INDEPENDENT INVESTMENT RESEARCH

LMI Monthly Update

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Overview

Public debt markets, both High Yield and Bank Loans have experienced a widening and then tightening of spreads at unprecedented speed since February 22. US HY and EUR HY credit spreads as at 31 July 2020 were 516bps and 487bps, respectively, having peaked above 1000bps and 900bps in March.

Credit spreads provide implied default rates, as priced by the fixed and floating rate markets. For an ASX-listed LIT in these markets, there is also an additional implied default rate based on a premium or discount to NTA. The analysis below is intended to provide an approximate guide to both in relation to the relevant debt LITs and, based on historical measures of actual default and recovery rates, whether current pricing (both broader market and ASX pricing) appears reasonable, or otherwise.

As an interesting aside in relation to the discount to NTA, refer to chart below illustrating the S&P/ASX 200 TR Index versus PCI, the lowest risk of all public debt LITs on the ASX. The correlation is stark. In effect, retail investors are pricing PCI at the same basis of risk as broader equities markets, despite the fact that capital stack risk in equities (first loss) is significantly greater than high yield securities. Bear in mind too, that the vast majority of PCI's bond holdings are in large ASX listed entities. One is left with only one of two conclusions - technicals have overwhelmed fundamentals (forced sellers, for eg) or the market is illustrating a general lack of understanding .

Further to this theme, the section below examines the implied default rates of each debt LIT, both that implied by global public debt pricing (private debt LITs are excluded from this factor) and the additional implied default rate by way of the discount to NTA, and then compares these figures to historic averages in the aggregate HY and Loans markets. Readers should also bear in mind that these historic figures are across the whole market - all ASX listed debt managers are high conviction investors that have the track records to show that, through careful selectivity, perform better than the aggregate market averages with respect to default levels.

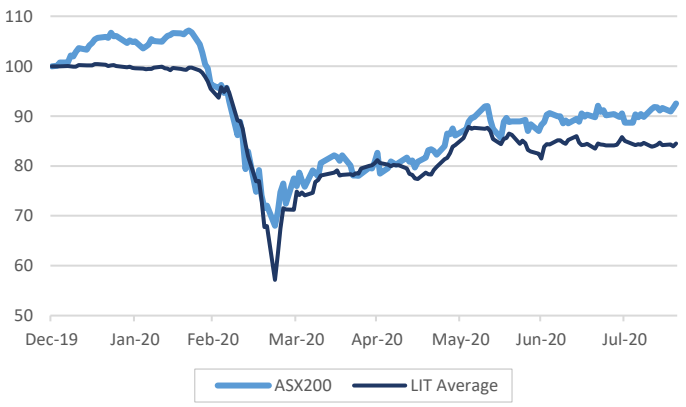
A final point we would make is there is no rhyme or reason to the discount to NTAs between the various LITs. Specifically, there is generally no discrimination between the discounts to NTA for the public debt LITs (KKC, PCI (mostly), PGG (90% of its book is priced off bank loans market pricing), NBI) and the private debt LITs (MXT, MOT, QRI, GCI).

Why is this odd? Well . . . . In relation to point one, 1) because public debt pricing directly implies assumed default less recovery rate assumptions. Private debt is generally not priced this way (noting that both PCI and PGG factor a degree of bank loans pricing in their private debt holdings). If the market was pricing with consistency in relation to default rate outlook, then public debt LITs should be priced at a lower discount to NTA, all things equal. 2) private debt has stronger covenants and protections and managers typically have materially lower default rates and materially higher recovery rates than public debt peers.

To paraphrase a recent KKR quarterly update for the GCOF strategy that underpins KKC, we are well and truly in the Twilight Zone.

It is incumbent on all advisors to understand the risk and return aspects of all products. For those with invested clients, it is IIR's firm view that it is time to hold the line. For new investors, the running yields are looking attractive in IIR's view.

Simply Average Debt LIT Performance vs S&P/ASX 200 TR Index



Source: IIR

Implied Default and Loss Rates

In the purest sense, credit spreads reflect the potential compensation a bond and bank loans investor can earn for taking on a given level of credit risk. In reality, markets rarely react only to the fundamental health of their company constituents.

Investors are compensated for more than solely default risk, with a premium also paid for illiquidity and volatility. Illiquidity and volatility are typically well-rewarded risks for the long-term investor, who should be most concerned about default risk and the potential for permanent impairment of capital as a result of losses deriving from defaults less the recovery rate.

Based on the credit spread and assuming a long-term time horizon, it is a simple exercise to quantify how severe the default risk associated with an investment is perceived to be by the market.

To this end, the tables below serves as a tool for contextualising what current credit spreads means at present from a default and loss standpoint into the future.

In the High Yield market, taking the circa 500 basis points (bps) of credit spread as at 31 July 2021 as an example, with an assumed annual recovery rate of 40% (loss rate of 60%), that would imply that 8.3% of companies would need to default every year for the spread compensation on offer to investors to be wiped out. At this level, the corresponding five-year cumulative default rate (5-years being the general HY bond term) would be 42%, i.e., the default of over every two in five issuers.

The formula underlying these calculations is relatively straightforward: It is simply multiplying an annual default rate of 8.3% by an implied loss rate of 60% to equal total losses of around 5.00%, or 500bps. For reference, 40% is roughly in line with the historical recovery rate for defaults in the unsecured high-yield market.

For historical reference, the worst cumulative five-year HY default rate stands at nearly 35% in 1991, while in the aftermath of the GFC, the five-year cumulative default rate peaked at just over 25% in 2012.

The worst five-year period for cumulative HY credit losses (defaults less recovery rates) to date was 23.8% in 2003, which averages out to losses of less than 5% per annum, comfortably below the 8.3% annual default rate currently priced in by the high yield market.

Pricing and Performance Update*

Best 5-year pre tax NTA returns - (#)

Australian Large Cap Focus					Small-Mid Cap Focus & Others				
Company	3M	1Yr	3Yr	5Yr	Company	3M	1Yr	3Yr	5Yr
FSI	23.3	5.1	9.4	8.6	CD1	-17.3	47.7	45.2	39.8
DUI	12.1	-4.7	7.2	7.7	CD2	-16.6	7.2	20.0	14.0
AMH	20.5	5.8	7.1	6.9	MFF	-4.6	-1.3	11.8	10.7
CLF	19.5	-6.8	3.4	5.1	LSX	10.9	18.6	10.3	10.5
AUI	14.8	-9.6	4.0	4.9	ECP	27.8	12.8	12.4	10.0

Discounts & Premiums to pre-tax NTA - (#)

Largest discounts		Largest premiums	
Company	Discount	Company	Premium
CD2	-49.0	WAX	33.3
CD1	-48.4	WAM	14.5
CD3	-43.1	PE1	12.2
BTI	-37.2	ZER	6.4
BAF	-33.8	PL8	3.0

*Data to 30 June 2020. Only includes LMIs covered by IIR
#Portfolio return = NTA plus dividends per share. Pre-tax NTA is after tax paid on realised gains.

While it is too early to know whether default and loss rates will surpass levels witnessed in previous crises, the severity of the price dislocation on a default-and-loss scenario and historic basis suggests that the technicals have overwhelmed the fundamentals.

Implied Default Rates by Pricing - Bank Loans and High Yield

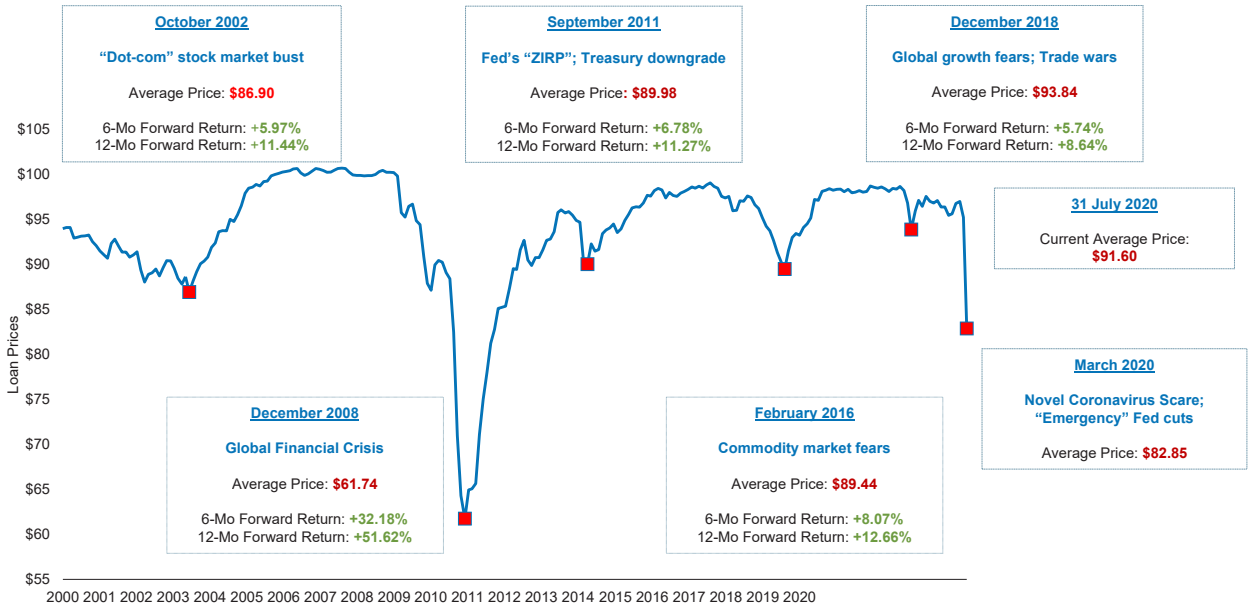
		Loan Prices				
		95.0	92.5	90.0	87.5	85.0
Recovery Rates	80%	25.0%	37.5%	50.0%	62.5%	75.0%
	70%	16.7%	25.0%	33.3%	41.7%	50.0%
	60%	12.5%	18.8%	25.0%	31.3%	37.5%

			Credit Spreads				
			400	450	500	550	600
Recovery Rates	40%	Annual Default Rates	6.7%	7.5%	8.3%	9.2%	10.0%
	30%		5.7%	6.4%	7.1%	7.9%	8.6%
	20%		5.0%	5.6%	6.3%	6.9%	7.5%
Recovery Rates	40%	5-yr Cumm. Default Rates	33.3%	37.5%	41.7%	45.8%	50.0%
	30%		28.6%	32.1%	28.0%	39.3%	33.6%
	20%		25.0%	28.1%	31.3%	34.4%	37.5%

Historic High Yield Spreads and Subsequent Market Performance

Source: ICE Data Indices, LLC, March 31, 2020. **Past performance is not a reliable indicator of future results**. Measures spread-to-worst of the ICE BofA U.S. High Yield Index and forward returns of the Index. Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures.

Historic Bank Loans Pricing and Subsequent Market Performance



Source: LCD, an offering of S&P Global Market Intelligence, March 31, 2020. **Past performance is not a reliable indicator of future results**. Measures average loan price of the S&P/LSTA Leveraged Loan Index and forward returns of the Index using end-of-month data. Data provided is for informational use only. It is not possible to invest directly in an Index. See end of material for important additional information and disclosures.

In the Loans market, as at the end of the July 2021, average prices for senior secured loans on the S&P/LSTA Leveraged Loan Index sat at just under US$91.6.

At this price level, the "yield to three" (YT3), which is the loan market alternative to yield-to-worst for bonds, for the S&P/LSTA Leveraged Loan Index was approximately Libor + 6% at July-end. The YT3 metric uses the typical three-year life of a loan and we can interpret this figure to mean that index-level returns would exceed 6% per annum, over the next three years, before credit impairments.

If future defaults see the typical 80% recovery rates of the past, the current average price would imply the market expects a cumulative default rate of approximately 42% for the credit spread on offer to be completely wiped out. It is reasonable, therefore, to assume that the market is anticipating a lower recovery rate than experienced historically.

This is not an unreasonable assumption given the prevalence of covenant-lite loans in the BSL market in recent years.

Accordingly, if we assume a lower recovery rate of 70%, as can be seen in Table X above, the implied forward default rate from an average price of US$91.6 would be 28% or over one-quarter of issuers. For context, cumulative defaults following the global financial crisis was twice as low at 15%, while today's current one-year default rate is just 1.8%.

In the two charts above, the call-out boxes in the chart above show the six- and 12-month forward returns from the vantage point of various highs in credit spreads in the High Yield market and lows in average Bank Loan prices over the past 20-plus years. In both cases, the potential for solid total returns in the future increased significantly for loans, as prices fell toward levels consistent with those prevailing in the current market.

