

Cor Capital Fund



MONTHLY REPORT & FACT SHEET – 31 DECEMBER 2018

MTD: 2.3%

12M: -5.6%

3yr Ann: 5.8%

3yr Vol: 7.4%

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.

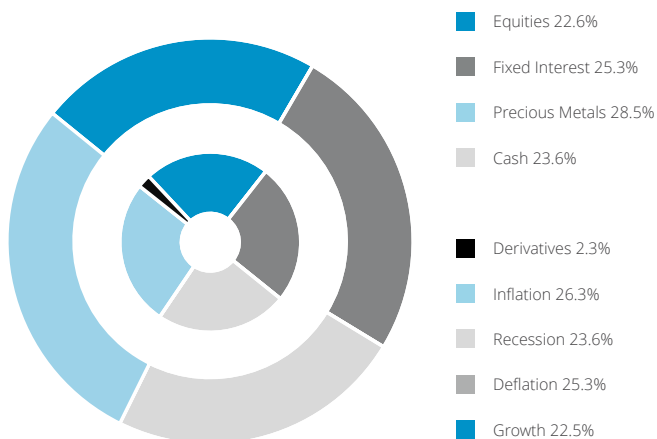
It is commonly used as an alternative asset within a broader strategic asset allocation or as a standalone medium-term absolute return investment.

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 Total Return as of 31 December 18 (net of fees)

		Return
1-Mth		2.3%
3-Mth		-3.8%
6-Mth		-12.1%
YTD		-5.6%
1-Yr	Ann.	-5.6%
3-Yr	Ann.	5.8%
3-Yr	Volatility	7.4%

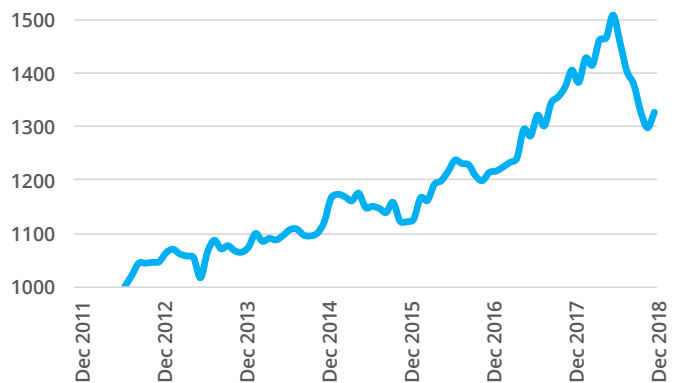
Asset Allocation / Risk Allocation



Fund Details

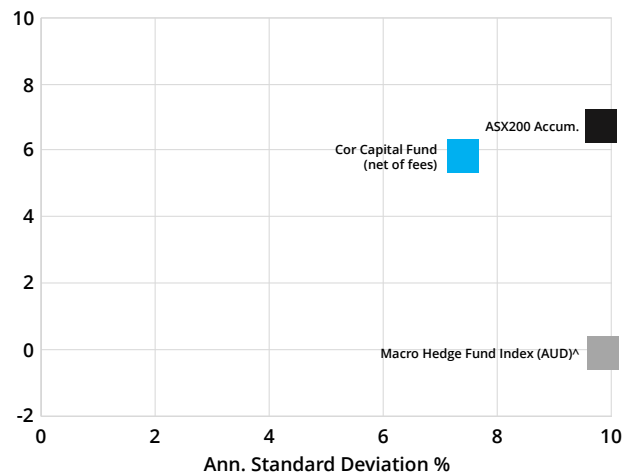
Type	Absolute Return / Alternative
Strategy	Multi-strategy / Multi-asset
Objective	Maximise return above change in CPI over 3 year periods without generating a negative return over any 12 month period
Inception date	8 August 2012
Net Asset Value / Redemption Price	1.0165/1.0149
Currency	AUD
Liquidity	Daily
Minimum investment	A\$25,000
APIR code	COR0001AU
ARSN	609 666 042

Track Record: August 2012 - December 2018



Track record chart 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.

