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LMI Monthly Update

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Analyst: Rodney Lay

Email: rodney.lay@independentresearch.com.au

Overview

There is a key thematic with recent developments in the LIC/LIT segment, as discussed in this month's Update. Namely, initiatives to close often long standing discounts to NTA. More specifically, this has recently transpired by way of the conversion of LIC vehicles, either by way of converting to an Active ETF (MA1), an Unlisted Unit Trust (EGI), or alternatively the possibility to do so by utilising the now live dual unlisted unit trust and active ETF structure pioneered by Magellan and Mainstream and launched last week with the Airlie Australian Share Fund (ETMF, ASX: AASF). While buybacks have recently also been announced, they have proven largely ineffective in closing discount to NTA over the medium to longer term.

Recent events represent a crystallisation of a dynamic IIR has previously identified, namely the consolidation of the lower market cap equities LIC sector. With the precedents now set for all three avenues of permanently eliminating discounts to NTA, IIR believes there will be additional impetus from some Boards and investment managers (those acting in the best interests of investors), investors, and potentially activist investors seeking arbitrage opportunities to convert or possibly wind up. And in relation to the latter, the sector may well now or soon be 'in play'.

For some LIC investment managers conversion to an active ETF presents the opportunity to grow FUM (notwithstanding arbitrage related divestments upon conversion). Many such LICs have been precluded from growing FUM by virtue of persistent and material discounts to NTA. The potential for growth in FUM for solid managers is likely to be facilitated by the ongoing growth in the active ETF segment, a dynamic that is being facilitated by the structural decline of the platform space.

Given these dynamics, IIR believes investment managers, whether of LICs or unlisted unit trusts, would be well placed to review their go-to-market strategies. A manager can sink the costs, time and resources now and benefit from being early to market or they can, should these dynamics come to pass, to be 'forced' to do so at a later date (incurring the same costs) and be late to market.

IIR would go further and suggest it is incumbent on all boards and investment managers of equities LICs that have not shown an ability to capitalise on the single greatest benefit of a closed-ended vehicle, captive capital, and which have traded at a persistent and material discount to NTA (the vast majority) initiate a review of potential conversion. Managed investments, in some regards, represent the peak of capitalism. If you live by the sword, then you must accept to die by the sword: running a fund is not some sort of gravy ride for boards and investment managers. We would encourages these parties to follow the lead of Monash Investors Pty Limited and Ellerston Capital Ltd in at least seriously exploring conversion initiatives.

In the coming weeks, IIR will be producing a detailed 'road map' for fund managers to convert into an active ETF as well as the dual unlisted unit trust / active ETF channel. IIR will be available to discuss this report to any interested party, be it investment managers, dealer groups, or IFAs.

Finally, for any reader that may view the above call as contrary to any positive recommendation IIR ascribes to a sub $200m market cap LIC, we would strongly counter that it is not. IIR's recommendations relate to new investments. A discount to NTA can of course be viewed as an opportunity, over and above the prospect of solid returns from a strong investment manager. If the sector is indeed now or soon to be in play then the likelihood of crystalising a gain through a share price reversion to NTA may have just increased materially.

Key LMI & Active ETF Trends over Next 12-months

The below details what we believe the key dynamics in the sector over the next 12-month period, or so:

- On May 21, following a review by Treasury and the securities regulator, Mr Frydenberg announced a **ban on "stamping fees" remuneration** for newly floated listed investment companies (LICs) and listed investment trusts (LITs).
- IIR expects the decision, combined with a few other unrelated factors, will put the **primary issuance LIT IPO market into a cryogenic chamber** for the foreseeable future. And this view is not at all based on a view that JLMs, co-managers, brokers were 'conflicted'. To the contrary, as IIR has laboured to explain. Additionally, the deep discounts to NAV on the debt LITs in March / April and the associated time, resources, reputational risk incurred / bourne (by high quality, proven fund managers) alone would have likely put the sector on ice. All to the detriment of retail investors.
- Those LITs that recover well or have performed / traded well may well choose to pursue a **rights issue mechanism** should there be a rationale to raise additional capital (see PE1 below);
- The key trend over the next 12-months in the LMI sector is likely to **the rise of the Active ETF (or ETMF) sector**. IIR believes this is likely to occur based on a combination of: **1**) the fragmentation of the financial advisor sector post banking commission leading to the ongoing structural decline of platforms / unlisted unit trusts and conversely the increasing use of ASX listed investments; **2)** the launch of the dual ETMF and Unlisted Unit Trust single pool structure launch by Magellan (Airlie) and Mainstream (refer to page 2); **3)** the likely imminent precedent of the first conversion of a LIC to an active ETF ((refer to page 2); **4)** the stamping fee ban (the irony being that those active ETF fund managers that, in a very conflicted manner, pushed for a ban on stamping fees have just bought themselves a whole lot more competition); and, **5)** the likely resurgence of active investing versus passive investing (refer to page 9)
- In IIR's view, with **the Magellan / Mainstream dual structure** now launched, we can't imagine why any new fund would not include in its constitution to go down this route. Existing fund managers will need to carefully consider their strategic position, given the secular decline of the platforms: go now and sink the costs, or go later (when there is more competition) and sink the same level of costs.
- Finally, at the bottom end of the LIC sector, namely **the sub $200m market cap segment, consolidation is gaining pace** by way of increased activism, disgruntled shareholders spurred by large and persistent discounts to NTA, and an increasing number of liquidity restructures (conversions and wind-ups) and merger / acquisition activity in an effort to narrow discounts. IIR notes that the stakes are not immaterial, with the elimination of discounts to NTA in the LIC sector with a market capitalisation of less than $200m generating a value uplift to (often long suffering) shareholders of circa $0.7bn (in a segment that has a combined market cap of $4.0bn). And conversion represents an arbitrage opportunity for so inclined institutional investors (just ask Monash Investors - see below). IIR published a detailed paper on the impending consolidation of the LIC sector early in 2020.

The Three Roads to Conversion

The section below details the recent developments with respect to MA1, EGI and AASF. It details the routes an investment manager can consider to permanently eliminating a discount to NTA and have the potential to grow FUM. Following this is a section on what investors should consider in voting for or against a proposed conversion.

Route 1: Conversion of MA1 into an ETMF

Earlier in the year IIR reported that Monash Investors Pty Limited would seek to convert the afore mentioned MA1 from a LIC to an ETMF. On 5 May 2020, the MA1 announced that it had executed an Implementation Agreement with The Trust Company (RE Services) Limited (Perpetual) relating to the conversion of MA1 to an ETMF. The Manager and Perpetual are working to finalising a notice of meeting to be dispatched to MA1 shareholders by the end of July 2020. The parties are aiming for completion of the conversion by September 2020.

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	-15.7	-5.7	5.9	5.9	CD1	41.3	86.3	69.9	45.5
DUI	-18.1	-2.9	4.8	5.6	CD2	14.1	38.0	29.0	19.2
AMH	-15.7	-0.7	3.2	3.6	MFF	-13.5	2.7	12.7	11.9
AUI	-21.7	-9.2	1.0	2.5	LSX	-8.0	9.5	3.1	8.2
CLF	-18.1	-14.1	-0.3	1.9	GFL	-14.7	-5.8	5.9	7.0

Discounts & Premiums to pre-tax NTA - (#)			
Largest discounts		Largest premiums	
Company	Discount	Company	Premium
CD2	-61.0	WAX	25.0
CD1	-57.4	WAM	23.8
CD3	-54.9	PL8	16.3
BTI	-34.7	PE1	12.7
BAF	-34.3	ARG	7.6

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

The expected name is Monash Absolute Active Trust and the likely ASX code is MAAT. To do so, the manager will require at least 75% of votes cast in support of the resolution. The conversion, should the vote pass, is expected to be finalised by September 2020 and in which case investors will benefit from MA1 trading at parity to NTA (in contrast to the current 8% discount).

Route 2: Conversion of EGI to an Unlisted Unit Trust

On 17 June, Ellerston Global Investments Ltd (ASX: EGI) released a door stopper 408 page Scheme of Arrangement booklet regarding the proposal initially announced on 17 January 2020 to restructure EGI shares into units into the Ellerston Global Mid Small Cap Fund (the 'Fund'). Under the proposed restructure, EGI shareholders will convert there shares on a 1-for-1 basis into units into the unlisted unit trust that the Fund is. The Fund pursues for all intents and purposes the same investment strategy as EGI, namely a concentrated global portfolio of small to mid cap equities.

As previously noted, this initiative is about closing the sustained discount to NTA in EGI. It is interesting Ellerston Capital has pursued this restructure route (into an unlisted unit trust) rather than that pursued by Monash Investors or utilising the Magellan / Mainstream dual structure. The benefit of either of these two options would the investment vehicle would remain ASX listed while also closing the discount to NTA.

Our understanding is the course Ellerston Capital has pursued was viewed as the quickest route to conversion (aka, closing the discount). At the time the decision was announced in January this was understandable, and had partly been driven by ASIC's review of internal market maker structures in active ETFs in 2HCY19. Since that time (and Ellerston's conversion process has no doubt taken longer than they initially expected through no / little fault of their own) things have changed, as both the Monash Investors and Magellan / Mainstream notes in this publication spell out. That said, Ellerston Capital could ultimately chose to go down the dual structure at some point in the future (once the presumed internal fatigue from this process subsides).

The conversion route Ellerston Capital has chosen is not IIR's preferred method, and we hesitate to suggest if the manager had its time again in light of recent conversion developments it may well have chosen an alternative route. Converting to an unlisted trust is contrary to a key reason why many investors may well have invested in the EGI vehicle in the first place - being an ASX-listed investment vehicle. Furthermore, while IIR has yet to gain clarification from Ellerston Capital as to what 'admin' burdens are imposed on investors moving from a listed to unlisted investment vehicle, we suspect they may be burdensome.

If the time and resources required and the 408 page Scheme of Arrangement booklet is not enough turn off most fund managers, consider also that the platform space is crowded, competitive and in structural decline.

Route 3: Launch of AASF as Both an Unlisted Unit Trust and Active ETF

On June 4, the Airlie Australian Share Fund (ASX: AASF) began trading on the ASX. In doing so, it introduced the next generation of Active ETFs, bringing together the features of an unlisted fund and Active ETF into a single unit in a single fund. The structure provides investors with greater choice and flexibility in how they invest and will deliver efficiencies to fund managers

Magellan Financial Group CEO Brett Cairns is the brainchild of the structure, with Magellan, in tandem with its registry provider Mainstream, having worked on it for three years to finally bring it to fruition.

Driven by fund manager demand to consolidate listed and unlisted funds, Magellan and Mainstream have developed a means for fund managers to offer one fund that can be accessed by investors through the traditional means of applying and redeeming units in an unlisted managed fund. These investors are managed by the registry, effectively on an issuer sponsored sub-registry, and transact using a Shareholder Reference Number (SRN.) Alternatively, investors can trade on the exchange (either the ASX of Chi-X) through their broker, using their holder identification number (HIN). IIR notes that there are no adverse taxation consequences for existing unit trust investors through the restructure process.

For fund managers, the development is nothing short of a potential game changer. An investment manager of an unlisted unit trust can now seamlessly add the exchange listed distribution channel (which a certain percentage of advisors and investors are oriented towards) in addition to the pre-existing unlisted unit trust distribution channel (which a certain percentage of advisors and platforms are oriented towards). The potential of this dual structure to grow FUM for an investment manager should not be underestimated, particularly in the context of the strong (active) ETF market growth and the progressive changes in financial advisor business models who are in increasing numbers moving off traditional platforms.

To provide context, fund managers over the last five years have gone about attracting different kinds of investors often by having two separate funds – one listed, and one unlisted. A key drawback for unlisted funds has been the excess of paperwork required from an investor applying to buy or sell units. Investors have been required to complete 15- to 20-page application forms for each fund they choose to invest in – and most of these are still paper-based in 2020. Additionally, for a fund manager the structure has been cumbersome, with effectively two different registry services for the same investment strategy. This existing system of listed and unlisted funds creates an unwieldy, inelegant landscape for investors, brokers and fund managers alike

As a first step to address this issue, in 2014, the ASX launched mFund, a settlement service designed to enable investors to trade with fund managers through a broker. By 2015, active exchange-traded funds (ETFs) were introduced to the Australian market. However, investors who have a financial adviser typically invest through an IDPS or platform. For these indirect investors, the preference for investing will continue to be through unlisted funds, and as a result many managers end up with identical dual funds – one listed and one unlisted.

