

Australian Masters Equity Fund

Performance Report to 30 June 2015

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Investment objective

The fund aims to outperform the S&P/ASX300 Accumulation Index over a rolling three year period.

Investment strategy

The Australian Masters Equity Fund is designed to provide investors with access to some of Australia's top fund managers that are normally only accessible to high net worth investors.

The current three underlying funds all have distinctively different methods of investing, providing exposure to the entire breadth of the market. They are highly transparent, 'long only' investors and do not use derivatives or gearing. The size of their individual funds allows them to remain nimble enough to trade quickly as market conditions change, and helps eliminate the possibility that they become index funds.

Distribution frequency Half Yearly **Suggested minimum investment time frame** 5 years

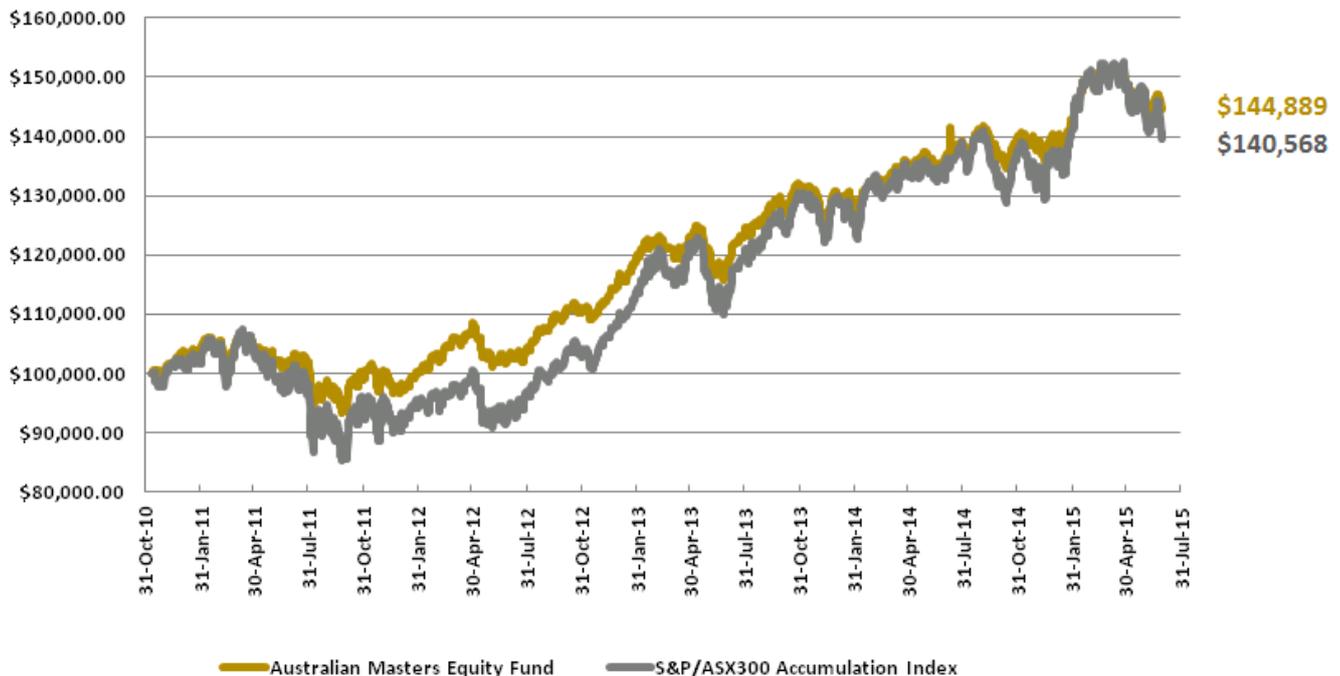
Fund performance at 30 June 2015

	3 Months	12 Months	Since Inception**
AMEF	-4.02%	7.31%	44.89%
Benchmark*	-6.48%	5.61%	40.57%
Difference	2.46%	1.70%	4.32%

* S&P/ASX300 Accumulation Index

** Inception Date- 12 November 2010

Growth of \$100,000 invested since inception



Please note- past performance is not a reliable indicator for future performance. The Australian Masters Equity Fund inception date is 12th November 2010 and fund returns are to 30 June 2015. Performance is based on the NAV prices and is calculated by compounding daily time weighted returns and assumes 100% reinvestments of income. The S&P/ ASX300 Accumulation index assume 100% reinvestments of dividends.

Commentary

After a strong start to the calendar year, the market followed up with three consecutive negative months this quarter, posting its worst quarterly performance since September 2011. Macroeconomic concerns took hold, with the uncertainty of rising US interest rates, the Chinese share market's meteoric rise then fall and Greece's looming debt repayment deadline driving the local market's direction.

