Cor Capital Fund

MONTHLY REPORT & FACT SHEET – 30 JUNE 2019

1M: +2.4% **6M:** +6.2% **12M:** -6.6% **3yr Ann:** +5.0% **3yr Vol:** 7.2%

A multi-asset investment emphasising the portfolio benefits of precious metals.

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 30 June 2019 (net of fees)

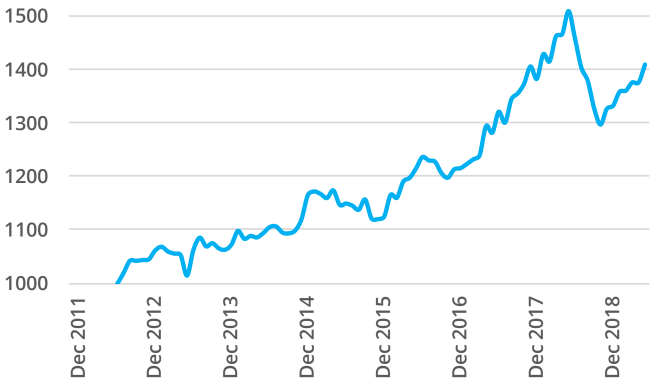
		Return
1-Mth		2.4%
3-Mth		3.6%
6-Mth		6.2%
CYTD		6.2%
1-Yr	Ann.	-6.6%
3-Yr	Ann.	5.0%
3-Yr	Volatility	7.2%

Past Performance is not a reliable indicator of future performance.#
Source of performance: Cor Capital

Fund Details

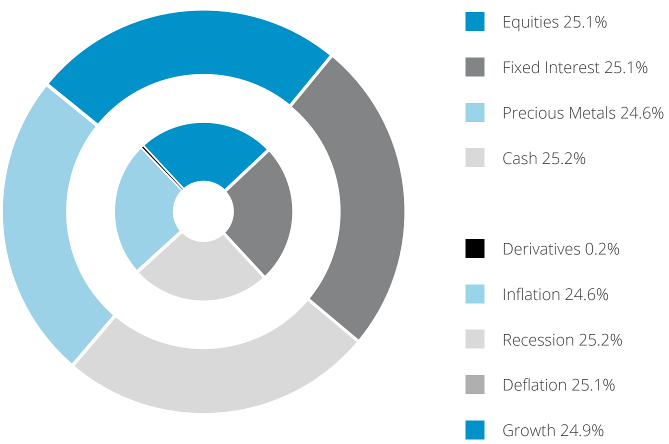
Type	Absolute Return / Alternative
Strategy	Multi-strategy / Multi-asset
Objective	Maximise return above change in CPI over 3 year periods without generating a negative return over any 12 month period
Inception date	8 August 2012
Net Asset Value / Redemption Price	1.0689/1.0673
Currency	AUD
Liquidity	Daily
Minimum investment	A$25,000
APIR code	COR0001AU
ARSN	609 666 042

Track Record: August 2012 - June 2019

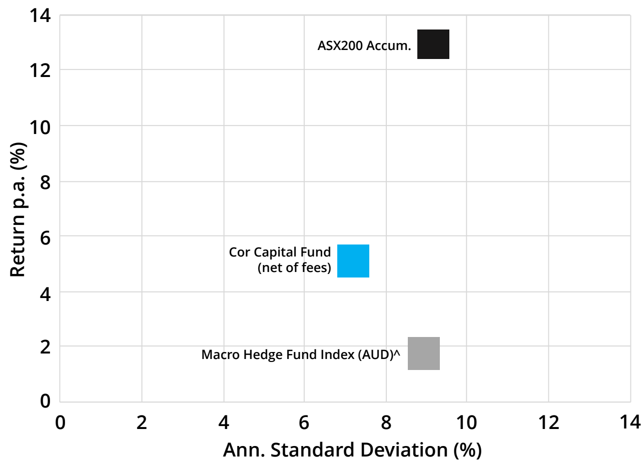


Track record chart displays the change in value of $1000 invested in the Cor Capital Fund since its inception in August 2012. **Past Performance is not a reliable indicator of future performance.#**

Asset Allocation / Risk Allocation



Risk vs Return over 3 years



Risk vs Return chart compares annualised 3-year returns to risk as measured by the annualised standard deviation of returns. Source: Bloomberg, Cor Capital

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Quarterly Manager Commentary – June 2019

