AUSTRALIAN RESEARCH
INDEPENDENT INVESTMENT RESEARCH

Atlantic Pacific Australian Equity Fund

April 2018

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3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.
4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.
5) All research mandates are settled upfront so as to remove any influence on ultimate report conclusion;
6) All staff are not allowed to trade in any stock or accept stock options before, during and after (for a period of 6 weeks) the research process.

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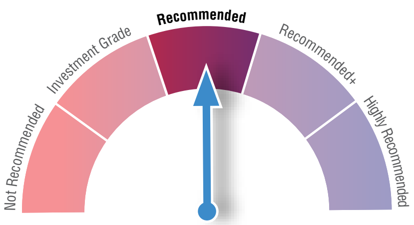
Note: This report is based on information provided by the Issuer as at April 2018.

Rating



Investment Profile

Name of fund	Atlantic Pacific Equity Fund
Investment Manager	APSEC Funds Management Pty Ltd
Benchmark	S&P/ASX 200 Acc Index
Inception Date	June 2013
Objective	Long term absolute total returns by investing in a concentrated portfolio of ASX-listed securities
Performance Target	5-10% outperformance per year after fees
Tracking Error	Benchmark unaware
MER	2.0% of Net Asset Value
Performance Fee	15% of excess net performance over the Benchmark plus 3% subject to a high water mark
Hurdle	S&P/ASX 200 Acc Index + 3.0%

Fees Commentary

Fees are on the high side, and made more so by the fact that the 2.0% MER is based on Gross Asset Value rather than Net Asset Value. The Performance Fee hurdle appears aggressive but is based on Gross Performance rather than net. On a net of fees basis the hurdle essentially equates to the performance of the S&P/ASX 200 Accumulation Index, The performance fee is otherwise appropriately structured, based on an appropriate benchmark and inclusive of a high water mark. IIR acknowledges lower FUM funds often need to charge at the higher end of the fee spectrum and would expect fee levels may decline over time with the growth in FUM.

Key Exposures (as at Feb 2018, % Portfolio)

Long Australian Equities	76%
Long / (Short) Index Futures	4%
Short Individual Securities	12%
Cash	8%

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

OVERVIEW

The Atlantic Pacific Australian Equity Fund (the Fund) is a long-short, high conviction Australian equities mandate based on fundamental investment approach with a technical overlay to time investments. The Fund was launced in June 2013 and, over its now almost five year track record has generated alpha and superior risk-adjusted although relative returns have varied materially over different time periods. The Fund is managed by a small, but capable investment team. The long portfolio consists of a concentrated 20-40 ASX listed holdings of large to small cap stocks. Shorting is achieved both by shorting index futures in response to the manager's market cycle view and shorting individual stocks based on predominantly shorter-term tactical trading. The Manager introduced the ability to short individual stocks in September 2016 to add to its ability to implement its investment ideas. The Manager will also go materially, and dynamically, into cash to express market views. Since inception, the average net long position has been approximately 70%, and ranged from as low as approximately 40% up to 85%. Bottom up fundamental analysis represents the basis of stock selection, both on the long and short side. The top down thematic analysis aims to provide an indication of where the market is in its investment cycle and is the key input as to whether the investment strategy is positioned defensively, or otherwise, by way other either cash or shorting index futures. Technical analysis is complimentary to the other frameworks in that it provides a discipline for entry and exit timing of investments.

INVESTOR SUITABILITY

The Fund may be suited to investors that seek equity market growth exposure but gain comfort from the fact that the Fund has historically provided greater downside protection due to tha ability to reduce net exposure and shorting component. Investors should note that while the benchmark is the S&P/ASX 200 Index, it is reasonable to expect materially differentiated performance given that net exposure levels are dynamically managed (and frequently signicantly below 100%) in addition to the impact of individual stock shorting. This is evident to a degree in the Fund's relatively low beta, high tracking error levels during certain market environments in addition to both significant variation in performance relative to the benchmark in addition to swings in such. While short positions may cushion performance in generally negative market environments, investors should note the additional performance risk through a shorting strategy. With the introduction of shorting individual positions, the Manager essentially doubled the stock conviction aspect of the strategy.

RECOMMENDATION

IRR rates the Atlantic Pacific Australian Equities Fund RECOMMENDED. The team is adequately experienced and the (bulk) of the investment strategy now has close to a 5-year track-record. The ability to short individual stocks is a recent addition. The implementation of shorting individual stocks places greater emphasis on shorter-term technical factors than the (largely fundamental based) long positions. As such, we believe there has been a slight shift in the investment strategy. Net market exposure has swung materially over the last 12-18-month period, with the Manager going 'risk-on / risk-off' in response to market views and the shortening 'half-life' of such events. Shorter term technical and timing decisions in relation to short positions and net market exposure have been a significant driver of relative performance more recently. In that regard, performance over the last 18-months has not surprisingly lagged the market in a growth environment, having been adversely impacted by periods of reduced net exposure in response to perceived market risks. We recognise this is inherent part of the strategy. Fees are also high, but we recognise that this is partly a necessity of relatively low funds under management (FUM). FUM growth is again heading in the right direction, after some disruptions in its internal distribution channels.