In IIR's view, all key stakeholders benefit from the development. For fund managers, they are able to offer the same benefits of dual funds to investors, without the duplicate cost structures (fund managers can save in the vicinity of $150,000 per annum by consolidating dual funds into a single product). More importantly though, where a fund manager has only offered an unlisted unit trust, they are added a highly prospective additional distribution channel.

For advisors, the development provides more choice in portfolio construction (as some only use listed, others largely unlisted), it potentially removes the administration burden of unlisted unit trust investments and, in doing so, allows advisors to spend more time focusing on providing strategic advice with respect to a client's desired investment outcomes (oh so important in a post Hayne Royal Commission world).

Investors benefit from having a more simplified view of their investments. A key feature is ensuring investors can seamlessly move between SRN and HIN and vice versa. Investors will be able to access an investment manager's pool of assets through different entry points and then have the flexibility of moving their units between their brokerage account and the issuer sponsored sub-register.

For brokers, this product eliminates the need to build a bespoke 14-message system required for m-funds. By making use of existing messaging tools, the demand to introduce low-return infrastructure is

removed and thereby so too are the barriers to adoption. Brokers are able to buy units in the fund for a client as simply as if they were buying any other security listed on the ASX.

Magellan's Airlie Australian Share Fund may well be the first offering for this dual structure, but there is nothing stopping other fund managers pursing this path once they have developed the required infrastructure and expertise to manage the active ETF aspect and adhere to the ASIC guidelines.

IIR suggests all fund managers closely monitor the progress of AASF with respect to FUM growth and which of the two channels that growth is coming from.

Considerations in Voting For or Against a Conversion

For LIC investors presented with the prospect of conversion, and therefore presented the opportunity to vote for such a resolution, investors should carefully consider both the advantages and disadvantages of an open-ended investment vehicle relative to the existing closed-ended LIC structure. We detail both below.

Advantages

- An ETMF restructure ensures that the investments in the portfolio continue to be accessible by way of a listed vehicle, but adds the benefit of ensuring that the price trades in line with NTA and that there is always liquidity.
- In providing continued exposure to an investment strategy, shareholders are not denied sufficient time for the embedded value of the investments made by a manger to be realised, as would be the case in a wind-up or potentially a merger or the replacement of the investment manager. Additionally, it keeps market exit and CGT realisation timing control in the hands of investors.
- Conversion also avoids manager termination costs. Any alternative proposal may result in a dispute with the manager as to the remaining fees that would otherwise be payable under the Investment Management Agreement (IMA), which is generally not able to be terminated during a remaining term other than for cause. Additionally, under an IMA, any change in the investment strategy requires the agreement of the manager, which may not be obtained.
- Conversion also removes the risk of market impact costs which are present in a wind-up and potentially also in a merger and change of investment manager outcome. With conversion, no investments are sold on market to enable the restructure and therefore no value is lost. This is a particular issue for less liquid underlying investments in a portfolio where divestment could be challenging / costly. In a conversion the entire portfolio of listed investments is transferred to the unit trust structure in return for the issue of units to the LIC. Units in the unit trust are then distributed by the LIC to the LIC shareholders in line with their existing shareholding via an in-specie distribution.
- Conversion, by removing the liquidity constraints in a smaller LIC for larger investors wishing to invest, can facilitate FUM growth in the investment vehicle. This may ultimately see investors benefit by way of a lower MER on the basis of scale benefits. IIR also notes that unit trust costs overall are likely to be lower, given the removal of the board and associated costs. Given the whole conversion cost exercise involves total costs of around $300K, the removal of director fees alone should lead to a two year payback profile to investors.

Disadvantages

- Monash Investors estimates that as much as 30% of the FUM of MA1 represents arbitrage positions, and such investors will seek to sell on conversion. This potentially creates two issues for remaining investors. Firstly, remaining investors could conceivably incur taxation consequences from portfolio turnover to fund redemptions. However, Monash Investors has allayed these concerns held by IIR by confirming that for large redemptions it can do a special distribution such that the redeeming unit holders receive the tax liability for the realised gains generated. However, should any such investors choose to gradually divest on market post conversion (to minimise the extent of a tax liability), the above risk may well crystallise for remaining investors. Secondly,
- A key to outperform is the ability to ride out market gyrations, and stay focussed on long term goals. Probably the issue which most challenges an investment managers ability to remain long term focussed, are the liquidity constraints which come when running an open-ended fund. Because the pool of funds available to be invested isn't fixed under this structure, the portfolio manager has to ensure that there is always enough cash on hand to meet redemptions from clients. On the flip side, through periods when investor applications exceed redemptions, the portfolio manager will be pressured to deploy that capital into the market, even if they believe stock prices may be overvalued. These pressures can be particularly acute in periods of heightened market volatility, when redemption activity can increase considerably. For example, through the financial crisis period of 2008, many small cap managers were forced into selling key portfolio holdings at sub-optimal prices, so as to raise cash and meet investor redemptions. By contrast, the investment managers with stable pools of capital were able to take advantage of the forced sellers, by acquiring these parcels of shares at often bargain prices. In comparison, the manager of an open-end fund is often forced into selling off their highest quality companies at undervalued prices through such bear market periods. Loyal investors in open ended funds during these periods are often left as investors in the remaining lower quality less liquid stocks in the fund. Academic evidence tends to support this proposition that closed end funds don't suffer the performance drag from having to fund investor redemptions at inopportune times.
- The company structure of LICs allows it to retain earnings and pay dividends at a rate set by the company. This is different to a unit trust, which must distribute all realised gains in the year earned. The results of these differing tax structures tend to mean consistency of LIC dividends and lumpiness of unit trust dividends. Investors who rely on these dividends to fund their living expenses clearly prefer the former. Unit trust investors are subject to the taxation implications of the trading activities of other investors. Net redemption requests may require the manager to sell underlying portfolio holdings which, in turn, may crystallise a capital gain. This leads to the distribution of a CGT liability to remaining investors. Furthermore, the level of the CGT liability may be a function of gains accumulated well before an investor entered the unit trust (creating 'inter-generational' issues).
- In contrast to a LIC, in a unit trust all realised trading profits are passed through to the investor in the year realised. This generally creates a lumpy and market related distribution profile (in contrast to that of a LIC). That said, we note the Manager will pay out a minimum 1.5% per quarter distribution.

Monash - Initiating Coverage

IIR has recently initiated coverage on the Monash Absolute Investment Company Ltd (MA1), ascribing a Recommended rating. IIR holds the investment manager in high regard, with a solid and stable team, proven processes and a performance track-record true to style. The FYTD performance clearly highlights the Manager's ability to outperform during periods when outperformance is most valued - in down markets and the ability to preserve capital. We do, however, note a key concern regarding the level of fees due to the low performance fee hurdle tied with the 20% performance fee.

The Fund has exhibited relatively low correlation to Australian equities (averaging 74%) and, as such, can be viewed as a diversifying investment to a larger portfolio of domestic equities. Given the latter and low beta, IIR views the Fund best suited as a satellite investment to a core investment in Australian equities. Over the FYTD period, MA1 has markedly outperformed Australian equities (12.6% versus -6.3% for the S&P/ASX 200 TR Index), illustrating the Fund's inherent potentially to materially outperform in down markets, and in no small part due to the ability to go materially into cash.

Pengana Private Equity Trust Announces a 1-for-3 Rights Issue

Pengana Private Equity Trust (ASX: PE1) announced on June 11 that a 1-for-3 rights issue for existing unitholders (as at the record date of 19 June 2020). The offer price will be set at $1.2481, which is the net asset value (NAV) per unit of $1.2606 as at the end of May 2020 less the upcoming distribution of 1.25 cents per unit. On 10 June, PE1 closed at $1.545, a 23% premium to the issue price.

The attractiveness of the offer is further enhanced by the rights issue being priced of the latest NAV which references 31 March valuations for the underlying investments of the Trust (private equity valuations are typically updated quarterly in arrears). Although private equity valuations

declined less than listed assets through the crisis, valuations were significantly lower in late March. However, based on current listed market indications the manager anticipates a strong increase in the value of the Trust's underlying investments over the coming months.

In addition to the attractive pricing metrics noted above, there are two other key motivations for the manager announcing the rights issue and doing so at this point in time: 1) opportunities that have predictably emerged following the market's recent dislocation; and, 2) actual and latent investor demand in PE1.

On the first factor:

- Due to GCM Grosvenor's strong position in the middle-market PE space, PE1 is being shown an abundance of high-quality opportunities at discounted prices.
- With only 46% of capital currently invested (30% at the time the crisis emerged), GCM and its PE managers have significant firepower to take immediate advantage of opportunities.
- Whilst only 46% of capital is invested, almost all existing capital has been committed for investment with private equity investment managers or strategies. Additional capital will enable PE1 to invest in new opportunities that are expected to be significantly accretive to unitholder value over the coming years.
- Capital deployment in the opportunistic segment of the portfolio has accelerated as GCM has been able to use its flexible mandate to take advantage of pockets of dislocation. Approximately 75% of commitments in this space have been called and deployment is now tracking ahead of schedule.
- To date, high valuations have resulted in a very small allocation to PE secondaries. Recent events are expected to result in an increase in the number of distressed secondary sellers looking to transact. GCM has decided to accelerate the launch of its next PE secondaries fund as the opportunity set has improved materially and PE1 will be an early investor.

On the second factor, investor feedback and market signals, such as the persistent premium to NAV, are evidence of the demand for PE1. This offering as a continuation of what the manager planned to offer unitholders via a secondary offer in March 2020 that was interrupted by the COVID-19 crisis and believe additional liquidity will be beneficial to all unitholders.

PE1 has been near unprecedented for an ASX-listed LIT to the extent to has traded at a premium to NTA, and even more so exceptional given it is a relatively low FUM vehicle (which typically trade at a discount). There are several reasons for this.

Firstly, the IPO, completed in April 2019, raised $205m by the issue of 164m units at the issue price of $1.25 per unit. This came at the lower end of the raise range of $100m to $650m. Many broker groups and IFAs took a wait and see approach, possibly partly due to concerns of the J-curve effect in private equity in general (an issue that has been very well managed by Grosvenor).

Over time it became very clear to the Investment Manager that actual and latent secondary demand was strong to very strong, and particularly in the context of its existing relatively low FUM and a largely buy-and-hold unitholder base that had participated in the IPO. This demand-supply imbalance was evident in the premium to NAV PE1 was trading at, reaching what is probably an unprecedented level in the Australian market place of approximately 22% in December 2019, and notwithstanding the then proposed Secondary Offer raise had already been announced back in October 2019. This precluded price efficient secondary market transactions, neither a positive situation for existing investors seeking to top up their investment or those wanting to be new investors in PE1.

The decision to undertake the secondary raise was therefore based on two motivations. Firstly, to satisfy both existing unitholder and new investor market demand by enabling both to either efficiently increase their investment in PE1 or efficiently become a new investor. Secondly, through the increased breadth of the investor base to facilitate secondary market liquidity. IIR concurs with the Responsible Entity that a secondary raise is in the best interest of all investors (new and existing, given many existing have been topping up).

Spotlight on Ophir High Conviction Trust (ASX: OPH)

OPH has performed relatively strongly during the ructions of sharemarket in March and April and recovered strongly thereafter. The Trust has returned (gross) 6.1% since the start of the calendar year and outperformed its benchmark by a very impressive 14.1% over the period.

The manager's ability to achieve this performance was based on four very proactive steps in relation to portfolio repositioning, specifically:

- The first step the manager took at the onset of the Covid period was to increase its cash position.
- Secondly, the manager reduced its exposure to businesses that either had earnings risk, excessive gearing and companies that needed access to equity or debt capital.
- Thirdly, the manager was able to initially increase its positions in those businesses that it believed were less effected by the Covid slowdown and, more importantly, also purchase new positions. While the share price of such companies had declined materially the manager's analysis suggested that those businesses were able to sail through the crisis relatively unscathed.
- Finally, more recently, the manager has acquired businesses that are expected to benefit from the Covid shakeout. Companies that are either going to benefit from accelerating secular growth, such as e-commerce digitization or were the industry structure is expected to improve post the shakeout and where select companies have the ability to extend its lead over competitors because of latter's limited ability to reinvest.

More generally, the manager's style is to buy strong businesses at reasonable prices (GARP) that it believes are less reliant on broader economic conditions, such as businesses that rely on a cyclical rebound in the economy to improve returns.