Risk vs Return over 3 years



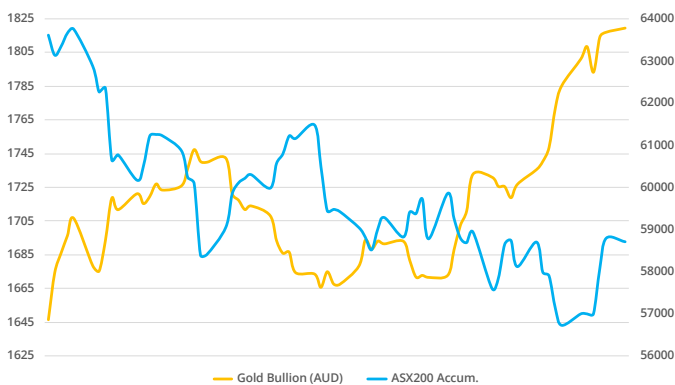
Cor Capital Fund

Quarterly Manager Commentary – December 2018

The Cor Capital Fund returned -3.8% for the 3 months to the end of December 2018. The return for the last 12 months was -5.6% and the 3-year return was +5.8% per annum (all net of fees).

Of note in the December quarter was a sharp decline in equities markets (ASX200 -8.2%) and a surge in government bonds (+2.5%) and gold bullion (+11% in AUD terms), and an increase in volatility generally. The price of oil fell by 38%. We mentioned in our September report that the gold price needed a larger equities correction and more volatility to rally, and that was increasingly the case as the quarter evolved.

Gold Bullion & Equities December 2018 Quarter



The collapse in bond yields at the end of the year was interesting and served as a reminder to us as Managers of the Cor Capital Fund that 'surprises are common'. The consensus view early in 2018 was that bond duration should be reduced given the Fed's plan to increase interest rates throughout the year. However fixed interest ended up being one of the best performing assets of 2018 with the Aus Composite Index returning +4.5%. Bond prices surged +1.5% in December alone as sovereign yields fell here and abroad on concerns about increasing trade skirmishes, the oil price correction, and hints of a Fed pause.

In contrast equities markets were in negative territory over twelve months even when including dividends (ASX -3.5% and MSCI World -9%). In addition, Australian capital city house prices fell on average by 6%. The price of gold bullion in Australian dollar terms rose by 9.5% to over A\$1,800. This move supports our view that gold acts as excellent portfolio insurance for domestic equities investors, particularly those with the discipline to regularly rebalance portfolios against the herd.

Of note is that the Australian dollar market value of gold bullion out-performed both Australian equities (ASX200) and Australian bonds (composite) on a total return basis over the five years to the end of 2018 - extraordinary for a zero-yield asset! Global equities, bonds and real estate can also help protect wealth given a depreciating currency, but they have their own specific risks that are arguably more correlated to those of a typical Australian portfolio.

You may recall from the September Update that we added to the Fund's fixed interest and gold bullion holdings at the start of July after the equities sub-portfolio out-performed strongly. This proved to be slightly early with equities peaking in August but by the end of the year it represented a profitable adjustment. We have now just reallocated some capital back to equities and away from gold and fixed interest following their relative strength, and in line with our portfolio management rules.

In addition to these more 'tactical' asset allocation adjustments, another active part of the Fund portfolio is its underlying equities component. This portfolio is biased towards global growth sectors, such as mining and energy, relative to market-cap weighted indices and it has performed well over the past three years. (+36% versus the ASX200 Accum. of 21%). As with the broader levels of the portfolio its execution is entirely rules-based. These rules dictated that we reduce our energy sector exposure significantly at the end of August which we did by trimming holdings in Worley Parsons, Santos and Woodside Petroleum. The price of oil then fell by 38% over the December quarter, taking energy stocks with it, and we subsequently added back to the sector at the start of January, again in line with pre-defined rules. We also rebalanced the financial and industrials sectors with trades of note being purchases of AMP, Lend Lease and James-Hardie.

With the Cor Capital Fund maintaining relatively large positions in both bonds and gold, we would have expected to achieve better performance over 2018. Although we finished the year on a positive note with a December Fund return of +2.25%, the negative effects of the derivatives overlay in the second half of the year subtracted from both the profit it generated in the first half, and the solid returns of our base allocation to equities, bonds, gold bullion (un-hedged) and cash. Additional detail on the derivatives overlay strategy was provided in the September Update.



© 2018 Hedge Funds Rock and the Australian Alternative Investment Awards. All rights reserved.

Cor Capital Fund

While the derivatives overlay subtracted from overall returns over the last year, it has made a positive contribution since its inception in 2016 as is reflected in our 3-year net returns. We remain confident that the Fund's unique combination of a conservative all-weather strategy and a contrarian derivatives overlay represents a valuable medium-term, liquid investment, particularly during periods of heightened uncertainty.

