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# Source Markets II plc

Interim report and unaudited  
Financial Statements

For the financial period ended 30 June 2017



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# Organisation

## Interim Report and Unaudited Financial Statements 2017

### Registered Office of the Company\*

32 Molesworth Street  
Dublin 2  
Ireland

### Manager\*

Source Investment Management  
Limited  
32 Molesworth Street  
Dublin 2  
Ireland

### Administrator, Registrar and Transfer Agent

Northern Trust International Fund  
Administration Services (Ireland)  
Limited  
George's Court  
54-62 Townsend Street  
Dublin 2  
Ireland

### Independent Auditors

PricewaterhouseCoopers  
Chartered Accountants and  
Registered Auditors  
One Spencer Dock  
North Wall Quay  
Dublin 1  
Ireland

### Directors of the Company

Gary Buxton (British)  
Mike Kirby (Irish)\*\*  
David McGeough (Irish)\*\*

*\* With effect from 8 May 2017, the Registered Office of the Company, the Manager and MFD Secretaries Limited ("the Secretary"), previously located at Beaux Lane House, Mercer Street Lower, Dublin 2, Ireland, has moved to 32 Molesworth Street, Dublin 2, Ireland.*

*\*\* Non-executive Directors*

### Investment Manager

Legal & General Investment  
Management Limited  
One Coleman Street  
London EC2R 5AA  
United Kingdom

### Secretary\*

MFD Secretaries Limited  
32 Molesworth Street  
Dublin 2  
Ireland

### Promoter

Source UK Services Limited  
110 Cannon Street  
London EC4N 6EU  
United Kingdom

### Legal Advisor (Ireland)

William Fry  
2 Grand Canal Square  
Dublin 2  
Ireland

### Depositary

Northern Trust Fiduciary Services  
(Ireland) Limited  
George's Court  
54-62 Townsend Street  
Dublin 2  
Ireland

### Authorised Participants

Goldman Sachs International  
Peterborough Court  
133 Fleet Street  
London EC4A 2BB  
United Kingdom

Morgan Stanley & Co. International plc  
25 Cabot Square  
Canary Wharf  
London E14 4QA  
United Kingdom

Merrill Lynch International  
Merrill Lynch Financial Centre  
2 King Edward Street  
London EC1A 1HQ  
United Kingdom

Commerzbank AG  
Kaizerplatz  
60261 Frankfurt am Main  
Germany

J.P. Morgan Securities plc  
25 Bank Street  
Canary Wharf  
London E14 5JP  
United Kingdom

Credit Suisse Securities (Europe) Limited  
One Cabot Square  
London E14 4QJ  
United Kingdom

### Bankers

The Northern Trust Company  
50 Bank Street  
Canary Wharf  
London E14 5NT  
United Kingdom

Registered no. of Company: 567964

# General Information

## Interim Report and Unaudited Financial Statements 2017

### Description

Source Markets II plc (the "Company") is an open-ended variable capital company with segregated liability between sub-funds of the Company ("Funds"). The Company was incorporated on 11 September 2015. It is organised under the laws of Ireland as a public limited company pursuant to the Companies Act 2014 (as amended) and as an undertaking for collective investment in transferable securities pursuant to the European Communities ("Undertakings for Collective Investment in Transferable Securities") Regulations 2011 (as amended) (the "UCITS Regulations") and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015 (as amended) (the "Central Bank UCITS Regulations").

The Company is structured as an umbrella investment company, and comprises separate Funds which may be established from time to time by the Directors with the prior approval of the Central Bank of Ireland (the "Central Bank").

A Fund is defined as a separate portfolio of assets which is invested in accordance with the investment objective and policies set out in the relevant Supplement and to which all liabilities, income and expenditure attributable or allocated to such portfolio shall be applied and charged.

The particulars of each Fund are set out in a separate Supplement. Any such Supplement lists all of the existing Funds. Redeemable Shares/Shares (these terms are used interchangeably throughout the Financial Statements) of more than one Class may be issued in relation to a Fund. Information contained within the Supplements is selective and should be read in conjunction with the Prospectus. On the introduction of any new Class of Shares, the Company prepares and the Directors will issue documentation setting out the relevant details of each such Class of Shares. A separate portfolio of assets is maintained for each Fund and investments are made in accordance with the investment objective applicable to each Fund.

A decision was made by the Board of Directors to close the sub-funds based on the advice of the Promoter and the Investment Manager, as the continued existence and operation of the sub-funds was not economically viable.

There are no Funds in existence as at 30 June 2017.

Source FTSE RAFI Europe Equity Income Physical UCITS ETF, Source FTSE RAFI UK Equity Income Physical UCITS ETF and Source FTSE RAFI US Equity Income Physical UCITS ETF made a final redemption on 14 June 2017. It is intended that the Company will continue as a going concern and that additional sub-funds shall be established.

Except where otherwise stated or the context requires, capitalised terms have the meaning given to them in the Prospectus of the Company dated 10 October 2016.

### Investment objective and policy

The Articles provide that the investment objective and policies for each Fund be formulated by the Directors at the time of the creation of the Fund.

The investment objective of each Fund was to seek to provide Redeemable Shareholders/Shareholders (these terms are used interchangeably throughout the Financial Statements) with a Target Performance linked to the performance of a Reference Index or Reference Asset by directly or indirectly purchasing a portfolio of transferable securities that may (but was not obliged to) have comprised all or a representative sample of the constituent securities of that Reference Index or Reference Asset.

Each Fund sought to achieve its objective by pursuing a policy which sought to track the performance of a Reference Index or Reference Asset and generally used either a Replication Strategy, Sampling Strategy or Master Feeder Strategy, with the aim of minimising as far as possible the difference in performance between the Fund and the relevant Reference Index or Reference Asset. The Investment Manager determined whether a Replication Strategy, Sampling Strategy or Master Feeder Strategy was most appropriate for a Fund. The Relevant Supplement specified and described the strategy the applicable Fund intended to use.

The following is a summary description of each of the Replication Strategy, Sampling Strategy and Master Feeder Strategy.

- Replication Strategy - this strategy sought to hold all of the securities of a particular Reference Index or Reference Asset, so that the portfolio of the Fund was a near mirror-image of the components of the relevant Reference Index or Reference Asset.

## Interim Report and Unaudited Financial Statements 2017

### Investment objective and policy (continued)

- Sampling Strategy - this strategy sought to build a representative portfolio that provides a return comparable to that of a Reference Index or Reference Asset. This strategy was used for tracking certain equity or fixed income indices which are too broad to replicate, contained securities which were unavailable or difficult to purchase in the open markets or an announcement had been made that certain Securities would shortly be included as components of the Reference Index or Reference Asset. Consequently, a Fund using this strategy typically held only a subset of the securities which comprise the relevant Reference Index or Reference Asset.
- Master Feeder Strategy - this strategy sought to achieve the investment objective of the relevant Fund by investing substantially all (and in any event no less than 85%) of the assets of the relevant Fund in another eligible UCITS Investment Fund in accordance with the requirements of the Central Bank.

A Fund may have also on occasion held securities which were not comprised in the relevant Reference Index or Reference Asset where the Investment Manager believed this to be appropriate in light of the investment objective and investment restrictions of the Fund, or other factors such as market conditions. The potential for any such proposed investment by a Fund was disclosed in the relevant Supplement.

As at 30 June 2017, the Company had no active Funds.

In limited circumstances and only where disclosed in the Supplement for the relevant Fund, a Fund may have also used the Swap Strategy.

- Swap Strategy - this strategy used financial derivative instruments and transactions and/or OTC derivatives to achieve the Target Performance by exchanging the performance of a basket of global equity securities and equity related securities in return for the performance/return of the Reference Index.

In each case, information in relation to the types of instruments or securities in which the relevant Fund invested, including details in relation to the exchanges or markets on which the Fund's investments were listed or traded, were set out in the Supplement of the relevant Fund.

There was no assurance that the investment objective of any Fund whose performance is linked to the Reference Index or Reference Asset would actually be achieved.

During the financial period, all 3 Funds were engaged in the Master Feeder Strategy up until final redemption (14 June 2017).

The individual Fund's investment objectives and strategies are contained in the individual Fund's Financial Statements.

# Investment Manager's report

## Interim Report and Unaudited Financial Statements 2017

### Source FTSE RAFI Europe Equity Income Physical UCITS ETF

#### Investment objective and policies

The investment objective of Source FTSE RAFI Europe Equity Income Physical UCITS ETF (the "Fund") was to achieve the performance of FTSE RAFI Developed Europe Equity Income Index (the "Reference Index") by investing in the L&G FTSE RAFI Europe Equity Income Fund (the "Master Fund") less fees, expenses and transaction costs.

The Reference Index was designed to measure the performance of high yield stocks which had been screened to target sustainable income. The Reference Index constituents were selected and weighted using four fundamental factors, as opposed to market capitalisation.

The Reference Index components were comprised of stocks or shares of companies in developed European countries including Austria, Belgium, Luxembourg, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Netherlands, Norway, Portugal, Spain, Switzerland and the UK which are included in the top 98% of the FTSE Developed Europe All Cap index. The eligible constituents were then ranked on the following four fundamental measures of company size: book value, value cash flow, sales and dividends and the constituents' overall value was determined in accordance with the percentage weight allocated to each fundamental measure.

In order to achieve the investment objective, Source Markets II plc (the "Company") on behalf of the Fund permanently invested all or substantially all of the net proceeds of any issue of Shares, being at least 85% of its net assets, in units of the Master Fund.

In addition, the Fund may have held up to 15% of net assets in one of the following:

- ancillary liquid assets; and
- Foreign Direct Investments (FDIs), which may only be used for hedging purposes.

The Master Fund was a sub-fund of Legal & General Authorised Contractual Scheme, which is an authorised umbrella contractual scheme in co-ownership form authorised by the Financial Conduct Authority.

The objective of the Master Fund was to track the overall performance of European equity market as represented by the Reference Index. The Master Fund will invest predominantly in securities that make up the constituents of the Reference Index.

The Master Fund's investments closely matched those that made up the Reference Index. Securities in the Reference Index were held with weightings generally proportionate to their company's weighting in the Reference Index.

The Master Fund may have also invested in other transferable securities, permitted deposits, money market instruments, cash, near cash and units in investment funds. The Master Fund may have invested in derivatives for the purposes of Efficient Portfolio Management.

#### Performance

During the review period to the Fund's closure on 14 June 2017, the Fund rose by 9.50% on a total return basis, compared to the FTSE RAFI Developed Europe Equity Income Total Return Index which rose by 9.43% (valued in Euro, Source: FTSE Russell), producing a tracking difference of +0.07%.

#### Market/Economic review

June was a disappointing month for European Equities. European Central Bank (ECB) President Mario Draghi's speech about reflationary forces and economic recovery raised the prospect that the ECB might taper its asset purchase programme sooner than anticipated, unsettling equity markets. Financials were the only sector to record positive performance in June, due to actions taken by the Italian government to help several of its domestic banks, and the rise in longer-term interest rates during the month. The energy sector was dragged lower by further weakness in oil prices, while sectors closely correlated with bond markets such as telecommunications and utilities underperformed as bonds sold off in response to Draghi's comments. In the European telecommunications sector, competitive pressures are still prevailing and it remains unclear if consolidations will occur in the near future.

# Interim Report and Unaudited Financial Statements 2017

## Fund review

During the review period there was one Annual Index Rebalance, in March 2017.

The March 2017 Index review resulted in 44 additions and 43 deletions. The largest additions were Enel +2.54% (Italy), Intesa Sanpaolo +2.01% (Italy), Swiss Re +1.46% (Switzerland) and the largest deletions were Telefonica -4.37% (Spain), Rio Tinto -3.61% (UK), British American Tobacco -2.83% (UK). There were also 9 changes to the free share capital of constituents. Two-way Index turnover was 64.86%.

Outside the Index review, there were no significant corporate events affecting the Fund.

