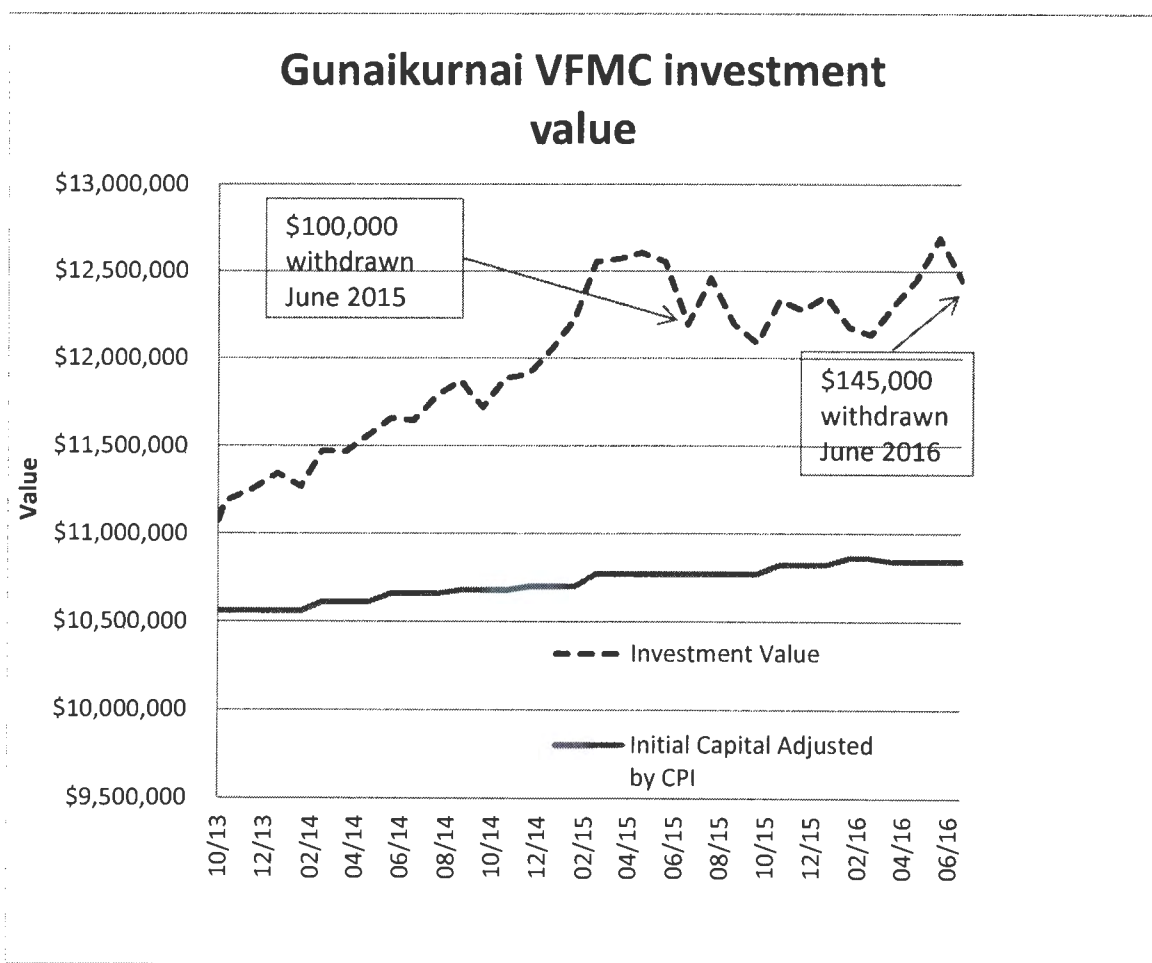
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the end of 20 years and their risk tolerance, the Trustee Company has invested in a basket of VFMC funds. The initial capital sum adjusted for changes to the Consumer Price Index was \$10,841,683 at 30 June 2016.

The actual return of the funds will be determined by a wide range of market driven factors and will vary over time.

Report on Operations and Activities

The chart below shows the value of the GLaWAC fund since it was invested with VFMC in October 2013. Prior to that date, funds had been invested principally in bank term deposits.



