

# Equus Point Capital Market Neutral Fund

## Performance Update 31 March 2019



Net Returns	1m	3m	6m	1yr	Incept
Equus Point Capital	1.11%	2.06%	-	-	3.10%
Cash	0.13%	0.36%	-	-	0.49%
Excess	0.98%	1.70%	-	-	2.61%

### Commentary

The Fund returned +1.11% after fees for the month. This result was achieved with a 104% long equities exposure, no short equities exposure and a negative beta bias in our futures hedge. To date the volatility of Fund returns has been less than 4.5% annualized, versus the broader equities market where volatility has been more than 12% annualized.

Stock selection generated +1.52% alpha for the month, whilst our negative beta bias contributed -0.09% alpha.

At a sectoral level alpha was broad based with positive contributors:

- Financials (+1.42%),
- Information Technology (+0.65%)
- Industrials (+0.57%),
- Consumer Staples (+0.20%)

Negative sectoral level alpha contributors included:

- Energy (-1.22%)

REIT's performed particularly well adding 1.31% alpha (captured above under Financials) with Charter Hall Group leading the sector with +0.49% alpha. Other key positive contributors included IPH +0.44%, Inghams Group +0.31% and Technology One +0.29%.

The major detractors were two positions in Energy. New Hope released first half results that indicated coal shipments to China were being slowed and diverted to Japan and South Korea. Market reaction saw a -0.77% alpha contribution for the month. Soul Pattinson, a 50% shareholder in New Hope, contributed a further -0.39% alpha in sympathy.

We continue to add to positions in the long portfolio, with the exposure to the long equities sitting at 104%. Whilst the market has recovered most of the end of 2018 mini-correction, our systematic process remains conservatively placed. Consequently we retain no direct short stock holdings at this time with the long exposure being offset by a short futures exposure to achieve an overall negative beta bias.

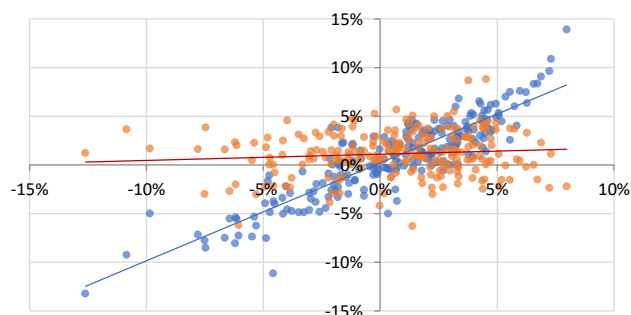
In the chart below we have compared monthly market returns against the outcome for one of the top performing long-only managers (in blue) and the backtested results for Equus Point Capital (in orange). The manager used in the comparison is a large cap value manager and had a history extending from June 2000 to March 2019 to ensure a consistency in the measurement period.

What the chart demonstrates is the tendency for the returns for the long only manager to congregate around the markets return, plus or minus a margin. The margin represents the net of the manager's out-performance or under-performance and the impact of fees. Ultimately the chart highlights that the bulk of returns generated from a typical long only exposure is driven by market returns. And in a broad diversified portfolio having an exposure to the equities market, or a beta exposure, is important in meeting investor's long term return expectations.

Equus Point Capital's return outcomes are independent of the market and significantly different to a long only strategy. On balance the strategy produces positive returns in both positive and negative markets.

At Equus Point Capital we are seeking to produce a return stream uncorrelated to the equities market and traditional asset classes. Our process constructs a core long equities portfolio and a constrained short equities portfolio with a SPI futures overlay to remove residual market exposure. Ultimately we are seeking to remove the impact of the equities market from returns and have pure risk adjusted price momentum generating meaningful alpha.

