

## 2014 could be a standout year for Australian Hedge Funds

I have previously discussed that since the Global Financial Crisis, Australian Hedge Fund Managers have done it tough. There has been recovery and some managers have done quite well, good performance and improving AUM. Institutional investors are adding alternatives to the asset allocation and Asset Consultants are building Hedge Fund teams. Considering our business of third party marketing, we have seen new potential investors and old investors beefing up their intended and existing allocations to hedge funds.

At the same time, there is the age-old comparison of Equity Market performance against the lower volatility performance of a portfolio of hedge funds. Fund managers can never win. They are doing the right thing by clients, by adding exposures to assets with a low correlation to Equity markets but this can reduce the net return on a portfolio that has a standard allocation to Equities. Non-market professionals will look at the multiple pieces of a portfolio, see outstanding year-to-date for equities and not as good performance of alternatives and possibly Fixed Income. They will ask the question, 'why have you got these allocations in your portfolio, and shouldn't you be overweight this booming share market?'. I'm still a great believer in a steady-returning Fund of Hedge Funds. FoFs are still quite out of favour, but I do think they will come back.

For years I have been thinking about my own Superannuation Fund. I'd like a mix of Credit, Fixed Income, with a couple of Hedge Fund of Funds is my desired portfolio. Add in a bit of Long Short Equity or Market Neutral, if you aren't getting that in your FoF exposure. That's my personal desire. For a retail client, it is really difficult to get an exposure to a locally based Fund of Funds. Advance Global Alpha and Fauchier Partners are available in the Australian market, but there is not much more on offer.

Fund of Fund products these days are quite different to the pre-GFC products. The old-style products were situated as Fixed Interest alternatives because the risk as measured by volatility was similar. Super Funds reduced Fixed Income allocations in favour of HF FoFs. The GFC hit and the miscalculation was the lack of liquidity with redemptions forcing huge declines in asset

values. Many of the large Supers liquidated their FoF holdings never to be seen in the sector again. That seems to be changing but the product is different. Two factors have changed the product design: fees and liquidity. The Hedge Fund industry, to survive, has had to adapt to the new environment.

I recently met with a Superfund that has a fee budget across their overall portfolio of 50 bpts. They have significant exposures to Alternatives and Property. The Fund would probably set the asset allocation weightings, add low-fee beta managers allocation in each sector, and then add in active managers and hedge funds (PE as well) as satellite managers. By the way, I'm guessing that this is the case. The terminology Smart Beta has recently become widely used. Investors are looking to have exposures to Smart Betas. Interestingly, they are assisting Fund of Funds in the new environment. Products in the Fund of Fund space are now becoming a combination of Hedge Funds, CTA and Macro Managed accounts and Replication, which can be achieved by investing in Smart Betas. One of our clients, Ramius Alternative Solutions, is a leader in the development of Smart Betas. Combined, the products offer significantly lower fees and possibly daily liquidity. I think product issuers would rather monthly, but dependent on the client requirements, daily is achievable. Putting all of this together has me seeing to increase in allocations to Fund of Funds. This will be good news for Australian managers.

Australian based Equity Hedge Funds have done very well. The Bank of Bermuda Asia Hedge Aust L/S Equity Index is up 22% in the last 12 months. The mixed news is that I'm not sure that AUM has gone up. Still, there is a lag lead in this business. Aussie managers will start to attract attention once offshore managers reach capacity. Hedge Funds flows tend to originate out the US, then Europe. Flows find their way to Asian managers and then down to Australia. This was the pre 2008 pattern, which will probably repeat itself this time around.

2014 is shaping up to be a continuation of this year in that everyone expects tapering but it doesn't seem to faze the Equity market bull. Yes there are questions about an overheated market but that only suggests corrections in an overall upward trend. The positive tone normally spills over into other asset classes irrespective of performance and hedge funds (still seeking a lower correlated return

profile) will benefit with fund flow. As I have mentioned, Fund of Funds will also benefit, in their new lower fee and liquid format. Then Aussie hedge funds should see that global flow make it's way to Australia. 2014 should be positive for Aussie manager's business, but it's been a long time coming!!!

### Magellan Financial Group - sharp rise in AUM and share price

ASX listed Magellan Financial Group quadrupled its AUM in the past financial year and saw a three and a half fold increase in underlying profit. Its share price has risen from \$1 to \$11 in the past two years.

Highlights from 2013 AGM:

1. Management fees rose 155% to \$56 million while performance fees rose 213% to 28.5 million.
2. 51 staff as at 30 June (38 a year ago).
3. 560 dealer groups using MGF. Platforms include BT Wrap, Macquarie Wrap, Colonial First State (First Choice & First Wrap) MLC Wrap, Navigator, Asgard, Netwealth, AMP (North & Summit), IOOF, & Perpetual Wealth Focus amongst others.
4. 1760 advisors attended MGF's August 2013 road shows, (1200 in 2012 and 700 in 2011).

As of October 2013, Magellan managed \$18.1 billion, of which \$5 billion is sourced from retail investors, \$2.6 billion from Australia/NZ institutions, \$4.2 million from North American institutions and \$6.3 billion from rest of the world institutions. Of the \$18.1 billion AUM, \$6 billion is in Australian/NZ equities, \$9 billion in Global equities and \$3.1 billion in infrastructure equities.

### Future Fund asset allocation and strategy released

The Future Fund has released its portfolio asset allocation as at 30 September. (Details below) The fund returned 8.2% per annum over five years (target 6.8% pa) and 9.7% per annum over three years (target 7% pa).

The fund has also released a twelve-page [briefing document](#) that outlines its core investment principles and investment strategy process. The fund's PE and alternatives program is specifically mentioned and highlights opportunities:

- to benefit from deep investment skills and experience of select firms - transfer of knowledge and insights for the benefit of the

fund's total portfolio, plus co-investment opportunities.

- to gain exposure to diversifying exposures, e.g. in:
  - Innovating and rapidly developing businesses
  - Distressed or undercapitalised businesses requiring capital injections
  - Commodity exposures

### Future Fund asset allocation as at 30 Sept 2013

Asset Allocation	A\$ billion (Sept 2013)	Percentage of the fund (Sept 2013)
<b>Australian Equities</b>	9.5	10.3
<b>Global Equities</b>		
Developed Markets	21.9	23.9
Emerging Markets	7.3	8.0
<b>Private Equity</b>	6.6	7.2
<b>Property</b>	5.2	5.6
<b>Infrastructure &amp; Timberland</b>	7.3	8.0
<b>Debt Securities</b>	11.2	12.2
<b>Alternative Assets</b>	13.9	15.2
<b>Cash</b>	8.8	9.6
<b>Total</b>	<b>91.7</b>	<b>100.0</b>

Source: Future Fund portfolio update as at 30 September 2013; Basis Point Consulting

### Challenges and opportunities for Australian fund managers

State Street has released its ["Navigating for Growth" report](#). The 51-page document discusses challenges and opportunities for Asia Pacific asset managers.

The Australian roundtable featured panellists such as Christopher Kelaher (IOOF managing director), Alan Schoenheimer (Russell Investments Asia Pacific chairman), Brett Jollie (Aberdeen Asset Management managing director), Rob Adams (Executive Chairman Henderson Global Investors Australia), Ross Youngman (CEO Five Oceans AM) and Michael Bargholtz (Managing Director Fidelity Worldwide Investments Australia).

Key themes:

- Consolidation within the Australian institutional sector, particularly superannuation funds, means asset managers need to ensure

strong relationships with the right funds and consultants.

- In the retail sector, consolidation is largely driven by Future of Financial Advice (FOFA) — and some asset managers are responding by focusing their efforts on the largest distributors only — making these relationships more important.
- Margins are compressed in Australia, partly because of the large number of Australian equity managers.
- Distribution is one of the biggest challenges for Australian asset managers that are looking to target Asian markets — the challenge includes the lack of an Asian passporting system and ability to distribute UCITS funds in Australia.
- Tax issues — around domicile, Australian shares and derivatives — also make Australia less attractive as a global, or regional, asset management hub.
- In light of the steep challenges of international expansion, and the fact that the local industry has a large, captive, guaranteed domestic business, many Australian asset managers have no plans to internationalise.

