

# Australian Masters Equity Fund

## Performance Report to 30 June 2016

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### Investment objective

The fund aims to outperform the S&P/ASX300 Accumulation Index over a rolling three year period.

### Investment strategy

The Australian Masters Equity Fund is designed to provide investors with access to some of Australia's top fund managers that are normally only accessible to high net worth investors.

The current four underlying funds all have distinctively different methods of investing, providing exposure to the entire breadth of the market. They are highly transparent, 'long only' investors. The size of their individual funds allows them to remain nimble enough to trade quickly as market conditions change, and helps eliminate the possibility that they become index funds.

**Distribution frequency** Half Yearly      **Suggested minimum investment time frame** 5 years

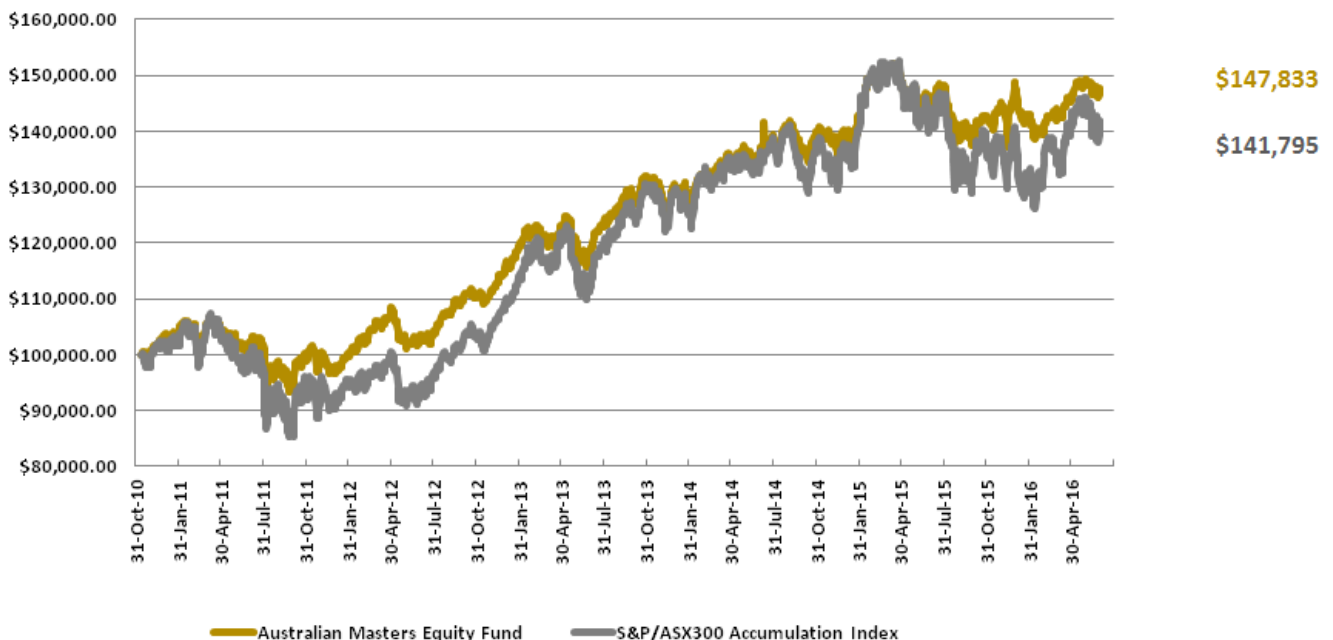
### Fund performance at 30 June 2016

	3 Months	12 Months	Since Inception**
AMEF	2.66%	2.70%	47.83%
Benchmark*	3.98%	0.87%	41.79%
<b>Difference</b>	<b>-1.32%</b>	<b>1.83%</b>	<b>6.04%</b>

\* S&P/ASX300 Accumulation Index

\*\* Inception Date- 12 November 2010 (total return)

### Growth of \$100,000 invested since inception



Please note- past performance is not a reliable indicator for future performance. The Australian Masters Equity Fund inception date is 12th November 2010 and fund returns are to 30 June 2016. Performance is based on the NAV prices and is calculated by compounding daily time weighted returns and assumes 100% reinvestments of income. The S&P/ ASX300 Accumulation index assume 100% reinvestments of dividends.

## Commentary

A commodity price fuelled rally saw the local index start strongly during the quarter, as the Materials index rose 14% in April alone. Central Bank actions continued to influence markets, as expectations around another US Federal Reserve (Fed) interest rate hike were pushed out. A surprising referendum result in the UK late in the quarter caught global markets off guard, which resulted in a marked increase in volatility to round out the financial year. The Accumulation index still managed to post a small gain for the year, albeit the lowest in four years.