SWOT ANALYSIS

STRENGTH

- Experienced, capable and stable investment team with an absolute ownership and accountability of investment decisions. The PM, Nicolas Byron and supported by co-PM, George Paxton, has experience across multiple strategies (long only, long/short, quant, technical, macro) and across multiple investment environments, including a track-record of preserving capital during the GFC.
- Historically, the Fund has marginally outperformed the index since inception and done so with materially lower volatility and drawdowns. The Fund has also outperformed in down market months on approximately two-thirds of such occasions.
- The Manager has set a capacity limit of $200M so that the fund manager's ability to generate performance for clients is protected.

WEAKNESS

- Fees are at the high end of the relative scale, with a 2% MER and a 15% performance fee. However, we acknowledge that lower FUM funds require higher fees partly in order to not compromise team stability through materially below market remuneration as well as business sustainability issues.
- While the team is very much stable, with no turn-over to date, there is significant key-person risk with Nicolas Bryon who has been the main architect of the investment strategy to date. Furthermore, there is no effective succession planning in place, although we may expect this to change with further FUM growth.
- Unit pricing and redemption / withdrawal frequency is on a monthly basis only.

OPPORTUNITIES

- Domestic investors often exhibit a significant bias to long-only equities portfolios. For such investors, the Fund may provide an effective source of diversification and importantly downside risk mitigation.
- Exposure to an investment manager with a strong track record of alpha and superior risk-adjusted returns across a full market cycle. This has been based on a strong and repeatable investment process and stable investment team in a broader ownership structure that enable the investment team to focus on investing without the distractions of business administrative, etc aspects.
- Exposure to an investment strategy that has not only generated alpha and strong risk-adjusted returns but has preserved capital during periods of market down turn.

THREATS

- The Manager modified the strategy in September 2016 to enable short-selling of individual securities, rather than solely index futures. This not only increased the strategy's emphasis on the stock picking abilities of the Manager but, more importantly, constituted a shift in strategy as individual short positions are not established according to the equal yet opposite investment process to long positions (generally shorter term positions whereby technical timing signals have been more influential).
- Short selling has a skewed payoff ratio as the maximum gain – which occurs if the shorted stock was to fall to zero – is limited, but the maximum loss is theoretically infinite.

PRODUCT OVERVIEW

The Fund is managed according to a fundamentally based, long-short, high conviction and benchmark unaware investment mandate. While the Fund is permitted to have a variable net market exposure between 0-100%, it will generally have a long bias.

The portfolio may consist of a mix of Australian equities and Australian index futures, both long and short positions, as well as cash. As a high conviction, benchmark unaware mandate, the portfolio is relatively concentrated, comprising 20-40 holdings, with position sizes of between 2-5%. Being unconstrained by benchmark considerations means that each investment is a positive decision and a sell-to-zero discipline can be adopted.

The investment process combines bottom-up fundamental, top-down thematic and quantitative / technical analysis. Bottom up fundamental analysis represents the basis of long stock selection. Within this, there is a strong focus on short-to-medium term catalyst identification as a critical consideration to invest / divest and the timing of investment / divestment. The top down thematic analysis aims to provide an indication of where the market is in its investment cycle and is the key input as to whether the investment strategy is positioned defensively, or otherwise, by way other either cash or shorting index futures. Quantitative / technical analysis is complimentary to the other frameworks in that it provides a discipline for entry and exit timing of investments.

Short positions can effectively be divided into those based on short term tactical decision making (driven by quant technical/valuation signals) and those based structural decision making (where fundamental expectations are deteriorating). The latter effectively represents the symmetrical opposite to the bulk of the long position decision making process. Broadly speaking, short term dynamics drive a greater proportion of the decision making on the short side relative to the long side.

The Fund is very much an absolute returns mandate. The manager may defensively position the strategy by reducing its net market exposure through a combination of cash and shorting index futures, the latter being used more as a shorter term tactical way of reducing market risk. Historically, net market exposure has ranged from 42% to 85% with an average of 65%. Net market exposure management can be described as very dynamic, with significant variation and swings over what may be over relatively short periods in the face of perceived risks. In terms of historic performance, there has been a manifest and material benefit in terms of lower volatility and superior downside protection relative to the benchmark.

The Fund has an aggressive performance objective of delivering net returns of 5-10% p.a. over benchmark over a 5-7 year period with below average volatility and downside protection over the medium term through its ability short index futures and go materially into cash. Since inception in June 2013, while the Fund has exceeded benchmark it has not successfully achieved this objective, outperforming the benchmark in net terms by an annualised return of 1.8% over the now close to five year period to February 2018. It has however recorded lower volatility and drawdowns. We do note that the degree of relative performance has varied quite significantly in more recent periods.