The cash allocation has remained relatively steady in the 92% range over the recent period. The manager is an absolute returns investor rather repositioning cash on the basis of a TAA call. The latter is not the manager's expertise. Rather, cash movements are a function of buying and selling decisions as well as the availability of opportunities.

Looking forward, the manager will be assessing whether companies are playing defense (resetting the cost base or reducing future capital spend) or offense (hiring staff because it is now cheaper to do so, taking advantage of lower marketing costs or potentially increasing capital spend to take advantage of market position). Ideally, the manager is seeking companies in a strong financial position with the ability to continue executing their respective growth strategies. By doing so, such companies may be in a solid position to extending its lead in the industry it is participating in.

Asset Class in Focus: Australian Lower Mid-Market Private Lending

Relevance: MXT and PCI, and peripherally **QRI, KKC and PPG**.

Overview

The lower mid-market corporate private lending market in Australia can generally be defined as encompassing loan sizes from $5m to $50 million to borrowers 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.

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 has for some time viewed it as one of the most attractive segments of the debt universe for investors. As a corollary, IIR views such strategies as pursued by a high calibre, proven investment manager as a sensible allocation within a larger holding of debt related investments.

Australian Private Corporate Debt Investment Managers *		
Investment Manager	**Fund**	**Sub-Asset Classes**
360 Capital Credit Income Mgmnt	360 Capital Credit Income	Corp
Causeway Asset Management	Causeway Wholesale Private Debt Income	Corp (incl. SME)
Dinimus Capital	Dinimus Credit Fund	Corp (incl. SME)
Longreach Alternatives	Longreach Credit Investors	Corp Debt
Manning Asset Management	Manning Private Debt Fund	Corp Debt
Metrics Capital Partners	MCP Master Income Trust, MCP Income Opps Trust	Diversified Private Debt
Moelis Australia	Moelis Australia Private Credit Fund	Corp Debt, ABS
Revolution Asset Management	Revolution Credit	Diversified Private Debt
Tenarra Credit Partners	TCP Asia-Pacific Fund I	Corp Debt
Wingate Group	Wingate Investment Partners Trust	Corp Debt

* Not an exhaustive list.

Asset Class Appeal

IIR has for some time viewed the lower mid corporate lending segment as providing arguably close to the most attractive risk-return profile in all developed world private debt markets, not to mention publicly traded debt. It does so by partly through a persistent illiquidity and complexity premium, attractive arrangement fees, being a less competitive lending segment, having superior lending protections, and debt typically being extended direct bi-lateral basis. The latter of which provides greater 'ball control' and transparency for a lender in which to mitigate downside risks in any given loan.

Further, in Australia in a post COVID-19 environment the opportunity set for non-bank lenders in the target segment is not only very significant but increasing. Additionally, borrowing rates have increased by circa 200 basis points for a given level of risk (although risk is difficult to truly judge currently) versus pre COVID-19. These market dynamics are discussed in detail in the Post COVID-19 Environment section of this thought piece.

On a relative basis, Australian debt has and continues to trade at a material premium to US and European equivalents. The market structure differences mean that the Australian market is substantially less efficient; thus, lenders hold significantly more control and can set more favourable structural and covenant terms.

The differences between these markets are also manifested in pricing. The lack of institutions in the Australian markets means that higher quality credit can offer a significant premium and, unlike in the US and European markets, has not historically suffered from yield compression or cyclical volatility.

In our experience, Australian bank loans also tend to offer a significant spread premium over North American and European bank loans of a similar risk profile. Pre COVID-19 single B transactions in Australia were typically priced between 500-800bps over floating, whereas the single B markets in the US and Europe were transacting at around 350-450bps over.

This pricing premium in Australia has broadly stayed consistent and at a significant premium throughout the past decade, primarily due to the private nature of the lending market and the dominance of banks as providers of loans, meaning borrowers are left with limited options.

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, certain private debt managers looking at are expected be priced at between 7%-9% for predominantly BB and B credit quality borrowers, with a smattering of BBB. In effect, investors will benefit from a sub-investment grade return on an investment grade loan book.

IIR expects the lower mid-market (loan sizes just below $50 million) the Fund targets will continue to perform well. As noted, 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. Additionally, the segment has not been subject to the covenant deterioration (cov-lite, EBITDA addbacks, etc) and aggressive leverage levels that has characterised the large company private debt market.

Further, the lower mid-market has less competition than the larger corporate lending segment 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.

Key Characteristics of Private Lending

Key characteristics of the Australian lower mid-market private lending market include:

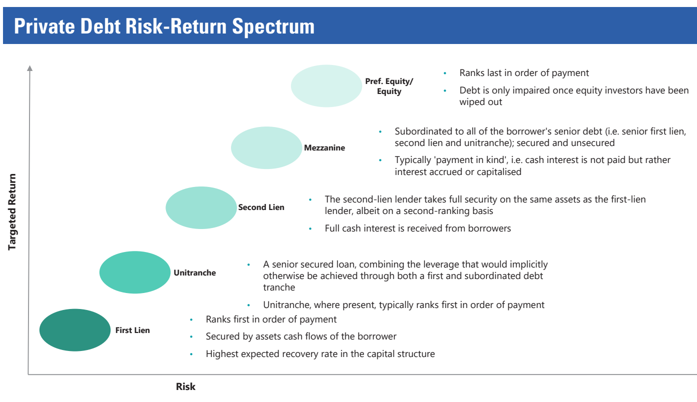
- **Seniority** - With respect to position in the capital stack, Australian private debt is typically senior (less commonly being subordinate or mezzanine in ranking). As such, debt holder interests rank before other creditors, having priority of payment in the event of borrow default.;
- **Security** - Australian private debt is secured against the assets of the business being pledged as collateral, reducing risk and enhancing the recovery should a borrower default.
- **Covenants** - Australian private debt transactions include covenants, providing lenders an early warning signal of, and the ability to engage with a borrower to rectify a deterioration in creditworthiness.
- **Protection from Cash Flow Leakage** - Australian private debt transactions typically trap all cashflows in the structure. This prevents leakage risk from, for example, a borrower paying out dividends. In Australian private debt all cash is held in the debt structure to service principal and interest payments.

In contrast, publicly traded debt, both bonds and leveraged loans have a lesser degree of protections, especially bonds, as indicated by the table below.

Summary of Protections - Private vs Public Debt			
	Bonds	**Lev. Loans**	**Priv. Debt**
Seniority	Yes	Yes	Yes
Security	No	Yes	Yes
Covenants	No	Compromised	Yes
Cash Flow Leakage Protection	No	Yes	Yes

The private debt risk-return spectrum by debt type is illustrated below.

Private Debt Risk-Return Spectrum



Non-Bank Direct Lending

The private debt market in Australia is an $2.8 trillion market, bigger than the ASX 200 Index and Australia's total superannuation pool. It is a market that has experienced strong, year on year growth over the last 15 years with total private credit market experiencing a compound annual growth rate (CAGR) of 7.6% and the corporate loan market experiencing a CAGR of 5.9%.

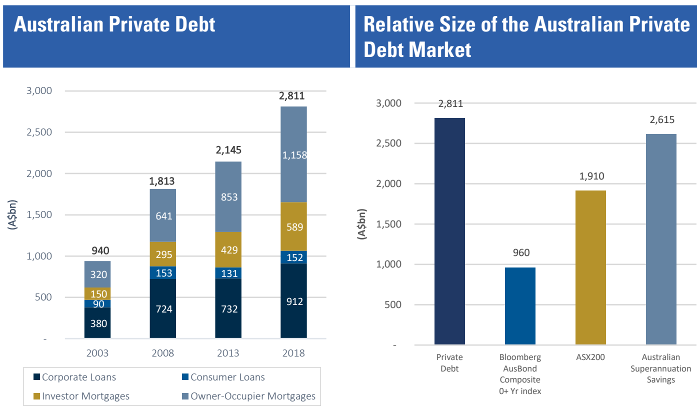
Changes to regulatory and prudential regimes has seen major Australian authorised deposit taking institutions (ADIs) tighten lending requirements and in some cases, reduce or withdraw offering credit particularly to mid-market corporates and SMEs. Furthermore, while ADIs may have been generating attractive yields from such lending activities, the need to allocate capital against such lending activities has meant the actual level of returns are substantially less.

This has created significant demand with non-bank sourced funding now overtaking ADI sourced funding for mid-market corporates and SMEs. These entities are not required to allocate capital against the same lending activity. A case in point is the withdrawal of Westpac in 2019 from equipment finance and leasing which previously managed a multi billion lending book in the segment.

The private debt market has substantial barriers to entry which make it difficult for non-bank lenders to participate and is traditionally the domain of ADIs. Those non-bank lenders who can overcome the barriers to entry are meeting the growing demand and providing wholesale investors exposure to this market.

In the current and post COVID-19 period, IIR believes this trend of flow away from banks to non-bank lenders in the mid-market corporate lending sector is likely to accelerate. Additionally, we expect pricing to borrowers to increase. Refer to the 'Low to Mid-Market Direct Lending in a Post COVID-19 Environment ' section for the rationale for these views.

Australian Private Debt



Source:: Reserve Bank of Australia, 360 Capital

Relative Size of the Australian Private Debt Market

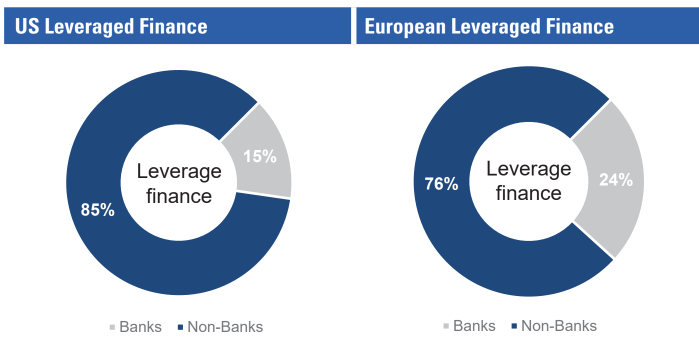
(A$bn) 3,000; 2,500; 2,000; 1,500; 1,000; 500; -

Private Debt 2,811; Bloomberg AusBond Composite 0+ Yr index 960; ASX200 1,910; Australian Superannuation Savings 2,615

Source: ASFA, RBA, ASX, Bloomberg, 360 Capital

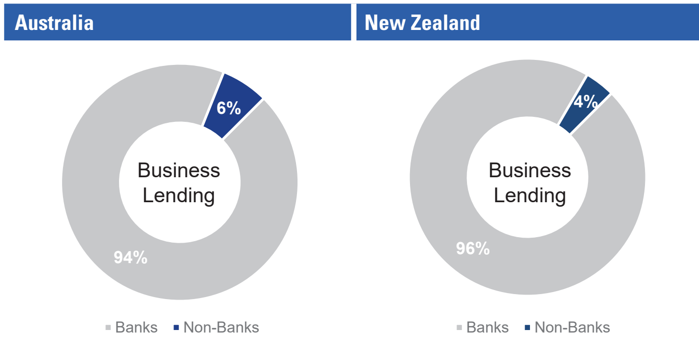
US Leveraged Finance

European Leveraged Finance



Australia

New Zealand



Source: 360 Capital

The charts above illustrates the difference in market structure between Australian debt markets and those in the US and Europe. The market structure differences mean that the Australian market is substantially less efficient; thus, lenders hold significantly more control and can set more favourable structural and covenant terms.

The differences between these markets is also manifest in pricing. The lack of institutions in the Australian markets means that higher quality credit can offer a significant premium and, unlike in the US and European markets, has not historically suffered from yield compression or cyclical volatility.

In our experience, Australian bank loans also tend to offer a significant spread premium over North American and European bank loans of a similar risk profile. Pre COVID-19 single B transactions in Australia were typically priced between 500-800bps over floating, whereas the single B markets in the US and Europe were transacting at around 350-450bps over.

This pricing premium in Australia has broadly stayed consistent and at a significant premium throughout the past decade, primarily due to the private nature of the lending market and the dominance of banks as providers of loans, meaning borrowers are left with limited options.

Low to Mid-Market Direct Lending in a Post COVID-19 Environment

The leveraged loans market simply represents the primary issuance of broadly syndicated loans (BSL) to generally large to very large companies which are then sold on the secondary market (the leveraged loans market) by BSL participant lenders. The leveraged loans market largely comprises BSLs originated in North America and Western Europe. BSLs differ to direct lending in that the latter may be executed on a direct lend or club lend basis and are rarely if at all sold on to the leveraged loans market by way of a secondary sale.

