

MONTHLY REPORT & FACT SHEET – 30 JUNE 2018

MTD: 2.9% **12M:** 17.7% **3yr Ann:** 9.5% **3yr Vol:** 6.1%

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.

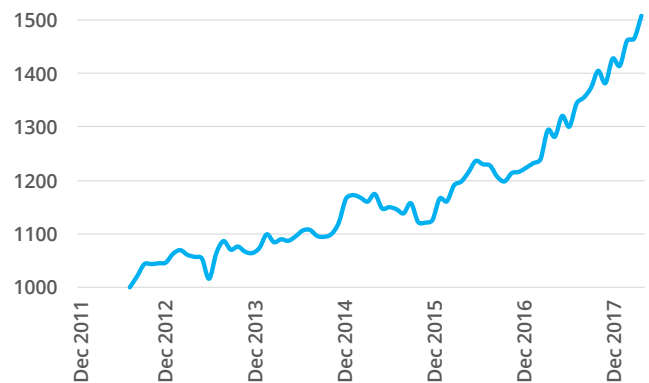
Fund Details

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	1.2311 / 1.2293
Currency	AUD
Liquidity	Daily
Minimum investment	A\$25,000
APIR code	COR0001AU
ARSN	609 666 042

Fund Total Return as of 30 June 18 (net of fees)

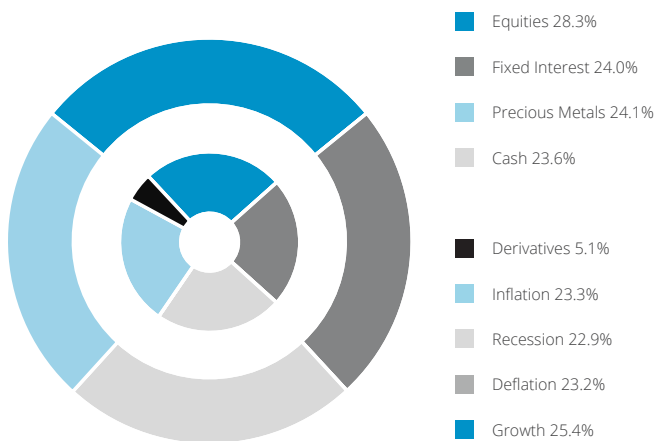
		Return
1-Mth		2.9%
3-Mth		6.6%
6-Mth		7.3%
YTD		7.3%
1-Yr	Ann.	17.7%
3-Yr	Ann.	9.5%
3-Yr	Volatility	6.1%

Track Record: August 2012 - June 2018

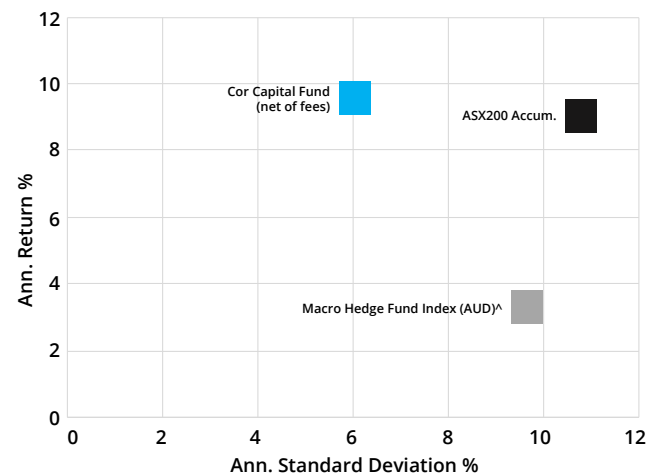


The track record displays the change in value of \$1000 invested in the Cor Capital Fund since its inception in August 2012. Past returns should not be taken as a prediction of likely future returns. Returns include the notional reinvestment of income.

Asset Allocation / Risk Allocation



Risk vs Return over 3 years



Cor Capital Fund

Quarterly Manager Commentary – June 2018

The Cor Capital Fund returned +6.6% for the 3 months to the end of June. The return for the last 12 months was +17.7% and the 3 year return was +9.5% per annum (all net of fees).

The income distribution for the June half was 7.5 cents per unit, nearly double the size of the December half year amount. This equates to a 9% yield over the last year which is higher than it has been historically and a result of an increase in the proportion of realised profits coming from the shorter-term overlay strategy rather than the four broader core exposures.

