Funds in Court
Common Fund No. 3
Annual Fact Sheet – 30 June 2016

Fund Overview

Common Fund No. 3 [CF-3] provides beneficiaries with the potential to achieve capital growth over the long term. The Fund invests in a portfolio of publicly listed Australian shares, whilst a small percentage of the Fund is also invested in cash.

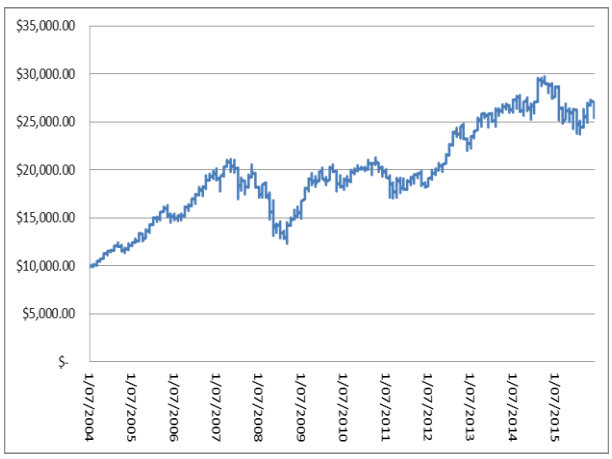
CF-3 operates as a unit trust structure. This means that each beneficiary's investment in CF-3 is represented by the issue of a number of "units" in the Fund, rather than directly owning individual shares. The "unit holding" and the "unit price", which reflects the value of the underlying shares in the portfolio, is used to calculate the value of each beneficiary's investment in CF-3.

Due to the volatile nature of the share market the "unit price" may rise or fall on a daily basis.

Investment Approach

CF-3 is actively managed relative to the benchmark but with low portfolio turnover. The Fund primarily invests in large capitalisation shares (commonly referred to as "blue chip" shares) across a range of industry sectors. The Fund will typically hold between 20 and 25 shares.

Growth of $10,000.00 since inception (with distributions reinvested)



Fund Details

Fund Objective:	To provide capital growth and income over an investment timeframe of at least 6 years.
Performance Benchmark	S&P/ ASX 50 Accumulation Index
Fund Size:	$519,987,080.22
Inception Date:	1 July 2004
No. of Stocks:	22
Income Distribution:	Monthly (if applicable)
Unit Pricing:	Daily
Unit Price:	$1.4895
Management Costs:	No direct fees are charged for the management of CF-3. However, as part of the Funds in Court cost recovery process, beneficiaries with an allocation to both CF-3 and Common Fund No. 2 [CF-2] are credited with a CF-2 annual crediting rate, that is, 0.20% less than the crediting rate for beneficiaries with an allocation to CF-2 only.

PLEASE NOTE:

There are a number of risks associated with investing in CF-3. For further information on how FIC seeks to minimise these risks, please refer to the relevant Information Guide on our website at www.fundsincourt.vic.gov.au

Total Return

As at 30 June 2016	Qtr %	1 Yr %	3 Yr % p.a.	5 Yr % p.a.	7 Yr % p.a.	10 Yr % p.a.	Since Inception# % p.a.	Since Dec. 92* % p.a.
CF-3	1.4	-5.6	4.9	5.8	7.7	5.6	8.3	10.5
S&P/ASX 50	3.5	-2.6	6.4	7.4	8.8	5.1	8.1	9.8

 # CF-3 commenced on 1 July 2004.

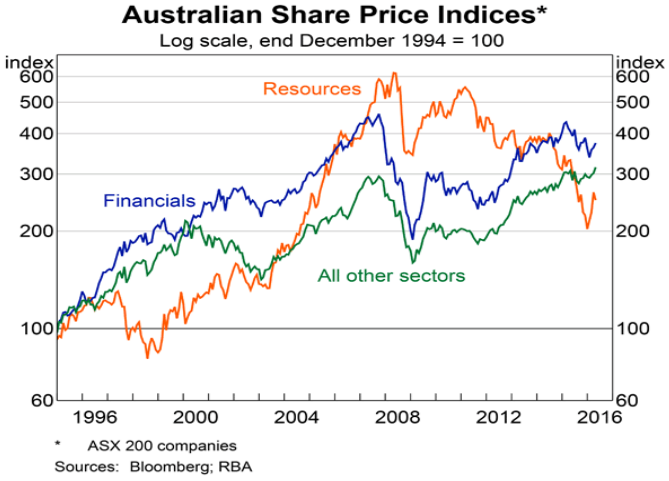
** The Senior Master first purchased equities directly for beneficiaries on 21 December 1992.*

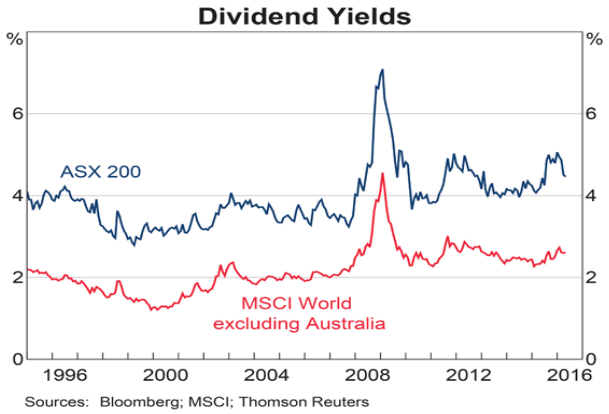
Past performance is not a reliable indicator of future performance.