### Insights from global institutional investors and alternatives managers

Three recent industry reports provide insights from global investors and managers.

[AMP Capital Institutional Investor Research Report](#). (65 institutions surveyed globally)

Key findings:

- Current shift in focus from yield to capital growth.
- Asset allocations expected to rise for direct real estate, PE and direct infrastructure (but from a small base).
- Allocations to fall in domestic and global government bonds and domestic corporate bonds.
- 55% said their equities investments 'exceeded' their expectations over the past year. *(Suggesting they were surprised by the strength of the equity boom, and/or their equity fund managers outperformed).*
- Hedge funds account for 4% of their allocations.

A [State Street/ Prequin global survey](#) of 391 alternative fund managers has found that:

- 82% of managers cited 'fundraising' as their biggest challenge over the next five years.
- Other concerns were:
  - generating performance (cited by 54% of managers),
  - adapting to regulation (38%),
  - preserving margin (20%) and
  - fulfilling investor demands (18%).

Invesco has released its [Global Sovereign Asset Management Study](#). (37 sovereign investors were interviewed)

Key findings:

- Sovereign investors have been heavily shifting their allocation to alternatives (including property) and away from core asset classes.
- Western investment sovereigns have 21% of all portfolio assets allocated to alternatives (including property). However, the greatest prevalence of increases in new alternatives allocations in the last 12 months was in the Middle East, Asia and Emerging Markets sovereigns.
- Primary objective for many sovereign wealth funds is to focus on their home market and develop the economy on a local level, which differs from 'public' perception that they invest predominantly in international strategic or trophy assets, and in countries other than their own.

### ASIC redefines its definition of a Hedge Fund

ASIC has refined its definition of a hedge fund 'to ensure our disclosure requirements are appropriately targeted at those funds that pose more complex risks to investors.'

Changes are in Class Order [\[CO 13/1128\]](#) *Amendment of Class Order [CO 12/749]* and an updated Regulatory Guide 240 *Hedge funds: Improving disclosure* ([RG 240](#)).

RG 240 classifies a product as a hedge fund if it is promoted as a hedge fund, or exhibits two or more of the following characteristics: complex investment strategy/structure, uses leverage, uses derivatives, uses short selling or charges a performance fee.

However, the guidance definitions have been refined to relieve some lower-risk funds from the more extensive disclosure obligations imposed on a hedge fund under RG 240.

## Cost of Compliance

The Cost of Compliance - a global survey of compliance issues for hedge funds – produced by the Alternative Investment Management Association (AIMA), the Managed Funds Association (MFA) and KPMG International, has revealed:

- The average spend on compliance was at least US\$700,000 for small fund managers, \$6 million for medium-size fund managers, and \$14 million for large fund managers.
- More than a third of hedge fund managers polled with less than \$250 million in AUM said compliance requirements consume more than 10% of their total operating costs.
- Overwhelmingly, managers are shouldering the majority of the costs associated with compliance, and not passing them on to the funds.
- The Alternative Investment Fund Managers Directive (AIFMD) and the Foreign Account Tax Compliance Act (FATCA) were the highest in terms of cost, time and need for external support.
- More than two-thirds of the respondents said they needed outside help with AIFMD authorization and reporting, while 65% needed help with FATCA. By comparison, less than 25% of respondents said they needed outside help with Asia Pacific registration and reporting.

The survey covered 200 hedge funds globally with \$910 billion combined AUM.

Click [here](#) for press release.

## SALT Las Vegas announced

The 6th annual SALT conference is scheduled for 13<sup>th</sup>-16<sup>th</sup> May 2014, at the Bellagio, Las Vegas. 2000 hedge fund industry attendees are expected at this US flagship hedge fund event.

SALT ('Skybridge Alternatives') is produced by SkyBridge Capital, a New York-based alternative investment firm with \$8.6 billion in assets under management/advice.

The SALT event is geared towards personal networking between managers, institutional/family office investors and service providers. A social networking e-platform is provided to enable participants to assess contact opportunities prior to the event.

The second annual Singapore SALT conference, held in late September 2013 (just after the F1 race), attracted around 800 delegates. Australian speakers included Adriaan Ryder, CIO, QIC; Gerard Satur, CEO MST Capital; and Eric Chow,

Senior Fund Manager, Value Partners, Hong Kong (Australian educated – USyd then at Australian Bureau of Statistics before joining Value).

## IFM changes name, creates Private Capital group, expands globally

Industry Funds Management (IFM) has changed its name to IFM Investors. The \$48 billion manager is owned by 30 major superfunds and invests across infrastructure, debt, equities and private capital.

Meanwhile, the firm has established a 'Private Capital' unit, which is the integration of its current Private Equity and Private Assets groups into one team. Private Capital will invest via PE fund investments, co-investments with PE firms, direct investments in growth focussed SMEs and direct investments in defensive businesses.

Phillip Bower will lead the combined group as Head of Private Capital while Steve Lipchin, Executive Director, will play a key role.

IFM Investors plans to open a Tokyo office in early 2014 to be headed by Eddy Schipper, Executive Director of Business Development. The firm opened an office in Berlin this year and expanded its presence in the UK and US. 25% of IFM's staff are now based overseas.

## Australian hedge fund award winners

Australian Hedge Fund of the Year for 2013: Laminar Credit Opportunities Fund.

Best fixed-income and credit fund: Laminar Credit Opportunities Fund.

Best emerging manager: MST Capital.

Best long-short fund: PM Capital Absolute Performance Fund (AUD).

Best market-neutral fund: The Macquarie Asian Alpha Fund.

Best global macro/futures fund: Whitehaven SPC Correlation Fund.

Best multi-strategy fund: Pine River Fund (USD).

Best offshore manager operating in Australia: K2 Advisors.

Best investor supporting Australian managers: Pengana.

Contribution to the Australian hedge fund industry: John Corr.

Meanwhile, at the separate Australian Fund Manager Awards, the Perpetual Long Short Fund won the JP Morgan Hedge Fund Absolute Return Award.

## People on the move

The Alternative Investment Management Association (AIMA) has appointed Jack Inglis as its London-based CEO, replacing Andrew Baker who announced mid-year that he was stepping down. Inglis joins from Barclays where he was a member of the Global Executive Committee for Prime Services.

\*

Challenger has hired Louise Watson, (ex-BDM at Aberdeen Asset Management), as a senior institutional business development manager. She will be responsible for contributing to the growth and development of the Fidante Partners multi-boutique business.

\*

JBWere has appointed James Wright as CIO. He was previously CIO at ING Investment Management. Wright will be responsible for setting the firm's investment strategy and overseeing the tactical asset allocation, product and security selection for JBWere's private wealth management, institutional and not-for-profit client portfolios.

\*

Infradebt has appointed Terry McCredden, (ex-CEO of UniSuper), as non-executive chairman. Infradebt is a recently established Canberra-based infrastructure debt manager, led by Alexander Austin, a founding partner of Access Capital Advisers.

\*

Select Investment Partners has appointed Matt Olsen, (ex-Deputy CIO at Van Eyk), as its new Head of Research.

\*

Australian Unity Investments (AUI) has appointed Theone Star as a key account manager with responsibility for multi-managers, private banks and brokers, and family offices. She joined AUI in 2005 and reports to Damen Purcell, AUI's head of retail distribution.

\*

The Australian Private Equity and Venture Capital Association (AVCAL) has appointed Yasser El-Ansary as its new CEO. Yasser was previously GM (Policy) at the Institute of Chartered Accountants Australia. The appointment of El-Ansary follows the decision of Dr. Katherine Woodthorpe to resign as CEO after seven years in the role.

