

Net Returns	1m	3m	6m	1yr	Incept
Equus Point Capital	0.53%	-	-	-	1.55%
Cash	0.13%	-	-	-	0.26%
Excess	0.40%	-	-	-	1.29%

**Commentary**

The Fund returned +0.53% after fees for the month. This result was achieved with a 72% long equities exposure, no short equities exposure, 28% cash and a negative beta bias in our futures hedge.

Stock selection was particularly pleasing over the month with +1.43% alpha generated, whilst our negative beta bias contributed -0.73% alpha in a market that was up 3.9% for the month.

At a sectoral level our positioning in Gold and REIT’s performed well, contributing a combined +0.76%. Both sectors have defensive beta characteristics which are advantageous in uncertain markets. A recovery in Technology and Consumer Discretionary contributed a further +0.80%.

At a stock level the major contributors for the month were Inghams and IDP Education producing +0.36% alpha each. The major detractors were ResMed on disappointing quarterly earnings costing -0.76% alpha and Costa Group on a profit warning costing -0.19% alpha.

The strategy has retained a conservative positioning for February, albeit we have slightly increased our exposure to long equities. We retain no short equities exposure and await further improvements in market sentiment before the strategy reinstates a short equities exposure. We retain a negative beta bias.

Last month we alluded to the volatility outcomes of the strategy when market volatility increases. We explore this theme further this month.

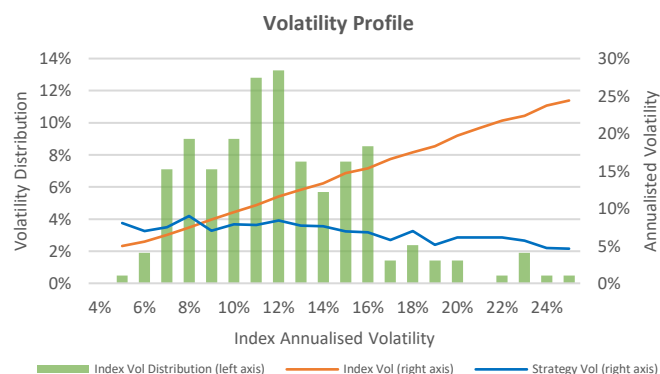
Whilst the strategy will not anticipate turning points in market direction, it will adjust to reflect the changing dynamics. To that end when market volatility spikes the strategy will tend to de-risk through:

- Stocks exceeding our reversion limit being excluded;
- Volatility adjusting positions to reflect stock specific and market risk levels;

- Removing our exposure to short equities as the risk of a snap back in the market is heightened; and
- Adopting a negative beta target.

The chart below buckets the distribution of annualized volatility for the S&P/ASX 200 index for the period from June 2000 to December 2018. The market volatility has averaged just over 12% per annum and typically ranged between 8% and 16%. However, there are periods when the index volatility can spike to levels greater than 20%.

In contrast, the strategy’s simulated volatility outcome would have averaged 8% per annum, or roughly two thirds of that of the market. The strategy also displays a propensity to maintain a consistency in its volatility outcomes and when market volatility is excessive the strategy’s volatility profile decreases. This is a reflection of the strategy producing relatively consistent return outcomes over the long term and de-risking when required as market volatility increases.



# Equus Point Capital Market Neutral Fund

## Performance Update 31 Jan 2019



### Net Monthly Performance

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Excess	0.40%	-	-	-	1.29%

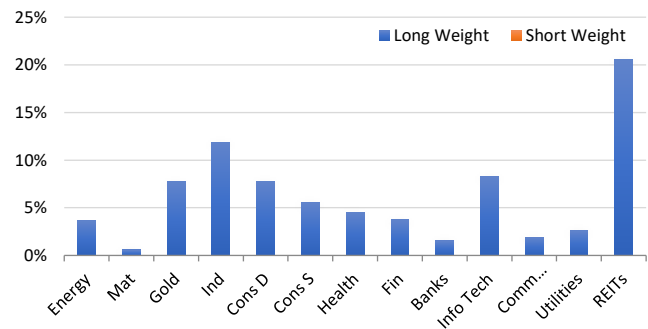
### Gross Monthly Performance

Asset	Positions	Weight	Return	Alpha
Long	57	80.5%	3.89%	1.43%
Short	0	0.00%	0.00%	0.00%
Futures		-75.1%	-3.18%	-0.73%
Cash		19.5%	0.03%	0.03%
	57	100.00%	0.73%	0.73%
Cash				0.14%
Excess				0.59%

