

## NTA and Monthly Update – January 2020

### Company at a Glance

ASX Code	ALF
Fund Size	AU\$262.0
Fund Strategy	Variable Beta
Share Price	\$0.99
Shares on Issue	237.9m
Net Exposure	-8.1%

### Net Tangible Asset (NTA) Backing

	Dec 19	Jan 20
NTA Before Tax	\$1.17	\$1.18
NTA After Tax	\$1.15	\$1.16*

### Gross Portfolio Structure

Long Exposure	84.9%	79.2%
Short Exposure	-82.1%	-87.3%
Gross Exposure	167.0%	166.5%
Cash	97.2%	108.1%

\*The After-Tax NTA includes a \$0.05 per share deferred tax asset, which is net of tax liabilities accrued in the current financial year.

### Month in Review

The Fund posted a net return of 1.3% in January. After a muted start, weakness in the broader market towards the end of the month presented an opportunity to increase the Fund's net short exposure, delivering stronger performance. Share markets have exhibited increased volatility in recent months, although the Fund has been largely insulated from this with volatility of Fund returns less than half that of the market. The strongest contribution to performance came from the IT sector, with Mining and Financials also making notable gains.

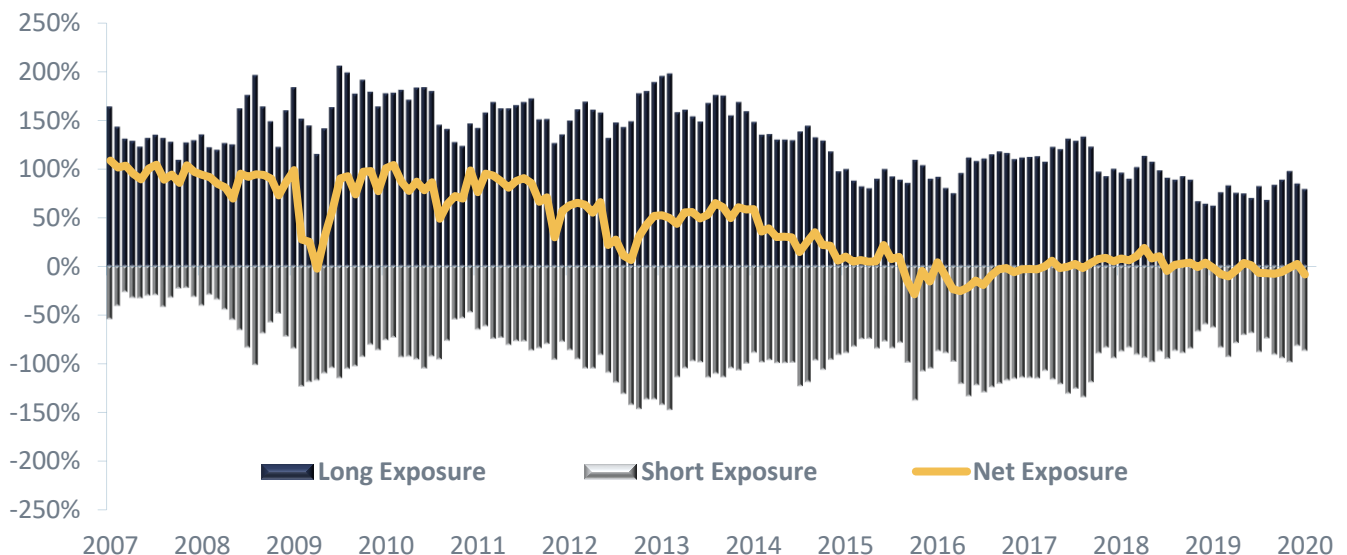
Among the big winners in the TMT/Healthcare portfolio were CSL, Telstra, Paradigm and Bigtincan. Bigtincan benefited from strong quarterly numbers, new sizeable contract wins (Sephora) and an overall benign environment for software names. Telstra continued re-rating in response to favourable competitive dynamics in mobile and is being supported by lower global bond yields. CSL put on nearly 15% in the month, in anticipation of an earnings beat & upgrade at its full year results in February. It is also being supported by an overall positive environment for Med Tech and secular growth names. Paradigm put on over 40% in January, more than recovering the profit taking at the end of 2019 in anticipation of a catalyst rich 2020 (potential TGA provisional approval, submission for a Phase 3 trial with the FDA, ongoing recruitment of 10 ex-NFL players).

