

Net Returns	1m	3m	6m	1yr	Incept
Equus Point Capital	1.01%	-	-	-	1.01%
Cash	0.13%	-	-	-	0.13%
Excess	0.88%	-	-	-	0.88%

### Commentary

Investors who are seeking commentary on global drivers of markets, market direction or detailed stock reviews, will be disappointed in our commentary. We do not make predictions or forecasts. Our process is purely systematic and based on price. That is not to say we are ambivalent about world events and drivers of stock and market returns, but we view much of this as noise that is best set aside. Certainly we believe earnings per share over the long term drive share prices. But sentiment and investor behavior – fear and greed – drive prices beyond an underlying perceived fair value. By focusing purely on price and adopting a systematic approach we believe we can better derive a return stream that captures those market inefficiencies.

At Equus Point Capital we manage portfolios in a materially unique way to more traditional equity managers.

1. We are index unaware. Meaning we are prepared to take positions that are materially different from the index.
2. We are deliberately capacity constrained, recognising that the best opportunities are in limited supply. Instead we focus on producing superior risk adjusted returns and limiting capacity ensures our focus remains performance and not asset accumulation.
3. We are not a long only manager. We are prepared to take long positions in the expectation that a stock's price might increase in value relative to the index, but we are also prepared to take short positions in the expectation that prices might decrease in value relative to the index. This preparedness to both take long and short positions increases the opportunity set to harvest meaningful alpha.
4. We are market, or beta, unaware. We deliberately hedge out residual market risk. This allows us the freedom to seek out alpha opportunities without being constrained by market cap or sector limits.
5. We actively minimise portfolio volatility.
6. We seek to preserve capital and limit draw down by reducing risk in negative markets and will hold cash if stock selection opportunities are scarce.

The Fund return for the month of 1.27% before fees was especially pleasing in a period of heightened market volatility. The positive return was generated with a third of the market volatility, none of the large drawdown and with negative correlation (that is the Fund generally produced positive returns on days when the market fell).

In times of market volatility the emphasis becomes one of capital preservation. Accordingly, the portfolio adopted a conservative approach both in terms of exposure and position sizing, with 72% long equities, no short equities positions, 28% cash and a gross exposure of 146% (being a function of long equities and our futures position).

Low beta names tend to perform well in negative markets. This resulted in the largest sectoral exposure being REIT's with a 19.8% exposure and 0.70% alpha generated over the month. A flight to safety resulted in physical gold performing well and this was reflected in the portfolio with a 6.9% exposure to gold stocks generating 1.03% alpha over the month.

No short equities positions were included during the month and a short futures position was held in lieu to hedge long exposure. This is perhaps somewhat counterintuitive given we are a market neutral strategy and in a falling market short stock positions tend to do well. However, we view falling markets as an environment where the risk of a snap back increase and these events can significantly impact returns from the short portfolio. It is simply a risk management exercise where we are happy to short futures in lieu of shorting individual stock names in environments such as these.

The net beta exposure reflected a negative beta bias and provided 0.28% alpha during the month.

The strategy has retained a conservative positioning for January. An improvement in market sentiment is required before the strategy re-engages and increases exposures.

# Equus Point Capital Market Neutral Fund

## Performance Update 31 Dec 2018



### Net Monthly Performance

Net Returns	1m	3m	6m	1yr	Incept
Equus Point Capital	1.01%	-	-	-	1.01%
Cash	0.13%	-	-	-	0.13%
Excess	0.88%	-	-	-	0.88%

### Gross Monthly Performance

Asset	Positions	Weight	Return	Alpha
Long	55	71.72%	-0.70%	0.96%
Short	0	0.00%	0.00%	0.00%
Futures		-75.21%	1.93%	0.28%
Cash		28.28%	0.03%	0.03%
	55	100.00%	1.27%	1.27%
Cash				0.13%
Excess				1.14%

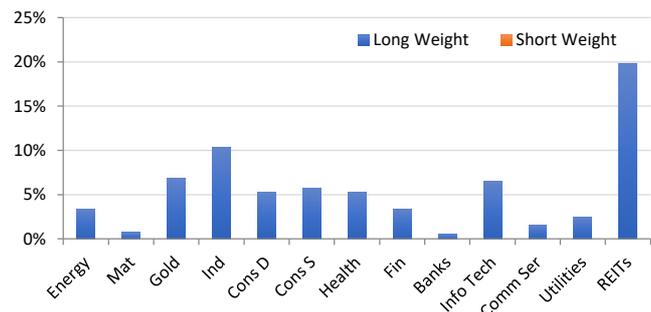
### Exposure and Gross Monthly Alpha

Sector Name	Long Weight	Short Weight	Active Weight	Alpha Contrib
Energy	3.4%	0.0%	3.4%	-0.14%
Materials	0.7%	0.0%	0.7%	-0.07%
Gold	6.9%	0.0%	6.9%	1.03%
Industrials	10.3%	0.0%	10.3%	-0.31%
Cons Disc	5.3%	0.0%	5.3%	0.12%
Cons Staples	5.7%	0.0%	5.7%	-0.05%
Health Care	5.2%	0.0%	5.2%	0.15%
Financials	3.4%	0.0%	3.4%	-0.10%
Banks	0.5%	0.0%	0.5%	0.02%
Info Tech	6.5%	0.0%	6.5%	-0.23%
Comm Serv	1.6%	0.0%	1.6%	-0.13%
Utilities	2.4%	0.0%	2.4%	-0.03%
Real Estate	19.8%	0.0%	19.8%	0.70%
Stock Total	71.7%	0.0%	71.7%	0.96%
Futures			-75.2%	0.28%
Cash			28.3%	0.03%
Total			100.0%	1.27%