\*

Three Australian fund managers – David Mercurio, David Walsh and Nicholas Vidale are running Asian investment funds for GLG, according to Pierre LaGrange, one of the 3 co-founders of GLG, in an interview with the AFR (30 October 2013). GLG (US\$27.7 billion AUM) established its Asian

long/short equities unit last year in Hong Kong. Man Group (\$52b AUM) bought GLG in 2010.

\*

Four Australians, Sir Michael Hintze (CQS), Anton Tagliaferro (Investors Mutual), Kerr Neilson (Platinum Asset Management) and the late Robert Maple-Brown (Maple-Brown Abbott) are on the list of the World's 99 Greatest Investors (author Magnus Angenfelt, published by Roos & Tegner).

Three of the four were born overseas - Tagliaferro (Malta), Neilson (South Africa), & Hintze (China). Sir Ron Brierley, born in New Zealand, is also featured in the book. Click [here](#) for the full list.

\*

Queensland-raised Matthew McLennan, 44, has been profiled by the AFR (19/10/2013) as an Australian fund manager in New York running global investments for First Eagle Investment Management (\$88 billion AUM – privately owned). He is on the global advisory council of Advance.org, a non-profit organisation whose aim is to 'turn the one million Australians abroad into a powerful knowledge network and resource'. McLennan's [bio](#) (via Advance.org).

## Manager developments

Henderson Global Investors has acquired H3 Global Advisors. H3 has AUM of \$342 million and offers commodity-focussed investment strategies. The firm was founded by Andrew and Mathew Kaleel. Ascalon owned a 45% stake in the firm. HGI bought natural resources fund manager 90West earlier this year as part of its build-up in Australia.

\*

PM Capital is launching the PM Capital Global Opportunities Fund, (PGF) a listed investment fund on the ASX. Trading is expected from 12 December. PGF will invest in a concentrated portfolio of 40 globally listed stocks and will have active currency management. Derivatives and options can be used. Individual short positions are not to exceed 3% of portfolio.

\*

Fidante Partners will promote UK-based River and Mercantile Asset Management (R&M) in Australia and NZ, according to the Financial Observer. R&M has \$3 billion AUM of which half is in global equity strategies. Fidante (Challenger's multi-boutique business) has alliances with 13 boutiques that have \$30 billion in combined AUM.

\*

Nikko Asset Management has acquired Treasury Asia Asset Management (TAAM) from boutique incubator Treasury Group. TAAM's Singapore and Sydney-based team of 8 investment professionals is headed by founder and CIO Peter Sartori. Nikko

AM is the parent company of Tyndall Investment Management in Australia which has \$23 billion AUM.

Meanwhile, UK-based Ignis Asset Management will sub-advise new absolute return debt product and liability management strategies exclusively with Tyndall into the institutional market in Australia. Ignis is a wholly owned subsidiary of Phoenix Group and has approximately A\$110 billion under management.

\*

Solaris Investment Management has established Channel Capital to provide operational services to external fund managers. Brisbane based Channel is led by Glen Holding, Managing Director (formerly COO of Solaris), and Katherine Youhanna, General Manager (ex GM Client Services and Marketing for Solaris). Clients include Solaris, Resource Real Estate Global Property Securities (Australia) and EcoAg Management.

## Investor developments & mandates

AustralianSuper has completed the first phase of its five-year plan to bring the management of its Australian equities, direct property and infrastructure investments in house. A cost reduction of 15 basis points is targeted. *(On its \$65 billion AUM, this equates to \$97.5 million in savings p.a.)*

This first phase has seen the implementation of the systems, processes and the addition of 23 new staff to support the internal management of its investments. Phase two has already commenced and will look at Global equities and Direct Credit and loans.

\*

New Zealand Superannuation Fund has appointed Northern Trust to manage four new passive global equities mandates. The mandates track global large cap, global small cap, developed emerging markets and developed REITs (real estate investment trust) market indices.

Northern Trust has had a custodial relationship with the Fund since 2007 however the NZ Fund believes appropriate separation is in place between Northern Trust's asset management and asset servicing businesses. The mandates are flexible in size.

\*

UBS Australia will be launching its Global Family Office (GFO) business. Services will include discretionary and advisory portfolio construction advice, philanthropic advice and execution across equities, fixed income, cash and alternative asset classes. UBS launched the Global Family Office (GFO) in 2011 to focus primarily on its top 250 largest institution-like or professional family office prospects and clients, who represent around 2% of

its total ultra-high net worth client base around the world.

\*

Chifley Super (\$400m AUM) will merge with Sunsuper (\$18b AUM) by Dec 2013.

\*

Airlie Funds Management has received mandates worth \$1.19 billion from AustralianSuper, \$542 million from Cbus and \$90 million from Hostplus in the past financial year. AustralianSuper also allocated new Australian equity mandates worth \$374 million to Avoca, and \$272 million to Tribeca last financial year.

\*

CareSuper has awarded \$200 million to the absolute return strategies of GMO and Wellington, according to the Insto Report.

\*

Vision Super has awarded a \$2.3 billion active currency mandate to UK-based Adrian Lee & Partners (AL&P). The mandate will be a segregated account and will seek to achieve currency alpha on the overseas portion of the fund's investments. AL&P has AUM of US\$6 billion.

\*

Media Super has awarded Aberdeen Asset Management with an Australian equities (largest 300 stocks ex-top 20) mandate. The mandate size was not disclosed. Aberdeen Australia has AUM of \$17 billion.

\*

IOOF multi-manager fund MultiMix has awarded a \$200 million Australian equities mandate to Dalton Nicol Reid.

\*

Philadelphia-based Resource Real Estate has launched RRE Global Property Securities (Australia) as a global RE securities fund for domestic institutional investors.

The fund will be managed by John Snowden, based in Sydney, and fellow Australian Scott Crowe, based in New York, and forms part of RRE's 'Global Opportunities Strategy' that invests in global REITS.

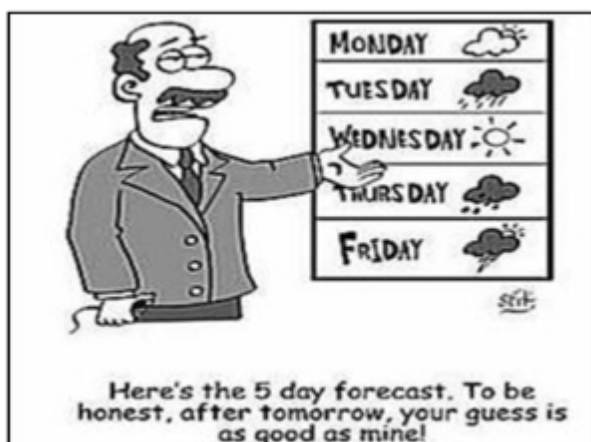
RRE, a unit of Resource America (US\$15 billion AUM), is partnering with Brisbane-based Channel Capital, which will provide operational infrastructure to the Australian fund.

Snowden (ex AIMS Financial Group/Colonial First State) and Crowe (ex PM at Cohen & Steers) previously worked together at UBS.

Snowden will oversee RRE's Asia-Pacific investments while Crowe will act as portfolio manager for the Americas and Europe.

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### When “I don’t know” is the Right Forecast: USA Equities

We rarely hear a weather forecaster say “I do not know” because we expect them to have a view. Just like investors expect market analysts to forecast the stock market. The expectations, of course, are not always realistic.

I would argue that in the face of growing uncertainty a prudent analyst should say, “I do not know” instead of trying to put a precise figure on the future. In practice the analyst would not admit “I don’t know” but would indicate a large margin for error in his forecast. Paradoxically, such a statement would have more value than a forecast of spurious accuracy pulled out of a hat. It would give a signal for investors to additionally safeguard their investment strategies on the downside in times of increased uncertainty instead of creating a false sense of security.

