

5th November 2020

Alpha internalises funds management for five Alpha Funds

Alpha have made some key changes to the management of the five Alpha funds named below:

- The Alpha Global Opportunities Fund
- The Alpha Australian Blue Chip Fund
- The Alpha Australian Small Companies Fund
- The Alpha Property Securities Fund
- The Alpha Infrastructure Fund.

Background

For some time, we have been concerned that changes to the regulatory and operating environment for the Alpha funds had resulted in them no longer being a contemporary and fully efficient investment solution for their unit holders.

Review

A review of the Alpha Funds undertaken earlier in 2020 supported our concerns and concluded that Alpha's multi-manager fund-of-funds structure was suboptimal in the prevailing operating environment, with high total fees and expenses, in turn, making it more difficult for the funds to be employed to provide 'best interest' outcomes for investors. The multi-manager structure also reduced the investment flexibility of the funds resulting in operational issues such as delays post June distributions, reduced transparency and accounting complexity.

Changes implemented

As a result of the review, Alpha has taken the step to internalise the investment management function for these funds. Through this change, the fees paid to the externally appointed investment managers have been eliminated and the Alpha portfolio management team now undertakes portfolio construction and security selection for the respective funds.

The transition to the new process was initiated late in June 2020 to facilitate superior management of capital gain realisation over two financial years and was finally completed in October 2020.

The key benefit of this change has been a reduction in the cost to investors. The resultant change in Management Costs is displayed in the table below:

| Alpha Fund | Previous Management Costs Aug 2020 | New Management Costs Sep 2020 |
|---------------------------------------|---------------------------------------|----------------------------------|
| Alpha Australian BlueChip Fund | 1.51% p.a. | 1.20% p.a. |
| Alpha Australian Small Companies Fund | 3.61% p.a. | 1.40% p.a. |
| Alpha Global Opportunities Fund | 1.95% p.a. | 1.30% p.a. |
| Alpha Infrastructure Fund | 1.72% p.a. | 1.30% p.a. |
| Alpha Property Securities Fund | 1.36% p.a. | 1.10% p.a. |

Benefits of the changes

It is our expectation that the overall investor experience will be improved via lower fees, superior and more timely reporting, less down time post financial year end and an overall simplified management structure reducing transactional costs.

There will be some changes to the portfolio construction as Alpha takes responsibility for this function. The portfolio is not expected to be materially different to their construction under the fund-of-funds structure, as the underlying investment universes and benchmarks remain the same.

If you have any queries or aspects on which you want further clarification please contact us at enquiry@alphafundmanagers.com.au or on (03) 8652 3888.

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