Sestante Conservative Fund

Monthly Investment Report as at 30 April 2017

Asset Class

Diversified

Investment Objective

To provide an investment return of CPI +1.5% p.a. over rolling 3 year periods after fees and costs and before taxes

APIR Code

PAT5920AU

ARSN

615 786 395

Fund Inception Date

28 February 2017

Benchmark

CPI +1.5%

Buy/Sell Spread

+/-0.10%

Management Costs

0.64% p.a.[1]

Distribution Frequency

Quarterly

Minimum Investment

$20,000

Fund Size

$2.7m

Exit Price

$1.0084

Number of Holdings

22

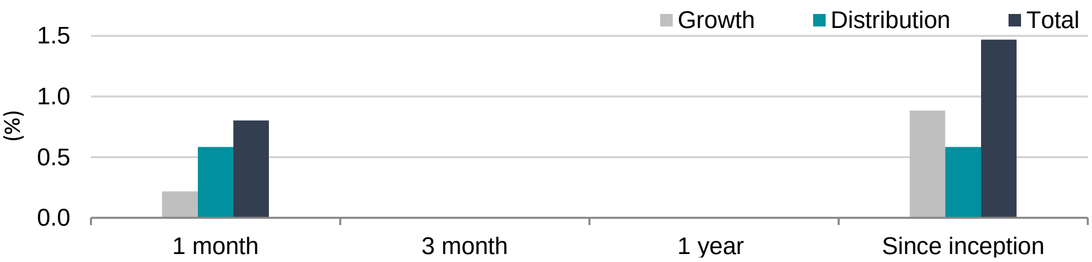
Market Review

In the third week of April, the correction in global equity markets that started in March ended, and they resumed their rally, closing the month in positive territory up 3.81%. Europe and emerging markets were respectively up 5.83% and 4.46%, outperforming the broader index. US and Japan interestingly produced an identical return, both up 3.29%, which is below the MSCI All Countries World Total Return Index. Global markets ex US performed strongly and were up 2.14% in USD terms.

The return was driven in part by a softer US Dollar, the Dollar Index ('DXY') was down another 1.30% in April, closing the month at 99.05, below the psychological level of 100. The movement was primarily driven by stronger European currencies while Asian currencies were subdued in regards to the US dollar. The Australian dollar was particularly weak as it depreciated 2.17%, closing the month below 0.75 for the first time in 2017.

The S&P/ASX 300 Total Return Index (up 0.98%) was led higher by the strong performance of financials, REITs in particular, industrials and healthcare. Materials, especially mining, were sold off in April as the "yield trade" was back. Small caps were hit the hardest by the sector rotation and were negative for the month. Fixed income generated positive returns, with the domestic and the global (hedged back to Australian dollar) markets up 0.75% and 0.74% respectively. Correlation between equities and fixed income was generally negative during April, with equities down and bonds up, however moved back to positive territory at the end of the month as equities recovered all the lost ground while bonds gave back only a fraction of their accrued gains. The pull back in interest rates was felt by "long duration" assets, with property and infrastructure sharply higher, increasing by 3.11% and 3.70% respectively. Finally, alternatives (up 0.48%) saw positive growth for the sixth consecutive month however were unable to keep up with equity markets.

Performance



	Growth Return (net) (%)	Income Return (%)	Total Return (net) (%)	Benchmark Return (%)	Active Return (%)
1 month	0.22	0.58	**0.80**	**0.26**	**0.54**
3 months	n/a	n/a	**n/a**	**n/a**	**n/a**
1 year	n/a	n/a	**n/a**	**n/a**	**n/a**
3 years (pa)	n/a	n/a	**n/a**	**n/a**	**n/a**
Since inception[2] (pa)	0.88	0.58	**1.47**	**0.58**	**0.89**

Past performance is not an indication of future performance. Net performance figures are calculated using exit prices, net of fees and reflect the annual reinvestment of distribution. Retail investors should refer to net returns. If investing through an IDPS Provider, the total after fees performance return of your investment in the Fund may be different from the information in this report.

[1] Estimated management cost as at 11 January 2017. Refer to PDS and website for a full breakdown of management costs.

[2] This figure represents the annualised performance of the Fund since inception.

Contact Details

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Performance Review

In April the Fund returned 0.80% net, outperforming the benchmark return of 0.26% net by 0.54%.

