

## NTA and Monthly Update – March 2019

### Company at a Glance

ASX Code	ALF
Fund Size	AU\$270.0
Fund Strategy	Variable Beta
Share Price	\$0.91
Shares on Issue	248.6m
Net Exposure	-10.3%

### Net Tangible Asset (NTA) Backing

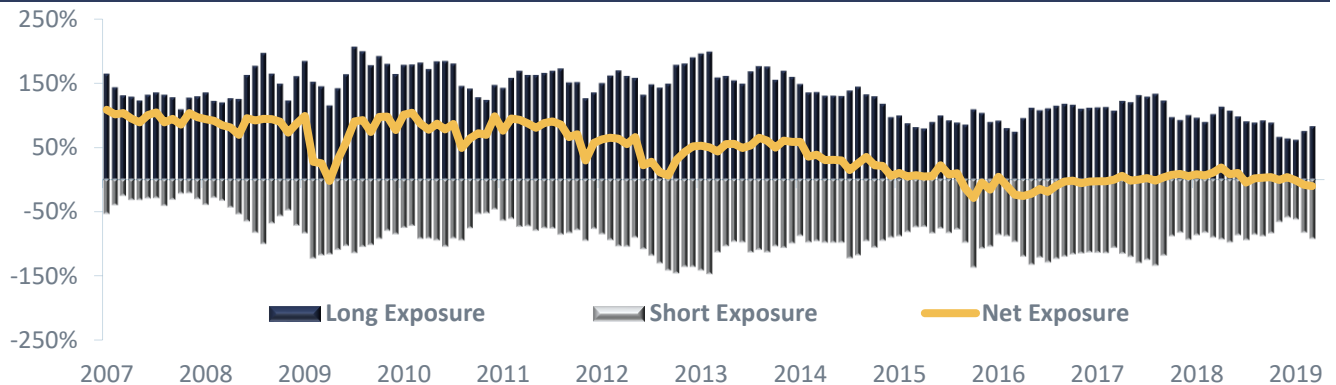
	Feb 19	Mar 19
NTA Before Tax	\$1.17	\$1.15
NTA After Tax	\$1.18	\$1.15
Dividend Declared	(\$0.02)	(\$0.00)
NTA After Tax & Dividend	\$1.16	\$1.15

### Gross Portfolio Structure

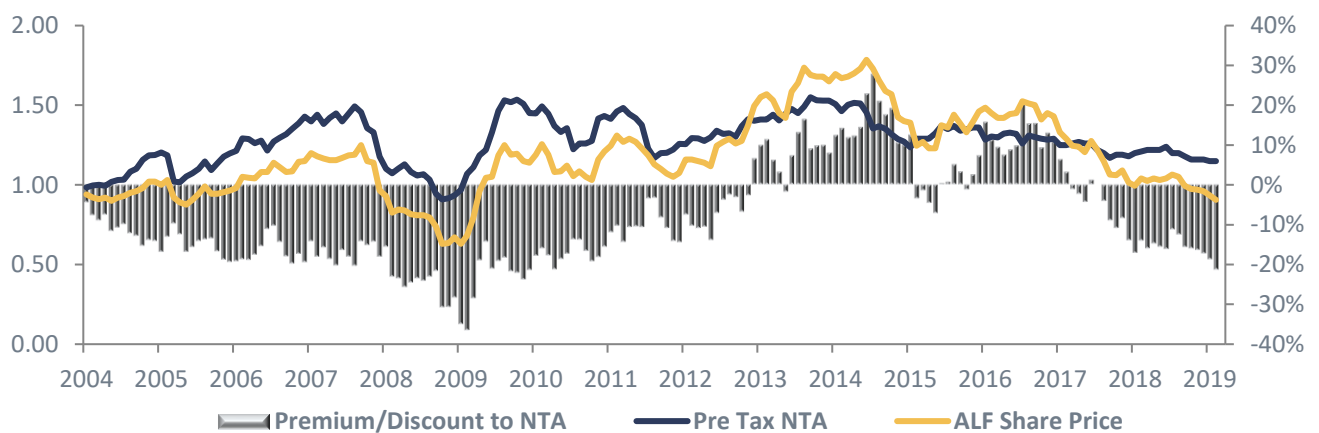
	Feb 19	Mar 19
Long Exposure	75.8%	83.0%
Short Exposure	-83.8%	-93.3%
Gross Exposure	159.6%	176.3%
Cash	108.0%	110.3%

	1 Mth	3 Mths	1 Yr	3 Yrs (pa)	5 Yrs (pa)	7 Yrs (pa)	S.I. (pa)
Portfolio Return (net)	-1.0%	0.3%	-4.5%	-0.9%	1.2%	7.4%	10.9%
All Ords Accum Index	0.7%	11.1%	11.2%	11.3%	7.5%	9.7%	8.9%
<b>Outperformance (net)</b>	<b>-1.7%</b>	<b>-10.8%</b>	<b>-15.7%</b>	<b>-12.2%</b>	<b>-6.3%</b>	<b>-2.3%</b>	<b>2.0%</b>

### Net Equity Exposure



### Premium/Discount to NTA History



## Month in Review

Share markets continued to push higher in March, albeit at a more modest pace than was seen earlier in the quarter. The ASX 200 has rallied 13% from its 2018 lows, marking the best quarterly return for many years. The question remains however, whether it can make a new high in the months ahead. Bond markets were a key driver of equity returns as lower yields induced investors to rotate into more defensive sectors of the share market. Consequently, Real Estate was the strongest performing sector in March, with Infrastructure and Telecom names also posting gains. The mining sector continues to surprise us with its ongoing strength, buoyed by positive economic data out of China.