Dear Investor,

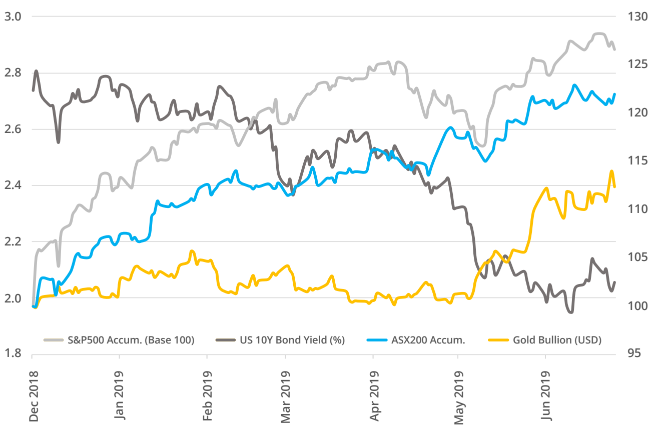
For the June quarter the fund returned +3.6%. Over 6 months the return was +6.2% as we continued to close the gap on the 2H18 drawdown. While the return over the last 12 months remains negative, the 3-year return exceeded +5.0% per annum, or approximately CPI plus 3.5% per annum (net of fees).

Stock prices were up strongly over the quarter (circa 8.0%) with the ASX200 Accumulation Index gaining +19.7% for the first half of 2019. Over the same 6-month period bond prices surged with the Aus-Composite total return index up +6.6%, and the gold bullion price measured in Australian dollars rising +10.7%.

A key belief behind the Cor Capital philosophy is that surprise events have an under-appreciated influence on long-term returns. Perhaps the most recent example of such a surprise is the whipsaw effect on asset prices of central bank guidance flips post the December quarter stock market correction.

Prices and the 'Risk-free Interest Rate'
Since December 2018

Source: Bloomberg



As an alternative to *predicting* such market moves, our approach is to diversify equally for a range of consequential market outcomes so that our investors don't miss out on the big positive surprises and aren't over-exposed to the big negatives. **One of our unitholders said recently he likes the Cor strategy because it is the type of thing retiring investment professionals implement for their own family once they are done punting client money!**

For us this 'absolute' diversity is critical for the management of capital in the Fund (including our own) because the large overall portfolio moves that come with more concentrated approaches induce irrational emotional responses. Research# we have quoted before in this report shows that bad individual buy / sell timing decisions usually result, with investors on average falling way short of quoted asset class or fund returns.

However, extrapolating recent past performance has worked well as a strategy since the Global Financial Crisis due to quantitative easing and other unconventional monetary policies alone; excessive risk taking has been rewarded and savers such as retirees have been punished.

Conservative investors holding 'insurance' against their equities and bond holdings in the form of precious metals or cash have done quite well and slept easily, but are behind in pure performance terms relative to those employing riskier approaches. As managers of the Cor Capital Fund we know that just because you didn't claim on your insurance doesn't mean it wasn't worth having. For example, there has been an element of chance in the success of quantitative easing and if we were able to live the past decade over and over again, it's the conservative investors that would survive and prosper.

At some point in the future it will become clear that interest rate manipulation causes misallocation of capital and is injurious to wealth, even if it appears to be the best thing for economic growth in the short term. In Australia we are now seeing conservative term deposit investors turning to the stock market to make up for low cash rates, no doubt with *past* capital growth rates for misguided comfort. The result could be a crisis for pension savings.

Interest in gold bullion has surged in recent weeks as sovereign bond yields continue towards zero. We've being going on about the risk of unintended consequences of monetary policy experiments for years as financial asset prices surged and surged again. But with bond yields so low globally we increasingly wonder about the future buying power of currency and value of governments as debtors. It is inevitable that real assets will become more important and while that includes many operating businesses and real estate listed on stock exchanges, these have had a very strong price run and are also exposed to the growing uncertainties of automated trading and the bubble in cap-weighted index fund investing.

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Therefore, it makes sense that gold is gaining more attention. Liquid non-financial assets are a rarity for all portfolio types and it wouldn't take much of a demand change to cause a huge price move. We expect to be surprised at the pace and timing of how it plays out.

To maximise diversification across inflation, growth and financial system surprises within the Cor portfolio we regularly trim those assets that have performed (relatively) strongly and divert capital to assets that are more out of favour. The effect of this regular rebalancing is to either reduce risk or increase return (by selling high and buying low). Having sold a portion of gold bullion at the beginning of the year to fund a top up of equities following the December quarter correction, the opposite trade was executed at the end of February. Then at the end of June we sold approximately 6 percent of both our equities and precious metals positions and moved the proceeds to cash.

As you are aware we employ a 'derivatives overlay' on top of our core portfolio strategy. Designed in line with our philosophy of reducing exposure to overbought assets and buying oversold assets, it employs a small amount of capital at any time but targets sizable 'asymmetric' returns, whereby shorter term possible gains greatly exceed known maximum possible losses.