In some respects, the question is not so much what the appropriate spread levels should be, given unquestionable credit stress going forward, rather the need for selectivity in actively managing portfolios.

Investors in ASX debt LITs, both public and private debt vehicles, should bear in mind that the above analysis is based on market averages, which include sectors that have had very high default rates (oil & gas, airlines, retailers, for eg). A high conviction manager can, of course, choose to eschew such more prone sectors, or very selectively invest in such sectors if the perceived risk-return looks attractive.

From IIR's discussions with all ASX-listed debt managers, there is not a single manager that has not:

1) Thoroughly reviewed existing portfolio holdings for Covid vulnerability;
2) Used the dislocation event to reposition the portfolio where appropriate and engaged in relative value trades to increase expected returns relative to risk (including 'fallen angels');
3) Sought to benefit from primary new issuance and 'distressed' secondary trades;
4) Viewed the March / April period as presenting opportunities that, from a historical perspective, present a once in a decade opportunity;
5) Remained vigilant, highly selective and very cognisant of the potential ramifications of the longer term impacts on credit risk; and,
6) Expressed comfort with their portfolio, notwithstanding recognition of ongoing uncertainties.

Discount to NTAs - Layering Implied Default

When the marginal buyers and sellers of ASX-listed debt LITs are pricing a vehicle at a discount to NTA they are implicitly saying one or a combination of four things:

1) They know something that the broader market does not and expect default or recovery rates to be worse than the market expects;
2) The market is inefficient, suffering from an information disadvantage;
3) In the case of private debt vehicles, there are concerns about valuation methodologies, specifically a lack of an appropriate marked to market component;
4) There are technical forces at play in relation to a particular LIT or the entire LIT market and structure; or,
5) Portfolio yields are insufficient and a discount is warranted to generate a running yield more commensurate with whatever level may be deemed appropriate.

Whatever the case, the discounts to NTA across the sector have and, in some cases, remain significant. And with these discounts come an implied default rate. In the case of public debt LITs, this is an additional implied default rate over and above what the broader market is pricing in.

The table below approximates implied default rates. In the case of public debt LITs, the total represents the addition of implied default rates from the broader credit markets plus the discount to NTA factor. It should be noted that with respect to private debt vehicles, there may be no public credit pricing factored into a manager's pricing of a portfolio of loans. That said, PGG and PCI do factor in a degree of leveraged loans pricing in their private debt holdings. There are good reasons for both why these two managers do yet managers such as Metrics and Qualitas do not.

Integral to the analysis are the assumed recovery rates, as detailed in the table below. While there has been no defaults in Australian RMBS EVER, our understanding banks losses (not defaults) on mortgage books are in the single basis point range. The 95% recovery rate assumption below appears exceptionally conservative, especially given RMBS tranche seniority structures.

Recovery Rate Assumptions by Debt Category	
High Yield	30% (historically 40%)
Bank Loans	70% (historically 80%)
Private Debt	80% (no historical data, but materially higher than Bank Loans)
RMBS	95% (never been a default in Australian RMBS)

The resulting total cumulative implied default rates are tabled and diagrammatically presented below. For the discount to NTA component, the calculations are simply based on:

(Discount to NTA) / (1 - Recovery Rate)

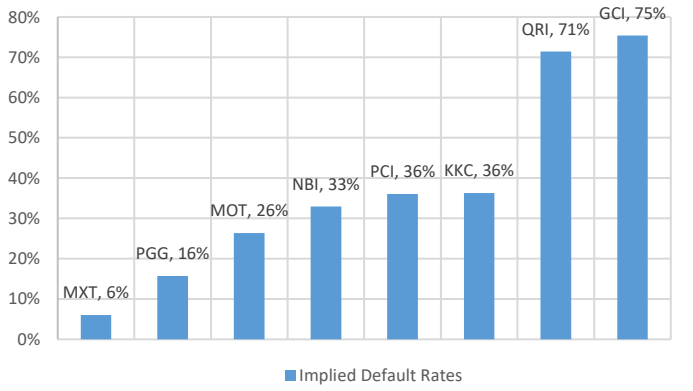
The reason that the GCI figure is so high is the high assumed recovery rate. PGG is also impacted this way. Whereas KKC has a higher discount to NTA, its 50/50 allocation to High Yield and Bank Loans leads to a lower assumed average recovery rate of 50% (versus 80% for PGG).

IIR notes this analysis is a directional indicator of default & loss rates only. It is designed to provide a gauge of the connectedness, or lack thereof, of current pricing with historic realities.

LIT	Disc to NTA	Weighted Avg Loan Duration	Implied Cumulative Default Rate	Disc to NTA Implied Default Rate	Total
GCI	-7.5%	2.0	n/a	151%	151%
KKC	-19.1%	1.8	15%	38%	53%
MOT	-9.0%	1.7	n/a	45%	45%
MXT	-3.0%	2.5	n/a	15%	15%
NBI	-14.0%	3.9	28%	20%	48%
PCI	-9.4%	4.4	33%	13%	46%
PGG	-14.4%	4.6	n/a	72%	72%
QRI	-10.0%	0.7	n/a	50%	50%

Source: IIR

Implied Total Cumulative Default Rates



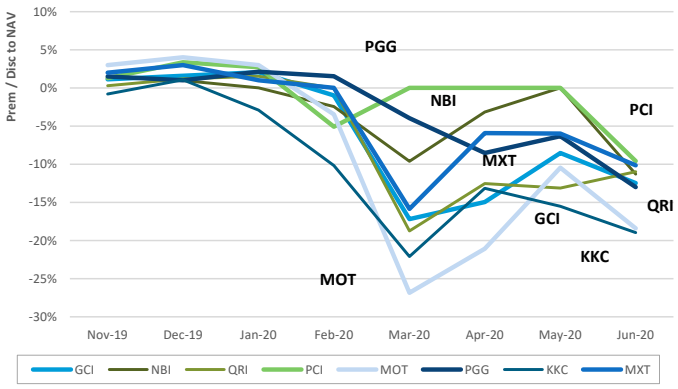
Source: IIR

The key points:

- It would be an understatement to say that the implied default rates of all debt LITs bear no alignment with historical rates, either at the broad market level let alone at the manager level.
- There are substantial variations across the public debt LITs that again are difficult to reconcile; Similarly, the market has not discriminated according to private debt and public debt vehicle despite the fact that the NTA of the latter type already price in one layer of implied defaults.
- Commercial real estate debt default rates peaked at 6% during the GFC (private corporate low to mid-market debt we understand to be lower, noting the paucity of historical default rate data in Australia. We have no information on historic recovery rates. As an example, we note that over 12 years while QRI has recorded defaults it has never incurred a loss on capital (i.e., all defaults were 'worked out').
- With respect to GCI, IIR reminds investors that there has never been a default in the Australian RMBS market, as partly discussed in the "Spotlight on GCI" section over leaf. However, the market is implicitly pricing in an 150% default rate and in relation to a highly experienced and well regarded manager.

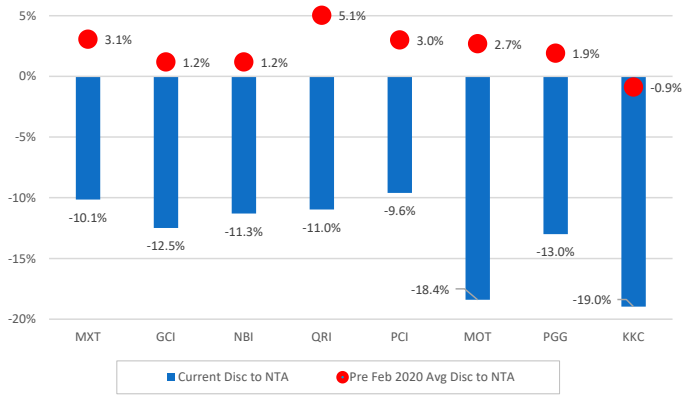
The two charts below illustrate moves in the discount to NTA of all ASX listed debt LITs. The second chart illustrates current discounts to NTA versus the average level pre February 2020.

Prem / Disc to NTA Timelines



Source: IIR

Current Discounts to NTA vs Pre February 2020



Source: IIR

Mid Market Private Debt (PGG, KKC (via KLPE II))

As a reminder for investors, mid-market private debt represents the provision of debt capital to non-public companies via privately negotiated deals. Most borrowers have been acquired by private equity players (PE Sponsors) and the debt deals negotiated between the PE Sponsors and the lender/s. Lenders may participate on a sole lender, co-lender or on a club deal basis, the latter typically involving 5-10 lenders.

Mid-market companies are classified as having revenues of between $100 million and $750 million. Loan candidates generally have maximum revenues of $500 million and earnings (before interest, tax, depreciation and amortization) of $10 million to $100 million.

These mid-market loans have historically provided yield premium over Broadly Syndicated Loans (BSLs), combined with stronger covenants and protections for investors. BSLs generally ultimately find their way into the Leveraged / Bank Loans market after primary issuance through secondary sales to participants in the bank loans market.

In our view, mid-market loans have the following features that make them more attractive from a risk standpoint when compared with BSLs, Bank Loans and High Yield loans:

1) More conservative deal terms and financial covenant reporting Covenant-lite refers to loans that have certain lender protections removed. Such protections give lenders the opportunity to be proactive in devising a solution for declining performance and can act as an early warning sign of a potential default situation.

2) Lower leverage vs. broadly syndicated market Debt/EBITDA is a measure of a company's ability to pay off its incurred debt. Debt multiples in the mid-market space are more conservative than the broadly syndicated loan market.

3) Equity contributions from sponsors in the mid-market space continue to be higher when compared to broadly syndicated loans. Equity provides a meaningful loan-to-value cushion. Approximately 80% of the mid-market segment is issued as sponsored deals. Private equity sponsors add value to smaller private companies in multiple ways: • They invest cash equity in the business and perform detailed due diligence in support of the investment. This due diligence (e.g., a quality of earnings study done by an accounting firm) is also made available to lenders of a company. • In the event that a company experiences financial stress, a private equity sponsor can help reposition the company for future growth and may also inject additional capital to support that transition.• A private equity firm may bring best-practice corporate governance disciplines based on its experience investing across multiple businesses.

Pre Covid, the market was witnessing more aggressive structures typically found in the larger broadly syndicated loan market continue to creep into the upper middle private market, such as covenant-lite loans. Given the increased competition for middle market loans in recent years, some credits were being underwritten with weaker overall credit profiles. These trends have reversed given the recent credit event has given lenders reason to pause.

Although it is still early days, some private debt managers report already seeing the opportunity for lender-friendly changes to loan documentation, including lower leverage, higher returns, stronger covenants, greater equity cushions and ample equity co-investment opportunities.

KKR reports that pricing has certainly become more lender friendly and one of the advantages of being the Sole or lead lender to deals, which is KKR's M.O., is that it has the power to dictate terms. Both spreads and OID fees have increased. KKR notes that it is yet to see leverage decrease, partly because EBITDA figures are moving extensively month on month. Covenants are still an important part of the direct loans market, although less so for the syndicated add-ons. These deals remain Cov-lite, matching their bigger Bank Loans cousins that they are pari-passu with. Competition at the larger end of the market is lessened as there are only a handful of managers that can offer to be the Sole lender and write a €250m cheque to a business. KKR reports that it continues to hear of intense competition at the lower end of the middle market, a segment that neither KKC nor PGG are active in.

Both KKR and Partners note that amid the ongoing turmoil, there remains ample opportunities to generate attractive risk adjusted returns in both the mid-market and select areas of the broadly syndicated loan market, partly because capital is scarcer in both the secondary and primary markets as many market participants continue to be preoccupied with managing troubled portfolios.

In the secondary market, while loan prices have gained ground, this phenomenon is more pronounced in the broadly syndicated market where companies have larger, more liquid loans that are traded more frequently. For true mid-market (companies with $10 million to $50 million of EBITDA) loans and mid-market lightly syndicated loans (companies that sit between the mid-market and broadly syndicated market), the rebound in prices has not been as pronounced and the view is there are still compelling opportunities in this space.

Additionally, given the uncertainty that remains, it is possible there may well be even more attractive opportunities as a result of forced selling out of collateralised loan obligations, retail funds and exchange traded funds, following rating agency downgrades, as well as from CLO warehouses and total return swap programs that need to unwind as a result of not being able to obtain take out financing.