A high conviction investment in QBE drove performance in the financials portfolio. QBE gave a trading update in late December which cleared the air for a rally through January, even as risks remained around domestic peers. The company also benefited from a series of positive results from international insurance companies, which all reported a sustained rate improvement. An investment in Afterpay made a solid contribution as web traffic data flowed in post-Christmas trading. Momentum in these statistics continued to impress. The share price was also supported by a tech rally, led by offshore Nasdaq names. EML also rallied through the month and we believe that 2020 will produce another strong year for this company. While the price of EML shares has had such a strong run, we believe there is further upside as investors get increased visibility on the PFS acquisition and see the scaling of EML's base business.

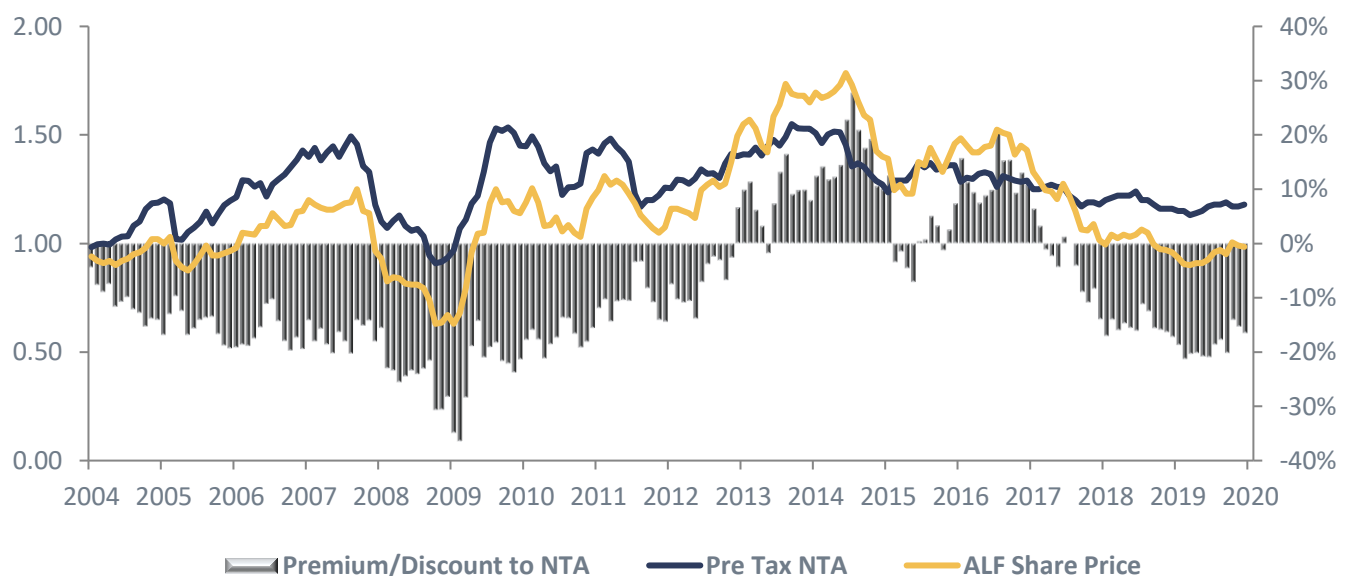
The metals and mining complex consolidated the December strength in the first half of January, only to fall heavily at the end of the month due to concerns around the Coronavirus. Prices of bulks, base metals and oil fell, with gold holding at record AUD levels. Our shorts and gold exposures worked well during the month with top performers being Northern Star Resources and Alumina. Our current positioning in this part of the portfolio is neutral due to the heightened risk of disruption to the Chinese economy however, we believe value opportunities will arise during this period of uncertainty.

