

Equus Point Capital Market Neutral Strategy

Performance Update 31 October 2021



Net Returns	1m	3m	6m	1Yr	2yr pa	Incept pa	Risk Characteristics	
Equus Point Capital	-2.17%	-1.44%	0.78%	6.57%	4.69%	4.06%	Volatility	7.7%
Cash	0.01%	0.02%	0.05%	0.10%	0.27%	0.58%	Beta	0.12
Excess v Cash	-2.18%	-1.46%	0.73%	6.47%	4.43%	3.48%	Correlation to S&P/ASX 200	0.28
							Sharpe Ratio	0.45
							Drawdown	12.6%

Commentary

The Strategy returned -2.17% 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 -2.50% alpha for the month, with long exposures contributing -1.13% alpha and a modest short exposure contributing -1.37% alpha. Our beta positioning contributed -0.09% alpha.

The volatility of returns since inception is 7.7% annualized versus 17.5% for the S&P/ASX 200 Accumulation Index. Since inception the Strategy's drawdown has been limited to 12.6% versus that of the S&P/ASX 200 Accumulation Index of 35.9%. Over the same period the beta and correlation of returns to the market has been 0.12 and 0.28, respectively. Effectively the Strategy's returns have been achieved with lower volatility than the index independent of market movements and direction.

Returns for the month were hard to come by due to reversals in a basket of short positions, most notably short positions in gold stocks (St Barbara and Silver Lake) and AMP. Long positions in Financials also hampered the return outcome for the month.

Positive alpha contributions from stock positions included:

- Communication Services (+0.17% alpha)
 - Uniti Group +0.14%

Negative alpha contributions included:

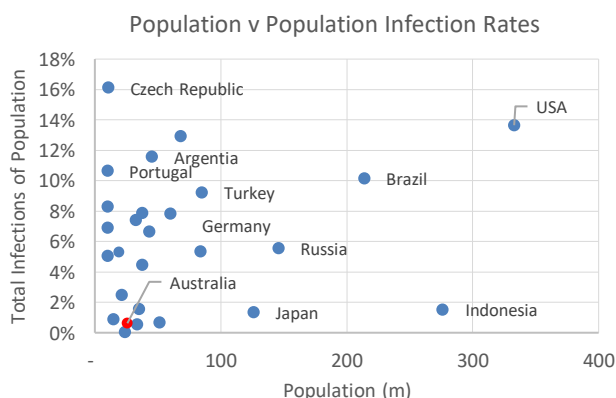
- Financials (-1.67% alpha)
 - Pandal Group -0.39%
 - AMP -0.33% (short)
 - Medibank Private -0.24%
 - Virgin UK -0.24%
 - Centuria Capital -0.20%
 - Suncorp -0.14%
- Energy (-0.69% alpha)
 - Whitehaven Coal -0.34%
 - Soul Pattinson -29%
- Materials (-0.25% alpha)
 - Silver Lake -0.34% (short)
 - St Barbara -0.26% (short)

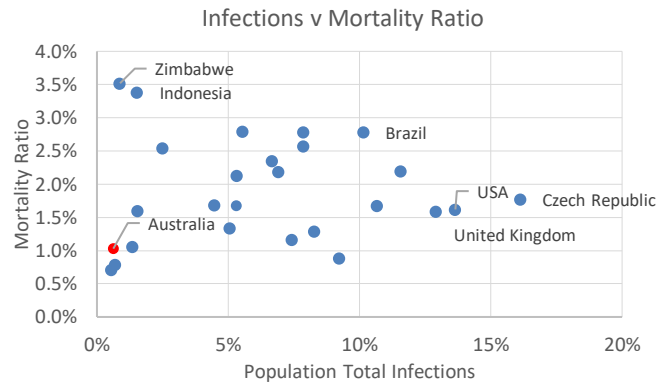
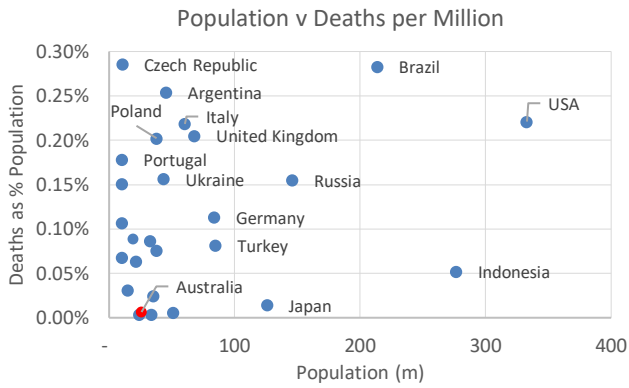
This month we are going a little off track to put into perspective the impact of COVID-19 and more specifically how Australia has fared versus the rest of the world. Reports of infection spikes and vaccination progress locally are rarely put into a global context. For example, how do our infection rates compare to other countries? How do the mortality rates compare to those countries that have gained the most attention over the last twenty months? Is our emphasis on vaccination rollout consistent with the global experience?

On balance, Australia has done extremely well in keeping case numbers and mortality rates low relative to global peers. This is not to suggest it has been a competition, but merely that we have been fortunate in avoiding the worst of COVID's health outcomes.