Market v Long Only v Equus Point Capital



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### Net Monthly Performance

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### Gross Monthly Performance

Asset	Positions	Weight	Return	Alpha
Long	71	103.97%	2.04%	1.52%
Short	0	0.00%	0.00%	0.00%
Futures		-106.53%	-0.61%	-0.09%
Cash		-3.97%	0.00%	0.00%
	71	100.00%	1.43%	1.43%
Cash				0.10%
Excess				1.30%

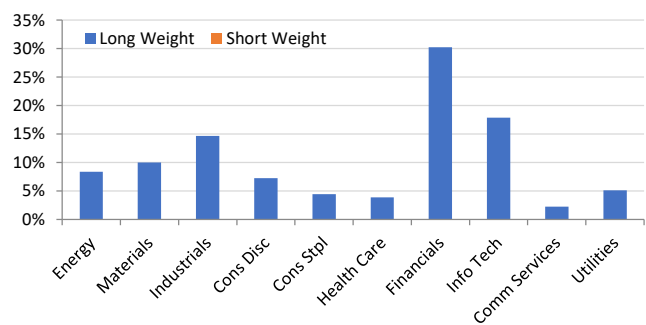
### Exposure and Gross Monthly Alpha

Sector Name	Long Weight	Short Weight	Active Weight	Alpha Contrib
Energy	8.4%	0.0%	8.4%	-1.22%
Materials	10.0%	0.0%	10.0%	-0.12%
Industrials	14.7%	0.0%	14.7%	0.57%
Cons Disc	7.2%	0.0%	7.2%	0.00%
Cons Staples	4.4%	0.0%	4.4%	0.20%
Health Care	3.8%	0.0%	3.8%	0.04%
Financials	30.2%	0.0%	30.2%	1.42%
Info Tech	17.9%	0.0%	17.9%	0.65%
Comm Serv	2.3%	0.0%	2.3%	-0.02%
Utilities	5.1%	0.0%	5.1%	0.00%
Stock Total	104.0%	0.0%	104.0%	1.52%
Futures			-106.5%	-0.09%
Cash			-4.0%	0.00%
Total			100.0%	1.43%

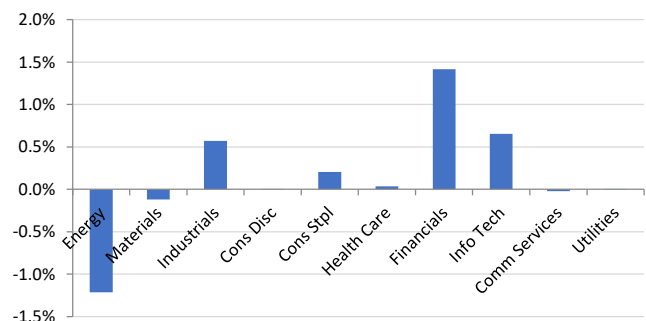
### Major Alpha Contributors

Name	Weight	Return	Alpha
<b>Top Five Contributors</b>			
Charter Hall Group	3.57%	0.67%	0.49%
IPH Limited	3.24%	0.45%	0.44%
Inghams Group	3.14%	0.32%	0.31%
Technology One	4.14%	0.30%	0.29%
SCA Property Group	2.04%	0.28%	0.20%
<b>Bottom Five Contributors</b>			
GrainCorp Limited	1.23%	-0.20%	-0.08%
Appen Limited	1.60%	-0.09%	-0.11%
St Barbara Limited	0.78%	-0.24%	-0.24%
Soul Pattinson (W.H)	3.08%	-0.36%	-0.39%
New Hope Corporation	1.84%	-0.75%	-0.77%

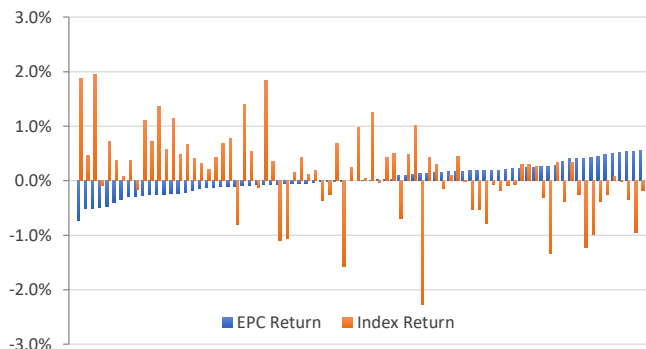
Sector Weight



Sector Alpha



Daily Return Distribution



# Equus Point Capital Market Neutral Fund

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### 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:

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