The stock market value can be calculated by multiplying combined profits of all companies in a market index and a valuation multiple. From the two components, profits are more predictable than the valuation multiple.

Bottom-up analysts try to forecast profits or earnings for individual companies and form a view about the total market by adding up the individual outlooks. Top-down macro analysts look at macroeconomic forces that create positive or negative environment for profits growth for everybody.

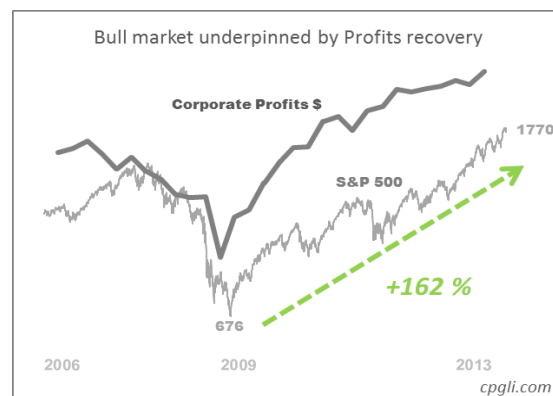
Both groups of analysts have to forecast valuation multiple – the second component of market valuation. The multiple, such as P/E Ratio, is driven by crowd psychology and investor sentiment among other factors. These can change rapidly and unexpectedly, impacting the stock market valuation.

There are periods when a stock market behaves more “rationally” and moves with the profits trend. At other less rational and uncertain times, investor sentiment dominates and market moves with the valuation multiple.

We are approaching such uncertain times in the USA – the largest market influencing global trends.

Here are just two reasons why:

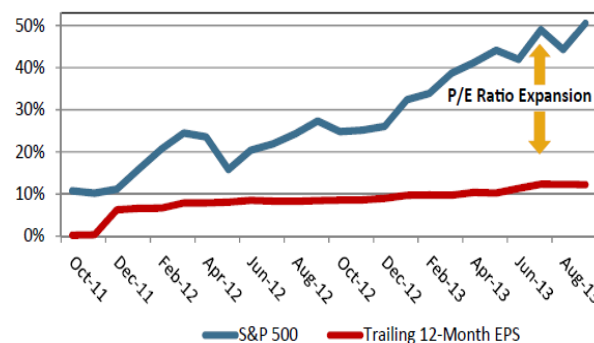
First, the current almost five-year-long bull market from March 2009 bottom has been underpinned by a spectacular V-shape recovery in Corporate Profits as my USA chart shows. The S&P 500 market index rose by 162%.



But significantly, recent market gains have come mainly from P/E Ratio expansion and less from the earnings growth – chart:

### Percentage of Change of S&P 500 and 12-Month Earnings Per Share since 09/30/11

Source: Bloomberg, period ending 09/24/13



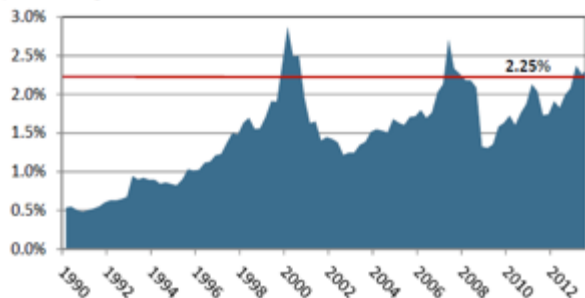
Although the current P/E Ratio at around 15 times is not exuberant, the reliance of the market valuation on P/E ratio growth increases the risk.

Second, in the early stages of the market recovery hardly anybody would dare to call it a bull market; now most commentators and investors are jumping on the boom bandwagon.

The near record USA margin debt is a good indication of bullish investor sentiment – chart:

**Margin Debt as a Percentage of GDP**

Sources: New York Stock Exchange and Bureau of Economic Analysis, period ending 08/31/13



Notably, previous margin debt peaks in 2000 and 2007 coincided with a stock market top followed by a crash that may give another reason for concern.

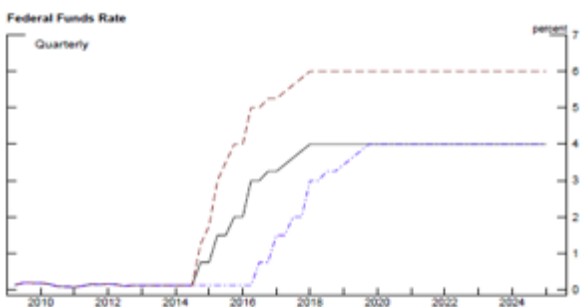
Summing up, the USA stock market outlook comes down to a judgment on the future P/E and EPS growth. Should the P/E grow faster than earnings, the market risk would increase even further. While a relative acceleration of the EPS growth would reduce the risk and reinforce the bullish case.

In times of increased uncertainty the investor needs first an awareness of the uncertainty and second a dependable indicator of turning points in the market, as has been provided by the corporate profits growth-leading indicator.

**Fed Interest Rates Outlook**

In a background paper discussing Fed abandoning a plan to sell mortgage debt, Seth Carpenter of the Fed Board’s Division of Monetary Affairs, assumes a wide range of scenarios for the federal funds rate: first rate increase is to occur between mid 2014 and early 2016 – chart:

Figure 1: Interest Rates  
 — Baseline — High Yfs — UR Thresh 6%



Source: Seth Carpenter at al, Fed Board’s Division of Monetary Affairs  
<http://www.federalreserve.gov/pubs/feds/2013/201301/revision/201301pap.pdf>

Source Article: <http://bloom.bg/17sE1qx>

**What’s Happening to Bonds and Why?**

To say that bonds are under pressure would be an understatement. Over the last few months, sentiment about fixed income has flipped dramatically: from a favored investment destination that is deemed to benefit from exceptional support from central banks, to an asset class experiencing large outflows, negative returns and reduced standing as an anchor of a well-diversified asset allocation.

- After a first quarter of record inflows, approximately \$106 billion has exited global fixed income mutual funds in 2013, with U.S. retail funds particularly hard hit.
- Risk parity investors have de-levered quite forcefully due to an increase in rates and volatility, spiking correlations and aggressive drawdown control rules.
- Hedge funds have cut back on carry trades, particularly front-end exposures, despite the Fed’s guidance that it will maintain near-zero interest rates for an extended period of time.
- REITs (real estate investment trusts) and other mortgage-related investors have been sellers of interest-rate-sensitive securities as yields rose and mortgages extended in duration (consistent with the decline in refinancing at higher rates).
- CFTC (Commodity Futures Trading Commission) data show that the collective net short position held in 5-year Treasury futures is now the largest in the last 3 years and among the largest in the last 5 years.
- TIC (Treasury International Capital) data point to a decline in foreign purchases of U.S. Treasuries.

Source: Mohamed El-Erian, PIMCO  
[http://www.advisorperspectives.com/commentaries/pimco\\_091313.php](http://www.advisorperspectives.com/commentaries/pimco_091313.php)

**Opportunities in Bonds Amid Tapering**

Ever since the Fed announced its decision to taper asset purchases contingent upon economic performance in May, the bond market has become a precarious place. Atypically, spreads widened with near-perfect correlation to rising rates causing a sharp underperformance in May and June.

Usually, this type of market action would lead to an inverse correlation. Spread products historically tend to outperform when rates rise because it reflects a stronger economy and declining default risks; nevertheless, it did not prevent many investors from questioning this relationship and extrapolating weak performance forward. However, the more traditional relationship between interest rates and the performance of spread product has



started to reassert itself and correlations have fallen, which enables investment managers to better hedge interest rate risks across portfolios. Although fixed income went through a rough patch in 2Q, current valuations may provide an attractive opportunity to re-enter actively managed fixed income strategies that hedge interest rate risk.