The Fund charges a 2.0% MER plus a 15% performance fee on excess net performance over the Benchmark plus 3% with a high watermark.

MANAGEMENT GROUP PROFILE

APSEC Funds Management Pty Ltd was established in August 2011 by staff at Atlantic Pacific Securities Pty Ltd. In April 2012, lead portfolio manager Nicolas Bryon was hired to lead and develop the fund. In January 2013, 43.3% of APSECFM was sold to Amalgamated Australian Investment Group Pty Ltd (AAIG). In June 2013, the Atlantic Pacific Australian Equity Fund was launched and has been continuously managed by Nicolas Byron and George Paxton since inception.

AAIG owns a diversified group of financial companies that include a financial planning and dealer group in Adelaide (with Funds Under Advice of approximately $110M), a several share advisory firms with in excess of 2,000 clients as well as Australian Stock Report Pty Ltd.

FUM levels have have fluctuated in recent years due to internal changes at AAIG. Specifically, over the initial three years of the Fund FUM grew steadily (albeit relatively slowly) to approximately $25M by 30 June 2016. The flow has been $5m, $8m and $9.5m (inclusive of distributions) respectively for each year. This FUM had been raised predominantly through

AAIG's internal distribution (share advisory and financial planning entities or clients of other companies wholly or partly owned by AAIG).

That FUM concentration became an issue subsequent to 2016 when internal changes at group businesses of AAIG (two senior departures, with one setting up a competing funds management business) lead to a funds outflow from the Fund. It is our understanding that the situation has stablised, both internally at AAIG and in terms of fund flows in the Fund, with January 2018 being the first positive month since the internal instability of the sales team. With renewed momentum in the AAIG business and the Fund has now been more incorporated into workflow of affliated advisors the Manager is confident the down-draught in FUM is now over. As at December 2017, total FUM was $26.2M.

Moving forward external distribution through financial planning / dealer groups is now back on the agenda and the Manager is actively looking for business development resources to lay the foundations of it sales and marketing efforts within the financial planning and dealer networks.

We note that the internally developed HALO Analytical Tool (discussed in the body of the report) is an important revenue and profit centre in itself (through a retail client subscription business model) and, in addtion to FUM derived income, provides additional financial stability and supports the further evolution of the Manager.

INVESTMENT TEAM

The investment team is small, consisting of two dedicated members.The team is flat, stable, and has an established track record. Nicolas Byron is the senior fund manager. He is assisted by George Paxton (co Portfolio Manager).

Prior to joining APSEC, Nicolas began his career in the investment markets in the late 1990s as an equities analyst at JP Morgan late '90s. He subsequent moved to BNP Paribas IM, initially as an analyst and subsequently as a portfolio manager of a small cap strategy. From there Nicolas went to a boutique called Matrix Asset Management with the head of equities of BNP. The business ran capital protected products, specifically long only straight equity product wrapped with a derivative overlay. The business failed, although we note the structured products market in Australia never recovered after the GFC.

Nicolas then moved to Jaguar Funds which was a long short market neutral equities fund. According to Nicolas, performance was strong and the fund top quartile amongst the peer group.

Nicolas then moved to Arnott Capital where he was a portfolio manager of a long-short Asian equities strategy. This where Nicolas had his main success with building a boutique. Arnott Capital across its two managed funds grew FUM from $20m to $1bn just prior to GFC. From an investment return perspective through the GFC the fund successfully preserved capital and, general delivered very consistent returns over its four year track-record, as per the investment objective.

Prior to the Fund, George Paxton was based in England where he had studied Law. He became an M&A lawyer for a short period and then started getting into research on stocks. is a financial analyst with an extensive portfolio of financial services skills. Previous experience includes senior positions providing banks and hedge funds with actionable intelligence and analysis. Prior to this, he specialised in corporate finance advisory in London, with a focus on mergers and acquisitions and analysis within the North American and European markets. He has extensive experience in valuation techniques, global accounting standards and mergers and acquisitions.. Since moving to Australia, he has been researching Australian equities for over four years.

The team are generalists rather than sector specialists, and intentionally so. The Manager believes the latter structure creates myopia it plays to the importance of all team members being able to effectively compare and discuss stocks by having a common language to recognise the pros and cons of each business model and investment case. It also adds to the level of interaction between team members

In terms of team size and use of resources, the team is clearly small, notwithstanding the addition of a third dedicated quant based member. However, we do not view the team as stretched relative to the demands of the investment process. Further, as noted above, team members are distanced from some of the peripheral activities associated with investment management, enabling them to concentrate on portfolio management.

The incentivisation structure includes discretionary bonuses. We view key person risk more a function of being hit by the proverbial rather than Nicolas choosing to leave, at least at this point. However, key person risk is very significant given Nicolas is the architect of the strategy and there is no succession planning. If Nicolas was to depart our view of the strategy would, in all likelihood, change significantly.