## Outlook

The Fund closed on 14 June 2017.

Legal & General Investment Management Limited  
(Investment Adviser)

Date: 30 June 2017

# Interim Report and Unaudited Financial Statements 2017

## Source FTSE RAFI UK Equity Income Physical UCITS ETF

### Investment objective and policies

The investment objective of Source FTSE RAFI UK Equity Income Physical UCITS ETF (the "Fund") was to achieve the performance of FTSE RAFI UK Equity Income Index (the "Reference Index") by investing in the L&G FTSE RAFI UK Equity Income Fund (the "Master Fund") less fees, expenses and transaction costs.

The Reference Index was designed to measure the performance of high yield stocks which had been screened to target sustainable income. The Reference Index constituents were selected and weighted using four fundamental factors, as opposed to market capitalisation.

The Reference Index components were comprised of stocks or shares of UK companies which were included in the top 98% of the FTSE Developed Europe All Cap index. The eligible constituents were then ranked on the following four fundamental measures of company size: book value, value cash flow, sales and dividends and the constituents' overall value was determined in accordance with the percentage weight allocated to each fundamental measure.

In order to achieve the investment objective, Source Markets II plc (the "Company") on behalf of the Fund permanently invested all or substantially all of the net proceeds of any issue of Shares, being at least 85% of its net assets, in units of the Master Fund.

In addition, the Fund may have held up to 15% of net assets in one of the following:

- ancillary liquid assets; and
- Foreign Direct Investments (FDIs), which may only be used for hedging purposes.

The Master Fund was a sub-fund of Legal & General Authorised Contractual Scheme, which is an authorised umbrella contractual scheme in co-ownership form authorised by the Financial Conduct Authority.

The objective of the Master Fund was to track the overall performance of UK equity market as represented by the Reference Index. The Master Fund invested predominantly in securities that made up the constituents of the Reference Index.

The Master Fund's investments closely matched those that made up the Reference Index. Securities in the Reference Index were held with weightings generally proportionate to their company's weighting in the Reference Index.

The Master Fund may have also invested in other transferable securities, permitted deposits, money market instruments, cash, near cash and units in investment funds. The Master Fund may have invested in derivatives for the purposes of Efficient Portfolio Management.

### Performance

During the review period to the Fund's closure on 14 June 2017, the Fund rose by 9.44% on a total return basis, compared to the FTSE RAFI UK Equity Income Index which rose by 9.83% (valued in Sterling, Source: FTSE Russell), producing a tracking difference of -0.39%.

### Market/Economic review

UK equities recorded their worst monthly return since January 2016. An inconclusive outcome to the general election added to the already uncertain outlook for consumer spending and business investment in the UK with Brexit negotiations now under way. There were mixed messages from the Governor of the Bank of England, with his most recent comment that "some removal of monetary stimulus is likely to become necessary." Uncertainty over the direction of monetary policy had already been highlighted as three out of the eight members on the Bank's Monetary Policy Committee had voted for a 0.25% interest rate increase at the June meeting. Currency markets interpreted this as a change of tone with Sterling strengthening as a result. Bond markets sold off as concerns grew that the prolonged era of ultra-loose monetary policy is coming to an end. Accordingly, bond sensitive sectors such as utilities, consumer staples and pharmaceuticals weakened. UK retail sales data remained sluggish with several retailers reporting challenging trading conditions. Energy stocks lost ground as the oil price moved lower. The only sectors to gain ground during June were financials and basic materials.

# Interim Report and Unaudited Financial Statements 2017

## Fund review

During the review period there was one Annual Index Rebalance, in March 2017.

The March 2017 Index review resulted in 24 additions and 19 deletions. The largest additions were Sainsbury +3.60%, TUI AG +2.24%, Royal Mail +1.61% and the largest deletions were Rio Tinto -7.17%, Standard Chartered -7.13%, British American Tobacco -5.72%. There were also 4 increases to the free share capital of constituents. Two-way Index turnover was 65.31%.

Outside the Index review, there were no significant corporate events affecting the Fund.

## Outlook

The Fund closed on 14 June 2017.

Legal & General Investment Management Limited  
(Investment Adviser)

Date: 30 June 2017

# Interim Report and Unaudited Financial Statements 2017

## Source FTSE RAFI US Equity Income Physical UCITS ETF

### Investment objective and policies

The investment objective of Source FTSE RAFI US Equity Income Physical UCITS ETF (the "Fund") was to achieve the performance of FTSE RAFI US Equity Income Index (the "Reference Index") by investing in the L&G FTSE RAFI US Equity Income Fund (the "Master Fund") less fees, expenses and transaction costs.

The Reference Index was designed to measure the performance of high yield stocks which had been screened to target sustainable income. The Reference Index constituents were selected and weighted using four fundamental factors, as opposed to market capitalisation.

The Reference Index components were comprised of stocks or shares of companies which were included in the top 98% of the FTSE US All Cap index. The eligible constituents were then ranked on the following four fundamental measures of company size: book value, value cash flow, sales and dividends and the constituents' overall value was determined in accordance with the percentage weight allocated to each fundamental measure.

In order to achieve the investment objective, Source Markets II plc (the "Company") on behalf of the Fund permanently invested all or substantially all of the net proceeds of any issue of Shares, being at least 85% of its net assets, in units of the Master Fund.

In addition, the Fund may have held up to 15% of net assets in one of the following:

- ancillary liquid assets; and
- Foreign Direct Investments (FDIs), which may only be used for hedging purposes.

The Master Fund was a sub-fund of Legal & General Authorised Contractual Scheme, which is an authorised umbrella contractual scheme in co-ownership form authorised by the Financial Conduct Authority.

The objective of the Master Fund was to track the overall performance of US equity market as represented by the Reference Index. The Master Fund invested predominantly in securities that made up the constituents of the Reference Index.

The Master Fund's investments closely matched those that made up the Reference Index. Securities in the Reference Index were held with weightings generally proportionate to their company's weighting in the Reference Index.

The Master Fund may have also invested in other transferable securities, permitted deposits, money market instruments, cash, near cash and units in investment funds. The Master Fund may have invested in derivatives for the purposes of Efficient Portfolio Management.

### Performance

During the review period to the Fund's closure on 14 June 2017, the Fund rose by 6.12% on a total return basis, compared to the FTSE RAFI US Equity Income Index which rose by 5.91% (valued in US Dollars, Source: FTSE Russell), producing a tracking difference of +0.21%.

### Market/Economic review

US equities struggled to make further headway in June. As expected, the Federal Reserve increased interest rates by a further 0.25%, while indicating it will begin unwinding its asset purchase programme in the autumn. With other central banks sending signals about the need to normalise monetary policy, investors switched out of technology stocks on valuation grounds, while higher yielding utilities and telecommunications sold off as bond markets reacted to a change in tone on policy guidance. Financials and healthcare were the beneficiaries of this rotation away from technology and high dividend stocks.

# Interim Report and Unaudited Financial Statements 2017

## Fund review

During the review period there was one Annual Index Rebalance, in March 2017.

The March 2017 Index review resulted in 43 additions and 43 deletions. The largest additions were Prudential Financial +2.09%, Duke Energy +1.02%, BB&T Corp +0.96% and the largest deletions were Honeywell Inter -0.70%, New York Community -0.63%, Sysco Corp -0.55%. There were also 15 changes to the free share capital of constituents. Two-way Index turnover was 41.12%.

Outside the Index review, there were no significant corporate events affecting the Fund.

## Outlook

The Fund closed on 14 June 2017.

Legal & General Investment Management Limited  
(Investment Adviser)

Date: 30 June 2017

## Interim Report and Unaudited Financial Statements 2017

### Benchmark indices/strategies:

Fund name	Functional currency	Reference index
Source FTSE RAFI Europe Equity Income Physical UCITS ETF	EUR	FTSE RAFI Developed Europe Equity Income Index
Source FTSE RAFI UK Equity Income Physical UCITS ETF	GBP	FTSE RAFI UK Equity Income Index
Source FTSE RAFI US Equity Income Physical UCITS ETF	USD	FTSE RAFI US Equity Income Index

Reference indexes listed above are applicable to all classes of a Fund.

This listing includes the 3 Funds which made final redemptions during the financial period.

The performance of the Funds from launch date to 14 June 2017 (final redemption date)

	Currency	Launch date	Return since launch* (%)	Index return since launch (%)	Tracking difference since launch* (%)	Realised Tracking Error p.a. since 30/12/16** (%)	Expected Tracking Error p.a. since 30/12/16 (%)
Source FTSE RAFI Europe Equity Income Physical UCITS ETF	EUR	02/03/16	24.171%	24.059%	0.112%	0.168%	0.250%
Source FTSE RAFI UK Equity Income Physical UCITS ETF	GBP	03/03/16	27.613%	28.637%	-1.024%	0.233%	0.200%
Source FTSE RAFI US Equity Income Physical UCITS ETF	USD	29/02/16	24.396%	24.006%	0.390%	0.102%	0.150%

Information above relates to Class A share unless otherwise noted.

\* Inclusive of fees.

\*\* The higher than expected realised tracking errors were primarily attributed to the withholding tax impact and future basis risk.

Realised tracking error and realised tracking difference are in line with expectations. The tracking difference between the Fund and the benchmark index/strategy is mainly driven by the management fee.

# Financial Statements of the Company

## Interim Report and Unaudited Financial Statements 2017

### Financial Statements of the Company

#### Statement of comprehensive income

For six months ended 30 June 2017	Notes	Financial period ended 30 June 2017 EUR	Financial period ended 30 June 2016 EUR
<b>Income</b>			
Dividend Income		151,228	-
Net gains on financial assets and financial liabilities at fair value through profit or loss	3	1,614,347	7,475,828
<b>Total investment income</b>		<b>1,765,575</b>	<b>7,475,828</b>
Operating expenses	4	(34,993)	(155,665)
<b>Net income</b>		<b>1,730,582</b>	<b>7,320,163</b>
<b>Finance costs</b>			
Distributions	1(k)	(250,266)	-
<b>Profit for the financial period</b>		<b>1,480,316</b>	<b>7,320,163</b>
<b>Increase in Net Assets Attributable to Holders of Redeemable Shares</b>		<b>1,480,316</b>	<b>7,320,163</b>

There are no recognised gains or losses arising in the financial period other than the increase in Net Assets Attributable to Holders of Redeemable Shares of the Company. In arriving at the results of the financial period, none of the amounts above relate to continuing operations, as Source FTSE RAFI Europe Equity Income Physical UCITS ETF, Source FTSE RAFI UK Equity Income Physical UCITS ETF and Source FTSE RAFI US Equity Income Physical UCITS ETF made final redemptions on 14 June 2017.

# Interim Report and Unaudited Financial Statements 2017

## Financial Statements of the Company

### Statement of financial position

As at 30 June 2017	Notes	As at 30 June 2017 EUR	As at 31 December 2016 EUR
<b>Current Assets</b>			
<b>Assets at fair value through profit or loss</b>			
Financial assets at fair value through profit or loss			
- UCITS Investment Funds	1(c)	-	21,870,575
<b>Loans and receivables</b>			
Cash and Cash Equivalents	6	-	67,865
Debtors	7	-	206,619
<b>Total Current Assets</b>		<b>-</b>	<b>22,145,059</b>
<b>Current Liabilities</b>			
<b>Other financial liabilities</b>			
Creditors (amounts falling due within one year)	8	-	(87,140)
<b>Total Current Liabilities (excluding Net Assets Attributable to Holders of Redeemable Shares)</b>		<b>-</b>	<b>(87,140)</b>
<b>Net Assets Attributable to Holders of Redeemable Shares</b>		<b>-</b>	<b>22,057,919</b>

The accompanying notes form an integral part of the Financial Statements.