The divergence in performance between the large-cap stocks and the smaller capitalised stocks was stark over the financial year.

The RBA surprised the market in May by cutting the overnight cash rate to a new record low of 1.75%. At the time of writing, another 25 basis point rate cut occurred at the August meeting. A Federal election was held post-quarter end, the result of which returned the Coalition to Government.

In the US, weaker than expected Data kept the Fed from hiking rates further in June. Despite the Fed's best efforts in communicating a hawkish tone and insisting the July meetings was still 'in-play' for another rate hike, the market has completely dismissed this view post the Brexit result.

Property trusts continued to outperform as investors sought alternative sources of yield to bonds, whose spreads continue to tighten. Following the Brexit referendum, the Australian 10 year government bond yield traded at a new record low of less than 2%. The yield is of course still positive however, unlike an increasing number of global bonds.

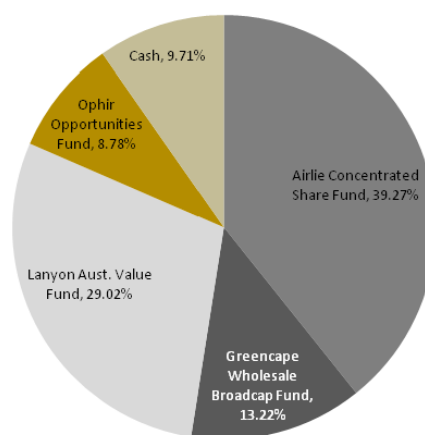
Consumer Staples was the only sector to retreat during the period. Price deflation continued to impact the major supermarket chains, as Woolworths posted negative comparable third quarter sales growth.

Political uncertainty in UK (Brexit), Europe (response to Brexit), and the US Presidential election are front and centre for global markets at the present time. Simmering in the background remains China's debt fuelled economy among numerous other emerging market growing pains elsewhere across the globe.

The US still remains the key focal point of global markets, and the 'elephant in the room' remains the perception of a risk of a slowdown in the world's largest economy. At the present time, there is a large degree of uncertainty across global markets, with sentiment regularly switching from risk-on to risk-off. Such volatility (and often increased liquidity) can create opportunity.

## Portfolio Holdings as at 30 June 2016

	Strategic Weight
Airlie Concentrated Share Fund	39.27%
Greencape Wholesale Broadcap Fund	13.22%
Lanyon Australian Value Fund	29.02%
Ophir Opportunities Fund	8.78%
Cash	9.71%



## Underlying Manager Performance

### Airlie Funds Management Pty Ltd

Airlie returned -0.97% in the month of June, outperforming the broader market (S&P/ASX300) which returned -2.44% for the month of June. The Fund is up 46.85% since inception versus 36.05% for the broader market. The portfolio remains cautiously positioned with the cash weight just over 35%. Its top three active positions are Nick Scali Ltd, Caltex Australia Ltd, and Event Hospitality and Entertainment Ltd.

### Greencape Capital

The fund underperformed the market and delivered a 2.42% return over the quarter compared to the S&P/ASX 300 Accumulation Index return of 3.98%. Key contributors for the fund during the quarter were Galaxy Resources Ltd, Iron Mountain Incorporated, AUB Group Ltd, and Recall Holdings Ltd.

### Lanyon Asset Management

The Lanyon Australian Value Fund posted a return of +1.1% (before fees) for the month of June. The Australian market, as measured by the S&P ASX 300 Accumulation index, posted a return of -2.4%. The funds cash balance at month end was 48.0%.

### Ophir Asset Management

The portfolio declined 0.6% for the month of June while the S&P/ASX Small Ordinaries Accumulation Index (XSOAI) declined 1.3%. The top performing stocks in the portfolio for the month included Mayne Pharma Group Ltd and A2 Milk Limited.

*Unless otherwise specified, any information contained in this publication is current as at 30 June 2016 and is provided by the Australian Masters Equity Management (AMEM) ABN 28 141 461 083. It should be regarded as general information only & not as advice as all investments within the fund involve risk. This has been prepared without taking into account your investment objectives & financial situations. Each person should obtain a Product Disclosure Statement (PDS) relating to the Australian Masters Equity Fund & consider the PDS before making any decision about the product. A copy of the PDS can be obtained from AMEM on 1800 425 451 or on our website [www.amem.com.au](http://www.amem.com.au). Some or all of the directors of AMEM may benefit from fees & commissions of the Australian Masters Equity Fund.*