

Alpha Diversified Fixed Income Fund - Snapshot

Morningstar Category
Inception Date

Australia OE Multi-Strategy Income
30/04/2012

Fund and Market Commentary

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

Most global developed sovereign bond yields rallied over June. Australian two year Government bond yields rose eighteen basis points to 1.729%, while the ten year bond jumped twenty-one basis points to 2.203%. According to the Australian Bureau of Statistics, employment data was stable with the recent unemployment rate remaining at 5.7% and the participation rate at 64.8%, while annual Gross Domestic Product growth rate edged down to 1.7% from 2.4% last quarter, the slowest pace since GFC. The Reserve Bank of Australia (RBA) kept rates at its record low of 1.5% in June. Both household debt and property prices make it difficult for the RBA to move interest rates in either direction, which reduces the likelihood of rate change in the near future.

The United States (US) unemployment rate rose slightly by 0.1% in June to 4.4% and non-farm payrolls increased by a healthy margin of 222,000 jobs, in contrast to the softer wage growth which fell below target levels. In consideration of the strengthening labour market, economic data and moderately rising economic activity, the Federal Reserve raised the target federal funds rates by 25 basis points to a range of 1%-1.25% and provided its plan to normalise the balance sheet later this year. The yields of both US two year and ten year Treasury Notes rose ten basis points to 1.382% and 2.304% respectively. If the RBA continues to keep rates on hold while the US central bank hikes as expected, the US federal rates will finally catch up with that of the RBA, for the first time in 15 years. The European Central Bank kept interest rates on hold and maintained current levels of quantitative easing, but indicated it intends to taper monetary stimulus gradually. Within the Eurozone, German Government bonds increased sixteen basis points to 0.466%, while Italian ten year bond fell five basis points to 2.158%.

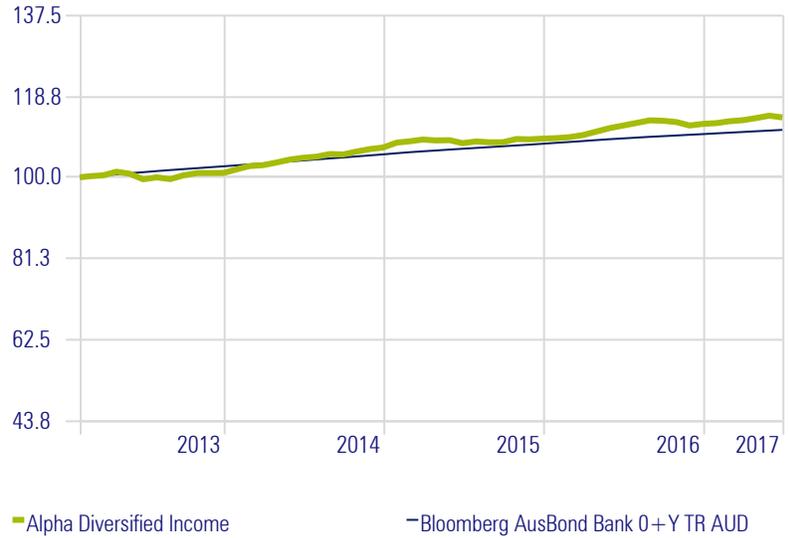
Considering the prospects for assets beyond short-term volatility, our preference is to take a longer term approach to the markets. This does not mean we are not actively managing the Fund. To the contrary, the structure of our Fund is always reflective of our current assessment of market risk. In structuring 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							
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 30/06/2017

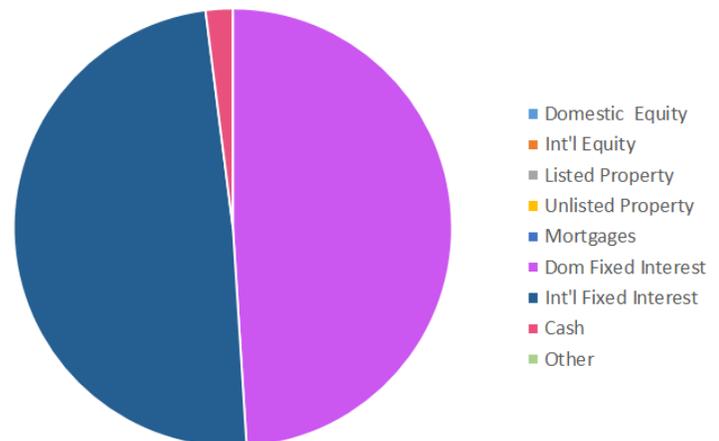


Returns (net of fees) versus Benchmark*

As of Date: 30/06/2017 Data Point: Return

	Month	Quarter	6 Mth	1Yr	2Yr	pa	3Yr	pa	4Yr	pa	5Yr	pa
Alpha Diversified Income	-0.35	0.57	1.33	1.69	2.72	2.90	3.42					
Bloomberg AusBond Bank 0+Y TR AUD	0.14	0.44	0.89	1.82	2.03	2.22	2.34	2.52				

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	30/06/2017
Month End Price	1.0106

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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