## Interim Report and Unaudited Financial Statements 2017

### Financial Statements of the Company

#### Statement of changes in net assets attributable to holders of redeemable shares

For six months ended 30 June 2017	Financial period ended 30 June 2017 EUR	Financial period ended 30 June 2016 EUR
<b>Net Assets Attributable to Holders of Redeemable Shares at the beginning of the financial period</b>	<b>22,057,919</b>	<b>-</b>
Notional foreign exchange adjustment*	(199,966)	(2,515,596)
Increase in Net Assets Attributable to Holders of Redeemable Shares from operations	1,480,316	7,320,163
Amounts received on issue of Redeemable Shares	-	131,790,204
Amounts paid on redemption of Redeemable Shares	(23,338,269)	-
<b>(Decrease)/increase in Net Assets resulting from Share transactions</b>	<b>(23,338,269)</b>	<b>131,790,204</b>
<b>Net Assets Attributable to Holders of Redeemable Shares at the end of the financial period</b>	<b>-</b>	<b>136,594,771</b>

\* The notional foreign exchange adjustment arises from the translation of opening net assets translated at the financial year end 31 December 2016 rates, the Statement of Comprehensive Income at average rates with closing assets and liabilities translated at the rates of exchange ruling at 14 June 2017 (final redemption date).

The accompanying notes form an integral part of the Financial Statements.

## Interim Report and Unaudited Financial Statements 2017

### Financial Statements of the Company

#### Statement of cash flows

For six months ended 30 June 2017	Notes	Financial period ended 30 June 2017 EUR	Financial period ended 30 June 2016 EUR
<b>Cash flows from operating activities</b>			
Proceeds from sale of investments		23,286,566	-
Purchase of investments		-	(131,790,204)
Dividend income received		356,062	-
Management fees paid		(121,337)	-
<b>Net cash inflow/(outflow) from operating activities</b>		<b>23,521,291</b>	<b>(131,790,204)</b>
<b>Cash flows from financing activities</b>			
Distributions paid		(250,266)	-
Proceeds from issue of Redeemable Shares		-	131,790,204
Payments of redemptions of redeemable shares		(23,338,269)	-
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(23,588,535)</b>	<b>131,790,204</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(67,244)</b>	<b>-</b>
Cash and cash equivalents at beginning of the financial period		67,865	-
Exchange losses on cash and cash equivalents		(621)	-
<b>Cash and cash equivalents at the end of the financial period</b>	<b>6</b>	<b>-</b>	<b>-</b>

The accompanying notes form an integral part of the Financial Statements.

# Interim Report and Unaudited Financial Statements 2017

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## Notes to the Financial Statements

For six months ended 30 June 2017

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### 1. Significant accounting policies

#### A) Basis of preparation

These Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union (EU) and with those parts of the Companies Act 2014 (as amended) applicable to companies reporting under IFRS and the European Communities (Undertakings for Collective Investment in Transferable Securities) Regulations 2011 (as amended) (the "UCITS Regulations") and the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Undertakings for Collective Investment in Transferable Securities) Regulations 2015 (as amended) (the "Central Bank UCITS Regulations"). The Financial Statements have been prepared under the historical cost convention as modified by the revaluation of financial assets and liabilities held at fair value through profit or loss. The significant accounting policies are set out below.

The preparation of Financial Statements in conformity with IFRS requires the use of certain critical estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the Financial Statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Notes 1 C) (iii) and 1 D).

Source FTSE RAFI Europe Equity Income Physical UCITS ETF, Source FTSE RAFI UK Equity Income Physical UCITS ETF and Source FTSE RAFI US Equity Income Physical UCITS ETF made final redemptions on 14 June 2017. It is intended that the Company will continue as a going concern and that additional sub-funds shall be established.

All fees associated with the final redemption of the Funds were borne by the Manager, Source Investment Management Limited.

#### Investment in the Master Fund

The Master Funds were sub-funds of Legal & General Authorised Contractual Scheme, which is an authorised umbrella contractual scheme in co-ownership form authorised by the Financial Conduct Authority.

Each Fund of the Company controlled its sub-fund (each a Master Fund), through a holding of 100% of their redeemable shares. The master-feeder structure was formed to meet legal and tax requirements.

The Funds had no commitments or intention to provide financial or other support to the Master Funds. No financial or other support was provided without a contractual obligation to do so during the reporting period.

#### International Financial Reporting Standards

- (i) New standards, amendments and interpretations issued but not effective for the financial period beginning 1 January 2017 and not early adopted;
  - IFRS 9 'Financial instruments', effective for annual financial periods beginning on or after 1 January 2018, specifies how an entity should classify and measure financial assets and liabilities, including some hybrid contracts.

The standard improves and simplifies the approach for classification and measurement of financial assets compared with the requirements of IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged. The standard applies a consistent approach to classifying financial assets and replaces the numerous categories of financial assets in IAS 39, each of which had its own classification criteria. The standard is not expected to have a significant impact on the Company's financial position or performance, as it is expected that the Company will continue to classify its financial assets and financial liabilities (both long and short) as being at fair value through profit or loss, held for trading.

# Interim Report and Unaudited Financial Statements 2017

## 1. Significant accounting policies (continued)

### A) Basis of preparation (continued)

- IFRS 15 'Revenue from Contracts with Customers' replaces IAS 11 and IAS 18 and is effective for periods beginning on or after 1 January 2018. It establishes principles for reporting useful information to users of Financial Statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 is not expected to have a significant impact on the Company's Financial Statements.
- Investment entities: Applying the consolidation exception –Amendments to IFRS 10, IFRS 12 and IAS 28. The Company is an investment entity and measures investments in the Master Funds at fair value through profit and loss. In determining whether the Company meets the definition of an investment entity, the Board of Directors considered the master-feeder structure as a whole. In particular, when assessing the existence of investment exit strategies and whether the Funds of the Company have more than one investment, the Board of Directors took into consideration the fact that the Master Funds were formed in connection with the Company in order to hold investments on behalf of the Funds of the Company. The Board of Directors concluded that the Company and the Master Funds each meet the definition of an investment entity. Consequently, the Board of Directors concluded that the Company should not consolidate the Master Funds.

There are no other standards, interpretations or amendments to existing standards that are not yet effective that would be expected to have a significant impact on the Company.

### B) Foreign currency translation

#### Functional and presentation currency

The Board of Directors considers the Euro as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

The Financial Statements of the Company are presented in Euro, which is both the functional and presentation currency.

Each individual Fund's functional currency is disclosed on page 10.

#### Transactions and balances

Foreign exchange gains and losses on financial assets and financial liabilities at fair value through profit and loss are recognised together with other changes in the fair value. Net currency gains/(losses) are net foreign exchange gains and losses on monetary financial assets and liabilities other than those classified at fair value through profit or loss.

Assets and liabilities denominated in foreign currencies, other than the functional currency of the Company, have been translated at the rate of exchange ruling at 14 June 2017 (final redemption date). Transactions in foreign currencies are translated into Euro at the exchange rate ruling at the date of the transaction. All gains and losses on foreign exchange are recognised in the Statements of Comprehensive Income in net gains on financial assets and financial liabilities at fair value through profit or loss in determining the result for the financial period.

The following exchange rates were used to convert investments, assets and liabilities to the functional currency of the Company:

	14 June 2017	31 December 2016	30 June 2016
<b>EUR</b>			
Sterling	0.882029	0.853599	0.831052
US Dollar	1.127851	1.054750	1.110951
<b>GBP</b>			
Euro	1.13375	1.171511	1.203294
US Dollar	1.278700	1.235651	1.336800
<b>USD</b>			
Euro	0.886642	0.948092	0.900130
Sterling	0.782044	0.809290	0.748055

# Interim Report and Unaudited Financial Statements 2017

## 1. Significant accounting policies (continued)

### B) Foreign currency translation (continued)

The average exchange rates used to convert the Company totals to Euro were 0.858500 (30 June 2016: 0.786315) for Sterling and 1.079158 for US Dollar (30 June 2016: 1.125320).

### C) Financial assets and financial liabilities at fair value through profit or loss

#### (i) Classification

IAS 39 (revised) sets out the requirements for recognition and measurement of all financial assets and financial liabilities including derivative instruments. The Company has classified all financial instruments as financial assets or financial liabilities at fair value through profit or loss on adoption of IAS 39.

The category of financial assets and financial liabilities at fair value through profit or loss comprises:

- A) Financial instruments held for trading: a financial asset or a financial liability is classified as held for trading if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term or if on initial recognition is part of a portfolio of identifiable financial investments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.
- B) All derivatives in a net receivable position (positive fair value) are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value) are reported as financial liabilities held for trading.
- C) Financial instruments designated at fair value through profit or loss upon initial recognition. These include financial instruments that are not classified as held for trading but are managed, and their performance is evaluated on a fair value basis in accordance with the Funds' documented investment strategy.

As the Funds made final redemptions during the financial period, there were no investments held as at 30 June 2017.

#### (ii) Recognition, derecognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date. Any gains and losses, arising from changes in fair value of the financial assets or financial liabilities, are recorded from this date.

The Company recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument, and all significant rights and access to the benefits from the assets or liabilities, and the exposure to the risks inherent in those benefits, are transferred to the Company. The Company derecognises financial assets and financial liabilities when all such benefits and risks are transferred from the Company.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statements of Comprehensive Income with other net changes in fair value of financial assets and liabilities at fair value through profit or loss in the financial period in which they arise.

#### (iii) Valuation of Investments

The estimation of fair value, after initial recognition, is determined as follows:

##### Listed investments

The fair value of investments which are quoted, listed, traded or dealt with on a market or exchange are based on quoted prices which, for the purpose of the Financial Statements, is the last traded market price for financial assets and financial liabilities as at the Statement of Financial Position date.

Realised gains or losses on disposal of investments during the financial period and unrealised gains and losses on valuation of investments held at the financial period-end are included in the Statements of Comprehensive Income, within net gains/(losses) on financial assets and financial liabilities at fair value through profit and loss.

# Interim Report and Unaudited Financial Statements 2017

## 1. Significant accounting policies (continued)

### C) Financial assets and financial liabilities at fair value through profit or loss (continued)

#### Valuation of the Master Funds

Each of the Master Funds was single priced. The price of a unit in the Master Funds was calculated by reference to the Net Asset Value of the Master Fund to which it related. The Net Asset Value per unit of a Master Fund was calculated on each Dealing Day at the valuation point of the Master Fund.

The price per unit at which units were bought or were redeemed was the Net Asset Value per unit. Any initial, redemption, Switching, Conversion charge or dilution levy was payable in addition to the price or deducted from the proceeds as it was taken from the gross subscription or redemption monies.

The prices of units of the Master Funds were available daily on the Investment Manager's website at [www.lgim.com](http://www.lgim.com).

#### (iv) Impairment

Financial assets that are stated at amortised cost are reviewed at each financial position date to determine whether there is objective evidence of impairment.

If any such indication exists, an impairment loss is recognised in the Statements of Comprehensive Income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

If in a subsequent financial period the amount of an impairment loss recognised on a financial asset carried at amortised cost decreases and the decrease can be linked objectively to an event occurring after the write-down, the write-down is reversed through the Statements of Comprehensive Income.

### (v) Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the Statements of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liability simultaneously.

### D) Critical accounting estimates and assumptions

Management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There were no estimates and assumptions that had a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities as of the financial period end date.

All of the Funds' financial assets and financial liabilities were held for the purpose of being traded and designated at fair value through profit or loss.

### E) Fees and expenses

In accordance with the Prospectus the management fees were charged to the Statements of Comprehensive Income on an accruals basis. Other than the management fees, all fees and expenses incurred by the Funds including those payable to the Investment Manager, the Depositary, the Administrator, the Auditor and the Directors were paid by the Manager.

### F) Cash and cash equivalents

Cash in all Funds was held on deposit with The Northern Trust Company; details of which are disclosed in the Cash and Cash Equivalents note of the individual Fund's Financial Statements.

### G) Redeemable shares

Redeemable Shares are redeemable at the Shareholders' option and are classified as financial liabilities. Any distributions on these shares are recognised in the Statements of Comprehensive Income as finance costs.

