

Equus Point Capital Market Neutral Strategy

Performance Update 30 November 2020

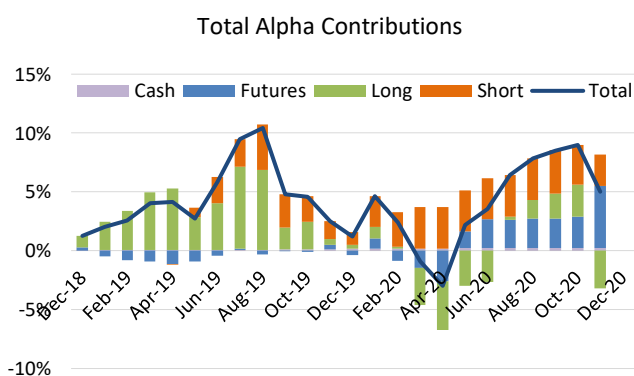


Net Returns	1m	3m	6m	YTD	1yr	Incept pa	Risk Characteristics
Equus Point Capital	-3.98%	-3.10%	2.15%	2.35%	0.92%	0.60%	Volatility 10.07%
S&P/ASX 200 Accum	10.21%	8.22%	14.76%	0.19%	-1.98%	11.11%	Beta -0.03
Cash	0.01%	0.05%	0.12%	0.31%	0.38%	0.81%	Correlation to S&P/ASX 200 -0.06
Excess v Cash	-3.99%	-3.15%	2.03%	2.03%	0.54%	-0.20%	Sharpe Ratio 0.0

Commentary

The Strategy returned -3.98% after fees for the month. Please note that with the Fund closed during May, the results for August are simulated returns.

On a gross basis stock selection generated -3.86% alpha for the month, with long exposures contributing -5.75% alpha and a modest short exposure contributing -0.64% alpha. Our beta positioning contributed +2.53% alpha.



Position contributions included:

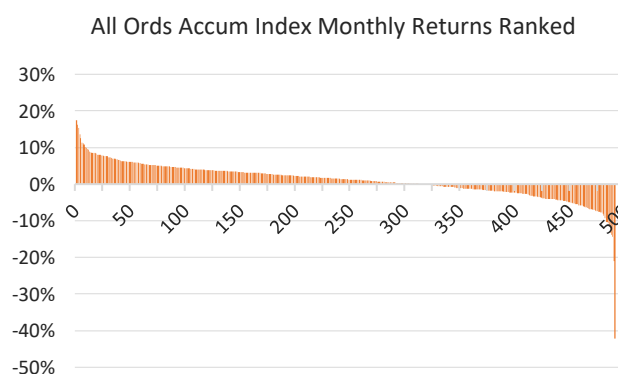
- Materials (+0.24%), due almost exclusively to a long position in Mineral Resources (with offsetting losses from a broad range of long gold stock positions).

Negative contributions included:

- Consumer Discretionary (-2.66%), due to long positions in ARB Corp, Burson Group, Breville Group, Domino's Pizza, Harvey Norman, JB Hi-Fi and Super Cheap (note all of these stocks have been strong performers post COVID as spending and living habits adjusted to changes in life);
- Health Care (-1.17%), due to long positions in Ansell and Sonic Healthcare;
- Financials (-0.64%), due to a long position in Netwealth and across the board incremental negative contributions from long REIT's positions;
- Information Technology (-0.71%), due to a long position in Nextdc; and
- Communication Services (-0.71%), due primarily to a long position in Carsales.com.

"Oh, yes, I'm the great rotation". With apologies to the Platters and The Great Pretender. That is the only way to describe November, as sectors that had held up well over the year to October, reversed and under-performed in November. Conversely, sectors that had struggled or lagged over the year performed strongly and out-performed.

On balance the broad index posted its best single monthly gain since March 1988 with a return of 10.2%. For the record, March 2020 was the second worst monthly return (-20.9%) over the last forty years, with the October 1987 taking the mantle as the worst single monthly return for the index (-42.5%).



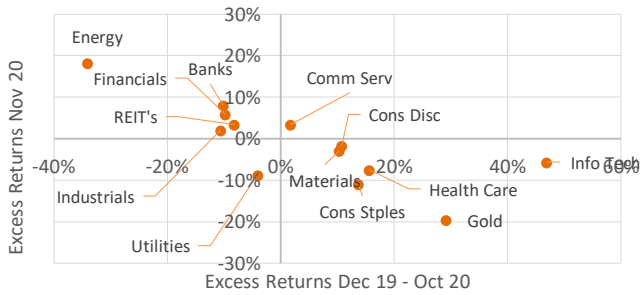
To provide some context to the change in sectoral performance, Energy, for example, had under-performed the S&P/ASX 200 Accumulation Index by almost 35% in the year to the end of October, only to post an 18% out-performance for November.

Perhaps more importantly given their weight in the index, Banks had lagged the broader index by almost 10% to the end of October, only to post an out-performance of 8% in November.