We continue to carefully develop our investment process from what we believe is a unique perspective. Our strategy is to combine a large allocation to a conservative 'all-weather' portfolio with a small allocation to a higher risk, higher return derivatives overlay. Over the last 12 months both the core portfolio and the overlay strategy have performed well in absolute terms and relative to other investments. However this will likely not be the case over every future period and below we revisit the issue of risk and how we view and manage it as our investment process evolves.

Over this last financial year the Fund outperformed all of its constituent asset class benchmarks by a significant margin, including Australian equities which delivered a 12 month total return of +13% (ASX200) after being +4.2% for the 9 months to the end of March.

The equities portfolio within the Cor Capital Fund returned +14.9% for the year with strong contributions from our relatively large allocation to the energy sector and smaller allocation to Telstra and the banks.

Equity portfolio changes of note over the last quarter included trimming Coca-Cola Amatil and Santos with the latter surging following the (since rejected) takeover bid at the beginning of April. We added to AMP after its shares were hammered through April in the face of the Royal Commission, class actions and a regulator probe. Our CSL position was reduced on price strength as was APA Group in the utilities space following a takeover bid from Hong Kong's CK Group. A portion of the proceeds were used to top up Telstra which has recently downgraded its earnings and is down a third in market capitalisation over the past year.

This strong share market performance pushed our equities allocation at 30 June beyond our defined risk limit and we have since trimmed it back to 25% and redistributed capital to cash, bonds and gold bullion.

It is our intention to always remain prepared for a range of economic and market outcomes. With that in mind we note that the US economy may be showing signs that rates have been too low for too long, and that any resulting Fed catch up attempt

(beyond increases to date) could have major ramifications for currency markets, commodities, and emerging markets.

Adding political risks and the introduction of tariffs to the equation means we see the possibility of violent market moves increasing. We have been saying this for a long time and volatility has remained low, but investors are now beginning to respond to actual US rate increases rather than questioning whether it will happen at all! The 'smokescreen' is that (even artificially) inflated asset values make the average person (or lender) more likely to believe all is fine. Any erosion to this confidence can hurt global growth and earnings very quickly. Make no mistake, the world remains in uncharted waters as it exits the largest monetary policy experiment in history.

In the near term, with rising US interest rates and a stronger US dollar comes lower USD commodity prices. This has certainly been the case with precious metals since mid-May (USD gold price down 7.4%) although our Cor Capital Fund position has been partly insulated via the weaker Australian dollar and by holding put option protection. Recently we have been increasing the Fund's precious metals exposure via our derivatives overlay.

Risk

Whenever an attractive, double digit 12 month return is achieved by a strategy that claims to be conservative, the question of risk should be revisited; *what sort of additional risks are the portfolio managers of the Cor Capital Fund taking to achieve additional returns?*

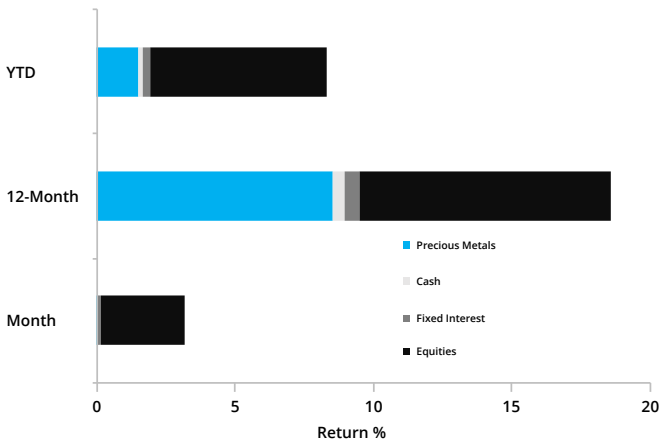
A common measure of risk is volatility which we report to you regularly and which has averaged about 6% per annum over the last three years (see Page 1 of this report). However, our preferred risk indicator is rolling 12-month drawdowns (losses) which you can view from the diagram on Page 3 of this report. Reviewing the size and regularity of past drawdowns can provide an indication of how peak to trough moves could reduce the value of your investment given certain adverse events.

