

Monthly Update – October 2017

Fund at a Glance

Fund Size	AU\$235m
Strategy FUM	AU\$280m
Fund Inception Date	August 2012
Fund Strategy	Equity Market Neutral
Application/Redemption	Daily
Management Fee	1.5%
Performance Fee	20%
Benchmark	RBA Cash Rate

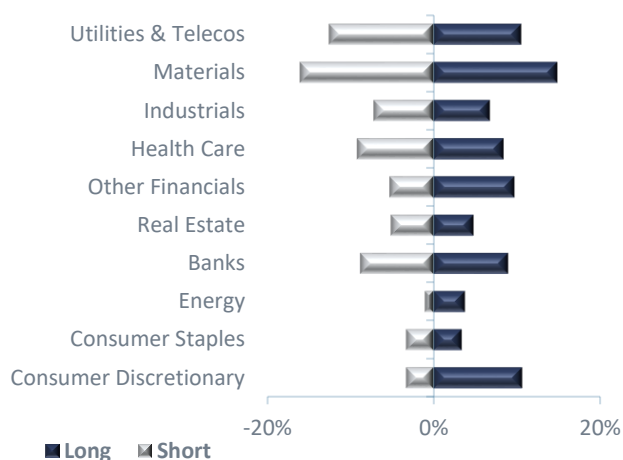
Return Characteristics¹

Positive Months	68%
Beta	-0.2%
Sharpe Ratio	1.3
Sortino Ratio	3.9
Standard Deviation (annualized)	6.9%
No. Long Positions	64
No. Short Positions	54
Gross Exposure	154%
International Exposure (% of Gross)	19%

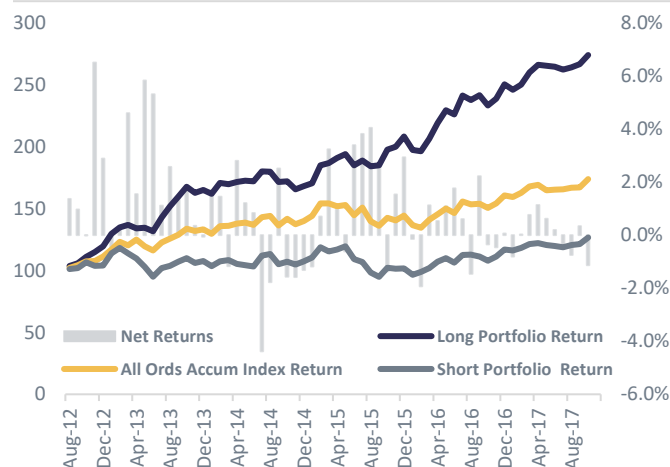
Performance

	1 Mth	1 Yr	2 Yrs (pa)	3 Yrs (pa)	SI (pa)
WMNT (net return)	-1.1%	-0.4%	3.7%	6.8%	11.2%
RBA Cash Rate	0.1%	1.5%	1.7%	1.9%	2.2%
Outperformance	-1.2%	-1.9%	2.0%	4.9%	9.0%

Sector Exposures



Long/Short Spread²



Gross Portfolio Structure

Investment Type	September 2017		October 2017	
	\$m	%	\$m	%
Listed Securities - Long	223.7	97.7	192.5	81.9
Listed Securities - Short	211.6	-92.4	170.0	-72.3
Net Exposure	12	5.3	22.6	9.6
Cash	217	94.7	212.4	90.4
Capital	229	100	235	100

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

² The Fund makes a profit where the long portfolio outperforms the short portfolio, after the payment of fees. Portfolio returns are before fees and costs.

Month in Review

October was another strong month for global share markets, as investors responded positively to further signs that the global economy is growing, and that central banks are likely to remain dovish. The US reporting season also provided some upside surprise, with the tech giants surging again, buoyed by prospects that tax reform in the US is on the agenda for early 2018.

Local shares also rallied in the month, with most sectors posting solid gains. A weaker local currency versus the USD provided a boost for producers of base metals, while commodities in general continue to benefit from strengthening industrial production data from China and across the globe. While labour market indicators would suggest modest growth in the economy, there are continued signs that the property market is cooling which, will be a headwind for growth.

It was a difficult month for the fund, which posted a fall of 1.1% after fees. Underperformance was concentrated in the international portfolio, where surprise results in a handful of positions in the Healthcare and TMT sectors led to losses.

There was little news flow for financial shares from politicians or central bankers. Long positions in CBA and Suncorp were the stand out performers in the sector, offset by broad based gains across the short book and weaker performance from a long position in Swedbank, which fell on concerns over falling local house prices.

The Consumer Discretionary sector was amongst the strongest performing sectors in October, and positions in Tabcorp, Aristocrat and Star Entertainment were key contributors for the Fund. Woolworths continues to be the stronger of the two local supermarket operators, winning market share and benefitting from sales growth across its Big W stores. Globally, performance of consumer shares was more mixed, with discretionary names posting gains while staples were flat. An investment in Heineken continues to perform well.

The Fund suffered modest losses in the Industrial portfolio, again concentrated around short positions that moved higher with a buoyant market. A speculative takeover bid for Rockwell Automation was also a key detractor. Domestic positions fared better, with investments in Downer EDI and Brambles continuing to perform well.

TMT was another challenging sector in the month. In the domestic portfolio, solid contributions came from investments in Fairfax and MYOB. Strength in the Global technology sector was the lead story again. While valuations across the sector look stretched, investors continue to be enthralled by the potential for new applications from AI, and new product launches such as the iPhone X. With a modest net short exposure to semiconductor manufacturers, the Fund suffered heavy losses as this sub-sector rallied strongly, recovering recent underperformance relative to other parts of the tech sector. An investment in IT security vendor - Fortinet made a positive contribution in the month.

Poor performance in the healthcare sector was the largest contributor to negative returns. With a limited opportunity set in the domestic healthcare sector and extreme valuations rendering many of the local names un-investable, this has been a part of the portfolio where we have incorporated global exposures. In October, investments in Celgene and Merck suffered precipitous falls as jittery investors reacted to negative news flow and earnings downgrades. As we have seen through recent Australian reporting seasons, investors have been quick to de-rate companies that are priced for perfection if there is any hint of risk to earnings, or should they fail to meet lofty expectations for future growth. While these short-term price movements have been a significant detractor from returns, detailed re-examination of the investment thesis supporting each position suggests substantial embedded value going forward.

Basic Industries shares provided benign results in the month. A stronger oil price saw energy names rally strongly while mining shares were mixed, as commodity markets digested news from the nineteenth National Party Congress in China. We retain our neutral position across the commodity complex. An investment in Fletcher Building fell on news of losses in its construction division, while a core position in Independence Group performed well.

Monthly Net Performance (%)

Year	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	-1.93	1.13	0.53	1.08	1.76	0.60	-1.46	2.23	-0.34	-0.46	0.07	3.03
2017	-0.81	0.02	0.76	1.13	0.61	0.19	-0.39	-0.75	0.34	-1.14			-0.03



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