

Australian Masters Equity Fund

Performance Report to 30 June 2017

Investment objective

The fund aims to outperform the S&P/ASX300 Accumulation Index over a rolling five 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 five 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 (Minimum yearly) **Suggested minimum investment time frame** 5 years

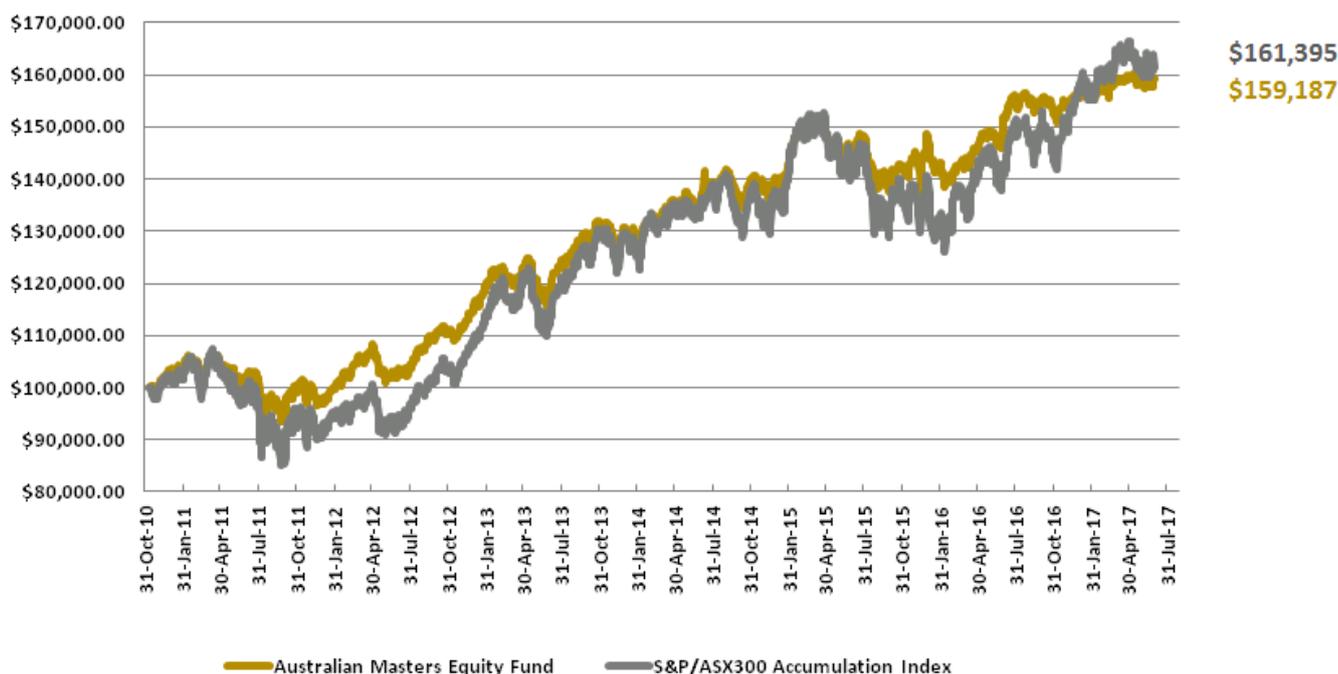
Fund performance at 30 June 2017

	3 Months	12 Months	3 Years	5 Years	Since Inception**
AMEF	0.10%	7.67%	5.87%	9.31%	59.18%
Benchmark*	-1.57%	13.82%	6.64%	11.63%	61.39%
Difference	1.67%	-6.15%	-0.77%	-2.32%	-2.21%

* 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 2017. 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.



Airlie Concentrated Share Fund returned -0.86% in the month of June, underperforming the S&P/ASX 300 accumulation index, which returned 0.22%. Since inception the Fund has returned 58.82%, compared to the S&P/ASX 300 accumulation index which has returned 54.85% over the same period. The portfolio remains cautiously positioned, with the cash weighting in the portfolio at approximately 33.58%. The top five active positions in the portfolio are Nick Scali Ltd, Caltex Australia Ltd, Elanor Investors Group, Macquarie Group Ltd, and Gowing Bros Ltd.



Ophir Opportunities Fund increased 3.4% during the month of June, outperforming the S&P/ASX Small Ordinaries Accumulation Index which returned 2.0%. Key contributors to the portfolio performance included Pinnacle Investment Mgt Group Ltd, a2Milk Co Ltd, and Collins Foods Ltd. Key detractors included Adacel Technologies, iSelect Ltd, and Metals X Ltd. Since inception the Fund has returned 352.2%, compared to the 31.7% returned by the S&P/ASX Small Ordinaries Accumulation Index.



Cooper Investors Brunswick Fund returned 3.89% for the quarter ending 30 June 2017, outperforming the S&P/ASX 200 Accumulation Index, which returned -1.58% for the same period. Key contributions to portfolio performance over the quarter were Sims Metal Management Ltd, Boral Ltd, and Brinks Co. Since inception the Fund has returned 671.34%, compared to the 187.17% returned by the S&P/ASX 200 Index over the same period.

