

## MONTHLY REPORT & FACT SHEET – 31 MAY 2018

**MTD:** 0.3%

**12M:** 13.3%

**3yr Ann:** 7.7%

**3yr Vol:** 6.2%

### Description

The Cor Capital Fund is an Australian registered managed investment scheme that seeks to generate stable positive returns, regardless of prevailing economic or financial market conditions.

It is commonly used as an alternative asset within a broader strategic asset allocation or as a standalone medium-term absolute return investment.

The objective of the Fund is to generate medium to long term returns, without significant interim drawdowns, by investing and trading in developed-market equities, precious metals, fixed interest and cash. The Fund portfolio is highly liquid and diversified.

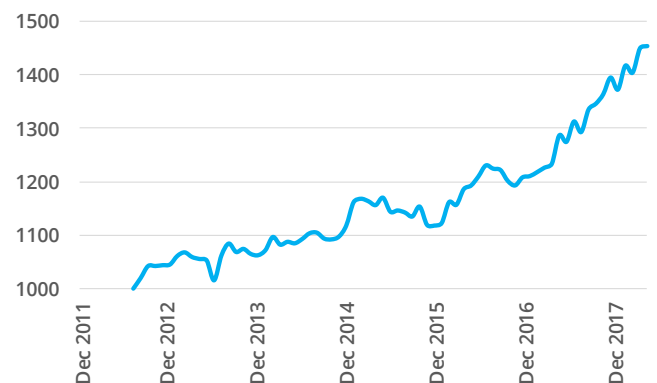
### Fund Details

|                                    |   |
|------------------------------------|---|
| Type                               | Absolute Return / Alternative   |
| Strategy                           | Multi-strategy / Multi-asset  |
| Objective                          | Maximise return above change in CPI over 3 year periods without generating a negative return over any 12 month period |
| Inception date                     | 8 August 2012   |
| Net Asset Value / Redemption Price | 1.1963/1.1945   |
| Currency                           | AUD   |
| Liquidity                          | Daily   |
| Minimum investment                 | A\$25,000   |
| APIR code                          | COR0001AU   |
| ARSN                               | 609 666 042   |

### Fund Total Return as of 31 May 18 (net of fees)

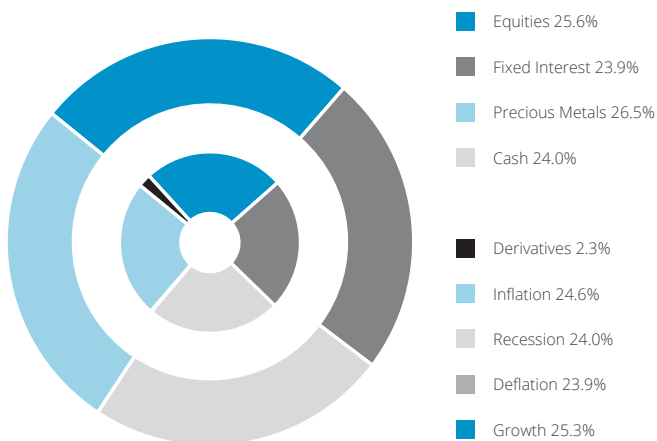
|       |            | Return |
|-------|------------|--------|
| 1-Mth |            | 0.3%   |
| 3-Mth |            | 2.7%   |
| 6-Mth |            | 6.7%   |
| YTD   |            | 4.3%   |
| 1-Yr  | Ann.       | 13.3%  |
| 3-Yr  | Ann.       | 7.7%   |
| 3-Yr  | Volatility | 6.2%   |

### Track Record: August 2012 - May 2018

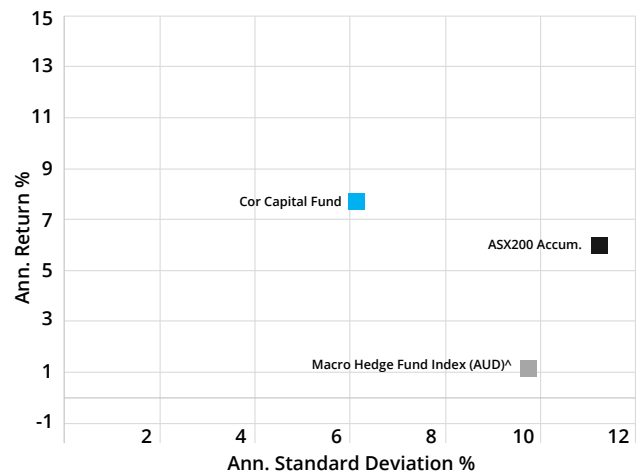


The track record displays the change in value of \$1000 invested in the Cor Capital Fund since its inception in August 2012. Past returns should not be taken as a prediction of likely future returns. Returns include the notional reinvestment of income.

### Asset Allocation / Risk Allocation



### Risk vs Return over 3 years



# Cor Capital Fund

## Quarterly Manager Commentary – March 2018

The Cor Capital Fund returned +0.7% for the 3 months to the end of March over what was quite a volatile and eventful period for most markets in which the Fund invests. The Fund return for the last 12 months was +14.8% and the 3 year return was +6.6% per annum (all net of fees).

