

Monthly Update – September 2018

Fund at a Glance

Fund Size	AU\$247m
Strategy FUM	AU\$321m
Fund Inception Date	August 2012
Fund Strategy	Equity Market Neutral
Application/Redemption	Daily
Management Fee	1.5%
Performance Fee	20%
Benchmark	RBA Cash Rate

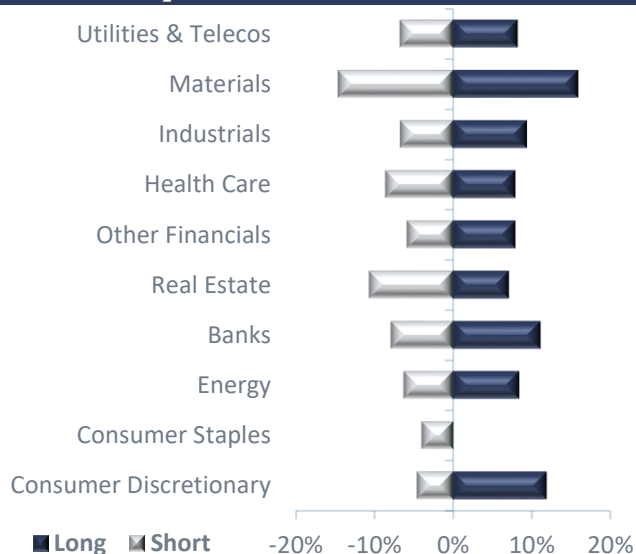
Return Characteristics¹

Positive Months	68%
Beta	-0.2%
Sharpe Ratio	1.2
Sortino Ratio	3.7
Standard Deviation (annualized)	6.6%
No. Long Positions	74
No. Short Positions	63
Gross Exposure	170%
International Exposure (% of Gross)	16.4%

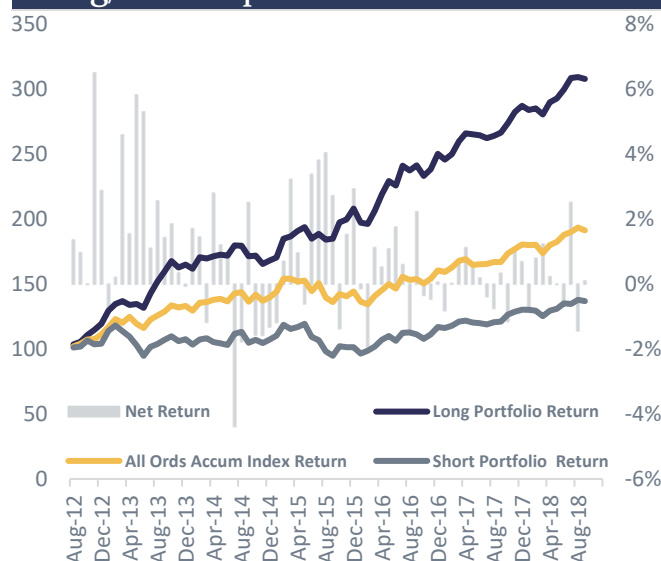
Performance

	1 Mth	1 Yr	2 Yrs (pa)	3 Yrs (pa)	4 Yrs (pa)	5 Yrs (pa)	SI (pa)
WMNT (net return)	0.1%	2.5%	1.4%	3.2%	5.6%	5.5%	10.1%
RBA Cash Rate	0.1%	1.5%	1.5%	1.6%	1.8%	1.9%	2.1%
Outperformance	0.0%	1.0%	-0.1%	1.6%	3.8%	3.6%	8.0%

Sector Exposures



Long/Short Spread²



Gross Portfolio Structure

Investment Type	August 2018		September 2018	
	\$m	%	\$m	%
Listed Securities - Long	208.9	84.6	218.6	88.5
Listed Securities - Short	-193.6	-78.4	-201.8	-81.7
Net Exposure	15.1	6.1	16.8	6.8
Cash	231.9	93.9	230.2	93.2
Capital	247	100	247	100

Month in Review

The local share market underperformed global peers in September, breaking a 6-month winning streak to fall by -1.1%. Despite solid GDP growth and stable unemployment rates in the domestic economy, household consumption remains subdued in the face of weak income growth and falling property prices. Global share markets proved more resilient even as trade tensions between China and the US continued to escalate. The S&P 500 Index found a new high in the month, buoyed by strong economic data in the US and growing corporate earnings, while markets in Europe and Asia also posted gains.

The Fund delivered a modest positive return of 0.1% for the month. Shorts were the dominant contributor to returns, while at a sector level, the strongest performers were Healthcare and Materials offset by weaker performance in Industrials and Consumer. The Fund's international investments also made a positive contribution.

Mining shares rallied in September as a softer US dollar provided respite for commodity prices. We used this opportunity to add some new shorts and move slightly short across the sector. Demand continues to weaken in China, and while policy has begun to loosen, we expect this will take 12 months to be felt in the economy. Our core holdings in Independence Group and Vale performed well in the month, while Aurelia Metals was a standout as the company benefitted from recent investor presentations and inclusion in the ASX 300. Unfortunately, Lynas fell nearly 30% on the announcement that an impending government review will be chaired by long-term project opponent; MP Fuziah Salleh. We have maintained our position, with the shares now pricing-in closure of the facility.

Energy shares continued their upward march, as the oil price rallied on fears of threats to Iranian supply. We added to Origin, which has exposure to stronger prices through their APLNG investment, but which has lagged energy shares due to accounting disclosures at their result.

We added a new position to the TMT portfolio in the month. News Corporation (NWS) suffered badly following their August results as their move to 65% ownership of Foxtel meant consolidating both earnings and debt. It appears that analysts have not factored this into their numbers and subsequently downgraded earnings. While Foxtel is a troubled asset, we value this business at zero equity and still believe there is 30% upside in News Corp shares. Importantly, NWS has recently begun divesting assets including their Seek Asia holding, magazine titles and is believed to be exiting regional newspapers. We believe this will be well-received by investors and provide a catalyst to help close the discount to our valuation.

Our net short position in domestic banks and insurers worked well for us for the month as the detrimental impact from Royal Commission continues to play out, and with sizeable negative impact on the bottom lines of the big 4 banks expected. Signs of slowing housing market and an increase in wholesale funding costs also weighed on banks' performance for the month.

Australian healthcare shares fell sharply in September, materially underperforming global peers. Leading names like CSL, Fisher & Paykel Healthcare and Cochlear were sold-off heavily, ending a protracted period where these companies have traded at extreme valuations. While ResMed was up modestly, long-term sector laggards like Primary, Sigma Healthcare, Mayne Pharmaceuticals and Mesoblast all rallied, seemingly reflecting a shift to 'value' in sympathy of the leadership sell-down. The Healthcare portfolio delivered solid returns in September, driven by several short positions and an investment in ResMed. While we stop short of calling the peak in domestic healthcare shares, in the near-term we expect modest selling pressure in the leadership names to continue, as investors seek more compelling valuation opportunities.

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	12.14
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	26.57
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	-1.51
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	21.92
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	1.00	0.69	1.62
2018	-0.86	0.80	1.23	0.23	-0.01	-0.61	2.52	-1.44	0.10				1.93

Zenith
Investment Partners



Macquarie Wrap

BT Wrap

BT Panorama

Asgard

Netwealth

IOOF Pursuit

Mason Stevens

Powerwrap

Hub24

AMP North

KeyInvest Life Events Bond

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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.

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