

# Equus Point Capital Market Neutral Fund

## Performance Update 31 July 2019



Net Returns	1m	3m	6m	1yr	Incept
Equus Point Capital	2.70%	3.83%	5.45%	-	7.07%
Cash	0.08%	0.32%	0.68%	-	0.94%
Excess	2.62%	3.52%	4.76%	-	6.14%

Risk Characteristics	
Volatility	6.5%
Beta	-0.07
Correlation to S&P/ASX 200	-0.12
Sharpe Ratio	1.40

### Commentary

The Fund returned 2.70% after fees for the month. To date the annualized volatility of returns has been less than 6.5%, versus the broader equities market where volatility has been more than 11% annualized.

Stock selection generated +2.95% alpha for the month, with longs providing +2.85% alpha and shorts +0.10% alpha, whilst our beta positioning contributed +0.52% alpha.

Positive sector level alpha contributors included:

- Financials (+1.08%)
- Materials (+0.91%)
- Consumer Discretionary (+0.69%)
- Consumer Staples (+0.60%)

Negative sector level alpha contributors included:

- Utilities (-0.26%)
- Healthcare (-0.20%)

Key individual stocks that contributed towards results include:

- Long positions in fund manager Magellan (+0.58%); kitchen appliance manufacturer Breville Group (+0.50%); A2 Milk Company (+0.48%); intellectual property services firm IPH Limited (+0.35%); gold stocks Saracen Mineral Holdings (+0.30%), Evolution (+0.29%) and Northern Star Resources (+0.26%); the Australian Stock Exchange (+0.20%); student placement and English language testing firm IDP Education (+0.19%) and retailer JB Hi-Fi (+0.19%).

The key detractors for the month include:

- Long positions in utility provider AusNet Services (-0.26%); receivables management company Credit Corp Group on weaker than expected results (-0.24%); geospatial mapping technology firm Nearmap (-0.23%) and child care operator G8 Education (-0.21%).

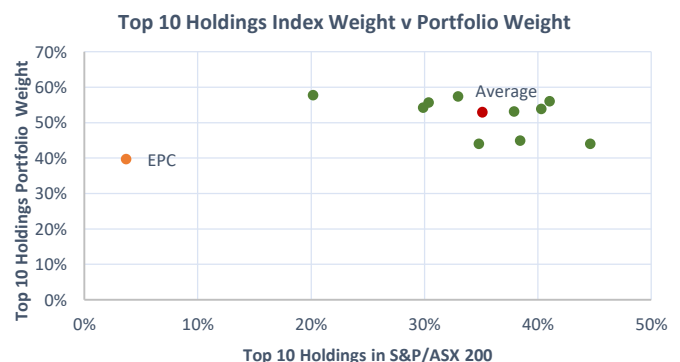
At Equus Point Capital (EPC) we seek to add value through providing a return stream that is uncorrelated to the equities market. And we are deliberately capacity constrained, believing that the opportunity to capture meaningful returns is scale dependent. Larger capacity unconstrained strategies lead to portfolios and returns that more closely resemble the index. By limiting our capacity we are able to build a portfolio that is materially different from mainstream long only portfolios and the index. In effect we are alpha hunters and not asset gatherers.

The chart below compares the top ten holdings for a range of traditional long only funds of well recognized managers against EPC's ten largest holdings as at 30 June 19.

The first point to note is that EPC's top ten holdings represent just under 40% of the portfolio's overall exposure, whilst the long only funds have a top ten holdings exposure representing more than 50% on average. This implies somewhat greater diversification for EPC with less concentration in a handful of names.

The second point to note is the make up of the largest exposures. Equus Point Capital's ten largest holdings have a combined index weight of less than 4%. In contrast the largest holdings of traditional long only funds represent a combined index weight of some 35% on average.

In summary, Equus Point Capital's portfolio provides greater diversification and a portfolio structure that is materially different from the index, unlike traditional long only funds that tend to have a greater concentration in the larger constituents of the index.



