

NTA and Monthly Update – February 2019

Company at a Glance

ASX Code	ALF
Fund Size	AU\$281.8
Fund Strategy	Variable Beta
Share Price	\$0.94
Shares on Issue	252.8m
Net Exposure	-8.0%

Net Tangible Asset (NTA) Backing

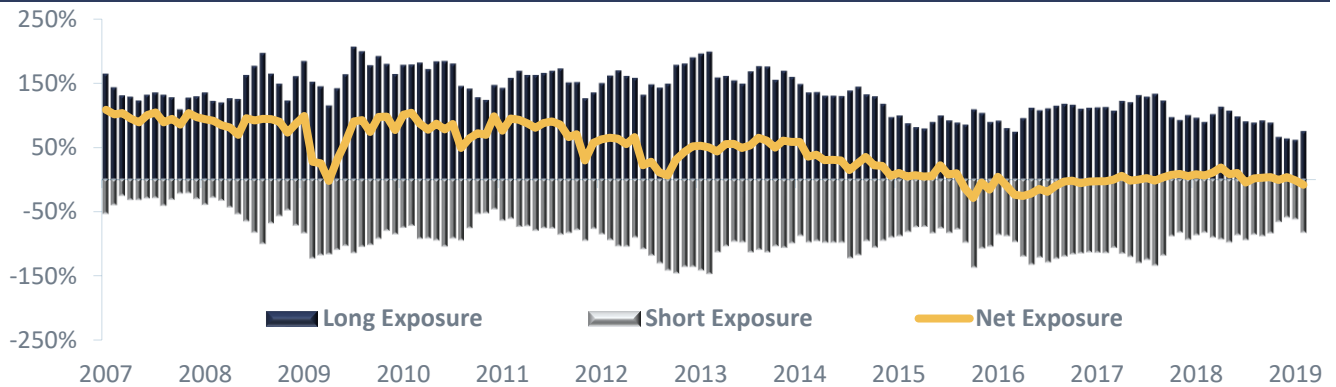
	Jan 19	Feb 19
NTA Before Tax	\$1.16	\$1.17
NTA After Tax	\$1.17	\$1.18
Dividend Declared	(\$0.00)	(\$0.02)
NTA After Tax & Dividend	\$1.17	\$1.16

Gross Portfolio Structure

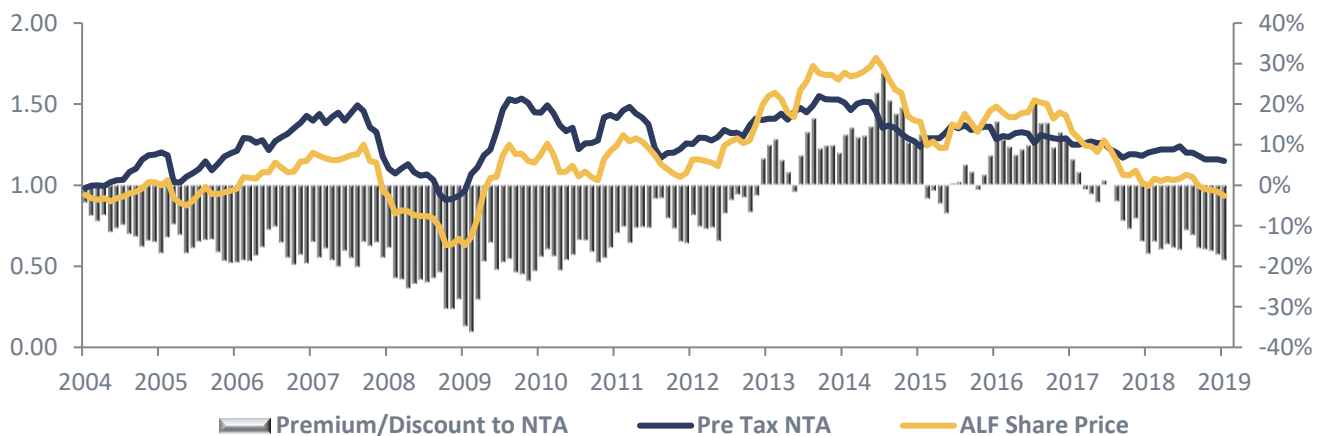
	Jan 19	Feb 19
Long Exposure	62.3%	75.8%
Short Exposure	-63.6%	-83.8%
Gross Exposure	125.9%	159.6%
Cash	101.3%	108.0%

	1 Mth	3 Mths	1 Yr	3 Yrs (pa)	5 Yrs (pa)	7 Yrs (pa)	S.I. (pa)
Portfolio Return (net)	0.7%	-0.2%	-2.6%	-0.1%	1.1%	8.1%	11.0%
All Ords Accum Index	6.1%	9.8%	6.6%	12.8%	7.4%	9.8%	8.9%
Outperformance (net)	-5.4%	-10.0%	-9.2%	-12.9%	-6.3%	-1.7%	2.1%

Net Equity Exposure



Premium/Discount to NTA History



Month in Review

Share markets continued to rebound in February, supported by a dovish US Federal Reserve and moderating trade tensions between the US and China, where the CSI 300 (China Securities Index) rallied over 14.6% in the month. The Australian share market also advanced, led by the financial sector, where fund managers exposed to buoyant global share markets were the strongest performers. Defensive sectors such as healthcare were weaker, as investors pivoted back to higher beta exposures.

