

Australian Masters Equity Fund

Performance Report to 31 March 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

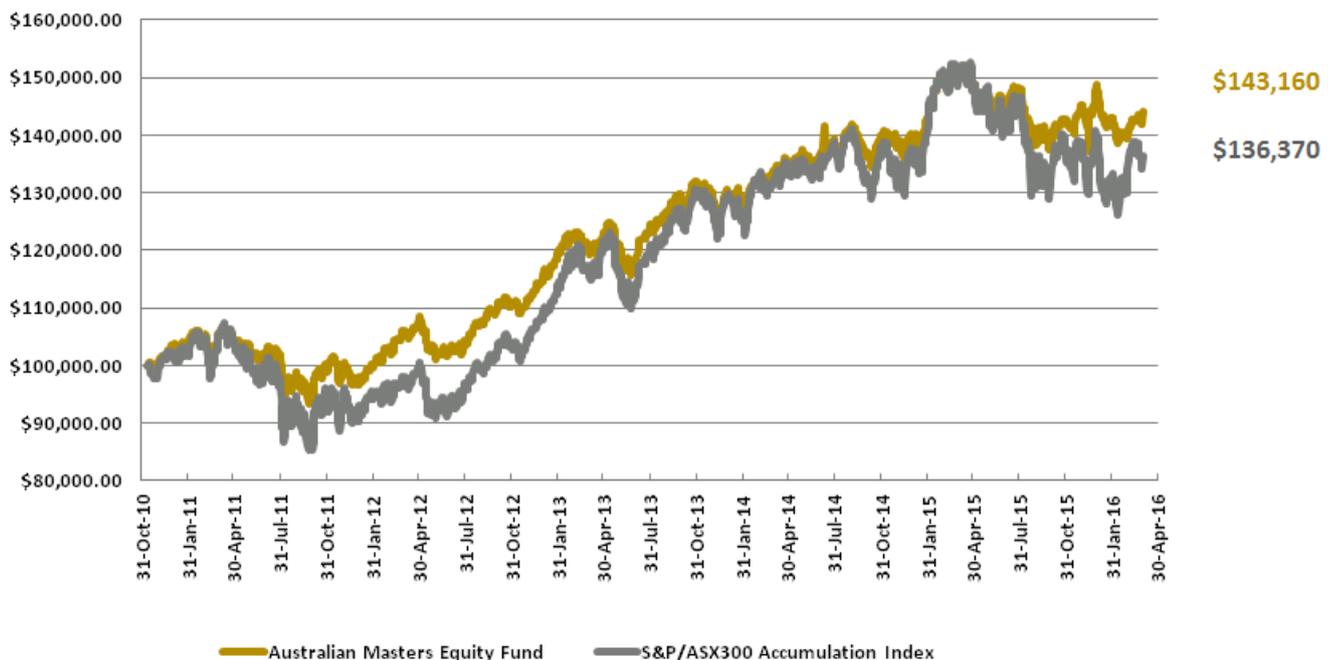
Fund performance at 31 March 2016

	3 Months	12 Months	Since Inception**
AMEF	-3.76%	-5.04%	43.16%
Benchmark*	-2.64%	-9.27%	36.37%
Difference	-1.12%	4.23%	6.79%

* 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 31 March 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

The market endured another turbulent quarter with the index losing ground for the third time in the last four quarters. Reporting season was again overshadowed by macroeconomic developments which caused large scale volatility, particularly in currency markets. Domestically, the surging housing market was again under the microscope as investors questioned the sustainability of the price rally that's been experienced over the past decade.

As expected, the Reserve Bank of Australia (RBA) kept the overnight cash rate at the record low of 2.0% for both meetings during the quarter. Investors do not expect rates to change until August, with the futures market implying a 51% chance of a rate cut by then.

The AUD/USD cross rate fell to 68c in January, but staged a rally to 77c by the end of March as expectations for further US rate rises were pushed out.

The US Federal Reserve (Fed) kept rates on hold this quarter, as global volatility and opposing interest rate policy in other developed economies saw the Federal Open Market Committee strike a discernibly more dovish tone. It's appearing that Fed Chair Janet Yellen is becoming increasingly concerned with macroeconomic developments, along with the strengthening US dollar.

