

Equus Point Capital Market Neutral Strategy

Performance Update 31 July 2021



Net Returns	1m	3m	6m	1Yr	2yr pa	Incept pa	Risk Characteristics	
Equus Point Capital	1.32%	2.23%	9.59%	10.60%	3.18%	5.04%	Volatility	7.74%
Cash	0.01%	0.02%	0.05%	0.14%	0.37%	0.63%	Beta	0.11
Excess v Cash	1.31%	2.20%	9.54%	10.46%	2.81%	4.40%	Correlation to S&P/ASX 200	0.26
							Sharpe Ratio	0.57

Commentary

The Strategy returned 1.32% after fees for the month. Please note that with the Fund closed during May 2020, the results for the month are simulated returns.

On a gross basis stock selection generated 1.53% alpha for the month, with long exposures contributing 1.06% alpha and a modest short exposure contributing 0.46% alpha. Our beta positioning contributed 0.25% alpha.

The volatility of returns since inception is 7.7% annualized versus 18.0% for the S&P/ASX 200 Accumulation Index.

Positive alpha contributions from stock positions included:

- Materials (+2.76%)
 - Champion Iron 0.44%
 - Independence Group 0.44%
 - Mineral Resources 0.39%
 - Orocobre 0.36%
 - Pilbara Minerals 0.32%
 - Bluescope Steel 0.25%
 - Orora 0.24%
 - Lynas Corp 0.22%
- Healthcare (+0.76%)
 - Healius 0.17%
 - Nanosonics 0.10%
- Utilities (+0.31%)
 - AGL (short position) 0.32%

Negative alpha contributions included:

- Industrials (-0.93%)
 - NRW Holdings -0.27%
 - Seek -0.22%
 - Nearmap -0.13%
- Consumer Discretionary (-0.76%)
 - Crown -0.46%
 - Tabcorp -0.16%
 - Dominos -0.14%
- Information & Technology (-0.22%)
 - Codan -0.18%
- Financials (-0.22%)
 - Hub 24 -0.28%

Typically competitors in the market neutral space tend to be pairs trading in nature, offsetting long positions against related short positions, on either a dollar weighted basis of the beta weighted basis. The ability to short also provides the ability to leverage the portfolio, using the proceeds from the short portfolio to fund the long portfolio.

We are different in that the typical EPC portfolio is more akin to a long/short (e.g. 130/30) strategy with a futures overlay to achieve a desired overall portfolio beta position.

We are not a pairs trading strategy

A pairs trading model is where a long position is offset against a related short position, determined either on fundamental grounds or on statistical measures. For example, a manager may have a positive view on BHP and take a long position, offset by a negative short position in RIO.

Note, pair trading consists of two legs in the one trade and if a particular stock cannot be borrowed, the pair trade cannot proceed. Additionally the margins available through a pairs trading approach can sometime be small given the high degree of shared risk factors, requiring leverage to boost portfolio returns. As a result it is not uncommon for pairs trading approaches to have higher leverage ratios and warehouse hidden risks.

EPC is different in that the strategy's short positions are independent of any long position and should a particular stock be unavailable to borrow, we simply short futures in lieu.

We are not sector neutral

We find sector neutrality can dilute alpha potential. For example, being long and short stocks in a sector for neutrality purposes where those stocks are highly correlated and tend to move in unison (for example gold, real estate or the large banks) can offset potential alpha generation where the sector itself is contributing to stock momentum.

Our sector exposure is a function of the stock selection process. We will tend to have an exposure

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to particular sectors that have a deep pool of potential candidates (i.e. where a sector has a long list of constituents) and where the sector itself exhibits trendiness.

We are not style neutral

Obtaining a neutral exposure to style or factors (value, size momentum, volatility, quality etc.) can dilute any potential alpha source. Effectively the risk management process can dissipate the alpha generation process leading to poor outcomes.

We are unambiguously seeking to harvest the momentum premium. Our research and numerous academic studies support the existence of the momentum premium in the local equities market with risk and return attributes superior to other factors.

