

ALDERSLEY CAPITAL

AC Managed Equity Portfolio

September 2018 Quarterly Review

Portfolio Performance

The AC Managed Equity Portfolio returned 7.49% compared to the benchmark S&P/ASX 200 (TR) return of 1.53% giving a relative performance of 5.96% for the period.

Performance to 30 September 2018

Return %	One Month	Three Month	Six Month	One Year	Three Year	Since Inception (29/10/2013)
Portfolio	-2.76	7.49	10.67	25.61	15.32	11.31
Benchmark	-1.26	1.53	10.13	13.97	12.12	7.41
Relative Performance	-1.50	5.96	0.54	11.64	3.20	3.90

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

While it was a relatively strong quarter for the portfolio as a whole, most of the securities contributed negatively by a modest amount. However our largest holding, APT, rose 68% during the quarter until it was sold towards the end of September, and it contributed more than 80% of the gain for the quarter, assisted by a judicious trade in NRW and a natural gain in Bellevue Gold as it reported further gold reserve gains. In anticipation of a correction in the October period the portfolio was shaved dramatically at the end of September, with liquidity increased from 2% to 40%, including the almost complete sale of APT above \$22. The only stock to receive new investment towards the end of the quarter was Managed Accounts (MGP) as a defensive valuation play, because it is so cheap relative to its platform peers like HUB24. In fact funds were switched from Hub24 as well as Pental to cover the purchases.

Top 5 stocks by weight as at 30 September 2018

Company Name	Sector
MANAGED ACCOUNTS ORDINARY	Financials
NRW HOLDINGS LIMITED ORDINARY	Industrials
BLUESCOPE STEEL LTD ORDINARY	Materials
CHALLENGER LIMITED ORDINARY	Financials
COSTA GROUP HOLDINGS ORDINARY	Consumer Staples

Market Outlook

While it is still a minority view, it seems likely we are in the last stages of a protracted bull market that commenced in March 2009. Valuations at the end of September look too optimistic based on the uncertainties over world trade and interest rates looking into 2019. However, it doesn't have the type of excess enthusiasm associated with complete market tops, so it is more likely this will be a correction coming up, and we should see a renewed rally closer to the end of year.

IMPORTANT INFORMATION

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