

## Alpha Alternatives Fund - Snapshot

Morningstar Category: Alternative Strategies - Diversified  
 Inception Date: 01/02/2012

## Fund and Market Commentary

During December, the Bloomberg AusBond Cash benchmark returned 0.14%, while the Alpha Alternatives Fund outperformed the benchmark by 0.04%. Over longer periods, the Fund's performance remains competitive to the benchmark.

Macro/CTA index strategies posted a gain in December with the hedge fund composite index rising 0.82%. Global equity markets posted varied performance in December. United States (US) equities had another positive month. In local currency terms, the S&P 500 gained 0.98% and the Dow Jones rose 1.84% in December respectively. Tax cuts of the corporate rate to 21% will raise the after-tax corporate earnings for US companies in 2018, even though it has already been factored in the US equities performance in 2017. The inflation rate was 2.1% year-on-year in December, easing from 2.2% in November, slightly above the target 2%. The US labour market remained consistently stable with Non-farm payrolls adding 148,000 over the month, below market expectations of 190,000, but on top of a 228,000 growth in November. The December unemployment rate remained the same at 4.1%, close to the job market's full capacity. The Australian Dollar gained 2.83% closing the month of December at 0.7800 per US Dollar.

In Europe, the United Kingdom's (UK) FTSE 100 index made a gain of 4.93%, while Germany's DAX and Italy's MIB index were down by 0.82% and 2.30% respectively in local currency terms. Backed by the prosperous eurozone economic outlook, the European Central Bank upgraded the expected economic growth for the single currency area substantially from 1.8% to 2.3%. In Germany, the talks between Chancellor Angela Merkel's conservatives and the center-left Social Democrats to form a "grand coalition" have started. If an agreement cannot be reached, Germany would likely be run by a minority government or headed for new elections. Turning to Asian markets, the Hong Kong Hang Seng Index climbed 2.54% and Japan's Nikkei 225 index added 0.18%, while China's Shanghai Composite dropped 0.30%.

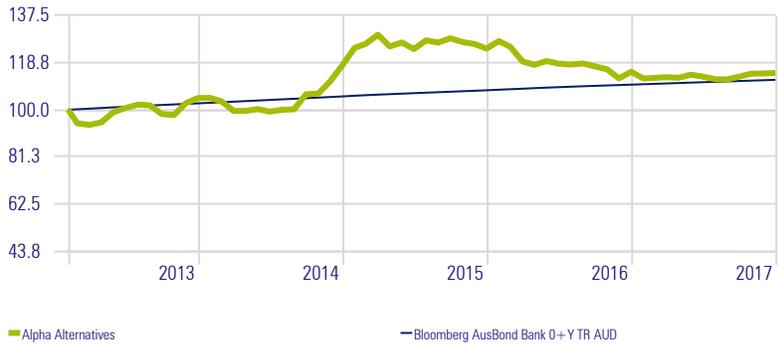
Considering the prospects for assets beyond short-term noise and volatility, our preference is to take a longer term approach to the markets. This does not mean we are not actively managing the Fund. To the contrary, the structure of our Fund is always reflective of our most current assessment of market risk. In structuring the fund, Alpha Fund Managers seek to select high quality managers and blend these managers to create portfolios that can achieve consistent, absolute and relative performances, irrespective of where we are in the market cycle.

## Alpha Alternatives - Monthly Returns (net of fees)\*

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017	-2.33	0.21	0.25	-0.21	1.10	-0.67	-0.92	-0.06	0.96	1.06	0.07	0.18	-0.40
2016	2.41	-1.80	-4.66	-1.16	1.28	-0.87	-0.31	0.38	-0.99	-0.97	-3.15	2.34	-7.45
2015	5.89	1.28	2.91	-3.62	1.27	-2.07	2.80	-0.72	1.38	-1.18	-0.59	-1.46	5.66
2014	-0.01	-1.27	-3.73	0.04	0.71	-0.99	0.73	0.21	5.96	0.27	4.52	5.82	12.45
2013		-0.69	1.10	4.28	1.65	1.33	-0.24	-3.42	-0.41	4.84	2.02		