The overlay has made an uneven contribution to the portfolio to date. For example, over calendar 2017 the gold bullion price increased by +3.3% (in AUD) but the return from precious metals in the Fund was +49.6%, contributing circa 12% to the overall Fund return. Contrasting this, our core position in gold bullion has contributed approximately 2.4% to the Fund return so far for 2019 but this has been offset by precious metals positioning in the overlay. This also occurred during calendar 2018 and demonstrates that the positioning of the overlay can partially negate movements in the Fund's core assets, positively or negatively.

While we believe strongly in the potential of the derivatives strategy to add to returns, we acknowledge that it has so far reduced transparency and added to the volatility of the unit price and distributions. We expect the interaction between the two components of our process to evolve and improve over time into the valuable combination our research suggests.

While the Fund has averaged a 5.8% distribution yield over the past three years, carried forward realised losses from 2018 exceeded current period realised capital gains, dividends and interest, and as a result the Fund may not pay a distribution for the six months ending 30 June 2019. Should this occur, it will be the first time we haven't paid a distribution since inception; as a trust we must pay out 100% of income each year and are unable to retain earnings and smooth distributions over multiple periods. Although capital preservation and stable total returns (growth plus income) are our goal, we are aware that some of our investors rely on regular cashflow from distributions and consider that fact carefully in our management of the portfolio.

[#] Dalbar Inc. Quantitative Analysis of Investor Behavior 2018 www.dalbar.com/QAIB/Index

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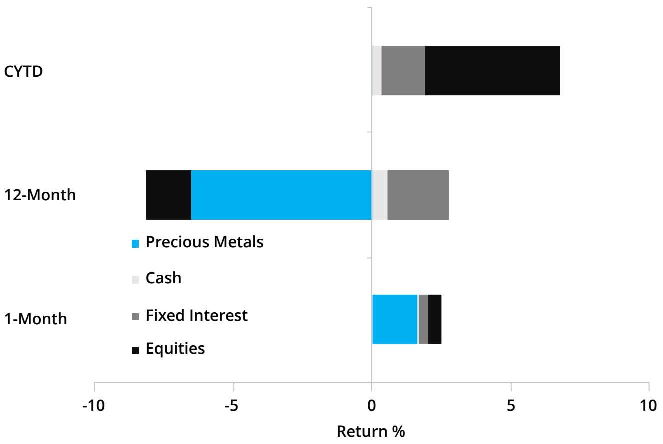
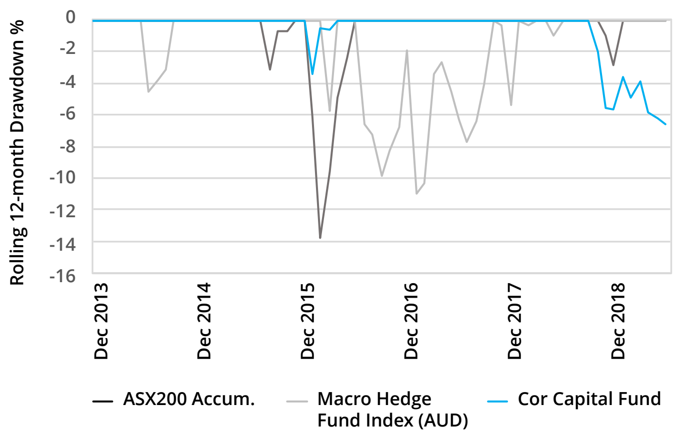


Attribution chart displays the contribution made by each asset class to the Total Return of the Fund over the relevant time period, as represented by the net of positive and negative contributions.

Attribution (gross of fees)



Drawdowns chart compares 12-month rolling negative total returns, where applicable, for each Fund or index. Source: Bloomberg, Cor Capital

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**

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Source of performance: Bloomberg, Cor Capital

12-Month Return Correlations

Balanced 60/40	**66.3%**
Aus Fixed Interest	**48.9%**
Aus Equities	**62.5%**
Gbl Equities (AUD)	**24.6%**
Hedge Funds (AUD)	**23.2%**

Correlation measures the degree to which two strategies or indices move in relation to each other with 100% implying a perfect positive relationship.

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. 3-year Distribution Yield**	5.8% p.a.

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Monthly Performance History (net of fees)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2019	0.46%	1.92%	0.17%	1.12%	-0.01%	2.42%	-	-	-	-	-	-	**6.22%**
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%**

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Source of performance: Cor Capital

Contact Us

T +61 3 9221 6255

E contact@corcapital.com.au

Past Performance is not a reliable indicator of future performance. Net-of-fees performance is based on end-of-month redemption prices after the deduction of fees and expenses and the reinvestment of all distributions. Gross-of-fees performance is the net return with fees and expenses added back. Figures include changes in principal value. Investment return and principal value will vary, and an account may be worth more of less at termination than at inception. For further details, please refer to the fund's product disclosure statement and reference guide which are available from EQT or Cor Capital.

^Hedge Fund Research HFRX Macro/CTA Index