

NTA and Monthly Update – May 2018

Company at a Glance

ASX Code	ALF
Fund Size	AU\$318.8m
Fund Strategy	Variable Beta
Share Price	\$1.04
Shares on Issue	269.9m
International Exposure (% of gross)	22.5%

Net Tangible Asset (NTA) Backing

	Apr 18	May 18
NTA Before Tax	\$1.22	\$1.22
NTA After Tax	\$1.23	\$1.23

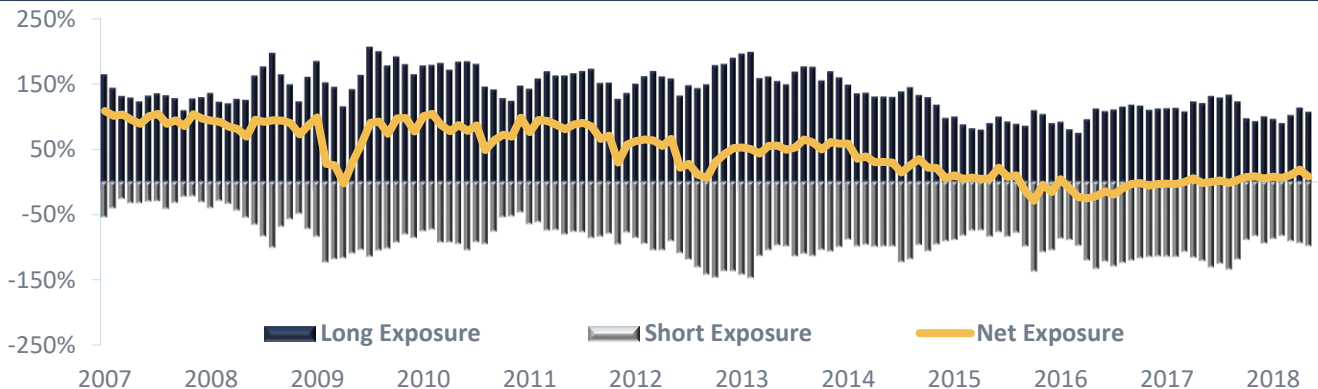
Gross Portfolio Structure

Long Exposure	113.3%	107.1%
Short Exposure	-94.2%	-98.7%
Gross Exposure	207.5%	205.8%
Cash	81.0%	91.6%

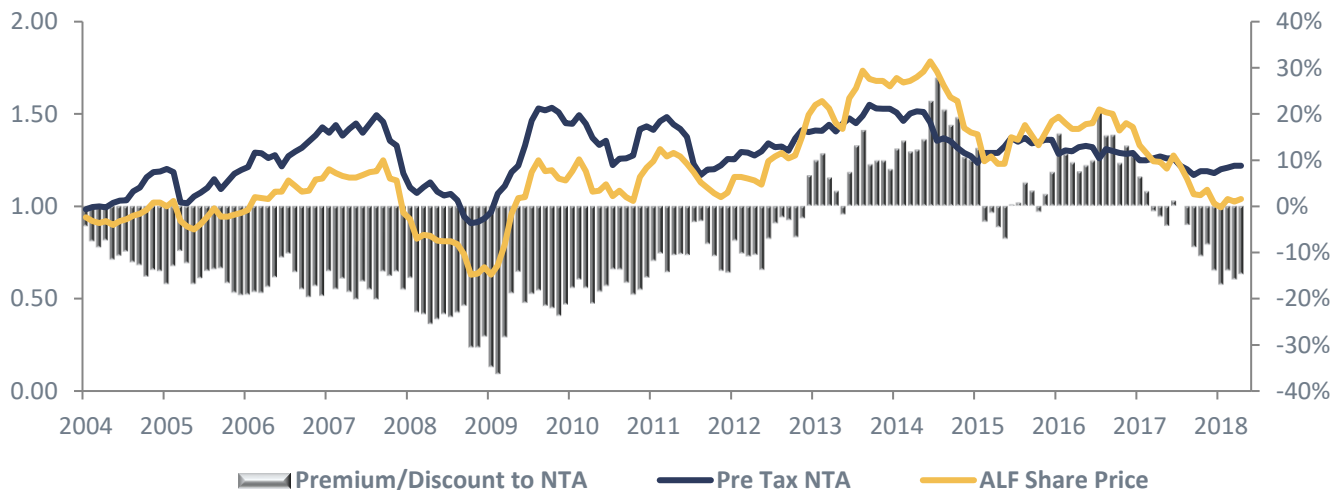
ALF Performance

	1 Mth	3 Mths	1 Yr	3 Yrs (pa)	5 Yrs (pa)	7 Yrs (pa)	S.I. (pa)
Portfolio Return (net)	0.0%	1.9%	-2.2%	4.8%	6.0%	7.7%	12.0%
All Ords Accum Index	1.4%	1.2%	10.8%	6.4%	9.1%	8.2%	9.0%
Outperformance (net)	-1.4%	0.7%	-13.0%	-1.6%	-3.1%	-0.5%	3.0%

Net Equity Exposure



Premium/Discount to NTA History



Month in Review

After a strong start to the month, the Australian share market gave ground in the second half of May, as geopolitical issues weighed on investor sentiment. An increasingly protectionist Trump administration opened up new fronts in its trade war, which now extends beyond China, to allies in Canada, Mexico and the EU. Not to be outdone for political drama, the nascent coalition government in Italy fell apart, raising the spectre of further instability for a fragile EU. News from the domestic economy was benign, with little to report out of the Federal Budget and continued cooling in east coast property prices likely to present headwinds for consumer confidence, providing cover for the RBA to keep rates on hold.

