

# ***Victorian Traditional Owners Trust***

ABN 93 731 388 312

**REPORT CARD FOR THE YEAR ENDING 30 JUNE 2016**

***DJA DJA WURRUNG 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 Dja Dja Wurrung people on 28 March 2013 and the Participation Agreement was executed on 5 December 2013. In terms of this Participation Agreement the State of Victoria has paid a settlement amount to the Trust of \$5m. The Dja Dja Wurrung people are represented by the Traditional Owner Group Entity the Dja Dja Wurrung Clans Aboriginal Corporation Ltd (DDWCAC).

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 DDWCAC 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 DDWCAC. At these meetings DDWCAC outlined its long term and short term investment objectives and its tolerance for risk.

Given DDWCAC's objectives of regular drawdowns and the preservation of the amount of the capital sum (\$5m) at the end of 20 years and its risk tolerance, the Trustee Company has invested in a basket of VFMC funds. The actual return of the funds will be determined by a wide range of market driven factors and will vary over time.

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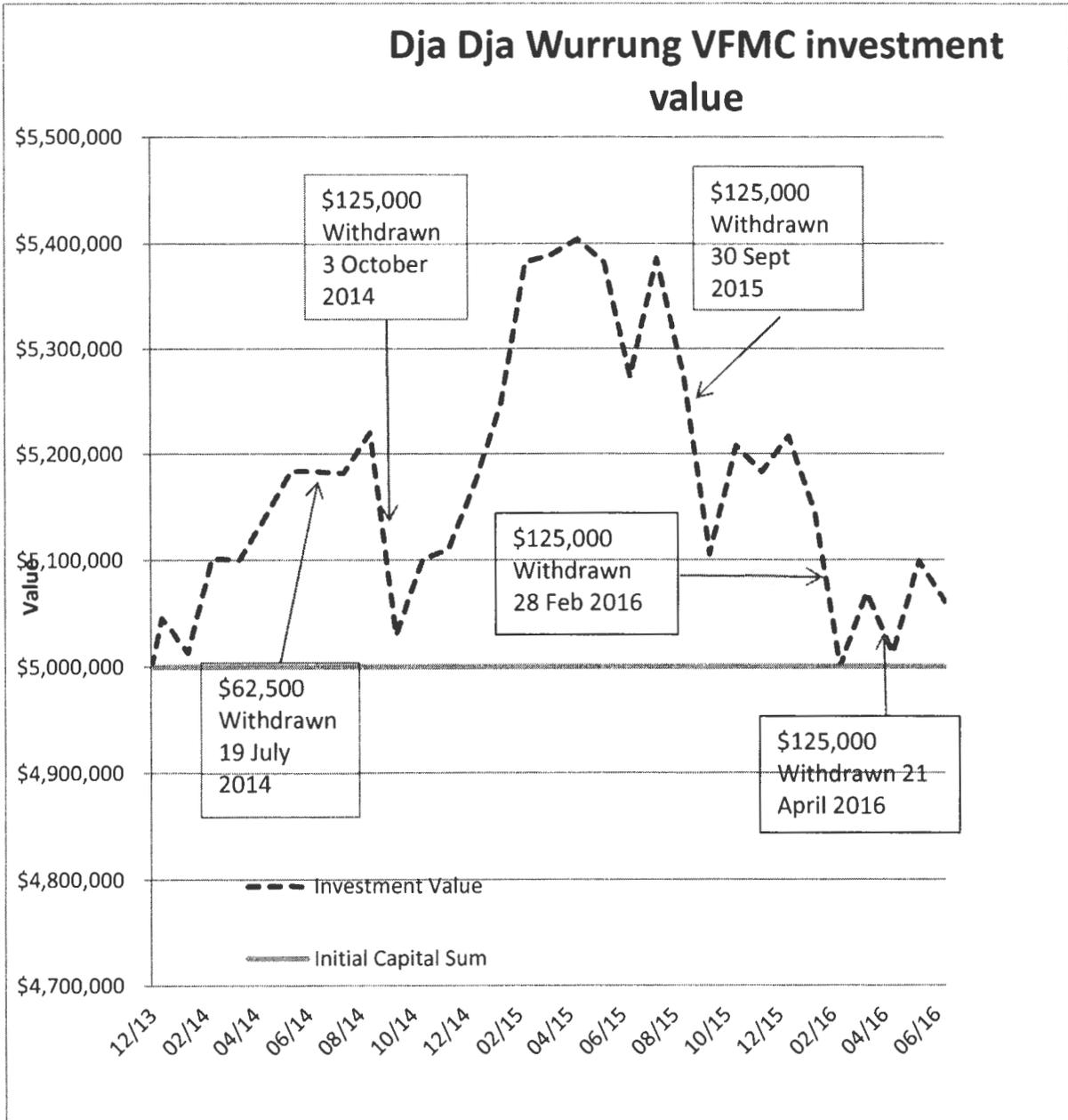
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## Report on Operations and Activities

The chart below shows the value of the DDWCAC fund since it was invested with the Trust in December 2013.



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The dotted line shows the actual value of the fund allowing for the actual return achieved and takes account of the distributions made to DDWCAC. The fund produced a return after all fees of 4.9% 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.

The funds were invested and valued in the following VFMC Funds as at 30 June 2015:

	2016	2015
	\$	\$
VFMC Capital Stable	2,499,257	2,452,027
VFMC Balanced	2,561,703	2,493,189
<b>Subtotal</b>	5,060,960	4,945,216
Other assets less accrued expenses	128,761	359,996
Total Assets shown on prior year Report Card	5,189,721	5,271,105
Franking credits receivable not brought to account in prior years (See note below)	-	34,107
<b>Total Assets</b>	<b>5,189,721</b>	<b>5,305,212</b>

The original settlement amount was \$5m and over the life of the investment the investment return after expenses has been \$752,221. Distributions have been \$562,500.

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## 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 Dja Dja Wurrung 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.

		DJA DJA WURRUNG CLANS ABORIGINAL CORPORATION	
		2016	2015
		\$	\$
<b>Equity at Beginning</b>		5,305,212	5,207,015
<b>add</b>	Investment Return	261,650	287,296
	Interest Received	48	112
		<hr/> 261,698	<hr/> 287,408
<b>Subtotal</b>		<hr/> 5,566,910	<hr/> 5,494,423
<b>less</b>	Audit Fees	(2,071)	(1,614)
	Bank Charges	(118)	(97)
		<hr/> (2,189)	<hr/> (1,711)
<b>Subtotal</b>		<hr/> 5,564,721	<hr/> 5,492,712
<b>less</b>	Distributions Made	(375,000)	(187,500)
<b>Equity at End</b>		<hr/> <b>5,189,721</b>	<hr/> <b>5,305,212</b>

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 \$10,739.

The error also had the effect of understating the franking credits receivable as at 30 June 2014 by \$23,368 and as at 30 June 2015 by \$10,739. The error has been corrected by

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restating each of the affected financial statement line items for the year in which the error occurred, as described above.

**Report on distributions made to DDWCAC.**

During the financial year distributions of \$375,000 were made to DDWCAC to fund its activities.

As approved by the Board.



Mark Sibree  
Chairman



Ian Gaudion  
Secretary

Dated

24 / 6

2016