Display 1: Spreads tend to narrow as rates rise creating an inverse correlation



Note: 5y CDX IG is a credit default swap index on U.S. investment grade entities. It is generically used to reflect investment grade spread performance. Source: Bloomberg, MSM. Data as of August 26, 2013

Source: Morgan Stanley

[http://www.morganstanley.com/msamg/msimintl/docs/en\\_US/IN/publications/special\\_report/2013/sr\\_201309\\_gfi\\_insights\\_opps\\_bonds.pdf](http://www.morganstanley.com/msamg/msimintl/docs/en_US/IN/publications/special_report/2013/sr_201309_gfi_insights_opps_bonds.pdf)

### Abenomics One Year On

Japanese Prime Minister Abe immediately fired the first and easiest of his three ‘arrows’, a dramatic expansion in the BoJ balance sheet that will be maintained until inflation reaches 2%. It’s side-effect is Yen devaluation which has been responsible for large gains in Japanese equities – FT chart:



The second arrow, a temporary fiscal support programme, has also been implemented.

The third arrow, structural reform, has not even been removed from its quiver. And by far the most difficult task of all, now being termed the fourth arrow, stretches far into the future. That arrow is the tax increase needed to attain long-term fiscal sustainability.

The great unknown for Mr Abe and his successors is whether the fiscal tightening can be accomplished without tipping the economy back into recession. If not, the future may eventually hold further monetisation of the debt, with an even bigger devaluation and much higher inflation.

Source: Gavyn Davies, FT

<http://blogs.ft.com/gavyndavies/2013/10/27/abenomics-one-year-on/>

### Clouds lifting over the UK economy

Pessimism dies hard in the UK. Even so, the startling rise in sentiment in UK business surveys in recent months calls for a rethink of the downbeat view of the British economy, which prevailed almost everywhere at the start of 2013.

Source: Gavyn Davies, FT

<http://blogs.ft.com/gavyndavies/2013/09/04/clouds-lifting-over-the-uk-economy/>

### Economic growth does not drive stock market returns

This is one of the many examples of a widely-held, and seemingly logical, belief about how investment markets work; that is in fact the opposite of what actually happens in real life.

In every city in every major country across the world, floors full of well-meaning (and expensive) economists, fund managers and analysts spend their lives assessing the outlooks for economic growth rates in the hope that it somehow translates into stock market returns. Whenever the World Bank, the IMF, OECD, central banks, or a major investment bank comes out with its latest economic forecasts, investors everywhere naturally try to understand what it may mean for share prices.

Good economic growth should be good for share prices, and low economic growth (or even worse, recessions) should be bad for share prices, right? Well, wrong actually. Most of the time, it’s the opposite in real life.

Source: Ashley Owen, Philo Capital Advisers

<http://www.philocapital.com.au/images/media/MediaCuffelinks04.07.13Economicgrowthdoesnotdrivestockmarketreturns.pdf>

\* We are inviting investment strategists, macro-economists and researchers to show your best work to our 7,000 subscribers. Submit via email [gb@cpgli.com](mailto:gb@cpgli.com) your papers, presentations, research notes on the macroeconomic/strategic investment themes for a potential inclusion in this column.

## Damo's Gadget Corner: Chrissie Gadgets

Don't you just love this time of the year? Thinking about what wonderful gadgets Santa might leave under the tree for you. Let's get the Apple hotlist out of the way and then look at some other cool gadgets.

### Apple

There have been a slew of new releases from the gadget and computing giant. Some of the items are quite pricey so it may be a stretch to see someone stump up for you. Anyway here's an Apple wishlist.

#### iPad Air

I actually picked one up on launch day. It's half a kilo lighter and thinner than the 4<sup>th</sup> generation iPad. It has the new A7 Chip and it is significantly faster than the previous or anything else on the market. The Retina Display is pretty awesome. I went for the larger 9.7 inch rather than the iPad Mini. I'm big on the Zinio App and Apple's Newstand for reading Magazines plus the newspaper Apps. I much prefer the larger screen for this. I'm insync with a lot of reviewers who say that even though the refinements could seem to be minor, the overall feel is much better than the previous. The hold is really comfortable. I have tried the iPad Mini and the screen size just doesn't do it for me.



#### iPhone 5s

Again, the refinements seem to be minor but when using it, they seem significant. Faster, motion sensor, and fingerprint ID are significant. The major speed increase is with the A7 Chip. It's just a better package.



### MacBook Air 13-inch

The thing that got me about this, and I didn't wait until Christmas, is the all-day battery. This is such a great laptop. I've got the 512 GB Hard Drive and I have a reasonable sized Music and Photo Libraries loaded on. With the flash drive, it's very quick. It only weighs a kilo. A great travel laptop.



Ok, let's look at some other non-Apple great gadgets for Chrissie.

### Personal Digital Monitors

Nike have just brought out the Fuel Band SE. My first gadget in this area was Nike. They have a great Website with Nike+ plus. However, I found the hardware to be lacking in quality. I've had three of the GPS watches with two getting water logged from wearing it in the shower. The packaging does state "water resistant". As I'd shipped them from offshore, I had no warranty. The new Fuel Band is more like the FitBit and the Jawbone UP with motion sensor including sleep and compatibility with the motion capabilities of the new iPhone 5s.



Personally I think FitBit and Jawbone UP have a head start on the Nike. I have the UP and the Fitbit. The UP is the most useful because it links with a bunch of fitness websites and Apps like Runkeeper. The Fitbit is below.



I have the TomTom GPS watch, which uploads to Runkeeper, which, in turn, updates the UP. My swimming and walking exercise are included in the UP's stats.

The UP gets my vote for Chrissie. \$149.95 from the Apple Store or J&B HiFi.



### Headphones

The two top ends for me are the Logitech UE 900's in-ear phones. They are not cheap at \$499.95 but the sound delivery is very, very good. They are one of the few four drivers per ear on the market.



### Wireless Speakers

There is a slew of Bluetooth and Airplay Speakers on the market. Personally I like the Ultimate Ears BOOM Bluetooth speaker. This is great value at \$199.95. They are cheap and have great sound. UE also make good little portables for travel.



For over-ear cans, the newly released P7s from Bowers and Wilkins are fabulous. They don't say they are noise cancelling, but there is significant noise isolation. Just released at \$499.95.



Still on Bluetooth boxes, Bose have the SoundLink Mini at \$249.95. The sound from this is fantastic. Still on Bose, they have just released the SoundTouch series.



I bought the SoundTouch 30. This connects to your WiFi and you can play from your iPhone, Touch or Mac. The 30 is \$899.95 and although a great sound, it is a singular box similar to, and competing with, the Sonos Play5. Sonos allow stereo setup with two wireless boxes whereas this is not yet available with the Bose.



If you need the airplane quality noise cancelling, go for the Bose QuietComfort 15s at \$399.95. These cancel out just about everything on a flight.



## About ZG Advisors

Daniel Liptak [danielliptak@zgadvisors.com.au](mailto:danielliptak@zgadvisors.com.au)

ZG Advisors (ZGA) is a new business that will provide advice to institutional investors for their alternative investments. ZGA combines the global alternatives research and resources of Gottex Fund Management with private interests associated with David Smythe and Daniel Liptak.

ZGA will focus on be-spoke solutions for alternative assets customising to strategy type, regional focus, liquidity, risk tolerance and fee load constraint. ZGA is not beholden to an implemented model or a fund of fund approach where the lack of flexibility is deeming these approaches redundant as they fail to meet an individual client's needs.

Gottex is the holding company of a leading independent global alternative investment management group whose core business is providing investment management services to a diversified range of hedge funds, multi manager and multi-asset funds. In this capacity, the Gottex group provides portfolio selection and asset allocation advice, as well as risk management and investment monitoring and advisory services to a broad and diversified institutional clientele. In addition, Gottex group also structures and manages theme and geographically focused fund of hedge funds, multi asset endowment style products, bespoke managed accounts, private equity style real asset funds and provides related services, including a managed account platform and outsourced middle office services, through its subsidiary LUMA GSS.