Over the past year or so, the leveraged loan market has been subject to significant negative press. There was good reason for this. On the whole, this market had a very risky investment philosophy: stretch on credit risk in pursuit of higher yield. As competition intensified in the direct lending market – particularly in the larger company space with loans of $100 million and upwards – and as yields declined, lenders in the leveraged loan market adopted a more laissez-faire attitude when it came to upholding high credit standards.

As direct lending continued to flourish following the GFC, corporate lenders began to loosen their investment discipline in order to win new deals and maintain robust deployment numbers amid increased head-to-head competition from direct lending. Lenders started to provide

surplus leverage to large borrowers, further fuelled by aggressive EBITDA addbacks. They also began to eliminate financial covenants and set up very borrower-friendly structures ('cov-lite'). Some of these structures left lenders unprotected from collateral transfer and open to certain 'accordion' features, which gave borrowers the power to draw more debt from the lenders in future without additional consent.

Up until COVID-19 shuttered businesses around the world, the direct lending environment was unquestionably borrower-friendly. Many lenders saw leverage levels increase to 6x or more and loan-to-value ratios increase to 60 percent and beyond. As a result, cash interest coverage ratios declined. Risk mitigating mechanisms, typically synonymous with an investment in a first lien loan in the US, were disregarded. Most of these loans lacked a full package of quarterly financial covenants, which are key in the measurement of, and timely reaction to, company performance and used to be standard for first lien paper. When there are no covenants in place, the lender is unable to take any action until the company defaults on its interest payments. By the time that happens, the company and the lenders are both in trouble.

Lending to performing companies was designed to be an asset class that provided predictable and stable yields with built-in safety protections to furnish steady returns during market booms and ensure capital preservation during market declines. Moreover, when a bubble is building, mitigating downside risk should be paramount. But downside risk protection against even a moderate recession was not a priority for many lenders. Worse, COVID-19 arrived without warning and wreaked havoc on the markets. This year, we have seen wild and unprecedented swings in the public equity and fixed-income markets.

With the first quarter now behind us, the question is how will the private lending market evolve in terms of existing portfolio valuations, covenant breaches and recovery rates?

Private equity firms and lenders alike will see a decline in valuations for Q1 and probably for Q2. This will be especially so for those exposed to sectors hit hard by the pandemic (such as airlines, hospitality and energy) and, to a somewhat lesser degree, businesses in the US that have been mandated by state governments to temporarily close (location-based product or service companies). If the result of COVID-19 winds up being a full-blown recession in the US, then many more businesses will be affected.

Lenders that aggressively levered up their borrowers' balance sheets and created covenant-lite structures in the pre-COVID deal environment will no doubt see payment defaults spike, losses pile up and recovery rates fall at higher rates than those that lent at much more conservative levels.

Also hard-hit will be those lenders that had a high percentage of non-sponsored transactions. In those cases, it will be the lenders (and not the equity sponsors, as will be the case in sponsored transactions) that will need to provide all the rescue financing and take on the burden of ensuring companies are able to withstand this period of pain.

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.

Relevance

- **Loan impairments** may adversely impact total returns to investors. We note the Manager has a strong track-record across a full market cycle and in insolvency, restructuring, and workouts in addition to create a portfolio reflecting COVID-19 resilient borrowers. Nevertheless, risks will persist given uncertainties about the duration, depth, and the complexity of the 'supply-chain' of disruptive forces that every business will be subject to. No investment market commentator has transparency on these forces. While GFC lending experience is highly valuable, the GFC was a liquidity event whereas the COVID-19 crisis is a cashflow /solvency event.
- **Increasing Competition over LT** - Prior to COVID-19, the general perception was that over time, as a greater degree of capital flows into the non-ADI private lending segment and the market became more efficient, the risk was the market would likely to contract in terms of yields. One manager IIR reviewed estimated that the order of magnitude of yield compression could be as much as 200 basis points over the next two years, or so, for any given risk profile. Clearly, the situation has completely reversed. Nevertheless, over the longer term the risk is likely to re-emerge.
- **Valuations** - In a post COVID-19 era, private debt fund managers need to be particularly vigilant in following their valuation policies and, when appropriate, updating valuations, possibly on a more frequent basis than ordinarily would be the case. Furthermore, a reassessment of the existing weightings of different valuation methodologies may be prudent in cases where precedent transaction analysis may not reflect the most current market information. See overleaf for a more detailed discussion.
- **Funds Inflow Management**- The open ended structure is designed by substantially mitigate the cash dilution risk inherent in the close-ended structure and, more importantly, the requirement to quickly invest large sums of money raised through an IPO or secondary capital raise. The key to the mitigation of yield dilution risk is in the management of the process. Subsequent to an initial raise, we would expect a Manager to adopt an approach of calibrating subsequent raise amounts with what it could confidently invest over a quarterly time frame based on its existing pipeline of loans. See overleaf for a more detailed discussion.
- **Liquidity** - This is more a product feature than a risk. Where a private debt fund utilises an open ended structure, the nature of the investment strategy necessitates liquidity limitations. A typical liquidity structure is to implement a hard initial lockup period with subsequent restrictions on redemption frequencies (for example every quarter end) and longer redemption notice periods. The structure is designed to 1) allow time to build capital and the portfolio, and 2) to better align the liquidity rights offered to investors with the liquidity of the longer term investment time frame and relatively illiquid nature of the underlying assets.
- **Limited Transparency** - The non-bank private debt market in Australia, while growing quickly, remains relatively small and, as per other private debt geographic markets, does not have the historical data visibility of traded debt markets. Most critical in this regard is historical default and recovery rates and a sectoral breakdown of these metrics. That said, the broad consensus is defaults have historically peaked somewhere in the range of 1%-3%. This is substantially lower than public debt markets (both HY bonds and leveraged loans) where protections and 'ball control' can be substantially lower.

Valuation

The latter point noted in the bullet point above is particularly important for open ended vehicles, and especially for those that offer redemption liquidity (not relevant for the Fund until year 3 anniversary). Why? Because if valuations are over-stated relative to market transaction levels, new investors run the risk of effectively over paying where published NAV is greater than a valuation based on market valuations, thereby effectively subsidising existing unitholders. The converse applies with respect to redeeming investors - they are effectively being subsidised by remaining investors. Neither of the two situations are ideal, creating 'inter-generational' wealth transfer inequalities.

While recognising that private debt managers are generally hold to maturity investors in respect to each loan, in periods of market dislocation managers may be forced into secondary market sales of a component of a loan book, and possible in funding redemptions. This increases the importance on up-to-date valuations as well shifting the existing weights of various valuation methodologies to be based more on recent market transaction values.

There are no hard and fast rules about valuation which, as has become evident with some industry based Super funds, reduces transparency and confidence in addition to wealth transfer issues with respect to remaining investors created by redeeming investors . Furthermore, IIR's understanding is private debt managers generally do not factor in a collective default provision, as banks are required by regulation (generally 1-3%), thereby arguably overvaluing a loan book.

Fund Inflows Management

Rather than raise a large amount of capital through a one-time raise at the inception of the fund (and diluting yields during the period required to become fully invested), the open-ended structure permits the Manager to conduct multiple quarterly capital raisings and, hence, raise a lesser amount per raise compared to the close-ended vehicle. Yield dilution risk can be greatly reduced due to the shorter time frame to fully invest the new capital.

As noted above, the key to the mitigation of yield dilution risk is in the management of the process. Subsequent to the initial raise, we would expect a Manager to adopt an approach of calibrating subsequent raise amounts with what it could confidently invest over a quarterly time frame based on its existing pipeline of loans.

More importantly, however, is this periodic approach to raising capital and an amount calibrated with contracted and prospective credit lends means the risk that prudential lending standards that could otherwise deteriorate for a manager under pressure to invest large amounts of capital in a timely fashion is effectively removed.

Resurgence of active investing?

While all equities LICs/LITs are active strategies (as opposed to passive strategies), LIC/LIT share price performance is of course impacted by potential discount / premium to NTA. As such, the pure benefits of a relative resurgence of active investing over passive may not always be realisable. Not so in the case of Active (equity) ETFs, which trade at parity to NTA.

In IIR's view, there are a range of market dynamics that are supportive of active (vs passive), activism and value investing for the foreseeable future. Active investing comes in three different forms: growth, value, and agnostic (a combination of growth and value to varying degrees as opportunities present).

Less 'Trafficked' Investment Style

In a low returns, concentrated investing world the need for a strategic allocation to active, long only investing has never been higher. Counter-intuitively the amount of capital now proportionately allocated and managed to 'active' long only investing has never been lower.Market conditions are favourable, with many quality companies now trading at distressed prices, ripe for "active" ownership.

There has been a ~14% decline in the number of "active" fund managers in Australia between 2014 and Jan-2019. Since Jan 2019, there have been a significant number of Australian equity fund mangers close:

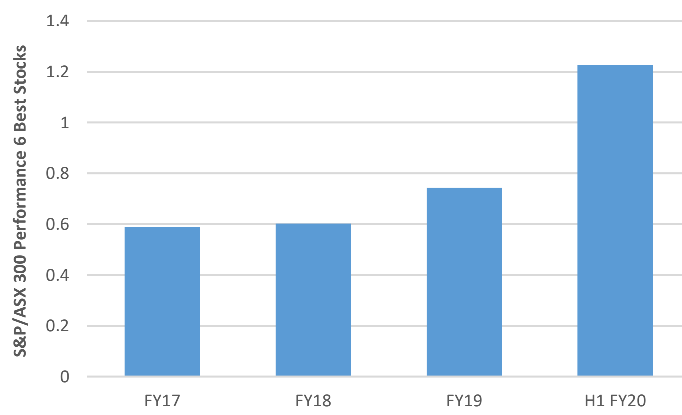
Notable examples being: KIS Capital; Sigma Funds; JCP Investment Partners; Dual Momentum; Janus Henderson Australian equity funds; MHOR Asset Management; Discovery Asset Management; Denning Pryce; Adam Smith Asset Management; Concise Asset Management; Arnhem Investment Management; UBS Asset Management Australian equity funds (transferred to Yarra Capital); Altair Asset Management

Combined with the rise of, industry funds, and passive investing, this has created the least "active" equity market in a generation. Only 5% of Australian portfolios are allocated to "active" equity investing today.

As such, few investors are competing for small and mid cap assets (given passive strategies are disproportionately larger cap mandates). Fewer are seeking to actively manage those holdings to maximise returns. Returns in the rest of the market are increasingly correlated and based on momentum (based on size or "hotness").

Furthermore, as evident from the chart below, the breadth of returns that has driven ASX 300 returns has become concerningly narrow. For example, in FY19 74% of the ASX300 performance derived from six stocks. Being underweight CSL alone, which would have been the case for the vast majority of active investors based on single stock portfolio construction limits alone, would have cost active mandates considerably.

% of S&P/ASX 300 Returns from Top 6 Market Cap Weighted Performers



This narrowness in itself implies material risk in relation to the continued likelihood of passive strategies outperforming the majority of active strategies. And that is without the economic impact of COVID-19. It is now a universal view amongst market commentators that successfully negotiating the equity market fallout of the virus will require careful stock selection to weed out the losers from the relative winners. Furthermore, it is IIR's view that the equity markets are under appreciating the duration of the recovery process, even without the prospect of a second and possibly even third wave of infections ('W' shape recession).

Top Movers by Calendar Year

1HFY20	FY19	FY18	FY17
CSL	CBA	BHP	CBA
WES	TLS	CSL	BHP
JHX	BHP	WPL	ANZ
MQG	TCL	WES	NAB
WOW	CSL	MQG	CSL
LLC	GMG	RIO	RIO

The Cyclicality of Active vs Passive

The active versus passive investing debate is relentless. If you do a simple cost/benefit analysis, advocates of passive investing have compelling facts on their side. Over the last five years, 82% of U.S. large-cap equity mutual funds lagged the S&P 500 index. In the U.S., expense ratios for active mutual funds typically range between 0.5% to 0.75%, while most passive index funds are between zero and 0.25%.

However, in IIR's view the choice between active and passive management is not a zero-sum game, with each having a place in investor portfolios based on the individual needs and wants of the investor.