Elsewhere, it continued to be a race to the bottom for government bond yields. At the time of writing, over 30% of all developed market government bond yields were negative. Even the Italian government 3 year bond yield (which traded as high at 8% in 2011) turned negative in March. In Japan, the 10-year bond yield turned negative in February; implying that investors are so bearish that they are willing to pay the government to hold onto their money for 10 years.

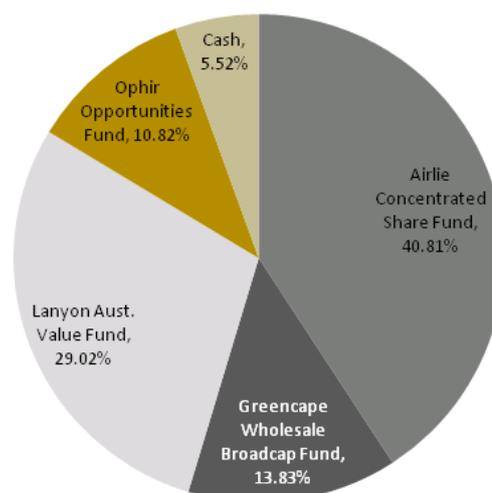
Slowing economic data out of China caused widespread concern in January, with the Shanghai Composite falling 23% for that month alone. Gross Domestic Product (GDP) growth for quarter 4 was 6.8%, while the manufacturing Purchasing Managers Index (PMI) continued to print below 50. Chinese export and imports also continued to decline.

In Europe, the European Central bank (ECB) delivered a stronger than expected stimulus package which included monthly asset purchases increasing to €80bn, up from €60bn, whilst also increasing the scope of bonds available for purchase under the program. A worrying sign for central banks will be contemplating how to turn off the stimulus tap at some point in the future.

Domestically, investors were preoccupied with the February reporting season. The Materials sector found itself in an unusual position of being on the best performers list as commodity prices rebounded during the period. Iron ore gained 23% over the quarter, at one stage reaching a high of USD\$64 following a one day gain of 18% in March. Oil prices were topical once again, as crude traded at USD\$26, its lowest level since 2003 before surging 46% to close the quarter at USD\$38.

Portfolio Holdings as at 31 March 2016

	Strategic Weight
Airlie Concentrated Share Fund	40.81%
Greencape Wholesale Broadcap Fund	13.83%
Lanyon Australian Value Fund	29.02%
Ophir Opportunities Fund	10.82%
Cash	5.52%



Underlying Manager Performance

Airlie Funds Management Pty Ltd

Airlie returned 3.68% in March, slightly underperforming the broader market (S&P/ASX300) which returned 4.78% for the month. The Fund is up 44.24% since inception versus 30.84% for the broader market. The portfolio remains cautiously positioned with the cash weight just over 28%. Airlie is positioned defensively and its top three active positions are Caltex Australia Ltd, MyState Ltd, and Nick Scali Ltd.

Greencape Capital

The fund outperformed the market and delivered a -1.41% return over the quarter compared to the S&P/ASX 300 Accumulation Index return of -2.64%. Key contributors for the fund during the quarter were Iress Market Technology Ltd, Emerchants Ltd, G8 Education Ltd, and Recall Holdings Ltd.

Lanyon Asset Management

The Lanyon Australian Value Fund posted a return of +3.3% (before fees) for the month of March. The Australian market, as measured by the S&P ASX 300 Accumulation index, posted a return of +4.8%. The funds cash balance at month end was 50.8%.

Ophir Asset Management

The portfolio gained 7.1% for the month of March while the S&P/ASX Small Ordinaries Accumulation Index (XSOAI) gained 5.5%. The top performing stocks in the portfolio for the month included Sigma Pharmaceuticals Ltd and Mayne Pharma Group Ltd.

Unless otherwise specified, any information contained in this publication is current as at 31 March 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. Some or all of the directors of AMEM may benefit from fees & commissions of the Australian Masters Equity Fund.