# Interim Report and Unaudited Financial Statements 2017

## 1. Significant accounting policies (continued)

### H) Fair value of net assets attributable to redeemable shareholders

In accordance with the provisions of the Prospectus and Supplements, listed investments were stated at the last traded price on the valuation day for the purpose of determining the net asset value per share for subscriptions and redemptions and for various fee calculations.

### I) Segment reporting

Operating Segments are reported in a manner consistent with the internal reporting used by the Chief Operating Decision Maker ("CODM"). The CODM, who is responsible for allocation of resources and assessing the performance of the operating segment has been identified as the Board of Directors. The Board of Directors make the strategic resource allocations on behalf of the Company. Each Fund is managed as one operating segment.

### J) Valuation point

The valuation point used for the purposes of the Financial Statements is that of 14 June 2017, final redemption date of the Funds.

The valuation point for the comparative financial period used for the purposes of the Financial Statements is that of 30 June 2016 for the Statement of Comprehensive Income, Statement of Changes in Net Assets Attributable to Holders of Redeemable Shares, Statement of Cash Flows and related notes, the last Business Day of that financial period. For the Statement of Financial Position and related notes, the valuation point for the comparative purposes is that of 31 December 2016, the last Business Day of that financial year.

### K) Distributions

The dividend arrangements relating to each Fund will be decided by the Directors at the time of the creation of the relevant Fund and details are set out where applicable in the relevant Supplement.

Under the Articles, the Directors are entitled to declare such dividends on any Class of Shares at such times as they think appropriate and as appear to be justified out of the profits of the relevant Fund, being (i) the accumulated revenue (consisting of all revenue accrued including interest and dividends) less expenses and/or (ii) realised and unrealised capital gains on the disposal/valuation of investments and other funds less realised and unrealised accumulated capital losses of the relevant Fund and/or the capital of the relevant Fund. Where the dividends will be paid out of the capital of the relevant Fund, this will be disclosed in the relevant Supplement.

The Company total distributions figure should not be read in isolation, it is merely a consolidation of the sub-funds. Distributions should be viewed on a sub-fund level. There has not been an over distribution at Company level.

Dividends relating to each Fund will be declared on a quarterly basis for the Class A Shares in accordance with the general provisions set out in the Prospectus.

### L) Dividend income

In the financial period ended 30 June 2017, dividend income was received by all Funds from certain underlying holdings of the relevant Fund; and this is reflected as income to the Funds and as a distribution to the relevant counterparty. Details of the current financial period's dividend income and distribution paid are disclosed in each Fund's individual Financial Statements.

### M) Transaction costs

Transaction costs are costs incurred to acquire financial assets or liabilities at fair value through profit or loss. They include fees and commissions paid to agents, advisers, brokers or dealers. Transaction costs, when incurred, are included as part of the cost of such purchases.

### N) Interest income

Interest income is recognised on a time-proportionate basis using the effective interest method. It includes interest income from cash and cash equivalents. There was no interest income earned during the financial period.

# Interim Report and Unaudited Financial Statements 2017

## 1. Significant accounting policies (continued)

### O) Setting up costs

The cost of establishing the Company and the Funds (including fees in connection with the incorporation and registration of the Company, listing the Funds on the relevant stock exchanges and registering the Funds for sale in other jurisdictions) will be paid by Source Investment Management Limited (the "Manager") and/or Source UK Services Limited (the "Promoter"). The cost of establishing subsequent Funds will also be paid by the Manager unless otherwise provided in the Supplement for the relevant Fund.

### P) Related and connected persons disclosure

Persons are considered to be related if one person has the ability to control the other party or exercise significant influence over the other person in making financial or operational decisions.

Any transaction carried out with a UCITS by a management company or depositary to the UCITS, the delegates or subdelegates of the management company or trustee, and any associated or group of such a management company, depositary, delegate or sub-delegate ("connected persons") must be carried out as if negotiated at arm's length. Transactions must be in the best interests of the shareholders.

The Directors are satisfied that there are arrangements (evidenced by written procedures) in place, to ensure that the obligations set out in Regulation 41(1) of the Central Bank UCITS Regulations are applied to all transactions with connected persons, and are satisfied that transactions with connected persons entered into during the financial year complied with the obligations set out in Regulation 41(1) of the Central Bank UCITS Regulations.

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## 2. Financial risks

As defined by IFRS 7 'Financial Instruments: Disclosures', risk arising on financial instruments can be separated into the following components: Market Risk, Credit Risk and Liquidity Risk.

Each type of risk is discussed below and both qualitative and quantitative analyses are provided, where relevant, to give the reader an understanding of risk management methods used by the Investment Manager and reviewed by the Directors of the Company.

The Funds invested substantially all their assets through a "Master-Feeder" fund structure in the Master Fund and as a result is exposed to the risks of the Master Fund.

The main risks arising from the Funds' financial instruments and derivatives were market risk, credit risk and liquidity risk.

The Company's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise any discrepancy between the performance of the Funds and the performance of the respective benchmarks.

The nature and extent of the financial instruments outstanding at the Statement of Financial Position date and the risk management policies employed by the Company are discussed below.

### A) General

The risk monitoring process is the responsibility of the Company which has delegated this responsibility to the Manager and the Investment Manager.

The Company's investment objective was that each Fund sought to provide shareholders with a target performance linked to the performance of a reference index or reference asset by purchasing a portfolio of transferable securities that may (but was not obliged to) have comprised all or a representative sample of the constituent securities of that reference index or reference asset.

The Investment Manager was responsible for the operation of the risk management process, including the measurement of risk of each Fund's portfolio at any given time.

# Interim Report and Unaudited Financial Statements 2017

## 2. Financial risks (continued)

### A) General (continued)

The Investment Manager will reported in writing confirming compliance with the guidelines laid down in the Risk Management Policy document and the Prospectus, at least monthly to the named Designated Person, and will reported to the Board of Directors at least quarterly.

### B) Market risk

Market risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market prices. Market risk comprises the three following types of risk:

- interest rate risk,
- currency risk, and
- other price risk

As there are no active Funds in existence as at 30 June 2017, there is no exposure to market risk.

#### (i) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on the fair value of financial assets and liabilities and the future cash flows.

As there are no active Funds in existence as at 30 June 2017, there is no exposure to interest rate risk.

#### (ii) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Foreign currency risk, as defined in IFRS 7, arises as the value of future transactions, recognised monetary assets and monetary liabilities denominated in other currencies fluctuate due to changes in foreign exchange rates. IFRS 7 considers the foreign exchange exposure relating to non-monetary assets and non-monetary liabilities to be a component of other price risk not foreign currency risk.

Monetary items are units of currency held and assets and liabilities to be received or paid in a fixed or determinable number of units of currency. Non-monetary items are any other assets and liabilities other than monetary ones.

As there are no active Funds in existence as at 30 June 2017, there is no exposure to currency risk.

#### (iii) Other price risk

Other price risk is the risk that the value of investments will fluctuate as a result of changes in market price (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer or similar financial instruments traded in the market.

As there are no active Funds in existence as at 30 June 2017, there is no exposure to other price risk.

### C) Credit risk

Credit risk is the risk that one party to a financial instrument or other obligation will cause a financial loss for the other party by failing to discharge an obligation.

The Company's Depositary is Northern Trust Fiduciary Services (Ireland) Limited (the "Depositary"). The Company may hold cash balances with the Depositary.

Substantially all of the cash assets would be held with The Northern Trust Company ("TNTC"). Cash deposited with TNTC is held on its Statement of Financial Position.

Accordingly, in accordance with usual banking practice, the Bank's liability to the Company in respect of such cash deposits shall be that of debtor and the Company will rank as a general creditor of TNTC.

The financial instruments held in custody are held with the Depositary Northern Trust Fiduciary Services (Ireland) Limited. These assets are held distinct and separately from the proprietary assets of the Depositary. Securities are clearly recorded to ensure they are held on behalf of the Company. Bankruptcy or insolvency of the Depositary and or one of its agents or affiliates may cause the Company's rights with respect to the securities held by the Depositary to be delayed.

# Interim Report and Unaudited Financial Statements 2017

## 2. Financial risks (continued)

### C) Credit risk (continued)

Both Northern Trust Fiduciary Services (Ireland) Limited and The Northern Trust Company are wholly owned subsidiaries of Northern Trust Corporation. As at 30 June 2017 Northern Trust Corporation had a long term rating from Standard & Poor's of A+ (31 December 2016: A+).

Northern Trust Corporation has the right under the guarantee to assert any such defences available to the Northern Trust Fiduciary Services (Ireland) Limited in relation to any such payments.

Risk is managed by monitoring the credit quality and financial positions of the Depository the Company uses.

Northern Trust acts as its own sub-custodian in the U.S., the U.K., Ireland and Canada. In all other markets Northern Trust appoints a local sub-custodian. Northern Trust continually reviews its sub-custodian network to ensure clients have access to the most efficient, creditworthy and cost-effective provider in each market.

As already mentioned, the Company's non-cash assets held by the Depository are segregated from the proprietary assets of the Depository and are held in accounts in the name of the Depository designated for the Company.

The Company is exposed to credit risk through the use of a Depository or sub-custodian. The bankruptcy or insolvency of any of these parties may cause the Company's rights with respect to its assets held by these entities to be delayed or limited.

As there are no active Funds in existence as at 30 June 2017, there is no exposure to credit risk.

### D) Liquidity risk

Liquidity risk is the risk that a Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

Liquidity risk exists when a particular instrument is difficult to purchase or sell.

As there are no active Funds in existence as at 30 June 2017, there is no exposure to liquidity risk.

### E) Secondary market trading risk

As there are no active Funds in existence as at 30 June 2017, there is no exposure to secondary market trading risk.

### F) Capital risk management

The capital of the Funds was represented by the net assets attributable to holders of Redeemable Shares. The amount of net assets attributable to holders of Redeemable Shares could change significantly on a daily basis as the Funds were subject to subscriptions and redemptions at the discretion of the Shareholders.

The Funds' individual objectives when managing capital was to safeguard each Fund's ability to continue as a going concern in order to provide returns for Shareholders and to maintain a strong capital base to support the development of the investment activities of the Funds.

### G) Fair value information

IFRS 7 'Financial Instruments: Disclosures' requires disclosure relating to the fair value hierarchy in which fair value measurements are categorised for assets and liabilities in the Statement of Financial Position. The disclosures are based on a three-level fair value hierarchy for the inputs used in valuation techniques to measure fair value.

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).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs). The Funds have not invested in such instruments during the financial period.

# Interim Report and Unaudited Financial Statements 2017

## 2. Financial risks (continued)

### G) Fair value information (continued)

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.

The Funds did not have any investments, and have not entered into any transactions, requiring this type of valuation during the financial period. 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 Funds considered 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 fair value of financial assets and liabilities traded in an active market (such as trading securities) are based on quoted market prices at the close of trading on the financial period-end date.

A financial instrument is regarded as quoted in an active market if the quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

In the event that market quotes are not readily available for either of these inputs the value of the relevant input will be determined in good faith by the Administrator or another independent service provider, generally based upon recommendations provided by the Investment Manager.

The carrying values of other receivables and payables are assumed to approximate their fair value.

The comparative quantitative disclosures are contained in Note 2 to the individual Fund's Financial Statements as there are no active Funds as at 30 June 2017.

### 3. Net gains on financial assets and liabilities at fair value through profit or loss

	Financial period ended 30 June 2017 EUR	Financial period ended 30 June 2016 EUR
Realised gains on sale of investments	3,948,006	-
Net change in unrealised (depreciation)/appreciation on investments	(2,333,659)	7,475,828
	<b>1,614,347</b>	<b>7,475,828</b>

### 4. Operating expenses

	Financial period ended 30 June 2017 EUR	Financial period ended 30 June 2016 EUR
Management fees	34,993	155,665
	<b>34,993</b>	<b>155,665</b>

All other expenses are paid by the Manager. These expenses included Directors fees of EUR 16,155 (inclusive of PAYE) (30 June 2016: EUR 13,417).

