

Australian Masters Equity Fund Performance Report to 30 September 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 four 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. 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

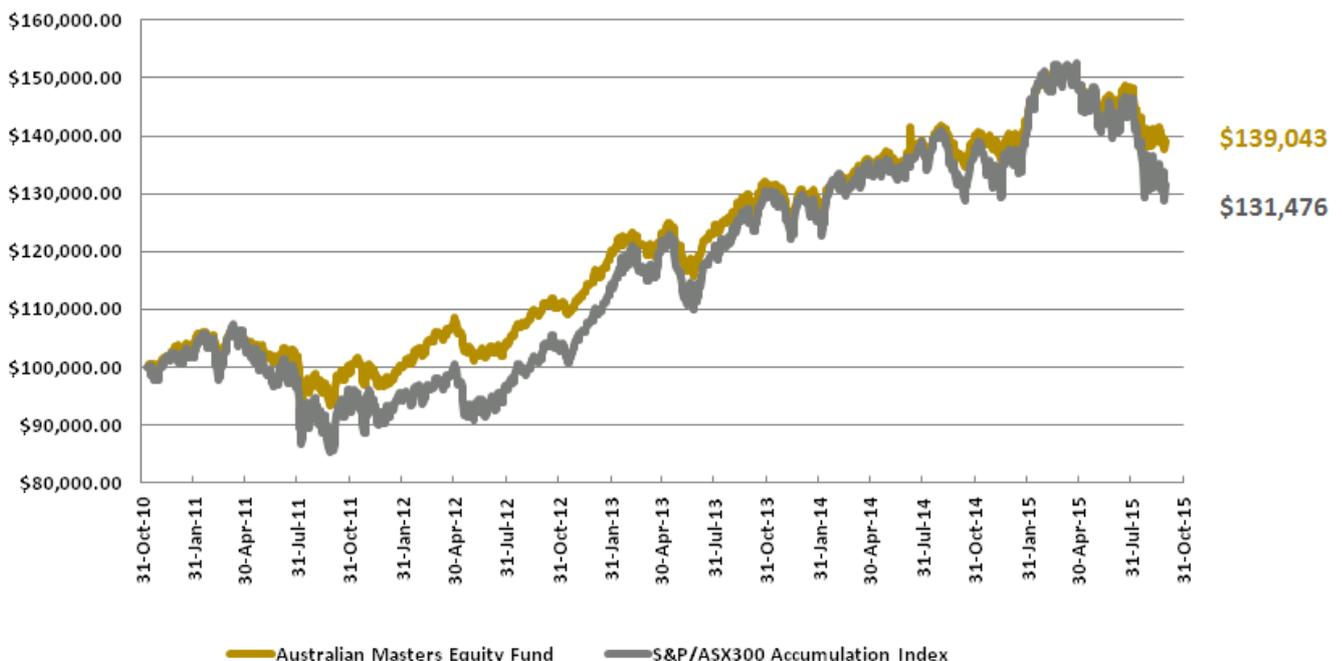
Fund performance at 30 September 2015

	3 Months	12 Months	Since Inception**
AMEF	-3.92%	1.70%	39.04%
Benchmark*	-6.47%	-0.66%	31.47%
Difference	2.55%	2.36%	7.57%

* S&P/ASX300 Accumulation Index

** Inception Date- 12 November 2010 (total return)

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 September 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

The local market started the period well, posting a strong gain in July; this was short lived however as the market then posted its worst month since the GFC in August. The market grappled with concerns emanating from emerging market economies, particularly China, which saw large scale rotations out of equities linked to the region. Investors also kept a watchful eye on the Fed and whether rates would be raised for the first time since 2008.

As expected the RBA held rates at all three meetings, keeping the target rate at the historical low of 2%. In September the Federal government saw a change in leadership after Tony Abbott was defeated in a spill by Malcolm Turnbull, who became the fifth Prime Minister in as many years. Reporting season came and went in August, but its effect on the market was benign compared to the macroeconomic events offshore. In the U.S. the Fed decided against raising rates in September, primarily citing concerns with developments in emerging markets.