The solid line shows what the value of the fund would have been if the capital amount was adjusted for changes to the CPI. The dotted line shows the actual value of the fund allowing for the actual return achieved and takes account of the distributions made to GLaWAC.

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The dip in the dotted line in the last quarter of 2014/15 and 2015/16 reflects the withdrawal of \$100,000 in June 2015 and June 2016 respectively. The funds produced a return after all fees of 5.2% for the 2016 year. VFMC's fees (the Management Expense Ratio or MER) were an average of 0.485%. Apart from audit fees (to the Victorian Auditor-General's Office) and bank fees, the Trust incurred no other costs.

VFMC advised that for 2015/16 year equity market returns struggled on weak growth, higher valuations and declining corporate earnings. Global bond yields gapped lower, which supported portfolio returns, particularly and provided important portfolio diversification. In this environment the Capital Stable Fund (3.73%) outperformed the Balanced Fund (3.20%), as the Australian Fixed Interest market strongly outperformed both the Australian and International Equity markets, which closed a volatile year only just positive.

VFMC's core macro outlook assumes a continuation of moderate below trend global growth and low inflation. Brexit adds downside risk to this core outlook. Helping to mitigate downside economic risks are stronger US growth, more stable economic conditions in Emerging Markets and the prospect of even easier global monetary policy settings over coming months. VFMC continues to expect asset markets to remain fairly range bound with below average medium-term returns and higher levels of volatility. This results in lower risk-adjusted expected returns and is reflected in modest active asset allocation positioning at present. The Trustee also notes that the recent US election result adds a further degree of uncertainty to the outlook.

VFMC's view is that whilst returns for the coming year are expected to be positive, they will be lower than in previous years.

The funds were invested and valued in the following VFMC Funds as at 30 June 2016:

	2016	2015
	\$	\$
VFMC Capital Stable	5,647,709	5,548,092
VFMC Balanced	6,174,131	6,026,544
VFMC Growth	625,767	619,123
Subtotal	12,447,607	12,193,760
Other assets less accrued expenses	324,296	8,329
Total Assets shown on prior year Report Card	12,771,903	12,202,089
Franking credits receivable not brought to account in prior years (See note below)		75,951
Total Assets	12,771,903	12,278,040

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The original settlement amount was \$10m and over the life of the investment the investment return after expenses has been \$3,016,903. Distributions have been \$245,000.

Report on Significant Changes and Likely developments

It is proposed to separate the Trust into separate Trusts for each Traditional Owner Group. This will involve the creation of a separate Trust for the Gunaikurnai people and the transfer of its investment assets to that Trust. It is expected that this will occur during the 2016/ 2017 financial year.

Major Financial and Performance Statistics

The table below sets out a summary of the financial results for the year.

		GUNAIKURNAI LAND AND WATERS ABORIGINAL CORPORATION	
		2016	2015
		\$	\$
	Equity at Beginning	12,278,040	11,709,413
add	Investment Return	643,699	672,229
	Interest Received	109	252
		<u>643,808</u>	<u>672,481</u>
	Subtotal	<u>12,921,848</u>	<u>12,381,894</u>
less	Audit Fees	(4,679)	(3,636)
	Bank Charges	(266)	(218))
		<u>(4,945)</u>	<u>(3,854)</u>
	Subtotal	<u>12,916,903</u>	<u>12,378,040</u>
less	Distributions Made	(145,000)	(100,000)
	Equity at End	<u>12,771,903</u>	<u>12,278,040</u>

During the 2013-14 and 2014-15 financial years, Victorian Traditional Owners Trust did not recognise a refund of franking credits receivable. This error had the effect of understating the franking credit refund income and therefore understated the profit for the year ended 30 June 2015 by \$23,270.

The error also had the effect of understating the franking credits receivable as at 30 June 2014 by \$52,681 and as at 30 June 2015 by \$23,270. The error has been corrected by restating each of the affected financial statement line items for the year in which the error occurred, as described above.

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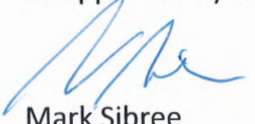
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Report on distributions made to GlaWAC.

During the financial year a distribution of \$145,000 was made to GlaWAC to establish a funeral fund.

As approved by the Board.



Mark Sibree
Chairman



Ian Gaudion
Secretary

Dated 26th day of November 2016

Dated 24th day of November 2016