

Australian Masters Equity Fund

Performance Report to 31st March 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

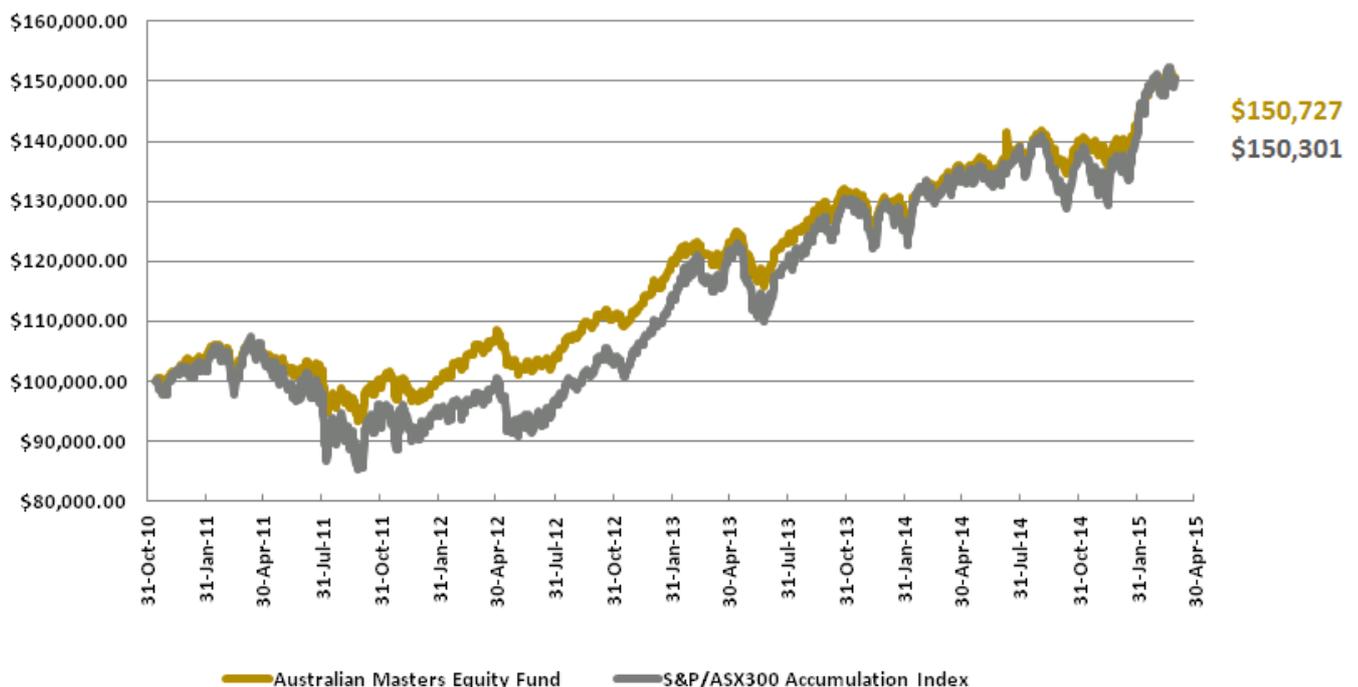
Fund performance at 31st March 2015

	3 Months	12 Months	Since Inception**
AMEF	7.74%	12.76%	50.73%
Benchmark*	10.31%	13.90%	50.30%
Difference	-2.57%	-1.14%	0.43%

* 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 31st March 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 index jumped strongly out of the gates this year, posting the best quarterly performance since September 2009. Weak commodity

prices saw material stocks continue to underperform, while yield stocks continued to be well supported. The AUDUSD cross rate fell 7% for the third consecutive quarter, aiding local stocks with USD exposure. The US Federal Reserve (Fed) continued to move markets with expectations of rate increases being the main focus of global markets.

