

04/07/2016

The fund is the primary vehicle for the investment of our capital. Its current traits are:

- Highly stock specific investments that are concentrated in our few key ideas;
- The key ideas generally relate to companies that are not well known or popular investments;
- The fund currently has a significant USD and Euro exposure as a result of individual equity investments in these geographies;
- Managed with consideration of tax for Australian investors; and
- A meaningful short exposure to the Yen.

Returns (to 30/06/2016)	Fund
Since inception* (annualised)	11.1%
Since inception* (cumulative)	92.8%
Rolling 5 year (annualised)	13.2%
Rolling 3 year (annualised)	10.9%
Rolling 1 year	-0.3%
Standard deviation	9.2%

Financial Year	2010	2011	2012	2013	2014	2015	2016
July		1.14%	-1.95%	-3.06%	2.03%	1.98%	0.45%
August		-0.33%	-0.32%	0.45%	1.42%	-0.39%	-1.39%
September		0.60%	-2.18%	1.89%	0.52%	4.18%	-1.19%
October		2.12%	0.83%	1.30%	1.43%	2.53%	0.27%
November		0.47%	-1.22%	-2.46%	3.97%	11.10%	0.60%
December		-0.24%	0.27%	6.93%	1.13%	3.00%	-3.07%
January		0.31%	0.84%	9.92%	-0.54%	0.97%	-1.77%
February		1.78%	0.02%	2.69%	-0.81%	1.57%	1.77%
March		1.06%	5.59%	-0.44%	-1.45%	-0.04%	-0.84%
April	*0.04%	-1.94%	1.62%	4.45%	0.08%	0.32%	1.72%
May	-0.78%	1.01%	-0.37%	8.63%	1.29%	0.47%	4.12%
June	-0.76%	-0.70%	-2.58%	1.68%	0.02%	-2.61%	-0.79%
Financial Year	-1.49%	5.33%	0.29%	36.06%	9.33%	24.95%	-0.31%
Calendar Year		-3.10%	10.12%	43.95%	22.40%	-3.70%	

* Inception date: 15/04/2010

- The fund's daily unit price and distribution details can be downloaded via this [link](#).

The fund returned -0.3% over the financial year. Long equity investments (in local currencies) contributed 4.4%, currencies detracted 0.6%, equity derivative positions and securities short sold detracted 0.3% and the Yen put options detracted 2.0%.

The fund's gross long investments were increased from 32% and 8 investments at the beginning of the financial year to 46% and 11 investments currently. Activity has included:

Acquiring:

- An initial 3.5% position in Deere and Company in August 2015 at US\$80.93;
- Increasing the investment in Saft Batteries in September 2015 at E28.86 and February 2016 at E23.37;
- Acquiring a 3% position in a micro cap UK listed logistics company in November 2015; and
- Acquiring a 3% position in Calpine in June 2016 at US\$14.09. Calpine is a US listed electricity generation company that the fund previously owned from August 2011 to November 2014.

Selling:

- A 4% position in MRC Global, a US based global distributor of equipment for oil and gas operations. The fund held this investment from February 2015 until May 2016 and realised an IRR of 10.6%.

The fund benefitted from its holding in Saft Groupe (Saft) which is currently subject to a takeover offer by Total S.A. at E36.50. The fund has held an investment in Saft since June 2012. The investment contributed 1.4% to performance over the financial year; the fund's annualised IRR from this investment since June 2012 has been 35.2%.

The fund currently holds some put options on an Australian financial services company which offer some short term protection for the fund. The face value of the options is around 20% of the fund size. We acquired this position in late June 2016 and it expires in late July 2016. The cost of the position was 0.2% of the fund's capital and its current value is 0.5%. We do not expect to roll or extend this protection beyond its maturity. Given the strike price of the put options and the volatility in markets, it is quite possible this position will expire worthless.