With offices in Guernsey, Lausanne, London, Hong Kong, New York, Boston, Luxembourg and Zurich, the Gottex group advises funds that are invested with more than 150 managers around the world, investing in a wide range of strategies and geographies on behalf of predominantly institutional investors.

ZG Advisors is a specialist institutional consulting business. Its focus is to deliver customised investment solutions for investors' alternative portfolio needs. The business is structured so that it can draw on a deep pool of due diligence of over 3,000 alternative offerings.

The global approved product list contains approximately 200 funds all of which are continually

monitored through desktop and quarterly on-site investment and operational due diligence.

In addition, ZGA is able to draw upon monthly strategy themes and ideas that are presented and discussed at Monthly Strategy Meetings.

Some examples of the assistance ZGA can provide:

- A detailed review of an existing hedge fund holdings
- Access to global research and due-diligence database
- Training for investor's staff at any of our global offices or in Australia
- Joint due-diligence trips where Investor's can sit-in on manager meetings
- Monthly strategy call participation
- Real-time access to Asia's largest hedge fund investment team – no need to wait until the US or UK opens for business
- Senior investments personnel appointed as relationship managers
- Customised portfolio management services including manager selection, structuring, risk management, and re-balancing
- Advice and assistance with developing in-house risk management and fund database systems

### Current views

While the evidence suggest that a pause before a correction could be wise; - low trading volumes, strong share buy backs, the announcements of an increasing level of IPO's and increasing evidence that retail investors buying equities as institutions slowly retreat (while showing a willingness to continue to buy bonds) there is perhaps some uplift left in the current rally.

Our view is that US equities are currently slightly undervalued on a forward looking view with clear undervaluations in European and emerging equities. But given the support from the G3 central banks there remains a strong reasons to not fight the Fed – we continue to seek opportunities in Europe, the US and Japanese equities. In addition there is evidence that suggests that the emerging markets were oversold earlier in the year and we continue to look for EM opportunities.

With tight credit spreads we continue to favour RV strategies over long beta credit funds.

## AUSTRALIAN HEDGE

As we all know trend following strategies have not found themselves in an environment positive for a number of years. We do not hold on to the view that their long term returns have been a result of the great interest rate reduction of the last 20 years or so. We do acknowledge that all strategies have periods of difficulties, CTA's are caught at that point right now. However, we still maintain that being non-correlated with main asset classes provides investors the closest thing to a free lunch as a result of the diversification benefits.

### Allocation to long short equities

Pension funds in the United States and Europe are increasingly using part of their equity allocations to add hedge fund strategies, including long/short and market neutral funds, instead of limiting these strategies to a separate alternatives bucket.

ZG Advisors expects that this way of allocating funds within traditional balanced options, which historically have used a 60% equities and 40% fixed income split, will find its way to Australia too as managers look for new ways to reduce the equity risk in their portfolios.

We are observing globally that pension funds are allocating to market neutral and long/short funds as part of their equity allocation, even if they are still using the traditional 65/35, or 60/40 type balanced funds. This trend was particularly noticeable in the last 18 months, as people have become scared of a fixed income bubble and subsequently found it hard to get a meaningful reduction of risk within their portfolios.

What they have done is decreased their exposure to equity risk by allocating to long/short and equity market neutral funds, inside their equity buckets, without increasing bond (duration) risk.

#### Daniel Liptak

##### Chief Executive Officer

Level 34, 360 Collins Street  
Melbourne VIC 3000

**Direct:** +61 3 8639 1291

Mb: +61 422 375 415

Email: [danielliptak@zgadvisors.com.au](mailto:danielliptak@zgadvisors.com.au)



#### Damien Hatfield

Triple A Partners

Ph: +61-2-92340072

M: +61 400 560 240

E: [damien@aaapartners.com.au](mailto:damien@aaapartners.com.au)

W: [www.aaapartners.com.au](http://www.aaapartners.com.au)

#### CONTRIBUTORS

**David Chin** is the consulting editor for the Australian Hedge newsletter. He is also the managing director of Basis Point Consulting, a research and news syndication firm focused on the Australian and Asia-Pacific hedge funds, financial markets, and derivatives industries.

Contact: [dchin@basispoint.com.au](mailto:dchin@basispoint.com.au)

**George Bijak** is a director and investment strategist of GB Capital Pty Ltd. A provider of corporate profits outlook – macroeconomic research for global dynamic multi asset allocation investment strategies [www.cpgli.com](http://www.cpgli.com)

Contact: [gb@cpgli.com](mailto:gb@cpgli.com)

**Daniel Liptak** is the chief executive officer of ZG Advisors. ZGA provides advice to institutional investors for their alternative investments. Contact:

[danielliptak@zgadvisors.com.au](mailto:danielliptak@zgadvisors.com.au)