Table 1: Key Investment Personnel

Name, Position	Years with Fund	Industry Experience
Nicolas Byron, Portfolio Manager	5	18+
George Paxton, Portfolio Manager	5	11+
Thomas King, Quant Analyst	2	2

INVESTMENT PROCESS

Broadly speaking, the investment process is well established, disciplined, and effectively tested over various market environments given Nicolas' prior portfolio management experience. The small team ensures consistency of process. Over the last 6-9 month period the team has been fine-tuning their processes through an internally developed software package ('Halo'). The application is designed not only to reinforce consistency of process but, more importantly, facilitate a better use of the resources by enabling the identification of investment opportunities as well as enabling the small team to focus a greater degree of time on the more rigourous fundamental analysis.

INVESTMENT PHILOSOPHY

The Fund's objective is to generate excess net returns of 5-10% p.a. over the benchmark over the medium to long term. The Team believes this is best achieved by investing in a concentrated, unconstrained portfolio based on a long-short mandate and drawing on multiple investment strategies (long only, long/short, quant, technical, macro). The manager describes itself as style neutral that looks to the adapt to any investment environment utilising the skills the team has develop in this and prior capacities and the various components of its investment process (see below).

There is a significant emphasis on event / catalyst identification. The manager is of the view that the fundamentals of a company are effectively defined by the events that have happened in the past and expectations of future events.

By its very nature being a long-short strategy, the Team is very conscious of downside risk, viewing the key risk to investors as the permanent impairment of capital. Downside risk is managed at the stock level through valuation disciplines and at the strategy level by the ability to short both index futures and specific securities as well as be materially invested in cash.

The Manager holds there are distinct benefits of a long-short strategy. All asset classes undergo periods of prolonged positive returns as well as negative returns. Therefore, unlike more traditional fully invested buy-and-hold strategies which are highly dependent on a rising market, allowing for variable net market exposure may lead to outsized relative returns during negative or range trading market environments. Periods in which an investment manager can capitalise on the direction of the market, whether for days or months, will lead necessarily to significant relative performance.

INVESTMENT PROCESS

The Team's investment process is detailed and diagrammatically presented below.

Universe Screen

The universe of Australian equity investments is reduced to a universe of 200 to 250 names based on a liquidity screen. Once the Investable Universe is available, the team then researches companies from a fundamental point of view, attempting to identify companies where there is a strong likelihood of outperformance. In addition, ideas are generated utilising various screens. Given the style neutral nature of the strategy, the number of screens is quite diverse. This list of companies becomes the Target Universe.

Catalyst Identification

For the Target Universe, the team identifies and defines catalysts, with the latter based on an expectation of timing and potential magnitude of return after the event has occurred. This provides the team a time frame over the next 3-6 months on when the team may want to invest in a particular stock. As the focus of the team's efforts is to maintain a portfolio of companies likely to outperform given the strong alpha objective, the outcome of events becomes a primary driver of potential outperformance.

The key types of events the team focuses on include reporting periods, profitability trading updates, and industry and economic activity data. Additionally, other events reported by companies during the year can have an impact on the team's bias towards a company. For example, a cheap acquisition within a company's normal operating environment may support earnings upgrades.

Events confirm holding/exiting a position or they support the start of a new position.

Macro Research

This framework aims to provide an indication of where a market is in its investment cycle.The outcome of this 'top down' approach is to describe the market environment in terms of three basic characteristics – bull, bear or range trading. Each phase may last for long periods of time and is a critical overlay to the construction of a portfolio. Knowing when to be defensive or otherwise is critical to the success of the investment strategy. This particular component of the investment strategy will to a great extent determine how much net market exposure the portfolio has any point of time.

Quantitative Analysis

This method of investment analysis is complementary to the other frameworks in that it provides the discipline for entry and exit points of an investment. This framework utilises company valuations, timing models and other technical analysis indicators. With respect to valuations, historical ranges across a number of variables provide a strong indicator of over or under valuation. The premise is that a company will have a distribution of valuation outcomes depending on the economic cycle or industry in which it operates and will not tend to deviate from this. In addition, discounted cash-flow models, as provided by market analysts, are used to provide a market-based anchor for valuation. In each case, the Investment Manager will seek to establish an intrinsic value for a business in order to form a view on relative or absolute valuation. Complementing the entry and exit decision for investments, the Investment Manager will utilise mathematical models of security price behaviour across a number of model families.

Net Exposure Management and Short Selling

The manager manages downside risk by both shorting index futures, individual securities and going into cash. With the ability to short individual securities introduced in late 2016 the importance of the Manager's stock picking abilities was further augmented.

Net exposure is managed within the range 0 to 100% of capital. The asset exposure of the strategy will be made up of long equity exposure accounting for most of the net assets. In order to manage this weight downwards due to anticipated macroeconomics events, minimising further losses in the fund, or general uncertainty, the manager will either sell index futures or sell out individual equity securities. This dynamic exposure management is to minimise downside volatility where it is clear equity markets will underperform.