While the quarter had its challenges, the diversified nature of the Cor Capital Fund, both in terms of asset classes and its multi-strategy approach, enabled it to post positive numbers (albeit modest ones) during a period when a key underlying asset class (equities) had a significantly negative impact across the investment landscape.

Australian share market indices corrected heavily during March with the ASX200 Accumulation Index falling 3.8%, making its return for the first quarter of calendar 2018 -3.9%. The worst performers domestically have been the banks which have been dragged down by allegations of misconduct revealed by the ongoing Royal Commission. Under scrutiny has been the scale of programs that have been allowed to foster a culture of profits first, now and next, as opposed to client satisfaction and a fair return for services provided. In our opinion the industry evolution post the GFC is not a surprise outcome given the 'too big to fail', risk subsidised, oligopoly that is the Australian banking sector.

Due to our desire to always maintain leverage to global economic growth upgrades, the equity portfolio within the Fund has a higher commodity stock allocation than the index and less exposure to the banks. This has resulted in relative outperformance for quite some time now, and certainly provides some protection from regulatory risk in domestic banks relative to many large cap portfolios.

We had previously reported to you that we reduced the Fund's exposure to commodity-related stocks during January in line with our stated risk management strategy. Proceeds were reallocated to the underperforming industrials and financials sectors at the time, where high dividend yielding sub-sectors such as utilities (-4.5%) and REITs (-3.3%) were sold off strongly as global inflation and bond yields came into focus. Given the nature of our strategy is to first reduce risk by trimming capital away from strength towards weakness, it is not a surprise or a concern that price direction in certain sectors has continued post these recent changes as our remaining positions have continued to benefit; surging metals prices following Russian sanctions and a takeover bid for Santos Ltd being key examples.

We previously mentioned that, *"Had the February market correction continued further into negative territory, the Fund's 'risk-off' components in the form of its large cash and physical gold positions would have been expected to come to the fore."* It was a short wait to re-test that hypothesis, and from our perspective no surprises eventuated, with precious metals highly negatively correlated to equities once immediate inflation fears subsided (gold bullion priced in AUD was +3.8% for the quarter).

The main Australian fixed interest composite index finished the quarter up +0.9% as trade war fears raised questions about the speed of any interest rate increases globally. It is possible that even slightly higher interest rates may already be challenging such a leveraged and asset price driven global economy. In the short to medium term a deflationary shock is very possible even if inflation is the end game. As we always state, surprises occur regularly so the Cor Capital Fund will stay positioned for multiple outcomes.

As we write to you US companies are beginning to report financial results. Strong earnings growth rates are expected and as we have previously stated, earnings will likely have to improve ahead of expectations in order for a correction to be avoided.

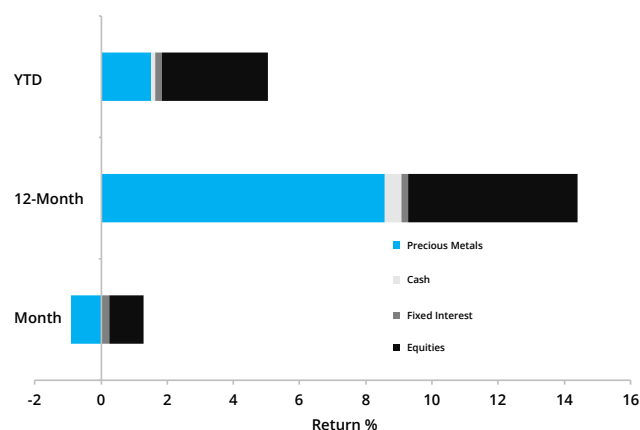
We note that the recent significant price moves discussed above, while large, have not been sufficient to trigger portfolio risk adjustments at the asset class level.

The two main strategies we employ in the Cor Capital Fund are designed to generate medium-term returns and protect capital regardless of whether markets are experiencing sustained trends, choppy range trading, or high volatility.

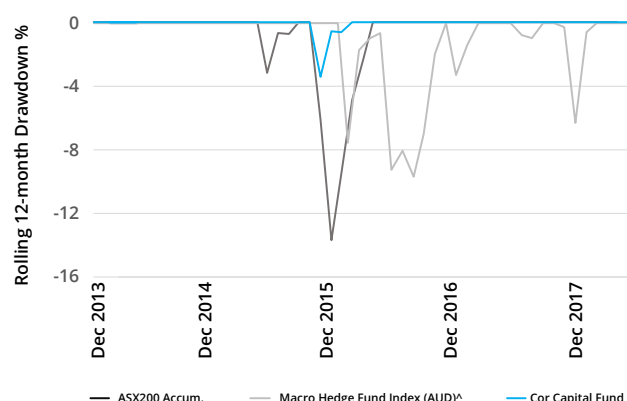
Although it doesn't change the risk positioning of the Fund portfolio in any way, we would not be surprised if our performance continues to come largely from volatility and range trading assets as it did during 2017, rather than specific asset class strength. As long as many economic and market activities are supported by artificial factors, and as long as a tweeting, former reality TV star is the President of the United States and dominating every news wire, liquid financial markets may behave in a more skittish manner, making risk management, discipline and objectivity much more important to your investment success. These form the backbone of the Cor process and so we look forward to the remainder of 2018 with confidence that we can meet our expectations for Fund returns and capital stability.