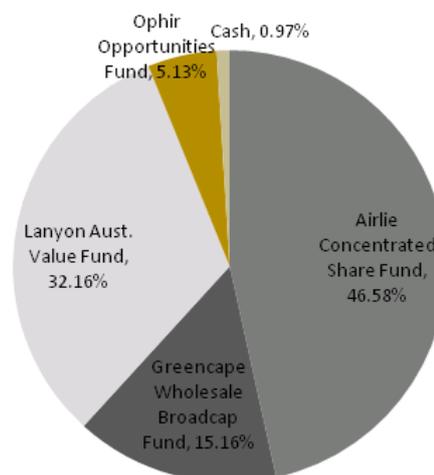
In China, the share market decline which began in June accelerated at an alarming pace. The People's Bank of China (PBoC) shocked global markets by devaluing the yuan to its lowest level against the USD since July 2012, along with a slew of other stimulus measures. China was not the only emerging market of concern, with the Brazilian Real falling 27% against the USD during the quarter as its credit rating was cut to junk status by S&P. Investors withdrew capital from emerging markets at the fastest rate since the GFC.

Locally, the commodities rout drove our market lower with stocks exposed to declining materials prices being the worst hit. WTI Crude fell another 24% for the quarter, the price having now halved over the past year. Companies with financial leverage coupled with operational leverage to the oil price were hit hardest. Shares of the big four banks struggled after Australian Prudential Regulatory Authority moved to quell the heat in the property market by increasing the risk weighting on home loans from 16% to 25% from July next year.

In summary, the Australian market pulled back over the quarter on the back of concerns emanating from emerging market economies, along with the steady price decline of materials. The major driver of the decline has been the overall uncertainty regarding macroeconomic events offshore.

Portfolio Holdings as at 30 September 2015

	Strategic Weight
Airlie Concentrated Share Fund	46.58%
Greencape Wholesale Broadcap Fund	15.16%
Lanyon Aust. Value Fund	32.16%
Ophir Opportunities Fund	5.13%
Cash	0.97%



Underlying Manager Performance

Airlie Funds Management Pty Ltd

Airlie returned -5.61% for the September quarter, outperforming the broader market (S&P/ASX300) which returned -6.47%. The Fund is up 42.05% since inception versus 26.15% for the broader market. The portfolio remains cautiously positioned with the cash weight just over 30%. Airlie is positioned defensively and its top three active positions are Ansell Limited, MyState Limited and Caltex Australia Limited.

Greencape Capital

The fund outperformed the market and delivered a -3.53% return over the quarter. Key contributors for the fund during the quarter were Asciano Ltd, REA Group Limited, Australian Careers Network Ltd and Recall Holdings Ltd.

Lanyon Asset Management

In the September quarter, the Lanyon Australian Value Fund declined by just 1.2%, relative to the 6.47% pullback in the broader market. For the year ended 30 September, the fund returned +4.2% (after fees) compared to the (S&P/ASX300 Accum) return of -0.66%. Lanyon established a position in MG (Murray Goulburn) Unit Trust during the quarter, whilst adding to a number of existing portfolio holdings.

Ophir Asset Management

During August, AMEF made an initial investment in the Ophir Opportunities Fund. The Fund is a wholesale unit trust focussed on investing in Australian listed companies outside the ASX 100. Ophir use a bottom up, fundamental investment approach incorporating an extensive company visitation program to help evaluate the quality of the business and the quality of management. Ophir have a strong performance record since inception (August 2012) and intend to close the Fund to new investors at a modest level of Funds Under Management in order to help maintain the strong returns for investors and not limit investment opportunities in the small cap sector.

Unless otherwise specified, any information contained in this publication is current as at 30 September 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.