

Victorian Traditional Owners Trust
ABN 93 731 388 312
Report Card for the Year Ended 30 June 2017
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 2017.

Directors

The names of each person who has been a Director of the Trustee Company during the year and to the date of this report are:

Mark William Sibree	re-appointed to 12/09/2018
Elizabeth Helen Eldridge	re-appointed to 12/09/2020
Gary Andrew Lennon	3 year term expired on 12/09/2017
Glen Gerald Brennan	appointed from 13/09/2017 to 12/09/2020

Except for Glen Brennan, the directors were appointed upon the incorporation of the Trustee Company in 2011.

Principal Activities

The Trust was established for charitable purposes to benefit the Aboriginal people of Victoria. The Victorian government established a Native Title Settlement Framework to reach agreements with Traditional Owners through 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 the settlement amount to the Trust of \$5 million.

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 costs of running the Trustee Company are currently met by an annual grant agreed with the Department of Justice and Regulation.

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Investment Objectives and Investment Strategy

The **investment objectives** are as follows:

- * Duration of 17 years, based on a terminal date of 5 December 2033. (20 years after the commencement of the Participation Agreement.)
- * Targeted Capital Sum at termination date to be the Settlement Sum of \$5,000,000 not adjusted for inflation.
- * Minimum Annual Funding amount to be \$250,000 per annum.

A tailored **investment strategy** has been developed 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 Victorian Funds Management Corporation (VFMC) funds.

The VFMC offers three investment products with the following investment allocations:

	Cash	Fixed Interest	Australian Equities	International Equities
Capital Stable	50%	30%	15%	5%
Balanced	20%	30%	35%	15%
Growth	10%	20%	50%	20%

The allocation to the above asset classes leads to each VFMC investment product having the following characteristics:

	Defensive	Growth
Capital Stable	80%	20%
Balanced	50%	50%
Growth	30%	70%

The **investment strategy** for 2017 that was implemented to meet the stated investment objectives was as follows:

	Target Allocation
* VFMC Capital Stable investment product	50%
* VFMC Balanced investment product	50%
* Growth investment product	0%
	<hr style="width: 100%; border: 0.5px solid black;"/> 100%

Investment modelling commissioned by the Trustee Company forecasts that the investment strategy is likely to have the following characteristics:

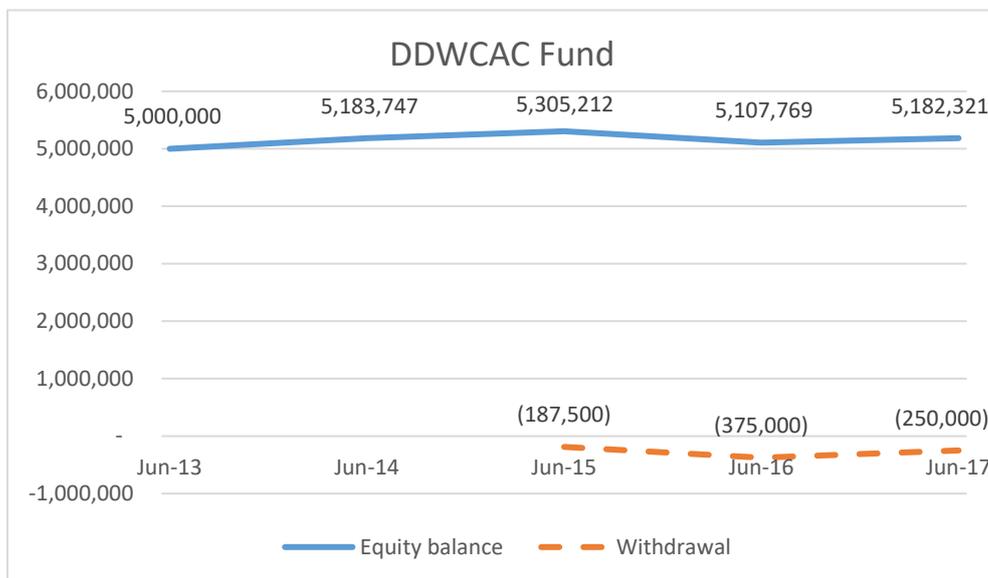
- * A split between Defensive and Growth assets of 65% and 35% respectively.
- * A probability of negative returns once in 6.3 years
- * A probability of having zero cash at the end of 2%
- * An average annual return of CPI plus 3.7%

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Report on Operations and Activities

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

The chart below shows the value of the DDWCAC fund since it was established.



