



# Australian Share Fund

"Where sensible investing goes to work"

## Factsheet and Performance Review

AUGUST 2017

### TOTAL RETURNS (AFTER FEES) AS AT 31 AUGUST 2017

	August	July	June	3 MTHS	6 MTHS	12 MTHS	INCEPTION (p.a.)	(Total)
<b>Meme Australian Share Fund</b>	<b>+ 2.23 %</b>	<b>-1.86 %</b>	<b>+ 0.23 %</b>	<b>+ 0.56%</b>	<b>- 0.49 %</b>	<b>- 9.46%</b>	<b>+ 11.69%</b>	<b>+ 58.59%</b>
All Ordinaries Accumulation Index	+ 0.79 %	+ 0.18 %	+ 0.28 %	+ 1.26 %	+ 2.55%	+ 8.91%	+ 9.29%	+ 44.84%
Performance Relative to Benchmark	+ 1.44 %	- 2.04 %	- 0.05 %	- 0.69 %	- 3.04%	- 18.37%	+ 2.40 %	+ 13.75%

Past performance is not necessarily indicative of future performance. Portfolio results assume distributions totalling \$0.15015 have been reinvested. Inception was 1 July, 2013.

**INVESTMENT OBJECTIVE:** To outperform the S&P/ASX All Ordinaries Accumulation Index over rolling three year periods, through active investment in ASX listed securities outside the S&P/ASX 20.

**INVESTMENT APPROACH:** The Fund takes an evidence-based quantitative approach to investing and uses a robust and back-tested trend-following strategy to identify investment opportunities expected to provide both positive price appreciation and relative price out-performance over the medium to long term. The Fund rigorously applies a set of capital management rules to manage both risk and return such that any losses are taken while they are small while gains are given room to compound until their long-term price trends become exhausted or their relative out-performance becomes impaired.

The Fund employs a non-thematic, bottom-up investment style which allows us to quantify both the absolute and relative merits of each investment opportunity and to allocate the Funds' investment capital accordingly. The resulting exposures to the various market sectors are essentially a consequence of that process, such that the strategy at the individual investment level guides the Funds' sector exposure and not the other way around.

The Fund only takes long positions and does not use derivatives. The Fund will hold an allocation to cash to the extent that there are at any time insufficient investment opportunities at appropriate levels of risk.

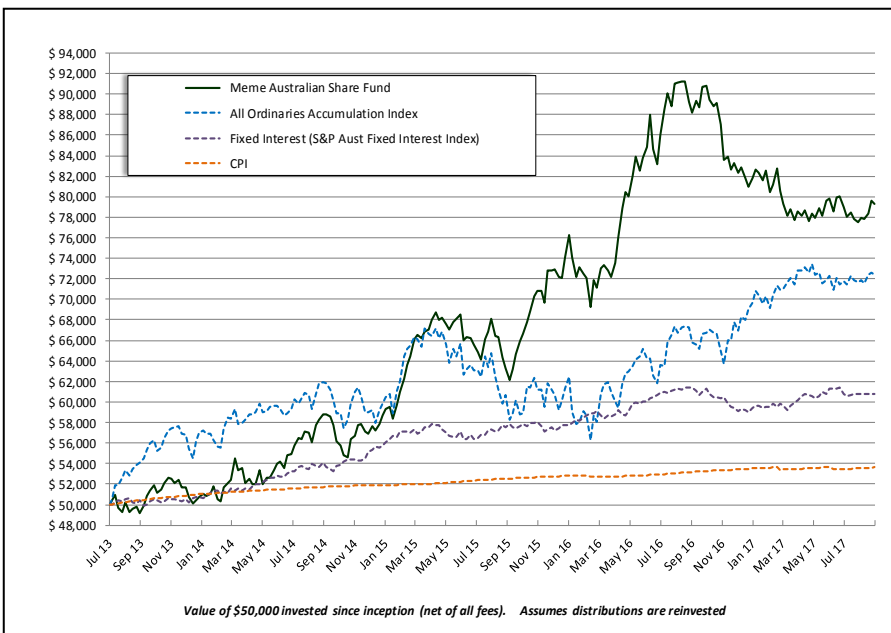
### KEY PORTFOLIO METRICS

Assets Under Management	\$ 5.49 mill
Net Asset Value per unit	\$ 1.4005
Number of Holdings	102
Portfolio Components	Cash 5.33% Equities 94.67%

