

## Alpha Diversified Fixed Income Fund - Snapshot

Morningstar Category  
Inception Date

Australia OE Multi-Strategy Income  
30/04/2012

## Fund and Market Commentary

During December, the Bloomberg AusBond Cash Benchmark returned 0.14% while the Alpha Diversified Income Fund underperformed the benchmark. Over longer periods, the Fund's performance remains competitive to the benchmark.

Global sovereign bond yields mostly moved positively. The United States (US) two year Treasury Note yield increased ten basis points to 1.883%, building on November's gain of eighteen basis points with part of the rate hike already priced in, while the ten year Note remained almost flat at 2.405%. The Federal Reserve continues its tightening monetary policy and raised the interest rate for the third time in 2017 by 25 basis points to the target range 1.25% to 1.5%. As stated in the meeting minutes, economic activity had been rising at a solid pace and the labour market conditions continued to strengthen. In the meantime, the possible changes of tax policy could raise the real Gross Domestic Product (GDP) growth in long-term. The dot plots assessment for the forward-looking funds rate remained unchanged and indicated three more rate hikes for year of 2018, however the market remained skeptical and only priced in two hikes or less. The Reserve Bank of Australia maintained the current monetary policy and left the interest rate on hold at 1.5% in the hope of stronger wage growth and inflation. Australian two year bond yields rose 23 basis points to 1.968%, while the ten year bond was thirteen basis points higher at 2.630%.

In Europe, Germany and Italian ten year yields rose six and twenty-seven basis points respectively to end the month at 0.427% and 2.016%, while the United Kingdom (UK) ten year bond fell fourteen basis points to 1.190%. Backed by the prosperous eurozone economic outlook, the European Central Bank (ECB) upgraded the expected economic growth for the single currency area substantially from 1.8% to 2.3%. As announced by the ECB in October, the lower pace of quantitative easing to EUR30 billion purchases per month is starting from January 2018 until September 2018 or beyond.

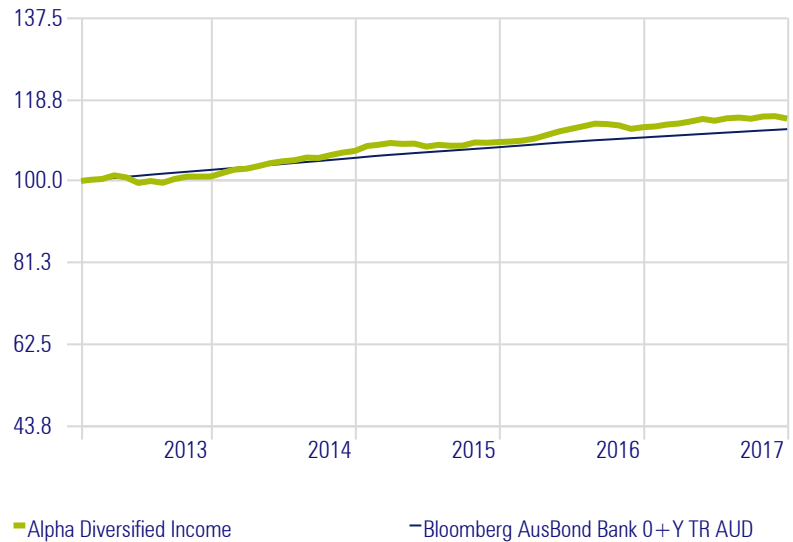
Considering the prospects for assets beyond short-term volatility, our preference is to take a longer term approach to the markets. This does not mean we are not actively managing the Fund. To the contrary, the structure of our Fund is always reflective of our current assessment of market risk. In structuring the Alpha Diversified Fixed Income Fund, Alpha Fund Managers seek to select managers demonstrating a proven track record in managing risk and generating long-term outperformance. These managers are then blended to create portfolios that can achieve consistent, absolute and relative performances, irrespective of where we are in the market cycle.