KKR notes that it continues to see new M&A deals being done by PE Sponsors but has also seen some interesting deals whereby Sponsors that have debt placed in the syndicated market are coming to large direct lenders to provide all or the majority of smaller add-ons (for example, a €200m add-on to a €1.5bn existing BSL). These add-ons tend to be priced far wider than the pari-passu BSL and come at attractive OIDs. The rationale here is that Sponsors want speed of execution for these smaller debt pieces as they often are required for liquidity buffers or for opportunistic M&A on the back of Covid.

In the current environment, prudent private debt managers are focused on identifying those opportunities that remain dislocated, despite the recent rally in the broader markets, as certain high-quality bank loans and mid-market loans in select sectors less impacted by Covid are likely to offer attractive risk-adjusted returns and considerable upside.

Vintage is an important determinant of performance in private markets. Mid-market credit is partly a vintage business. Taking the GFC as an example, leverage multiples peaked in 2007, and in the wake of the GFC, the 2009-11 period produced excellent vintages. The 2019 vintage, with average debt to EBITDA of 5.5x for mid-market leveraged buyouts, was remarkably similar in terms of leverage to the 2007 vintage, where debt to EBITDA was 5.6x. The 2009 and 2010 vintages had debt to EBITDA of 3.3x and 4.2 for mid-market LBOs, respectively, both of which turned out to be attractive vintages.

Australian Private Debt (MXT, MOT)

The Outlook for the Low to Mid-Market remains Solid

One area IIR believes that will continue to do well is the lower mid-market (loan sizes from $5m to $50 million Borrowers are generally classified as those that have earnings (EBITDA or its equivalent) of a minimum of $5M up to $50M, and revenues of $50M up to $500M). These corporate borrowers are large enough to have sufficiently strong underlying characteristics to be a safe credit risk, and have credit ratings on a par with or perhaps better than those at the higher end of the mid-market due to lower leverage levels. The level of safety one would have otherwise assumed when investing in a large company has been diminished by the high level of risk created through aggressive leverage levels, no covenants and limited rights when the company underperforms. This has made the very large loan a very risky one.

The lower mid-market had less competition before COVID-19, and lenders in this space had more rights than those in the core mid-market. As such, lower mid-market lenders were able to maintain lower leverage levels (3-4x compared with 5.5x or more in the core mid-market), lower loan-to-value ratios (40 percent versus 60 percent or more) and keep EBITDA addbacks at bay.

Lenders in this space are also able to manage loans actively by requiring board observer seats, monthly and quarterly financial statements, quarterly compliance certificates and annual independent audits. Superior visibility into borrower performance coupled with control of the loan voting rights allows the lender to exercise its rights early on in order to firmly address problems before they result in payment defaults or loss of principal. Many of these characteristics have been unavailable in the larger loan market.

Although no lender will be left unscathed by the pandemic, those that will persevere are the ones that have insisted on three things: low leverage levels to withstand a steep decline in earnings; those that lent on a prudent basis on a bi-lateral or lead role or, alternatively, established partnerships with private equity firms that are willing to support companies by infusing additional equity capital; and abundant lender rights that did not recede during the benign economic environment of the last few years.

One significant impact of COVID-19 will be a change in the direct lending market that will mirror the years following the GFC, when credit was strained and therefore extremely expensive once it had been procured. This will create attractive opportunities for direct lenders in Australia. It is conceivable the Australian direct lending market may be left with fewer players as managers with overleveraged portfolios fall away due to performance and liquidity issues as they manage broken portfolios.

Lenders that created a portfolio full of loans to good-quality businesses at responsible levels of leverage and full covenant protections will not be hindered by severe illiquidity resulting from distressed portfolios that were built over the last few "boom" years. Instead, they will be able to deploy dry powder in a disrupted market that will be very attractive for lenders.

In the Australian market, IIR believes the trend of lending flow away from banks to non-bank lenders in the mid-market corporate lending sector is likely to accelerate. Additionally, as quality businesses look for loans in a credit-strained market, lenders will demand higher pricing. These views are based on a range of factors, including:

- Banks are currently under significant workload stress and are likely to be for the next few years, which is likely to lead to deteriorating service levels and prolonged debt issuance time frames for existing and potential new borrowers. The private credit market will have a real role to play in ensuring that there is still liquidity in the system for some of those borrowers;

- Over the last 10-year bull market banks have shed and reduced their workout capability internally quite drastically as well - there is likely to be an inability from a resourcing and skills perspective to work through deteriorating credits, opening up further deal flow to non bank lenders in potentially heavily discounted credits.
- The pricing gap between bank and non-bank credit to the low-mid-market corporate segment has compressed significant over the last six months, or so, from a rough average of 300 basis points down to 100 basis points. A significant contributor to this has been the decline in the RBA Cash Rate, which adversely affects banks margins. Banks have been repricing their loan margins from what has historically been 150 - 200 bps to more like 200 - 300 bps. This is causing borrowers to look to certain non-bank lenders that can provide better structural terms and conditions, provide faster loan completion time frames and show long term support to the borrowers.

Key Opportunities

- **Pricing** - Given the market dislocation event, the reassessment of risk premia, and the compression of interest rates between bank and non-bank lenders (as banks seek to retain margin as the RBA Cash Rate has declined), there has been a material increase in market interest rates. In this environment, the Manager believes that many credits it will look at will be priced at between 7%-9% for a loan book that will predominantly be BB and B credit quality, with a smattering of BBB. In effect, investors will benefit from a sub-investment grade return on an investment grade loan book.
- **Growth** - Changes to regulatory and prudential regimes has seen traditional banks tighten lending requirements and in some cases, reduce or withdraw offering credit particularly to mid-market corporates. This has created significant demand with non-bank sourced funding now overtaking traditional bank sourced funding for mid-market corporates. The Fund offers individual investors direct access to private credit opportunities traditionally accessible primarily by institutional investors.
- **Risk-Return -** Private debt offers several advantages over the traded sub-investment grade markets of high yield bonds and bank loans (public debt). These include more detailed due diligence information, senior investments benefiting from security over assets, lower marked to market volatility and higher returns. For these reasons, IIR views private debt strategies such as a sensible allocation within a larger holding of debt related investments.
- **Asset Class Appeal** - With interest rates at historic lows in Australia (and likely to remain so for the foreseeable future), demand has and will continue to grow for higher yielding investments. In IIR's view, there is a marked disparity between income and capital risk in equities versus private debt currently, with the former already showing considerable dividend deterioration not too mention capital risk given an equity investment in a company is first loss. Further, given record low cash interest rates, the Fund may represent an attractive option to investors seeking to reallocate a component of their holdings out of cash.
- **Newly Established Funds / Dry Powder to Deploy -** The advantage of having dry powder ready to deploy or being a newly established fund in a post COVID-19 world is partly four-fold in IIR's view: 1) existing portfolios have not been potentially compromised in terms of interest payment and default risk by the unprecedented and unforeseeable events of the virus and in which previously very solid lends may now have increased significantly in terms of risk profile (valuation risk); and, 2) there will potentially be a marked increase in secondary market opportunities as existing lenders may be subject to liquidity, workload, valuation, and portfolio rebalancing issues; 3) existing borrowers may be in need of additional capital (over and above an existing debt facility from a third-partly lender), presenting mezzanine lending opportunities to cherry picked solid business and, being a mezzanine facility, at potentially materially higher interest rates; and, 4) the opportunity to set an entire portfolio at the elevated level of returns in the current environment (up circa 200 bps) versus pre-COVID-19, noting that many of the funds raised in the midst of the GFC in 2008 generated outsized returns.

Spotlight GCI and RMBS

Rising unemployment will be a headwind for the residential mortgage-backed securities (RMBS) market as prepayments slow and non-performing loans rise. However, strong fiscal support along with specific hardship provisions and underlying support from the from the Australian Office of Financial Management's (AOFM) Structured Finance Support Fund (SFSF), allotting $15 billion to RMBS and ABS purchases, should see Australian RMBS remain a valuable source of income and spread diversification derived from well positioned managers.

With respect to GCI, the first thing Gryphon Capital Limited (the 'Manager') did in March through to early May was bed down the risk in its portfolio from the perspective of perceived Covid risks to the Australian RMBS (and ABS) sector.

When the Manager was comfortable with the existing portfolio, and as the RMBS market started to re-open liquidity wise in May the Manager then began to reposition the portfolio further with the express purpose in order to generating a higher expected returns portfolio for a givenwith a lower level of risk. The Manager was optimising the GCI portfolios risk adjusted returns.

The sections below are intended to provide both a state of play snapshot of the Australian RMBS market currently and, in that context, the initiatives the Manager has taken to generate a higher level of expected income versus pre Covid.

Government Support for RMBS

While Australian corporate credit has not been included in the local monetary policy QE toolkit, the RMBS market for has had strong support from the AOFM's SFSF, allotting $15 billion to RMBS and ABS purchases.

This is important in a number of regards. First, unlike when the AOFM first entered the Australian RMBS market in 2010, when it only purchased one class of asset, specifically the senior AAA tranche, this time in the the SFSF is mandated to purchase AAA, AA, A, and BBB RMBS tranches, both in relation to new issuance (primary market) and secondary market purchases.

The SFSF was established in mid March and by the end of March had made its first investment, specifically the $189.6m new issuance by FirstMac. Importantly, GCI co-invested with the SFSF in this deal.

Since that time, the SFSF has continued to actively support the Australian RMBS sector via the warehousing segment (funding loans that will serve as collateral in a securitization) and both primary and secondary markets. As at 14 August 2020, the SFSF has invested a total of AUD1.36 billion, split across AUD395 million in primary purchases, AUD967 million in secondary purchases and a further approval of AUD1.9 billion in warehouse facilities. Purchases in the secondary market have strongly favoured non-bank lenders, including prime and non-prime RMBS. We note that the amount spent to date relative to the total budget provides the SFSF with substantial dry powder to continue to support the market.

GCI has both co-invested with, and made secondary sales to the AOFM, both of which have been important in de-risking the portfolio from the prescriptive of potential Covid ramifications. With respect to secondary sales, GCI also sold early, enabling it to not only de-risk early but take advantage of more distressed secondary purchases to improve the overall risk-return profile of the portfolio.

The second thing to draw from this unprecedented action by the Government, at least in the view of the Manager, is it highlights that the Government not only views the non-ADI Australian RMBS sector as integral to the strength of liquidity in the Australian mortgage market but that it reflects its view of the robustness of the asset class. If the US Government's involvement in the CMBS market during the GFC is an indicator, the intention is not just to grease the liquidity wheels but to ultimately provide an appropriate return to taxpayers.

Where is the RMBS Sector Risk Greatest?

In short, with the onset and ramifications of Covid, the risks are greatest in three subsectors:

- **SME Loans** - risks will likely be greatest for deals exposed to SMEs. Most directly, they will impact RMBS portfolios with larger proportion of self-employed borrowers or borrowers employed by SMEs.
- **Investment Loans** - declines in rental income, which are more pronounced in particular areas, could translate to debt serviceability pressures, particularly for more leverage borrowers. Declines in rental income are likely to be more pronounced in inner city areas where rental income is being impacted by rising vacancies due to falling international arrivals, Airbnb declines and higher job losses in cafes and restaurants in these locations (sectors where employees typically rent).
- **Non-conforming RMBS** - Non-conforming RMBS portfolios include loans to borrowers with adverse credit histories, as well as typically high shares of loans to self-employed borrowers. According to Moodys, based on data from lenders, borrowers have deferred payments on around 5%-20% of loans in RMBS portfolios because of Covid disruptions, with prime RMBS typically at the lower end of that range and non-conforming deals at the higher end of the range. Further, in the non-conforming RMBS portfolio rated by Moodys, the share of self-employed borrowers averages 45%, compared with 12% in prime RMBS deals.

GCI Portfolio Positioning

We note that GCI, by way of secondary sales and primary issues, moved the portfolio away from non-conforming RMBS and SME borrowers into Prime RMBS, with Prime loans being predominantly backed by borrowers with high lower risk scores. Since March 2020, the Manager has been able to transact and reinvest around 40% of the total portfolio. In doing so, not only has the Manager de-risked the portfolio but, on account of the dislocation event, garnered a higher portfolio running yield.

The repositioning is evident in the table below.