## Investment Growth (net of fees) versus Benchmark\*

Time Period: 6/02/2013 to 31/12/2017

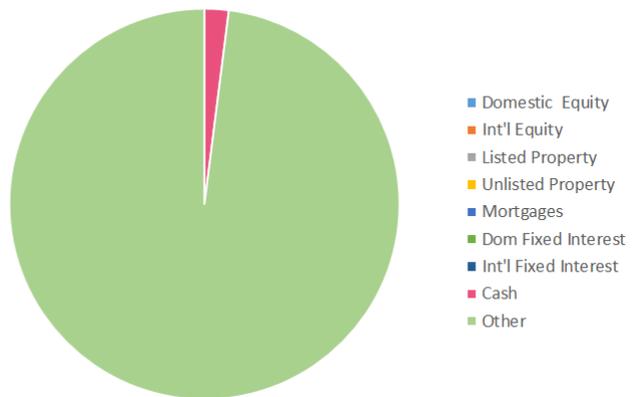


## Returns (net of fees) versus Benchmark\*

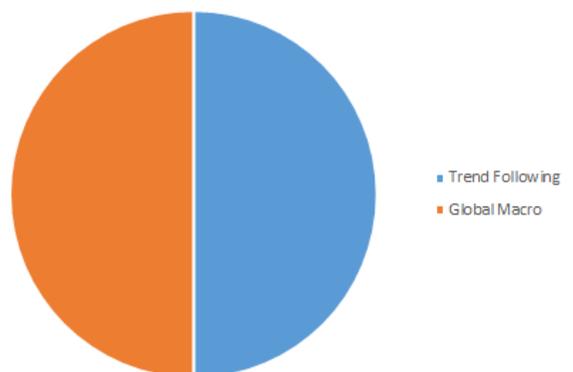
As of Date: 31/12/2017 Data Point: Return

	Month	Quarter	6 Mth	1Yr	2Yr	3Yr	4Yr	5Yr	pa
Alpha Alternatives	0.18	1.32	1.29	-0.40	-3.99	-0.87	2.30		
Bloomberg AusBond Bank 0+Y TR AUD	0.14	0.42	0.86	1.75	1.91	2.05	2.21	2.34	

## Asset Allocation



## Strategy Allocation



## Investment Objective

The Alpha Alternatives Fund is designed for investors seeking strong long-term returns by investing in underlying strategies that provide exposure to a well-diversified portfolio of specialist absolute return investment managers. The Alpha Alternatives Fund will invest in equity long-short, relative value, event driven, global macro and managed futures. The Alpha Alternatives Fund will actively seek to take advantage of strategic country and asset allocation, as well as security pricing opportunities, by investing in a diverse range of securities across the globe. The composition and performance of the fund may differ significantly from its benchmark.

*Fund Style: Actively Managed and Broadly Diversified Global Hedge Fund*

## Current Manager Line-up

**H2O Force 10** is a global macro hedge fund strategy that aims to generate returns from long and short positions in various equity, fixed income, currency, and futures markets, primarily based on overall economic and political views of various countries and macroeconomic principles. The H2O strategy aims to provide not only risk-adjusted performance at portfolio level, but also transparency and daily liquidity.

*Manager Style: Actively Managed and Broadly Diversified Macro Hedge Fund*

**Legg Mason Western Asset Management**, a Legg Mason affiliate, is one of the world's leading fixed income managers and provides investment services for a wide variety of global clients, with broad capabilities across the fixed income spectrum. By devoting all of its resources to fixed income, Western Asset adds unique value to this asset class through active management of fixed income portfolios, with a value-oriented investment approach that is supported by a team of fixed income specialists in every market sector. Legg Mason Western Asset Macro Opportunities Bond is an unconstrained, global macro fixed income alternative that seeks to maximize total return while being less correlated to traditional fixed income and equity markets. The fund focuses on long-term value investing and active management of duration, yield curve and volatility by identifying relative value among securities and sectors in global fixed income markets.