Our thought process has not changed in the context of the recent weakness and volatility across global markets. We are attracted to businesses that we consider as being "tolls on the real economy", businesses whose common traits include a degree of pricing power, reasonable balance sheets, scale in the context of their individual markets, and significant and real internal reinvestment opportunities. We are attracted to these businesses because we perceive they have traits that enable them to survive and ultimately generate reasonable real returns for their owners despite the monetary and political environment that ensues.

Of the fund's current 46% long exposure, we consider 28% to have these characteristics. We expect to use periods of market weakness to increase the fund's gross long invested position by both increasing the size of some existing investments and also investing in some new positions.

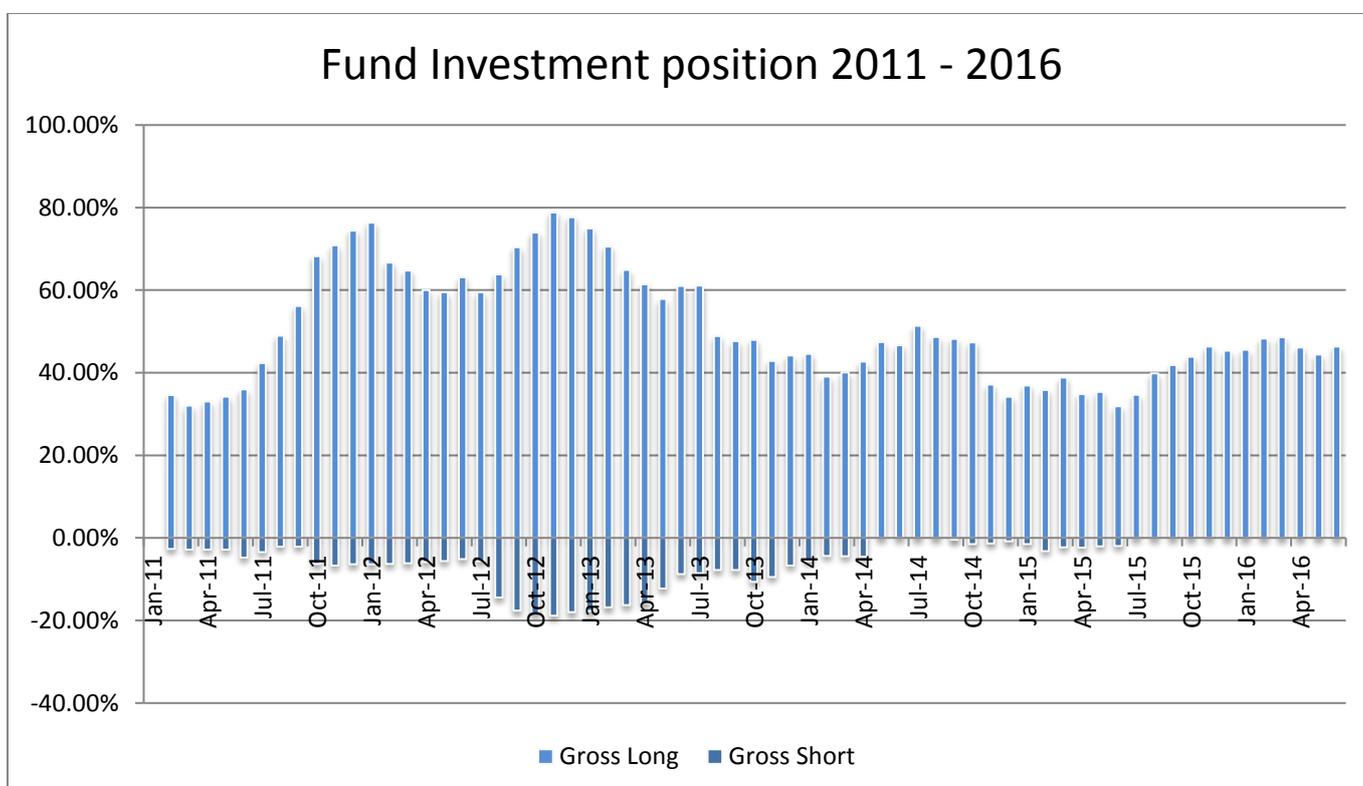
Please don't hesitate to contact us if you would like to discuss investing in the fund or mandate offering.