## Interim Report and Unaudited Financial Statements 2017

### 5. Management fees

The Management Fee, a percentage of the Net Asset Value of the relevant Class of Shares, is payable by the Company out of the assets of the Fund to the Manager. The Management Fee accrued on each day and was calculated on each Dealing Day and paid monthly in arrears. The Manager paid out of its fees (and not out of the assets of the Fund) the fees and expenses (where appropriate) of the Investment Manager, the Administrator, the Depository, the Directors, the Auditors and the ordinary fees, expenses and costs incurred by the Fund that include setting up costs and other administrative expenses as described in the Prospectus.

The fees in the following table are expressed as a percentage per annum of the Fund's net asset value.

Fund	% Rate per Annum
Source FTSE RAFI Europe Equity Income Physical UCITS ETF	0.35
Source FTSE RAFI UK Equity Income Physical UCITS ETF	0.35
Source FTSE RAFI US Equity Income Physical UCITS ETF	0.35

### 6. Cash and cash equivalents

	As at 30 June 2017 EUR	As at 31 December 2016 EUR
The Northern Trust Company*	-	67,865
	-	<b>67,865</b>

\* Cash held is segregated.

### 7. Debtors

	As at 30 June 2017 EUR	As at 31 December 2016 EUR
Dividend income	-	206,619
	-	<b>206,619</b>

### 8. Creditors (amounts falling due within one year)

	As at 30 June 2017 EUR	As at 31 December 2016 EUR
Management fees	-	87,140
	-	<b>87,140</b>

All other expenses payable were paid by the Manager. Included in these are Directors fees payable of EUR 7,250 (31 December 2016: EUR 5,750).

### 9. Related party transactions

#### Manager

The Company has appointed Source Investment Management Limited to act as Manager to the Company and each Fund. The Manager is a subsidiary of Source Holdings Limited which is a Cayman incorporated holding company. WP Source Limited, a subsidiary of Warburg Pincus (Bermuda) Private Equity GP Limited, a fund managed by a US private equity firm holds a majority stake in Source Holdings Limited (Parent entity). Merrill Lynch International, Goldman Sachs International, J.P. Morgan Securities plc, Morgan Stanley & Co. International plc and Nomura International plc are minority shareholders in Source Holdings Limited.

Management fee charged during the financial period ended 30 June 2017 was EUR 34,990 (30 June 2016: 155,665); of which EUR Nil was outstanding at 30 June 2017 (31 December 2016:87,140).

# Interim Report and Unaudited Financial Statements 2017

## 9. Related party transactions (continued)

### Directors

The amount paid to Directors in the financial period ended 30 June 2017 by the Manager and the amounts outstanding on 30 June 2017 are disclosed in Note 4 (Operating Expenses) and Note 8 (Creditors) respectively. Gary Buxton and Mike Kirby have waived their fees.

Gary Buxton is a Director of the Company and the Chief Operating Officer of the Promoter, Source UK Services Limited. Mike Kirby is a Director of the Company, the Manager and the principal of KB Associates which provides services to the Manager. No fees were paid to KB Associates during the financial period by the Company. David McGeough is also a Director of the Company.

### Investment Manager

Legal & General Investment Management Limited was the Investment Manager to the Funds. The Funds paid no fees directly to the Investment Manager, and as outlined in Note 4 of these Financial Statements, all other expenses were paid by the Manager on behalf of the Funds.

### Authorised Participants

Goldman Sachs International, Morgan Stanley & Co. International plc, Merrill Lynch International, Credit Suisse Securities (Europe) Limited, Commerzbank AG and J.P. Morgan Securities plc were Authorised Participants to the Funds, who were related parties by virtue of their direct shareholding in the Funds or through a shareholding of one of their respective group companies.

There were no brokerage fees paid to the Authorised Participants during the financial period ended 30 June 2017 (30 June 2016: Nil).

## Shareholdings in redeemable shares

Authorised Participants may have purchased and held Redeemable Shares in the Funds for trading purposes. In addition, the Authorised Participants may have held Redeemable Shares on behalf of clients, on their own account or for the purpose of providing seed capital to the Funds. These holdings may have on occasion constituted a large portion of a Fund. From time to time, such holdings may have even constituted the majority of assets under management of the Fund but are not significant. There were no requirement (expressed or implied) on Authorised Participants to maintain positions in a Fund at any time.

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## 10. Taxation

Under current law and practice, the Company qualifies as an investment undertaking as defined in section 739B of the Taxes Consolidation Act, 1997, as amended. On that basis it is not chargeable to Irish tax on its income or gains. However, Irish tax may arise on the occurrence of a "chargeable event" for certain investors not satisfying one of the criteria outlined below.

A chargeable event includes any distribution payments to Shareholders or any encashment, redemption, cancellation or transfer of Shares and the holding of Shares at the end of each 8 year period beginning with the acquisition of such Shares.

No Irish tax will arise on the Company in respect of chargeable events in respect of:

- a) a Shareholder who is neither Irish resident nor ordinarily resident in Ireland for tax purposes, at the time of the chargeable event, provided appropriate valid declarations in accordance with the provisions of the Taxes Consolidation Act, 1997, as amended, are held by the Company, or the Company has been authorised by the Irish Revenue to make gross payments in the absence of appropriate declarations; and
- b) certain exempted Irish tax resident Shareholders who have provided the Company with the necessary signed statutory declarations.

# Interim Report and Unaudited Financial Statements 2017

## 10) Taxation (continued)

- c) any transaction (which might otherwise be a chargeable event) in relation to Shares held in a recognised clearing system as designated by order of the Irish Revenue Commissioners will not constitute a chargeable event. It is the current intention of the Directors that all the Shares in the Company will be held in recognised clearing systems.

Dividends, interest and capital gains (if any) received on investments made by the Company may be subject to withholding taxes imposed by the country from which the investment income/gains are received and such taxes may not be recoverable by the Company or its Shareholders.

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## 11. Share capital

The authorised share capital of the Company is 2 subscriber shares of €1 each and 1,000,000,000,000 shares of no par value initially designated as unclassified shares and available for issue as shares.

In accordance with the objectives listed in the risk management policies in Note 2, the Company strives to invest the subscriptions of Redeemable Shares in appropriate investments.

Details of the number of shares issued and redeemed during the financial period per Fund are contained in the individual Fund's Financial Statements notes, as is the dealing net asset value (NAV) per share.

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## 12. Soft commission arrangements

It is not currently intended that any soft commission arrangements will be made in respect of the Company.

There were no soft commission arrangements in the current financial period (31 December 2016: none).

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## 13. Segregation of liability

Under the provisions of the Companies Act 2014 (as amended), the Directors shall maintain for each Fund a separate portfolio of assets. As between Shareholders, each portfolio of assets shall be invested for the exclusive benefit of the relevant Fund. The Shareholders shall only be entitled to the assets and profits of that Fund in which they participate. The Company shall be considered one single legal entity. With regard to third parties, in particular towards the Company's creditors, the Company shall be responsible for all liabilities incurred by a Fund exclusively based on the assets of this relevant Fund. Among the Shareholders, the liabilities of each Fund shall only be incurred to the respective Fund. While the provisions of the Companies Act 2014 (as amended) provide for segregated liability between Funds, these provisions have yet to be tested in foreign courts, in particular, in satisfying local creditors' claims. Accordingly, it is not free from doubt that the assets of any Fund of the Company may not be exposed to the liabilities of other Funds of the Company.

As there are no active Funds in existence as at 30 June 2017, there is no existing liability.

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## 14. Comparative figures

Comparative figures for the Statements of Comprehensive Income, the Statements of Changes in Net Assets attributable to Holders of Redeemable Shares and the Statements of Cash Flows and related notes are those for the financial period from launch date to 30 June 2016.

The comparative figures disclosed in the Statement of Financial Position and related notes are those of 31 December 2016 throughout.

# Interim Report and Unaudited Financial Statements 2017

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## 15. Operating segment

IFRS requires disclosure in respect of the Chief Operating Decision Maker ("CODM") and certain disclosures in respect of the country of origin of income, which may consist of interest and dividends. Management have determined that the CODM is the Board of Directors.

The Funds have no assets classified as non-current assets.

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## 16. Transaction fees

In order to achieve its investment objective, the Company incurs transaction costs in relation to trading activity on its portfolios.

The following transaction costs were incurred by the Funds during the financial period ended 30 June 2017 and are included within the net gains on financial assets and financial liabilities at fair value through profit or loss figures in the Statement of Comprehensive Income:

Fund	Currency	Amount
Source FTSE RAFI Europe Equity Income Physical UCITS ETF	EUR	219
Source FTSE RAFI UK Equity Income Physical UCITS ETF	GBP	401
Source FTSE RAFI US Equity Income Physical UCITS ETF	USD	585

There were no transaction costs for the financial period ended 30 June 2016.

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## 17. Dilution levy

In calculating the subscription/redemption price for the shares, the Manager may apply a dilution levy on any dealing day when there are net subscriptions or net redemptions and adjust the subscription or redemption price respectively by adding or deducting, as the case may be, an anti-dilution levy to cover dealing costs and to preserve the value of the underlying assets of the Funds.

The dilution levy will not increase or decrease the Net Asset Value per share. Details of the dilution levy applied will be included in the confirmation of the transaction normally dispatched by the Manager on the next business day after shares are transacted.

As the dilution levy for each Fund was calculated by reference to the costs of dealing in the underlying investments of the relevant Fund, which can vary with market conditions, the amount of the dilution levy could vary over time. The maximum dilution levy for each Fund was specified in the relevant Fund Supplement.

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## 18. Securities Financing Transactions Regulation

The Securities Financing Transaction Regulation, as published by the European Securities and Markets Authority, aims to improve the transparency of the securities financing markets. Disclosures regarding exposure to Securities Financing Transactions (SFTs) are required on all report and accounts published after 13 January 2017.

During the financial period ended 30 June 2017, none of the Funds entered into any Securities Financing Transactions.

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## 19. Significant events during the financial period

At the end of April 2017, Invesco Ltd has entered into a definitive agreement to acquire the promoter and manager of the Company, pending regulatory approval. Details of this acquisition can be found on [www.sourceetf.com](http://www.sourceetf.com).

Source FTSE RAFI Europe Equity Income Physical UCITS ETF, Source FTSE RAFI UK Equity Income Physical UCITS ETF and Source FTSE RAFI US Equity Income Physical UCITS ETF made final redemptions on 14 June 2017.

The Registered Office of the Company, the Manager and MFD Secretaries Limited ("the Secretary") has moved to 32 Molesworth Street, Dublin 2, Ireland from 8 May 2017.

There are no other significant events to report for the financial period ended 30 June 2017.

## Interim Report and Unaudited Financial Statements 2017

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### 20. Post balance sheet events

As of the close of business on 18 August 2017, Invesco completed the acquisition of Source.

With effect from the date of change of service provider as approved by the Central Bank of Ireland, the Company has terminated the Administration Agreement and the Depositary Agreement entered into with the Administrator and the Depositary of the Company, respectively. The termination of these agreements coincides with the appointment of BNY Mellon Fund Services (Ireland) Designated Activity Company and BNY Mellon Trust Company (Ireland) Limited as Administrator and Depositary of the Company, respectively.

There were no other post balance sheet events to report for the financial period ended 30 June 2017.

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### 21. Approval of Financial Statements

The Financial Statements were authorised by the Board on 24 August 2017.