GCI Portfolio Allocation

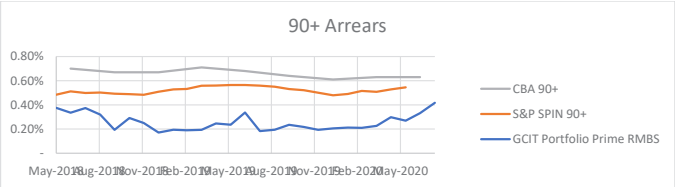
Metric	July 2019	Mar 2020	Jul 2020
Prime RMBS	70%	72%	74%
Non-Conforming RMBS	13%	8%	7%
ABS	14%	16%	15%
No. Underlying Loans	78,407	113,567	114,870
Weighted Average LVR	64%	65%	65%
Weighted Average Seasoning	26 mths	29 mths	30 mths
Weighted Average Interest Rate	4.84%	3.96%	3.67%
Owner Occupied	59%	65%	65%
Interest Only	27%	25%	24%
90+ Days in Arrears (% Loans)	0.38%	0.32%	0.41%
% Loans > $1.5m balance	0.64%	1.09%	0.89%

Source: Gryphon

There is a number of points to focus on in relation to the GCI portfolio in general and in terms of changes over the last 12-months.

- Diversification - First, the portfolio is diversified by number of bondholdings, numbering 91, secured on 114,870 loans as at 31 July 2020, and diversification by maturity bucket. Both serve to insulate the portfolio from market volatility. The relatively tight maturity window of slightly over two years comprises many bond holdings that mature over the next 12-months, which facilitates market confidence in getting their investment back rather than a more extended time frame.'
- +90 Days Arrears - In terms of changes, the most important metric is the +90 days arrears figure. The 90 days arrears figures teases out how many borrowers are in distress. At 0.41% as at 31 July 2020, this compares to 0.38% 12-months prior. This illustrates, that despite the Covid turbulence GCI has not recorded (to date) a material increase in loans with +90 days arrears. To put the 0.41% figure in perspective, the major banks typically have +90 days delinquency rates at around the 80-90 bps level, i.e. GCI is approximately one-half that level.

90+ days Arrears Timeline



Source: Gryphon

- Prime RMBS allocations have increased to 74% and Non-Conforming RMBS declined by nearly one-half to 7%.
- Covid-19 Hardship - In the GCI investment portfolio, about 6.2% of mortgage borrowers have been granted Covid-19 hardship compared to over 10% for the major banks. While this may demonstrate the quality of portfolio holdings, the Manager conducts granular analysis into the likely loss for any of these borrowers who may default (see below). For the COVID hardship borrowers in the GCI portfolio, the average loan balance is approx. $570K with a weighted average indexed LVR of 65% meaning on average the borrower has greater than $300K equity in their home – this equity in the home is the first (of four) protection against loss for bondholders.
- High Risk Loans - The Manager isolates high risk loans using this loan level data stratifying borrowers by attributes including, LVR, arrears, if the loan has Lenders Mortgage Insurance, Large loan, self-employed, interest only, dwelling type (ie house or unit), geographic region (ie non metro, inner city) among others. Rather than work in averages and top down, this granular bottom up stress testing enables the Manager to accurately forecast the most high-risk loans where future losses may arise. As an example of the "higher risk loans" bucket for loans experiencing "COVID hardship", less than 1% is exposed to LVR > 80% with no lender mortgage insurance. That said, there are additional protections against loss if any of these loans roll into default including excess spread in the transactions and bond subordination (see section below entitled 'Liquidity and Bondholder Protections reduce Risk").
- Determinants of Mortgage Defaults - As the Manager notes in its 31 July update, the most recent research released by the RBA in July 2020 1 provides insight into the potential performance for the borrowers impacted by COVID. The RBA research concludes that for a home loan borrower in Australia to default requires both an inability to repay the loan, and (importantly) the home loan to also be in negative equity. The Manager has adopted these conclusions as another stress test to all of our exposures. The GCI portfolio has a very small number of loans in negative equity (approximately 0.1% or approx. 158 loans in total) and only 19 of which have been impacted by COVID. None are in arrears and of the COVID impacted loans 2/3rd have the benefit of mortgage insurance.
- Liquidity stress - As discussed in the "Liquidity and Credit Enhancements reduce Risk" section below, Australian is supported by various in-built liquidity mechanisms to protect bond holders should the interest received on loans in any given RMBS deal be insufficient to pay bond holders. The Manager has stress tested its holding to test downside liquidity. The results being that every deal has 7-10x liquidity over and above the level of hardship currently reflected in each deal. A consistent problem for the market is the under researched nature of Australian RMBS as senior or AAA investors are less detailed which then creates uncertainty. GCI has an information advantage due to extensive research and a proprietary database analytics platform leading to better identification of opportunities. Following the advent of COVID, GCI was able to identify inefficient pricing opportunities.

Liquidity and Bondholder Protections reduce Risk

The economic and labour market downturn triggered by Covid-19 has increased loan delinquency, payment deferral and default risks for Australian RMBS, which is credit negative. However, RMBS deals' liquidity and bondholder protections mitigate in the form of excess spread and note subordination lessen the credit negative effects of these coronavirus disruptions. Based on a recent note from Moody's, we examine these attributes in the current market environment::

A) Liquidity reserves reduce payment deferral risks

Australian RMBS have liquidity reserves or facilities and principal-to-pay-interest mechanisms, which materially reduce the risk that deals will miss note interest payments because of Covid-19-related loan payment deferrals.

Loan payment deferrals, while easing the financial strain on borrowers amid the coronavirus disruptions, reduce RMBS deals' loan repayment collections. Lower loan collections increase the risk that RMBS deals will not have sufficient funds to make note interest payments on time.

However, Moody's notes that the prime and non-conforming Australian RMBS it rates have sufficient liquidity to continue making noteholder interest payments for 10 and 11 months respectively on average, even if they do not receive any loan collections.

Based on data from lenders, borrowers have deferred payments on around 5%-20% of loans in RMBS portfolios because of coronavirus disruptions, with prime RMBS typically at the lower end of that range and non-conforming deals at the higher end of the range.

Borrowers' requests for payment deferrals peaked in late March and early April and have declined significantly since then.

B) Bondholder Protections will Absorb Losses

In the event that delinquent loans do ultimately move into default the following four protections built into Australian RMBS provide protection against losses on any individual defaulting loan: 1. Homeowners deposit or equity; 2. Lenders Mortgage Insurance (LMI); 3. Excess Interest (or spread); 4. Subordination.

As mentioned earlier, if we just look at the COVID hardship loans in the GCI portfolio the average loan balance is ca. $570k, with a weighted average LVR of 65%. This means that on average the borrower equity in these loans is over $300k. In other words, house prices would need to fall by 35% before this first bondholder protection would not be enough to cover the losses in event of an actual default.

The next protection then is the lenders mortgage insurance which pays out in the event that a defaulted loan actually suffers a loss. Mortgage insurers are regulated by APRA and required to hold substantial capital against potential claims.

If the previous two protections are not enough to cover the loss on a loan, then excess spread is used to cover losses.

Excess spread in non-conforming RMBS averaged approximately 2% per annum over the last twelve months. Furthermore, the spread between the interest rate on loans in Australian RMBS portfolios and the benchmark bank bill swap rate has generally increased over the last few months, because many lenders have not passed on recent Reserve Bank of Australia interest rate cuts in full to borrowers.

The excess spread in Australian RMBS will decline over coming months, because of loan payment deferrals. Furthermore, for RMBS that have closed during this period of disruption, the excess spread is slightly lower than in outstanding RMBS, because note margins have increased (partially offset by a decreasing RBA cash rate / BBSW basis). Nevertheless, a level of excess spread will remain, which will mitigate the credit negative effect on RMBS deals if losses rise because of coronavirus disruptions.

The fourth protection, note subordination, protects against losses too.

In addition to the prior three protections, the note subordination in Australian RMBS will protect notes against losses if loan defaults increase. For seasoned Australian RMBS, note subordination has built up during the sequential repayment period. Australian RMBS typically have a minimum period when principal repayments occur sequentially starting with the senior notes. Moody's notes that, on average, the note subordination in senior AAA-rated RMBS notes is 3.9 times the loss expected in a severe recession. Subordination is much lower for junior and mezzanine notes.

C) Performance Triggers less Effective for Senior Notes

Performance triggers — typically based on credit enhancement, losses and delinquency rates — ensure senior Australian RMBS notes receive principal repayments ahead of mezzanine and junior notes when the underlying loans perform poorly.

However, Covid-19-related payment deferrals have made performance triggers based on delinquency rates less effective. Lenders are classifying loans with Covid-19-related payment deferrals as current rather than delinquent, in line with Australian Prudential Regulation Authority guidelines. This means RMBS deals are less likely to breach delinquency rate performance triggers than would otherwise be the case. The result is more pro rata principal repayments among the notes and less credit enhancement available to senior notes, than would otherwise occur. This makes senior notes more vulnerable (to the benefit of junior noteholders) if there is a high level of loans ultimately defaulting following the end of coronavirus-related payment deferral period.

Discount to NTA - Go Figure!

GCI is trading at an 11% discount to NTA as at 17 August 2020. All in the context of:

- There has never been a default in Australian RMBS;
- The Australian RMBS market is currently supported by the AOFM;
- GCI has repositioned portfolio well with respect to Covid-19 risks and opportunities;
- GCI's annualised monthly distribution has increased since April 2020, from 4.04% to 4.33% of NTA in July 2020.
- RMBS safeguards regarding liquidity, subordination, performance triggers;
- Broader market search for yield in low interest rate environment.

Conclusion: Go figure!!

Spotlight on RF1

RF1 has performed well since inception, generating a total return of 32% and materially outperforming the broader Australian equities market. That said, IIR, and the Manager, was somewhat taken aback by the degree of drawdown in March / April and correlation to the markets considering circa 40% of the portfolio was effectively allocated to market neutral strategy (down 33% in the month of March 2020 alone). More on that later.

RF1: Fund Performance (Net)

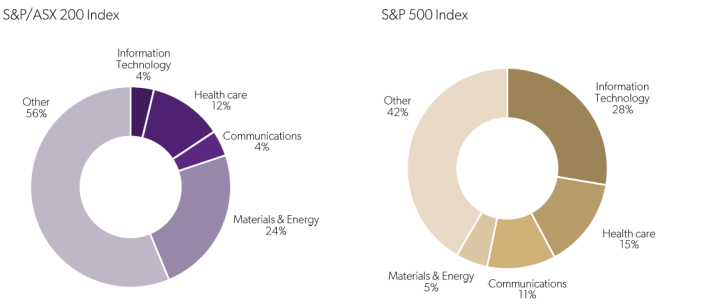
Strategy	2019	2020	Incept
RF1	11%	19%	+33%
S&P/ASX 200 TR Index	5%	-9%	-4%
Alpha (Net)	**6%**	**28%**	**37%**

Across the underlying strategies, it has been something of a mixed bag. The global alpha strategy and the emerging company strategy and performed above expectations with both rose up around 100 percent since inception. The Australian long short and small companies strategy both performed in line with expectations, and the Manager remains very bullish on the outlook for both strategies. Conversely, the market neutral strategy, which has just entered positive performance territory since inception and the greatest portfolio weight in RF1, disappointed.

RF1: Underlying Strategy Performance (Gross)

Strategy	% Portfolio	1-mth	Since Incept.
Market Neutral Strategy	40%	15.9%	6.8%
Australian Long Short Equity Strategy	3%	6.9%	11.9%
Small Companies Strategy	17%	12.7%	13.9%
Emerging Companies Strategy	31%	3.1%	93.9%
Global Alpha Strategy	8%	8.9%	102.9%
Total (Net)	**99%**	**11.4%**	**32.3%**

The ASX Dominated by 'Old World' Stocks



Source: Regal

One reason RF1 recorded a strong decline in NTA in March / April is the significant exposure to micro, small and mid-cap stocks. No issues here - the price you pay for this type of exposure is often these stocks go down more in a sell off (high beta). The upside is much of the large cap segment of the Australian market is lacking earnings growth. And as a result, Regal has tilted many of its funds, where permitted by mandate, to the small cap end of the market.

The other major reason was the marked decline in the Market Neutral Strategy, down 33% in the month of March and the largest single allocation (by design / mandate rules) in the RF1 portfolio. On the surface of it, given the strategy is a true market neutral strategy (circa zero net exposure through long and short positions), this result was surprising as was the high degree of correlation to the broader markets. In effect, the strategy got hit hard on both its short positions (old world defensive stocks generally) and long positions (new world, small cap stocks generally). That is, there was in effective of a doubling of pain / crystallisation of losses, with presumably material short covering forcibly undertaken in March / April.

The performance during this period highlights the risk in a market neutral strategy of what we presume to have been a material beta mismatch in longs versus shorts.