	Long (%)	Short (%)	Currency (%)
Australia	0	0	63
United States*	33	0	27
UK/Europe*	13	0	10
Total	46	0	100
Derivatives (annual cost)	3		

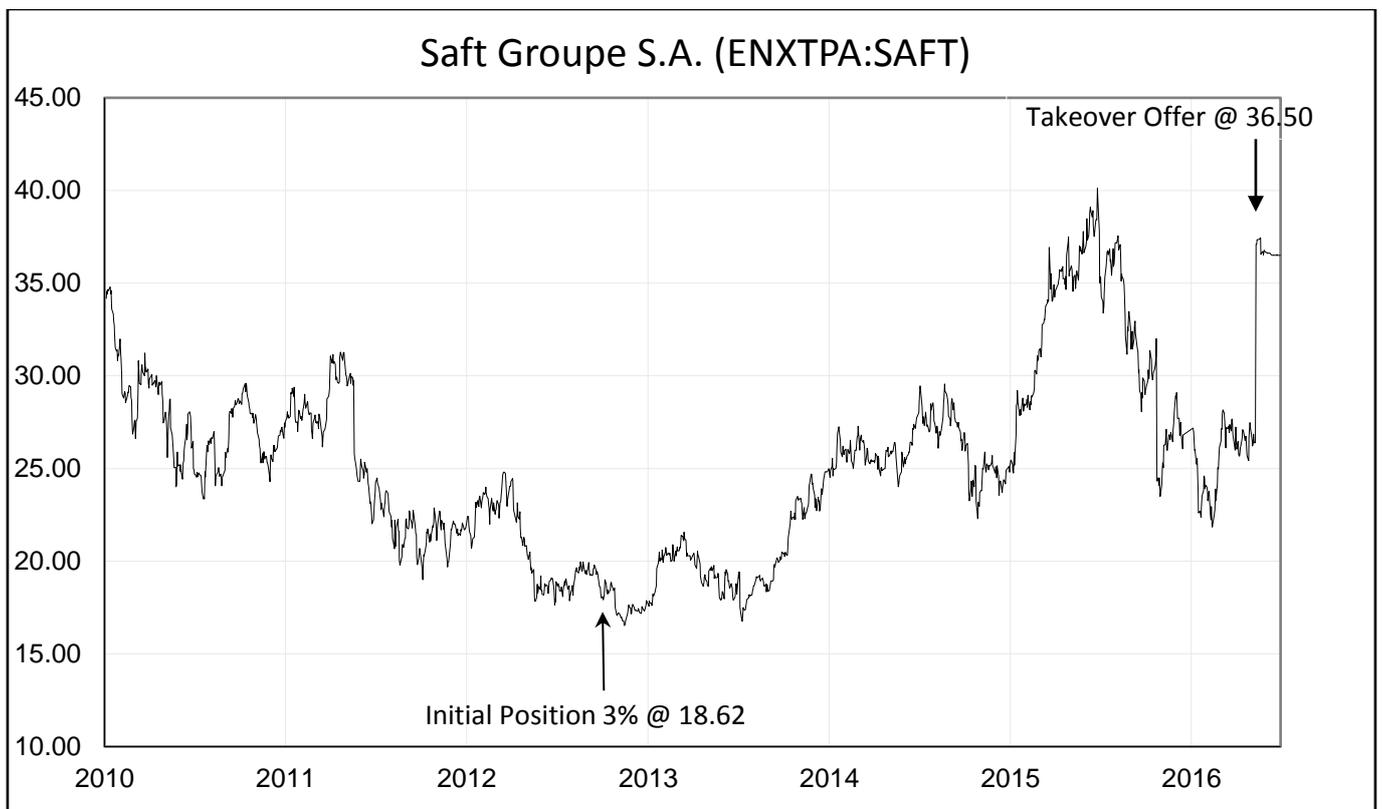
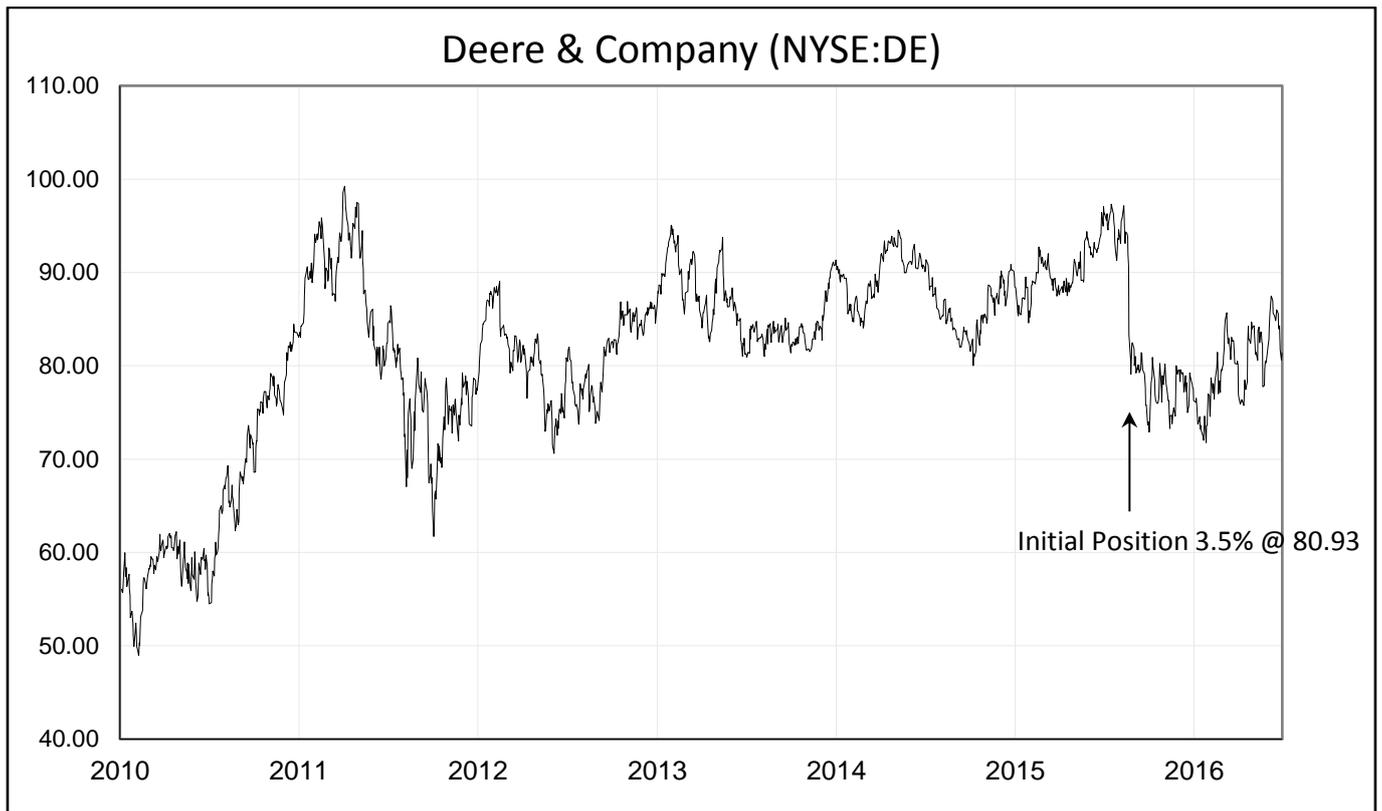
Notes: Data as at 30th June 2016. * Euro & USD approximate only.