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### Net Monthly Performance

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### Gross Monthly Performance

Asset	Positions	Weight	Return	Alpha
Long	69	114.87%	5.08%	2.85%
Short	28	-10.32%	19.61%	0.10%
Futures		-70.75%	1.79%	0.52%
Cash		-4.55%	0.10%	-0.01%
	97	110.32%	3.45%	3.45%
Cash				0.08%
Excess				3.37%

### Exposure and Gross Monthly Alpha

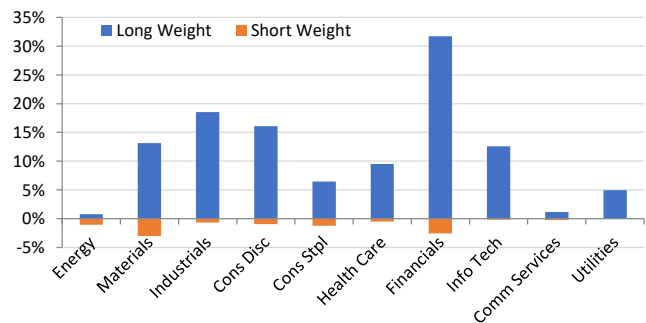
Sector Name	Long Weight	Short Weight	Active Weight	Alpha Contrib
Energy	0.8%	-1.0%	-0.3%	0.06%
Materials	13.1%	-3.0%	10.1%	0.91%
Industrials	18.5%	-0.6%	17.9%	0.05%
Cons Disc	16.1%	-1.0%	15.1%	0.69%
Cons Staples	6.4%	-1.2%	5.2%	0.60%
Health Care	9.5%	-0.5%	9.0%	-0.20%
Financials	31.7%	-2.5%	29.2%	1.08%
Info Tech	12.6%	-0.2%	12.4%	0.10%
Comm Serv	1.2%	-0.2%	1.0%	-0.08%
Utilities	4.9%	0.0%	4.9%	-0.26%
Stock Total	114.9%	-10.3%	104.5%	2.95%
Futures			-70.8%	0.52%
Cash			-4.5%	-0.01%
Total			100.0%	3.45%

Net Exposure	104.5%
Gross Exposure excluding Futures	125.2%
Gross Exposure including Futures	195.9%

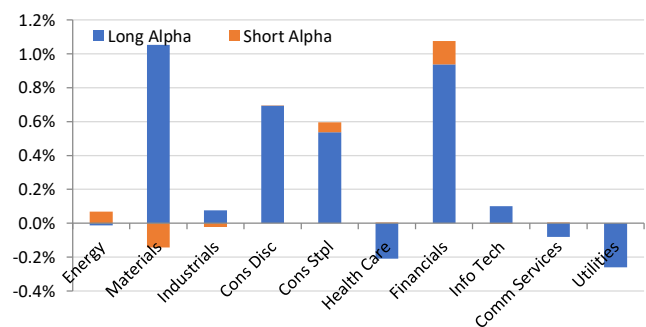
### Major Alpha Contributors

Name	Weight	Contrib	Alpha
<b>Top Five Contributors</b>			
Magellan Fin Group Ltd	3.68%	0.76%	0.58%
Breville Group Ltd	3.92%	0.61%	0.50%
The A2 Milk Company	2.82%	0.60%	0.48%
IPH Limited	3.95%	0.46%	0.35%
Saracen Mineral	2.47%	0.30%	0.30%
<b>Bottom Five Contributors</b>			
NRW Holdings Limited	0.00%	-0.11%	-0.17%
G8 Education Limited	0.99%	-0.17%	-0.21%
Nearmap Ltd	3.22%	-0.20%	-0.23%
Credit Corp Group	0.64%	-0.18%	-0.24%
AusNet Services Ltd	3.48%	-0.20%	-0.26%

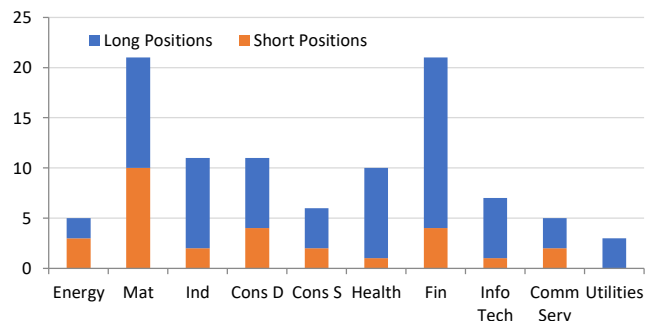
### Sector Exposure



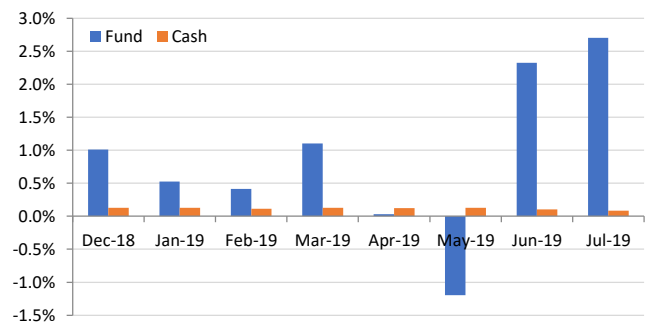
### Sector Alpha



### Positions



### Monthly Returns



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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 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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