### KEY PERFORMANCE METRICS

Open Positions	
Winning Positions	80.5%
Avg Profit / Avg Loss	5.13
All Positions (last 12 months)	
Winning Positions	42.9%
Avg Profit / Avg Loss	2.90

### COMPARATIVE PERFORMANCE



	Up Weeks		Rel Mthly Perf when B'mark is	
	Fund	B'mark	Up	Down
1 Year	48.1%	53.8%	-2.09%	+0.14%
2 years	55.8%	53.8%	-0.48%	+1.37%
Inception	58.3%	56.9%	-0.40%	+1.26%

### TOP 10 HOLDINGS

Stock	%
A2 Milk (A2M)	4.92
Flight Centre (FLT)	2.89
Iluka Resources (ILU)	2.84
Qantas Airways (QAN)	2.52
Fisher & Paykel Health (FPH)	2.20
McMillan Shakespeare (MMS)	2.18
Carsales.com (CAR)	2.07
Appen (APX)	2.00
IOOF Holdings (IFL)	1.93
Big Un (BIG)	1.85
<b>Total Top 10</b>	<b>25.40</b>

### MONTHLY PERFORMANCE % BY YEAR (after fees)

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2013							-0.99	-0.67	4.19	2.94	-1.96	-1.00	2.39
2014	-1.32	3.66	0.16	1.01	1.84	1.01	6.12	1.59	-4.60	1.10	0.42	3.79	15.41
2015	3.29	8.38	2.09	-0.04	1.76	-5.97	5.56	-7.50	4.93	7.12	3.11	4.40	30.48
2016	-4.89	-1.71	3.38	8.60	5.43	0.61	7.18	-3.75	3.68	-4.39	-5.07	-0.72	7.33
2017	-0.81	-1.83	-1.40	-0.30	0.66	0.23	-1.86	2.23					-3.10

### DISTRIBUTIONS

Jun	Dec
	1.6358
0.6277	1.7428
8.2160	0.0000
1.9278	0.3543
0.5106	

## INVESTMENT MANAGER'S COMMENTARY

**Review.** August provided a pleasing performance for the fund with a return of +2.23% compared to the broad market's return (including dividends) of +0.79%. The returns were largely driven by the continuing strong performance of the Materials and Industrial sectors (the two largest sector allocations in the fund), together with a continuation of the weakness in many of the very large capitalisation stocks. This most recent result brings the Fund returns since inception to +11.69% per annum, comfortably ahead of the market's +9.29%.

As suggested in our July review, capital has begun flowing back to the stronger trending smaller stocks, halting their recent declines largely induced by Disposition Effect selling (where investors tend to sell their winners in preference to their losers). It's not for the first time this year that these strong but sporadic flows of capital both to and from the larger cap stocks have dominated the short-term market returns. One has to wonder at the prescience of recent press suggesting that the swing to passive ETF investing creates unwarranted demand for large-cap stocks, itself influencing broad market performance, and that a swift reversal will come when this demand turns to supply (i.e. selling). By staying true to our long-term approach we will patiently ride out these anomalies, though of course it can't help but affect our short-term results from time to time. Our role therefore as manager is to remain disciplined throughout by riding out any short-term volatility, not jumping at shadows, and respecting the intact trends of our strong stocks.