*Manager Style: Active Unconstrained Global Macro Fixed Income Alternative Strategy*

**L1 Capital** is a boutique fund manager established in 2007 by Raphael Lamm (ex Cooper Investors) and Mark Landau (ex Invesco). L1 Capital has been one of Australia's top performing Australian equity fund managers since inception in August 2007. L1 uses a fundamental, bottom-up research process to identify securities with the potential to provide attractive risk-adjusted returns. The fund aims to achieve lower beta than long-only products and lower portfolio risk than the market.

*Manager Style: Active Unconstrained Long Short Equities Strategy*

**Dalton Street Capital** is a boutique absolute return investment manager that invests based on mathematically established principles of behavioural finance and rigorous logic. The approach provides investors with strong absolute returns and low correlation to traditional asset classes. The Dalton Street strategy was formulated in 1996 and has delivered positive absolute returns in every calendar year since inception. Dalton Street brings together experienced and talented investment professionals within a partnership model that ensures direct alignment with investor's interest.

*Manager Style: Active Unconstrained Asia Pacific Equities Strategy*

**AE Capital** is a systematic global macro fund manager that generates uncorrelated pure alpha. AE Capital achieves this by employing a unique dynamic strategy that adapts to changing macroeconomic themes and market conditions. AE Capital is different to traditional systematic and CTA managers in that they are purely fundamental, combining top-down fundamental market analysis with a scientific approach to produce systematic trading strategies.

*Manager Style: Active Unconstrained Global Macro FX Strategy*

## About Alpha Fund Managers

**Alpha Fund Managers'** investment philosophy is based on the premise that there are particular investment managers that have the ability to consistently generate "alpha" over the medium to long-term, and through all financial market cycles irrespective of any style bias (growth vs. value, large cap vs. small cap, etc.). "Alpha" in this context is defined as an investment manager's unique ability to select a portfolio of securities that differs from and outperforms its benchmark on a risk-adjusted basis. In other words, it is an investment manager's ability to beat the index. Alpha Fund Managers' investment process is based on a balanced approach to quantitative and qualitative research and analysis techniques to assess and select the underlying investment managers in each Alpha Fund Series fund. Alpha Fund Managers seek to add value by selecting investment managers who demonstrate a high-level of investment conviction, unique investment processes and a proven record in managing risk and generating long-term "alpha" over full market cycle. Alpha Fund Managers then blend these managers to create portfolios that can achieve consistent, absolute and relative performance, irrespective of where we are in the market cycle.

## Investment Details

APIR Code	ETL0318AU
Ticker	19538
Net Assets (\$Mil)	29
Month End Price Date	31/12/2017
Month End Price	0.9996

## Purchase Information

Minimum Initial Investment	\$25,000
Minimum Balance	\$25,000
Minimum Additional Investment/Withdrawal	\$10,000
Buy-sell Spread	0.35%
Income Distribution	Yearly
Valuation/Unit Pricing	Daily
Management Fee	1.435%
Performance Fee	20.5% (net of GST and RITC)

For further information, please refer to the funds PDS.

## Manager Info

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There has been no material changes in the Fund's risk profile, strategy, key investment personnel or key service providers since the last monthly report.

## General Advice Warning and Disclosure

This document was prepared by Alpha Fund Managers Pty Limited ("Alpha") (ABN 37 124 085 883) Corporate Authorised Representative of Infocus Securities Australia Pty Ltd ("Infocus") (ABN 47 097 797 049) AFSL No 236523 as Investment Manager of the Alpha Alternatives Fund ("Fund"). Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298) AFSL 240975 is the Responsible Entity of the Fund. This information is general advice only. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. In preparing this information, we did not take into account the investment objectives, financial situation or particular needs of any particular person. You should consider the appropriateness of this information with regards to your objectives, financial situation and needs. We encourage you to read the Fund's product disclosure statement in full before making an investment decision.

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