Cor Capital Fund

MONTHLY REPORT & FACT SHEET – 30 SEPTEMBER 2020

5yr Ann: +6.19% **3yr Ann:** +4.58% **12M:** +5.56% **6M:** +4.50% **1M:** -3.95% (net of fees)

Positioned for Profit - Protected from Losses.

The Cor Capital Fund is an 'all weather' investment that seeks to generate stable positive returns, regardless of prevailing economic or financial market conditions. It is commonly used by investors as a core holding, or to improve traditional equities, bond and balanced strategies.

The objective of the Fund is to generate attractive medium to long term returns, without significant interim drawdowns. The Fund portfolio is highly liquid and diversified; holdings include traditional asset classes (developed-market equities, precious metals, fixed interest and cash) but overall risk and return sources differ:

- » Unconventional portfolio mix
- » Systemised risk rebalancing & volatility harnessing
- » Active derivative strategy

Fund Details

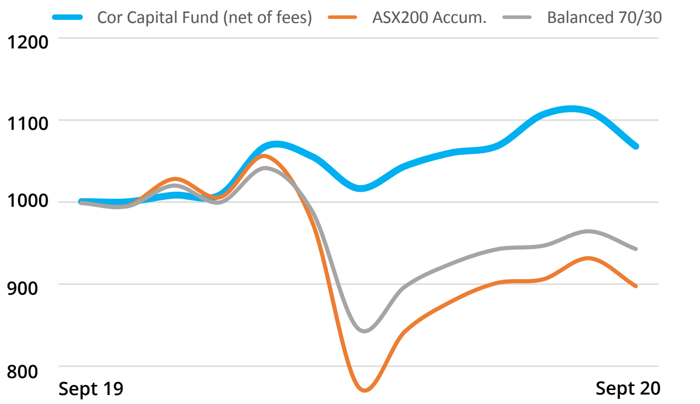
Type	Absolute Return / Alternative
Strategy	Multi-strategy / Multi-asset
Objective	Maximise return above change in CPI over 3 year periods without generating a negative return over any 12 month period
Inception date	8 August 2012
Net Asset Value / Redemption Price	1.1235/1.1218
Currency	AUD
Liquidity	Daily
Minimum investment	A$25,000
Structure	Aust. Registered Managed Investment Scheme
APIR code	COR0001AU
ARSN	609 666 042

Fund Total Return as of 30 Sept 2020 (net of fees)

		Return	CPI
1-Mth		-3.9%	
3-Mth		-0.3%	
6-Mth		4.5%	
CYTD		5.0%	
1-Yr	Ann.	5.6%	
3-Yr	Ann.	4.6%	1.1%
3-Yr	Volatility	8.2%	

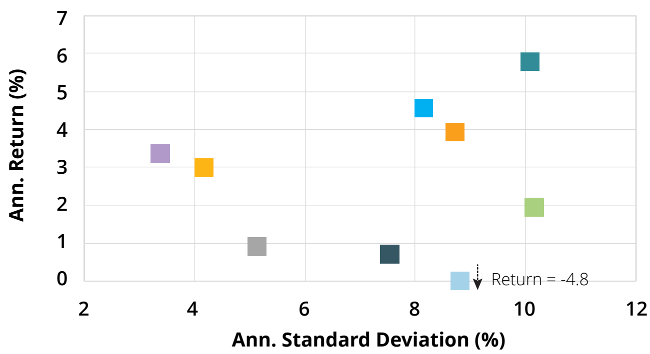
Source of performance: Cor Capital.
Past Performance is not a reliable indicator of future performance.#

Track Record: 12 Months



Track record chart displays the change in value of $1000 invested over 12 months. Past returns should not be taken as a prediction of likely future returns. Returns include the notional reinvestment of income and are before fees. Source: Bloomberg, Cor Capital.