Commentary

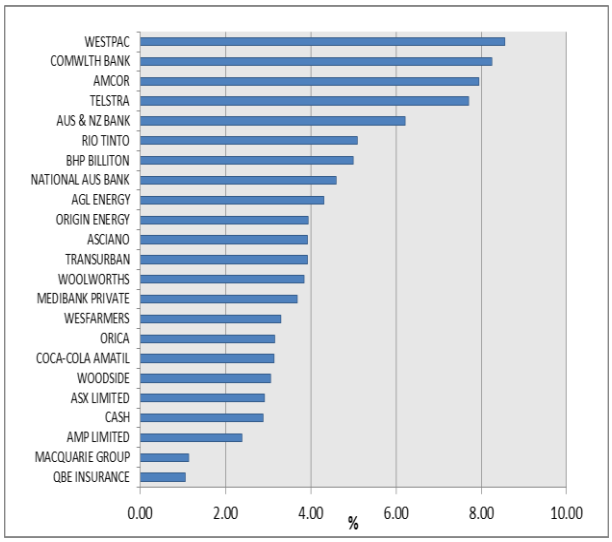
CF-3 invests predominantly in larger ASX listed companies (also known as blue chip shares) and this segment of the market underperformed compared to the broader market and smaller/ midsize companies over the year. More specifically, the key detractors to relative performance over the last 12 months included the Fund's underweight positioning to the Real Estate Investment Trust sector [REITs,] and overweight positions in resource and energy related companies such as Orica Limited [ORI] and Origin Energy [ORG]. Key contributors to relative performance were the Fund's holdings in Transurban Group [TCL], Medibank Private [MPL], and Asciano [AIO].

Whilst the growth return from larger companies has been disappointing they have the capacity to withstand short term periods of volatility and to recover when taking a longer term view. Larger companies continue to payout dividends and their income return remains attractive compared to cash and bonds. Government bond yields hit a record low of under 2.00% during the year, whilst the RBA cut the official cash to 1.75% in May 2016 in an attempt to help stimulate the economy.

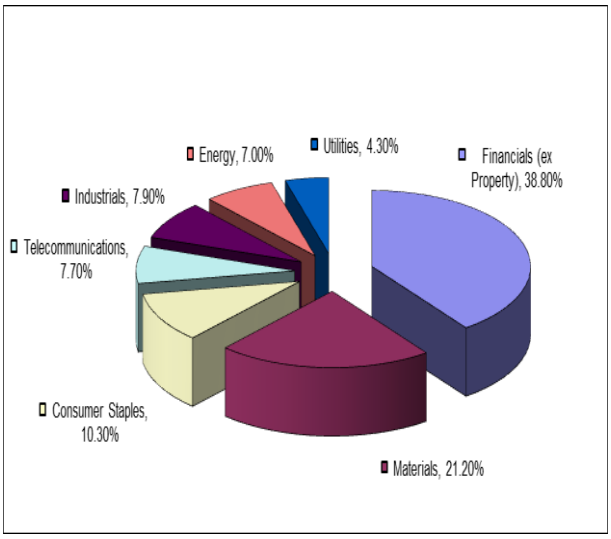




Holdings



Sector Exposure (excl. cash)



Major Transactions

During the first half of the financial year CF-3 participated in a number of capital raisings by taking up its full entitlement to 27,737 new shares issued by Commonwealth Bank of Australian [CBA], 60,921 new shares issued by Westpac [WBC] and 1,296,250 new shares issued by Origin Energy [ORG].

In March 2016, CF-3 sold out of its holding in CYBG Plc [CYB]. CYB is an overseas banking group with operations primarily in the United Kingdom. CYB shares were received as part of the demerger of Clydesdale and Yorkshire Banks from National Australia Bank [NAB].

In the latter part of the year, CF-3 exited its holding in IAG Insurance Group [IAG] and purchased new holdings in QBE Insurance [QBE] and Macquarie Group [MQG].

PLEASE NOTE:

For further information relating to how FIC manage your funds please visit our website at www.fundsincourt.vic.gov.au or call 1300 039 390 to speak to a member of our staff.

Distribution History

The investment earnings of CF-3 are distributed to unitholders on a monthly basis where applicable. The investment earnings may include cash interest, dividend income and realised capital gains. A summary of the total cents per unit distribution made from CF-3 for each of the last five financial years is provided below.

Financial Year	Cents per unit
2011/ 2012	6.5
2012/ 2013	6.8
2013/ 2014	7.6
2014/ 2015	8.0
2015/ 2016	7.4