

Monthly Performance Report

November 2017

Monthly Update

The portfolio increased 3.27% (after fees) for the month of November, during which the S&P/ASX200 rose 1.64% and the Small Ords rose 3.91%. The portfolio has now risen by 14.14% in the first five months of this financial year.

November is a month in which most companies have their AGMs. It gives them an opportunity to provide, confirm or update guidance for the coming year. And it gives us an opportunity to ask some questions, read between the lines and try to work out what is really going on. We are happy to report that the portfolio suffered no nasty surprises.

Monthly Portfolio Metrics

Outlook Stocks (Long)	19 Positions: 69%
Outlook Stocks (Short)	3 Positions: -7%
Event, Pair and Group (Long)	4 Positions: 14%
Event, Pair and Group (Short)	0 Positions: 0%
Cash	24%
Gross Exposure	90%
Net Exposure	76%
Beta	0.63

Return Summary Since Inception¹

Since Inception (p.a.)	11.05%
1 Month	3.27%
3 Months	12.33%
6 Months	16.44%
FYTD	14.14%
1 Year	7.32%
3 Years	6.86%
5 Years	11.35%
Cumulative	76.34%

Portfolio Analytics Since Inception

Sharpe Ratio	0.94
Sortino Ratio	1.87
Standard Deviation (p.a.)	9.21%
Positive Months	65%
Maximum Drawdown	-15.21%
Avg. Gross Exposure	88.60%
Avg. Net Exposure	76.70%
Avg. Beta	0.63
Avg. VAR	1.20%

¹ Inception date is 2 July 2012

Monthly Performance Report

November 2017

Notable Contributors for November

Telix (ASX: TLX) listed on the 15th of November at an IPO price 280% above its pre-IPO price. Telix is a biotech firm that is developing molecularly targeted radiation to identify and treat cancer. It raised \$50m at IPO for a total market capitalisation of \$130m. It is reportedly the largest biotech listing in Australia since CSL.

We invested in Telix pre-IPO in January at the equivalent of 17c per share on the understanding that it would list later in the year. It IPO'd at a price of 65c which is where it finished at the end of the month after trading as high as 85c. Pre-IPO our exposure to TLX was quite small, amounting to almost 0.4% of the portfolio.

Impedimed (ASX: IPD) rose 32% in November. Impedimed provides medical devices for monitoring lymphedema, and potentially heart disease, using bioimpedance to measure hydration/inflammation in the body.

The results of a large, long running trial of IPD's L-Dex (which measures lymphedema) will be published soon. Given the strongly positive results of smaller trials, the market is anticipating a positive result that will lead to the widespread adoption of the product. This month the stock bounced up hard from the low trading band it settled into over 2017.

SpeedCast (ASX: SDA) rose 24% in the month. SpeedCast is a telecommunications company that specialises in marine and remote locations.

During November, SDA's share price related strongly on the expectation that the rising price of crude oil would lead to an increase in capex by its oil and gas related customers. SDA has been a consolidator within its industry and is now the largest provider, which has substantially improved its bargaining power with its suppliers, the satellite companies. During the month, the company confirmed that it was on track to achieve its guidance.

Notable Detractor for November

EML Payments (ASX: EML) fell 14% for the month. EML provides transaction cards for uses such as gift cards, remuneration packaging, gaming accounts and business-to-business payments.

The market reacted to the CEO selling some shares after he was approached by an investor to do so, which was then followed by another director selling on market. This can be a warning signal that the directors think that the easy wins are done and it gets harder from here. However, the nature of the EML business is that there is a good degree of visibility in future revenues and earnings, so we think that it is unlikely that this marks a substantial change in the outlook for the business.

Monthly Performance Report

November 2017

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