NTA and Monthly Update – April 2019

Company at a Glance

ASX Code	ALF
Fund Size	AU$260.3
Fund Strategy	Variable Beta
Share Price	$0.90
Shares on Issue	244.2m
Net Exposure	-4.0%

Net Tangible Asset (NTA) Backing

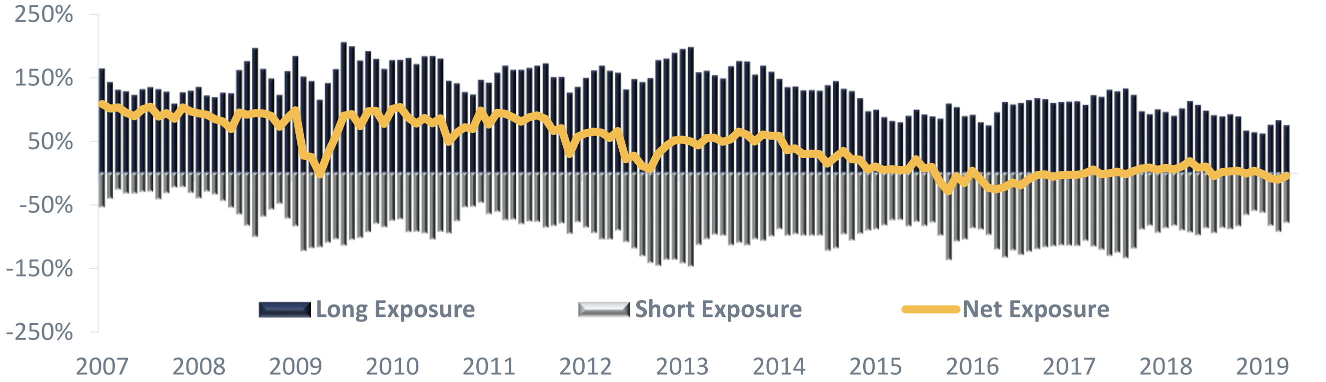
	Mar 19	Apr 19
NTA Before Tax	**$1.15**	**$1.13**
NTA After Tax	$1.15	$1.14

Gross Portfolio Structure

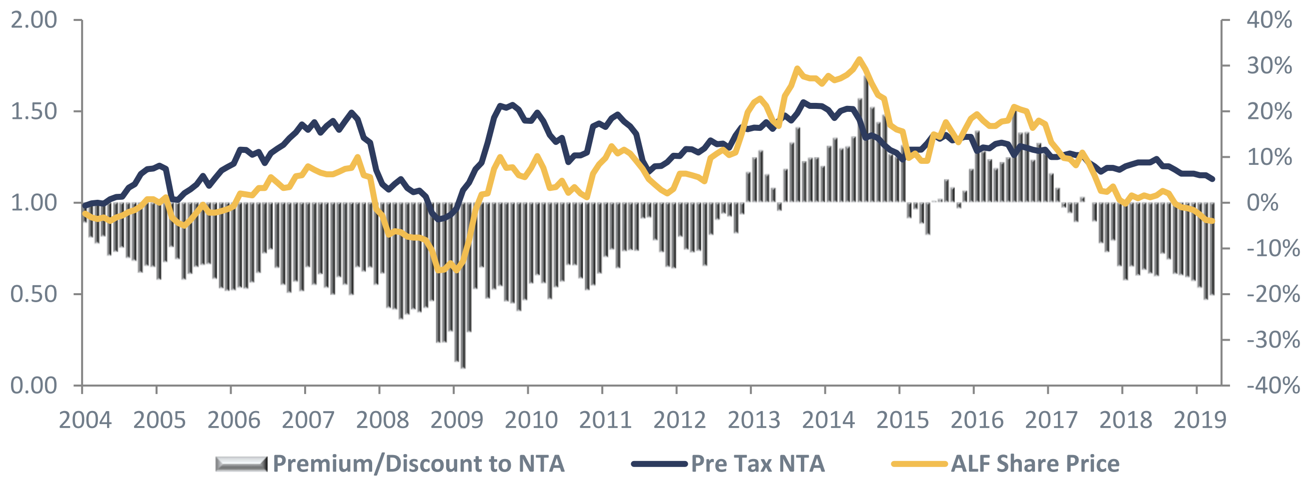
	Mar 19	Apr 19
Long Exposure	83.0%	75.4%
Short Exposure	-93.3%	-79.3%
Gross Exposure	176.3%	154.7%
Cash	110.3%	104.0%

