



Monthly Update – August 2016

Fund at a Glance

Fund Size	AU\$89.4m
Strategy FUM	AU\$179m
Fund Inception Date	August 2012
Fund Strategy	Equity Market Neutral
Application/Redemption	Daily
Management Fee	1.5%
Performance Fee	20%
Benchmark	RBA Cash Rate

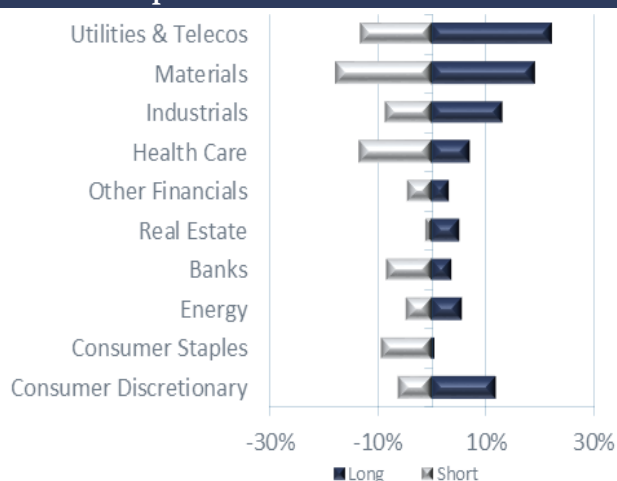
Return Characteristics¹

Positive Months	69%
Beta	-0.2%
Sharpe Ratio	1.6
Sortino Ratio	4.6
Standard Deviation (annualized)	7.5%
No. Long Positions	64
No. Short Positions	60
Gross Exposure	179.9%

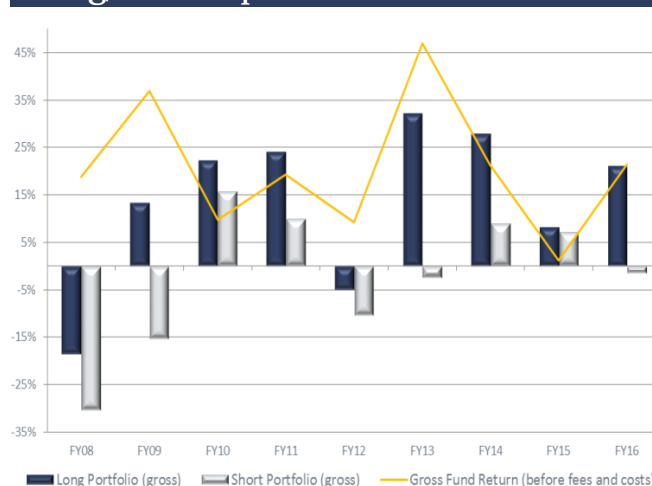
Performance

	1 Mth	6 Mths	Fin. YTD	1 Yr	2 Yrs (pa)	3 Yrs (pa)	S.I (pa)
WMNT (net return)	-1.5%	3.7%	-0.9%	7.5%	10.1%	8.1%	14.3%
RBA Cash Rate	0.1%	0.9%	0.3%	1.9%	2.1%	2.2%	2.4%
Outperformance	-1.6%	2.8%	-1.2%	5.6%	8.0%	5.9%	11.9%

Sector Exposures



Long/Short Spread²



Gross Portfolio Structure

Investment Type	July 2016		August 2016	
	\$m	%	\$m	%
Listed Securities - Long	59.6	78.7	82.8	92.6
Listed Securities - Short	-64.4	-85.1	78.0	-87.3
Net Exposure	-4.8	-6.3	4.7	5.3
Cash	80.5	106.3	84.7	94.7
Capital	75.7	100	89.4	100

¹ Return Characteristics are for the period since inception. The Fund's inception date is August 2012

² Long/Short spread shows the gross performance of the long and short portfolios. The Fund makes a profit where the long portfolio outperforms the short portfolio, after the payment of fees. Returns prior to the Fund's inception date are based on the return series from the long and short portfolios of the Australian Leaders Fund Ltd.

Month in Review

August was a disappointing month for the Fund, with strong performance from the international portfolio and solid profit results for some core positions offset by a handful of single-stock losses. The portfolio value fell by 1.5% after all fees. The Australian earnings reporting season produced a mixed bag of results, reflecting an overall theme of weak growth across most sectors. The residential property sector remains one of the few pockets of growth for the domestic economy, with companies exposed to this thematic producing solid profit results.

Amongst defensive sectors, healthcare shares made a strong contribution, with a number of short positions performing strongly. On balance profit results in this sector were disappointing, with one-off income items and accounting irregularities often masking subdued operating conditions and weak underlying trends. A stand-out performer was the Fund's short position in *Novo-Nordisk* which downgraded its profit forecast in the face of pricing pressures for its flagship insulin product. In the gaming sector, we have switched a core investment in *Tabcorp* into *Tatts Group* reflecting the value of its dominant lottery business in this low growth environment.

Cyclical shares continue to struggle given the lethargic domestic economy, with weak retail sales and household income growth weighing on corporate profits. A surprise earnings downgrade for *APN Outdoor* saw the company's shares fall 35%, materially detracting from returns in the month. We retain a positive view on the trends for outdoor advertisers and have used the recent weakness to add to our position. Notwithstanding the weak retail sales data, consumer confidence remains strong. Coupled with the strength in the residential property sector, retailers such as JB Hi Fi and Harvey Norman continue to perform well. The Fund is participating in this theme through an investment in Super Retail Group, although we remain circumspect on the prospects for retailers in the medium term.

Financial shares were another strong contributor to returns in the month, particularly from within the diversified financial and insurance sectors. In the international portfolio, an investment in the Dutch financial services company *ING Groep* was a standout performer while closer to home, an investment in *Flexigroup* performed well on a strong profit result. In the insurance sector, it was another international investment in *American International Group* which provided the strongest return, while a timely exit from an investment in *QBE Insurance Group* avoided a loss, with the company disappointing with its FY16 result.

There was significant variability within the commodities complex in August, with Oil and bulk commodities performing well while the prices of copper and gold suffered falls. The fund has retained a largely balanced exposure to mining and energy shares in recent months, however a modest short exposure to iron ore producers weighed on performance given the recent strength in the sector. Uncertainty from investors around the acquisition of an interest in a new gold mine, saw shares in *Evolution Mining* underperform the broader sector, which also detracted from returns in the month.

Monthly Net Performance (%)

Cal. Yr.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2012	-	-	-	-	-	-	-	1.36	0.97	0.00	6.51	2.88	11.72
2013	-0.71	0.21	4.60	1.55	5.83	5.31	1.11	2.57	1.43	1.86	0.35	-0.06	24.05
2014	1.71	1.45	-1.17	2.80	1.21	0.84	-4.38	-1.77	2.52	-1.57	-1.58	-1.32	-1.26
2015	-1.18	0.70	3.23	0.96	-0.61	3.39	3.82	4.04	2.73	-1.36	1.53	2.93	20.19
2016	-0.14	-1.92	1.13	0.53	1.08	1.76	0.60	-1.46					1.58

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