

## Senate Standing Committee on Economics

### ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Supplementary Budget Estimates

19 – 20 October 2011

Question No: SBT 829

Topic: Overseas entities

Hansard Page: Thursday 20 October 2011, Page 78

Senator Cormann asked:

Senator CORMANN: The hedge funds we are talking about, just to remind ourselves of the circumstances, were registered in Caribbean tax havens, like Saint Lucia and the British Virgin Islands. I guess the accusation that hangs in the air and that I am keen for you to address with the committee is that APRA took no action against Trio Capital until after the scam was exposed—12 months later—publicly.

Mr Jones: As I said to the Ripoll inquiry into Trio, many superannuation funds use offshore tax havens to legally minimise the tax that they pay. Many infrastructure assets and many hedge funds are overseas entities. So the fact that it was an overseas entity was not reason for us to immediately say, as it subsequently turned out, that there was fraud going on in that fund.

Senator CORMANN: How much money was invested in those two funds.

Mr Jones: I would have to take that on notice in terms of exactly how much money is invested in the two funds. I know that the total amount of the losses so far is around \$100 million.

Answer:

Trio was the trustee for five Superannuation Entities (the Trio Superannuation Entities).

As at 30 September 2009, the value of the Trio Superannuation Entities' investments in the Exploration Fund Limited (EFL) (St Lucia-based) and the Astarra Strategic Fund (ASF) (invested through a British Virgin Islands-incorporated counterparty) was approximately \$62.2 million.

Other entities in the Trio group, eg the ARP Growth Fund, also had investments in the EFL, and as a managed investment scheme operated by Trio, the ASF also received other direct investments.

Further details of these investments are set out below:

#### Exploration Fund Ltd

The Exploration Fund Limited (formerly known as Huntleigh Investment Fund Limited) was a company incorporated in Saint Lucia on 8 October 2003 and operated as a hedge fund.

In the period from May 2004 to October 2006, the Trio Superannuation Entities made ongoing investments (both directly and indirectly) in the EFL. As at 30 June 2009, the value of the direct investments held by the Superannuation Entities in the EFL was approximately \$43 million.

Other Trio entities, including the Astarra Strategic Fund, also made investments in the EFL.

#### Astarra Strategic Fund

On 28 August 2005 Trio established a managed investment scheme known as the Astarra Strategic Fund AFSN 115962368 (formerly the Alpha Strategic Fund). Trio was the responsible entity for the ASF and was responsible for the control, operations, functions and management of the ASF. The ASF operated as a fund of hedge funds. Trio (through an agent) entered into a Deferred Purchase Agreement (DPA) with EMA International Limited (EMA) when making investments with an investment manager in offshore global markets. EMA was incorporated in the British Virgin Islands. Upon receipt of funds from the ASF, EMA purchased shares in underlying funds, which included the EFL and other hedge funds domiciled in St Lucia, Cayman Islands or Anguilla.

The Trio Superannuation Entities made ongoing investments in the ASF from October 2005 to October 2009. As at 30 September 2009, the direct and indirect exposure of the Superannuation Entities in the ASF was approximately \$18.9 million.

Effective 30 June 2009, Trio transferred the units in the EFL held by the Trio Superannuation Entities to the ASF with equivalent units in the ASF being issued to the Superannuation Entities (the In-Specie Transfer).

As at 30 September 2009, the value of the Trio Superannuation Entities' investments in the ASF (which included the investments in the EFL that had been transferred by the In-Specie Transfer) was approximately \$62.2 million.