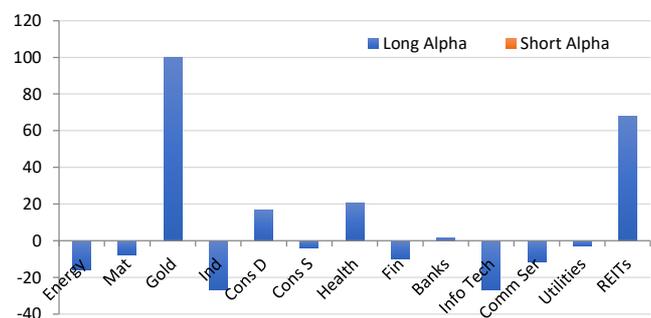
### Major Alpha Contributors

Name	Weight	Return	Alpha
<b>Top Five Contributors</b>			
Northern Star	2.94%	0.43%	0.45%
Charter Hall Group	4.12%	0.28%	0.38%
Saracen Mineral	2.09%	0.28%	0.35%
ResMed Inc.	3.28%	0.15%	0.26%
IDP Education Ltd	3.57%	0.20%	0.24%
<b>Bottom Five Contributors</b>			
Coca-Cola Amatil	1.58%	-0.13%	-0.10%
Nanosonics Limited	0.92%	-0.11%	-0.11%
Domino Pizza	0.00%	-0.10%	-0.11%
Atlas Arteria	2.94%	-0.19%	-0.13%
Computershare Ltd	2.86%	-0.25%	-0.16%

### Sector Exposure



### Alpha Generation by Sector



### Daily Return Distribution



### Investment Manager

Equus Point Capital is a boutique fund manager focused on producing meaningful risk adjusted returns from the Australian equities market. Equus Point was founded in 2017 in partnership with Prodigy Investment Partners.

Equus Point's investment process is systematic, designed to produce a return stream irrespective of market direction over the long term, with low volatility and uncorrelated to traditional asset classes.

### Fund Objective

To deliver absolute returns of 5% above the RBA Official Cash Rate over a rolling five-year period, with low volatility and a low correlation to traditional asset classes.

### Investment Philosophy

Equus Point uses a systematic approach to investing, seeking to harvest meaningful risk adjusted returns from behavioural biases in the Australian equities market. The strategy uses both long and short positions coupled with index futures to achieve a market neutral portfolio that seeks to produce positive returns irrespective of equity market direction and uncorrelated to traditional assets. Equus Point's robust risk management approach limits to portfolio's beta positioning, portfolio volatility, individual stock positioning, and long and short portfolio positioning.

The Fund employs a proprietary systematic investment process. The Fund invest exclusively in Australian equities and equity derivatives.

We believe in the following:

- In the short to medium term behavioural biases of investors can influence stock prices leading to both momentum and reversion effects. Momentum is where stocks with positive historical returns tend to be rewarded with a continuation of positive returns, and stocks with negative historical returns tend to underperform with a continuation of negative returns. Reversion is where stock prices initially overshoot before returning to a perceived fair value.
- Meaningful risk adjusted returns can be achieved through a portfolio of both long and short positions seeking to harvest positive and negative momentum.

- Managing the risks of the potential for stock price reversion, stock volatility, portfolio volatility and beta exposure are a core part of the investment process.
- Market neutral positioning between long and short portfolios is ensured through the use of index futures to offset residual beta risks.
- Combining the above dynamics with acceptable leverage delivers a portfolio that is designed to provide superior risk adjusted returns through market cycles.

### Benefits of the Fund

1. A systematic strategy with a disciplined focus on risk management.
2. Attractive risk adjusted returns over the long term.
3. Low volatility return stream uncorrelated to traditional asset classes over a rolling five year time frame.
4. Expected to preserve capital in volatile and negative equity markets.

### Key Attributes

APIR Code	ETL5256AU
Benchmark	RBA Official Cash Rate
Investment Objective	To deliver absolute returns of 5% above the RBA Official Cash Rate over a rolling five year period
Management Fee	1.20%
Performance Fee	20% over benchmark plus Management Fee
Redemption/Liquidity	Daily
Buy/Sell Spread	+/-0.35%
Entry/Exit Fees	Nil
Distributions	Half Yearly
Inception	30 Nov 18
Investment Manager	Prodigy
Sub Investment Manager	Equus Point Capital
Trustee	Equity Trustees Limited
Prime Broker	Morgan Stanley
Administrator	RBC Investor Services

Further information:

[www.equuspointcapital.com](http://www.equuspointcapital.com)

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