

ALDERSLEY CAPITAL

AC Managed Equity Portfolio December 2017 Quarterly Review

Portfolio Performance

The AC Managed Equity Portfolio returned 19.46% compared to the benchmark S&P/ASX 200 (TR) return of 7.64% giving a relative performance of 11.82% for the period. The three year rolling annual return is up to 16.45%.

Performance to 31 December 2017

Return %	One Month	Three Month	Six Month	One Year	Three Year	Since Inception (29/10/2013)
Portfolio	6.58	19.46	16.89	11.69	16.45	12.11
Benchmark	1.81	7.64	8.37	11.80	8.64	7.32
Relative Performance	4.77	11.82	8.52	-0.11	7.81	4.79

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

A very pleasing finish to the year with a number of our bigger holdings like Hub24, Bluescope and Kogan all performing strongly, and it could have been even better but stocks like Alexium and YPB continued to disappoint.

One exciting addition to the portfolio last quarter was a gold explorer, Draig Resources (DRG). It has more than doubled since purchase, as it had immediate and successes with drilling of areas adjacent to the now closed Bellevue Mine near Kalgoorlie. I thought two decades ago that this vast area might be prospective, and here we are now, it is shaping up to be much bigger than Bellevue that produced 800,000 ozs over its life. If I'm right, it will make a similar contribution to the portfolio that Northern Star has done over the years.

The holding in Alexium was topped up in December – AJX have raised more capital, but it would seem the hard work of the past three years in developing environmentally friendly FR treatments of textile

and plastic materials and Alexicool will really start to bear fruit during 2018. Our sleeper in the portfolio.

Top 5 stocks by weight as at 31 December 2017

Company Name	Sector
HUB24 LTD ORDINARY	Financials
KOGAN.COM LTD ORDINARY	Consumer Discretionary
ALEXIUM INT GROUP ORDINARY	Materials
BLUESCOPE STEEL LTD ORDINARY	Materials
CHALLENGER LIMITED ORDINARY	Financials

Market Outlook

The strength in the market has been largely absorbed by genuine improvements in the earnings of companies and an improving global outlook as the world has continued to emerge out of the financial crisis of 2008. The Australian market is still to hit its new all time high despite a nine year bull market, and I continue to believe that history will repeat, and we will see new highs before this market run is over. That said, a number of areas like the banks and conventional retailers continue to look under pressure, so the basic theme of favouring disruptive to existing industry stocks continues. At some stage we will see a significant increase in interest rates, but for the moment there just are not the inflationary pressures to cause it. I continue to believe this is a problem for 2019 rather than 2018.

IMPORTANT INFORMATION

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