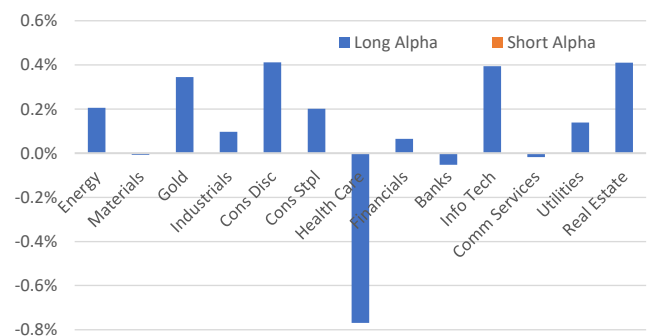
### Exposure and Gross Monthly Alpha

Sector Name	Long Weight	Short Weight	Active Weight	Alpha Contrib
Energy	3.7%	0.0%	3.7%	0.21%
Materials	0.6%	0.0%	0.6%	-0.01%
Gold	7.7%	0.0%	7.7%	0.35%
Industrials	11.9%	0.0%	11.9%	0.10%
Cons Disc	7.8%	0.0%	7.8%	0.41%
Cons Staples	5.5%	0.0%	5.5%	0.20%
Health Care	4.5%	0.0%	4.5%	-0.77%
Financials	3.7%	0.0%	3.7%	0.06%
Banks	1.6%	0.0%	1.6%	-0.05%
Info Tech	8.3%	0.0%	8.3%	0.39%
Comm Serv	1.9%	0.0%	1.9%	-0.02%
Utilities	2.6%	0.0%	2.6%	0.14%
Real Estate	20.6%	0.0%	20.6%	0.41%
Stock Total	80.5%	0.0%	80.5%	1.43%
Futures			-75.1%	-0.73%
Cash			19.5%	0.03%
Total			100.0%	0.73%

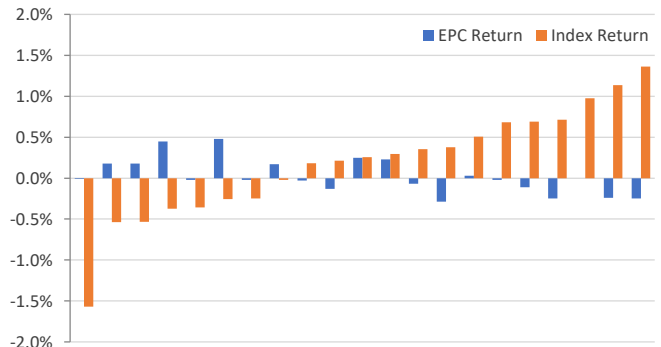
### Sector Exposure



### Alpha Generation by Sector



### Daily Return Distribution



### Major Alpha Contributors

Name	Weight	Return	Alpha
<b>Top Five Contributors</b>			
Inghams Group	4.10%	0.42%	0.36%
IDP Education Ltd	3.37%	0.46%	0.36%
Saracen Mineral	2.42%	0.32%	0.27%
New Hope Corporation	2.35%	0.32%	0.25%
Appen Limited	1.82%	0.36%	0.23%
<b>Bottom Five Contributors</b>			
Qantas Airways	0.91%	-0.06%	-0.10%
SCA Property Group	3.03%	-0.09%	-0.12%
Northern Star	2.37%	-0.12%	-0.13%
Costa Group Holdings	0.30%	-0.16%	-0.19%
ResMed Inc.	2.78%	-0.61%	-0.76%

# Equus Point Capital Market Neutral Fund

## Performance Update 31 Jan 2019



### 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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