

Equus Point Capital Market Neutral Fund

Performance Update 30 April 2019



Net Returns	1m	3m	6m	1yr	Incept
Equus Point Capital	0.03%	1.55%	-	-	3.12%
Cash	0.12%	0.37%	-	-	0.62%
Excess	-0.09%	1.19%	-	-	2.50%

Commentary

The Fund returned +0.03% after fees for the month. This result was achieved with a 114% long equities exposure, a 13% short equities exposure and a neutral beta positioning 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 +0.33% alpha for the month, whilst our beta positioning contributed -0.22% alpha.

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

- Information Technology (+1.05%)
- Consumer Discretionary (+0.35%)

Negative sectoral level alpha contributors included:

- Materials (-0.87%)
- Energy (-0.22%)
- Utilities (-0.19%)

Magellan (+0.51% alpha) was the standout contributor for the month on the back of continued strong fund performance and growth in funds under management – in stark contrast to competing global fund managers like Platinum and Janus Henderson.

Our long Information Technology positions performed nicely over the month with positive contributions from Technology One (+0.32% alpha), After Pay (+0.25%), Appen (+0.15%), Iress (+0.15%) and Xero (+0.14%).

The major detractors were positions in Materials, with long positions in gold stocks the primary driver of negative alpha on softer gold prices. This included Evolution (-0.29%), Northern Star (-0.18%), Regis Resources (-0.17%) and Saracens (-0.10%).

During the month we have established a small short equities position. While positions are only modest the standout contributor was lithium producer Galaxy (+0.13%).

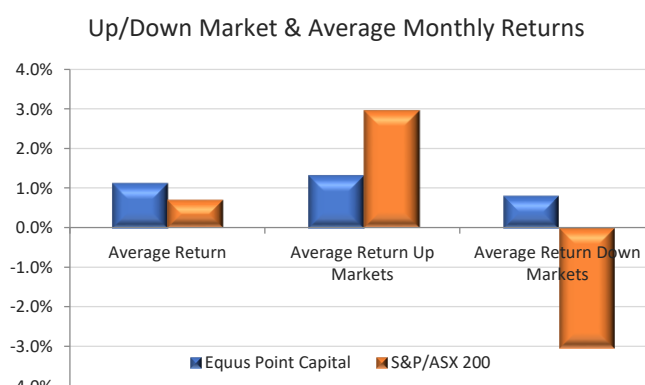
We continue to add to positions in the long portfolio, with the exposure to the long equities sitting at 114%. Gross exposure was 211% and net exposure 17% as at the end of the month.

As a market neutral strategy, we are seeking to produce a return stream over the medium to long term that is independent of the direction of the equities market. Essentially, we are seeking to remove the impact of overall market direction from returns and have pure risk adjusted price momentum generating meaningful alpha.

The chart below demonstrates the backtested performance of the strategy in both up and down markets since June 2000.

The strategy tends to not do as well as the market when the market is positive. This is understandable given we seek to remove the impact of market direction from returns and focus on pure stock alpha. Conversely the strategy will tend to still produce positive returns on average in a negative market. This is the beauty of a strategy that deliberately seeks to remove the impact of market direction from returns and focuses on alpha generation.

It is important to note that these are average results. There is no guarantee that the strategy will exhibit negative correlation in any particular down month for the market. However, we seek to provide a return stream that is uncorrelated over the medium to long term and add value in the event of a sustained decline in the equities market.



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Net Monthly Performance

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Gross Monthly Performance

Asset	Positions	Weight	Return	Alpha
Long	72	114.06%	2.22%	0.34%
Short	25	-13.12%	1.34%	-0.01%
Futures		-83.61%	2.68%	-0.22%
Cash		-0.94%	0.13%	-0.01%
	97	100.00%	0.11%	0.11%
Cash				0.12%
Excess				-0.01%