# Source FTSE RAFI Europe Equity Income Physical UCITS ETF

## Interim Report and Unaudited Financial Statements 2017

### Statement of comprehensive income

For the six months ended 30 June 2017	Notes	Financial period ended 30 June 2017* EUR	Financial period ended 30 June 2016 EUR
<b>Income</b>			
Operating income	3	41,730	-
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss	4	634,632	(14,183)
<b>Total investment income/(expense)</b>		<b>676,362</b>	<b>(14,183)</b>
Operating expenses	5	(11,419)	(48,213)
<b>Net income</b>		<b>664,943</b>	<b>(62,396)</b>
<b>Finance costs</b>			
Distributions to Holders of Redeemable Participating Shares	6	(57,911)	-
<b>Profit/(loss) for the financial period</b>		<b>607,032</b>	<b>(62,396)</b>
<b>Increase/(decrease) in Net Assets Attributable to Holders of Redeemable Shares</b>		<b>607,032</b>	<b>(62,396)</b>

There are no recognised gains or losses arising in the financial period other than the increase/(decrease) in Net Assets Attributable to Holders of Redeemable Shares of the Company. In arriving at the results of the financial period, none of the amounts above relate to continuing operations, as Source FTSE RAFI Europe Equity Income Physical UCITS ETF made a final redemption on 14 June 2017.

### Statement of financial position

As at 30 June 2017	Notes	As at 30 June 2017* EUR	As at 31 December 2016 EUR
<b>Current Assets</b>			
<b>Assets at fair value through profit or loss</b>			
Financial assets at fair value through profit or loss			
- UCITS Investment Funds	2(d)	-	6,849,400
<b>Loans and receivables</b>			
Cash and cash equivalents	7	-	20,649
Debtors	8	-	48,875
<b>Total Current Assets</b>		<b>-</b>	<b>6,918,924</b>
<b>Current Liabilities</b>			
<b>Other financial liabilities</b>			
Creditors (amounts falling due within one year)	9	-	(26,538)
<b>Total Current Liabilities (excluding Net Assets Attributable to Holders of Redeemable Shares)</b>		<b>-</b>	<b>(26,538)</b>
<b>Net Assets Attributable to Holders of Redeemable Shares</b>		<b>-</b>	<b>6,892,386</b>

\* Final redemption 14 June 2017.

The accompanying notes form an integral part of the Financial Statements.

## Interim Report and Unaudited Financial Statements 2017

## Statement of changes in net assets attributable to holders of redeemable shares

For the six months ended 30 June 2017	Notes	Financial period ended 30 June 2017* EUR	Financial period ended 30 June 2016 EUR
<b>Net Assets Attributable to Holders of Redeemable Shares at the beginning of the financial period</b>		<b>6,892,386</b>	-
Increase/(decrease) in Net Assets Attributable to Holders of Redeemable Shares from operations		607,032	(62,396)
Amounts received on issue of Redeemable Shares		-	41,802,602
Amounts paid on redemption of Redeemable Shares		(7,499,418)	-
<b>(Decrease)/increase in Net Assets resulting from Share transactions</b>		<b>(7,499,418)</b>	<b>41,802,602</b>
<b>Net Assets Attributable to Holders of Redeemable Shares at the end of the financial period</b>	<b>12</b>	-	<b>41,740,206</b>

## Statement of cash flows

For the six months ended 30 June 2017	Notes	Financial period ended 30 June 2017* EUR	Financial period ended 30 June 2016 EUR
<b>Cash flows from operating activities</b>			
Proceeds from sale of investments		7,484,033	-
Purchase of investments		-	(41,802,602)
Dividends received		90,604	-
Management fees paid		(37,957)	-
<b>Net cash inflow/(outflow) from operating activities</b>		<b>7,536,680</b>	<b>(41,802,602)</b>
<b>Cash flows from financing activities</b>			
Distributions paid		(57,911)	-
<b>Share transactions</b>			
Proceeds from issue of redeemable participating shares		-	41,802,602
Payments of redemptions of redeemable participating shares		(7,499,418)	-
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(7,557,329)</b>	<b>41,802,602</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(20,649)</b>	-
Cash and cash equivalents at beginning of the financial period		20,649	-
<b>Cash and cash equivalents at the end of the financial period</b>	<b>7</b>	-	-

\* Final redemption 14 June 2017.

The accompanying notes form an integral part of the Financial Statements.

## Interim Report and Unaudited Financial Statements 2017

### Notes to the Financial Statements

#### For the six months ended 30 June 2017

#### General information

##### Investment objective and policy

The investment objective of Source FTSE RAFI Europe Equity Income Physical UCITS ETF (the "Fund") was to achieve the performance of FTSE RAFI Developed Europe Equity Income Index (the "Reference Index") by investing in the L&G FTSE RAFI Europe Equity Income Fund (the "Master Fund") less fees, expenses and transaction costs.

The Reference Index was designed to measure the performance of high yield stocks which have been screened to target sustainable income. The Reference Index constituents are selected and weighted using four fundamental factors, as opposed to market capitalisation.

The functional currency of the Fund was Euro and the Fund was valued in Euro.

#### 1. Significant accounting policies

See pages 15 to 20 for significant accounting policies.

#### 2. Financial risk management

See pages 20 to 23 for general notes. The Fund made a final redemption on 14 June 2017, therefore there is no financial risk at 30 June 2017. The following risk management information relates to 31 December 2016.

The risk management technique applying to this Fund is the Commitment Approach. A sensitivity analysis is presented below to reflect the Commitment Approach applied.

The Funds invested substantially all their assets through a "Master-Feeder" fund structure in the Master Fund and as a result were exposed to the risks of the Master Fund.

#### A) Other price risk – sensitivity analysis

The sensitivity analysis for the Fund assumes a change in the market price of the investments while holding all other variables constant. In practice this is unlikely to occur and changes in some of the variables may be correlated.

In addition, as the sensitivity analysis uses historical data as a basis for determining future events, it does not encompass all possible scenarios, particularly those that are of an extreme nature. The reasonably possible decrease in the benchmark index is based on the movement over the financial period ended 31 December 2016. These movements may be different from the long term volatility of the index.

As detailed in the table below, the decrease in the prices of shares held in the Master Fund at 31 December 2016, with all other variables held constant, would have resulted in an estimated decrease in the net assets attributable to holders of redeemable participating shares as follows:

Number of Master Fund shares held as of 31 December 2016	Master Fund share price close at 31 December 2016	Master Fund share price close assuming a 5% downward movement	Monetary impact of a 5% downward movement of the Master Fund share price EUR
625,734	10.9462	10.3989	(342,470)

If the Master Fund share price, at 31 December 2016, had increased by 5% with all other variables held constant, this would have increased net assets attributable to holders of redeemable shares of the Fund by approximately EUR 342,470.

Based on historic movements and volatilities in these market variables, and management's knowledge and experience of the financial markets, it was determined that the movements listed above are reasonably possible over the financial period.

## Interim Report and Unaudited Financial Statements 2017

### 2. Financial risk management (continued)

#### B) Foreign currency risk/interest rate risk

Foreign currency and interest rate exposure is minimal due to the nature and strategy of the investments held by the Fund. As a result, no sensitivity analysis or exposure tables have been disclosed for foreign currency or interest rate risk. The Fund is not exposed to significant currency risk as there is no direct material currency exposure.

#### C) Liquidity risk

The following table analyse the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining financial period at the statement of financial position date to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant. All amounts are stated in Euro.

As at 31 December 2016	Less than 7 days	7 days to 1 month	Total
Accrued expenses	-	26,538	26,538
Net assets attributable to holders of Redeemable Shares	6,892,386	-	6,892,386
<b>Total financial liabilities</b>	<b>6,892,386</b>	<b>26,538</b>	<b>6,918,924</b>

#### D) Fair value

The table below analyse within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value. All amounts are stated in Euro.

As at 31 December 2016	Level 1	Level 2	Level 3
<b>Assets</b>			
<b>Financial assets held for trading:</b>			
- Investment Funds	-	6,849,400	-
<b>Total assets</b>	<b>-</b>	<b>6,849,400</b>	<b>-</b>

The Fund did not hold any Level 3 instruments during the financial period. There were no transfers between Level 1 and Level 2 during the financial period.

Investments, whose values are based on quoted market prices in active markets and therefore classified within Level 1. As at 30 June 2017, the Funds held no investments classified within Level 1.

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 Level 2 amounts above represent the investment in the Master Fund. These are priced using a valuation comprising of observable data which tracks the performance of the index against the performance of the Fund's investment in the Master Fund.

The Schedule of investments shows the investment in the Master Fund split by level, country of origin and industry group.

### 3. Operating income

	Financial period ended 30 June 2017 EUR	Financial period ended 30 June 2016 EUR
Dividend income	41,730	-
	<b>41,730</b>	<b>-</b>

### 4. Net gains/(losses) on financial assets and liabilities at fair value through profit or loss

	Financial period ended 30 June 2017 EUR	Financial period ended 30 June 2016 EUR
Realised gains on sale of investments	1,213,553	-
Net change in unrealised depreciation on investments	(578,921)	(14,183)
	<b>634,632</b>	<b>(14,183)</b>

## Interim Report and Unaudited Financial Statements 2017

**5. Operating expenses**

	Financial period ended 30 June 2017 EUR	Financial period ended 30 June 2016 EUR
Management fees	11,419	48,213
	<b>11,419</b>	<b>48,213</b>

All other expenses and fees of the Fund are paid by the Manager.

**6. Distributions**

Total amount distributed during the financial period ended 30 June 2017 amounted to EUR 57,911 (30 June 2016: Nil).

**7. Cash and cash equivalents**

	As at 30 June 2017 EUR	As at 31 December 2016 EUR
The Northern Trust Company*	-	20,649
	-	<b>20,649</b>

\* Cash held is segregated.

**8. Debtors**

	As at 30 June 2017 EUR	As at 31 December 2016 EUR
Dividend income	-	48,875
	-	<b>48,875</b>

**9. Creditors (amounts falling due within one year)**

	As at 30 June 2017 EUR	As at 31 December 2016 EUR
Management fees	-	26,538
	-	<b>26,538</b>

All other expenses and fees of the Fund are paid by the Manager.

**10. Operating segment**

IFRS 8 requires disclosures in respect of the Chief Operating Decision Maker ("CODM") and certain disclosures in respect of the country of origin of income. Management have determined the CODM is the Board of Directors.

All revenues are derived from financial assets and are attributable to a country based on the domicile of the issuer of the instrument. The Schedule of investments discloses the investment in the Master Fund at its fair value by its respective country of origin.

**11. Share capital**

Redeemable shares in issue	Financial period ended 30 June 2017	Financial period ended 31 December 2016	Financial period ended 30 June 2016
<b>Number of Class A Accumulating Redeemable Shares Issued and Fully Paid</b>			
Balance at beginning of financial period	750,000	-	-
Issued during financial period	-	5,000,000	5,000,000
Redeemed during financial period	(750,000)	(4,250,000)	-
<b>Total number of Class A Accumulating Redeemable Shares in issue at end of financial period</b>	<b>-</b>	<b>750,000</b>	<b>5,000,000</b>

**12. Net asset value**

	As at 30 June 2017 EUR	As at 31 December 2016 EUR	As at 30 June 2016 EUR
<b>Total Net Asset Value</b>			
Class A Distributing Redeemable Shares	-	6,892,386	41,740,206
<b>Dealing Net Asset Value per Redeemable Share</b>			
Class A Distributing Redeemable Shares	-	9.1898	8.3480

# Source FTSE RAFI UK Equity Income Physical UCITS ETF

## Interim Report and Unaudited Financial Statements 2017

### Statement of comprehensive income

For the six months ended 30 June 2017	Notes	Financial period ended 30 June 2017* GBP	Financial period ended 30 June 2016 GBP
<b>Income</b>			
Operating income	3	52,246	-
Net gains on financial assets and liabilities at fair value through profit or loss	4	610,530	2,773,123
<b>Total investment income</b>		<b>662,776</b>	<b>2,773,123</b>
Operating expenses	5	(11,678)	(48,221)
<b>Net income</b>		<b>651,098</b>	<b>2,724,902</b>
<b>Finance costs</b>			
Distributions	6	(106,246)	-
<b>Profit for the financial period</b>		<b>544,852</b>	<b>2,724,902</b>
<b>Increase in Net Assets Attributable to Holders of Redeemable Shares</b>		<b>544,852</b>	<b>2,724,902</b>

There are no recognised gains or losses arising in the financial period other than the increase in Net Assets Attributable to Holders of Redeemable Shares of the Company. In arriving at the results of the financial period, none of the amounts above relate to continuing operations, as Source FTSE RAFI UK Equity Income Physical UCITS ETF made a final redemption on 14 June 2017.