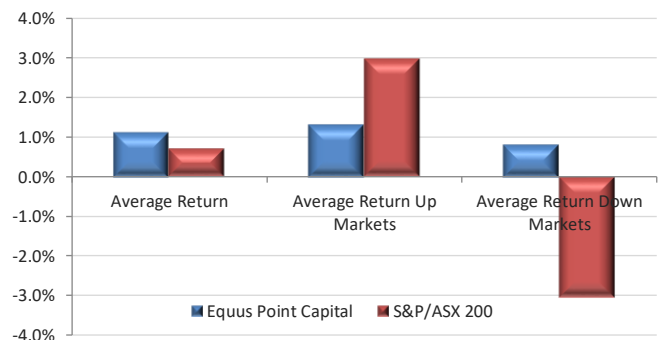
We are best described as beta neutral

Given we measure the weighted average beta of the long and short portfolio and deliberately hedge out remaining beta risks to ensure the total portfolio positioning is within acceptable boundaries, we would propose we are best described as beta neutral. In effect we are seeking to remove the individual market return component (beta) of each stock to capture pure idiosyncratic stock return (alpha).

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.

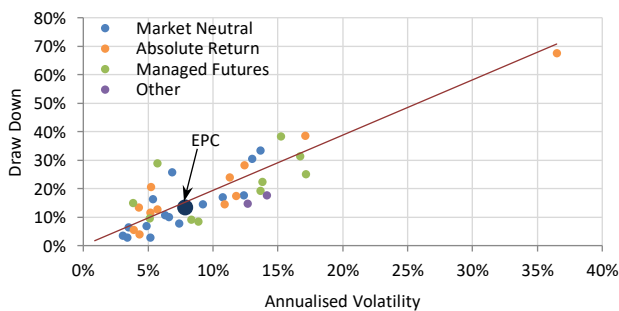
Up/Down Market & Average Monthly Returns



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That said, the downside protection the Strategy provides proved valuable over the last eighteen months, where the broader market experienced a 36% draw-down and the Strategy incurred a modest 10% draw-down.

Annualised Volatility v Draw Downs

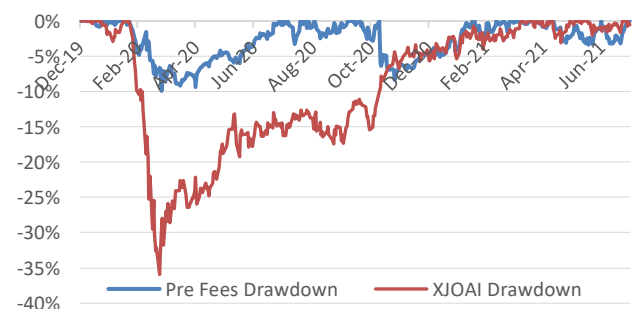


As a market neutral strategy, we are seeking to produce a return stream over the medium to long term that is independent of the direction of the equities market. Essentially, we are seeking to remove the impact of overall market direction from returns and have pure risk adjusted price momentum generating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

The chart below demonstrates the back-tested 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

2020 COVID-19 Drawdown



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Net Monthly Performance

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Gross Monthly Performance

Asset	Positions	Weight	Contrib	Alpha
Long	86	117.0%	2.24%	1.06%
Short	30	-26.1%	0.21%	0.47%
Futures		-62.1%	-0.66%	0.25%
Cash		9.1%	0.00%	0.00%
		100.0%	1.79%	1.78%
Cash				0.01%
Excess				1.77%