The solid line shows what the value of the investments over the years. The dotted line shows the annual withdrawals.

Actual Results

	Settlement				
Nov-13	\$ 5,000,000				
	Balance at start	Growth	Withdrawal	Balance at end	Growth as % of Balance at Start.
Jun-14	\$ 5,000,000	\$ 183,747	\$ -	\$ 5,183,747	6.30%
Jun-15	5,183,747	308,965	(187,500)	5,305,212	5.96%
Jun-16	5,305,212	177,557	(375,000)	5,107,769	3.35%
Jun-17	5,107,769	324,552	(250,000)	5,182,321	6.35%

The original settlement amount was \$5 million and over the life of the investment, the investment return after expenses has been \$994,821. Distributions have been \$812,500.

Actual returns compared with targets from investment strategy

	CPI growth	Margin	Target	Actual Growth %
Jun-14	3.0%	3.7%	6.7%	6.30%
Jun-15	1.5%	3.7%	5.2%	5.96%
Jun-16	1.0%	3.7%	4.7%	3.35%
Jun-17	1.9%	3.7%	5.6%	6.35%
	Per annum			Ave Per annum
Past four years combined	1.8%	3.7%	5.5%	5.49%

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Summary of funds invested with VFMC

The funds were invested and valued in the following VFMC Funds as at 30 June 2017:

	2017	2016
	\$	\$
VFMC Capital Stable	2,509,602	2,499,257
VFMC Balanced	2,653,868	2,561,703
VFMC Growth	-	-
Total investments with VFMC	5,163,470	5,060,960
Other Assets less accrued expenses	18,851	46,809
Total Assets	5,182,321	5,107,769
Returns reported by VFMC - before fees	2017	2016
VFMC Capital Stable	4.39%	3.73%
VFMC Balanced	8.85%	3.20%

Report on Investment Climate

VFMC advised that 2017 financial year was one in which the returns from growth assets strongly outperformed defensive, fixed interest assets as global growth recovery prospects strengthened and became more synchronised. Bond yields rose as central banks began to unwind their post Global Financial Crisis monetary stimulus.

Further, they advised that over the year to 30 June 2017 the Growth Fund outperformed the Balanced Fund, which outperformed the Capital Stable Fund, in both absolute and relative terms. This was due to the more heavily weighted Australian and International Equity asset classes' returns being stronger, and as the strategies within each added more value than in Cash and Fixed Interest.

VFMC continues to expect moderately higher global growth and inflation over the remainder of 2017 and into 2018. Its core view has strengthened over the past 6-9 months given stronger and more synchronised global economic conditions and improved fundamentals. Structural headwinds have eased, particularly deleveraging, deflation and overcapacity. Credit markets are also functioning much better

Against this more favourable economic outlook, asset markets have been better able to absorb political and policy uncertainties and the ebb and flow of the global business cycle.

The key macro risks being monitored are the withdrawal of global liquidity by central banks, potential changes in China's economic policies post the 19th National Congress later in the year, and some pockets of increased leverage in corporate and household balance sheets.

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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 2018 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		2017	2016
		\$	\$
Equity at Beginning		5,107,769	5,305,212
add	Investment return	326,476	179,698
	Interest received	334	48
		326,810	179,746
Sub-total		5,434,579	5,484,958
less	Audit fees	(2,142)	(2,071)
	Bank charges	(116)	(118)
		(2,258)	(2,189)
Sub-total		5,432,321	5,482,769
less	Distributions made	(250,000)	(375,000)
Equity at End		5,182,321	5,107,769

Prior period correction

The audited financial statements for the 2016 financial year incorrectly double countered the Distribution Receivable of \$81,952 at 30 June 2016. The investment balance at 30 June 2016 has been re-stated by reducing the previously reported balance by \$81,952. This has been offset by an equivalent reduction in the Retained Earnings at 30 June 2016. The balances reported above for 2016 have been re-stated at the correct values. No money was lost as a result of the reporting error.

Report on distributions made to DDWCAC

During the financial year distributions of \$250,000 were made to DDWCAC (2016: \$375,000).

As approved by the directors of the Trustee Company



Mark Sibree
 Chair
 19-Dec-17



Ian Gaudion
 Company Secretary
 19-Dec-17