

Equus Point Capital Market Neutral Fund

Performance Update 31 August 2019



Net Returns	1m	3m	6m	1yr	Incept
Equus Point Capital	0.57%	5.69%	5.61%	-	7.69%
Cash	0.08%	0.27%	0.65%	-	1.03%
Excess	0.49%	5.42%	4.96%	-	6.66%

Risk Characteristics	
Volatility	6.8%
Beta	0.00
Correlation to S&P/ASX 200	0.01
Sharpe Ratio	1.3

Commentary

The Fund returned 0.57% after fees for the month. To date the annualized volatility of returns has been less than 6.8%, versus the broader equities market where volatility has been more than 11.7% annualized.

Stock selection generated 1.22% alpha for the month, with longs providing -0.16% alpha and shorts +1.38% alpha, whilst our beta positioning contributed -0.37% alpha.

Pleasingly it was our short exposure that performed exceptionally well for the month, whilst representing less than 25% of the portfolio exposure.

Positive sector level alpha contributors included:

- Financials (+1.19%)
- Communication Services (+0.56%)
- Health Care (+0.32%)
- Energy (+0.21%)

Negative sector level alpha contributors included:

- Consumer Discretionary (-0.45%)
- Materials (-0.41%)

Key individual stocks that contributed towards results include:

- A long position in IPH Limited, an intellectual property services company (+0.47% alpha);
- A long position in Charter Hall Group, a listed property trust leveraging off its funds management division (+0.47% alpha);
- A short position in Speedcast International, a remote location communication services provider (+0.46% alpha);
- A long position in Credit Corp, a debt service and collection business (+0.36% alpha); and
- A long position in WiseTech Global, a logistics software provider (+0.32% alpha).

The key detractors for the month included long positions:

- Cleanway Waste on the back poorly received results (-0.49% alpha);

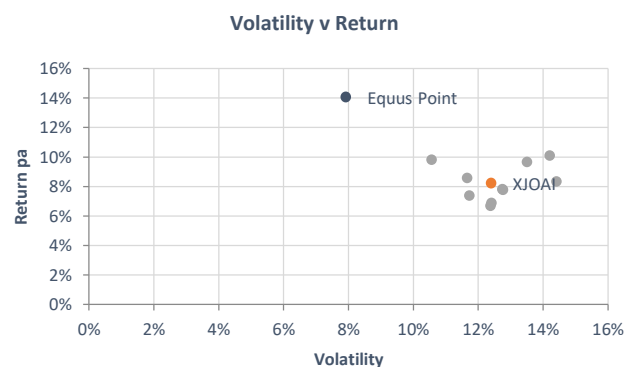
- Construction, maintenance and services company the Monadelphous Group (-0.38% alpha);
- Inghams Group on the back of poor annual results (-0.38% alpha);
- Kitchen appliance maker Breville Group (-0.36% alpha); and
- A2 Milk Company (-0.32% alpha).

At Equus Point Capital (EPC) we seek to add value by producing an attractive return stream with a volatility outcome through the cycle that is less than a typical long only portfolio or the equity market in general.

The chart below compares the Equus Point Capital Market Neutral strategy against ten well known long only managers whose funds have been in operation since June 2000. The comparison is on an after fees and costs basis with simulated returns prior to November 2018 and actual Fund returns from November 2018.

Equus Point Capital Market Neutral strategy produced a return stream over the long term in excess of the typical long only strategy or the market in general, and did so with substantially lower volatility, based on the combined Fund and simulated returns.

In effect, we are seeking to produce equity market like returns with less than equity market volatility over the long term. This should be particularly well suited to investors that seek to avoid the volatility of the equities market, but still require an exposure to equities within a broader portfolio.



Source: Iress and Equus Point Capital

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Net Monthly Performance

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Gross Monthly Performance

Asset	Positions	Weight	Return	Alpha
Long	69	96.62%	-2.82%	-0.16%
Short	31	-24.42%	-10.03%	1.38%
Futures		-45.63%	-2.60%	-0.37%
Cash		27.80%	0.08%	0.02%
	100	100.00%	0.87%	0.87%
Cash				0.09%
Excess				0.78%