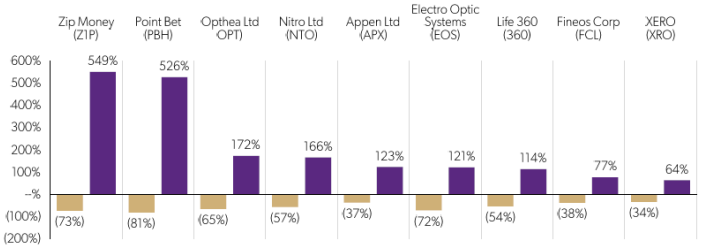
The volatility spike in March and consequent sell off, in particular, 'risk-off' stocks materially adversely impacted returns. The Manager admits to being very much on the back foot during this month having initially underestimated the impact of a pandemic on stock markets.

During March however, the Manager aggressively repositioned the portfolio, exiting those stocks that it thought had significant exposure to the economic lockdown, and increased exposure selectively to stocks that it believed were oversold and were largely immune to the effects of the lockdown.

During this period, the Manager increased the levels of liquidity in the underlying funds, allowing RF1 to benefit from the volatility in the market over recent months. This was probably most evident in the Global Alpha strategy, which is very focused on taking advantage of dislocation in the markets. The other advantage of having liquidity available in the underlying funds (Regal has a high degree of permanent capital) related to the significant increase in capital raisings in April.

As evident from the chart below, RF1 investors were well rewarded when a lot of these stocks bounced very hard from their March lows. Furthermore, these are stocks the Manager believes are largely unaffected by the Economic slowdown on lockdown.

High Conviction Picks Bounce Back



Source: Regal

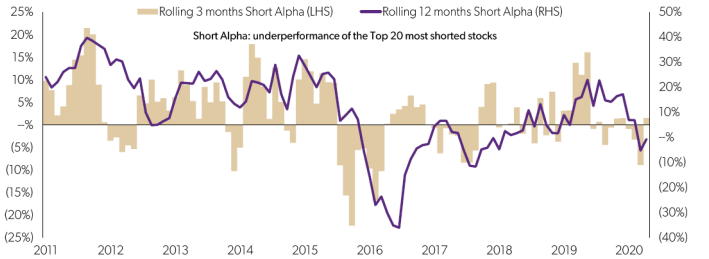
The other factor underpinning the strong recovery is the sector exposure of the underlying strategies. Better performing sectors in the Australian market this year have been technology, health care and materials. Some of the poorest performing sectors in the Australian market this year, financials, real estate and energy and we live remain. Regal largely retain the sector weightings, being overweight the technology, health care materials and underweight financials, real estate and energy sectors.

Shorting has Become More Difficult

One of the more interesting points to come out of RF1's recent webinar were comments regarding the Manager's views on shorting in the Australian market place, specifically it has become materially more difficult.

IIR has long regarded Regal as one of the better shorting managers in the Australian market. So, when Phil King makes such observations, they are worth listening to. And not just in relation to RF1, but all strategies that implement long short strategies.

Crowded Shorts Squeeze



Source: Regal

The chart above analyses the performance of the 20 most shorted stocks in the Australian market over time, depicting rolling 3-month and rolling 12-month alpha performance. Since 2016 the balance of the ledger has been firmly to the negative (i.e., these stocks did not underperform the market).

So what's changed in recent years? Regal note two key factors.

Firstly, government actions, and which are difficult to anticipate. Regal got hit hard on the short side in March 2016. During that period, the Chinese Government injected significant stimulus into the domestic economy, leading to a sharp reversal in the pricing of commodity stocks, catching Regal wrongly positioned with its short mining sector positions. We note that lessons were learned at Regal from this experience and additional checks and balances implemented in relation to short positions and dynamic adjustments of those positions.

Secondly, the impact of low interest rates on valuations, with interest rates close to zero in many countries. In such an environment very high multiples can be justified for high growth companies. Over the course of the last twelve months, or so, the premium of high versus low P/E firms has increased to circa 120%, levels not seen since the tech bubble in 200-01. In such an environment, 'valuation' shorts become difficult. Added to this dynamic is likely the momentum / market cap distortions of large flows into ETFs.

The final factor has been the growing impact of retail investors on the market. Since March 2020, the retail interest in the stock market has risen immensely. The upshot is it is difficult to rely too heavily on valuation when expensive stocks can get even more expensive. While this impact makes shorting difficult in the short to medium term, in the long term it is likely to create more opportunities for shorting.

In terms of current short position, Regal is very focused on shorting stocks that it believes will be more affected by the lockdown than generally appreciated. For example, the travel sector, which the Manager believes will take longer to return to normal than some investors are anticipating.

Changes to Portfolio Allocation Guidelines

On 14 August, Regal announced changes to its investment guidelines with respect to permitted allocations to the underlying strategies. The rationale is that since listing Regal has found that maintaining the required exposure of 40 - 60% to the Market Neutral Strategy has, at times, inhibited RF1's ability to dynamically allocate capital between

the investment strategies. This has been exacerbated by the strong performance of the Regal Emerging Companies Fund III, and which is an investment fund with no ability to redeem for the next four years (now 31% of the RF1 portfolio versus 25% at the time of initial capital allocation).

RF1: Portfolio Allocation Guidelines		
Strategy	**Revised**	**Former**
Market Neutral Strategy	0 - 50%	40 - 60%
Australian Long Short Equity Strategy	0 - 25%	0 - 25%
Small Companies Strategy	0 - 25%	0 - 25%
Emerging Companies Strategy *	0 - 25%	0 - 25%
Global Alpha Strategy	0 - 25%	0 - 25%

Source: Regal * Measured at time of investment.

Major Newsflow

The table below lists some of the more significant announcements in the LMI sector over the last four week period.

Major LMI Announcements	
LMI	**Announcement**
CIE	Proposed new investment strategy
EGI	Suspension from official quotation
NBI	Update to target distribution
PE1	Completion of rights issue

Pricing & Recommendations – Australian Share Focus

All data as at 30 June 2020	ASX Code	Market Cap ($M) *	Last Price ($)	Dividend Yield %	Pre-Tax NTA ($)**	Pre-tax NTA Prem/Disc %	3 Year Avg Prem/Disc%	M'ment	M'ment Fee %	IIR Rating
Australian Shares - Large Cap										
Australian Foundation Investment Company	AFI	7371.1	6.09	3.9	5.96	2.2	1.3	Internal	0.13	Highly Recommended
Argo Investments	ARG	5178.1	7.19	4.6	7.27	-1.1	0.4	Internal	0.15	Highly Recommended
Milton Corporation	MLT	2745.7	4.09	4.7	4.26	-4	-2.3	Internal	0.14	Highly Recommended
BKI Investment Company	BKI	1018.7	1.39	6.0	1.47	-5.8	-1.1	Internal	0.1	Recommended +
Australian United Investment	AUI	1003.2	8.05	4.5	8.59	-6.3	-4.4	Internal	0.1	Recommended +
Diversified United Investments	DUI	896.3	4.23	3.7	4.45	-4.9	-4.8	Internal	0.12	Recommended +
WAM Leaders Limited	WLE	830.0	1.06	5.9	1.18	-10.6	-4.8	External	1.0	Recommended
Djerriwarrh Investments	DJW	571.8	2.55	7.4	2.70	-5.6	5.6	Internal	0.43	Recommended +
Plato Income Maximiser	PL8	424.1	0.99	5.7	0.96	3	1.2	External	0.8	Recommended +
Whitefield Limited	WHF	428.1	4.46	4.6	4.66	-4.3	-6.1	External	0.25	Recommended +
AMCIL Limited	AMH	260.4	0.94	3.7	1.00	-6.5	-6.4	Internal	0.72	Recommended +
Concentrated Leaders Fund	CLF	63.6	1.07	5.6	1.20	-10.8	-6.5	External	na	Not Rated
Ironbark Capital	IBC	51.7	0.42	5.2	0.51	-17.5	-7.9	External	0.65	Not Rated
Australian Governance & Ethical Index Fund	AGM	29.1	1.61	5.9	1.76	-8.5	-1.9	External	0.19	Not Rated
Flagship Investments	FSI	45.9	1.8	4.7	2.13	-15.5	-14	External	0.0	Recommended
Evans & Partners Australian Flagship Fund	EFF	28.6	1.39	6.1	1.53	-9.2	-0.2	External	0.98	Recommended
Australian Shares - Mid/Small Cap										
WAM Capital	WAM	1320.3	1.82	8.5	1.59	14.5	19.1	External	1.0	Recommended +
Carlton Investments	CIN	608.1	22.97	5.8	28.49	-19.4	-13.5	Internal	0.08	Not Rated
Ophir High Conviction Fund	OPH	534.0	2.67	0.0	2.88	-7.3	-4.8	External	1.2	Recommended +
Future Generation Investment Company	FGX	379.5	0.95	5.3	1.15	-17.2	-4.7	External	0.0	Highly Recommended
Mirrabooka Investments	MIR	376.5	2.33	4.3	2.42	-3.7	6.4	Internal	0.61	Highly Recommended
QV Equities	QVE	211.0	0.8	5.5	0.96	-17.2	-4.3	External	0.9	Recommended +
WAM Research	WAX	255.5	1.32	7.4	0.99	33.3	23.2	External	1.0	Highly Recommended
WAM Microcap Limited	WMI	173.1	1.22	6.1	1.31	-6.9	3.6	External	1.0	Recommended +
Westoz Investment Company	WIC	122.5	0.92	6.6	1.07	-14.5	-10.9	External	1.0	Recommended
Forager Australian Shares Fund	FOR	98.9	0.87	0.9	1.03	-15.5	0.1	External	1.1	Not Rated
Thorney Opportunities	TOP	94.0	0.47	4.0	0.60	-21.5	-16.3	External	na	Not Rated
Naos Small Cap Opportunities Company Limited	NSC	71.5	0.45	7.8	0.68	-33.8	-14.9	External	1.15	Not Rated
Spheria Emerging Companies	SEC	80.6	1.29	5.4	1.71	-24.4	-11.6	External	1.0	Not Rated
Contango Income Generator	CIE	68.3	0.65	6.1	0.74	-12.2	-10.6	External	0.95	Recommended
Ryder Capital	RYD	77.9	1.33	3.8	1.64	-19.1	-14.6	External	na	Not Rated
Sandon Capital Investments	SNC	63.5	0.59	12.0	0.74	-20.9	-7.9	External	1.25	Recommended
Naos Emerging Opp Company	NCC	49.1	0.8	9.1	0.90	-11.7	-1.9	External	1.75	Not Rated
Acorn Capital inv Fund	ACQ	48.3	0.9	8.1	1.18	-23.4	-13.0	External	na	Not Rated
Lion Select Group	LSX	71.3	0.48	0.0	0.51	-6.9	-7.5	External	1.5	Not Rated
Ozgrowth Limited	OZG	59.9	0.17	6.6	0.20	-15.8	-19.8	External	1.0	Not Rated
WAM Active Limited	WAA	42.0	0.9	6.6	0.93	-3.2	1.7	External	1.0	Recommended
Naos Absolute Opportunities Company	NAC	37.3	0.79	6.6	1.06	-25.5	-14.2	External	1.75	Not Rated
Glennon Small Companies Fund	GC1	29.9	0.68	1.5	0.82	-17.1	-13.6	External	1.0	Recommended
Katana Capital Limited	KAT	30.6	0.8	2.2	0.96	-16.8	-17.9	External	na	Not Rated
ECP Emerging Growth Limited	ECP	20.1	1.1	3.6	1.37	-19.6	-21.0	External	1.0	Recommended
Australian/International Shares - Blended										
Hearts & Minds Investments	HM1	699.8	3.11	0.0	3.67	-15.3	-3.8	External	0.0	Recommended +
Perpetual Investment Company	PIC	313.0	0.9	7.3	1.03	-12.5	-3.7	External	1.0	Recommended +
Cadence Capital	CDM	185.4	0.61	6.6	0.83	-27.1	-5.2	External	1.0	Recommended +
Clime Capital	CAM	88.9	0.79	6.4	0.80	-1.9	-3.5	External	na	Not Rated