Fund performance in the month followed the same trend as the underlying market, with early gains eroded in the final week of May. The Fund was flat in the month, as compared with a benchmark return of 1.4%. Stock specific issues with a number of key positions were the major detractors in what would otherwise have been a solid month, which saw particularly strong contributions from the Consumer and Basic Industry portfolios. The Fund's net market exposure was largely unchanged in the month at 10%.

In the Consumer sector, investments in Aristocrat Leisure and Bapcor were the stand out performers, with the former posting a strong interim profit result, while the latter continues to perform well as company management executes its strategy of divesting non-core business divisions. Bapcor also stands to benefit from Wesfarmers' decision to sell Kmart Tyre & Auto, as a logical buyer of this business. A new position in Breville was established in the month, on expectations that increased investment in product development and marketing will lead to further growth for this high-quality consumer company.

Healthcare was the best performing sector in the domestic market and materially outperformed its international peers. The Fund benefitted from an investment in CSL, however weakness in the shares of Ramsay Healthcare, which fell in sympathy with Healthscope, offset these gains. Challenges remain for global pharma companies and the Fund is short this part of the market.

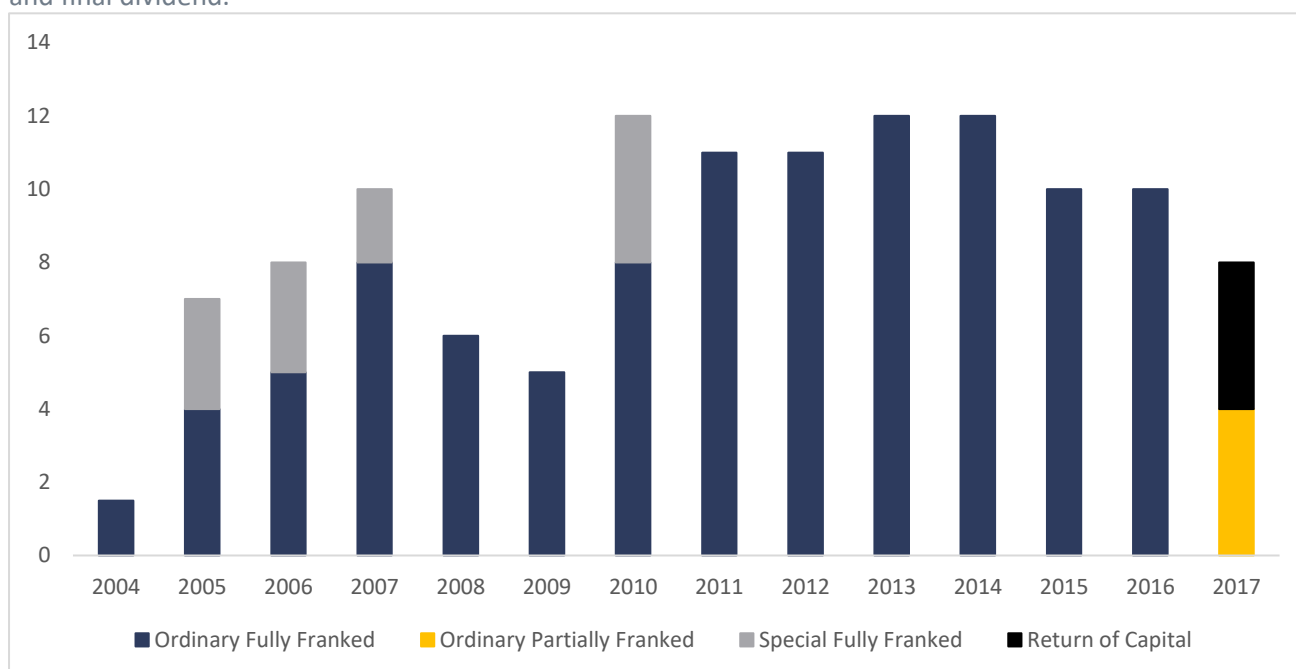
The TMT portfolio saw strong returns from international exposures in May, while the domestic portfolio was flat. An upgrade in guidance from APN Outdoor, provided support for our thesis that outdoor media will continue to gain share in the ad market. Disappointingly, the largest detractor from performance was an investment in MYOB. We view the company's decision not to pursue its acquisition of Reckon in preference for further development in its current product as strategically sound, and MYOB is already reaping the rewards with better than expected subscriber growth in recent years.

The Financials portfolio was a detractor from returns given the Fund's modest net long exposure to Australian banks and an investment in the beleaguered AMP. Clydesdale Bank (CYBG) also traded lower in the month on weaker than expected 1Q18 earnings. Having had confirmation from CYBG management that this was a one-off hit to pre-tax profits, we added to the position, given the bank continues to trade well and stands to benefit significantly from its proposed merger with Virgin Money.

Despite no significant change in the prices of hard commodities, the Resources sector performed well. Stable Chinese economic data continues to provide a constructive backdrop for a sector that is exhibiting capital discipline. The oil price was buoyed by President Trump's decision to withdraw from the Iran nuclear deal, posing further risk to global supply. This helped our position in BHP Billiton, which is in the process of selling its US Onshore business. The Fund also benefitted from an investment in small cap gold miner Aurelia Metals. After recently acquiring the Peak gold mine from Canadian company New Gold, the company upgraded production forecasts. We expect mine life extensions will increase the value of this shrewd purchase.

Dividend History

The Board is committed to paying fully franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices. Dividends are paid on a six-monthly basis and the dividend reinvestment plan is available to shareholders for both the interim and final dividend.



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