All asset classes the Fund invested in were positive, especially growth assets. The Fund's underweight position in Australian fixed income (-4.24%) and cash (-3.30%) provided a positive contribution. That was counterbalanced by the overweight position in global fixed income (+7.45%) and the Fund's slight underweight position to international equities (-1.05%), property (-0.33%) and infrastructure (-0.17%), which detracted from performance. All in all, the aggregate contribution of the active tilts was neutral.

The Fund's allocation to fixed income, both Australian and global, underperformed the benchmark over the month. However that was to be expected given the under exposure to duration. Still, the Fund's allocation benefited from the decline in bond yields over the month and was able to capture approximately 75% of the asset class return. As government bonds became more expensive in April the under exposure to duration was increased through the Fund's allocation to active managers. Despite the modest setback, fixed income remains the asset class where the Fund's selection has produced the best results since the inception of the Fund, generating a positive return while the reference indices have been down close to 0.75% on average. In contrast, the manager selection worked particularly well in Australian and international equities. In the former, both the selection and the allocation effects were positive while in the latter selection was a (larger) contributor and allocation a (smaller) detractor.

In Australian equities, the investment manager's overweight position in mid cap growth stocks and healthcare proved decisive while other favoured areas such as consumer discretionary and small caps underperformed. In international equities, the Fund's over exposure to emerging markets and US technology maintained its positive momentum, as the so called "FANG" stocks (an acronym for Facebook, Amazon, Netflix and Google) broke above 1.5 trillion US dollars of combined market cap, driving the sector higher. In alternatives, the managers were caught in the correction of the first part of the month and reduced risk to produce a flat return.

Manager Allocation (%)

Australian Fixed Interest	**20.79**
CFS Australian Bond Fund	4.29
Henderson Tactical Income Trust	6.41
Omega Core Australian Bond Fund	6.06
Perpetual Credit Income Fund	4.03
Global Fixed Interest	**23.89**
Macquarie Income Opportunities Fund	8.08
Omega Global Corporate Bond Fund	6.59
Pimco Diversified Fixed Income Fund	9.22
Property	**1.57**
Vanguard International Property Securities Index	1.57
Alternatives	**10.06**
Henderson Absolute Return Australian Equity Fund	2.61
Ironbark LHP Global Long/Short Fund	2.31
AZ Multi Asset Institutional Macro Dynamic Trading	5.14

Australian Equities	**7.36**
Bennelong Ex-20 Australian Equities Fund	1.66
BT Wholesale Core Australian Share Fund	1.58
Fidelity Australian Equities Fund	2.07
Ironbark Karara Australian Share Fund	2.05
Global Equities	**8.41**
Capital Group New Perspective Fund	1.28
Ironbark Royal London Concentrated Glbl Share Fund	1.64
Vanguard Emerging Markets Shares Index Fund	2.21
Vanguard International Shares Index Fund	3.28
Infrastructure	**1.79**
MBA Global Listed Infrastructure Fund	1.79
Cash	**26.13**
BetaShares Australian High Interest Cash	20.05
Cash	6.08

Market Outlook

The investment manager is looking to remain constructive on risk assets for the remainder of 2017. Interest rates have risen, and the investment manager expects them to continue to do so after a brief pause, however in absolute terms they are still very low. Monetary policies may well have reached an inflection point whereby accommodation is gradually withdrawn with the introduction of so called "macroprudential" policies, as it is the case in Australia, or outright hikes in interest rates, as it is happening in US. Despite this, the global economy is accelerating and it is also looking increasingly synchronised within the major regions, while company earnings are on track to grow at the highest (year-on-year) rate since 2011.

Central banks have made it clear that when it comes to inflation they have become co-incident and are no longer forward-looking, in plain English, they will tighten only when they see prices rising in the here and now and not based on future expectations. That said, equity markets are flashing signs of a temporary top, with the volatility as measured by the VIX Index dropping to the lowest level since 2006. Complacency abounds as retirement money pours into equity exchange-traded funds ('ETFs') and mutual funds at a record pace. Credit markets are rich as spreads tightened considerably since the beginning of the "Trump rally" and new issuances are increasingly lighter in terms of covenants.

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Market Outlook (cont'd)

A pause or a correction may be warranted at this point, however there is still the current bull market and, in the investment manager's opinion, being long it is worth the risk. The investment manager's thesis has played out nicely since the beginning of the year, the US dollar is weaker in relation to almost all major currencies, including the Australian dollar. European and emerging market equities are outperforming US equities and emerging market debt is well supported by the higher yields on offer with inflation largely under control. The Fund's positions remain unchanged as the investment manager expects those trends to be reinforced going forward.

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