

ALDERSLEY CAPITAL

AC Income Plus Portfolio

December 2014 Quarterly Review

Portfolio Performance

The AC Income Plus Portfolio returned 4.28% compared to the benchmark (UBS Bank Bill Index (0+yr) Maturity (SBCBB)) return of 0.69% giving a relative performance of 3.59% for the period.

Performance to 31 December 2014

Return %	One Month	Three Month	Six Month	One Year	Three Year	Since Inception (29/10/2013)
Portfolio	2.68	4.28	1.15	2.79	N/A	2.56
Benchmark	0.25	0.69	1.36	2.69	3.17	2.68
Relative Performance	2.43	3.59	-0.21	0.10	N/A	-0.12

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 fall in equity prices during the early period of the quarter gave an opportunity to reinstate market exposure to the portfolio and increase the relative weighting in equities. The decision to seek some currency protection and indirect international exposure in Apple shares as well as Sirtex Medical via Hunter Hall Global (HHV) (+14.2%) paid off, as did switching the relative weighting of Macquarie Bank shares higher (+3.5%) by reducing their stapled securities (-0.22%). The decision to invest in Arrium (ARI) (-22%) was premature and costly and the holding was sold once the rights issue was announced. Investing the proceeds in Northern Star (+12%) restored half of the amount lost. CBA (+12.7%) was the standout of the banking shares held. As the benchmark suggests, a buy and hold of bank bills gave little return, and apart from Multiplex Sites (MXUPA (+6%)) the returns on portfolio holdings in listed floating rate securities hovered around -1% to +2%.

Top 5 stocks by weight as at 31 December 2014

Company Name	Sector
HUNTER HALL GLOBAL ORDINARY	Financials
MULTIPLEX SITES SITES	Financials
MACQUARIE GROUP LTD ORDINARY	Financials
NATIONAL AUST. BANK ORDINARY	Financials
WESTPAC BANKING CORP ORDINARY	Financials

Market Outlook

The final days of 2014 and the early part of 2015 have seen the beginnings of rallies in some of the beaten up sectors such as gold and iron ore, as well as retail, with some prospect that 2015 will provide better fortunes than the previous two years. Contrarian investing has been unusually ineffective for the past two years, the momentum strategy of staying with the winners and avoiding the losers has worked much better. The biggest winners in 2015 may come from opportunities in retail and cyclical mining stocks, and at some stage oil companies.

The usual restocking in December by Chinese iron ore buyers ahead of the wet season and probable supply disruption did not eventuate. With quality ore at Chinese ports at very low levels, the portfolio is betting on a short-term spike in iron ore prices during this quarter by a purchase of RIO shares.

The USA recently signalled it will be “patient” in the introduction of tighter monetary policy, so monetary conditions are likely to remain benign for equities, with fixed interest risks and low interest rates forcing more people to consider equities.

The fall in the oil price will stimulate global growth especially helping China and India, and consequently 2015 may surprise on the growth front. It is likely that 2015 will end before there is any significant uptick in interest rates around the world.

The devastation heaped on managed fund bond portfolios in 1994 as long term bond yields rose from 6.5% to 11% will appear modest compared to what will eventually happen from about 2016 given how low yields are. As a risk mitigation, the portfolio holds no fixed interest securities, only floating rate securities, because their income rises as bank bill interest rates rise.

The Australian dollar seems more comfortable at its current level of U\$0.81-2, although the risk is still to the downside as both federal and some state budgets are affected by falling commodity prices.

IMPORTANT INFORMATION

Prepared by HUB24 Custodial Services Ltd (ABN 94 073 633 664, AFS licence No. 239 122) ("the Operator "). The information contained in this document is not intended to be a definitive statement on the subject matter nor an endorsement that this Portfolio is appropriate for you and should not be relied upon in making a decision to invest in this Service.

Financial commentary contained within this report is provided by Aldersley Capital Pty Ltd (ABN 14 002 972 901) a corporate authorised representative (No. 420193) of Andika Pty Ltd (ABN 41 117 403 326 and AFSL 297069), who is the Portfolio Manager of this Portfolio.

The information in this report is general information only and does not take into account your individual objectives, financial situation, needs or circumstances. No representations or warranties express or implied, are made as to the accuracy or completeness of the information, opinions and conclusions contained in this report. In preparing this report, the Operator has relied upon and assumed, without independent verification, the accuracy and completeness of all information available to us. To the maximum extent permitted by law, neither the Operator nor its directors, employees or agents accept any liability for any loss arising in relation to this report.

The suitability of the Service to your needs and the

suitability of a particular Investment Choice within that Service depends on your individual circumstances and objectives and should be discussed with your Adviser. Potential investors must read the FSG and IDPS Guide and/or Super PDS along with any accompanying materials.

Investment in securities and other financial products involves risk. An investment in a financial product may have the potential for capital growth and income, but may also carry the risk that the total return on the investment may be less than the amount contributed directly by the investor.

Past performance of financial products is not a reliable indicator of future performance. The Operator does not assure nor guarantee the performance of any financial products offered. Information, opinions, historical performance, calculations or assessments of performance of financial products or markets rely on assumptions about tax, reinvestment, market performance, liquidity and other factors that will be important and may fluctuate over time.

The Operator, its associates and their respective directors and other staff each declare that they may, from time to time, hold interests in Securities that are contained in this Service.