The Fund fell in value by -1.0% in the month as compared with the benchmark All Ordinaries Accumulation Index, which delivered 0.7%. We maintained our net short exposure in March, however with the US Fed now taking a more dovish tack and expectations of a rate cut by the RBA later in the year, we have reduced the short and returned to a neutral setting.

The TMT portfolio made a solid contribution to fund returns, benefitting from investments in defensive telecommunication shares, which re-rated higher as bond yields fell. Chorus stands out among the winners, driven by its migration into a Regulated Asset Base (RAB) utility. A number of small short positions in overvalued Tech shares detracted, as already expensive prices rallied higher.

Notwithstanding the strong performance across the sector, Healthcare was a detractor in the month. While investments in defensive names such as Sonic Healthcare performed well, this was offset by losses in shorts in the Med-tech space, where investors are also looking through lofty valuations to re-rate shares higher, in the absence of any fundamental news. We expect this recurring theme of investors chasing expensive high growth names in a low-yield environment will unravel later in the year. Hence our cautious positioning across the book, both in terms of gross and net exposures, as well as defensive stock selection.

Performance in the Financial sector was supported by an investment in Afterpay. The company is seeing continued success in the USA, reaching the 1 million customer milestone early in March. We continue to monitor alternate data sources which show solid trends for Afterpay's US expansion and we expect it to commence transactions in the UK in the coming months. Among the REITs, an investment in Shopping Centres Australia (SCP) performed well. The SCP REIT is comprised predominantly of convenience shopping centres, which focus on groceries, food & beverage and services. These segments are proving resilient in a difficult retail environment.

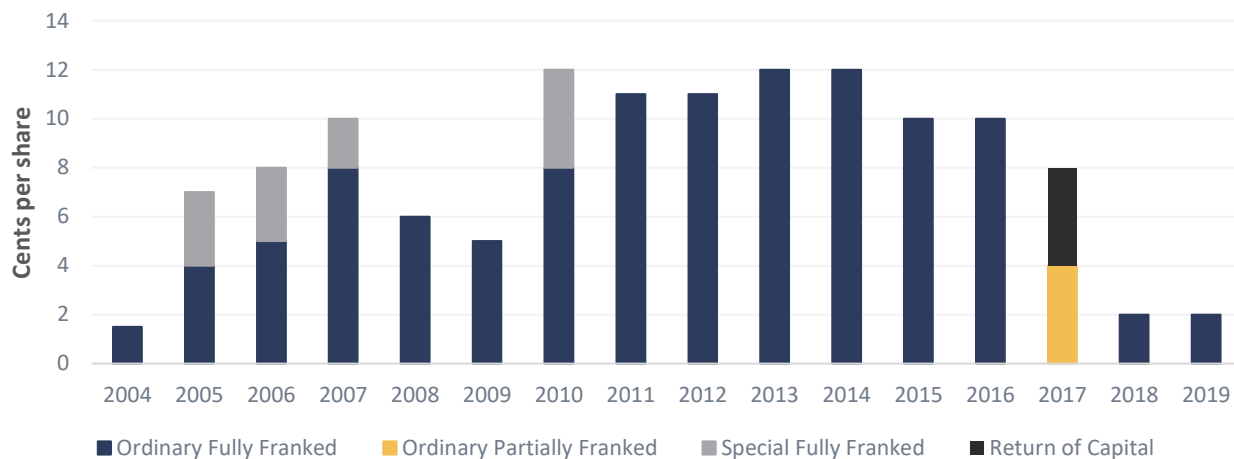
Shares in mining companies rallied as the Chinese economy showed early signs of a recovery. February manufacturing data surpassed expectations however, the Chinese New Year can often distort readings and we will need further confirmation that this trend can be sustained. The price of iron ore continued to rise as Vale confirmed reduced tonnage from mine closures. We initiated a position in Mineral Resources which will benefit following their acquisition of Cliffs' iron ore business last year. Oil pushed higher as inventories fell in the US, signalling continued demand strength. We added to our position in Oil Search as we expect a number of key milestones will be met in the next few months.

We established two new positions in the month following dramatic falls. St Barbara released an updated mine plan which saw the stock fall 30%. We believe this was an overreaction with the company in a strong position and still a long life, and highly profitable gold mine. Similarly, Nufarm fell following the release of their first-half results. While the performance was disappointing and the balance sheet has become stretched, the shares are undervalued based on normal season conditions with upside potential from the development of Omega-3.

An investment in Bellamy's Australia was a standout performer from within the consumer portfolio, having initiated a position around the time of the interim result in February. Since then, the market has shifted focus from what was a soft result, to the significant restructuring work undertaken by management and a subsequent renewed outlook for the business. Despite recent operational challenges, Bellamy's is a well-recognised brand within the fastest growing segment (organic) within the Chinese infant formula category. While there is still risk associated with this turnaround, it only now seems fairly-priced.

## 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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