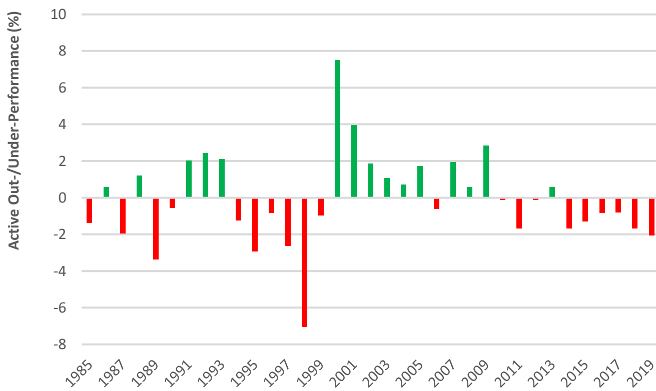
Over and above this general view, IIR notes that the performance of active and passive management has been cyclical, with each style trading periods of outperformance. Market corrections are inevitable and a common occurrence in equity markets over time. Excluding the current correction, there have been 26 market corrections over the past 31 years, and active management outperformed passive management in 19 out of 26 corrections.

During market corrections, the flexibility of active management allows for reducing exposure on the downside and ramping up exposure to capture alpha in the early stages of recovery. Active management has typically outperformed passive management during market corrections, because active managers have captured less downside (passive largely capture 100% downside) and more upside as the market recovers.

A time series comparison of active versus passive investment style illustrates the cyclical nature of performance. To represent active management in this comparison, all index funds and enhanced index funds have been removed. To represent passive management, the Morningstar S&P 500 Tracking category. The same cyclicality is present in other investment categories such as mid-caps, small-caps, and global/international equities.

As illustrated in the chart below, passive large-blend strategies have outperformed active large-blend strategies for the last six years, which helps to explain why in 2019 passive US equity funds had inflows of $164 billion, while more than $205 billion under active management headed for the exits.

Active vs Passive Out- / Under-Performance



But the past six years only tell part of the story. A wider look at the chart reveals active and passive have traded the lead in performance over time. From 2000 to 2009, active outperformed passive nine out of 10 times. During the 1990s, passive outperformed active seven out of 10 times. And over the course of the past 35 years, active outperformed 15 times while passive outperformed 20 times.

The chart also illustrates that during those corrections, active outperformed passive 19 out of 26 times, with an average rate of outperformance of 1.48%. By allowing investors to respond to changing markets, active management empowers investors to maximize opportunity as conditions demand.

Trade Ideas

The below section illustrates one-year changes in NTA and share price and current NTAs by three asset classes: Australian large cap equities; Australian small and mid cap equities; and, international equities.

The intention is to draw attention to LICs/LITs large downward price movements yet relatively solid NTA performance to its sector cohorts. On this basis, such LICs/LITs may for investors be worthy of further consideration and due diligence.

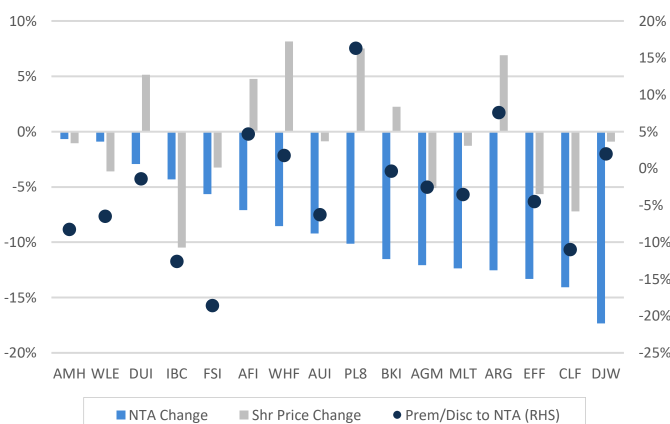
IIR notes that any 'trade ideas' is not an explicit nor implicit recommendation to invest, other than in relation to those LICs/LITs IIR has reviewed and ascribed a positive recommendation.

Ironbark Capital Limited (ASX: IBC).

Why it may be worth considering:

- Solid returns (-4.3% year-on-year) with volatility risk circa 50% of equity market risk. One of larger discounts to NTA in the segment (-12.6%).
- Buy-write strategy offering downside protection, albeit with some capped upside.
- Market direction play best suited to those that believe there is further downside risk to equities market in addition to substantial lower dividend risk.

Australian Equities Large Cap LICs / LITs

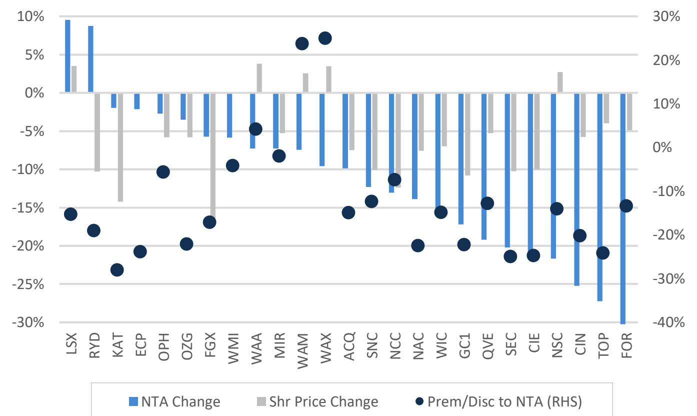


Future Generation Investment Company Ltd (ASX: FGX).

Why it may be worth considering:

- Solid relative performance (-5.2% year-on-year) yet and incongruously large move down in shareprice / discount to NTA (-17%).
- Underlying portfolio of solid fund managers.

Australian Equities Small- / Mid- Cap LICs / LITs

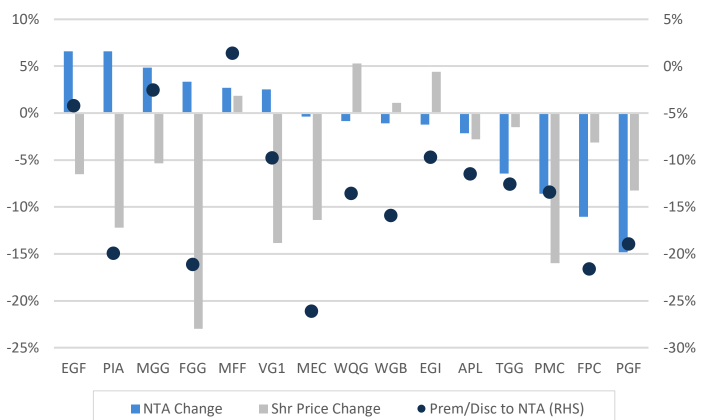


Future Generation Global Invstmnt Co Ltd (ASX: FGG).

Why it may be worth considering:

- Huge dispersion between very solid relative NTA performance and negative share price movement (-23% differential). Trading at a material -21% discount to NTA, being one of the largest discounts in the sector.
- Underlying portfolio of solid fund managers.

International Equities LICs / LITs



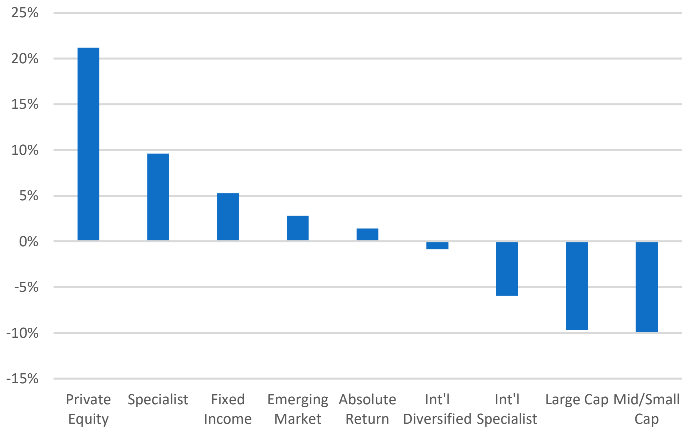
NTA One-year Change by Asset Class.

Key points:

- Exceptional performance from private equity, albeit from a very narrow number of LITs in the asset class. That said, we believe the prospects for well positioned managers with dry powder to be strong in the wake of the market dislocation, as noted in our review of the PE1 rights issue.
- Fixed income has performed well and true to its capital buffer and diversification character. We believe the Fed's unprecedented buying of HY ETFs and corporate bonds will continue to support the market, particularly the HY sector. We remind investors that KKC and NBI generated exceptionally strong returns in 2009 and 2010 (circa 79% and 30% KKC and 60% and 25% NBI). Private debt mandates are in a strong position based on points raised in the Asset Class in Focus note above.
- Equities. It is ironic that the greatest panic by retail investors related to the fixed income sector. Once again, Australian investors revealed a lack of understanding of where fixed income sits in the capital

stack relative to equities. In IIR's view, there is a material risk of further downside in equities.

One-year NTA Returns by Asset Class



Pricing & Recommendations – Australian Share Focus

All data as at 30 April 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	7,020.1	5.80	4.1	5.5	4.7	1.0	Internal	0.13	Highly Recommended
Argo Investments	ARG	5,300.5	7.36	4.5	6.8	7.6	0.2	Internal	0.15	Highly Recommended
Milton Corporation	MLT	2,584.6	3.85	5	4.0	-3.5	-2.3	Internal	0.14	Highly Recommended
BKI Investment Company	BKI	1,004.0	1.37	5.4	1.4	-0.4	-1.0	Internal	0.1	Recommended +
Australian United Investment	AUI	950.8	7.63	4.7	8.1	-6.3	-4.5	Internal	0.1	Recommended +
Diversified United Investments	DUI	894.2	4.22	3.7	4.3	-1.4	-5.0	Internal	0.12	Recommended +
WAM Leaders Limited	WLE	822.1	1.05	6	1.1	-6.5	-4.5	External	1.0	Recommended
Djerriwarrh Investments	DJW	571.8	2.55	7.4	2.5	2.0	6.4	Internal	0.43	Recommended +
Plato Income Maximiser	PL8	445.6	1.04	7.5	0.9	16.3	1.5	External	0.8	Recommended +
Whitefield Limited	WHF	422.3	4.57	4.4	4.5	1.8	-6.6	External	0.25	Recommended +
AMCIL Limited	AMH	232.6	0.84	4.2	0.9	-8.2	-6.3	Internal	0.72	Recommended +
Concentrated Leaders Fund	CLF	60.3	1.02	6.9	1.1	-11.0	-6.6	External	na	Not Rated
Ironbark Capital	IBC	53.0	0.43	6.2	0.5	-12.6	-7.6	External	0.65	Not Rated
Australian Governance & Ethical Index Fund	AGM	27.9	1.54	5.8	1.6	-2.5	-1.5	External	0.19	Not Rated
Flagship Investments	FSI	40.3	1.58	5.4	1.9	-18.6	-13.9	External	0.0	Recommended
Evans & Partners Australian Flagship Fund	EFF	26.3	1.28	6.1	1.3	-4.5	0.6	External	0.98	Recommended
Australian Shares - Mid/Small Cap										
WAM Capital	WAM	1,400.1	1.93	8	1.6	23.8	19.2	External	1.0	Recommended +
Carlton Investments	CIN	556.0	21	6	26.3	-20.2	-13.3	Internal	0.08	Not Rated
Ophir High Conviction Fund	OPH	472.0	2.36	-	2.5	-5.6	-4.3	External	1.2	Recommended +
Future Generation Investment Company	FGX	361.5	0.91	5.5	1.1	-17.1	-4.0	External	0.0	Highly Recommended
Mirrabooka Investments	MIR	336.1	2.08	4.8	2.1	-1.9	7.3	Internal	0.61	Highly Recommended
QV Equities	QVE	211.6	0.79	5.6	0.9	-12.8	-3.1	External	0.9	Recommended +
WAM Research	WAX	236.1	1.22	8	1.0	25.0	22.5	External	1.0	Highly Recommended
WAM Microcap Limited	WMI	159.6	1.13	4.7	1.2	-4.1	4.0	External	1.0	Recommended +
Westoz Investment Company	WIC	107.9	0.81	7.5	0.9	-14.8	-11.0	External	1.0	Recommended
Forager Australian Shares Fund	FOR	88.8	0.78	2.8	0.9	-13.3	1.9	External	1.1	Not Rated
Thorney Opportunities	TOP	88.1	0.44	4.3	0.6	-24.1	-15.6	External	na	Not Rated
Naos Small Cap Opportunities Company Limited	NSC	78.0	0.49	7.1	0.6	-14.0	-13.9	External	1.15	Not Rated
Spheria Emerging Companies	SEC	77.6	1.23	5.7	1.6	-25.0	-10.8	External	1.0	Not Rated
Contango Income Generator	CIE	56.6	0.54	7.5	0.7	-24.7	-10.1	External	0.95	Recommended
Ryder Capital	RYD	72.3	1.23	4.1	1.5	-19.0	-14.0	External	na	Not Rated
Sandon Capital Investments	SNC	73.6	0.69	10.1	0.8	-12.3	-6.8	External	1.25	Recommended
Naos Emeriging Opp Company	NCC	47.0	0.76	9.5	0.8	-7.3	-0.7	External	1.75	Not Rated
Acorn Capital inv Fund	ACQ	48.0	0.9	7.8	1.1	-14.9	-12.4	External	na	Not Rated
Lion Select Group	LSX	58.6	0.39	-	0.5	-15.2	-6.8	External	1.5	Not Rated
Ozgrowth Limited	OZG	51.2	0.15	3.8	0.2	-22.0	-19.9	External	1.0	Not Rated
WAM Active Limited	WAA	44.3	0.95	6.3	0.9	4.2	2.1	External	1.0	Recommended
Naos Absolute Opportunities Company	NAC	32.0	0.68	7.8	0.9	-22.4	-13.1	External	1.75	Not Rated
Glennon Small Companies Fund	GC1	27.7	0.63	4.8	0.8	-22.2	-12.8	External	1.0	Recommended
Katana Capital Limited	KAT	24.0	0.62	2.8	0.9	-28.0	-17.3	External	na	Not Rated
ECP Emerging Growth Limited	ECP	17.2	0.94	4.3	1.2	-23.8	-20.6	External	1.0	Recommended
Australian/International Shares - Blended										
Hearts & Minds Investments	HM1	657.0	2.92	-	3.3	-10.4	-2.6	External	0.0	Recommended +
Perpetual Investment Company	PIC	295.7	0.85	7.8	1.0	-11.8	-3.5	External	1.0	Recommended +
Cadence Capital	CDM	169.6	0.55	7.3	0.7	-20.3	-3.5	External	1.0	Recommended +
Clime Capital	CAM	86.3	0.76	6.6	0.7	5.6	-3.5	External	na	Not Rated