The selling of index futures is typically related to anticipated macroeconomic events where there is the potential for a negative period of returns. Alternatively, the manager may sell exposure after a negative macroeconomic event to minimise further losses in the fund. If the effect of the event is perceived to be permanent and will likely result in further medium term losses in selected investments, then this short term hedge will be replaced by outright security sales.

As noted above, shorting of individual securities was permitted with the issue of an updated PDS in September 2016. In terms of investment process, short positions can be divided into shorter-term positions based largely on technical signals and those base on longer-term fundamental considerations, the latter being the symmetrical opposite to the fundamental long analysis. In relation to the latter, the manager is looking for lower quality securities or where negative earnings revisions are likely to eventuate or likely to continue being negative. A greater proportion of shotrt positions are based on shorter duration technical analysis or event expectations. And the Manager is a lot more inclined to liquidate a short position where it begins to go against them rather rather than adopting a longer term buy and hold approach, as it may on long positions.

Position sizes will again be dominated by liquidity. The manager does not expect to target mid and small caps on the short side due to the relative scarcity of borrow for these securities. This is consistent with the manager's liquidity focus but translated to the borrowing dimension.

Risk management is also symmetrical as applied to short sold securities. However, event and take-over risk becomes more acute for short selling of securities. Take-over risk can present a fat-tail risk which the manager would actively avoid. The manager also expects short selling to be much shorter term in nature creating trading income rather than being necessarily structural in nature, particularly for less liquid names.

PORTFOLIO CONSTRUCTION

Given the unconstrained nature of the portfolio, no consideration is given to the composition of the benchmark index, which is simply used to represent a client's 'opportunity cost'. This means that all investment decisions are positive, not passive, and that the focus for decision-making is on what the strategy owns, not what it does not own. The portfolio is constructed on the basis of liquidity, upcoming event catalysts and entry prices relative to where the manager believes a security can move towards over time. Notwithstanding the relatively concentrated nature, the portfolio is generally diversified across sectors, representing a component of portfolio risk management.

With respect to liquidity, more liquid names that the team has a positive bias towards will typically be allocated 2-5% of the portfolio's capital. Less liquid names will be allocated 1-2.5% of capital (in part due to natural higher volatility as well as event related liquidity risk) and micro-caps can be allocated up to 1%.

Position sizing is also based on a forward view of what events will or may occur in the future. The team will start building a position and as those events confirm the potential for that company the manager's conviction starts to arise and, as a corollary, so may the position size.

To summarise, allocation is based on the following parameters:

- Liquidity of a company – This ensures an upper limit to a position size. For example the top 50 liquid names will have an upper limit of 10%.
- Conviction from a fundamental perspective
- The timing of events – Where the manager has higher conviction from a fundamental perspective, the manager will tend to up-weight when leading into an event.

In no case, is the liquidity limit of 10% breached due to conviction or event timing.

Buy/Sell Discipline

In each case, buying or selling, there is symmetry in terms of the methods used. Key to the team in identifying entry and exit points relate to valuation ranges and technical entry and exit points. Even with the recent ability to short individual securities, most stocks will be long term investments so long as company events support the continuation of company performance.

For entry into a stock, the process is typically as follows, with neither being mutually exclusive nor in any particular order. Exit timing is largely the oppositie of the below.

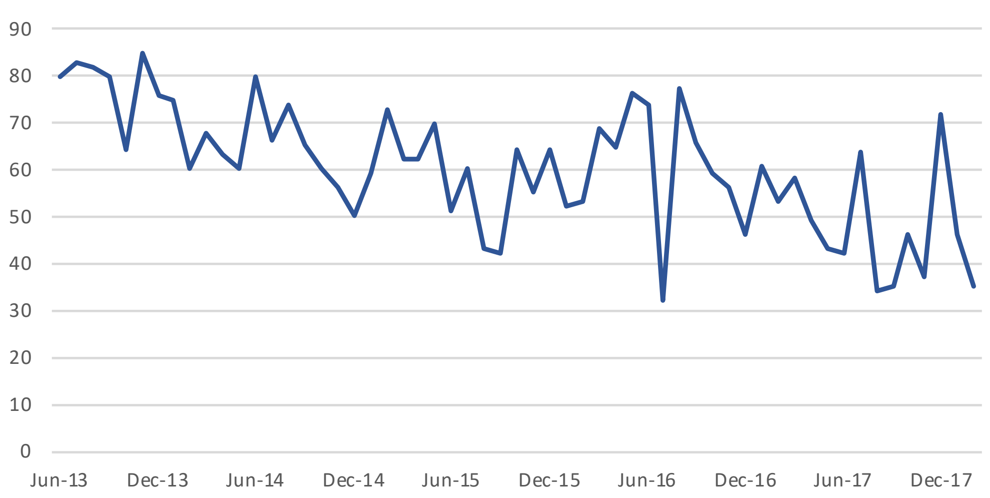
- Wait for the price to return to the bottom of a recent trading range, near support. Trading ranges are define as either flat or trending
- Is oversold from a technical point of view (various timing models used)
- Is near to an event (within a month) where a change in sentiment can occur
- Occasionally, a break-up will be bought (much lower levels of capital deployed) where an event has caused a name to move to the top of its recent trading range
- A company's valuation is low relative to its historical distribution and/or market.