Pricing & Recommendations – International Shares & Specialist Focus

All data as at 30 June 2020	ASX Code	Market Cap ($M) *	Last Price ($)	Dividend Yield %	Pre-Tax NTA ($)**	Pre-tax NTA Prem/Disc %	3 Year Avg Prem/Dis%	M'ment	M'ment Fee %	IIR Rating
International Shares - Diversified										
Magellan Global Trust	MGG	2164.6	1.75	3.6	1.83	-4.9	-1.2	External	1.35	Recommended +
MFF Capital Investments	MFF	1489.5	2.71	9.0	2.81	-3.5	-7.7	External	***	Not Rated
Magellan High Conviction Trust	MHH	855.7	1.4	1.6	1.53	-8.5	-2.4	External	1.50	Recommended
VGI Partners Global Investments Limited	VG1	742.6	1.83	0.0	2.21	-17.4	-0.1	External	1.50	Recommended +
Antipodes Global Investment Company Ltd	APL	456.1	0.92	4.9	1.07	-14.3	-8.0	External	1.10	Recommended
Future Generation Global Investment Company	FGG	449.4	1.15	1.3	1.47	-22	-5.6	External	0.00	Recommended +
Platinum Capital	PMC	363.1	1.25	5.6	1.41	-11.2	4.6	External	1.35	Recommended +
WAM Global Limited	WGB	395.8	1.87	2.7	2.28	-18.2	-10.5	External	1.25	Recommended
PM Capital Global Opportunities Fund	PGF	318.8	0.9	4.4	1.15	-21.7	-12.7	External	1.00	Recommended +
Pengana International Equities Limited	PIA	269.4	1.06	5.7	1.26	-16	-9.7	External	1.23	Recommended
Templeton Global Growth	TGG	228.6	1.15	6.1	1.32	-13.4	-10.9	External	1.00	Recommended
Evans & Partners Global Flagship Fund	EGF	175.0	1.46	10.8	1.55	-5.8	-1.2	External	1.35	Not Rated
WCM Global Growth Limited	WQG	216.6	1.25	3.2	1.45	-14.3	-12.4	External	1.25	Recommended +
Ellerston Global Investments	EGI	108.5	1.03	2.9	1.19	-13.4	-10.7	External	0.75	Recommended
Morphic Ethical Equities Fund	MEC	46.5	0.88	2.3	1.14	-23.1	-13.5	External	1.25	Not Rated
Fat Prophets Global Contrarian Fund	FPC	37.5	0.9	2.8	1.14	-21.1	-13.7	External	1.25	Not Rated
International Shares - Emerging Markets										
Platinum Asia Investments	PAI	367.4	1.01	4.0	1.17	-13.8	-2.0	External	1.35	Recommended +
Evans & Partners Asia Fund	EAF	149.4	1.22	4.3	1.30	-6.2	-2.7	External	1.00	Not Rated
Ellerston Asian Investments	EAI	127.7	0.96	3.1	1.16	-17	-10.8	External	0.95	Not Rated
PM Capital Asian Opportunities Fund	PAF	41.5	0.72	4.2	0.88	-18.2	-8.9	External	1.00	Not Rated
International - Specialist										
Argo Global Listed Infrastructure	ALI	293.8	2.07	3.4	2.26	-8.4	-12.6	External	1.20	Not Rated
Evans & Partners Global Disruption Fund	EGD	317.0	2.61	5.7	2.70	-3.3	0.2	External	1.29	Recommended
Global Value Fund	GVF	136.0	0.92	6.3	1.00	-8.3	-1.4	External	1.50	Not Rated
Tribeca Global Natural Resources Ltd	TGF	64.8	1.04	0.0	1.45	-28.3	-13.6	External	1.50	Recommended
Zeta Resources	ZER	51.8	0.18	0.0	0.17	6.4	-14.8	External	0.50	Not Rated
Global Masters Fund	GFL	17.5	1.63	0.0	2.19	-25.6	-11.2	Internal	0.00	Recommended+
Fat Prophets Global Property Fund	FPP	15.3	0.67	4.0	0.87	-22.9	-12.0	External	1.00	Not Rated
Fixed Income Funds										
MCP Master Income Trust	MXT	1153.1	1.81	5.6	2.01	-10.1	1.5	External	0.67	Recommended +
NB Global Corporate Income Trust	NBI	735.5	1.65	6.4	1.86	-11.3	-0.3	External	0.85	Recommended +
Partners Group Global Income Fund	PGG	423.7	1.54	3.8	1.77	-13	-2.1	External	1.00	Recommended
Perpetual Credit Income Trust	PCI	384.3	0.96	4.4	1.06	-9.6	0.9	External	0.72	Recommended +
Qualitas Real Estate Income Fund	QRI	359.7	1.75	5	1.60	-12.5	-1.1	External	1.50	Recommended
Mcp Income Opportunities Trust	MOT	321.3	1.43	6.9	2.01	-11	1	External	1.03	Not Rated
Gryphon Capital Income Trust	GCI	284	1.64	9	1.99	-18.4	-3.6	External	0.72	Recommended
Private Equity Funds										
Pengana Private Equity Trust	PE1	311.9	1.34	3.6	1.19	12.2	5.5	External	1.25	Recommended +
Bailador Technology Investments	BTI	86.6	0.71	0.0	1.24	-43.1	-25.2	External	1.75	Recommended +
Cordish Dixon Private Equity Fund 3	CD3	68.4	0.95	0.0	1.84	-48.4	-11.3	External	1.33	Recommended
Cordish Dixon Private Equity Fund 2	CD2	57.9	1.05	11.4	2.06	-49	-10.4	External	2.33	Recommended
Cordish Dixon Private Equity Fund 1	CD1	36.3	0.93	43.0	1.48	-38.8	-9.4	External	2.33	Recommended
Absolute Return Funds										
L1 Long Short Fund Limited	LSF	793.8	1.22	0.0	1.63	-25.2	-9.6	External	1.40	Recommended +
Regal Investment Fund	RF1	287.4	2.55	1.7	2.92	-12.7	-8.2	External	1.50	Recommended +
Australian Leaders Fund Limited	ALF	167.8	0.87	5.7	1.13	-23	-15.6	External	na	Not Rated
Absolute Equity Performance Fund	AEG	103.2	1.12	5.8	1.27	-11.8	-4.5	External	na	Not Rated
Contrarian Value Fund Limited	CVF	54.5	0.75	11.0	0.99	-20.2	-13.4	External	1.00	Not Rated
Monash Absolute Investment Company Limited	MA1	44.2	0.99	2.0	1.10	-10.3	-15.0	External	1.50	Not Rated
Alternative Investment Trust	AIQ	30.4	0.11	2.4	0.11	-1.5	-6.3	External	na	Not Rated
Other Specialist										
Duxton Water Limited	D2O	161.8	1.36	4.1	1.58	-15.3	-12.3	External	1.20	Not Rated
Blue Sky Alternatives Access Fund	BAF	140.6	0.72	6.9	1.09	-33.9	-18.2	External	0.85	Not Rated
Thorney Technologies Ltd	TEK	64.3	0.25	0.0	0.31	-13.8	-9.5	External	0.75	Not Rated
Lowell Resources Fund	LRT	26.3	0.96	0.0	1.21	4.3	-18.0	External	2.16	Not Rated

*Based on fully paid ordinary shares available for trade.
**Pre-tax NTA includes tax paid on realised gains.
***MFF pays a flat base management fee of $1m per quarter and a potential $1m pa fee subject to certain performance criteria.
Source: ASX/IRESS

Performance – Australian Share Focus

All data as at 30 June 2020	ASX Code	NTA (plus dividends) Return %					Share Price (plus dividends) Return %					Benchmark
Australian Shares - Large Cap		**1 Mth**	**3 Mths**	**1 yr**	**3 yrs**	**5 yrs**	**1 Mth**	**3 Mths**	**1 yr**	**3 yrs**	**5 yrs**	
Australian Foundation Investment Company	AFI	3.3	15.1	-4.7	4.8	4.8	0.3	10.9	1.3	5.4	3.6	S&P/ASX 200 Acc Index
Argo Investments	ARG	2.4	15.6	-10.1	2.1	3.5	-3.5	12.2	-7.4	2.1	1.9	S&P/ASX 200 Acc Index
Milton Corporation	MLT	2.9	14.2	-9.8	2.3	3.8	0.2	16.9	-9.0	1.1	2.3	All Ordinaries Acc Index
BKI Investment Company	BKI	2.1	14.8	-8.4	2.1	2.6	-3.5	19.9	-7.1	-0.3	1.0	S&P/ASX 300 Acc Index
Australian United Investment	AUI	3.0	14.8	-9.6	4.0	4.9	1.3	12.4	-7.4	4.1	4.0	ASX 300 Acc Index
Diversified United Investments	DUI	2.5	12.1	-4.7	7.2	7.7	-0.5	14.3	0.6	8.0	7.2	ASX 300 Acc Index
WAM Leaders Limited	WLE	2.6	16.6	-0.2	5.1	na	-2.3	12.7	1.1	2.9	na	S&P/ASX 200 Acc Index
Djerriwarrh Investments	DJW	2.3	18.4	-13.7	0.0	1.5	0.0	10.4	-20.7	-5.2	-5.0	S&P/ASX 200 Acc Index
Plato Income Maximiser	PL8	2.7	17.0	-8.3	2.1	na	0.9	19.3	-5.5	2.1	na	S&P/ASX 200 Franking Credit Adjusted Daily Total Return Index (Tax-exempt)
Whitefield Limited	WHF	2.9	12.1	-7.2	2.2	3.8	-5.1	12.7	-4.0	3.5	3.7	S&P/ASX 200 Industrials Acc (XJOAI) Index
AMCIL Limited	AMH	3.1	20.5	5.8	7.1	6.9	5.1	16.9	10.9	5.3	4.9	S&P/ASX 200 Acc Index
Concentrated Leaders Fund	CLF	2.1	19.5	-6.8	3.4	5.1	-1.4	16.4	-11.0	1.8	3.6	S&P ASX 200 Acc Index
Ironbark Capital	IBC	5.9	14.3	-5.3	3.1	3.1	-1.1	10.3	-6.9	-0.9	0.3	na
Australian Governance & Ethical Index Fund	AGM	5.8	18.3	-5.1	na	na	1.8	18.5	-11.7	na	na	S&P/ASX 100 Acc Index
Flagship Investments	FSI	1.9	23.3	5.1	9.4	8.6	2.3	28.6	7.7	9.7	9.8	All Ordinaries Index
Evans & Partners Australian Flagship Fund	EFF	6.3	23.8	-3.3	na	na	6.1	25.7	-13.2	na	na	S&P/ASX 200 Acc Index
Australian Shares - Mid/Small Cap												
WAM Capital	WAM	1.3	10.6	-6.0	1.7	5.4	-5.7	8.4	-2.2	-1.5	6.0	All Ordinaries Acc Index
Carlton Investments	CIN	-0.8	14.2	-19.4	-4.8	-0.4	-6.2	14.6	-23.4	-5.4	-1.8	S&P/ASX 200 Acc Index
Ophir High Conviction Fund	OPH	2.5	25.2	10.7	na	na	7.7	35.5	7.7	na	na	S&P/ASX Mid Cap 50's Acc Index. S&P/ASX Small Ordinaries Acc Index
Future Generation Investment Fund	FGX	1.5	17.0	-2.3	3.9	4.7	-1.6	14.2	-14.5	-0.2	0.8	All Ordinaries Acc Index
Mirrabooka Investments	MIR	3.4	28.0	4.9	7.1	8.0	2.2	28.7	0.0	-0.9	1.7	S&P/ASX Mid Cap 50's Acc Index. S&P/ASX Small Ordinaries Acc Index
QV Equities	QVE	2.1	20.0	-13.1	-3.6	1.8	-0.6	16.1	-18.5	-11.7	-1.3	na
WAM Research	WAX	-1.0	12.0	-6.3	1.2	5.2	-4.0	18.5	7.0	2.2	8.9	All Ordinaries AccIndex
WAM Microcap Limited	WMI	4.0	29.1	5.6	10.8	na	-2.0	25.0	4.7	5.9	na	
Westoz Investment Company	WIC	3.9	36.7	-2.5	5.0	7.0	2.8	43.0	-5.3	4.5	5.9	Absolute return focus
Forager Australian Shares Fund	FOR	-2.1	38.4	-20.1	-11.3	na	-5.1	46.3	-23.3	-17.5	na	8% Absolute
Thorney Opportunities	TOP	-2.9	22.5	-28.1	-5.5	4.7	-6.0	36.2	-27.1	-9.4	3.0	na
Naos Small Cap Opportunities Company Limited	NSC	9.5	19.0	-1.3	-6.5	-3.8	-13.2	21.1	-14.2	-12.0	-7.2	ASX All Ordinaries Acc Index
Spheria Emerging Companies	SEC	-3.1	26.0	-13.0	na	na	-3.4	13.7	-22.7	na	na	S&P/ASX Small Ords Acc Index
Contango Income Generator	CIE	0.0	17.3	-18.7	-4.7	na	10.2	19.9	-8.7	-4.8	na	All Ordinaries Acc Index
Ryder Capital	RYD	1.7	20.6	12.6	12.8	na	6.0	16.2	10.0	9.8	na	na
Sandon Capital Investments	SNC	-4.0	3.9	-11.3	-2.2	2.2	-7.1	21.6	-20.6	-5.4	1.1	na
Naos Emerging Opp Company	NCC	1.1	15.4	-2.6	-5.3	2.5	0.0	2.6	-2.0	-8.7	2.8	Small Ordinaries Acc Index (XSOAI)
Acorn Capital Inv Fund	ACQ	4.0	29.7	3.6	8.1	9.1	1.7	16.5	-4.7	5.8	9.8	na
Lion Select Group	LSX	2.0	10.9	18.6	10.3	10.5	13.1	25.0	39.7	7.7	22.1	na
Ozgrowth Limited	OZG	1.0	33.8	5.9	3.8	6.4	6.3	54.5	17.0	5.1	4.6	Absolute return focus
WAM Active Limited	WAA	3.3	6.7	-5.5	1.5	4.7	-3.2	22.4	-3.6	-0.8	4.3	All Ordinaries Acc Index
Naos Absolute Opportunities Coy.	NAC	4.2	34.2	9.0	4.0	4.4	1.1	33.9	2.1	-2.5	3.0	na
Glennon Small Companies Fund	GC1	-3.5	9.3	-15.4	-3.2	na	2.3	32.0	-14.5	-4.3	na	ASX Small Ords Acc Index
Katana Capital Limited	KAT	3.3	30.0	6.8	7.9	5.3	19.4	40.4	9.0	6.8	3.1	na
ECP Emerging Growth Limited	ECP	-0.8	27.8	12.8	12.4	10.0	6.8	56.0	18.1	10.8	9.2	All Ordinaries Accum Index
Australian/International Shares - Blended												
Hearts & Minds Investments Limited	HM1	5.8	28.8	22.7	na	na	4.4	27.5	8.6	na	na	na
Perpetual Investment Company	PIC	-2.1	21.1	-1.9	3.5	5.4	-2.7	22.6	-7.1	1.8	3.8	na
Cadence Capital	CDM	3.7	33.4	-2.3	-5.1	-3.6	1.7	28.9	-14.0	-13.7	-6.7	All Ordinaries Acc Index
Clime Capital	CAM	1.3	23.4	-12.8	2.8	2.1	1.9	10.1	-13.9	3.2	3.1	na

