ALDERSLEY
CAPITAL

AC Income Plus Portfolio

September 2015 Quarterly Review

Portfolio Performance

The AC Income Plus Portfolio returned -3.87% compared to the benchmark (Bloomberg Bank Bill Index (0+yr) Maturity (SBCBB)) return of 0.54% giving a relative performance of -4.41% 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	-1.76	-3.87	-6.73	5.77	N/A	2.32
Benchmark	0.18	0.54	1.10	2.47	2.73	2.56
Relative Performance	**-1.94**	**-4.41**	**-7.83**	**3.30**	**N/A**	**-0.24**

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

With a weak sharemarket the portfolio had nowhere to hide in the quarter except for its position in Northern Star (NST) which had gained 33.5% over the quarter when it was sold and saved the portfolio from further loss. Banks were down an average of 4% with BOQ down over 6%. Harvey Norman (HVN) fell over 10% as did a new position in Retail Food Group (RFG) although it went ex a large dividend after purchase. Even most Floating Rate securities gave up some capital value. NABHA fell 4% with no income received.

The fact that the portfolio is invested predominantly in low volatility securities kept the loss modest.

Top 5 stocks by weight as at 30 September 2015

Company Name	Sector
COMMONWEALTH BANK. ORDINARY	Financials
NATIONAL AUST. BANK ORDINARY	Financials
TELSTRA CORPORATION. ORDINARY	Telecommunication Services
WESTPAC BANKING CORP ORDINARY	Financials
ANZ BANKING GRP LTD ORDINARY	Financials

Market Outlook

We have now ended the seasonally weak part of the year for equities. As the portfolio is invested in conventionally “safe” equities, they drifted down with the market last quarter and are now likely to drift up again in the coming quarter. In many cases yields are very attractive. Having gained from a recovery in gold stocks to levels which can no longer justify their continuance in the portfolio, we are obliged to seek gains elsewhere. However given the decline in banks and retail stocks, we are likely to see reasonable bounces this quarter to recover the running loss over the past six months. With Westpac setting the tone by slightly raising mortgage rates to recover margin, and the economy still struggling to recover from the mining downturn, the RBA is probably unlikely to raise rates this quarter. International rates may start to creep up though. As mentioned before, we hold no fixed rate bonds, only floating raters, which are protected from higher interest rates.

IMPORTANT INFORMATION

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