The Fund delivered a net return of 0.7% for the month. The busy February reporting period can be a challenging one for investors in shares, as companies' financial results are measured against expectations and as the market digests new information in outlook statements for the period ahead. With a high level of uncertainty around corporate earnings and a circumspect outlook for the local economy, the Fund was conservatively positioned going into the month. Despite a net short exposure to the rising Australian share market through the month, the Fund delivered a positive return, driven by successful stock picking. We increased the gross exposure of the Fund through the second half of February, as conviction around core investment ideas strengthened and as new positions were initiated.

Major mining companies have been amongst the best performing Australian shares in recent months, driven by high commodity prices and capital management initiatives. We believe that capital returns from asset sales have now peaked and that while companies remain well-positioned, continued outperformance will be hard to sustain. Investments in the gold sector were stand-out performers in February, in particular, Aurelia Metals and Northern Star, which both announced exciting exploration results. Short exposures in the sector also contributed to returns.

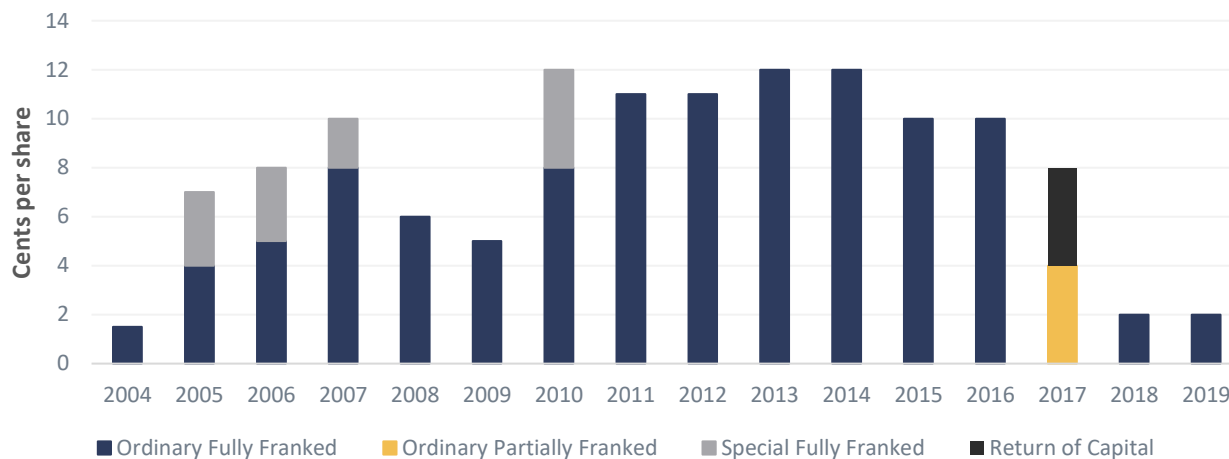
Core investments in large-cap consumer companies continued to deliver gains. Tabcorp (TAH) is exposed to relatively defensive spending patterns but is also a business entering a period of 'positive change'. The Lotteries business is in the early stages of a switch by consumers to digital consumption, while a structural change in the once-troubled wagering business should see it start to compete on a level playing field. TAH has altered its Wagering strategy in light of the new operating conditions, and lead indicators are beginning to signal some success.

The financials portfolio performed strongly in February, with investments in Clydesdale and CBA making notable contributions. In diversified financials, we increased our investment in Link Group following a pull-back in the share price early in the month, looking through near-term issues associated with the cost of acquisitions, to solid revenue growth, particularly from its recently acquired UK business – Link Asset Services. Short exposure to real estate shares exposed to the residential property sector also worked well. Softer economic data and anecdotal evidence of continued falls in residential property prices have led several listed players to downgrade earnings forecasts. Conversely, an investment in the Charter Hall Long Wale REIT announced financial results ahead of expectations, underpinned by key lease extensions pushing its average maturity from 11.6 years to 12.6 years.

In TMT there were several notable performers on the long side. Key among them was Chorus which continued to re-rate in anticipation of its shift to become a Regulated Asset Base (RAB) utility. Carsales.com also performed well, rebounding from an oversold position after reporting decent half-year results.

Dividend History

The Board is committed to paying fully franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices. Dividends are paid on a six-monthly basis and the dividend reinvestment plan is available to shareholders for both the interim and final dividend.



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