Pricing & Recommendations – International Shares & Specialist Focus

All data as at 30 April 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	2,208.0	1.78	3.5	1.8	-2.6	-1.0	External	1.35	Recommended +
MFF Capital Investments	MFF	1,626.9	2.96	8.3	2.9	1.4	-8.5	External	***	Not Rated
Magellan High Conviction Trust	MHH	880.2	1.44	1.6	1.5	-3.3	-1.3	External	1.50	Recommended
VGI Partners Global Investments Limited	VG1	862.7	2.12	0.0	2.4	-9.8	0.6	External	1.50	Recommended +
Antipodes Global Investment Company Ltd	APL	485.0	0.95	4.7	1.1	-11.5	-7.3	External	1.10	Recommended
Future Generation Global Investment Company	FGG	441.5	1.13	1.3	1.4	-21.1	-4.9	External	0.00	Recommended +
Platinum Capital	PMC	355.8	1.23	5.7	1.4	-13.4	5.0	External	1.35	Recommended +
WAM Global Limited	WGB	406.5	1.92	1.6	2.3	-15.9	-10.1	External	1.25	Recommended
PM Capital Global Opportunities Fund	PGF	318.8	0.90	4.4	1.1	-18.9	-12.4	External	1.00	Recommended +
Pengana International Equities Limited	PIA	252.9	1.00	6.0	1.2	-19.9	-9.3	External	1.23	Recommended
Templeton Global Growth	TGG	231.7	1.16	6.1	1.3	-12.6	-10.7	External	1.00	Recommended
Evans & Partners Global Flagship Fund	EGF	190.5	1.59	7.5	1.7	-4.2	-0.8	External	1.35	Not Rated
WCM Global Growth Limited	WQG	205.3	1.18	1.7	1.4	-13.6	-12.3	External	1.25	Recommended +
Ellerston Global Investments	EGI	103.2	0.98	3.1	1.1	-9.7	-10.8	External	0.75	Recommended
Morphic Ethical Equities Fund	MEC	43.6	0.83	2.4	1.1	-26.1	-12.5	External	1.25	Not Rated
Fat Prophets Global Contrarian Fund	FPC	30.4	0.73	3.4	0.9	-21.6	-12.4	External	1.25	Not Rated
International Shares - Emerging Markets										
Platinum Asia Investments	PAI	352.8	0.97	4.1	1.1	-14.0	-1.8	External	1.35	Recommended +
Evans & Partners Asia Fund	EAF	148.2	1.21	4.3	1.3	-6.2	-2.5	External	1.00	Not Rated
Ellerston Asian Investments	EAI	127.7	0.96	3.1	1.1	-15.4	-10.7	External	0.95	Not Rated
PM Capital Asian Opportunities Fund	PAF	41.5	0.72	4.2	0.9	-18.9	-8.7	External	1.00	Not Rated
International - Specialist										
Argo Global Listed Infrastructure	ALI	303.8	2.14	3.3	2.4	-8.9	-12.8	External	1.20	Not Rated
Evans & Partners Global Disruption Fund	EGD	298.8	2.46	0.0	2.6	-3.5	0.5	External	1.29	Recommended
Global Value Fund	GVF	139.0	0.94	6.2	0.9	0.1	-1.0	External	1.50	Not Rated
Tribeca Global Natural Resources Ltd	TGF	76.8	1.22	0.0	1.8	-33.5	-11.9	External	1.50	Recommended
Zeta Resources	ZER	48.9	0.17	0.0	0.2	4.9	-15.1	External	0.50	Not Rated
Global Masters Fund	GFL	19.6	1.83	0.0	2.3	-21.7	-9.9	Internal	0.00	Recommended+
Fat Prophets Global Property Fund	FPP	15.7	0.69	9.2	0.9	-20.4	-11.7	External	1.00	Not Rated
Fixed Income Funds										
MCP Master Income Trust	MXT	1,207.0	1.89	5.5	2.0	-5.9	2.1	External	0.67	Recommended +
NB Global Corporate Income Trust	NBI	750.9	1.69	6.8	1.7	-3.2	0.2	External	0.85	Recommended +
Partners Group Global Income Fund	PGG	412.6	1.50	1.5	1.6	-8.5	-0.2	External	1.00	Recommended
Perpetual Credit Income Trust	PCI	388.3	0.97	3.3	1.0	-	1.8	External	0.72	Recommended +
Qualitas Real Estate Income Fund	QRI	315.7	1.40	6.9	1.6	-12.5	2.5	External	1.50	Recommended
Mcp Income Opportunities Trust	MOT	276.1	1.60	5.0	2.0	-21.1	-1.9	External	1.03	Not Rated
Gryphon Capital Income Trust	GCI	349.4	1.70	5.3	2.0	-15.0	-0.3	External	0.72	Recommended
Private Equity Funds										
Pengana Private Equity Trust	PE1	249.7	1.52	0.8	1.3	12.7	3.0	External	1.25	Recommended +
Bailador Technology Investments	BTI	99.5	0.81	0.0	1.2	-34.7	-24.2	External	1.75	Recommended +
Cordish Dixon Private Equity Fund 3	CD3	67.0	0.93	0.0	2.1	-54.9	-8.6	External	1.33	Recommended
Cordish Dixon Private Equity Fund 2	CD2	49.7	0.90	37.8	2.3	-61.0	-7.6	External	2.33	Recommended
Cordish Dixon Private Equity Fund 1	CD1	28.1	0.72	90.3	1.7	-57.4	-6.4	External	2.33	Recommended
Absolute Return Funds										
L1 Long Short Fund Limited	LSF	694.0	1.06	-	1.5	-27.5	-8.5	External	1.40	Recommended +
Regal Investment Fund	RF1	229.9	2.04	2.2	2.2	-8.9	-7.6	External	1.50	Recommended +
Australian Leaders Fund Limited	ALF	170.6	0.86	5.8	1.1	-25.0	-14.5	External	na	Not Rated
Absolute Equity Performance Fund	AEG	109.2	1.17	4.3	1.2	-3.6	-4.3	External	na	Not Rated
Contrarian Value Fund Limited	CVF	51.7	0.75	11.0	1.0	-27.0	-12.8	External	1.00	Not Rated
Monash Absolute Investment Company Limited	MA1	40.1	0.90	2.2	1.0	-9.5	-14.7	External	1.50	Not Rated
Alternative Investment Trust	AIQ	30.4	0.11	2.4	0.1	7.3	-6.9	External	na	Not Rated
Other Specialist										
Duxton Water Limited	D2O	159.4	1.34	4.1	1.9	-27.8	-11.2	External	1.20	Not Rated
Blue Sky Alternatives Access Fund	BAF	140.9	0.72	6.9	1.1	-34.3	-16.1	External	0.85	Not Rated
Thorney Technologies Ltd	TEK	55.3	0.22	0.0	0.3	-18.6	-8.7	External	0.75	Not Rated
Lowell Resources Fund	LRT	16.8	0.62	0.0	0.8	-19.1	-17.8	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 April 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	6.9	-19.1	-7.1	1.0	1.8	2.7	-17.1	1.7	3.9	2.4	S&P/ASX 200 Acc Index
Argo Investments	ARG	8.7	-21.4	-12.5	-0.9	1.4	10.0	-13.4	-1.4	3.0	2.6	S&P/ASX 200 Acc Index
Milton Corporation	MLT	7.0	-20.4	-12.3	-1.0	1.1	7.2	-21.5	-9.3	-0.3	1.1	All Ordinaries Acc Index
BKI Investment Company	BKI	7.0	-19.0	-11.5	-1.8	-0.1	11.9	-17.1	-4.4	-0.6	0.0	S&P/ASX 300 Acc Index
Australian United Investment	AUI	8.8	-21.7	-9.2	1.0	2.5	3.0	-23.0	-5.9	2.2	2.7	ASX 300 Acc Index
Diversified United Investments	DUI	7.8	-18.1	-2.9	4.8	5.6	9.9	-17.2	5.9	6.8	6.2	ASX 300 Acc Index
WAM Leaders Limited	WLE	10.5	-12.5	-0.9	3.1	na	4.5	-14.1	1.1	2.3	na	S&P/ASX 200 Acc Index
Djerriwarrh Investments	DJW	9.6	-24.9	-17.3	-3.3	-0.8	7.6	-26.5	-12.3	-4.7	-4.4	S&P/ASX 200 Acc Index
Plato Income Maximiser	PL8	7.9	-20.2	-10.1	na	na	22.4	-11.4	2.8	na	na	S&P/ASX 200 Franking Credit Adjusted Daily Total Return Index (Tax-exempt)
Whitefield Limited	WHF	5.6	-19.7	-8.5	-0.9	1.5	8.8	-15.4	4.0	3.9	2.7	S&P/ASX 200 Industrials Acc (XJOAI) Index
AMCIL Limited	AMH	9.6	-15.7	-0.7	3.2	3.6	3.1	-15.7	2.4	2.4	2.8	S&P/ASX 200 Acc Index
Concentrated Leaders Fund	CLF	12.1	-18.1	-14.1	-0.3	1.9	6.9	-22.0	-16.9	0.7	1.4	S&P ASX 200 Acc Index
Ironbark Capital	IBC	8.4	-11.5	-4.3	0.8	1.8	6.2	-17.4	-12.5	-0.2	0.1	na
Australian Governance & Ethical Index Fund	AGM	3.3	-24.0	-12.1	na	na	4.1	-24.1	-12.4	na	na	S&P/ASX 100 Acc Index
Flagship Investments	FSI	12.3	-15.7	-5.7	5.9	5.9	12.9	-15.9	-4.0	4.8	5.5	All Ordinaries Index
Evans & Partners Australian Flagship Fund	EFF	5.5	-26.0	-13.3	na	na	12.3	-27.3	-14.1	na	na	S&P/ASX 200 Acc Index
Australian Shares - Mid/Small Cap												
WAM Capital	WAM	8.4	-14.8	-7.4	1.6	4.7	10.3	-11.2	2.7	0.2	6.7	All Ordinaries Acc Index
Carlton Investments	CIN	5.5	-29.2	-25.3	-7.8	-2.9	-0.1	-33.1	-26.9	-8.3	-3.1	S&P/ASX 200 Acc Index
Ophir High Conviction Fund	OPH	8.7	-13.8	-2.7	na	na	18.6	-12.6	-8.5	na	na	S&P/ASX Mid Cap 50's Acc Index. S&P/ASX Small Ordinaries Acc Index
Future Generation Investment Fund	FGX	11.4	-14.7	-5.7	2.3	2.6	4.1	-19.4	-18.4	-2.4	-0.2	All Ordinaries Acc Index
Mirrabooka Investments	MIR	12.2	-17.8	-7.3	0.8	1.9	9.5	-20.9	-8.4	-2.5	0.4	S&P/ASX Mid Cap 50's Acc Index. S&P/ASX Small Ordinaries Acc Index
QV Equities	QVE	12.5	-20.8	-19.2	-6.0	-0.2	14.6	-21.3	-20.3	-10.1	-1.9	na
WAM Research	WAX	10.5	-14.8	-9.6	1.0	4.1	0.9	-13.1	1.3	-0.3	7.2	All Ordinaries AccIndex
WAM Microcap Limited	WMI	15.6	-17.4	-5.9	na	na	7.7	-20.9	-1.5	na	na	
Westoz Investment Company	WIC	20.7	-24.2	-15.2	-0.4	3.0	18.4	-26.1	-16.4	2.3	3.3	Absolute return focus
Forager Australian Shares Fund	FOR	20.0	-35.3	-33.2	-14.6	na	23.8	-33.3	-36.4	-16.6	na	8% Absolute
Thorney Opportunities	TOP	18.6	-29.8	-27.3	-5.7	4.5	15.8	-32.7	-28.3	-10.8	1.8	na
Naos Small Cap Opportunities Company Limited	NSC	-1.7	-35.9	-21.7	-12.4	-8.4	18.1	-31.0	-13.2	-12.9	-6.5	ASX All Ordinaries Acc Index
Spheria Emerging Companies	SEC	21.0	-21.8	-20.2	na	na	3.4	-32.1	-26.6	na	na	S&P/ASX Small Ords Acc Index
Contango Income Generator	CIE	12.2	-25.6	-21.1	-6.2	na	-0.9	-36.0	-26.0	-9.6	na	All Ordinaries Acc Index
Ryder Capital	RYD	11.8	-6.8	8.7	10.8	na	7.9	-12.0	2.4	7.2	na	na
Sandon Capital Investments	SNC	5.8	-17.6	-12.3	-0.8	1.3	25.5	-16.4	-14.6	-4.6	1.0	na
Naos Emerging Opp Company	NCC	5.1	-30.7	-13.0	-7.7	0.0	0.0	-25.1	-18.4	-13.1	1.6	Small Ordinaries Acc Index (XSOAI)
Acorn Capital Inv Fund	ACQ	12.9	-20.7	-9.9	3.6	5.7	12.5	-24.4	-11.0	2.7	7.0	na
Lion Select Group	LSX	0.0	-8.0	9.5	3.1	8.2	5.4	-12.4	13.0	-1.7	18.1	na
Ozgrowth Limited	OZG	23.2	-13.4	-3.5	-1.8	3.8	26.1	-15.4	-5.9	-0.9	2.5	Absolute return focus
WAM Active Limited	WAA	4.6	-13.4	-7.3	1.2	3.6	22.6	-8.8	2.5	0.3	3.9	All Ordinaries Acc Index
Naos Absolute Opportunities Coy.	NAC	8.7	-27.2	-13.9	-2.7	1.1	8.0	-31.2	-15.4	-8.7	-1.2	na
Glennon Small Companies Fund	GC1	8.0	-18.1	-17.2	-2.7	na	26.0	-21.5	-24.6	-8.3	na	ASX Small Ords Acc Index
Katana Capital Limited	KAT	16.5	-15.7	-2.0	3.2	1.9	8.8	-27.1	-13.9	-2.1	-3.4	na
ECP Emerging Growth Limited	ECP	15.2	-12.1	-2.1	9.1	6.8	14.6	-13.7	2.1	5.6	5.5	All Ordinaries Accum Index
Australian/International Shares - Blended												
Hearts & Minds Investments Limited	HM1	1	-3.2	na	na	na	21.7	-12.3	6.3	na	na	na
Perpetual Investment Company	PIC	13.6	-11.0	-5.2	0.9	3.8	6.3	-17.2	-9.8	0.7	2.2	na
Cadence Capital	CDM	10.9	-19.6	-24.2	-10.5	-7.5	12.3	-24.5	-30.2	-15.0	-8.3	All Ordinaries Acc Index
Clime Capital	CAM	11.1	-28.8	-19.9	-1.1	-0.7	8.6	-19.5	-7.4	1.9	2.1	na

