



QUARTERLY UPDATE September 2018

Market Update

The Australian Equity market recorded a positive September quarter, with seven of eleven sectors posting gains. The ASX 200 Accumulation Index closed the quarter up 1.5%, after relinquishing a portion of the gains made in July and August.

Early in the quarter, the Australian market shrugged off the trade war rhetoric between the US and China and followed US markets higher. However, in late September and into October, markets weakened as the potential for additional tariffs on Chinese goods imported into the US escalated, eroding some of the recent positive market sentiment. In Australia, house prices continued to decline and late in the quarter, equity markets saw a partial selloff in high Price/Earnings (PE) companies as valuation concerns crept into the market. Meanwhile, Commodities had a mixed quarter, declining early before recovering later in the quarter.

Communications Services (previously called Telecommunications Services) was the best performing sector, led by Telstra (TLS), which rebounded on the news that TPG and Vodafone would merge, maintaining a three-player market in the Australian mobile space. Industrials also performed well, in particular Brambles, which performed strongly after posting solid August results. In contrast, Utilities was the worst performing sector of the quarter, dragged down by AGL and Origin, while the Materials sector also declined, with significant share price contraction in the mid-cap mining space as well as Pact Group Holdings and Nufarm. The Financial sector was also weaker during the quarter, as the market digested headlines around the Royal Commission into Financial Services misconduct. Westpac, AMP, IAG and Pental Group were among the weaker performers.

FUND PERFORMANCE

	1 MONTH	3 MONTHS	1 YEAR	3 YEARS P.A.	5 YEARS P.A.	S.I. P.A.
Unit price	0.0%	1.3%	-	-	-	1.3%
NTA	-1.8%	2.6%	-	-	-	3.2%
S&P/ASX 200 Accum Index	-1.3%	1.5%	-	-	-	1.1%

FUND FACTS

KEY FUND DETAILS

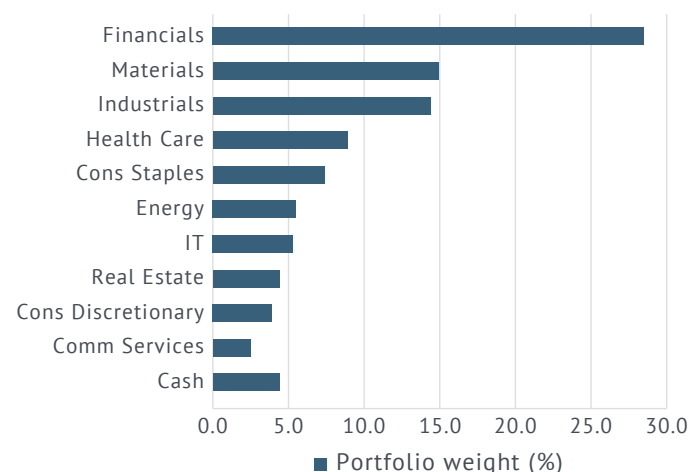
ASX ticker	EFF
Asset class	Australian equities
Structure	Listed investment trust
Inception	21 June 2018
Targeted no of securities	20-40
NTA	\$1.60
Unit price	\$1.62
Market capitalisation	\$32.8 million
Units outstanding	20.3 million

ONGOING FEES¹

Investment Management Fee	0.65% p.a.
Responsible Entity Fee	0.08% p.a.
Administration Fee	0.25% p.a.

¹ Exclusive of GST.

SECTOR EXPOSURE



Portfolio and performance review

The Evans & Partners Australian Flagship Fund (Fund) was substantially invested early in July, well ahead of the busy August reporting season. The Fund’s portfolio performed well during the September quarter, adding 2.6% on an NTA basis outperforming the ASX 200 Accumulation Index, which was up 1.5%.

The Information Technology, Healthcare and Energy sectors led the index, with a number of companies within each delivering strong profit numbers during the August reporting season. On a stock-specific basis, AfterpayTouch (up 92%), Woodside (up 11%), ResMed (up 13%) and Qube (up 15%) were the strongest performers during the quarter. ResMed and Woodside benefitted from a weaker Australian dollar given their strong US dollar revenue base. AfterpayTouch (APT) was rerated following the successful launch of its platform into the US market and potential expansion into the UK. The Fund took the opportunity to lighten its APT exposure following the company’s very strong share price run.

An underweight position in Telstra (up 26%) detracted from relative and absolute returns during the quarter, as the stock bounced on news of the Vodafone and TPG merger. The Materials sector was also weak during the quarter, with James Hardie (down 8%) and Bluescope (down 1%) both underperforming. Meanwhile, bond proxies such as Sydney Airport (down 4%) and Transurban (down 5%) were weaker due to rising global yields.

During the quarter, the Fund’s Investment Committee chose to initiate a new position in Monadelphous, a high-quality mining contractor exposed to the construction and maintenance of iron ore mines in Western Australia.

TOP 10 PORTFOLIO HOLDINGS

LISTED A – Z	SECTOR
ANZ Banking Group	Financials
BHP Billiton Ltd	Materials
Commonwealth Bank of Australia	Financials
CSL Ltd	Health Care
Macquarie Group Limited	Financials
Sydney Airport	Industrials
Transurban Group	Industrials
Wesfarmers Ltd	Consumer Staples
Westpac Banking Corporation	Financials
Woodside Petroleum Limited	Energy

Investment Committee



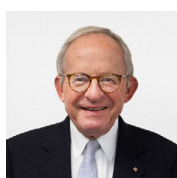
David Evans
Chair



Margaret Jackson AC
Committee Member



David Crawford
Committee Member



Kevin McCann AM
Committee Member



Alan Dixon
Committee Member



Ted Alexander
Committee Member

Portfolio Consultants



Ben Chan
Portfolio Consultant



Adam Alexander
Portfolio Consultant

Investment Overview

The Australian Flagship Fund (EFF) is an ASX-listed managed investment scheme that aims to provide investors with capital growth, attractive risk-adjusted returns and stable distributions over the medium to long-term through exposure to quality Australian equities that are well positioned to deliver sustainable earnings growth and returns on capital.

The Investment Manager, Evans & Partners Investment Management Pty Limited is assisted in the management of the Fund by an Investment Committee and the Portfolio Consultants who identify and monitor for, key investment themes and structural trends that are expected to underpin revenue growth over the medium to long term. The Portfolio Consultants and Investment Manager then conduct in-depth bottom-up research and analysis on the identified securities, with a focus on the following key criteria:

- » Sustainable competitive advantage
- » Attractive risk-adjusted returns
- » Quality board and management.

About Walsh & Company

Evans and Partners Investment Management Pty Limited is a subsidiary of the Walsh & Company Group. Walsh & Company is a multibillion-dollar global funds management firm founded in 2007, with assets under management across global equities, residential and commercial property, private equity, fixed income and sustainable and social investments.

We provide investors access to unique investment strategies and focus on building high quality, diversified portfolios.

Important Information

This document has been prepared by Evans and Partners Investment Management Pty Limited (ACN 619 080 045, CAR 1255 264) a corporate authorised representative of Walsh & Company Asset Management Pty Limited (ACN 159 902 708, AFSL 450 257), as Investment Manager of the Evans & Partners Australian Flagship Fund (**Fund**) (ARSN 625 303 068).

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