The Consumer/Industrials sectors distracted from portfolio returns in January. Underperformance in the portfolio stemmed from positions in a basket of Coronavirus stocks, including travel agents, china exporters and casinos. Frustratingly, the portfolio had been intentionally skewed to China growth given the recent 'Phase 1' trade deal with the US and a view that the market would start to price a Chinese economic recovery. However, we added to this basket on days of weakness and performance has subsequently improved. We expect performance to continue as the market looks through this short-term issue. Outside of the Corona basket, the portfolio has performed well, in particular our Agriculture holdings (Elders), which we acquired on trough-cycle valuations in recent months.

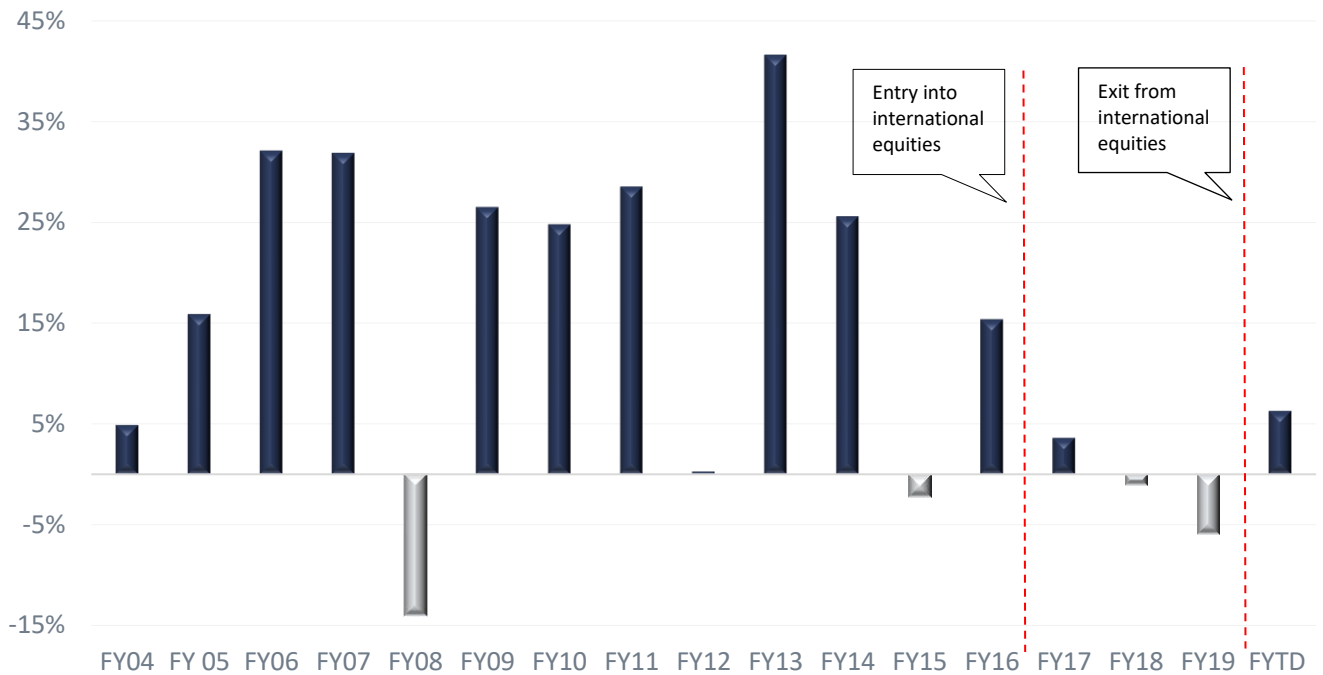
## Net Equity Exposure



## Premium/Discount to NTA History



## Gross Portfolio Return

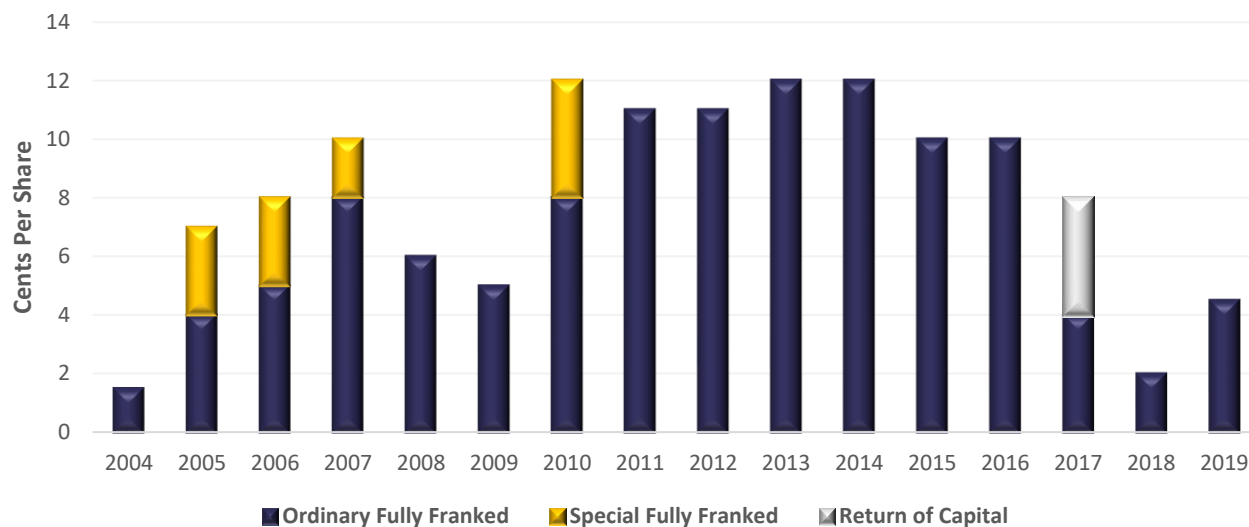


## Monthly Net Performance (%)

Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
FY04								0.4	1.4	0.2	0.0	2.3	4.3