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

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017	0.16	0.38	0.21	0.42	0.50	-0.35	0.48	0.15	-0.24	0.45	0.07	-0.48	1.77
2016	0.11	0.20	0.44	0.72	0.74	0.53	0.54	0.55	-0.09	-0.27	-0.70	0.34	3.13
2015	1.06	0.26	0.38	-0.18	0.06	-0.63	0.36	-0.18	0.01	0.69	-0.07	0.16	1.92
2014	0.85	0.71	0.21	0.58	0.67	0.39	0.25	0.58	-0.09	0.64	0.52	0.36	5.83
2013		0.21	0.83	-0.48	-1.25	0.45	-0.41	0.87	0.53	0.01	0.02		

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

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

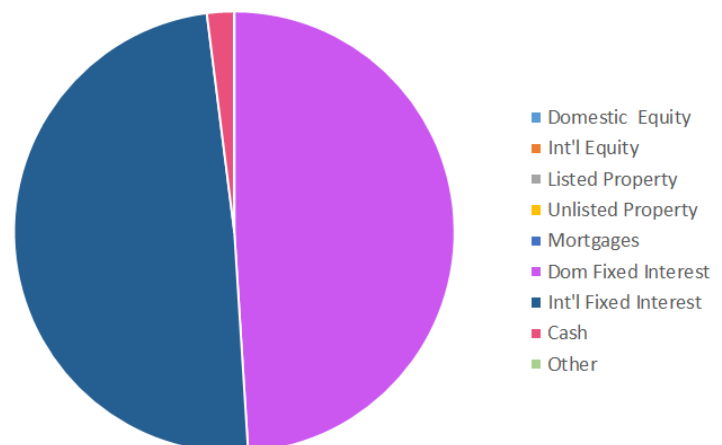


## Returns (net of fees) versus Benchmark\*

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

	Month	Quarter	6 Mth	1Yr	2Yr	pa	3Yr	pa	4Yr	pa	5Yr	pa
Alpha Diversified Income	-0.48	0.04	0.44	1.77	2.45	2.27	3.15					
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



## Investment Objective

The Alpha Diversified Income Fund is designed for investors seeking high yields with high capital preservation, by investing in a globally-diversified portfolio of fixed interest and high yield securities. It aims to outperform Cash +1% (UBS Bank 0+ Yr TR Index+1.0%) over rolling 3 to 5 year periods. The fund may invest in a portfolio of global government, semi-government, corporate, mortgage, asset-backed, high-yield and emerging-market sovereign debt, and other fixed interest securities - while seeking to preserve capital through diversification and prudent investment management.

*Fund Style: Actively Managed Diversified Multi-Strategy Fixed Income Portfolio*

## Current Manager Line-up

### PIMCO Diversified Fixed Interest Fund

*Manager Style: Actively Managed, Broadly Diversified, Strong Expertise in Top Down Assessment of Global Bond Markets*

### PIMCO Global Credit Fund

*Manager Style: Global Diversified Credit Strategy*

### JP Morgan Global Bond Opportunities Fund

*Manager Style: Unconstrained, Multi-Strategy Income*

### Vontobel Emerging Markets Fund

*Manager Style: Emerging Market Debt Strategy*

### Bentham High Yield Fund

*Manager Style: Global High Yield Strategy*

### Blue Quay High Income Fund

*Manager Style: Australian Diversified Credit Strategy*

### Perpetual Pure Credit Alpha Fund

*Manager Style: Australian Diversified Credit Strategy*

### Alexander Credit Opportunities Fund

*Manager Style: Australian Diversified Credit 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 performances, irrespective of where we are in the market cycle.

## Investment Details

APIR Code	ETL0329AU
Ticker	19539
Net Assets (\$Mil)	41
Month End Price Date	31/12/2017
Month End Price	1.0134

## Purchase Information

Minimum Initial Investment	\$25,000
Minimum Balance	\$25,000
Minimum Additional Investment/Withdrawal	\$10,000
Buy-sell Spread	Nil
Income Distribution	Quarterly
Valuation/Unit Pricing	Daily
Management Fee	0.993%
Performance Fee	Applicable - refer to PDS on Website

## Manager Info

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## 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 Diversified Income 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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