The introduction of the derivatives overlay strategy at the end of 2016 increased our annualised volatility expectation from 5 percent to 8 percent (still much lower than equities markets). However we would argue that our regular de-risking of the portfolio means that the strategy's 12-month drawdown profile should remain attractive relative to other investments.

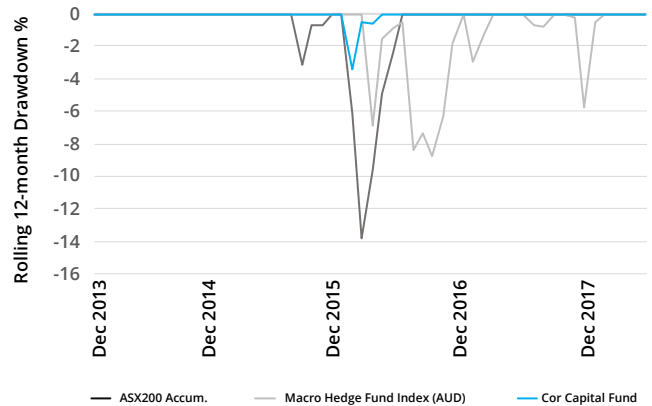
To monitor risk in the Cor Capital Fund always keep an eye on the allocation pie chart on Page 1 of this report and particularly the derivatives exposure 'slicer' in black. This is a high risk, high return part of the portfolio and should always remain small in size – less than 5 percent of assets unless we are in the process of realising highly profitable positions. Most of the portfolio then remains invested conservatively for the four main macro risks and financial system instability as has been the case since the Fund's inception.

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
Total	-55.11		-0.42	54.69
Av.	-3.67		-0.03	3.65

12-Month Return Correlations

Balanced 60/40	37.9%
Aus Fixed Interest	-21.9%
Aus Equities	42.0%
Gbl Equities (AUD)	5.2%
Hedge Funds (AUD)	0.3%

Additional Information

Management Fee	1.0% p.a.	Responsible Entity	Equity Trustees
Performance Fee	N/A	Custodian	BNP Paribas
Fund expenses	0.35% p.a.	Distribution Frequency	6-monthly
Unit price spread	0.15%	Hist. 12-month Distribution Yield	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%	2.91%	-	-	-	-	-	-	7.34%
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%	0.50%	-0.26%	0.76%	1.01%	0.10%	-1.03%	-0.13%	0.48%	1.93%	5.35%
2013	1.57%	0.63%	-0.83%	-0.36%	-0.28%	-3.61%	4.71%	2.14%	-1.49%	0.55%	-0.90%	-0.22%	1.70%
2012	-	-	-	-	-	-	-	2.03%	2.25%	0.02%	0.16%	0.13%	4.64%

Contact Us

T +61 3 9225 5273

E contact@corcapital.com.au

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

Disclaimer:

Important Information: This report ('Report') has been produced by Cor Capital Pty Ltd ('Cor Capital') ABN 37 155 801 817, AFSL 419924 and has been prepared for informational purposes only and does not constitute an offer to sell or a solicitation of an offer to purchase any security of financial product or service. Any such offer or solicitation shall be made only pursuant to a Product Disclosure Statement or other offer document (collectively 'Offer Document') relating to a Cor Capital financial product or service. A copy of the relevant Offer Document relating to a Cor Capital product or service may be obtained by calling Cor Capital on 03 9225 5273 or by visiting www.corcapital.com.au. This Report does not constitute a part of any Offer Document issued by Cor Capital. Past performance is not necessarily indicative of future results and no person guarantees the performance of any Cor Capital financial product or service or the amount or timing of any return from it. This material has been provided for general information purposes and must not be construed as investment advice. Neither this Report nor any Offer Document issued by Cor Capital takes into account your investment objectives, financial situation and particular needs. In addition to carefully reading the relevant Offer Document issued by Cor Capital you should, before deciding whether to invest in a Cor Capital financial product or service, consider the appropriateness of investing or continuing to invest, having regards to your own objectives, financial situation or needs. Cor Capital strongly recommends that you obtain independent financial, legal and taxation advice before deciding whether to invest in a Cor Capital financial product or service. The information contained in this Report may not be reproduced, used or disclosed, in whole or in part, without prior written consent of Cor Capital.