In its first move since August 2013, the Reserve Bank of Australia (RBA) in February opted to cut the overnight cash rate to a new record low of 2.25%. After quarter's end, the RBA again decided to keep rates on hold. At the time of writing, the futures implied probability for a cut in May of 81%. The rate cut in February came despite unemployment positively surprising in January at 6.1% against market expectations of 6.3%. House prices continued to strengthen, with Sydney and Melbourne values rising 6% and 4% respectively for the quarter. Based on sales in the December quarter of 2014, there are now 59 suburbs in Melbourne with a median house price over \$1m.

In Greece the 'anti-austerity' party Syriza won its first ever election, forming a majority coalition government with the Independent party. Whilst the change of government caused many to believe a 'Grexit' could be imminent, the negotiation of bailout conditions between Greece and the Troika ultimately concluded with an extension agreement. European Central Bank (ECB) President Mario Draghi managed to set markets alight yet again, unveiling a €1.1 trillion stimulus package. The quantitative easing program involves monthly purchases of €60bn from March 2015 to September 2016, or longer if deemed necessary. The Swiss National Bank sent foreign exchange markets into a frenzy after unexpectedly abandoning its exchange rate cap of 1.20 Swiss Francs per Euro.

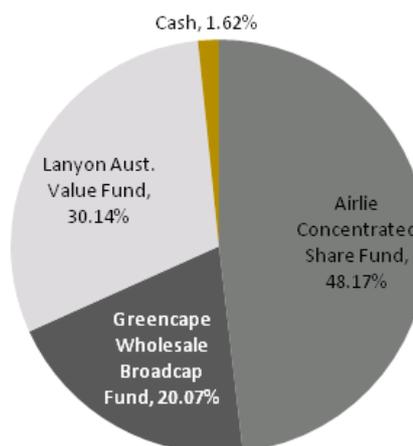
US markets exhibited high volatility during the period but only managed to track sideways as the USD strength and changes in interest rate expectations saw that market underperform global indices. Economic data continued to be strong as February non-farm payrolls rose 295k, much higher than the expected 235k increase. The Fed also slightly changed their wording around monetary policy in its March meeting.

Chinese economic growth weakened to a 7.4% annualised growth rate for Q4 2014 – the lowest annual rate since 1990. The government also cut the expected GDP growth rate for 2015 to 7%. The People's Bank of China cut the one year benchmark rate by 25bps to 5.35%. The minimum down payment for second home buyers was also reduced from 60% from 40%.

The S&P/ASX 300 Accumulation index rose 10.31% for the quarter with AMEF underperforming the benchmark by 2.57% for the same period.

Portfolio Holdings as at 31st March 2015

	Strategic Weight
Airlie Concentrated Share Fund	48.17%
Greencape Wholesale Broadcap Fund	20.07%
Lanyon Aust. Value Fund	30.14%
Cash	1.62%



Underlying Manager Performance

Airlie Funds Management Pty Ltd

Airlie outperformed the market by 0.33% for the March month and 1.9% for the fiscal year to date. They have outperformed the market by 16.19% since inception (61.65% vs 45.46%). The portfolio remains cautiously positioned with the cash weight at 25.41%. Airlie is positioned defensively and its top five active positions are Caltex, Flight Centre, Godfreys Group Ltd, Elanor, and ANZ.

Greencape Capital

The S&P/ASX 300 Accumulation Index returned +10.31% for the quarter. The fund underperformed the market and delivered a +9.20% return over the quarter. Key contributors for the fund were Woolworths, Resmed, Woodside, Estia and TPG Telecom Limited.

Lanyon Asset Management

The Lanyon Australian Value Fund posted a return of +0.9% (net of fees) for the month of March, compared to a -0.1% for the S&P ASX 300 Accumulation index. For the financial year ended 31st March 2015, the Fund posted a return of +11.5%, compared to the index return of +12.93%. Lanyon finished the quarter with a cash balance of 55.1%. During the month of March, the fund exited its profitable position in Rural Funds Group (ASX: RFF). They sold their position despite investment returns being having been very strong with the view that current prices reflected fair value, appropriately discounted for ongoing acquisition risk.

Unless otherwise specified, any information contained in this publication is current as at 31st March 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.