Greece was the talking point late in the quarter as negotiations to continue the can-kicking of recent years reached crisis point in June. The Australian market fell 4% in the last week of June alone as the Greek government and European creditors failed to reach an agreement, igniting fears of a 'Grexit' from the EU. Greek Prime Minister Alex Tsipras eventually called a referendum for the Greek people to decide whether to accept the creditors' latest terms, in which the Greek population voted 'No'. European data was strong, aided by the front ended stimulus program being implemented by the ECB. Eurozone credit growth was positive for the first time in three years and the EUR/USD cross rate rose 4% for the quarter.

Despite being the worst performing sector for the year, Energy was the best performing this quarter as WTI crude rose 25%. Santos rose 12% for the quarter; the first cargo is due at the company's Gladstone LNG project at the end of July. Consumer Staples was the worst performing sector, driven by Woolworths which fell 9% for the quarter. The supermarket giant downgraded its full year profit guidance to 'broadly in line with prior year', from growth of 1.8%. The company cited poor trading in Food & Liquor in May and June, with comparable sales for Q4 2015 of -0.7%. CEO Grant O'Brien also announced his retirement from the company after a 4 year tenure.

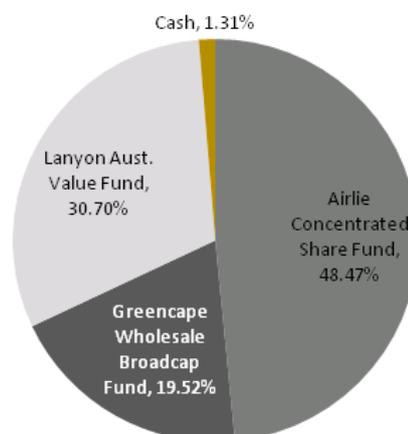
There were a large number of downgrades during the period, including from Flight Centre, Seek, Virtus Health, Sims Metal and Worley Parsons. IOOF holdings sold off following a Fairfax media investigation into internal misconduct while Slater & Gordon was significantly de-rated by the market after accounting irregularities were discovered in its acquisition of the Professional Services Division of UK listed firm Quindell.

The price action in the Chinese share market recently has been nothing short of extraordinary. At its peak in the mid-June, the Shanghai Composite index was up 36% quarter to date, and a massive 150% year rolling. At its peak in June, the combined market cap of the two major Chinese markets (the Shanghai Composite and the Shenzhen Stock Exchange) was US\$10 trillion, up from \$3.7 trillion a year ago. The country's market capitalisation is second to only the U.S.A at US\$27 trillion.

In summary, the Australian market pulled back recently on concerns around bank capital, low revenue growth and continued weak commodity prices. Furthermore Greece defaulting on loans, China continuing to struggle with capital outflow management and US bond yields creeping up added to the bearishness.

Portfolio Holdings as at 30 June 2015

	Strategic Weight
Airlie Concentrated Share Fund	48.47%
Greencape Wholesale Broadcap Fund	19.52%
Lanyon Aust. Value Fund	30.70%
Cash	1.31%



Underlying Manager Performance

Airlie Funds Management Pty Ltd

Airlie increased in value by 11.70% in the year to June 2015 versus a 5.61% gain by the broader market (S&P/ASX300). The Fund is up 57.69% since inception versus 36.04% for the broader market. The portfolio remains cautiously positioned with the cash weight just under 30%. Airlie is positioned defensively and its top five active positions are MyState Ltd, Caltex Australia Ltd, Elanor Investors Group, Godfreys Group Ltd, and Dick Smith Holdings.

Greencape Capital

The S&P/ASX 300 Accumulation Index returned -6.48% for the quarter. The fund matched the market and delivered a -6.48% return over the quarter. Key contributors for the fund were Asciano Ltd, Rhipe Ltd, Westpac Banking Corporation, and G8 Education Ltd.

Lanyon Asset Management

The Australian stock market, as measured by the S&P ASX 300 Accumulation index, declined by 5.3% in the month of June. In contrast, the Fund posted a return of +0.2% (before fees). For the year ended 30 June, the fund returned +11.0% (before fees) compared to the broader market return of +5.6%. The fund has now completed its first 5 years and Lanyon consider this a reasonable time period over which to assess the results from their value-oriented strategy. The funds cash position at 30 June was 52.6%, reflective of the scarcity of bargain opportunities available in the current market.

Unless otherwise specified, any information contained in this publication is current as at 30 June 2015 and is provided by the Australian Masters Equity Management (AMEM) ABN 28 141 461 083. It should be regarded as general information only & not as advice as all investments within the fund involve risk. This has been prepared without taking into account your investment objectives & financial situations. Each person should obtain a Product Disclosure Statement (PDS) relating to the Australian Masters Equity Fund & consider the PDS before making any decision about the product. A copy of the PDS can be obtained from AMEM on 1800 425 451 or on our website www.amem.com.au. Some or all of the directors of AMEM may benefit from fees & commissions of the Australian Masters Equity Fund.