Part of that could anecdotally be put down to being an island that has been able to essentially control its borders and also a population on the whole that has largely followed health advice, with testing, isolation and a good health system.

Clearly other countries have had very different outcomes, with the USA often in the headlines for its response to the virus. They have now had some 14% of the population infected with the virus at some stage over the last year and a half. No doubt the 'resistance', an ineffective government and fake news have all contributed to this outcome.





For some time I have been adopting the following probabilities for hospitalization, ICU patients and deaths for local infections:

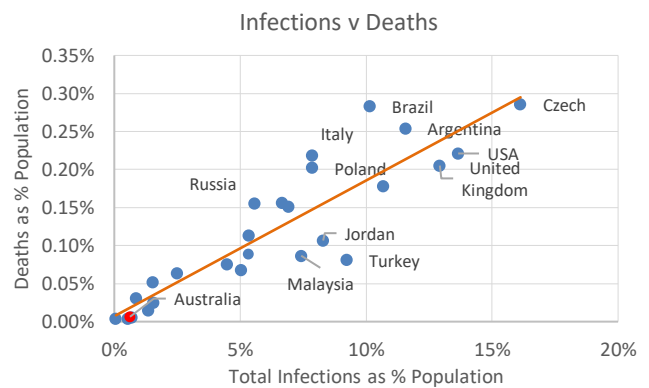
- Chance of going to hospital if you get COVID is roughly 10%;
- Chance of then going into ICU is roughly 25%; and
- Chance of subsequently dying from COVID is roughly 40% (based on UK experience).

So if you are unfortunate enough to get COVID the chance of dying in Australia is about 1.0% based on the math's above. Or to put it another way, if you get COVID the chance of dying is roughly 1 in 100. That's a pretty scary statistic when you consider people would probably put be happy to buy a lotto ticket on far less attractive odds.

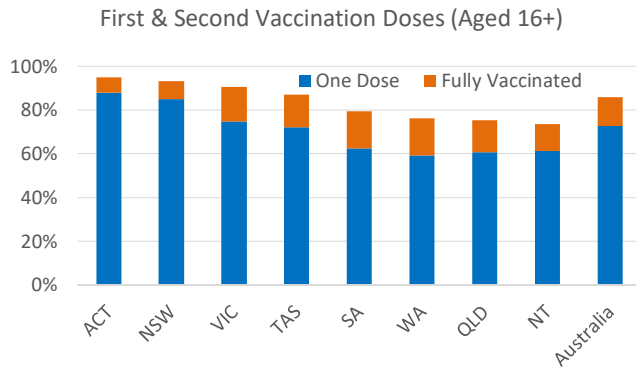
However, overseas experience suggests these local results are flattering. International experience tends to be much higher – and tends to average about 2% (or 1 in 50).

The following chart maps the percentage of each country's population that have been infected with COVID against each country's mortality rate. Less than 1% of Australia's population have been infected and the mortality rate for those infected has been just a touch over 1%. Not bad when compared to other nations.

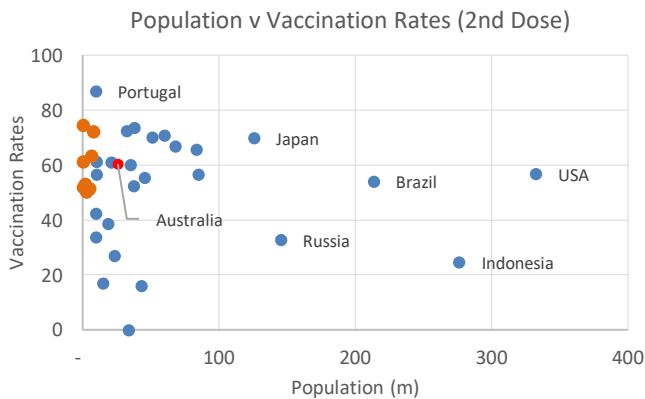
The following chart should be roughly linear, where there is a strong correlation between infections and mortality rates. Those nations below the line have comparatively done well in having mortality rates less than the average, which probably reflects the quality of their health system (although with one or two you might argue the data is perhaps, to be polite, incomplete). Above the line tends to reflect poorer health systems in being able to cope with large numbers of sick people, and in Italy's case this is despite a high quality health system.



With Australian vaccination rates for those aged 16 and over, we have the potential to achieve more than 90% double dose in late November. Notwithstanding the initial slow vaccine rollout, for a country of more than 25 million that is an outstanding result.



The following chart compares Australian states (in orange) against a range of countries with a population of at least 10m in size. On balance we compare favourably, with Portugal the stand-out, and given current vaccination rates and the potentially opening up of vaccinating younger children, we should come close to matching or bettering the Portuguese result in the next month or two. Put simply, we are potentially world leaders.



In summary, Australia’s response and management of COVID-19 has on the whole been very good, but perhaps not without some luck. Being an island and being able to control our borders, a population that is largely compliant in following national and state based health orders, and a concerted vaccine rollout have all played a part in avoiding the experience of global peers. Fingers crossed we are behind the worst of the virus and we see some return to normalcy.

