

## Monthly Update – February 2020

**Fund at a Glance**

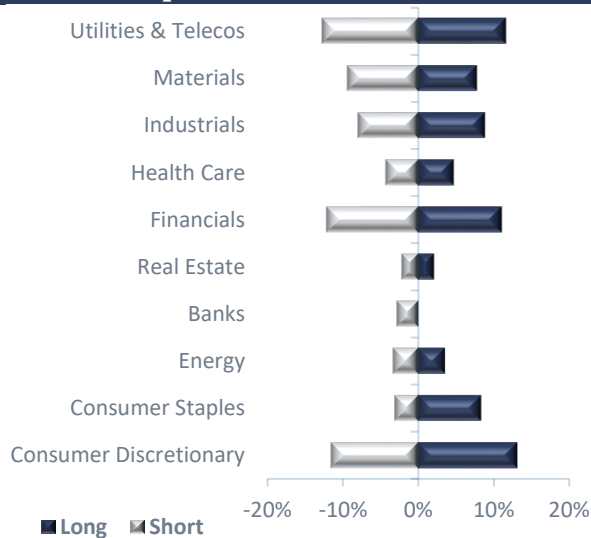
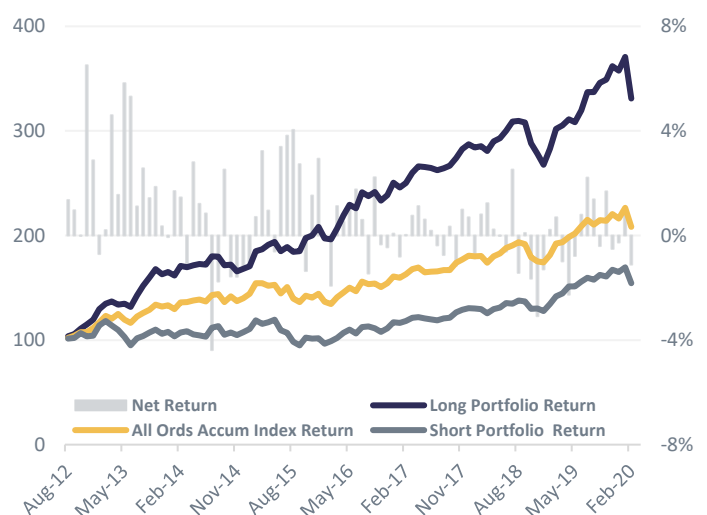
Fund Size	AU\$48m
Strategy FUM	AU\$125m
Fund Inception Date	August 2012
Fund Strategy	Equity Market Neutral
Application/Redemption	Daily
Management Fee	1.5%
Performance Fee	20%
Benchmark	RBA Cash Rate

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

Positive Months	65%
Beta	-0.1%
Sharpe Ratio	0.8
Sortino Ratio	2.5
Standard Deviation (annualized)	6.5%
No. Long Positions	72
No. Short Positions	67
Gross Exposure	152%

**Performance<sub>1</sub>**

	1 Mth	FYTD	1 Yr	3 Yrs (pa)	5 Yrs (pa)	7 Yrs (pa)	SI (pa)
WMNT (net return)	-1.1%	4.1%	0.7%	-0.1%	4.6%	6.5%	7.5%
RBA Cash Rate	0.1%	0.6%	1.1%	1.4%	1.6%	1.9%	1.9%
<b>Outperformance</b>	<b>-1.2%</b>	<b>3.5%</b>	<b>-0.4%</b>	<b>-1.5%</b>	<b>3.0%</b>	<b>4.6%</b>	<b>5.6%</b>

**Sector Exposures**

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

**Gross Portfolio Structure**

Investment Type	January 2020		February 2020	
	\$m	%	\$m	%
Listed Securities - Long	39.5	78.9	34.7	72.3
Listed Securities - Short	43.9	-87.8	38.2	-79.5
<b>Net Exposure</b>	<b>-4.5</b>	<b>-8.9</b>	<b>-3.5</b>	<b>-7.2</b>
Cash	54.5	108.9	51.5	107.2
<b>Capital</b>	<b>50</b>	<b>100</b>	<b>48</b>	<b>100</b>

## Month in Review

The Fund delivered a return of -1.1% in February, significantly outperforming the All Ordinaries Accumulation Index, which fell by 8.1%. Global share markets went into freefall in the final week as COVID-19 spread rapidly around the world. The busy corporate reporting season, which saw a continuation in the trend of weak and deteriorating earnings growth, was quickly forgotten, as panic over the potential economic impacts of Coronavirus set in. With a fully hedged exposure, the Fund was spared any major damage when share markets turned. Our focus now is to ensure the hedging we have in place continues to effectively insulate the Fund, while looking for opportunities to generate profits.

The Metals and Mining portfolio delivered modest gains in the month. Energy exposures however did not fare so well, with broad-based selling providing no relief for energy companies such as Cooper Energy and Senex, which have relatively lower earnings linked to oil. We continue to position the Fund for an expected stimulus from China, however we are watching developments here closely. Shorts and gold exposures were the standout performers, in particular a short exposure to the S&P Oil & Gas Exploration & Production ETF.

A broad range of contributors to performance in the Financials portfolio was largely offset by losses on an investment in EML Payments. Short exposures to general insurers and private health insurers provided support as both sectors faced multiple headwinds. General insurance has been impacted by weather events and lower interest rates putting pressure on underlying margins. Private health insurance continued to see margin squeeze from the government's historically low approved rate increases, alongside rising numbers of claims. The largest detractor for the portfolio was a core position in EML. Whilst management narrowed its guidance range, institutional investors' expectations of an earnings upgrade were not met. This resulted in a sell-off of this widely held stock. Given the underlying environment, price support (from new buyers) is difficult to come by and EML retraced to its September 2019 levels over the month.

TMT/Healthcare was largely flat in the month. Pleasingly, the Fund was well-positioned for a number of positive results from companies through the reporting period, with investments in Altium, CSL and Bigtincan all performing well. On the flip side, an investment in Telstra offset these gains. We believe the current sell-off in Telstra shares presents a compelling opportunity to add to a defensive exposure in the portfolio. Telstra's dividend yield of 4.5% should be particularly attractive in a 'post-corona' environment of lower bond yields. In terms of Telstra's fundamentals, its mobile business is starting to show some traction for 2HFY20 and its high cash flow generation more than supports the current dividend payout.

The Consumer/Industrials sectors detracted from returns in February. Underperformance in the portfolio stemmed from long positions in a basket of COVID-19 exposed stocks, including travel agents, leisure companies and casinos. While some of this risk was hedged, the Fund was carrying a net long exposure in early February when the virus looked to be contained in the Chinese Wuhan province. Given the recent developments, the Fund is now net-short the COVID-19 basket, given the likelihood of material earnings downgrades, cashflow constraints and potential solvency risk. Outside of the COVID-19 basket, the portfolio has been resilient, in particular our Agriculture holdings, which we acquired on trough-cycle valuations in recent months. Surprisingly, Elders is the best performing stock on the ASX YTD.

## 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	0.69	-1.00	-2.27	-0.78	0.80	2.21	1.38	-0.41	1.69	-0.51	-0.27	1.68
2020	1.08	-1.12											-0.05

## 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 & costs.

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