The job of active asset allocators appears very difficult right now, particularly given the desire no doubt to make up for a relatively poor 2018. Each piece of developing political, policy rate, or corporate news could point to either an inflation or recession outcome. With interest rates rising off such a low base, medium-term investment returns have binary leverage to both outcomes. There will be plenty to negotiate during 2019.

Distribution Note

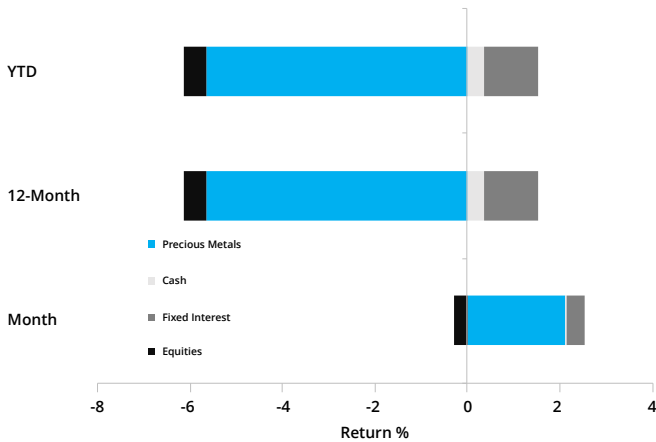
As a unit trust, the Cor Capital Fund must distribute 100% of its income in any financial year and cannot retain profits. As a result, it paid an unusually large June 2018 income distribution of 7.5 cents per unit, and has now paid out more than 8.5% over the last year (including the recent 1.02 cpu distribution). However, please note that in line with the negative Fund total return over the six months to 31 December 2018, realised losses for that period exceeded realised gains and dividend / interest income. In order for the Fund to pay a distribution for the period ending 30 June 2019, losses for the first half will have to be covered and an overall full year profit achieved after costs.



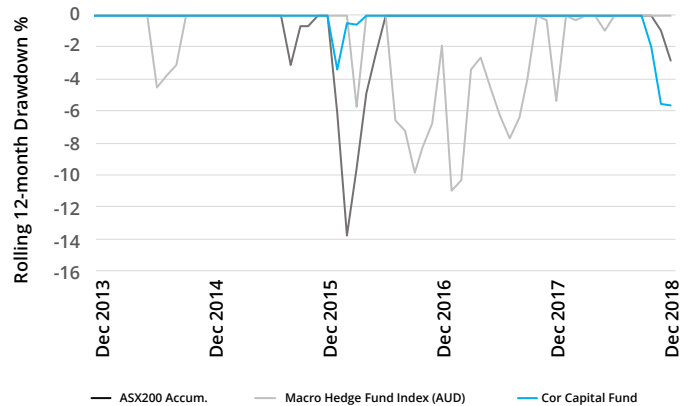
© 2018 Hedge Funds Rock and the Australian Alternative Investment Awards. All rights reserved.

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	-6.05	Oct-18	-3.68	2.37
3	-5.48	Jan-16	0.43	5.91
4	-5.38	Sep-14	-1.03	4.35
5	-5.30	Jun-15	-2.29	3.02
6	-4.50	May-13	-0.28	4.23
7	-3.77	Mar-18	-0.92	2.85
8	-3.25	Nov-14	0.48	3.74
9	-3.03	Jan-14	0.92	3.95
10	-2.96	Sep-15	-0.66	2.29
11	-2.75	May-17	4.38	7.14
12	-2.45	Jun-16	1.45	3.91
13	-2.32	Jun-13	-3.61	-1.29
14	-2.21	Nov-18	-2.31	-0.10
15	-2.21	Mar-13	-0.83	1.38
Total	-59.46		-8.28	51.19
Av.	-3.96		-0.55	3.41

12-Month Return Correlations

Balanced 60/40	55.6%
Aus Fixed Interest	7.7%
Aus Equities	53.9%
Gbl Equities (AUD)	1.8%
Hedge Funds (AUD)	21.8%

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	8.38%

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%	-3.41%	-3.70%	-1.76%	-3.68%	-2.31%	2.25%	-5.62%
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

^Hedge Fund Research HFRX Macro/CTA Index

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.