Sources: Our World Data, Australian Government Department of Health and EPC.

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Net Monthly Performance

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Gross Monthly Performance

Asset	Positions	Weight	Contrib	Alpha
Long	89	113.0%	-1.35%	-1.13%
Short	37	-29.8%	-1.38%	-1.37%
Futures		-50.6%	0.14%	-0.09%
Cash		16.8%	0.00%	0.00%
		100.0%	-2.59%	-2.59%
Cash				0.01%
Excess				-2.60%

Exposure and Gross Monthly Alpha

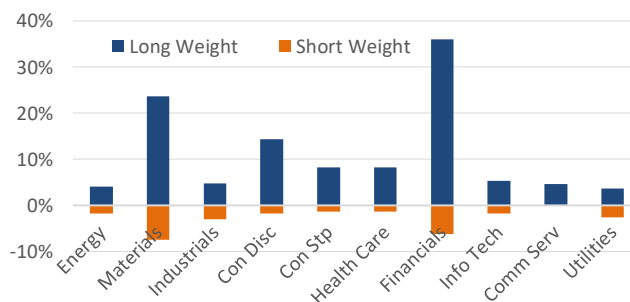
Sector Name	Long Weight	Short Weight	Active Weight	Alpha Contrib
Energy	4.11%	-1.73%	2.38%	-0.69%
Materials	23.67%	-7.48%	13.65%	-0.25%
Industrials	4.77%	-3.01%	1.75%	0.08%
Cons Disc	14.32%	-1.80%	12.52%	-0.06%
Cons Staples	8.31%	-1.35%	6.96%	-0.11%
Health Care	8.19%	-1.34%	6.85%	0.04%
Financials	35.99%	-6.25%	29.74%	-1.67%
Info Tech	5.26%	-1.78%	3.48%	-0.01%
Comm Serv	4.66%	0.00%	4.66%	0.17%
Utilities	3.73%	-2.56%	1.17%	-0.01%
Stock Total	113.01%	-27.31%	83.16%	-2.50%
Futures			-50.62%	-0.09%
Cash			16.84%	0.00%
Total			100.00%	-2.59%

Net exposure including futures	32.5%
Gross exposure excluding futures	142.9%
Gross exposure including futures	193.5%

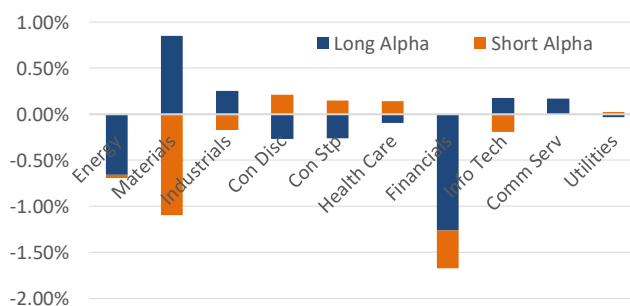
Major Alpha Contributors

Name	Weight	Contrib	Alpha
Top Five Contributors			
Pointsbet Holdings	-1.12%	0.22%	0.23%
Independence Group	2.58%	0.21%	0.22%
Pinnacle	1.69%	0.22%	0.21%
IDP Education	2.05%	0.19%	0.19%
Reliance Worldwide	1.66%	0.17%	0.17%
Bottom Five Contributors			
AMP Limited	-2.44%	-0.34%	-0.33%
Silver Lake Resources	-1.14%	-0.34%	-0.34%
Whitehaven Coal Ltd	1.82%	-0.33%	-0.34%
Pendal Group	1.85%	-0.39%	-0.39%
Domino's Pizza	2.76%	-0.50%	-0.49%

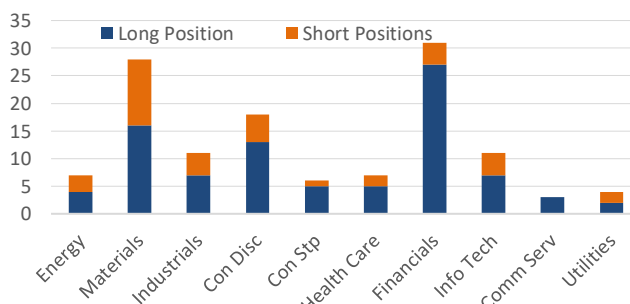
Sector Exposure



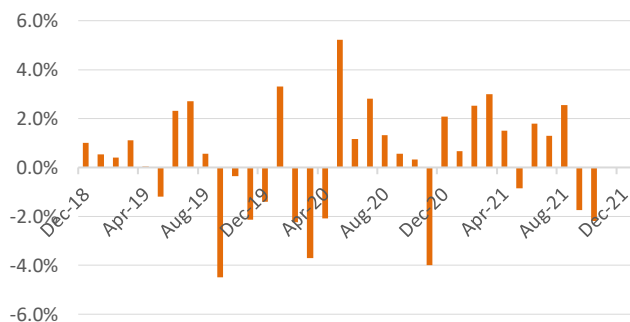
Sector Alpha



Positions



Monthly Strategy Net Performance



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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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