Portfolio Positioning

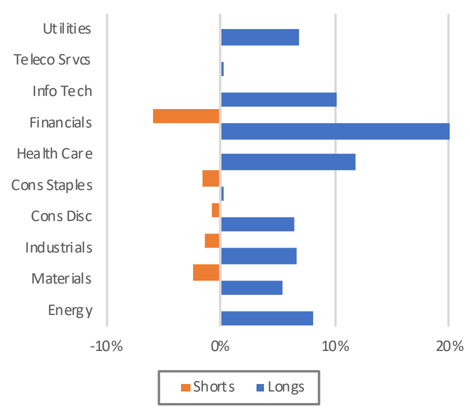
The three charts below illustrate the Fund's portfolio positioning. The first illustrates net exposure levels over time. As evident, there have been large variations and swings in net exposure, and particularly in more recent years. The investment strategy is very active in this regard and this is one reason why it is reasonable for investors to expect significantly differentiated performance to the Fund's benchmark at times.

The second two charts depict portfolio positioning by sector, both in absolute and relative terms. In addition to illustrating the Manager's biggest sector 'bets' it again highlights the high conviction, benchmark unaware nature of the strategy, with significant over- and under-weignt exposures.

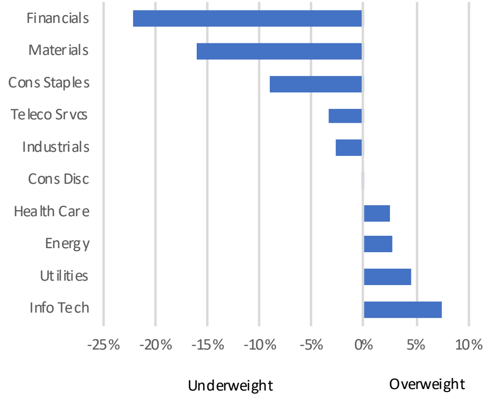
Chart 1: Net Exposure



Portfolio by Sector (longs/shorts)



Portfolio by Relative Position (longs)



RISK MANAGEMENT

The Manager's approach to risk management is to consider both market exposure (net market exposure levels), individual security risk tied to certain market events, and natural drawdown risk through negative periods given portfolio composition. Additionally, while the portfolio is relatively concentrated, there is typically sector diversification and position size limits by security in general and by liquidity more particularly

The approach is relatively informal, with the manager not using any quantitative risk measurement systems, such a Barra. IIR does not take an overly negative view on the absence of such systems, but by providing a variety of measures of statistical risk, style analysis and decision-making consistency they provide a more comprehensive picture and therefore an informational advantage.

PERFORMANCE ANALYTICS

We note the following regarding the performance of the Fund to date:

- On a rolling 12-month basis (as a means to remove entry and exit timing bias), the Fund has recorded significant variation in relative returns over its five-year track-record (refer to the Rolling 12-month alpha chart). More recently, the Fund has underperformed, not entirely unexpected for a long/short strategy in a generally strong growth market. The biggest contributor to the underperformance has been a marked reduction in net exposure during periods of perceived market risk - Brexit and the Trump election being the more two notable instances.
- In relation to risk, both volatility and drawdown, the Fund has materially outperformed the benchmark and consistently so over the five-year period (see Table 2).
- The Team's hit rate, the proportion of buys that outperform rather than underperform the benchmark is solid as is the proportion of stocks that have generated positive absolute performance. The manager has illustrated a solid stock picking ability.
- Relative outperformance in down markets has been strong (see Chart 5). Outperformance in positive months has been reasonably good given net exposure levels of less than 100%, and where underperformance has occurred the degree has been generally low (see Chart 5).

