

ALDERSLEY CAPITAL

AC Managed Equity Portfolio

September 2015 Quarterly Review

Portfolio Performance

The AC Managed Equity Portfolio returned 0.32% compared to the benchmark (S&P/ASX 200 (TR)) return of -6.58% giving a relative performance of 6.90% for the period.

Performance to 30 September 2015

Return %	One Month	Three Month	Six Month	One Year	Three Year	Since Inception (29/10/2013)
Portfolio	1.96	0.32	-2.58	15.57	N/A	5.33
Benchmark	-2.96	-6.58	-12.69	-0.68	9.35	0.46
Relative Performance	4.92	6.90	10.11	16.25	N/A	4.87

The table above sets out the investment performance returns (AFTER investment management fees, but BEFORE administration fees, performance based fees and taxes) for the Portfolio. The performance returns have been calculated on a daily basis taking into account brokerage costs, and are accumulated for the period shown. Returns are shown as annualised if the period is over 1 year, or as total returns otherwise.

Quarterly Review

Somehow we correctly steered the stock selections mostly into ones that went up rather than down for a +16% for the past twelve months compared with a -0.68% loss in the benchmark. Avoiding sectors like oil, being light on our feet in base materials, holding gold producers and near producers and holding some small technology growth stocks all helped this quarter. Alexium (AJX) gained a further 19%, fulfilling the prediction last quarter that it might become a top 5 stock in the portfolio – in fact it made it to number 1 as the next 4 listed below all gave up a little over the quarter. Hunter Hall for example slipped 2.9%, despite increasing NTA. The best performers were gold stocks. For example Northern Star (NST) rose 33.5%, Gold Road Resources (GOR) rose 27.5%. HFA added 15.9%. TPG Telecom added 15.6%.

Late in the quarter golds were reduced and we added HUB24 (HUB) to the portfolio as well as topping up the bank holdings. We also took a trading position in RIO under \$47 as pessimism about China peaked late in September.

Top 5 stocks by weight as at 30 September 2015

Company Name	Sector
ALEXIUM INT GROUP ORDINARY	Materials
MACQUARIE GROUP LTD ORDINARY	Financials
HUNTER HALL GLOBAL ORDINARY	Financials
COMMONWEALTH BANK. ORDINARY	Financials
NATIONAL AUST. BANK ORDINARY	Financials

Market Outlook

Markets are likely to regain some poise after the extensive retracements of the past six months. October is usually a good month (when its not it can be a very bad month) and this October is shaping up as a positive month. A number of sectors look oversold, while others look quite attractive unless you fear the worst for the world economy, which we do not. We have thought about taking a position in oil stocks, and they have improved recently, but there still seems to be risks to the oil price given the massive amount of shale oil production and LPG production overhanging the market with none of the players prepared to be first to reduce production. Iran supply has made a difference.

Fortunately there are some interesting but largely overlooked opportunities in smaller companies around. Some are taking advantage of digital phone or internet technology to develop APPS that could revolutionise medical treatments (eg ResApp) or business employment practices (RFN). These are at too early a stage to attract institutions because of size. Fortunately, this portfolio is small by industry standards, and is capable of taking meaningful positions in small companies just as a wealthy individual might. Also it has a stable client base and the managed account structure, which means it does not have the threat of sudden large cash outflows that limit unitised funds.

IMPORTANT INFORMATION

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