Exposure and Gross Monthly Alpha

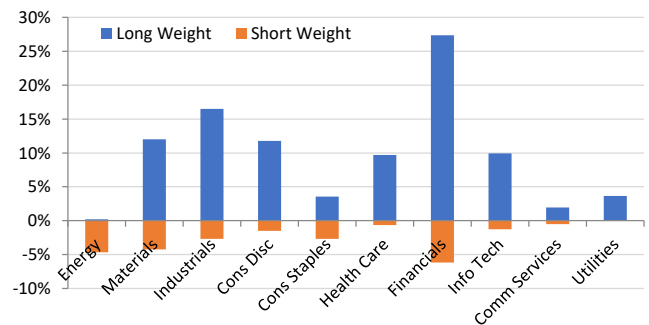
Sector Name	Long Weight	Short Weight	Active Weight	Alpha Contrib
Energy	0.2%	-4.7%	-4.5%	0.21%
Materials	12.0%	-4.2%	7.8%	-0.41%
Industrials	16.5%	-2.7%	13.8%	-0.11%
Cons Disc	11.8%	-1.5%	10.3%	-0.45%
Cons Staples	3.5%	-2.7%	0.9%	-0.13%
Health Care	9.7%	-0.7%	9.0%	0.32%
Financials	27.4%	-6.2%	21.2%	1.19%
Info Tech	9.9%	-1.3%	8.7%	-0.08%
Comm Serv	1.9%	-0.5%	1.4%	0.56%
Utilities	3.6%	0.0%	3.6%	0.12%
Stock Total	96.6%	-24.4%	72.2%	1.22%
Futures			-45.6%	-0.37%
Cash			27.8%	0.02%
Total			100.0%	0.87%

Net Exposure	72.2%
Gross Exposure excluding Futures	121.0%
Gross Exposure including Futures	166.7%

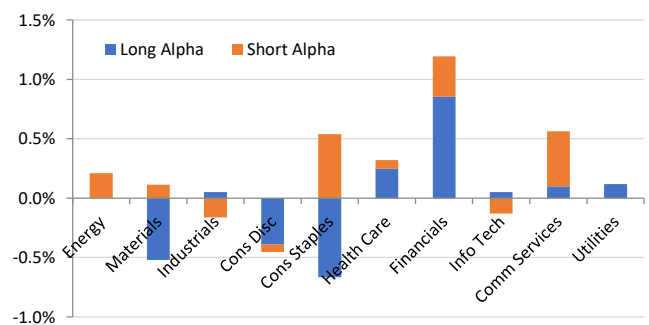
Major Alpha Contributors

Name	Weight	Contrib	Alpha
Top Five Contributors			
IPH Limited	3.14%	0.41%	0.47%
Charter Hall Group	3.57%	0.44%	0.47%
Speedcast Int Ltd	-0.33%	0.53%	0.46%
Credit Corp Group	2.35%	0.36%	0.36%
WiseTech Global Ltd	2.23%	0.36%	0.32%
Bottom Five Contributors			
The A2 Milk Company	1.70%	-0.53%	-0.32%
Breville Group Ltd	2.41%	-0.53%	-0.36%
Inghams Group	1.41%	-0.47%	-0.38%
Monadelphous Group	2.18%	-0.52%	-0.38%
Cleanaway Waste Ltd	2.93%	-0.57%	-0.49%

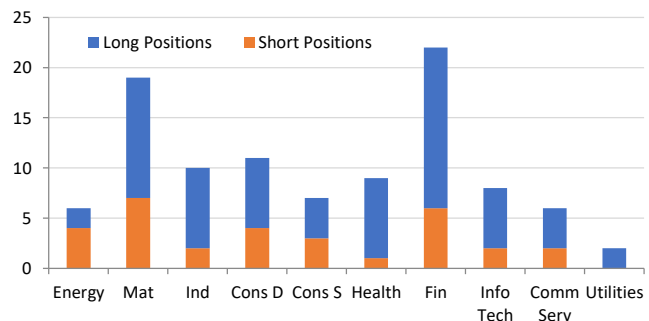
Sector Exposure



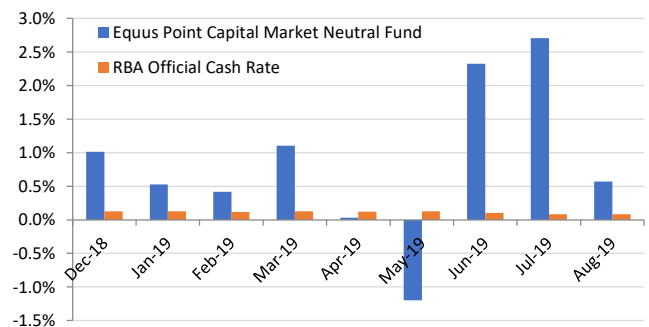
Sector Alpha



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 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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