Performance – International Shares & Specialist Focus

All data as at 30 June 2020	ASX Code	NTA (plus dividends) Return (p.a) %					Share Price (plus dividends) Return (p.a) %					Benchmark
International Diversified		1 Mth	3 Mths	1 yr	3 yrs	5 yrs	1 Mth	3 Mths	1 yr	3 yrs	5 yrs	
Magellan Global Trust	MGG	-1.9	3.5	3.5	na	na	-3.9	11.1	1.3	na	na	MSCI World Net Total Return A$ Index
MFF Capital Investments	MFF	-4.5	-4.6	-1.3	11.8	10.7	-4.6	7.7	0.2	15.1	11.2	na
Magellan High Conviction Trust	MHH	0.7	6.1	na	na	na	-4.1	9.8	0.0	na	na	10% Absolute with HWM
VGI Partners Global Investments Limited	VG1	-4.3	-10.9	-7.9	na	na	-15.9	-17.0	-22.6	na	na	na
Antipodes Global Investment Company Ltd	APL	-1.3	0.4	-2.2	-0.2	na	-5.2	5.1	3.8	-6.0	na	MSCI All Country Word Net Index (AUD)
Future Generation Global Investment Company	FGG	-0.6	5.8	5.3	9.3	na	-2.6	9.0	-12.1	3.0	na	MSCI World Index AUD
Platinum Capital	PMC	0.6	-0.3	-6.1	0.9	na	1.2	-0.8	-15.7	-3.6	-1.0	MSCI All Country World Net Index in A$
WAM Global Limited	WGB	-1.3	3.8	-0.8	na	na	-9.0	19.2	-2.8	na	na	MSCI World Index. Net. AUD
PM Capital Global Opportunities Fund	PGF	1.8	10.9	-9.8	0.3	2.4	0.0	5.3	-14.2	-2.9	0.7	na
Pengana International Equities Limited	PIA	-2.9	5.4	7.1	7.8	3.3	0.2	19.9	6.7	4.5	2.5	MSCI Total Return Index. Net Dividends Reinvested in Australian dollars
Templeton Global Growth	TGG	-2.1	2.9	-4.3	1.0	1.6	-0.4	9.0	0.4	-0.9	1.6	MSCI All Country World Index
Evans & Partners Global Flagship Fund	EGF	-0.9	4.0	4.7	9.9	6.1	-1.5	2.9	1.1	6.2	3.5	na
WCM Global Growth Limited	WQG	-0.5	12.9	11.5	12.8	na	-1.2	30.4	14.7	5.3	na	MSCI AWCI ex Australia. AUD
Ellerston Global Investments	EGI	0.8	22.5	8.0	4.3	na	-1.9	28.0	14.0	3.5	0.2	MSCI World Index (Local)
Morphic Ethical Equities Fund	MEC	-0.5	4.1	2.9	4.0	na	0.6	8.6	4.0	-6.1	na	MSCI All Countries World Daily Total Return Net Index
Fat Prophets Global Contrarian Fund	FPC	8.7	42.9	8.7	2.3	na	2.3	35.3	13.5	-7.0	na	Increase in value of investment portfolio above previous high
International Shares - Emerging Markets												
Platinum Asia Investments	PAI	6.5	5.7	12.1	7.5	na	4.7	6.3	1.9	5.1	na	na
Evans & Partners Asia Fund	EAF	5.3	6.1	8.2	na	na	4.8	4.8	4.3	na	na	MSCI AC Asia ex Japan Index
Ellerston Asian Investments	EAI	3.3	3.2	5.9	4.7	na	0.5	5.5	7.0	2.6	na	na
PM Capital Asian Opportunities Fund	PAF	-2.2	8.3	-13.2	-7.0	-1.5	0.7	3.6	-20.6	-8.3	-1.4	na
International - Specialist												
Argo Global Listed Infrastructure	ALI	-5.8	-3.8	-7.1	5.5	na	-8.0	12.5	-5.3	6.4	na	na
Evans & Partners Global Disruption Fund	EGD	5.2	21.8	31.9	na	na	7.4	20.5	29.0	na	na	na
Global Value Fund	GVF	0.3	9.3	-0.2	2.7	2.3	0.5	-0.5	0.8	-1.6	3.5	BBSW 1 Year Swap Rate +4
Tribeca Global Natural Resources Limited	TGF	-21.6	-13.9	-39.3	na	na	-18.1	11.8	-49.3	na	na	na
Zeta Resources	ZER	20.8	17.7	-52.4	-22.9	-16.9	28.6	2.9	-49.3	-21.3	-14.8	na
Global Masters Fund	GFL	-5.2	-6.0	-9.5	3.9	5.7	-11.4	-4.7	-14.2	-6.7	-0.1	S&P 500 US Index
Fat Prophets Global Property Fund	FPP	-1.2	9.2	-23.4	na	na	-14.1	11.7	-30.5	na	na	Blend of Domestic & International REIT Indices
Fixed Income Funds												
MCP Master Income Trust	MXT	0.9	1.3	6.0	na	na	-3.3	14.2	-6.2	na	na	RBA Cash Rate + 3.25%
NB Global Corporate Income Trust	NBI	1.6	13.2	-5.3	na	na	-3.0	26.6	-13.5	na	na	ICE BofAML Global High Yield Constrained
Partners Group Global Income Fund	PGG	2.5	19.1	na	na	na	-4.7	5.0	0.0	na	na	RBA + 6% on Special Sits
Perpetual Credit Income Trust	PCI	10.9	19.1	0.2	na	na	0.3	12.7	-10.5	na	na	RBA Cash Rate + 3.25%
Qualitas Real Estate income Fund	QRI	0.5	1.6	9.3	na	na	3.1	16.0	-6.3	na	na	8 Absolute Return
Mcp Income Opportunities Trust	MOT	1.1	1.5	7.0	na	na	-7.6	20.4	-12.3	na	na	RBA Cash Rate + 6.0%
Gryphon Capital Income Trust	GCI	0.5	1.1	4.5	na	na	-3.8	16.9	-10.8	na	na	RBA Cash Rate + 3.5%
Private Equity Funds												
Pengana Private Equity Trust	PE1	-4.6	-14.0	-5.7	na	na	-14.4	3.1	13.2	0.0	0.0	8% Absolute Return
Bailador Technology Investments	BTI	0.0	0.8	-5.3	5.0	2.8	-11.9	21.6	-32.9	-7.8	-5.0	8% p.a. compound
Cordish Dixon Private Equity Fund 3	CD3	-3.7	-16.0	2.8	7.8	na	-14.0	18.8	-36.7	-15.9	0.0	8% Absolute Return
Cordish Dixon Private Equity Fund 2	CD2	-3.7	-16.6	7.2	20.0	14.0	-9.1	14.1	-41.6	-13.2	-8.8	Absolute Return w H/W Mark
Cordish Dixon Private Equity Fund 1	CD1	-2.6	-17.3	47.7	45.2	39.8	10.1	24.8	-21.5	-4.6	-1.9	na
Absolute Return Funds												
L1 Long Short Fund Limited	LSF	-2.3	36.8	-2.7	na	na	-5.4	48.8	-13.2	na	na	Previous High Water Mark
Regal Investment Fund	RF1	15.9	41.1	16.3	na	na	12.8	64.5	3.4	na	na	RBA Cash Rate
Australian Leaders Fund Limited	ALF	0.0	0.0	2.6	-1.1	1.2	-0.6	1.2	1.1	-7.3	-1.3	All Ordinaries Acc Index
Absolute Equity Performance Fund	AEG	5.0	6.7	31.8	8.9	na	-2.6	10.9	33.7	3.8	na	na
Contrarian Value Fund Limited	CVF	-2.5	0.5	-11.6	5.2	5.3	-3.0	13.4	-13.1	4.2	1.7	na
Monash Absolute Investment Company Limited	MA1	-4.8	28.1	6.1	8.7	na	-5.3	37.8	23.3	10.6	na	na
Alternative Investment Trust	AIQ	-6.9	-7.0	8.9	5.3	1.7	10.0	15.8	15.8	11.2	2.4	na
Other Specialist												
Duxton Water Limited	D2O	-1.2	-6.0	-3.5	16.8	na	-1.1	5.9	5.2	11.9	na	8% Absolute
Blue Sky Alternatives Access Fund	BAF	-0.4	-1.6	0.0	3.0	5.7	0.7	8.3	1.3	-9.1	-0.5	na
Thorney Technologies Ltd	TEK	6.2	33.3	-0.6	10.7	na	2.0	56.3	2.0	4.4	-62.8	Increase in NAV
Lowell Resources Fund	LRT	31.5	137.3	108.3	na	na	31.3	117.9	140.2	na	na	10 Absolute Return

All data as at 30 June 2020	ASX Code	NTA (plus dividends) Return (p.a) %					Share Price (plus dividends) Return (p.a) %					Benchmark
Benchmark Returns		**1 Mth**	**3 Mths**	**1 yr**	**3 yrs**	**5 yrs**	**1 Mth**	**3 Mths**	**1 yr**	**3 yrs**	**5 yrs**	
S&P/ASX 50 Accumulation Index	XFLAI	na	na	na	na	na	2.8	11.0	-9.2	5.0	5.2	na
S&P/ASX 200 Accumulation Index	XJOAI	na	na	na	na	na	2.6	14.1	-7.7	5.2	6.0	na
S&P/ASX 300 Accumulation Index	XKOAI	na	na	na	na	na	2.4	14.6	-7.6	5.2	6.0	na
All Ordinaries Accumulation Index	XAOAI	na	na	na	na	na	2.3	15.9	-7.2	5.4	6.2	na
Small Ordinaries Accumulation Index	XSOAI	na	na	na	na	na	-2.0	24.6	-5.7	6.1	7.9	na
S&P/ASX 200 Industrials Accumulation Index	XJIAI	na	na	na	na	na	2.8	12.0	-7.8	3.1	4.9	na
S&P/ASX 200 Resources Accumulation Index	XMJAI	na	na	na	na	na	2.3	21.7	-1.0	15.4	13.1	na

Source: ASX/IRESS
Note: Share Price and NTA are adjusted using adjustment factors provided by IRESS.