Fund Comparison: Risk vs Return over 3 years (net of fees)



- **Cor Capital Fund**
- GMO SGM Major Markets Trust
- PineBridge Global Dynamic Asset Alloc R
- Perpetual Diversified Real Return W
- AMP Capital Multi-Asset H
- Schroder Real Return CPI Plus 5%
- BlackRock Global Allocation Aus D
- Bridgewater Global All Weather B Class
- Winton Global Alpha

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

Asset Allocation / Risk Allocation

- Equities 24.4%
- Fixed Interest 25.5%
- Precious Metals 23.6%
- Cash 26.5%

- Derivatives 1.6%
- Inflation 23.2%
- Recession 26.1%
- Deflation 25.1%
- Growth 24.0%

Cor Capital Fund

Quarterly Manager Commentary – September 2020

Dear Investor

The Cor Capital Fund returned -0.35% (net of fees) for the 3 months ending September 2020. The return for the calendar year-to-date was +5.0%, and +5.6% for the last 12 months. Over 5 years the return was +6.2% per annum or approximately +5.0% per annum above inflation (net of fees). Cor Capital's underlying 'defense first' approach and unique portfolio positioning has been working well and we are confident it can continue to meet investor expectations as a number of important global events approach.

Within the quarter, drivers of returns varied. The gold price was strong in July and peaked in early August, then sold off until late September in both USD and AUD terms.

Equities filled the void in August, until they too sold off in September, creating a relatively rare environment where both gold and equities decreased simultaneously. This has occurred only a few times in Cor Capital's 8-year history. However, 'normal programming has resumed' since and at the time of writing, Australian stocks have recovered strongly and the Cor Capital Fund unit price is up more than +2% so far for October.

Notwithstanding the Fund's strong results over any reasonable time horizon, negative performance over the single month of September warrants a comment. The minimal correlation of developed market equities returns to those of the price of gold (in both AUD and USD) is an important element of our strategy as executed over longer periods. Perhaps more important is the significantly negative correlation between the asset classes during equity market corrections, as evidenced by the Tail Risk Analysis (see page 4) we provide to you each month in this report.

However, during September, the S&P500 Index, ASX200 Index, and the gold price sold off at the same time as the US dollar rallied, something we believe has a lot more to do with profit taking following a +30% surge in the USD gold price between January and August than any change to typical investor behavior. Indeed, in line with our own risk management process, we reduced the Fund's gold exposure in early August.

Stock prices were slightly off over the quarter (-0.45%) with the ASX200 Accumulation Index still down -10.2% for the past 12 months. The Bloomberg AusBond Composite Index was up +1.0% for the quarter, and +3.2% for the past 12 months. The gold bullion price in Australian dollars rose +2.3% over the full quarter and +20.7% over the past year.

Macro Forces

The first 2020 US presidential debate has created concern among some Republicans of a significant swing towards the Democrats. The view is that a Biden Whitehouse, along with a Senate and House of Representatives both potentially controlled by the Democrats, provides a mandate for fiscal spending far in excess of what the current controllers of the purse-strings would allow. Should such a scenario unfold, the Democrats may indeed act very quickly, as their lesson from both the Clinton and Obama administrations is that power is fleeting, effectively curtailed at the first mid-terms of their administrations. The US yield curve has recently steepened reflecting the increased probability of a blue sweep.

We do not aim to forecast election outcomes or purport to know likely policies going forward, but under the scenario above one might expect an increasingly favorable role for gold within portfolios. Further, the US Federal Reserve's outlook may consequently shift, bringing with it implications for bond markets. While these considerations are uncertain, understanding the potentially increasing level of 'real' economy and financial market risks and how they may play through the portfolio is important, as is understanding the market impacts of 'four more years' under the current US administration. Either way our position remains to be well diversified, neutrally balanced for key macro risks and ready to harness volatility when opportunities arise.