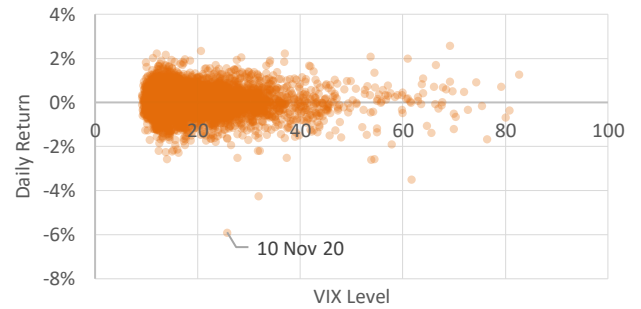
Other sectors to enjoy a reversal of fortune included Industrials, REIT's and Communication Services.

The laggards for the month of November were the sectors that had benefitted over the year from lockdown: the shift to online retail and pent-up consumer spending (Healthcare, Consumer Staples, Consumer Discretionary and Information Technology) and Gold.

Excess Returns v S&P/ASX 200 Accum Index



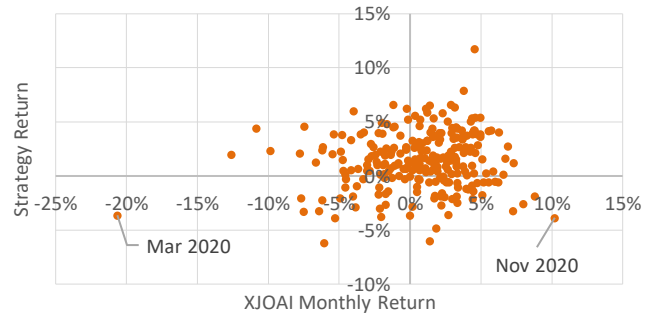
VIX v Strategy Return Daily



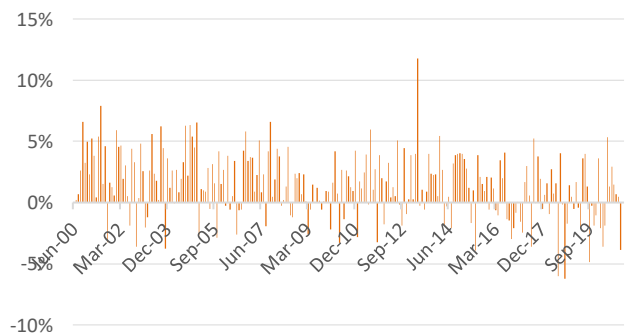
In hindsight it is perhaps flippan to point to any single driving factor that pushed the market higher. An expectation of more balanced US politics, vaccine announcements, continued ongoing fiscal and monetary support into the foreseeable future and an expectation that the worst of the recession is behind us. In truth, perhaps all of these factors have played a role, combined with the fact that the laggards of the index included those that represented the largest single sector and perhaps had the greatest potential for mean reversion (i.e. financials being the banks and REIT's).

This reversal in fortunes manifested itself in a return of -3.86% for the month for the strategy. However, we can drill down further and the one day that caused the damage was 10th November, where the portfolio returns -5.89%. This return is very much an outlier over our data extending back to the turn of the century. Statistically, under a normal distribution the probability of such an event is infinitesimally small. But markets do not produce normal distributions. Long left-hand tails (that is negative returns) may be rare events but have a tendency to occur more frequently than raw statistics would suggest.

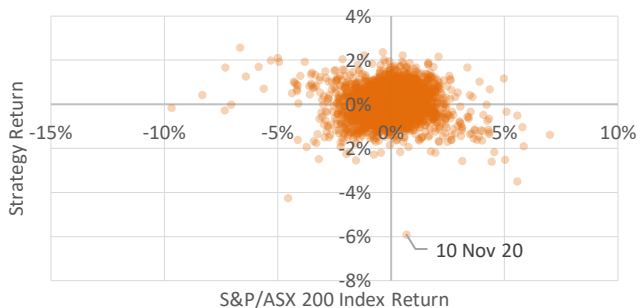
XJOAI v Strategy Monthly Return



Gross Monthly Strategy Performance



XJOAI v Strategy Daily Returns



On balance the Strategy has performed well through the year on the back of what has been the most challenging environment since the GFC. While the full monthly return was negative, it remains within long term outcomes.

The portfolio has been largely retained with a positive beta position and modest levels of gearing.