Table 2: Performance to February 2018

Time Period	Return (% p.a.)	Alpha	Volatility		Sharpe Ratio		Max Drawdown	
			Fund	B'mrk	Fund	B'mrk	Fund	B'mrk
1 year	7.3%	-2.8%	5.9%	6.0%	0.97	1.26	-5.2%	-3.9%
3 year	3.5%	-1.6%	7.8%	11.3%	0.12	0.22	-10.4%	-17.8%
Inception	10.8%	1.8%	8.4%	11.0%	0.99	0.59	-10.4%	-17.8%

Chart 2: Performance Returns

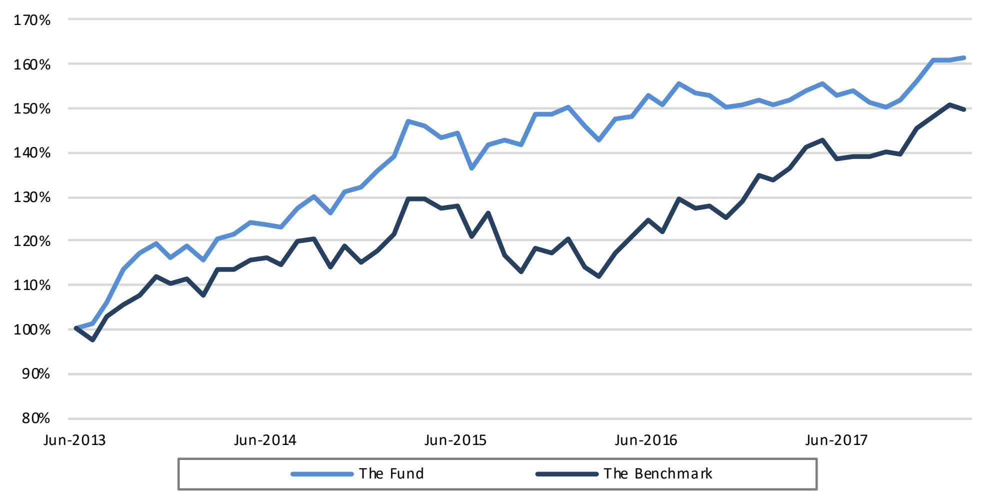


Chart 3: Rolling 12-month returns

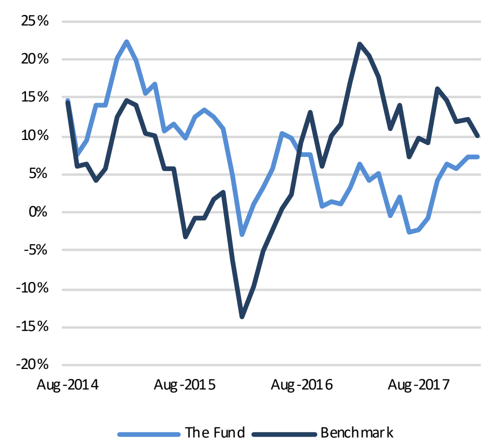


Chart 4: Rolling 12-month Alpha

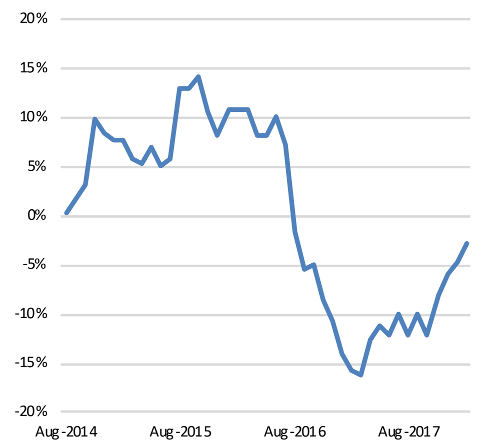
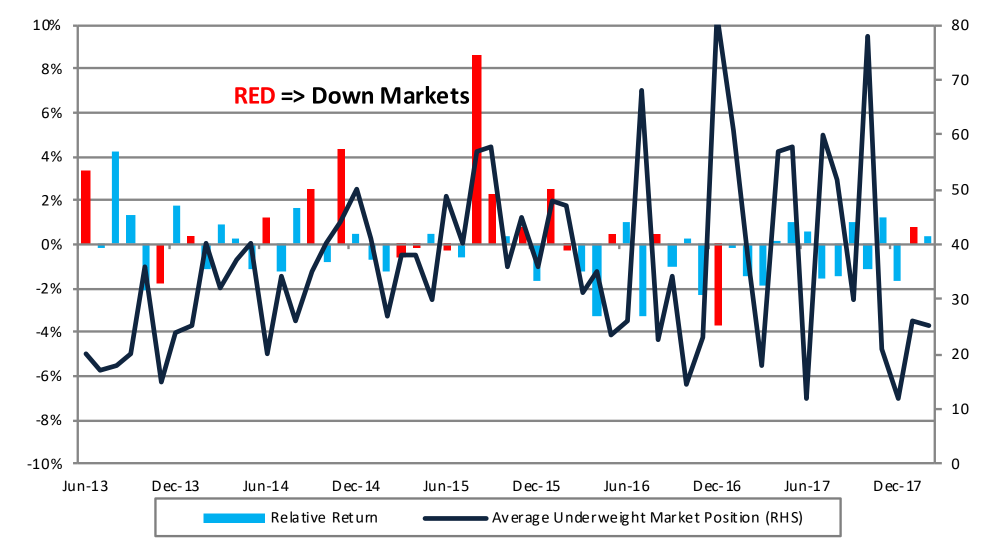