### Statement of financial position

As at 30 June 2017	Notes	As at 30 June 2017* GBP	As at 31 December 2016 GBP
<b>Current Assets</b>			
<b>Assets at fair value through profit or loss</b>			
Financial assets at fair value through profit or loss			
- UCITS Investment Funds	2(d)	-	7,027,365
<b>Loans and receivables</b>			
Cash and cash equivalents	7	-	22,246
Debtors	8	-	88,865
<b>Total Current Assets</b>		<b>-</b>	<b>7,138,476</b>
<b>Current Liabilities</b>			
<b>Other financial liabilities</b>			
Creditors (amounts falling due within one year)	9	-	(28,534)
<b>Total Current Liabilities (excluding Net Assets Attributable to Holders of Redeemable Shares)</b>		<b>-</b>	<b>(28,534)</b>
<b>Net Assets Attributable to Holders of Redeemable Shares</b>		<b>-</b>	<b>7,109,942</b>

\* Final redemption 14 June 2017.

The accompanying notes form an integral part of the Financial Statements.

## Interim Report and Unaudited Financial Statements 2017

### Statement of changes in net assets attributable to holders of redeemable shares

For the six months ended 30 June 2017	Notes	Financial period ended 30 June 2017* GBP	Financial period ended 30 June 2016 GBP
<b>Net Assets Attributable to Holders of Redeemable Shares at the beginning of the financial period</b>		<b>7,109,942</b>	<b>-</b>
Increase in Net Assets Attributable to Holders of Redeemable Shares from operations		544,852	2,724,902
Amounts received on issue of Redeemable Shares		-	41,733,871
Amounts paid on redemption of Redeemable Shares		(7,654,794)	-
<b>(Decrease)/increase in Net Assets resulting from Share transactions</b>		<b>(7,654,794)</b>	<b>41,733,871</b>
<b>Net Assets Attributable to Holders of Redeemable Shares at the end of the financial period</b>	<b>12</b>	<b>-</b>	<b>44,458,773</b>

### Statement of cash flows

For the six months ended 30 June 2017	Notes	Financial period ended 30 June 2017* GBP	Financial period ended 30 June 2016 GBP
<b>Cash flows from operating activities</b>			
Proceeds from sale of investments		7,637,895	-
Purchase of investments		-	(41,733,871)
Dividends received		141,111	-
Management fees paid		(40,212)	-
<b>Net cash inflow/(outflow) from operating activities</b>		<b>7,738,794</b>	<b>(41,733,871)</b>
<b>Cash flows from financing activities</b>			
Distributions paid		(106,246)	-
<b>Share transactions</b>			
Proceeds from issue of Redeemable Shares		-	41,733,871
Payments of redemptions of redeemable participating shares		(7,654,794)	-
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(7,761,040)</b>	<b>41,733,871</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(22,246)</b>	<b>-</b>
Cash and cash equivalents at beginning of the financial period		22,246	-
<b>Cash and cash equivalents at the end of the financial period</b>	<b>7</b>	<b>-</b>	<b>-</b>

\* Final redemption 14 June 2017.

The accompanying notes form an integral part of the Financial Statements.

## Interim Report and Unaudited Financial Statements 2017

### Notes to the Financial Statements

For the six months ended 30 June 2017

#### General information

##### Investment objective and policy

The investment objective of Source FTSE RAFI UK Equity Income Physical UCITS ETF (the "Fund") was to achieve the performance of FTSE RAFI UK Equity Income Index (the "Reference Index") by investing in the L&G FTSE RAFI UK Equity Income Fund (the "Master Fund") less fees, expenses and transaction costs.

The Reference Index was designed to measure the performance of high yield stocks which have been screened to target sustainable income. The Reference Index constituents are selected and weighted using four fundamental factors, as opposed to market capitalisation.

The functional currency of the Fund was Sterling and the Fund was valued in Sterling.

#### 1. Significant accounting policies

See pages 15 to 20 for significant accounting policies.

#### 2. Financial risk management

See pages 20 to 23 for general notes. The Fund made a final redemption on 14 June 2017, therefore there is no financial risk at 30 June 2017. The following risk management information relates to 31 December 2016.

The risk management technique applying to this Fund is the Commitment Approach. A sensitivity analysis is presented below to reflect the Commitment Approach applied.

The Funds invested substantially all their assets through a "Master-Feeder" fund structure in the Master Fund and as a result were exposed to the risks of the Master Fund.

#### A) Other price risk – sensitivity analysis

The sensitivity analysis for the Fund assumes a change in the market price of the investments while holding all other variables constant. In practice this is unlikely to occur and changes in some of the variables may be correlated.

In addition, as the sensitivity analysis uses historical data as a basis for determining future events, it does not encompass all possible scenarios, particularly those that are of an extreme nature. The reasonably possible decrease in the benchmark index is based on the movement over the financial period ended 31 December 2016. These movements may be different from the long term volatility of the index.

As detailed in the table below, the decrease in the prices of shares held in the Master Fund at 31 December 2016, with all other variables held constant, would have resulted in an estimated decrease in the net assets attributable to holders of redeemable participating shares as follows:

Number of Master Fund shares held as of 31 December 2016	Master Fund share price close at 31 December 2016	Master Fund share price close assuming a 5% downward movement	Monetary impact of a 5% downward movement of the Master Fund share price GBP
622,930	11.2811	10.7171	(351,368)

If the Master Fund share price, at 31 December 2016, had increased by 5% with all other variables held constant, this would have increased net assets attributable to holders of redeemable shares of the Fund by approximately GBP 351,368.

## Interim Report and Unaudited Financial Statements 2017

### 2. Financial risk management (continued)

#### B) Foreign currency risk/interest rate risk

Foreign currency and interest rate exposure is minimal due to the nature and strategy of the investments held by the Fund. As a result, no sensitivity analysis or exposure tables have been disclosed for foreign currency or interest rate risk. The Fund is not exposed to significant currency risk as there is no direct material currency exposure.

#### C) Liquidity risk

The following table analyse the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining financial period at the statement of financial position date to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant. All amounts are stated in Sterling.

As at 31 December 2016	Less than 7 days	7 days to 1 month	Total
Accrued expenses	-	28,534	28,534
Net assets attributable to holders of Redeemable Shares	7,109,942	-	7,109,942
<b>Total financial liabilities</b>	<b>7,109,942</b>	<b>28,534</b>	<b>7,138,476</b>

#### D) Fair value

The table below analyse within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value. All amounts are stated in Sterling.

As at 31 December 2016	Level 1	Level 2	Level 3
<b>Assets</b>			
<b>Financial assets held for trading:</b>			
- Investment Funds	-	7,027,365	-
<b>Total assets</b>	<b>-</b>	<b>7,027,365</b>	<b>-</b>

The Fund did not hold any Level 3 instruments during the financial period. There were no transfers between Level 1 and Level 2 during the financial period.

Investments, whose values are based on quoted market prices in active markets and therefore classified within Level 1. As at 30 June 2017, the Funds held no investments classified within Level 1.

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 Level 2 amounts above represent the investment in the Master Fund. These are priced using a valuation comprising of observable data which tracks the performance of the index against the performance of the Fund's investment in the Master Fund.

The Schedule of investments shows the investment in the Master Fund split by level, country of origin and industry group.

### 3. Operating income

	Financial period ended 30 June 2017	Financial period ended 30 June 2016
	GBP	GBP
Dividend income	52,246	-
	<b>52,246</b>	<b>-</b>

### 4. Net gains on financial assets and liabilities at fair value through profit or loss

	Financial period ended 30 June 2017	Financial period ended 30 June 2016
	GBP	GBP
Realised gains on sale of investments	1,377,446	-
Net change in unrealised (depreciation)/appreciation on investments	(766,916)	2,773,123
	<b>610,530</b>	<b>2,773,123</b>

## Interim Report and Unaudited Financial Statements 2017

**5. Operating expenses**

	Financial period ended 30 June 2017 GBP	Financial period ended 30 June 2016 GBP
Management fees	11,678	48,221
	<b>11,678</b>	<b>48,221</b>

All other expenses and fees of the Fund are paid by the Manager.

**6. Distributions**

Total amount distributed during the financial period ended 30 June 2017 amounted to GBP 106,246 (30 June 2016: Nil).

**7. Cash and cash equivalents**

	As at 30 June 2017 GBP	As at 31 December 2016 GBP
The Northern Trust Company*	-	22,246
	-	<b>22,246</b>

\* Cash held is segregated.

**8. Debtors**

	As at 30 June 2017 GBP	As at 31 December 2016 GBP
Dividend income	-	88,865
	-	<b>88,865</b>

**9. Creditors (amounts falling due within one year)**

	As at 30 June 2017 GBP	As at 31 December 2016 GBP
Management fees	-	28,534
	-	<b>28,534</b>

All other expenses and fees of the Fund are paid by the Manager.

**10. Operating segment**

IFRS 8 requires disclosures in respect of the Chief Operating Decision Maker ("CODM") and certain disclosures in respect of the country of origin of income. Management have determined the CODM is the Board of Directors.

All revenues are derived from financial assets and are attributable to a country based on the domicile of the issuer of the instrument. The Schedule of investments discloses the investment in the Master Fund at its fair value by its respective country of origin.

**11. Share capital**

Redeemable shares in issue	Financial period ended 30 June 2017	Financial period ended 31 December 2016	Financial period ended 30 June 2016
<b>Number of Class A Accumulating Redeemable Shares Issued and Fully Paid</b>			
Balance at beginning of financial period	720,000	-	-
Issued during financial period	-	4,800,000	4,800,000
Redeemed during financial period	(720,000)	(4,080,000)	-
<b>Total number of Class A Accumulating Redeemable Shares in issue at end of financial period</b>	<b>-</b>	<b>720,000</b>	<b>4,800,000</b>

**12. Net asset value**

	As at 30 June 2017 GBP	As at 31 December 2016 GBP	As at 30 June 2016 GBP
<b>Total Net Asset Value</b>			
Class A Distributing Redeemable Shares	-	7,109,942	44,458,773
<b>Dealing Net Asset Value per Redeemable Share</b>			
Class A Distributing Redeemable Shares	-	9,8749	9.2622

# Source FTSE RAFI US Equity Income Physical UCITS ETF

## Interim Report and Unaudited Financial Statements 2017

### Statement of comprehensive income

For the six months ended 30 June 2017	Notes	Financial period ended 30 June 2017* USD	Financial period ended 30 June 2016 USD
<b>Income</b>			
Operating income	3	52,474	-
Net gains on financial assets and liabilities at fair value through profit or loss	4	289,675	4,459,956
<b>Total investment income</b>		<b>342,149</b>	<b>4,459,956</b>
Operating expenses	5	(10,757)	(51,907)
<b>Net income</b>		<b>331,392</b>	<b>4,408,049</b>
<b>Finance costs</b>			
Distributions	6	(73,999)	-
<b>Profit for the financial period</b>		<b>257,393</b>	<b>4,408,049</b>
<b>Increase in Net Assets Attributable to Holders of Redeemable Shares</b>		<b>257,393</b>	<b>4,408,049</b>

There are no recognised gains or losses arising in the financial period other than the increase in Net Assets Attributable to Holders of Redeemable Shares of the Company. In arriving at the results of the financial period, none of the amounts above relate to continuing operations, as Source FTSE RAFI US Equity Income Physical UCITS ETF made a final redemption on 14 June 2017.