ASX Active ETFs

About ASX Active ETFs

Active ETFs are a relatively new type of exchange traded product (ETP) traded on the ASX. While traditional exchange traded funds (ETFs) adopt passive strategies that synthetically track the performance of an index or other benchmark. Active ETFs are actively managed funds. The legal structure is the same as a traditional managed fund. but the units can be bought and sold on the ASX just like shares. Unlike listed investment companies. Active ETFs are open ended with the manager acting as market maker. This ensures the units trade close to net asset value. The manager issues new units as required to meet market demand.

Pricing & Rating

All data as at 30 June 2020	ASX Code	Market Cap ($M)	Last Price ($)	Dividend Yield %	NAV ($)	M'ment Fee %	IIR Rating
Australian Share Strategies							
BetaShares Active Australian Hybrids Fund	HBRD	722.9	10.04	3.1	na	0.55	Not Rated
Betashares Aus Top20 Equity Yield Max Fund	YMAX	248.2	7.16	9.8	na	0.59	Not Rated
Betashares Australian Dividend Harvester Fund	HVST	128.5	13.14	11.4	na	0.65	Not Rated
Betashares Australian Equities Strong Bear Hedge Fund	BBOZ	440.9	8.8	0.0	na	1.19	Not Rated
ActiveX Real Outcome Bond Fund	XARO	169.7	27.19	1.3	na	0.5	Not Rated
BetaShares Legg Mason Australian Bond Fund	BNDS	127.5	27.12	2.9	na	0.42	Not Rated
Betashares Geared Australian Equity Fund	GEAR	200.9	17.51	12.1	na	0.80	Not Rated
Switzer Dividend Growth Fund	SWTZ	75.4	2.15	7.0	na	0.89	Recommended
BetaShares Australian Equities Bear Hedge Fund	BEAR	117.1	12.14	0.0	na	1.19	Not Rated
BetaShares Legg Mason Real Income Fund (Managed Fund)	RINC	43.5	7.77	5.9	na	0.85	Not Rated
Betashares Managed Risk Australian Share Fund	AUST	45.5	15.52	3.9	na	0.39	Not Rated
BetaShares Australian Small Companies Fund (Managed Fund)	SMLL	35.2	3.16	2.7	na	0.39	Not Rated
InvestSMART Australian Equity Income Fund	INIF	25.6	2.06	3.4	na	0.97	Not Rated
Einvest Income Generator Fund	EIGA	21.8	3.22	6.4	na	0.65	Not Rated
Investsmart Ethical Share Fund (Managed Fund)	INES	18.7	2.61	0.6	na	0.97	Not Rated
K2 Australian Small Cap Fund	KSM	7.4	1.82	0.5	na	1.31	Recommended
Pinnacle Ashares Dynamic Cash Fund (Managed Fund)	Z3RO	4.0	50.02	0.5	na	0.00	Not Rated
eInvest Future Impact Small Caps Fund (Managed Fund)	IMPQ	1.7	4.22	0.0	na	0.34	Not Rated
International Share/Security Strategies							
Magellan Global Equities Fund	MGE	1691.6	3.98	2.8	na	1.35	Not Rated
Magellan Infrastructure Fund (Currency Hedged) (Managed Fund)	MICH	626.2	2.83	3.4	na	0.95	Not Rated
Platinum International Fund	PIXX	308.0	4.15	3.1	na	1.76	Not Rated
Platinum Asia Fund	PAXX	144.3	4.75	2.1	na	1.58	Not Rated
Magellan Global Equities Fund (Currency Hedged)	MHG	221.3	3.43	2.9	na	1.35	Not Rated
BetaShares US Equities Strong Bear Currency Hedged	BBUS	331.4	2.76	0.0	na	1.38	Not Rated
Montgomery Global Equities Fund	MOGL	82.4	3.22	4.9	na	1.32	Not Rated
BetaShares S&P 500 Yield Maximiser Fund	UMAX	83.4	17.58	6.5	na	0.59	Not Rated
WCM Quality Global Growth Fund	**WCMQ**	**120.8**	6.71	0.0	**na**	**1.35**	**Not Rated**
Betashares Managed Risk Global Share Fund	WRLD	58.1	12.81	1.5	na	0.39	Not Rated
Schroders Real Return Fund (Managed Fund)	GROW	38.8	3.64	3.5	na	0.90	Not Rated
AMP Capital Global Infrastructure Securities Fund (Unhedged)	GLIN	32.4	2.95	3.8	na	0.95	Not Rated
BetaShares Legg Mason Equity Income Fund (Managed Fund)	EINC	24.8	7.25	5.2	na	0.85	Not Rated
Antipodes Global Shares	**AGX1**	**23.6**	5.13	2.2	**na**	**1.1**	**Not Rated**
AMP Capital Global Property Securities Fund (Unhedged)	RENT	21.0	2.53	1.7	na	0.99	Not Rated
BetaShares Geared U.S. Equity Fund - Currency Hedged	GGUS	40.6	16.23	0.2	na	0.74	Not Rated
AMP Capital Dynamic Markets Fund (Hedge Fund)	DMKT	6.4	2.13	0.0	na	0.48	Not Rated
Vanguard Global Value Equity Active ETF	VVLU	26.1	38.55	4.1	na	0.28	Not Rated
Vanguard Global Multi-Factor Active ETF (Managed Fund)	VGMF	16.2	45.26	1.7	na	0.34	Not Rated
Vanguard Global Min Volatility Active ETF	VMIN	12.3	53.44	0.9	na	0.28	Not Rated
BetaShares Legg Mason Emerging Markets Fund (Managed Fund)	EMMG	10.4	5.6	0.2	na	1.0	Not Rated
Pinnacle AShares Global Dynamic Income Fund	SAVE	4.1	9.38	2.9	na	0.50	Not Rated
Commodity & Currency Strategies							

All data as at 30 June 2020	ASX Code	Market Cap ($M)	Last Price ($)	Dividend Yield %	NAV ($)	M'ment Fee %	IIR Rating
Betashares Strong US Dollar Fund (Hedge Fund)	YANK	12.3	12.95	20.4	na	1.38	Not Rated
Betashares Strong Australian Dollar Fund (Hedge Fund)	AUDS	7.0	10.07	0.0	na	1.38	Not Rated

Performance

All data as at 30 April 2020	ASX Code	NAV (plus dividends) Return (p.a) %					Share Price (plus dividends) Return (p.a) %				
Australian Share Strategies		**1 Mth**	**3 Mths**	**1 year**	**3 years**	**5 years**	**1 Mth**	**3 Mths**	**1 year**	**3 years**	**5 years**
BetaShares Active Australian Hybrids Fund	HBRD	na	na	na	na	na	1.2	7.9	1.1	na	na
Betashares Aus Top20 Equity Yield Max Fund	YMAX	na	na	na	na	na	2.3	10.8	-11.6	1.2	1.4
Betashares Australian Dividend Harvester Fund	HVST	na	na	na	na	na	-0.2	3.0	-10.3	-1.7	-0.4
Betashares Australian Equities Strong Bear Hedge Fund	BBOZ	na	na	na	na	na	-8.3	-36.0	-16.5	-20.8	-17.4
ActiveX Real Outcome Bond Fund	XARO	na	na	na	na	na	0.6	2.2	5.2	na	na
BetaShares Legg Mason Australian Bond Fund	BNDS	na	na	na	na	na	0.5	1.8	3.8	na	na
Betashares Geared Australian Equity Fund	GEAR	na	na	na	na	na	4.1	34.7	-26.5	1.6	3.7
Switzer Dividend Growth Fund	SWTZ	na	na	na	na	na	0.5	14.7	-11.2	1.1	na
BetaShares Australian Equities Bear Hedge Fund	BEAR	na	na	na	na	na	-3.1	-14.7	-0.7	-6.7	-6.8
BetaShares Legg Mason Real Income Fund	RINC	na	na	na	na	na	-0.1	17.7	-16.3	na	na
Betashares Managed Risk Australian Share Fund	AUST	na	na	na	na	na	0.6	6.7	-6.9	3.4	na
BetaShares Australian Small Companies Select Fund	SMLL	na	na	na	na	na	1.0	27.9	-5.1	4.3	na
InvestSMART Australian Equity Income Fund	INIF	na	na	na	na	na	-0.7	23.4	-11.6	na	na
Einvest Income Generator Fund	EIGA	na	na	na	na	na	1.7	17.9	-11.5	na	na
Investsmart Ethical Share Fund (Managed Fund)	INES	na	na	na	na	na	-0.6	26.8	5.8	na	na
K2 Australian Small Cap Fund	KSM	na	na	na	na	na	0.0	35.5	-11.6	-7.0	na
Pinnacle Ashares Dynamic Cash Fund (Managed Fund)	Z3RO	na	na	na	na	na	-0.1	0.0	0.0	na	na
eInvest Future Impact Small Caps Fund (Managed Fund)	IMPQ	na	na	na	na	na	3.2	36.6	6.8	na	na
International Share/Security Strategies											
Magellan Global Equities Fund	MGE	na	na	na	na	na	9.1	4.7	9.1	14.8	11.3
Magellan Infrastructure Fund (Currency Hedged) (Managed Fund)	MICH	na	na	na	na	na	-7.4	7.2	-7.4	4.7	na
Platinum International Fund	PIXX	na	na	na	na	na	-3.0	2.1	-3.0	na	na
Platinum Asia Fund	PAXX	na	na	na	na	na	15.2	10.0	15.2	na	na
Magellan Global Equities Fund (Currency Hedged)	MHG	na	na	na	na	na	3.8	13.2	3.8	9.6	na
BetaShares US Equities Strong Bear Currency Hedged	BBUS	na	na	na	na	na	-28.5	-39.5	-28.5	-26.8	na
Montgomery Global Equities Fund	MOGL	na	na	na	na	na	-6.2	10.5	-6.2	na	na
BetaShares S&P 500 Yield Maximiser Fund	UMAX	na	na	na	na	na	-6.4	-0.6	-6.4	5.1	5.6
WCM Quality Global Growth Fund	**WCMQ**	**na**	**na**	**na**	**na**	**na**	**17.5**	**17.7**	**17.5**	**na**	**na**
Betashares Managed Risk Global Share Fund	WRLD	na	na	na	na	na	1.6	2.2	1.6	7.0	na
Schroders Real Return Fund (Managed Fund)	GROW	na	na	na	na	na	0.7	4.9	0.7	3.1	na
AMP Capital Global Infrastructure Securities Fund (Unhedged)	GLIN	na	na	na	na	na	-5.2	0.9	-5.2	6.2	na
BetaShares Legg Mason Equity Income Fund (Managed Fund)	EINC	na	na	na	na	na	-10.5	19.0	-10.5	na	na
Antipodes Global Shares	**AGX1**	**na**	**na**	**na**	**na**	**na**	**-0.7**	**10.6**	**-0.7**	**na**	**na**
AMP Capital Global Property Securities Fund (Unhedged)	RENT	na	na	na	na	na	-9.7	-2.3	-9.7	4.3	na
BetaShares Geared U.S. Equity Fund - Currency Hedged	GGUS	na	na	na	na	na	-8.2	43.5	-8.2	8.5	na
AMP Capital Dynamic Markets Fund (Hedge Fund)	DMKT	na	na	na	na	na	-14.1	2.9	-14.1	-4.4	na
Vanguard Global Value Equity Active ETF	VVLU	na	na	na	na	na	-17.1	5.0	-17.1	na	na
Vanguard Global Multi-Factor Active ETF (Managed Fund)	**VGMF**	**na**	**na**	**na**	**na**	**na**	**-9.0**	**6.4**	**-9.0**	**na**	**na**
Vanguard Global Min Volatility Active ETF	VMIN	na	na	na	na	na	-3.8	13.0	-3.8	na	na
BetaShares Legg Mason Emerging Markets Fund (Managed Fund)	EMMG	na	na	na	na	na	3.7	8.7	3.7	na	na
Pinnacle Ashares Global Dynamic Income Fund (Managed Fund)	SAVE	na	na	na	na	na	0.0	10.0	0.0	na	na
Commodity & Currency Strategies											
Betashares Strong Australian Dollar Fund (Hedge Fund)	AUDS	na	na	na	na	na	-16.4	24.8	-16.4	-13.4	na
Betashares Strong US Dollar Fund (Hedge Fund)	YANK	na	na	na	na	na	-2.9	-24.2	-2.9	5.0	na

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