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Net Monthly Performance

Net Returns	1m	3m	6m	YTD	1yr	Incept pa	Risk Characteristics	
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Cash	0.01%	0.05%	0.12%	0.31%	0.38%	0.81%	Correlation to S&P/ASX 200	-0.06
Excess v Cash	-3.99%	-3.15%	2.03%	2.03%	0.54%	-0.20%	Sharpe Ratio	0.0

Gross Monthly Performance

Asset	Positions	Weight	Contrib	Alpha
Long	81	92.1%	3.39%	-5.75%
Short	39	-18.1%	-2.27%	-0.64%
Futures		-46.2%	-4.99%	2.53%
Cash		26.0%	0.00%	0.00%
		100.0%	-3.86%	-3.86%
Cash				0.02%
Excess				-3.88%

Exposure and Gross Monthly Alpha

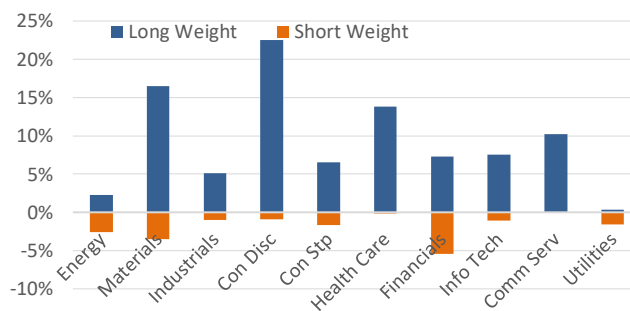
Sector Name	Long Weight	Short Weight	Active Weight	Alpha Contrib
Energy	2.25%	-2.62%	-0.38%	-0.17%
Materials	16.51%	-3.52%	12.99%	0.20%
Industrials	5.08%	-1.01%	4.07%	-0.21%
Cons Disc	22.50%	-0.93%	21.57%	-2.66%
Cons Staples	6.52%	-1.69%	4.83%	-0.29%
Health Care	13.83%	-0.19%	13.65%	-1.17%
Financials	7.30%	-5.43%	1.86%	-0.64%
Info Tech	7.58%	-1.09%	6.49%	-0.71%
Comm Serv	10.18%	0.00%	10.18%	-0.71%
Utilities	0.32%	-1.62%	-1.30%	-0.04%
Stock Total	92.06%	-18.10%	73.96%	-6.39%
Futures			-46.16%	2.53%
Cash			26.04%	0.00%
Total			100.00%	-3.86%

Net exposure including futures	27.8%
Gross exposure excluding futures	110.7%
Gross exposure including futures	156.3%

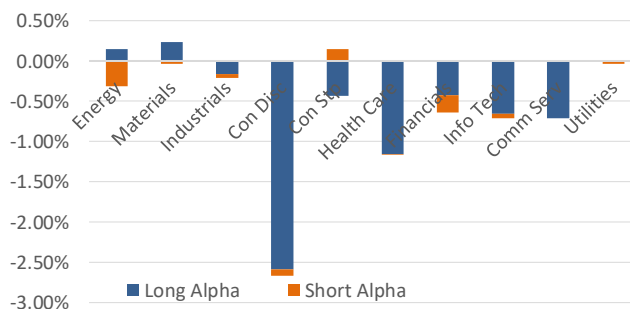
Major Alpha Contributors

Name	Weight	Contrib	Alpha
Top Five Contributors			
Mineral Resources	2.70%	0.68%	0.43%
Lynas Corporation	1.81%	0.50%	0.31%
REA Group Ltd	2.45%	0.51%	0.18%
Treasury Wine Estates	-1.31%	0.10%	0.18%
Soul Pattinson & Co.	1.90%	0.26%	0.13%
Bottom Five Contributors			
Domino's Pizza	2.46%	-0.33%	-0.46%
ARB Corp Ltd	2.37%	-0.23%	-0.46%
Carsales.Com Ltd	3.28%	-0.06%	-0.47%
Super Retail Group	1.72%	-0.23%	-0.51%
Ansell Limited	3.49%	-0.23%	-0.56%

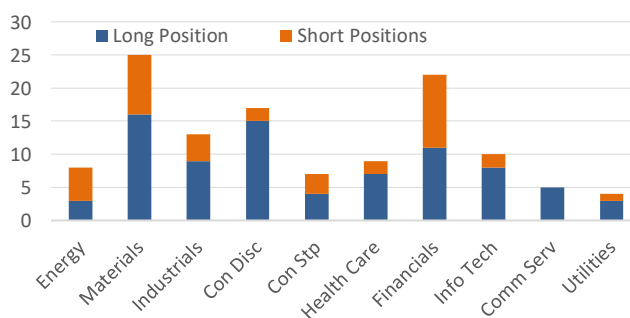
Sector Exposure



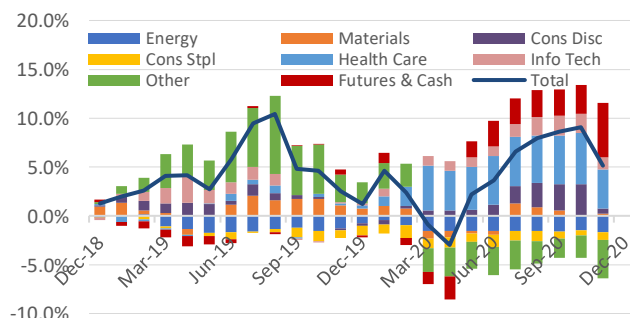
Sector Alpha



Positions



Cumulative Sector Alpha



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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.

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.

Strategy 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 behavioral 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 Strategy 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 behavioral 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 Strategy

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.

Further information: www.equuspointcapital.com

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