### Statement of financial position

As at 30 June 2017	Notes	As at 30 June 2017* USD	As at 31 December 2016 USD
<b>Current Assets</b>			
<b>Assets at fair value through profit or loss</b>			
Financial assets at fair value through profit or loss			
- UCITS Investment Funds	2(d)	-	7,160,216
<b>Loans and receivables</b>			
Cash and Cash Equivalents	7	-	22,313
Debtors	8	-	56,576
<b>Total Current Assets</b>		<b>-</b>	<b>7,239,105</b>
<b>Current Liabilities</b>			
<b>Other financial liabilities</b>			
Creditors (amounts falling due within one year)	9	-	(28,662)
<b>Total Current Liabilities (excluding Net Assets Attributable to Holders of Redeemable Shares)</b>		<b>-</b>	<b>(28,662)</b>
<b>Net Assets Attributable to Holders of Redeemable Shares</b>		<b>-</b>	<b>7,210,443</b>

\* Final redemption 14 June 2017.

The accompanying notes form an integral part of the Financial Statements.

## Interim Report and Unaudited Financial Statements 2017

## Statement of changes in net assets attributable to holders of redeemable shares

For the six months ended 30 June 2017	Notes	Financial period ended 30 June 2017* USD	Financial period ended 30 June 2016 USD
<b>Net Assets Attributable to Holders of Redeemable Shares at the beginning of the financial period</b>		<b>7,210,443</b>	<b>-</b>
Increase in Net Assets Attributable to Holders of Redeemable Shares from operations		257,393	4,408,049
Amounts received on issue of Redeemable Shares		-	41,538,200
Amounts paid on redemption of Redeemable Shares		(7,467,836)	-
<b>(Decrease)/increase in Net Assets resulting from Share transactions</b>		<b>(7,467,836)</b>	<b>41,538,200</b>
<b>Net Assets Attributable to Holders of Redeemable Shares at the end of the financial period</b>	<b>12</b>	<b>-</b>	<b>45,946,249</b>

## Statement of cash flows

For the six months ended 30 June 2017	Notes	Financial period ended 30 June 2017* USD	Financial period ended 30 June 2016 USD
<b>Cash flows from operating activities</b>			
Proceeds from sale of investments		7,449,891	-
Purchase of investments		-	(41,538,200)
Dividends received		109,050	-
Management fees paid		(39,419)	-
<b>Net cash inflow/(outflow) from operating activities</b>		<b>7,519,522</b>	<b>(41,538,200)</b>
<b>Cash flows from financing activities</b>			
Distributions paid		(73,999)	-
Proceeds from issue of Redeemable Shares		-	41,538,200
Payments of redemptions of redeemable participating shares		(7,467,836)	-
<b>Net cash (outflow)/inflow from financing activities</b>		<b>(7,541,835)</b>	<b>41,538,200</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(22,313)</b>	<b>-</b>
Cash and cash equivalents at beginning of the financial period		22,313	-
<b>Cash and cash equivalents at the end of the financial period</b>	<b>7</b>	<b>-</b>	<b>-</b>

\* Final redemption 14 June 2017.

The accompanying notes form an integral part of the Financial Statements.

## Interim Report and Unaudited Financial Statements 2017

### Notes to the Financial Statements

For the six months ended 30 June 2017

#### General information

##### Investment objective and policy

The investment objective of Source FTSE RAFI US Equity Income Physical UCITS ETF (the "Fund") was to achieve the performance of FTSE RAFI US Equity Income Index (the "Reference Index") by investing in the L&G FTSE RAFI US Equity Income Fund (the "Master Fund") less fees, expenses and transaction costs.

The Reference Index was designed to measure the performance of high yield stocks which have been screened to target sustainable income. The Reference Index constituents are selected and weighted using four fundamental factors, as opposed to market capitalisation.

The functional currency of the Fund was US Dollar and the Fund was valued in US Dollar.

#### 1. Significant accounting policies

See pages 15 to 20 for significant accounting policies.

#### 2. Financial risk management

See pages 20 to 23 for general notes. The Fund made a final redemption on 14 June 2017, therefore there is no financial risk at 30 June 2017. The following risk management information relates to 31 December 2016.

The risk management technique applying to this Fund is the Commitment Approach. A sensitivity analysis is presented below to reflect the Commitment Approach applied.

The Funds invested substantially all their assets through a "Master-Feeder" fund structure in the Master Fund and as a result were exposed to the risks of the Master Fund.

#### A) Other price risk – sensitivity analysis

The sensitivity analysis for the Fund assumes a change in the market price of the investments while holding all other variables constant. In practice this is unlikely to occur and changes in some of the variables may be correlated.

In addition, as the sensitivity analysis uses historical data as a basis for determining future events, it does not encompass all possible scenarios, particularly those that are of an extreme nature. The reasonably possible decrease in the benchmark index is based on the movement over the financial period ended 31 December 2016. These movements may be different from the long term volatility of the index.

As detailed in the table below, the decrease in the prices of shares held in the Master Fund at 31 December 2016, with all other variables held constant, would have resulted in an estimated decrease in the net assets attributable to holders of redeemable participating shares as follows:

Number of Master Fund shares held as of 31 December 2016	Master Fund share price close at 31 December 2016	Master Fund share price close assuming a 5% downward movement	Monetary impact of a 5% downward movement of the Master Fund share price USD
623,088	11.4915	10.9169	(358,011)

If the Master Fund share price, at 31 December 2016, had increased by 5% with all other variables held constant, this would have increased net assets attributable to holders of redeemable shares of the Fund by approximately USD 358,011.

Based on historic movements and volatilities in these market variables, and management's knowledge and experience of the financial markets, it was determined that the movements listed above are reasonably possible over the financial period.

## Interim Report and Unaudited Financial Statements 2017

### 2. Financial risk management (continued)

#### B) Foreign currency risk/interest rate risk

Foreign currency and interest rate exposure is minimal due to the nature and strategy of the investments held by the Fund. As a result, no sensitivity analysis or exposure tables have been disclosed for foreign currency or interest rate risk. The Fund is not exposed to significant currency risk as there is no direct material currency exposure.

#### C) Liquidity risk

The following table analyse the Fund's non-derivative financial liabilities into relevant maturity groupings based on the remaining financial period at the statement of financial position date to the contractual maturity date. The amounts in the tables are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances as the impact of discounting is not significant. All amounts are stated in US Dollar.

As at 31 December 2016	Less than 7 days	7 days to 1 month	Total
Accrued expenses	-	28,662	28,662
Net assets attributable to holders of Redeemable Shares	7,210,443	-	7,210,443
<b>Total financial liabilities</b>	<b>7,210,443</b>	<b>28,662</b>	<b>7,239,105</b>

#### D) Fair value

The table below analyse within the fair value hierarchy the Fund's financial assets and liabilities (by class) measured at fair value. All amounts are stated in US Dollar.

As at 31 December 2016	Level 1	Level 2	Level 3
<b>Assets</b>			
<b>Financial assets held for trading:</b>			
- Investment Funds	-	7,160,216	-
<b>Total assets</b>	<b>-</b>	<b>7,160,216</b>	<b>-</b>

The Fund did not hold any Level 3 instruments during the financial period. There were no transfers between Level 1 and Level 2 during the financial period.

Investments, whose values are based on quoted market prices in active markets and therefore classified within Level 1. As at 30 June 2017, the Funds held no investments classified within Level 1.

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 Level 2 amounts above represent the investment in the Master Fund. These are priced using a valuation comprising of observable data which tracks the performance of the index against the performance of the Fund's investment in the Master Fund.

The Schedule of investments shows the investment in the Master Fund split by level, country of origin and industry group.

### 3. Operating income

	Financial period ended 30 June 2017 USD	Financial period ended 30 June 2016 USD
Dividend income	52,474	-
	<b>52,474</b>	<b>-</b>

### 4. Net gains on financial assets and liabilities at fair value through profit or loss

	Financial period ended 30 June 2017 USD	Financial period ended 30 June 2016 USD
Realised gains on sale of investments	1,218,993	-
Net change in unrealised (depreciation)/appreciation on investments	(929,318)	4,459,956
	<b>289,675</b>	<b>4,459,956</b>

## Interim Report and Unaudited Financial Statements 2017

**5. Operating expenses**

	Financial period ended 30 June 2017 USD	Financial period ended 30 June 2016 USD
Management fees	10,757	51,907
	<b>10,757</b>	<b>51,907</b>

All other expenses and fees of the Fund are paid by the Manager.

**6. Distributions**

Total amount distributed during the financial period ended 30 June 2017 amounted to USD 73,999 (30 June 2016: Nil).

**7. Cash and cash equivalents**

	As at 30 June 2017 USD	As at 31 December 2016 USD
The Northern Trust Company*	-	22,313
	<b>-</b>	<b>22,313</b>

\* Cash held is segregated.

**8. Debtors**

	As at 30 June 2017 USD	As at 31 December 2016 USD
Dividend income	-	56,576
	<b>-</b>	<b>56,576</b>

**9. Creditors (amounts falling due within one year)**

	As at 30 June 2017 USD	As at 31 December 2016 USD
Management fees	-	28,662
	<b>-</b>	<b>28,662</b>

All other expenses and fees of the Fund are paid by the Manager.

**10. Operating segment**

IFRS 8 requires disclosures in respect of the Chief Operating Decision Maker ("CODM") and certain disclosures in respect of the country of origin of income. Management have determined the CODM is the Board of Directors.

All revenues are derived from financial assets and are attributable to a country based on the domicile of the issuer of the instrument. The Schedule of investments discloses the investment in the Master Fund at its fair value by its respective country of origin.

**11. Share capital**

Redeemable shares in issue	Financial period ended 30 June 2017	Financial period ended 31 December 2016	Financial period ended 30 June 2016
<b>Number of Class A Accumulating Redeemable Shares Issued and Fully Paid</b>			
Balance at beginning of financial period	660,000	-	-
Issued during financial period	-	4,400,000	4,400,000
Redeemed during financial period	(660,000)	(3,740,000)	-
<b>Total number of Class A Accumulating Redeemable Shares in issue at end of financial period</b>	<b>-</b>	<b>660,000</b>	<b>4,400,000</b>

**12. Net asset value**

	As at 30 June 2017 USD	As at 31 December 2016 USD	As at 30 June 2016 USD
<b>Total Net Asset Value</b>			
Class A Distributing Redeemable Shares	-	7,210,443	45,946,249
<b>Dealing Net Asset Value per Redeemable Share</b>			
Class A Distributing Redeemable Shares	-	10.9249	10.4423

# Schedules of Material Portfolio Changes

## Interim Report and Unaudited Financial Statements 2017

Source FTSE RAFI Europe Equity Income Physical UCITS ETF

All sales	Proceeds EUR
625,734 L&G FTSE RAFI Europe Equity Income Fund	7,484,033

*The CBI requires a schedule of material changes in the composition of the portfolio during the financial period. These are defined as aggregate purchases of a security exceeding one per cent of the total value of purchases for the financial period and aggregate disposals greater than one per cent of the total value of sales.*

## Interim Report and Unaudited Financial Statements 2017

Source FTSE RAFI UK Equity Income Physical UCITS ETF

All sales	Proceeds GBP
622,930 L&G FTSE RAFI UK Equity Income Fund	7,637,895

*The CBI requires a schedule of material changes in the composition of the portfolio during the financial period. These are defined as aggregate purchases of a security exceeding one per cent of the total value of purchases for the financial period and aggregate disposals greater than one per cent of the total value of sales.*

## Interim Report and Unaudited Financial Statements 2017

Source	FTSE RAFI US Equity Income Physical UCITS ETF	Proceeds USD
All sales		
623,088	L&G FTSE RAFI US Equity Income Fund	7,449,891

*The CBI requires a schedule of material changes in the composition of the portfolio during the financial period. These are defined as aggregate purchases of a security exceeding one per cent of the total value of purchases for the financial period and aggregate disposals greater than one per cent of the total value of sales.*



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