

ALDERSLEY CAPITAL

AC Managed Equity Portfolio

September 2019 Quarterly Review

Portfolio Performance

The AC Managed Equity Portfolio returned -3.33% compared to the benchmark S&P/ASX 200 (TR) return of 2.37% giving a relative performance of -5.70% for the period.

Performance to 30 September 2019

Return %	One Month	Three Month	Six Month	One Year	Three Year	Since Inception (29/10/2013)
Portfolio	-1.43	-3.33	0.53	4.14	6.55	10.07
Benchmark	1.84	2.37	10.53	12.47	11.88	8.24
Relative Performance	-3.27	-5.70	-10.00	-8.33	-5.33	1.83

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

The disappointing performance over the quarter stems from two factors – firstly the portfolio was positioned for a correction on trade war fears which did not eventuate. So the weighting given to 4 gold stocks led to negative returns of between 6% and 12% over the quarter. Secondly we had a perfect storm of poor performances from some of the portfolio's normally better performing stocks, with NWH down 19% and A2m down 5% and Costa Group down another 10% (since sold as the drought is not abating). The switch back into TWE after its fall proved successful, with a 25% gain over the quarter. A medical stock called Paradigm that has an exciting product was added and it gained 36% over the quarter. However, the weighting switch from Hub24 to XPL on value grounds once again proved too early, with XPL falling another 24%. As this was due to a former director selling in a hurry, regardless of value, the opportunity was taken to add to the holding after discussions with the new CEO and other directors. It's notable that the market capitalisation is now below \$20m, despite having over \$13 bn under administration. That's frankly ridiculous hence the raised bet.

Top 5 stocks by weight as at 30 September 2019

Company Name	Sector
XPLOREWLTH LIMITED ORDINARY	Financials
BELLEVUE GOLD LTD ORDINARY	Materials
CHALLENGER LIMITED ORDINARY	Financials
TRANSURBAN GROUP TRIPLE STAPLED SEC.	Industrials
RIO TINTO LIMITED ORDINARY	Materials

Market Outlook

The market momentum remains more buoyant than looked possible earlier in the year. Donald Trump is seemingly able to tweet a message of positiveness about trade negotiations with China and the market recovers from its jitters. What is becoming apparent is that these trade negotiations are more a sign of brinkmanship on both sides. With neither China nor the USA really wanting to escalate. So it would seem that the restrictions so far and the tax changes have sustained the USA economy and a recession is pushed out to 2020 at the earliest. Moreover, not only are we unlikely to witness a rise in interest rates, it seems authorities are erring towards negative interest rates, a completely uncharted territory for the world. So its hard to believe the fourth quarter will be weak, given we are entering the seasonally stronger period for the next six months.

Consequently the portfolio cash weighting has been reduced and holdings reset towards a more positive period in the run up to the end of the year.

IMPORTANT INFORMATION

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