Exposure and Gross Monthly Alpha

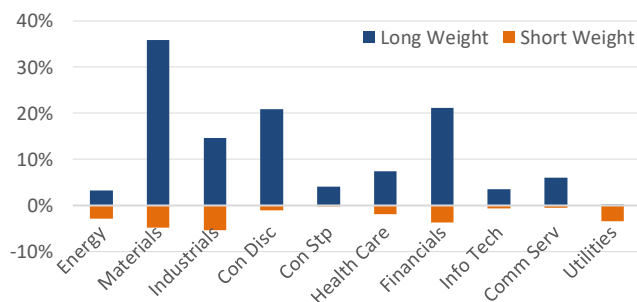
Sector Name	Long Weight	Short Weight	Active Weight	Alpha Contrib
Energy	3.22%	-2.90%	0.32%	0.27%
Materials	35.84%	-4.79%	29.52%	2.76%
Industrials	14.68%	-5.41%	9.27%	-0.93%
Cons Disc	20.87%	-1.01%	19.86%	-0.76%
Cons Staples	4.05%	-0.18%	3.87%	0.03%
Health Care	7.36%	-1.86%	5.49%	0.32%
Financials	21.20%	-3.73%	17.48%	-0.17%
Info Tech	3.58%	-0.69%	2.89%	-0.22%
Comm Serv	6.08%	-0.52%	5.55%	-0.09%
Utilities	0.11%	-3.42%	-3.31%	0.31%
Stock Total	116.98%	-24.51%	90.93%	1.53%
Futures			-62.13%	0.25%
Cash			9.07%	0.00%
Total			100.00%	1.78%

Net exposure including futures	28.8%
Gross exposure excluding futures	143.0%
Gross exposure including futures	205.2%

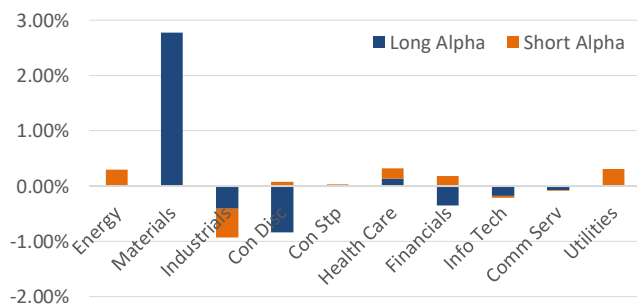
Major Alpha Contributors

Name	Weight	Contrib	Alpha
Top Five Contributors			
Independence Group	2.42%	0.47%	0.44%
Champion Iron Ltd	2.70%	0.48%	0.44%
Mineral Resources	2.67%	0.42%	0.39%
Orocobre	1.62%	0.39%	0.36%
AGL Energy	-2.65%	0.32%	0.34%
Bottom Five Contributors			
Nine Entertainment	2.96%	-0.17%	-0.20%
Seek Limited	1.75%	-0.20%	-0.22%
NRW Holdings Ltd	-1.46%	-0.29%	-0.27%
Hub 24	1.65%	-0.27%	-0.28%
Crown Limited	1.55%	-0.46%	-0.48%

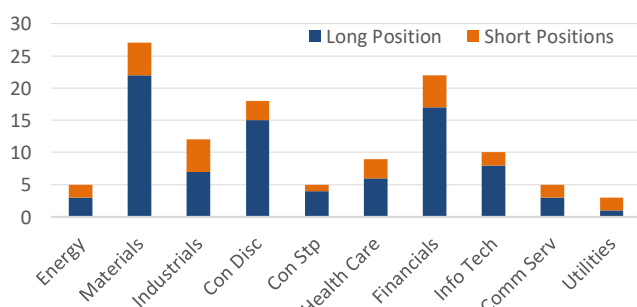
Sector Exposure



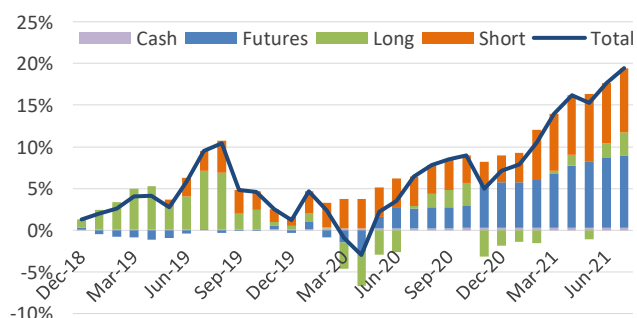
Sector Alpha



Positions



Total Alpha Contributions



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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 using 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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