Back Home

Australia is in its first recession in almost 30 years. Unfortunately, it's also the worst recession we've seen since the 1930s. Therefore, domestic fiscal strategy has pivoted from balancing the budget and targeting a surplus, to providing emergency support (i.e. job keeper program). The recently delivered Federal Budget also set out record spending on job creation and infrastructure, and personal income tax cuts were brought forward to 1 July 2020, all of which adds up to a 2020-21 deficit of $214 billion. Further deficits are expected in the medium term, indicating government net debt is likely to peak at circa 40-44% of GDP in 2024/25. Even though this may still position Australia favorably relative to other G20 nations, any way you slice it, the longer-term impact of these policies creates a massive hurdle, and that's before the impost of debt reduction post 2024/25. Market bulls will say that current low servicing costs, plus our debt-to-GDP ranking, are all that matters; should interest rates ever normalize, that tune will change.

Cor Capital Fund

Inflation . . . will that dog ever hunt?

Whichever way US political fortunes or the Australian economy turn, it's clear that significantly increased fiscal expenditure will find its way into the real economy and the potential for an inflation or currency devaluation surprise is real, although conditions are also in place for continued deflation should the global carry trade regime, with its central bank sponsorship, continue to have its way.

All roads lead to Gold?

Many strategists continue to forecast strong prices for gold. It appears that having an overweight allocation to gold is currently the consensus view, which might bother us if Cor Capital was purely a gold fund. However, as longtime investors in the Fund are aware, we employ gold for how it relates to other asset classes as much as the monetary and financial system protection it brings in its own right.

On this point, the harnessing of volatility between asset classes, including precious metals, is part of how Cor Capital generates returns for the Fund. While some investors or speculators may seek to time entry and exit points for holding gold, we keep it in the portfolio at all times, for the portfolio insurance reasons mentioned above, but also because we have other assets that can do the heavy lifting when required. For example, from our inception in 2012 until 2014, the price of gold fell by -20% (in AUD), while the Fund delivered +10.7% over the same period. We saw a similar though quicker event with the -23% fall in the ASX200 in 1Q2020, with the Fund positive for the quarter.

Should gold continue its upward trajectory, the Fund will benefit far more than most. Should volatility continue with sideways markets, again the Fund can reasonably be expected to benefit more than most.

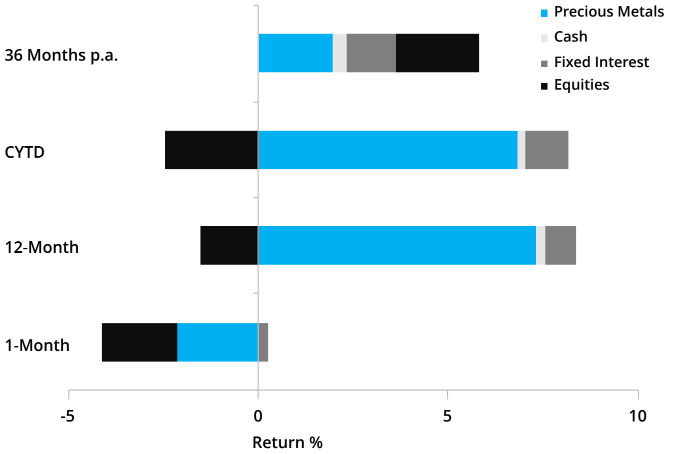
Outlook

The dilemma for investors is that if the economy remains weak and equity markets do not create wealth over the next half decade, then how can one make any money? What can investors do to earn a satisfactory return without taking excessive short-term risk? Clearing sitting stagnant in oscillating or precarious markets is unlikely to see their objectives met.

Given the Cor Capital Fund's diversified but active portfolio is designed to maintain performance during periods of uncertainty, we believe your investment is well positioned for a broad range of outcomes, including those that could come from the US election, the domestic property market, or even a bond market glitch. However, in our experience it's not the visible risks, analysed and discussed ad nauseam, that are most dangerous to your wealth, it's the ordinary and initially innoxious triggers that catalyse something more sinister.