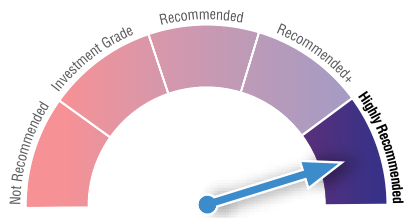
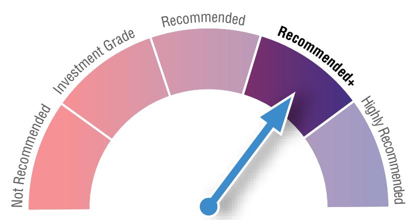
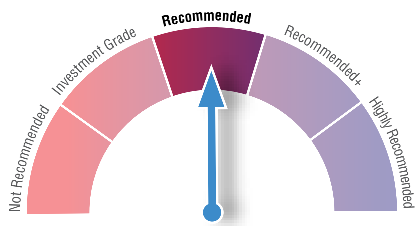
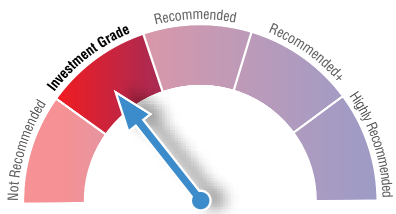
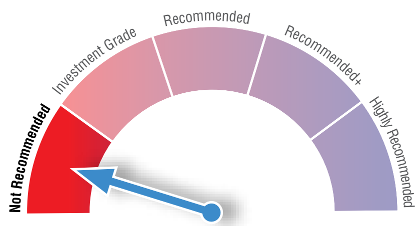
Chart 5: Relative Return



APPENDIX A – RATINGS PROCESS

Independent Investment Research Pty Ltd "IIR" rating system

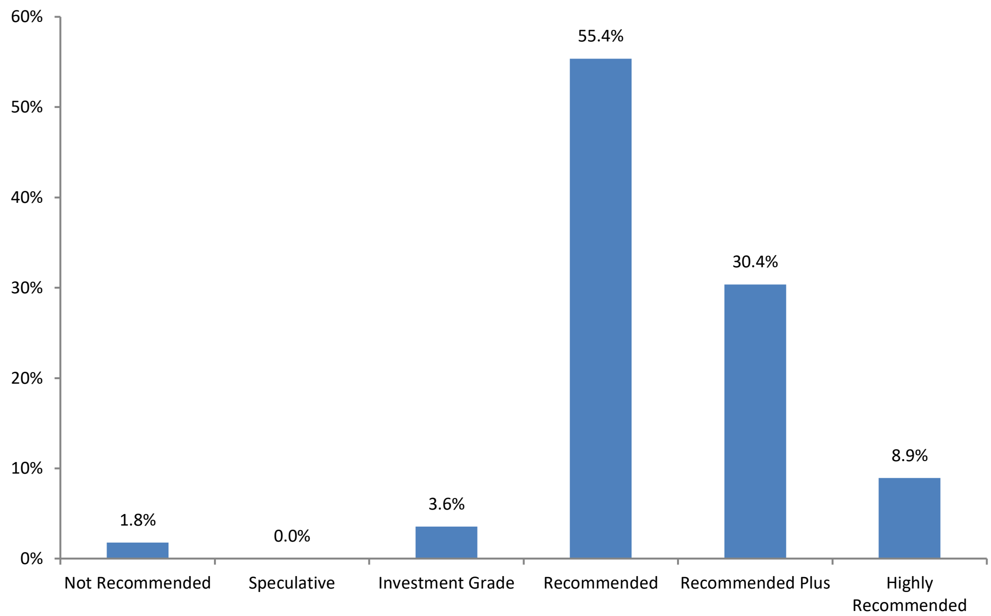
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
Highly Recommended	**83 and above**
	This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.
Recommended +	**79–83**
	This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.
Recommended	**70–79**
	This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.
Investment Grade	**60-70**
	This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.
Not Recommended	**<60**
	This rating indicates that IIR believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

Spread of Managed Investment Ratings



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For further information, please contact IIR at: client.services@independentresearch.com.au

Independent Investment Research (Aust.) Pty Limited

SYDNEY OFFICE
Level 1, 350 George Street
Sydney NSW 2000
Phone: +61 2 8001 6693
Main Fax: +61 2 8072 2170
ABN 11 152 172 079

MELBOURNE OFFICE
Level 7, 20–22 Albert Road
South Melbourne VIC 3205
Phone: +61 3 8678 1766
Main Fax: +61 3 8678 1826

HONG KONG OFFICE
1303 COFCO Tower
262 Gloucester Road
Causeway Bay, Hong Kong

DENVER OFFICE
200 Quebec Street
300-111, Denver Colorado USA
Phone: +1 161 412 444 724

MAILING ADDRESS
PO Box H297 Australia Square
NSW 1215