	1 Mth	3 Mths	1 Yr	3 Yrs (pa)	5 Yrs (pa)	7 Yrs (pa)	S.I. (pa)
Portfolio Return (net)	-2.3%	-2.5%	-7.5%	-1.6%	0.2%	6.9%	10.6%
All Ords Accum Index	2.5%	9.5%	10.2%	11.0%	7.8%	9.9%	9.0%
Outperformance (net)	**-4.8%**	**-12.0%**	**-17.7%**	**-12.6%**	**-7.6%**	**-3.0%**	**1.6%**

Net Equity Exposure



Premium/Discount to NTA History



Month in Review

The strong performance of share markets both domestically abroad continued in April. The All Ordinaries Accumulation Index increased by 2.5% for the month, underperforming major markets in Japan, Europe and the United States. The much-discussed 'FAANG' group of companies have provided leadership for the surging the US market for some time. Not to be left out of this global technology boom, the Australian IT sector has also been a stand out performer over the last 12 months, delivering a 31% return and giving rise to its own group of market darlings – the WAAAX group of companies.

Fund performance was disappointing in April, with the value of the portfolio falling by 2.3%. Half of the negative performance was attributed to short positions in two companies that were the subject of takeover offers in the month. This is an ongoing risk for the fund, with M&A activity likely to remain elevated while the cost of capital is so low. The balance of underperformance was a result of net short exposures in the retail and bulk commodity sectors, which both surprised to the upside. For the retail sector, shares were buoyed by the prospect of an interest rate cut, while in bulk commodities, the iron ore price rallied strongly on tighter supply and surprisingly strong PMI data out of China.

In TMT, an investment in Xero was a strong performer, rising in anticipation of a strong set of full-year results to be announced in May. Conversely, the announced departure of Spark New Zealand's CEO led to some profit taking and questions about the future strategy of his successor. We initiated a new investment in Bravura Solutions, a provider of software solutions to the pension, investment management and life insurance industries. The business offers compelling earnings growth, is fairly priced, and recently announced its intention to acquire GBST Holdings, which would be strategically sound and accretive to earnings.

Healthcare made a modest contribution to fund returns. An investment in CSL continued to grind higher, with the company expected to upgrade earnings guidance once management has a clear view of flu vaccines returns in the Northern Hemisphere. Sonic Healthcare continued its upward trajectory, in line with other defensive stocks and on the promise of more Government funding for imaging and primary access.

Performance in Financials was driven by an investment in Afterpay. The company launched its UK site at the end of April and now has more than 1 million customers in the US, driven by successful relationships with merchants and effectiveness in improving sales. An investment in Magellan Funds Management also contributed. Magellan reached an all-time high in April following the strong performance of its funds and solid inflows during March.

Commodity markets were weaker in April, with base metals underperforming bulks and precious metals. Mining shares generally traded lower, although some names found valuation support towards the end of the month. We have added a new investment in Alumina. The company has a low-cost market position, generates solid cash margins and pays healthy dividends. Production growth at its Western Australia operations may lift production by around 15% by 2024, and the company can comfortably fund this through cashflow and debt.

Sanctions on Iran and issues in Venezuela provided support for the oil price, however this was offset by building inventories and higher US output. Our portfolio remains conservatively positioned with exposures favouring Australian East Coast gas production where pricing remains buoyant.

Losses in the Consumer portfolio were concentrated around a number of short positions in consumer discretionary and housing exposed companies. While this group underperformed in the month, we maintained these positions and they are now making a positive contribution in May. Improved sentiment towards consumer discretionary shares overlooks the fact that the housing market continues to cool, and that new housing construction has now surpassed 'peak completions', leading to a rapid roll-off of activity levels. Recent downgrades by ABC.AU, RWC.AU and BLX.AU suggest this space remains ripe for shorting opportunities.

Dividend History

The Board is committed to paying fully franked dividends to shareholders, provided the Company has sufficient profit reserves and franking credits and it is within prudent business practices. Dividends are paid on a six-monthly basis and the dividend reinvestment plan is available to shareholders for both the interim and final dividend.