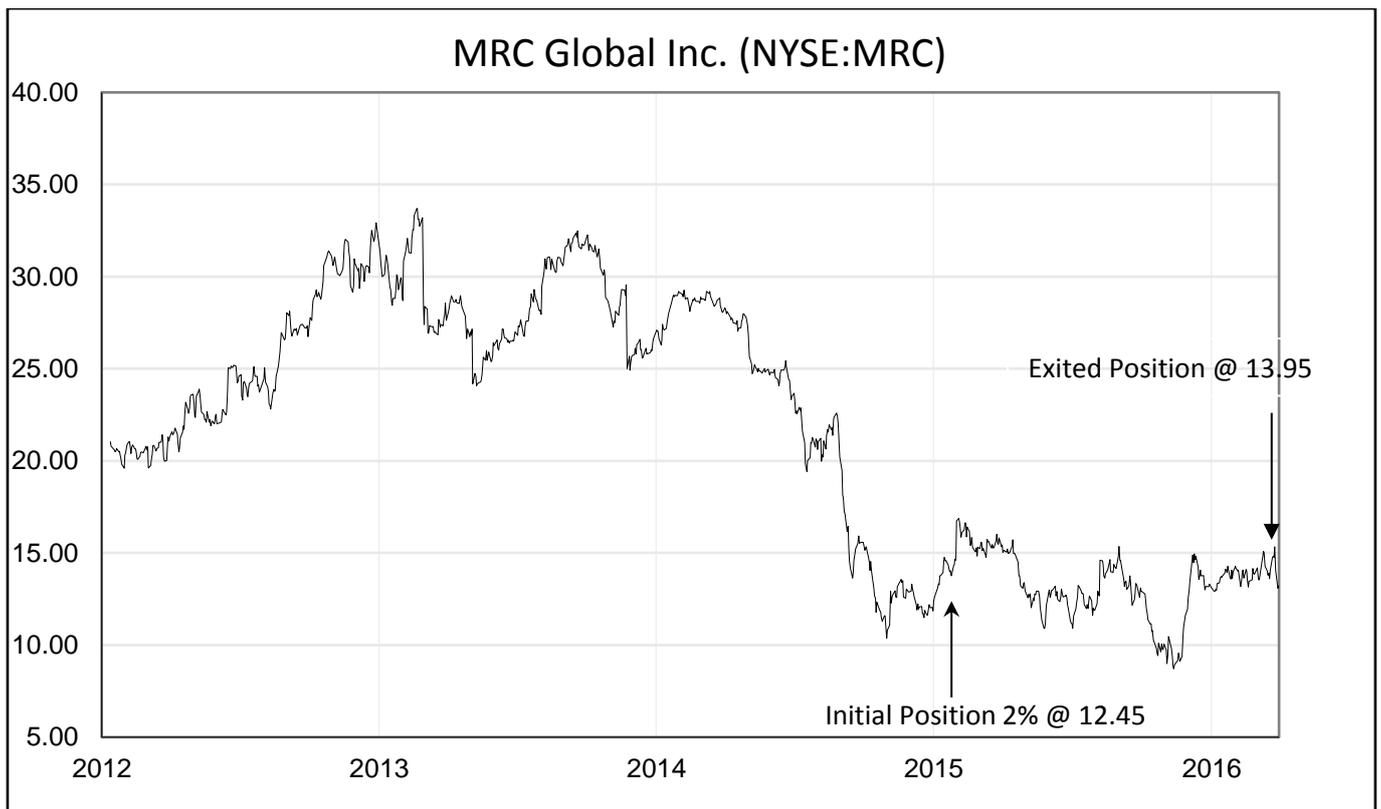
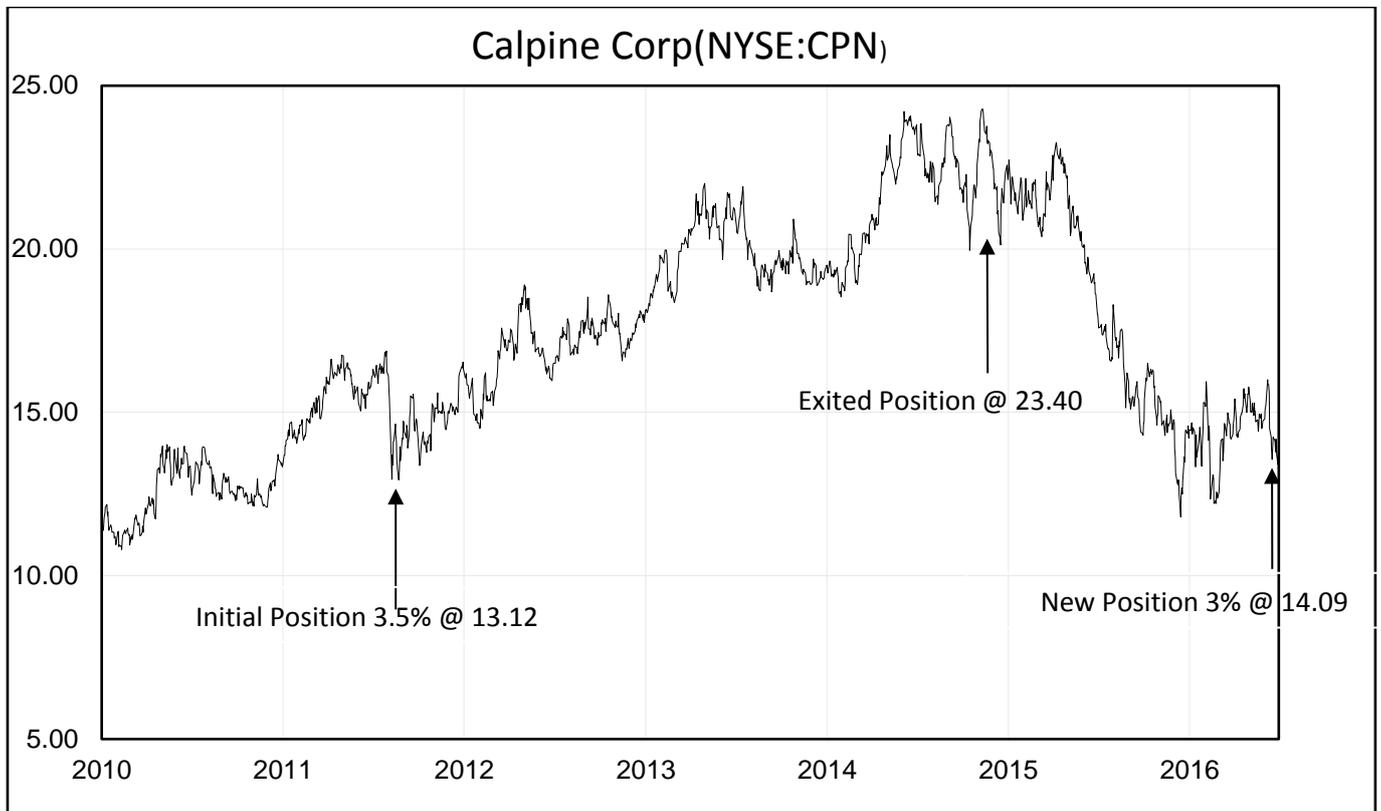
	Australia		United States		UK/Europe		Total	
	%	no/.	%	no/.	%	no/.	%	no/.
Tenet 1: Energy Related			8	1			8	1
Tenet 2:			12	2			12	2
Whole Foods Market			4	1			4	1
Deere & Company			4	1			4	1
Saft Groupe					6	1	6	1
Dover Downs Gaming			3	1			3	1
Other			3	1	7	3	10	4
Gross long			33	7	13	4	46	11
Gross short								
Gross invested position			33	7	13	4	46	11
Derivatives (annual cost)							3	3

Notes: Totals may not add due to rounding.
Data as at 30th June 2016



Appendix: Charts





Australian Dollar (\$AUDUSD)



Crude Oil (NYMEX:^CL)

