

Alpha Diversified Fixed Income Fund - Snapshot

Morningstar Category
Inception Date

Australia OE Multi-Strategy Income
30/04/2012

Fund and Market Commentary

During August, the Bloomberg AusBond Cash Benchmark returned 0.14% while the Alpha Diversified Income Fund outperformed the benchmark by 0.01%. So far, the Fund has gathered limited return history and therefore no comment can yet be made about its long-term performance.

Economic data from the United States (US) was mixed. The US annualized economic growth rate in the June quarter was revised up to 3% from a preliminary reading of 2.6%, beating the market consensus of 2.7%. In contrast, non-farm payrolls only added 156,000 in August, missing the market expectation of 180,000. In the meantime, the unemployment rate increased slightly by 0.1% to 4.4%. The persistent weakness in the inflation rate makes market participants doubt whether further interest rate hikes will occur in 2017. According to the July minutes from Federal Open Market Committee (FOMC) meeting, members discussed the possible effect of balance sheet normalization on markets and expressed their view on the low levels of inflation. Most of members supported moves to unwind the \$4.5 trillion balance sheet at the upcoming meeting in September. The European Central Bank (ECB) decided to hold interest rates steady in the policy meeting and postponed announcing the tapering decision to the October meeting, in consideration of the appreciating euro. Recent acceleration of the euro was caused by geopolitical risks, including the tension between the US and North Korea.

Most global sovereign bonds were in demand in response to the heightened political risks, while Australia was more upbeat given the generally positive economic data. Australian two year Government bond yields jumped nine basis points to 1.885%, while the ten year bond rose four basis points to 2.714%. In contrast, US two year Treasury Notes yields fell three basis points to 1.326% and ten year Notes declined eighteen basis point to 2.117%. Within the Eurozone, German ten year yields decreased by eighteen basis points to 0.361%, while Italian yields fell five basis points to 2.045%.

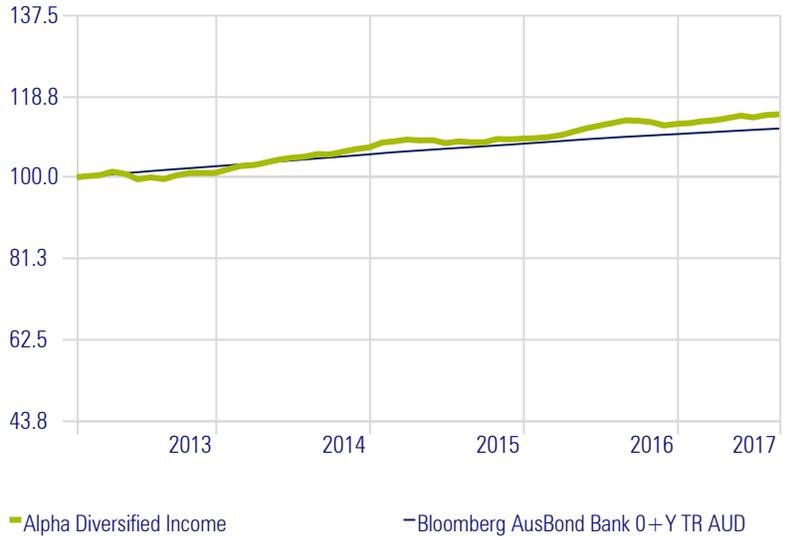
Considering the prospects for assets beyond short-term volatility, our preference is to take a longer term approach to the markets. This does not mean we are not actively managing the Fund. To the contrary, the structure of our Fund is always reflective of our current assessment of market risk. In structuring 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					
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	
2012													

Investment Growth (net of fees) versus Benchmark*

Time Period: 6/02/2013 to 31/08/2017

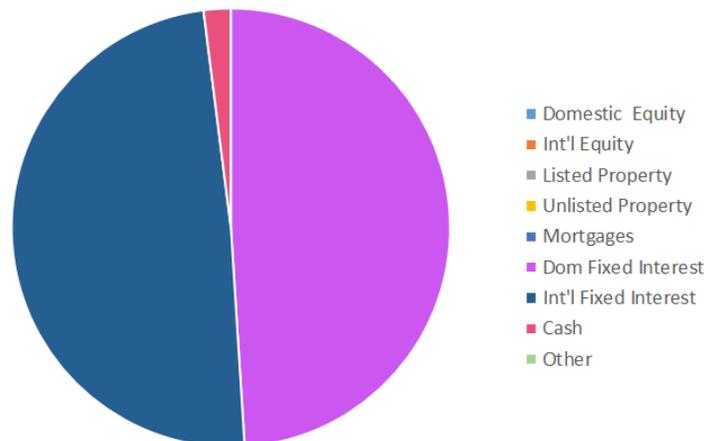


Returns (net of fees) versus Benchmark*

As of Date: 31/08/2017 Data Point: Return

	Month	Quarter	6 Mth	1Yr	2Yr	pa	3Yr	pa	4Yr	pa	5Yr	pa
Alpha Diversified Income	0.15	0.28	1.43	1.23	2.95	2.83	3.57					
Bloomberg AusBond Bank 0+Y TR AUD	0.14	0.43	0.88	1.76	1.99	2.16	2.29	2.46				

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

Kapstream Capital offers an alternative approach to fixed income. Kapstream's goal is to create innovative solutions for client needs. Through active diversification across sectors and geographies, they aim to consistently deliver capital protection and a reliable income stream. Kapstream uses a wide range of instruments to capitalise on opportunities within the marketplace, including bonds, notes, mortgages, corporate debt, emerging market debt, convertible securities, derivatives, foreign exchange contracts, enhanced cash instruments and more. As a result, they can generate positive returns in both rising and falling markets. They manage total portfolio risk, rather than the index risk, so their funds can generate a positive return even when indices are falling. The result is superior return potential, with less risk.

Manager Style: Diversified Active Absolute Return Global Bond

PIMCO is a leading global investment management firm with more than \$2 trillion in assets under management as of 31 December 2012, and more than 2000 employees in offices in Newport Beach, New York, Singapore, Tokyo, London, Sydney, Munich, Toronto, and Hong Kong. Throughout PIMCO's 37-year history, they have been at the forefront in sectors like mortgage-backed securities and emerging market bonds. PIMCO remain's at the forefront today, pioneering the use of innovative solutions for their clients, including portable alpha and absolute return strategies.

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

Standard Life, is a leading asset manager with an expanding global reach and manages \$511.5 billion in assets on behalf of clients worldwide. Their investment capabilities span equities, bonds, real estate, private equity, multi-asset solutions, fund-of-funds and absolute return strategies.

Manager style: Diversified Active Absolute Return Global Bond

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	31/08/2017
Month End Price	1.0170

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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