



Monthly Update – March 2016

Fund at a Glance

Fund Size	AU\$47.4m
Strategy FUM	AU\$139m
Fund Inception Date	August 2012
Fund Strategy	Equity Market Neutral
Application/Redemption	Daily
Management Fee	1.5%
Performance Fee	20%
Benchmark	RBA Cash Rate

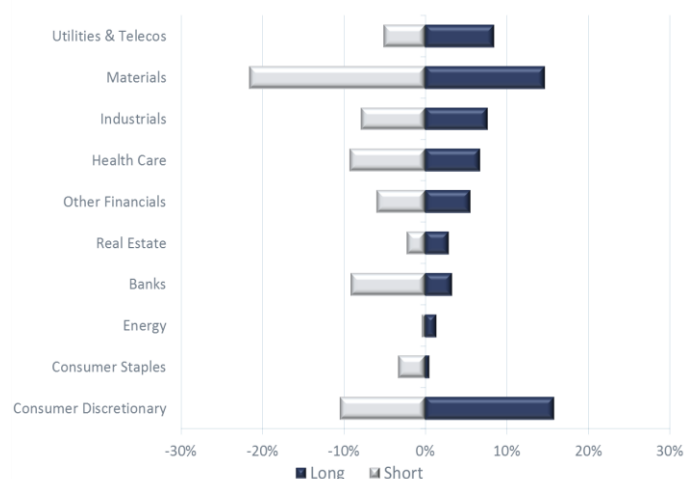
Return Characteristics¹

Positive Months	68.2%
Beta	-0.22%
Sharpe Ratio	1.6
Sortino Ratio	4.7
Standard Deviation (annualized)	7.8%
No. Long Positions	46
No. Short Positions	48
Gross Exposure	142.8%

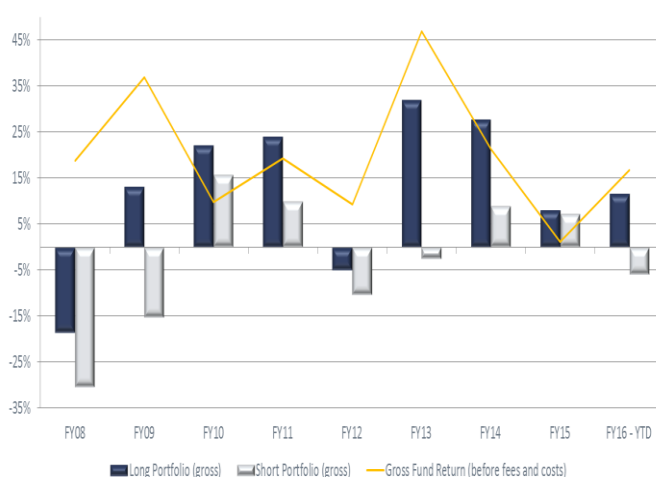
Performance

	1 Mth	6 Mths	Fin. YTD	1 Yr	2 Yrs (pa)	S.I (pa)
WMNT (net return)	1.1%	2.1%	13.3%	17.5%	8.0%	15.3%
RBA Cash Rate	0.2%	1.0%	1.5%	2.1%	2.3%	3.0%
Outperformance	0.9%	1.1%	11.8%	15.4%	5.7%	12.8%

Sector Exposures



Long/Short Spread²



Gross Portfolio Structure

Investment Type	February 2016		March 2016	
	\$m	%	\$m	%
Listed Securities - Long	39.3	87.5	31.7	67.0
Listed Securities - Short	-36.9	-82.1	-35.9	-75.8
Net Exposure	2.4	5.4	-4.2	-8.9
Cash	42.5	94.6	48.8	108.9
Capital	44.9	100	51.6	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

March presented another interesting month for investors in shares, with broad based gains across most share markets. In a continuation of themes that emerged in February, the Australian share market was led higher by mining shares and the banks, while defensive sectors underperformed. This is somewhat at odds with our view of the macroeconomic environment and has presented an opportunity to sell into the share market rally, leaving the fund slightly net short the market by month-end.

Performance was benign during the month. With the portfolio hedged against major macroeconomic changes, the Fund delivered a net return of 1.1%. Solid contributions came from key long positions that recovered after weaker performance in February – *Fairfax Media* most notably. Our strategy in Resources has been to pick winners and losers from within the commodity basket, while retaining a balanced position across the sector. This worked well during the month, with an exposure to lithium producer *Orocobre Limited* contributing strongly and short positions in mineral sands and graphite also adding value.

Among defensive shares, healthcare was weak and the Fund benefitted from a large short exposure in this sector. Infrastructure and utility shares were flat, although an investment in *Contact Energy* performed well in the month. We have established a position in *Nokia*, with an expectation that their recent merger with *Alcatel Lucent* will provide strategic benefits and cost synergies beyond those that the market is factoring in. The outlook for wagering is improving as regulatory uncertainty around online betting is closer to being resolved. We have established positions in *Tatts Group* and *Tabcorp Holdings* which stand to benefit from expected changes.

Cyclical shares were stronger, with media and retail shares posting solid gains. Domestic economic growth surprised to the upside in the quarter and business confidence has improved, notwithstanding uncertainty caused by a looming double dissolution election. We continue to look for opportunities in the discretionary retail sector, amongst quality names that have underperformed in recent months. We have initiated a new position in *Super Retail Group*.

Australian bank shares recovered some lost ground in March; however we still see fundamental challenges ahead. Negative trends in asset quality, regulatory reform and wholesale credit markets are all still evident and were confirmed again this month by *ANZ* and *Westpac* who flagged rising bad debts given exposures to *Arrium* and *Peabody Coal*. Stronger share markets provided a boost for diversified financial shares, although we suspect this will be short-lived as the recent relief-rally runs its course.

Chinese economic data continues to exceed expectations. A significant credit injection has helped the beleaguered property sector and fiscal stimulus has accelerated infrastructure spending. This has driven the rally in commodity prices, most notably steel and iron ore. While Chinese policy will continue to provide a tailwind for some time, the medium term outlook is unchanged and some metal and mining shares are looking overvalued.

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										-0.93

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