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## Performance Survey

30 Sep 2013

Fund Name	APIR	1 Mth (%)	3 Mths (%)	6 Mths (%)	1 Yr (% p.a.)	2 Yrs (% p.a.)	3 Yrs (% p.a.)	4 Yrs (% p.a.)	5 Yrs (% p.a.)	7 Yrs (% p.a.)	10 Yrs (% p.a.)
<b>Alternatives - Agribusiness</b>											
RFM StockBank	RFM0009AU	0.12	1.56	4.18	3.4						
UBS Bank Bill Index		0.21	0.7	1.45	3.06	3.71	4.14	4.18	4.21	5.02	5.22
<b>Alternatives - Commodities</b>											
Credit Suisse Enhanced Commodity Fund	CSA0063AU	-2.89	5.25	-0.61	-1.97	6.38	5.5	5.6	-8.25		
HB Commodities Fund	AMR0001AU	-2.16	-0.23	-4.61	-10.26	-6.67	-5.49	-4.06	-4.13		
<b>Alternatives - CTA</b>											
AQR Wholesale Managed Futures - Class 1P	PER0634AU	-2.73	-2.8	-0.02	12.35	5.9					
Aspect Diversified Futures Fund - Class A	FSF1086AU	-2.43	-6.37	-8.05	-9.3	-5.77	0.55				
HB Global Strategies Fund AU	AMR0002AU	-0.13	-1.29	-4.36	-4.35	-3.08	-0.18				
Man AHL Alpha (AUD)	MAN0002AU	-1.79	-3.59	-9.01	-5.33	-3.43	-0.95	1.99			
Merricks Capital Soft Commodities Fund	MER0002AU	2.16	0.15	0.57	5.45	2.95	4.44	8.27			
Winton Global Alpha Fund	MAQ0482AU	2.33	-1.12	-0.31	4.53	2.19	5.99	7.56	7.43		
UBS Bank Bill Index		0.21	0.7	1.45	3.06	3.71	4.14	4.18	4.21	5.02	5.22
<b>Alternatives - Exchange Traded Fund - ETF</b>											
BetaShares Agriculture ETF - Currency Hedged	ASX:QAG	-1.91	-3.04	-8.08	-20.91						
BetaShares Australian Equities Bear Hedge Fund	ASX:BEAR	-1.89	-8.67	-5.91	-17.04						
BetaShares British Pound ETF	ASX:POU	-0.3	4.49	18.78	11.3	3.78					
BetaShares Commodities Basket ETF - Currency Hedged	ASX:QCB	-1.95	3.24	-3.53	-9.71						
BetaShares Crude Oil Index ETF - Currency Hedged	ASX:OOO	-4.08	8.29	6.63	9.44						
BetaShares Euro ETF	ASX:EEU	-2.26	1.83	17.25	16.39	1.94					
BetaShares Gold Bullion ETF - Currency Hedged	ASX:QAU	-3.83	11.65	-16.1	-23.81	-7.8					
BetaShares U.S. Dollar ETF	ASX:USD	-4.78	-2.23	11.24	10.71	1.49					
EFTS Physical Precious Metal Basket	ASX:ETPMPM	-9.91	9.31	-7.97	-16.11	-7.16	0.99	6.33			
EFTS Wheat (collateralised structured product)	ASX:ETPWHT	-1.26	-1.32	5.13	-22.5						
EFTS Agriculture (collateralised structured product)	ASX:ETPAGR	-7.11	-5.08	3.06	-10.85						
EFTS Copper (collateralised structured product)	ASX:ETPCOP	-2.17	5.9	7.03	-4.5						
EFTS Corn (collateralised structured product)	ASX:ETPCRN	-12.82	-19.41	-16.67	-24.17						
EFTS Energy (collateralised structured product)	ASX:ETPNRG	-8.95	0.47	4.62	6.98						
EFTS Grains (collateralised structured product)	ASX:ETPGRN	-8.82	-7.66	1.05	-14.34						
EFTS Industrialised Metals (collateralised structured product)	ASX:ETPIND	-3.31	1.87	3.7	-8.61						
EFTS Natural Gas (collateralised structured product)	ASX:ETPGAS	-8.03	-6.63	-8.67	-7.44						
EFTS Physical Gold	ASX:GOLD	-9.44	8.83	-8.17	-17.27	-8.11	1.26	5.54			
EFTS Physical Palladium	ASX:ETPMPD	-4.92	10.39	4.27	25.15	10.32	8.94	23.04			
EFTS Physical Platinum	ASX:ETPMPT	-11.27	4.75	-0.99	-6.39	-1.96	-4.67	0.43			
EFTS Physical Silver	ASX:ETPMAG	-12.68	12.39	-16.28	-30.76	-14.4	0.08	5.16			
UBS Bank Bill Index		0.21	0.7	1.45	3.06	3.71	4.14	4.18	4.21	5.02	5.22
<b>Alternatives - Hedge Fund of Funds</b>											
Faucher Partners Absolute Return Trust	ETL0144AU	1.98	3.48	6.82	15.36	10.05	7.08	6.39	6.18		
Ibbotson Diversified Alternatives Trust - Class A	INT00095AU	0.34	0.61	0.99	5.46	3.99	6.07	7.27	4.3		
Ironbark Global Diversified Alternatives Fund	DEU0109AU	1.01	2.42	2.47	4.37	1.53	1.45	1.65	-0.06	0.36	3.14
LHP Diversified Investments Fund (Wholesale)	HFL0104AU	1.72	3.15	4.22	9.87	9.39	7.54	7.1	4.5	3.28	4.74
LHP Global Long/Short Fund (Wholesale)	HFL0108AU	2.03	4.22	8.17	16.79	12.4	9.88	8.43	8.58	7.49	8.38
Mercer Diversified Alternatives Fund	MIN0026AU	-0.17	0.98	2.12	6.13	3.95	3.86	3.45	2.6	2.47	
van Eyk Blueprint Absolute Australian Shares Fund	MAQ0632AU	-0.01	3.32	3.86	10.7	9.85	5.43	4.58			
UBS Bank Bill Index	MAQ0634AU	-1.15	0.4	5.28	7.82	8.88	6.59				
UBS Bank Bill Index		0.21	0.7	1.45	3.06	3.71	4.14	4.18	4.21	5.02	5.22
<b>Alternatives - Macro</b>											
Advance Global Alpha Fund - Wholesale Units	ADV0117AU	0.48	0.97	1.96	4.78	4.81	4.42	5.46	4.84	-0.87	
BlackRock Scientific Global Markets Fund	BGL0045AU	-0.49	-1.5	-2.88	-0.7	1.81	2.12	4.35	4.37	5.48	
Blue Sky Apeiron Global Macro Trust	BSP0001AU	-3.56	-4.36	-9.51	-4.71	-4.6	0.39	0.35	0.74	4.94	
GMO Systematic Global Macro Trust - Class B	GMO0006AU	-2.41	2.89	6.7	11.95	9.83	9.89	9.93	12.25	12.07	
Legg Mason Tactical Allocation Trust - Class A	SSB0130AU	3.35	13.45	10.84	39.84	28.96	12.65	11.18	10.57	6.13	7.58
Man GLG Global Macro (AUD)	MAN0008AU	-0.75	-7.93	-2.47	0.49						
MST Global Fund	n/a	0.9	1.52	4.84	6.39						
Quiris Currency Absolute Return Fund	WHT0050AU	-1.89	-3.22	-4.47	-7.95						
Tribeca Global Total Return Fund - Retail Class	ETL0301AU	-1.33	-2.7	1.2	1.46						
UBS Bank Bill Index		0.21	0.7	1.45	3.06	3.71	4.14	4.18	4.21	5.02	5.22
<b>Alternatives - Market Neutral</b>											
Aurora Absolute Return Fund	ASX:ABW	0.51	1.79	3.21	4.65	5.06	6.17	4.31	6.69	2.86	
Aurora Fortitude Absolute Return Fund	AFM0005AU	0.53	1.86	2.91	4.3	4.76	5.35	4.47	5.21	6.5	
Bennelong Long Short Equity Fund	BFL0005AU	0.83	6.75	18.18	21.8	14.7	19.22	17.62	19.27	18.41	21.54
BlackRock Australian Equity Absolute Return Fund	MAL0079AU	-0.59	1.3	2.29	4.39						
Merricks Capital Long/Short Equity Fund	MER0001AU	-2.18	-1.9	-0.38	1.62	0.89					
Pengana Australian Equities Market Neutral Fund - Class A	PCL0013AU	-0.24	3.09	5.46	11.12	8.48	9.43	11.28	9.45		
Perennial Absolute Return Trust	IOF0227AU	1.01	7.17								
Regal Tasman Market Neutral Fund	RGL0001AU	0.69	2.43	3.72	6.83	4.14	14.48	18.57	20.55		
UBS Bank Bill Index		0.21	0.7	1.45	3.06	3.71	4.14	4.18	4.21	5.02	5.22
<b>Alternatives - Multi Strategy</b>											
Access SRA Fund (16 Unit Class)	COL0008AU	-5.52	-0.47	-0.48	5.92	-2.5	6.12	5.8	9.21		
Advance Alternative Strategies Multi-Blend Fund	ADV0159AU	0.49	0.86	1.96	4.78	4.81					
AQR Wholesale DELTA Fund - Class IF	PER0554AU	0.34	-0.25	1.62	4.58	4.89	4.57				
BlackRock Multi Opportunity Absolute Return Fund	BLK0001AU	-0.2									
Man Diversified Alternatives Fund	MAN0004AU	0.44									
Select Alternatives Portfolio	SLT0005AU	-0.57	-0.03	-2.76	-0.95	-0.46	0.68	2.88	2.11	2.47	5.27
SRA Alliance Fund (16 Unit Class)	COL0020AU	-3.93	-3.54	-11.1	-5	-8.32	1.92				

