Sestante Growth Fund

Monthly Investment Report as at 30 November 2017

Asset Class

Diversified

Investment Objective

To provide an investment return of CPI +3.0% p.a. over rolling 7 year periods after fees and costs and before taxes

APIR Code

PAT3644AU

ARSN

615 785 870

Fund Inception Date

28 February 2017

Benchmark

CPI +3.0%

Buy/Sell Spread

+0.15%/-0.15%

Management Costs

0.99% p.a.[1]

Distribution Frequency

Quarterly

Minimum Investment

$20,000

Fund Size

$3.2m

Exit Price

$1.0689

Number of Underlying Investments

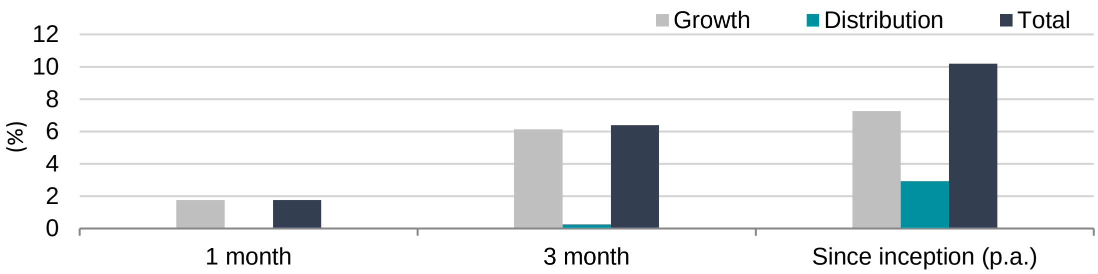
20

Market Review

Equity markets continued their ascent in November, with the S&P/ASX 300 TR adding another 1.69% and the MSCI AC World Daily TR rallying 3.27% (1.94% in US dollar 'USD' terms).

The US market was up 4.32% (2.97% in USD terms) on the back of the narrow approval granted by the US Senate to the Trump administration's tax reform at the end of November. Corporate tax rates are in fact expected to be cut from 35% to as low as 20%. In addition, the incoming Chairman of the Federal Reserve ('Fed') Jerome Powell hinted that a relaxation of bank rules may be back on the agenda after 9 years of "re-regulation". Both events boosted the so-called "old economy", as exemplified by the Dow Jones Industrial Index strongly outperforming the tech-heavy NASDAQ. Positive momentum continued in Japan, with the Nikkei extending its gains after the sixteen straight days up recorded in October. Conversely, returns for emerging markets and Europe were subdued as their currencies resumed their appreciation trend against the US dollar, however their stock markets failed to rally. The US dollar was generally weak across the board, with the notable exception of its value relative to the Australian dollar. The domestic currency softened another -1.29%, closing the month around the 0.75 AUD/USD level and boosting the performance of the ASX overseas earners. Growth stocks outperformed value stocks and small caps outperformed large caps. Banks and telecommunication sectors closed the month down, whilst materials, energy, industrials, healthcare and consumer staples outperformed the index. Interest rates fell for the second month in a row boosting the performance of "bond-proxies" such as utilities and REITs. The latter was the best performing sector for the month, contributing to the strong rebound of property (up 3.81%), while infrastructure generated a solid 2.68%. Domestic fixed income (up 0.87%) outperformed global fixed income (hedged back to AUD, up 0.11%) as the spread between the Australian 10 years and the US 10 years fell to its lowest level in 15 years at 9 basis points. Returns for alternatives (up 0.10%) were muted as relative value and long/short equity strategies closed the month positive, while distressed debt and event driven strategies were dragged down by the correction of the US High Yield market.

Performance



	Growth Return (net) (%)	Income Return (%)	Total Return (net) (%)	Benchmark Return (%)	Active Return (%)
1 month	1.77	0.00	**1.77**	**0.47**	**1.30**
3 months	6.13	0.26	**6.39**	**1.25**	**5.14**
1 Year	N/a	N/a	**N/a**	**N/a**	**N/a**
3 Years (p.a.)	N/a	N/a	**N/a**	**N/a**	**N/a**
Since inception[2] (p.a.)	7.26	2.92	**10.18**	**3.57**	**6.61**

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] For a full breakdown of management costs, refer to the PDS dated 30 September 2017.

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

Contact Details

T: 1800 034 402 | **E:** client.services@ironbarkam.com | **W:** www.azsestante.com

Sestante Growth Fund

Monthly Investment Report as at 30 November 2017

Performance Review

In November, the Sestante Growth Fund (the 'Fund') returned 1.77% (net), outperforming the benchmark return of 0.47% by 1.30%.

Over the month, all asset classes the Fund invests in were positive, with equities and real assets topping the list. The Fund's overweight position in equities (1.85% in aggregate) helped the performance of the Fund, however was insufficient to compensate an underweight position in real assets (-6.54% in aggregate). Fund returns were boosted by a 9.57% overweight position in growth assets, whose weighted average performance was almost five times that of defensive assets for the second consecutive month. Other positive contributions came from the Fund's underweight position in Australian fixed income (-3.71%), global fixed income (-0.86%) and cash (-4.99%). Conversely, an overweight position in alternatives (14.26%) detracted from performance. Active tilts across asset classes' added value, while active tilts within asset classes detracted value. The investment manager's preference for Australian rates within global fixed income was marginally positive, while the Fund's overweight in Europe and emerging markets, and underweight in the US was a significant negative within international equities. In general, the tactical asset allocation underperformed the strategic asset allocation.