Portfolio Holdings as at 30 June 2017

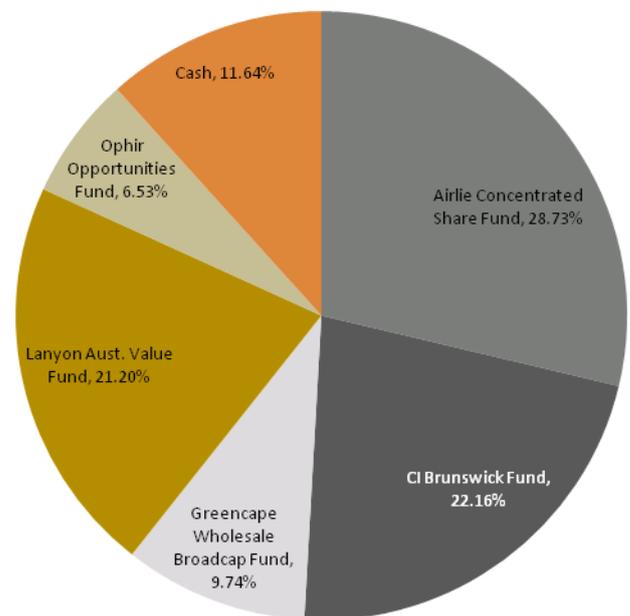
	Strategic Weight
Airlie Concentrated Share Fund	28.73%
CI Brunswick Fund	22.16%
Greencape Wholesale Broadcap Fund	9.74%
Lanyon Australian Value Fund	21.20%
Ophir Opportunities Fund	6.53%
Cash	11.64%



Greencape Wholesale Broadcap Fund returned 0.20% for the quarter ending 30 June 2017, outperforming the S&P/ASX 300 Accumulation Index which returned -1.57%. Key contributors to the portfolio performance were a2Milk Co Ltd, Fisher & Paykel Healthcare Co Ltd, SpeedCast International Ltd, and Amcor Ltd. Key detractors to the portfolio performance were Vocus Group Ltd, Qantas Airways Ltd, and Aristocrat Leisure Ltd.



Lanyon Australian Value Fund increased by 0.8% during the quarter ending 30 June 2017, outperforming the All Ordinaries Accumulation Index which returned -1.5%. Since inception the Fund has returned 177.0%, compared to the 80.5% returned by the All Ordinaries Accumulation Index over the same period.



Unless otherwise specified, any information contained in this publication is current as at 30 June 2017 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.

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Market Commentary

The conclusion of another fiscal year brings with it an opportunity to reflect on the previous 12 months performance. After a flat return in the prior Financial Year, the Australian market staged a recovery through the course of fiscal 2017 with the S&P/ASX 200 Accumulation producing a return of 14.10%, consisting of 9.33% capital return and 4.77% dividends.

S&P/ASX200 Index June 2016 - June 2017



Most sectors in the Australian Market reported gains with the materials sector the standout performer, up 22.1%. Other sectors that performed well included the Healthcare and Utilities sectors up 13.2% and 14.6% respectively. On the other hand, the Telecom sector saw a decline of 26.2%, and the listed Property (REIT) sector was down 10.6%.

International Shares performed well with the index, as measured by the MSCI World Index (USD), returning 18.20%. Returns on Fixed Interest and Cash investments remain subdued, as expected in this current low interest rate environment.

The Australian Masters Equity Fund returned 7.67% for the fiscal year, underperforming the S&P/ASX300 Accumulation index, which returned 13.82%. The underperformance was largely due to the high proportion of cash held by the underlying managers relative to the benchmark.

At the end of June, the Fund's cash balance was 11.64%, which was largely due to the influx of applications received towards the end of June.

Australian Masters Equity Fund

Manager Focus – Airlie Concentrated Share Fund



Airlie Concentrated Share Fund returned 8.15% for the fiscal year ending 30 June 2017, underperforming the benchmark return for the S&P/ASX300 Accumulation index which returned 13.82%. The fund has underperformed the market in the last two years, but since inception is up 58.82% versus 54.85% for the index.

In an environment where businesses face competition on more fronts than ever and valuations are high by historic standards, Airlie have chosen to be cautious, with the portfolio currently holding 33.58% in cash. In hindsight, this decision has appeared to be too cautious, not wrong to the point of losing money but in underperforming the index.

Cash has been the biggest constraint on returns. There have been no big loss making investments. One of the more problematic and frustrating holdings in the portfolio, Flight Centre, has returned nearly 50% in the last three months, as the company reversed a trend of five consecutive profit downgrades. Other, positive contributors to the portfolio return included, Elders, Elanor Investors Group, Nick Scali, and Macquarie Group. All were up more than double the index return. See below for Airlie's top five active positions as at 30 June 2017:

- 1) Nick Scali Limited
- 2) Caltex Australia
- 3) Elanor Investors Group
- 4) Macquarie Group Limited
- 5) Gowing Bros. Ltd

It is Airlie's belief that their best value is added through analysing and picking individual stocks, rather than making macro or big picture calls. John Sevier (portfolio Manager) recently noted in their quarterly presentation, that you can expect more of the former and less of the latter.

A few observations on performance for the prior twelve months:

- 1) The cash weight was the largest detractor from relative performance.
- 2) There were no big loss making investments in the portfolio.
- 3) There were strong relative contributions from Nick Scali (up 29.78%), Macquarie Group (up 37.17%), Elanor Investors Group (up 27.28%), Flight Centre (up 27.09%) and NAB (up 24.86%).
- 4) There were two holdings, each representing just over 2% of the portfolio that performed poorly. Telstra down 17.74% and Event Hospitality & Entertainment down 11.73%.

	June 2017 (%p.a)	Financial YTD (%p.a)	3 years (%p.a)	Since inception* (%)
Performance				
Airlie Concentrated Share Fund	-0.86	8.15	5.13	58.82
S&P ASX 300	0.22	13.82	6.63	54.85

*29 Oct 2012