

ALDERSLEY CAPITAL

AC Income Plus Portfolio

December 2015 Quarterly Review

Portfolio Performance

The AC Income Plus Portfolio returned 8.53% compared to the benchmark (Bloomberg Bank Bill Index (0+yr) Maturity (SBCBB)) return of 0.55% giving a relative performance of 7.98% for the period.

Performance to 31 December 2015

Return %	One Month	Three Month	Six Month	One Year	Three Year	Since Inception (29/10/2013)
Portfolio	3.30	8.53	4.32	10.08	N/A	5.96
Benchmark	0.19	0.55	1.09	2.33	2.63	2.52
Relative Performance	3.11	7.98	3.23	7.75	N/A	3.44

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 recovery from oversold positions in many of the portfolio's equity holdings such as CBA (+17%), Bank of Queensland (+22%), Westpac (+16%), plus good moves in Dulux (+26%), Super Retail (+28%), Harvey Norman (+7%) and Retail Food Group (+10.2%) ensured a strong quarter performance. We doubled our position in MXUPA after a big holder sold out and drove the share price below \$70, bringing the yield up to very attractive entry level. Most of the income securities contributed little, in line with the benchmark.

Top 5 stocks by weight as at 31 December 2015

Company Name	Sector
MULTIPLEX SITES	Financials
COMMONWEALTH BANK. ORDINARY	Financials
WESTPAC BANKING CORP ORDINARY	Financials
TELSTRA CORPORATION. ORDINARY	Telecommunication Services
NATIONAL AUST. BANK ORDINARY	Financials

Market Outlook

Now we have seen the first rise in interest rates, in the USA, we are technically in a bear market (which I define as a period from the first rise in interest rates to the first fall). The early bear market period is usually one of modest annual gains in equity prices, not necessarily falls. However we are already witnessing one of the poorest ever January starts to equity markets, and with a US election imminent, and China evidently slowing and trying to manage a fall in its share and property markets, we just might witness a full scale equity market lump.

Markets should cope during 2016, but as this is a lower risk portfolio than its sister portfolio, the Managed Equity portfolio, I expect to take profits on some equity holdings this quarter and revert back to a higher percentage of income securities again through the traditionally seasonally weak Northern summer.

John Aldersley
Investment Manager
January 2016

IMPORTANT INFORMATION

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