Equity managers were not able to keep pace with the continued rise in global stock markets, while the investment manager's cautious exposure to interest rate risk meant that the Fund's participation in the domestic bond rally was limited.

The Fund's line-up of managers in Australian equities gave back part of the outperformance over the index accumulated since the beginning of the year. That said, the two managers who were lagging behind their peers over the same period of time generated alpha owing primarily to their overweight and positive stock selection in the energy sector.

In international equities, the Fund's unfavourable geographic allocation was compounded by sector tilts in conjunction with cyclicals (overweight) spanning from technology to materials and underperforming defensives (underweight), as telecommunications and consumer staples were the star performers.

Finally, in alternatives the Fund's discretionary macro manager increased exposure to equities via an upside option strategy on US, European and Asian equities hedged by a long exposure to the yen versus USD cross and bought a basket of stocks related to alternative currencies.

Manager Allocation (%)

Australian Fixed Interest	4.64
CFS Australian Bond Fund	1.19
Henderson Tactical Income Trust	2.62
Omega Core Australian Bond Fund	0.83
Global Fixed Interest	4.74
Macquarie Income Opportunities Fund	1.03
Omega Global Corporate Bond Fund	0.81
Pimco Diversified Fixed Income Fund	2.90
Property	2.50
Vanguard International Property Securities Index	2.50
Alternatives	11.77
Sestante Global Macro Fund	11.77
Infrastructure	9.75
MBA Global Listed Infrastructure Fund	9.75

Australian Equities	30.01
Bennelong Ex-20 Australian Equities Fund	8.81
BT Wholesale Core Australian Share Fund	6.79
Fidelity Australian Equities Fund	8.09
Ironbark Karara Australian Share Fund	6.32
Global Equities	34.16
Capital Group New Perspective Fund	5.25
Ironbark Royal London Concentrated Glbl Share Fund	6.92
Vanguard Emerging Markets Shares Index Fund	6.77
Vanguard International Shares Index Fund	2.86
Vanguard FTSE All-World ex-US ETF	12.36
Cash	2.43
BetaShares Australian High Interest Cash ETF	0.10
Cash	2.33

Market Outlook

In the investment manager's opinion, JPMorgan Chase Chairman and CEO Jamie Dimon was correct when asked about the Trump administrations corporate tax reform, he said "think of it as a QE4". After the bill passes, companies will repatriate capital from overseas, will increase dividends and buybacks and will acquire competitors. In other words, they will bid up asset prices, and that is why equity markets are exploding higher in response. Sure, Mr Dimon conceded that some companies will also raise wages, boosting demand in the real economy. However, the investment manager senses that eventually the majority of the tax boon will accumulate on corporate balance sheets and that it will not get recirculated in the American economy. That expectation, if correct, would also explain the lack of reaction to the news by the long end of the US interest rate curve (10 years plus) as, all things being equal, the tax cuts should not have a significant effect on growth, keeping inflation in check.

Contact Details
T: 1800 034 402 | **E:** client.services@ironbarkam.com | **W:** www.azsestante.com

AZ SESTANTE
AZIMUT GROUP

Sestante Growth Fund

Monthly Investment Report as at 30 November 2017

Market Outlook (cont'd)

Conversely, the 2 years and 5 years have continued their relentless move higher as the US budget deficit as a percentage of the gross domestic profit figures have been slowly widening since the second quarter of 2016. What that means is that despite the pick-up in economic growth and the stock market hitting new all-time highs almost on a daily basis, tax receipts have slowed down as of late. The newly proposed tax cuts will further reduce them, raising the US government borrowing needs at a time when the Fed has embarked on the reduction of its balance sheet. In the end, the investment manager believes that either the long part of the curve will have to adjust higher or the US dollar will have to fall further against the other major currencies. Both scenarios are positive for US equity markets and, by extension, for global equity markets. Not only that, both scenarios favour a rotation out of growth and into value stocks. In the end, during 2018 growth assets may not rally in an almost straight line as they did in 2017, however they will remain well supported.

Important Information

Issued by AZ Sestante Limited ABN 94 106 888 662 AFSL 284442. Data as at 30 November 2017. This document is not an offer of securities or financial products, nor is it financial product advice. As this document has been prepared without taking account of any investors' particular objectives, financial situation and needs, you should consider its appropriateness having regard to your objectives, financial situation and needs. The Fund referred to is issued by AZ Sestante Limited ABN 94 106 888 662 AFSL 284442. To acquire units in the Fund, complete the application form that accompanies the current PDS, which you can obtain from www.azsestante.com or by calling client services on 1800 034 402. You should consider the PDS in deciding to acquire or to continue to hold the Fund. Although specific information has been prepared from sources believed to be reliable, we offer no guarantees as to its accuracy or completeness. The information stated, opinions expressed and estimates given constitute best judgement at the time of publication and are subject to change without notice to you. This document describes some current internal investment guidelines and processes. These are constantly under review, and may change over time. Consequently, although this document is provided in good faith, it is not intended to create any legal liability on the part of Ironbark or any other entity and does not vary the terms of a relevant disclosure statement. Past performance is not an indicator of future results. All dollars are Australian dollars unless otherwise specified. All indices are copyrighted by and proprietary to the issuer of the index.

Contact Details
T: 1800 034 402 | **E:** client.services@ironbarkam.com | **W:** www.azsestante.com

AZ SESTANTE
AZIMUT GROUP