Performance – International Shares & Specialist Focus

All data as at 30 April 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	3.1	-9.5	4.8	na	na	11.9	-14.4	3.0	na	na	MSCI World Net Total Return A$ Index
MFF Capital Investments	MFF	-0.9	-13.5	2.7	12.7	11.9	12.1	-18.0	6.0	20.1	13.3	na
Magellan High Conviction Trust	MHH	3.3	-9.7	na	na	na	8.3	-14.0	na	na	na	10% Absolute with HWM
VGI Partners Global Investments Limited	VG1	-5.2	-7.1	2.5	na	na	-5.4	-3.2	-10.9	na	na	na
Antipodes Global Investment Company Ltd	APL	0.3	-6.3	-2.1	-1.4	na	6.7	-6.7	-0.5	-3.4	na	MSCI All Country Word Net Index (AUD)
Future Generation Global Investment Company	FGG	2.8	-7.5	3.3	8.3	na	4.7	-9.6	-18.6	3.7	na	MSCI World Index AUD
Platinum Capital	PMC	0.1	-9.2	-8.6	1.2	na	-2.4	-22.8	-20.3	-1.7	-1.4	MSCI All Country World Net Index in A$
WAM Global Limited	WGB	3.6	-9.7	-1.1	na	na	16.1	-13.6	2.6	na	na	MSCI World Index. Net. AUD
PM Capital Global Opportunities Fund	PGF	7.1	-21.5	-14.8	-0.7	0.3	2.3	-24.6	-19.7	-0.6	0.1	na
Pengana International Equities Limited	PIA	3.8	-5.1	6.6	5.6	4.0	8.2	-11.9	na	1.6	1.4	MSCI Total Return Index. Net Dividends Reinvested in Australian dollars
Templeton Global Growth	TGG	2.8	-11.9	-6.4	0.1	0.0	8.5	-13.0	-2.4	0.3	-0.3	MSCI All Country World Index
Evans & Partners Global Flagship Fund	EGF	3.1	-9.8	6.6	10.0	5.8	1.3	-11.7	7.5	6.7	3.4	na
WCM Global Growth Limited	WQG	6.1	-1.5	-0.8	na	na	16.8	-0.4	8.0	na	na	MSCI AWCI ex Australia. AUD
Ellerston Global Investments	EGI	11.8	-13.6	-1.2	0.9	na	10.1	-17.1	6.3	4.0	-0.9	MSCI World Index (Local)
Morphic Ethical Equities Fund	MEC	1.6	-7.9	-0.4	na	na	1.9	-14.1	-9.6	na	na	MSCI All Countries World Daily Total Return Net Index
Fat Prophets Global Contrarian Fund	FPC	15.8	-19.8	-11.0	-4.4	na	7.4	-27.9	-11.2	-14.0	na	Increase in value of investment portfolio above previous high
International Shares - Emerging Markets												
Platinum Asia Investments	PAI	1.8	0.0	4.6	5.9	na	2.1	-4.3	-10.6	4.3	na	na
Evans & Partners Asia Fund	EAF	3.2	-5.8	3.3	na	na	2.5	-11.0	1.0	na	na	MSCI AC Asia ex Japan Index
Ellerston Asian Investments	EAI	1.2	-5.2	2.4	4.4	na	4.3	-6.3	1.5	4.3	na	na
PM Capital Asian Opportunities Fund	PAF	9.3	-14.6	-17.8	-5.6	-1.8	3.6	-18.8	-26.1	-5.6	-1.6	na
International - Specialist												
Argo Global Listed Infrastructure	ALI	0.0	-13.2	-1.1	6.7	na	15.1	-11.4	2.3	8.2	na	na
Evans & Partners Global Disruption Fund	EGD	9.0	0.4	16.5	na	na	7.4	na	17.7	na	na	na
Global Value Fund	GVF	2.4	-14.6	-5.9	0.7	1.5	0.0	-11.1	-0.7	0.6	3.4	BBSW 1 Year Swap Rate +4
Tribeca Global Natural Resources Limited	TGF	8.9	-16.4	-24.3	na	na	39.4	-38.7	-48.3	na	na	na
Zeta Resources	ZER	12.8	-49.1	-61.4	-27.3	-22.0	-2.9	-40.4	-49.3	-24.8	-13.4	na
Global Masters Fund	GFL	0.3	-14.7	-5.8	5.9	7.0	7.0	-14.9	-6.6	-0.4	2.6	S&P 500 US Index
Fat Prophets Global Property Fund	FPP	8.9	-23.5	-21.5	na	na	25.5	-25.4	-20.2	na	na	Blend of Domestic & International REIT Indices
Fixed Income Funds												
MCP Master Income Trust	MXT	0.5	2.1	7.4	na	na	11.8	-5.3	0.2	na	na	RBA Cash Rate + 3.25%
NB Global Corporate Income Trust	NBI	5.4	-14.7	-10.2	na	na	12.3	-16.9	-11.1	na	na	ICE BofAML Global High Yield Constrained
Partners Group Global Income Fund	PGG	9.1	-17.6	na	na	na	3.5	-26.1	na	na	na	RBA + 6% on Special Sits
Perpetual Credit Income Trust	PCI	8.1	-11.3	na	na	na	7.8	-13.7	na	na	na	RBA Cash Rate + 3.25%
Qualitas Real Estate income Fund	QRI	0.6	1.5	9.3	na	na	7.7	-12.1	-10.6	na	na	8 Absolute Return
Mcp Income Opportunities Trust	MOT	0.4	2.3	5.0	na	na	7.8	-21.1	-15.6	na	na	RBA Cash Rate + 6.0%
Gryphon Capital Income Trust	GCI	0.4	0.2	5.3	na	na	2.7	-15.1	-10.1	na	na	RBA Cash Rate + 3.5%
Private Equity Funds												
Pengana Private Equity Trust	PE1	-3.6	-1.3	5.1	na	na	12.6	1.3	24.6	na	na	8% Absolute Return
Bailador Technology Investments	BTI	0.8	-4.6	4.2	3.8	2.6	24.6	-25.3	-7.4	-4.7	-0.7	8% p.a. compound
Cordish Dixon Private Equity Fund 3	CD3	-5.9	6.2	21.2	10.7	na	16.3	-33.1	-41.9	-16.5	na	8% Absolute Return
Cordish Dixon Private Equity Fund 2	CD2	-6.5	14.1	38.0	29.0	19.2	-2.2	-45.8	-53.4	-18.4	-11.3	Absolute Return w H/W Mark
Cordish Dixon Private Equity Fund 1	CD1	-5.6	41.3	86.3	69.9	45.5	-3.4	-37.8	-40.6	-11.4	-4.5	na
Absolute Return Funds												
L1 Long Short Fund Limited	LSF	22.6	-13.9	-11.9	na	na	22.5	-28.4	-31.6	na	na	Previous High Water Mark
Regal Investment Fund	RF1	8.2	-21.7	na	na	na	35.1	-24.4	na	na	na	RBA Cash Rate
Australian Leaders Fund Limited	ALF	0.9	-1.3	5.3	-0.8	1.9	-1.7	-10.7	0.6	-8.8	-2.2	All Ordinaries Acc Index
Absolute Equity Performance Fund	AEG	1.6	-2.1	24.2	7.8	na	14.2	8.2	26.6	8.6	na	na
Contrarian Value Fund Limited	CVF	2.5	-15.3	-10.6	7.3	4.5	0.7	-24.5	-20.9	0.8	2.6	na
Monash Absolute Investment Company Limited	MA1	20.3	-12.0	2.3	7.2	na	14.7	-12.3	13.7	4.3	na	na
Alternative Investment Trust	AIQ	-14.7	-12.8	0.5	1.0	0.2	10.0	na	15.8	9.8	1.5	na
Other Specialist												
Duxton Water Limited	D2O	10.1	-6.4	16.4	23.2	na	2.7	-7.3	-6.1	12.4	na	8% Absolute
Blue Sky Alternatives Access Fund	BAF	-0.6	-2.8	2.8	5.2	6.3	9.9	-17.0	-2.5	-8.5	-1.5	na
Thorney Technologies Ltd	TEK	14.3	-22.4	-11.1	6.3	na	34.4	-21.8	-8.5	-1.5	-52.6	Increase in NAV
Lowell Resources Fund	LRT	49.0	22.4	36.0	na	na	36.1	31.4	36.7	na	na	10 Absolute Return