UBS Absolute Return Fund (AUD)	UBS0013AU	0.83	1.67	1.01	8.81							
UBS Bank Bill Index		0.21	0.7	1.45	3.06	3.71	4.14	4.18	4.21	5.02	5.22	
<b>Alternatives - Other</b>												
AMP Capital Core Infrastructure Fund - Class A	AMP1179AU	2.05	-0.87	-0.46	7.51	9.31	8.78	9.28	7.33			
Macquarie Diversified Private Equity Fund - 2003 Offer Accumulation	MAQ0282AU	0.41	-1.17	2.4	1.21	-0.29	-0.65	1.48	-0.42	0.98	3.08	
Pengana Asia Special Events Fund	PCL0004AU	0.88	3.03	5.1	12.12	8.18	7.91	8.68	11.98			
Van Eyk Blueprint Gold Bullion Fund	MAQ0598AU	-5.41	8.86	-16.53	-24.58	-9.3	1.14	13.58	17.07			
UBS Bank Bill Index		0.21	0.7	1.45	3.06	3.71	4.14	4.18	4.21	5.02	5.22	
<b>Australian Shares - Long Short</b>												
Acadian Wholesale Australian Equity Long/Short Fund	F5F0789AU	1.25	11.82	8.42	31	19.42	9.04	6.43	4.79	3.18		
AMP Capital Australian Equity Opportunities Fund	AMP1783AU	1.79	7.86	7.44	23.98							
Antares High Growth Shares Fund	PPL0106AU	2.18	8.47	6.69	22.72	17.92	9.19	6.96	9.09	6.26	10.81	
Arnhem Long Short Australian Equity Fund	ARO0019AU	3	11.86	13.31	31.39	22.59	10.54	8.44	12.76	9.47		
Ausbil Investment Trust - Active Extension Fund - Wholesale	AAP0003AU	4.02	14.89	13.41	33.66	22.57	10.54	7.98				
Benelong Kardinia Absolute Return Fund	BFL0010AU	0.93	3.23	4.55	13.68	12.77	12.83	10.19	12.07	13.69		
BlackRock Australian Equity Opportunities Fund	MAL0072AU	1.44	10.75	8.22	25.92	23.81						
BlackRock Wholesale Australian Share Fund	PWA0823AU	1.77	10.33	7.48	24.03	18.42	7.18	4.77	6.22	4.67	9.98	
BT Wholesale Australian Long/Short Fund	RFA0064AU	2.82	10.96	10.15	26.55	21.26	11.04	7.51	10.13			
CFS Wholesale Australian Share Long Short - Core	F5F0916AU	1.22	8.65	7.97	21.74	17.59	9.74	7.49	8.53			
EQT SGH Wholesale Absolute Return Trust	ETL0030AU	0.32	4	-2.15	10.97	7.83	0.84	-0.62	-4.59	-3.78	3.02	
Grant Samuel Tribeca Alpha Plus Fund	ETL0069AU	2.31	12.58	9.74	20.68	14.05	4.29	4.16	7.57	6.01		
Naos Emerging Companies Long Short Equity Fund	NAM0002AU	4.24	31.96	25.35	27.08	9.35	5.64	11.42	21.38	10.52		
Naos Long Short Equity Fund	NAM0001AU	4.16	22.53	20.95	63.51	37.28	11.01	9.34	9.25	5.3		
Monash Long Short	n/a	7.08	14.63	15.86	35.75							
OC Concentrated Equity Fund	OPS0004AU	5.9	28.07	16.5	19.36	10.92	5.48	10.4	16.71	8.58		
Paragon Fund	n/a	5.1	8.74	8.6								
Perpetual Pure Equity Alpha Fund	PER0668AU	0.19	2	7.44	11.85							
Perpetual Wholesale Share-Plus Long-Short Fund	PER0072AU	2.15	9.72	12.69	32.6	26.34	16.72	13.71	12.13	9.28	12.76	
PM Capital Australian Opportunities Fund	PMC0101AU	5.25	12.25	16.54	37.8	26.28	13.88	11.17	11.41	5.65	9.76	
Regal Long Short Australian Equity Fund	AMR0006AU	3.92	15.26	13	29.2	22.14						
Smallco Investment Fund	ASC0001AU	3.42	15.47	23.03	54.15	50.38	29.41	25.17	21.3	8.06	16.48	
Velocity Fund	n/a	-0.54	13.09	-24.54	-42.84	-44.37	-31.23	-21.38	-8.26	4.15		
WaveStone Wholesale Australian Equity Long/Short Fund	HOW0053AU	2.77	7.9	9.89	28.44	20.24	11.15	8.07				
Bank of Bermuda/AsiaHedge - Australian Long Short A\$		2.79	8.45	9.15	22.05	16.54	10.45	8.53	10.01	7.56	10.17	
S&P / ASX 300 (Accum) Index		2.16	10.28	7.16	23.61	18.94	8.9	6.78	7.12	4.55	9.67	
<b>International Shares - Asian Long Short</b>												
Australian Unity Investments Seres Asian Equity Opportunities Fund	AUS0038AU	-3.88	-6.36	5.09	23	7.67	2.82					
Ellerston Global Equity Managers Fund (GEMS Units)	ECL0006AU	1.3	2.77	3.65	13.23	12.93	7.72	7.9	4.55	3.52	11.28	
K2 Asian Absolute Return Fund	KAM0100AU	2.15	4.69	6.62	27.51	15.21	4.53	4.34	8.44	6.35	8.78	
Macquarie Asian Alpha Fund	MAQ0625AU	-1.54	-2.69	-2.35	7.71	7.13	11.08	11.77	11.69			
Platinum Asia Fund	PLA0004AU	3.63	4.16	12.01	24.33	15.69	3.48	5.8	8.74	7.5	13.52	
Platinum Japan Fund	PLA0003AU	3.11	4.97	32.41	69.08	27.64	19.19	10.9	13.43	4.71	8.59	
Premium Asia Fund	MAQ0635AU	-2.18	-0.8	4.66	26.52	19.27	6.56					
Premium China Fund	MAQ0441AU	-0.8	6.31	7.9	23.32	13.54	-1.18	3.25	8.69	6.86		
MSCI AC Asia x Japan A\$		0.42	3.5	11.65	17.16	14.43	3.67	4.96	6.57	3.57	8.14	
MSCI Japan SA		3.21	4.41	24.16	46.24	15.92	10.18	5.11	1.64	-3.09	1.51	
<b>International Shares - Global Long Short</b>												
Acadian Wholesale Global Equity Long Short Fund	F5F0788AU	-1.04	4.38	17.29	31.29	21.98	15.01	9.91	2.65	-2.58		
Five Oceans Wholesale World Fund	HOW0032AU	-1.05	5.04	18.03	27.48	16.65	10.41	7.66	6.1	4.58		
K2 Select International Fund	ETL0046AU	0.47	4.02	10.46	22.01	15.79	8.66	7.74	9.88	7.8		
MLC Wholesale Platinum Global Fund	MLC0317AU	1.7	9.89	25.59	40.26	22.68	11.06	8.77	11.14	5.88	8.87	
Morphic Global Opportunities Fund	n/a	0.26	6.29	18.82	29.9							
Platinum International Brands Fund	PLA0100AU	1.55	7.79	20.94	33.77	21.13	12.78	15.62	15.38	9.25	12.82	
Platinum International Fund	PLA0002AU	0.96	6	25	40.21	20.33	9.66	6.5	9.18	5.46	7.82	
PM Capital Absolute Performance Fund	PMC0100AU	-1.77	5.69	29.79	54.23	39.79	16.57	11.58	8.35	0.13	4.09	
MSCI World ex Aust SA		-0.06	5.77	21.95	34.02	23.39	13.28	9.03	4.12	0.47	4.02	
MSCI World Index SA		0.01	5.9	21.39	33.69	23.26	13.13	8.95	4.23	0.59	4.16	
<b>International Shares - Specialist - Long Short</b>												
CFS Wholesale Global Resources Tactical Fund - Class A	F5F0698AU	-0.17	5.86	-6.25	-10.1	-5.78	-6.7	2.3	3.35	3.22		
Pengana Global Resources Fund	PCL0003AU	-1.03	9.68	3.38	-5.2	-0.92	-0.54	6.4	6.39			
Platinum European Fund	PLA0001AU	0.02	9.42	24.24	38.1	27.53	15.05	12.89	12.29	6.69	10.05	
Platinum International Health Care Fund	PLA0005AU	1.48	8.66	20.15	34.82	25.06	20.68	16.32	12.47	7.46		
Platinum International Technology Fund	PLA0101AU	1.27	8.05	25.95	34.01	17.53	9.07	6.06	10.29	5.08	6.56	
MSCI World ex Aust SA		-0.06	5.77	21.95	34.02	23.39	13.28	9.03	4.12	0.47	4.02	
MSCI World Index SA		0.01	5.9	21.39	33.69	23.26	13.13	8.95	4.23	0.59	4.16	