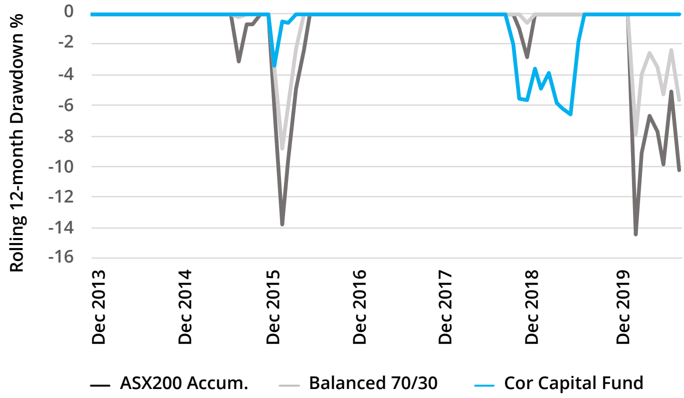
Cor Capital Fund

Attribution (gross of fees)



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.

Drawdowns



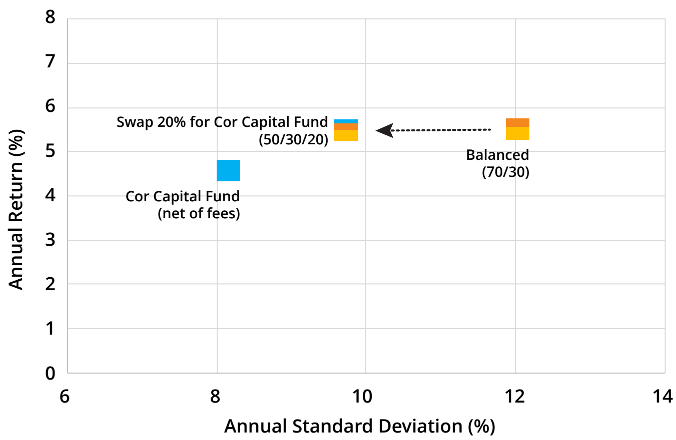
Drawdowns chart compares 12-month rolling negative total returns, where applicable, for each Fund or index. Source: Bloomberg, Cor Capital

Tail Risk Analysis: Worst of ASX200 v. Fund

Rank	Lowest ASX200 Return (%)	Date	Fund Return (%)	Diff.
1	**-20.65**	**Mar-20**	**-3.82**	**16.83**
2	-7.79	Aug-15	-0.34	7.45
3	**-7.69**	**Feb-20**	**-1.33**	**6.36**
4	-6.05	Oct-18	-3.68	2.37
5	-5.48	Jan-16	0.43	5.91
6	-5.38	Sep-14	-1.03	4.35
7	-5.30	Jun-15	-2.29	3.02
8	-4.50	May-13	-0.28	4.23
9	-3.77	Mar-18	-0.92	2.85
10	-3.66	Sep-20	-3.95	-0.29
11	-3.25	Nov-14	0.48	3.74
12	-3.03	Jan-14	0.92	3.95
13	-2.96	Sep-15	-0.66	2.29
14	-2.75	May-17	4.38	7.14
15	-2.45	Jun-16	1.45	3.91
Total	**-84.73**		**-10.63**	**74.10**
Av.	**-5.65**		**-0.71**	**4.94**

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

Using the Cor Capital Fund to Improve a Balanced Growth Portfolio



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

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**	2.00% p.a.

Cor Capital Fund

Monthly Performance History (net of fees)

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	CYTD
2020	5.87%	-1.33%	-3.82%	2.61%	1.49%	0.70%	3.56%	0.20%	-3.95%	-	-	-	**5.00%**
2019	0.46%	1.92%	0.17%	1.12%	-0.01%	2.42%	1.57%	1.73%	0.04%	-0.12%	0.71%	-0.05%	**10.38%**
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%**

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

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.