# Cor Capital Fund

## Attribution (gross of fees)



## Drawdowns



## Tail Risk Analysis: Worst of ASX200 v. Fund

| Rank         | Lowest ASX200 Return (%) | Date   | Fund Return (%) | Diff.        |
|--------------|--------------------------|--------|-----------------|--------------|
| 1            | -7.79                    | Aug-15 | -0.34           | 7.45         |
| 2            | -5.48                    | Jan-16 | 0.43            | 5.91         |
| 3            | -5.38                    | Sep-14 | -1.03           | 4.35         |
| 4            | -5.30                    | Jun-15 | -2.29           | 3.02         |
| 5            | -4.50                    | May-13 | -0.28           | 4.23         |
| 6            | -3.77                    | Mar-18 | -0.92           | 2.85         |
| 7            | -3.25                    | Nov-14 | 0.48            | 3.74         |
| 8            | -3.03                    | Jan-14 | 0.92            | 3.95         |
| 9            | -2.96                    | Sep-15 | -0.66           | 2.29         |
| 10           | -2.75                    | May-17 | 4.38            | 7.14         |
| 11           | -2.45                    | Jun-16 | 1.45            | 3.91         |
| 12           | -2.32                    | Jun-13 | -3.61           | -1.29        |
| 13           | -2.21                    | Mar-13 | -0.83           | 1.38         |
| 14           | -2.15                    | Oct-16 | -1.71           | 0.44         |
| 15           | -1.76                    | Feb-16 | 3.57            | 5.33         |
| <b>Total</b> | <b>-55.11</b>            |        | <b>-0.42</b>    | <b>54.69</b> |
| <b>Av.</b>   | <b>-3.67</b>             |        | <b>-0.03</b>    | <b>3.65</b>  |

## 12-Month Return Correlations

|                    |              |
|--------------------|--------------|
| Balanced 60/40     | <b>36.3%</b> |
| Aus Fixed Interest | <b>-4.9%</b> |
| Aus Equities       | <b>38.0%</b> |
| Gbl Equities (AUD) | <b>16.9%</b> |
| Hedge Funds (AUD)  | <b>18.0%</b> |

## Additional Information

|                          |            |  |                 |
|--------------------------|------------|--|-----------------|
| <b>Management Fee</b>    | 1.0% p.a.  | <b>Responsible Entity</b>                | Equity Trustees |
| <b>Performance Fee</b>   | N/A        | <b>Custodian</b>                         | BNP Paribas     |
| <b>Fund expenses</b>     | 0.35% p.a. | <b>Distribution Frequency</b>            | 6-monthly       |
| <b>Unit price spread</b> | 0.15%      | <b>Hist. 12-month Distribution Yield</b> | 6.28%           |

# Cor Capital Fund

## Monthly Performance History (net of fees)

| Year | Jan    | Feb   | Mar    | Apr    | May    | Jun    | Jul   | Aug    | Sep    | Oct    | Nov    | Dec    | CYTD   |
|------|--------|-------|--------|--------|--------|--------|-------|--------|--------|--------|--------|--------|--------|
| 2018 | -1.64% | 3.31% | -0.92  | 3.30%  | 0.29   | -      | -     | -      | -      | -      | -      | -      | 4.31%  |
| 2017 | 0.20%  | 0.63% | 0.70%  | 0.60%  | 4.38%  | -0.93% | 3.03% | -1.52% | 3.33%  | 0.83%  | 1.34%  | 2.33%  | 15.80% |
| 2016 | 0.43%  | 3.57% | -0.44% | 2.59%  | 0.59%  | 1.45%  | 1.73% | -0.50% | -0.21% | -1.71% | -0.71% | 1.29%  | 8.26%  |
| 2015 | 4.00%  | 0.56% | -0.40% | -0.65% | 1.23%  | -2.29% | 0.20% | -0.34% | -0.66% | 1.67%  | -3.04% | -0.12% | 0.00%  |
| 2014 | 0.92%  | 2.34% | -1.34% | 0.51%  | -0.26% | 0.76%  | 1.01% | 0.10%  | -1.03% | -0.13% | 0.48%  | 1.93%  | 5.37%  |
| 2013 | 1.56%  | 0.63% | -0.83% | -0.35% | -0.28% | -3.61% | 4.71% | 2.14%  | -1.49% | 0.56%  | -0.90% | -0.22% | 1.70%  |
| 2012 | -      | -     | -      | -      | -      | -      | -     | 2.03%  | 2.25%  | 0.02%  | 0.16%  | 0.13%  | 4.64%  |

## Contact Us

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^Credit Suisse Global Macro Hedge Fund Index in Australian Dollars.

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