FY05	1.1	-0.3	4.6	2.8	4.4	2.4	0.3	1.3	-0.9	-6.1	-0.4	4.8	14.3
FY06	2.0	2.7	4.8	-3.0	3.9	3.7	1.5	2.0	6.4	2.9	-2.1	1.4	29.0
FY07	-3.2	4.3	1.7	7.2	2.8	2.5	3.1	-1.6	3.5	1.1	2.7	2.0	29.2
FY08	-1.0	3.4	3.3	1.0	-0.3	-1.9	-11.5	-8.4	1.4	4.4	1.5	-7.2	-15.5
FY09	-1.3	5.1	-5.4	-16.3	-6.6	3.0	2.2	2.9	16.0	6.7	7.9	7.0	18.7
FY10	9.2	12.4	6.5	-0.7	0.8	0.1	-3.5	2.2	4.2	-2.1	-7.1	-2.3	19.9
FY11	2.8	-3.9	2.3	0.0	2.7	12.0	2.0	1.9	3.6	1.7	-1.8	-1.8	22.9
FY12	-4.1	-6.8	-8.4	6.5	-1.5	0.9	4.9	4.7	3.3	1.2	-2.4	0.7	-2.3
FY13	3.7	3.6	0.3	-1.3	6.5	3.4	3.4	1.6	3.0	2.7	0.5	2.2	33.9
FY14	3.8	3.5	2.8	4.0	-0.6	0.0	-0.2	4.0	-1.4	2.6	1.2	0.3	21.6
FY15	-3.6	-2.4	1.4	-1.3	-2.5	-1.1	-1.2	1.0	3.0	0.8	-0.5	3.1	-3.4
FY16	3.8	3.0	1.5	-1.6	0.4	2.0	0.0	-2.1	1.4	-0.4	1.9	1.0	11.2
FY17	-0.3	-0.6	3.9	-0.5	-0.9	-0.2	-0.7	-0.1	0.1	1.2	0.7	-0.5	2.0
FY18	0.3	-1.8	-0.4	-3.1	1.3	0.1	-0.6	0.7	0.9	0.9	0.0	-0.6	-2.3
FY19	2.6	-1.6	0.2	-2.0	-2.9	-1.4	0.5	0.7	-1.0	-2.3	-0.8	0.7	-7.2
FY20	2.1	1.0	0.1	1.3	0.0	-0.4	1.3						5.4

## 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.



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