

## Monthly Update – January 2019

**Fund at a Glance**

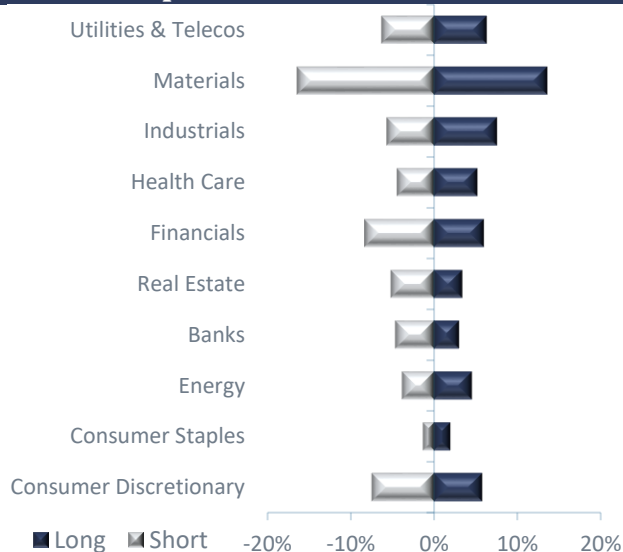
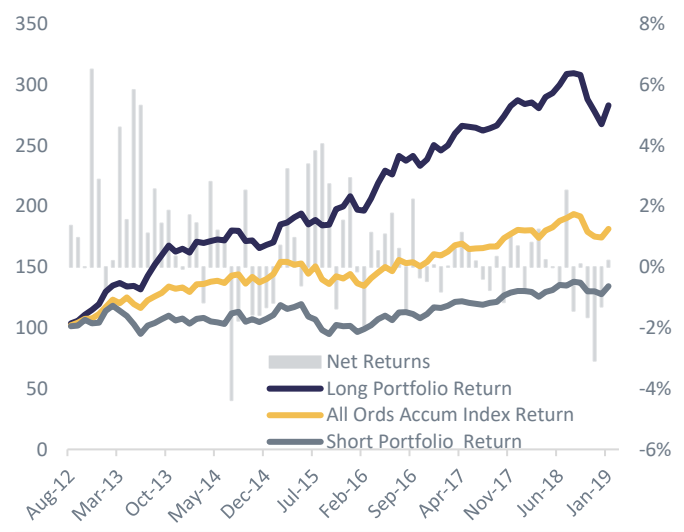
Fund Size	AU\$178m
Strategy FUM	AU\$247m
Fund Inception Date	August 2012
Fund Strategy	Equity Market Neutral
Application/Redemption	Daily
Management Fee	1.5%
Performance Fee	20%
Benchmark	RBA Cash Rate

**Return Characteristics<sup>1</sup>**

Positive Months	66%
Beta	-0.1%
Sharpe Ratio	0.9
Sortino Ratio	2.8
Standard Deviation (annualized)	6.7%
No. Long Positions	49
No. Short Positions	57
Gross Exposure	122%

**Performance**

	1 Mth	1 Yr	2 Yrs (pa)	3 Yrs (pa)	4 Yrs (pa)	5 Yrs (pa)	SI (pa)
WMNT (net return)	0.2%	-3.1%	-0.8%	0.3%	5.6%	3.5%	8.5%
RBA Cash Rate	0.1%	1.5%	1.5%	1.6%	1.7%	1.9%	2.1%
<b>Outperformance</b>	<b>0.1%</b>	<b>-4.6%</b>	<b>-2.3%</b>	<b>-1.3%</b>	<b>3.9%</b>	<b>1.6%</b>	<b>6.4%</b>

**Sector Exposures**

**Long/Short Spread<sup>2</sup>**

**Gross Portfolio Structure**

Investment Type	December 2018		January 2019	
	\$m	%	\$m	%
Listed Securities - Long	104.8	58.2	102.4	57.5
Listed Securities - Short	-107.7	-59.8	114.1	-64.1
<b>Net Exposure</b>	<b>-3.1</b>	<b>-1.7</b>	<b>-11.7</b>	<b>-6.6</b>
Cash	183.1	101.7	189.7	106.6
<b>Capital</b>	<b>180</b>	<b>100</b>	<b>178</b>	<b>100</b>

## Month in Review

Share markets recovered strongly in January, regaining most of the ground lost in December. The United States was the best of the developed markets in the month, buoyed by a dovish US Federal Reserve which looks like it will leave rates on hold for the first half of 2019. The Australian share market also posted solid gains, with only the Financials sector weighing on market returns as investors pre-empted the fallout from the Hayne Royal Commission.

The Fund posted a modest gain of 0.2% net of all fees. With very little net exposure to the rising market, Fund returns were derived from modest sector tilts and some stock-specific wins in the month. Specifically, net short exposures in the Financials and Consumer Discretionary sectors worked well, while investments in Aurelia Metals, Tabcorp Holdings and Oil Search made solid contributions.

In Financials we retain a core investment in Macquarie Group, balanced by short exposures in asset managers with earnings that are more sensitive to share market volatility. We adjusted our positioning in the Australian banks through the month, establishing short positions in banks with the greatest exposure to deteriorating trends in the residential housing market, and initiating an investment in NAB, which has the strongest business banking franchise for small and medium-sized businesses. This change detracted from returns in the month as NAB bore the brunt of criticism from Commissioner Hayne. We will monitor developments at NAB as the bank looks to replace its CEO and Chairman, however we remain confident in the outlook for the company's earnings in the near-term.

The sharp rally in offshore markets pushed the price of local technology shares higher, reversing some of the gains on short positions that were generated in December. We believe the onset of cyclical concerns in the Australian economy has created opportunities in the TMT sector. Consequently, our investment in oOh!media is likely to benefit from incremental revenue from digital investments, structural audience growth and improved market structure post the recent consolidation of Adshel (oOh!media) and APN Outdoor (JCDecaux).

The Healthcare portfolio was a positive contributor for the month. Our position in Healix (former Primary Healthcare) benefited from a takeover offer by its controlling shareholder Jangho Healthcare Group. Even though the company was quick to reject the offer as "opportunistic and highly conditional" the share price continues to hold on expectations of either a higher offer or another suitor to emerge.

The oil price rallied as OPEC announced production cuts, and US sanctions on Venezuela reduced supply. This helped our core holding in Oil Search which continues to advance its recent Alaskan acquisition. We took advantage of the stronger oil price and reduced our exposure in the energy sector, moving to a balanced position. Volatility is likely to continue which could present trading opportunities.

A hiatus from the US Federal Reserve on planned rate rises provided a boost for emerging markets and resource companies. We remain balanced across the sector, expecting softer Chinese demand in 2019. Gold in particular benefitted from the dovish Fed commentary and our key holding in Aurelia Metals performed well. The company has transitioned the Peak mine to a contractor and expects significant cost reductions and increased production.

Gaming was the most notable sector in the consumer portfolio during January. In particular, an investment in Tabcorp. The business has been exposed to defensive spending patterns and is now entering a period of 'positive change'. The lotteries business is in the early stages of a switch to digital, while a structural change in the once-troubled wagering business should see it start to compete on a level playing field.

## 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	-1.65	-3.08	-1.30	-4.11
2019	0.22												0.22

## More Information

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

<sup>2</sup> 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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