All data as at 30 April 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	7.2	-20.8	-8.5	1.7	2.9	na
S&P/ASX 200 Accumulation Index	XJOAI	na	na	na	na	na	8.8	-20.3	-9.1	1.9	3.5	na
S&P/ASX 300 Accumulation Index	XKOAI	na	na	na	na	na	9.0	-20.4	-9.1	2.0	3.5	na
All Ordinaries Accumulation Index	XAOAI	na	na	na	na	na	9.5	-20.4	-9.2	2.1	3.7	na
Small Ordinaries Accumulation Index	XSOAI	na	na	na	na	na	14.3	-19.0	-13.3	3.2	4.9	na
S&P/ASX 200 Industrials Accumulation Index	XJIAI	na	na	na	na	na	7.1	-21.2	-9.1	0.1	2.8	na
S&P/ASX 200 Resources Accumulation Index	XMJAI	na	na	na	na	na	14.2	-12.3	-1.7	11.8	9.4	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 April 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	651.3	9.8	3.2	na	0.55	Not Rated
Betashares Aus Top20 Equity Yield Max Fund	YMAX	240.9	7.0	10.1	na	0.59	Not Rated
Betashares Australian Dividend Harvester Fund	HVST	126.8	13.3	11.3	na	0.65	Not Rated
Betashares Australian Equities Strong Bear Hedge Fund	BBOZ	377.6	11.1	0.0	na	1.19	Not Rated
ActiveX Real Outcome Bond Fund	XARO	167.7	26.9	1.9	na	0.5	Not Rated
BetaShares Legg Mason Australian Bond Fund	BNDS	114.2	26.9	2.9	na	0.42	Not Rated
Betashares Geared Australian Equity Fund	GEAR	155.7	15.0	14.1	na	0.80	Not Rated
Switzer Dividend Growth Fund	SWTZ	72.2	2.1	7.3	na	0.89	Recommended
BetaShares Australian Equities Bear Hedge Fund	BEAR	129.0	13.2	0.0	na	1.19	Not Rated
BetaShares Legg Mason Real Income Fund (Managed Fund)	RINC	41.8	7.5	6.1	na	0.85	Not Rated
Betashares Managed Risk Australian Share Fund	AUST	44.3	15.1	4.0	na	0.39	Not Rated
BetaShares Australian Small Companies Fund (Managed Fund)	SMLL	30.7	2.9	3.0	na	0.39	Not Rated
InvestSMART Australian Equity Income Fund	INIF	24.5	2.0	4.9	na	0.97	Not Rated
Einvest Income Generator Fund	EIGA	19.4	2.9	16.7	na	0.65	Not Rated
Investsmart Ethical Share Fund (Managed Fund)	INES	17.9	2.5	0.0	na	0.97	Not Rated
K2 Australian Small Cap Fund	KSM	7.5	1.7	5.9	na	1.31	Recommended
Pinnacle Ashares Dynamic Cash Fund (Managed Fund)	Z3RO	5.0	50.1	0.5	na	0.00	Not Rated
eInvest Future Impact Small Caps Fund (Managed Fund)	IMPQ	1.3	3.7	0.0	na	0.34	Not Rated
International Share/Security Strategies							
Magellan Global Equities Fund	MGE	1,689.4	4.0	2.7	na	1.35	Not Rated
Magellan Infrastructure Fund (Currency Hedged) (Managed Fund)	MICH	606.4	2.8	3.4	na	0.95	Not Rated
Platinum International Fund	PIXX	327.1	4.3	9.0	na	1.76	Not Rated
Platinum Asia Fund	PAXX	140.3	4.6	5.1	na	1.58	Not Rated
Magellan Global Equities Fund (Currency Hedged)	MHG	209.7	3.3	0.0	na	1.35	Not Rated
BetaShares US Equities Strong Bear Currency Hedged	BBUS	325.4	3.1	0.0	na	1.38	Not Rated
Montgomery Global Equities Fund	MOGL	79.5	3.1	8.2	na	1.32	Not Rated
BetaShares S&P 500 Yield Maximiser Fund	UMAX	86.6	18.3	6.2	na	0.59	Not Rated
WCM Quality Global Growth Fund	**WCMQ**	**104.4**	6.4	0.0	**na**	**1.35**	**Not Rated**
Betashares Managed Risk Global Share Fund	WRLD	58.1	12.8	0.0	na	0.39	Not Rated
Schroders Real Return Fund (Managed Fund)	GROW	38.3	3.6	3.5	na	0.90	Not Rated
AMP Capital Global Infrastructure Securities Fund (Unhedged)	GLIN	34.5	3.1	0.0	na	0.95	Not Rated
BetaShares Legg Mason Equity Income Fund (Managed Fund)	EINC	21.8	6.8	5.6	na	0.85	Not Rated
Antipodes Global Shares	**AGX1**	**23.2**	5.1	1.1	**na**	**1.1**	**Not Rated**
AMP Capital Global Property Securities Fund (Unhedged)	RENT	21.7	2.6	1.7	na	0.99	Not Rated
BetaShares Geared U.S. Equity Fund - Currency Hedged	GGUS	38.5	15.4	0.2	na	0.74	Not Rated
AMP Capital Dynamic Markets Fund (Hedge Fund)	DMKT	6.9	2.1	0.0	na	0.48	Not Rated
Vanguard Global Value Equity Active ETF	VVLU	21.2	39.5	4.0	na	0.28	Not Rated
Vanguard Global Multi-Factor Active ETF (Managed Fund)	VGMF	16.0	46.0	1.6	na	0.34	Not Rated
Vanguard Global Min Volatility Active ETF	VMIN	11.8	53.6	0.0	na	0.28	Not Rated
BetaShares Legg Mason Emerging Markets Fund (Managed Fund)	EMMG	10.1	5.5	0.2	na	1.0	Not Rated
Pinnacle AShares Global Dynamic Income Fund	SAVE	4.9	9.1	0.0	na	0.50	Not Rated
K2 Global Equities Fund	KII	3.5	2.5	0.0	na	2.05	Not Rated

All data as at 30 April 2020	ASX Code	Market Cap ($M)	Last Price ($)	Dividend Yield %	NAV ($)	M'ment Fee %	IIR Rating
Commodity & Currency Strategies							
Betashares Strong US Dollar Fund (Hedge Fund)	YANK	10.9	14.88	17.7	na	1.38	Not Rated
Betashares Strong Australian Dollar Fund (Hedge Fund)	AUDS	11.4	9.23	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	3.1	-2.8	1.0	na	na
Betashares Aus Top20 Equity Yield Max Fund	YMAX	na	na	na	na	na	6.9	-17.7	-9.4	-0.9	0.0
Betashares Australian Dividend Harvester Fund	HVST	na	na	na	na	na	1.7	-11.1	-5.1	-4.1	-1.2
Betashares Australian Equities Strong Bear Hedge Fund	BBOZ	na	na	na	na	na	-20.2	29.1	-7.0	-12.4	-12.2
ActiveX Real Outcome Bond Fund	XARO	na	na	na	na	na	1.8	1.7	6.7	na	na
BetaShares Legg Mason Australian Bond Fund	BNDS	na	na	na	na	na	-0.6	-1.5	5.2	na	na
Betashares Geared Australian Equity Fund	GEAR	na	na	na	na	na	18.2	-47.3	-27.9	-4.3	-0.8
Switzer Dividend Growth Fund	SWTZ	na	na	na	na	na	7.9	-22.0	-13.1	-1.3	na
BetaShares Australian Equities Bear Hedge Fund	BEAR	na	na	na	na	na	-9.4	16.0	2.3	-3.2	-4.2
BetaShares Legg Mason Real Income Fund	RINC	na	na	na	na	na	7.5	-25.0	-14.2	na	na
Betashares Managed Risk Australian Share Fund	AUST	na	na	na	na	na	3.7	-13.6	-4.7	1.7	na
BetaShares Australian Small Companies Select Fund	SMLL	na	na	na	na	na	11.8	-18.3	-13.9	1.7	na
InvestSMART Australian Equity Income Fund	INIF	na	na	na	na	na	11.4	-19.8	-15.8	na	na
Einvest Income Generator Fund	EIGA	na	na	na	na	na	-1.0	-25.2	-17.4	na	na
Investsmart Ethical Share Fund (Managed Fund)	INES	na	na	na	na	na	15.8	-7.1	na	na	na
K2 Australian Small Cap Fund	KSM	na	na	na	na	na	25.9	-26.7	-16.3	-4.5	na
Pinnacle Ashares Dynamic Cash Fund (Managed Fund)	Z3RO	na	na	na	na	na	0.0	0.2	na	na	na
eInvest Future Impact Small Caps Fund (Managed Fund)	IMPQ	na	na	na	na	na	20.4	-19.1	na	na	na
International Share/Security Strategies											
Magellan Global Equities Fund	MGE	na	na	na	na	na	3.4	-5.6	11.1	14.8	11.9
Magellan Infrastructure Fund (Currency Hedged) (Managed Fund)	MICH	na	na	na	na	na	5.2	-15.6	-3.4	4.7	na
Platinum International Fund	PIXX	na	na	na	na	na	3.3	-8.3	-5.8	na	na
Platinum Asia Fund	PAXX	na	na	na	na	na	3.4	2.4	6.0	na	na
Magellan Global Equities Fund (Currency Hedged)	MHG	na	na	na	na	na	6.1	-10.3	1.2	9.2	na
BetaShares US Equities Strong Bear Currency Hedged	BBUS	na	na	na	na	na	-28.5	5.4	-20.1	-24.8	na
Montgomery Global Equities Fund	MOGL	na	na	na	na	na	3.0	-20.9	-13.0	na	na
BetaShares S&P 500 Yield Maximiser Fund	UMAX	na	na	na	na	na	0.2	-13.6	-2.2	6.0	7.0
WCM Quality Global Growth Fund	**WCMQ**	**na**	**na**	**na**	**na**	**na**	**9.6**	**-1.1**	**17.4**	**na**	**na**
Betashares Managed Risk Global Share Fund	WRLD	na	na	na	na	na	1.3	-9.5	1.6	6.9	na
Schroders Real Return Fund (Managed Fund)	GROW	na	na	na	na	na	2.3	-3.8	0.7	2.4	na
AMP Capital Global Infrastructure Securities Fund (Unhedged)	GLIN	na	na	na	na	na	4.0	-14.2	3.9	7.4	na
BetaShares Legg Mason Equity Income Fund (Managed Fund)	EINC	na	na	na	na	na	3.2	-22.6	-13.8	na	na
Antipodes Global Shares	**AGX1**	**na**	**na**	**na**	**na**	**na**	**5.1**	**-8.9**	**-2.2**	**na**	**na**
AMP Capital Global Property Securities Fund (Unhedged)	RENT	na	na	na	na	na	-1.1	-17.8	-4.2	5.5	na
BetaShares Geared U.S. Equity Fund - Currency Hedged	GGUS	na	na	na	na	na	30.3	-28.9	-14.1	7.6	na
AMP Capital Dynamic Markets Fund (Hedge Fund)	DMKT	na	na	na	na	na	1.4	-15.3	-13.5	-5.1	na
Vanguard Global Value Equity Active ETF	VVLU	na	na	na	na	na	1.4	-21.2	-18.8	na	na
Vanguard Global Multi-Factor Active ETF (Managed Fund)	**VGMF**	**na**	**na**	**na**	**na**	**na**	**7.0**	**-15.9**	**-8.0**	**na**	**na**
Vanguard Global Min Volatility Active ETF	VMIN	na	na	na	na	na	9.9	-11.6	-1.7	na	na
BetaShares Legg Mason Emerging Markets Fund (Managed Fund)	EMMG	na	na	na	na	na	6.0	-12.1	na	na	na
Pinnacle Ashares Global Dynamic Income Fund (Managed Fund)	SAVE	na	na	na	na	na	5.4	-15.4	na	na	na
K2 Global Equities Fund	KII	na	na	na	na	na	5.4	na	-0.8	na	na
Commodity & Currency Strategies											
Betashares Strong Australian Dollar Fund (Hedge Fund)	AUDS	na	na	na	na	na	5.4	-14.0	-24.7	-14.3	na
Betashares Strong US Dollar Fund (Hedge Fund)	YANK	na	na	na	na	na	5.4	-1.5	9.9	5.8	na

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IIR takes great pride in the quality and independence of our analysis, underpinned by high caliber staff and a transparent, proven and rigorous research methodology.

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