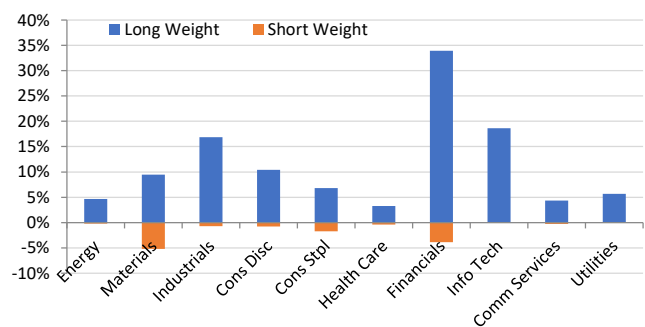
Exposure and Gross Monthly Alpha

Sector Name	Long Weight	Short Weight	Active Weight	Alpha Contrib
Energy	4.6%	-0.2%	4.5%	-0.22%
Materials	9.5%	-5.2%	4.2%	-0.86%
Industrials	16.9%	-0.7%	16.1%	-0.10%
Cons Disc	10.4%	-0.8%	9.7%	0.35%
Cons Staples	6.8%	-1.7%	5.1%	0.13%
Health Care	3.3%	-0.4%	2.9%	0.04%
Financials	34.0%	-3.8%	30.1%	0.00%
Info Tech	18.6%	0.0%	18.6%	1.06%
Comm Serv	4.3%	-0.3%	4.1%	0.12%
Utilities	5.7%	0.0%	5.7%	-0.19%
Stock Total	114.1%	-13.1%	100.9%	0.33%
Futures			-83.6%	-0.22%
Cash			-0.9%	-0.01%
Total			100.0%	0.11%

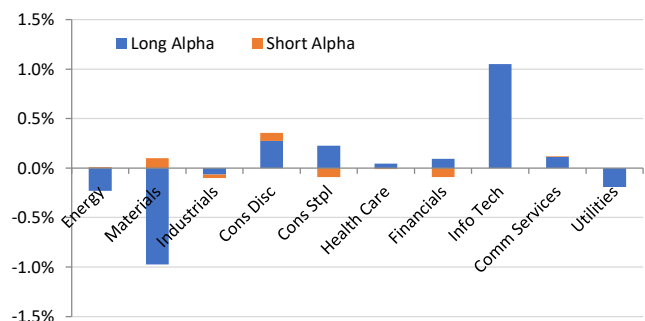
Major Alpha Contributors

Name	Weight	Return	Alpha
Top Five Contributors			
Magellan Fin Grp Ltd	3.50%	0.61%	0.51%
Technology One	4.21%	0.39%	0.32%
Afterpay Touch	1.48%	0.29%	0.25%
The A2 Milk Company	2.15%	0.25%	0.23%
ASX Limited	3.75%	0.23%	0.16%
Bottom Five Contributors			
Northern Star	1.99%	-0.18%	-0.18%
Soul Pattinson (W.H)	0.76%	-0.33%	-0.18%
Charter Hall Group	3.93%	-0.19%	-0.23%
Evolution Mining Ltd	1.91%	-0.29%	-0.29%
GPT Group	3.82%	-0.31%	-0.34%

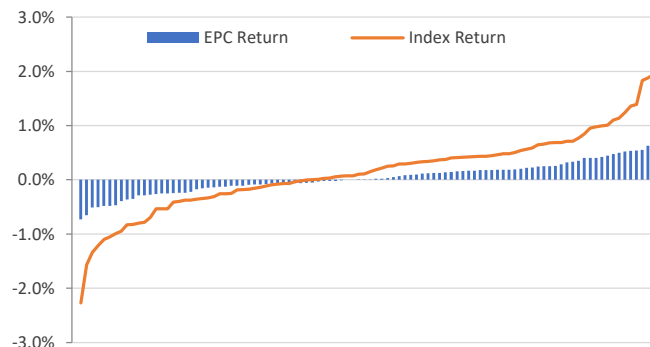
Sector Exposure



Sector Alpha



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 Investment Partners
Sub Investment Manager	Equus Point Capital
Trustee	Equity Trustees Limited
Prime Broker	Morgan Stanley
Administrator	RBC Investor Services

Further information:

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