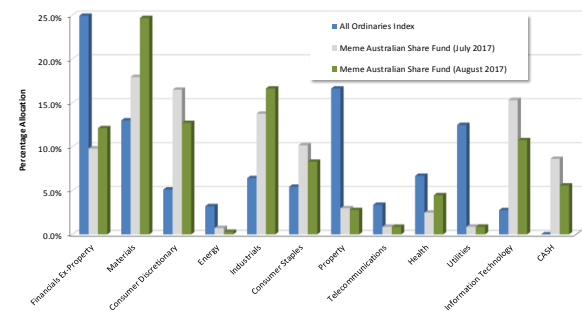
**Attribution.** The five most positive contributors to the funds' August performance of +2.23% were A2 Milk (A2M, +0.86%), Flight Centre (FLT, +0.29%), Appen Ltd (APX, 0.23%), Lynas Corp (LYC, +0.21%) and Qantas (QAN, +0.20%) while the five most negative contributors were Trade Me (TME, -0.33%), Elders (ELD, -0.22%), Big Un (BIG, -0.20%), Iress (IRE, -0.17%) and Nearmap (NEA, -0.16%).

**Allocations.** Our ASX200 exposure continues to reduce and is down from 52.6% to just 45.1% of the portfolio, while holdings outside the ASX200 have risen from 38.9% to 49.3% and cash has fallen to 5.3%. This is reflective of the continuing shift in trending opportunities towards the smaller end of the market and continuing weakness in many of the very large capitalisation stocks. Our capitalisation and sector allocations are simply a risk-adjusted response to investment opportunities as they arise and they continue to be significantly non-correlated to the broad market.

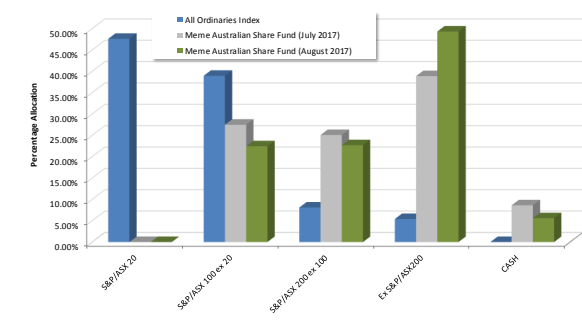
**Outlook.** The market continued its ranging behaviour in August, cycling between 5,700 and 5,850 with no clear direction indicated. The upward move from the February 2016 low remains intact and only on a confirmed close below 5,600 could we declare that move to be threatened. Interestingly, the April market high of 5,980 is technically weaker in the important monthly timeframe than the previous high set in March 2015. Whether this weakness is being played out through the current directionless ranging or whether it predicts more sustained weakness remains to be seen. That market dominance took a decided swing away from the very large cap stocks with the ASX200 providing -0.83% while collectively the stocks outside the ASX100 provided in excess of 2.20% for the month might be a guide.

Regardless of the dominance from here, our investment strategy will continue to monitor and respond to the market dynamics such that portfolio rotation, expansion or contraction will naturally occur in response to the evolving market circumstances.

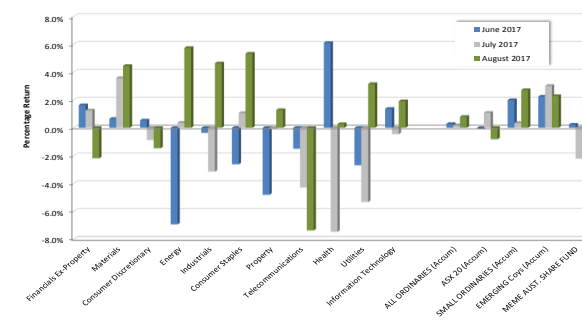
## PORTFOLIO ALLOCATION BY SECTOR



## PORTFOLIO BY MARKET CAPITALISATION



## MARKET PERFORMANCE BY SECTOR (last 3 months)



## KEY FEATURES

APIR Code	MMC0003AU	Morningstar™	Ticker: 40932 Category: Equity Australia Mid/Small Growth
Investment Horizon	3 to 5 years	Minimum Investment	\$20,000
Investor Type	Wholesale	Buy/Sell Spread	±0.25% on applications and withdrawals.
Valuations	Weekly and last day of each month.	Distributions	Six-monthly, 30 June and 31 December.
Fees and Costs	Investment Management	1.10% pa (incl. GST but net of applicable Reduced Input Tax Credits (RITC)).	
	Recoverable Expenses	Maximum of 0.77% pa (incl. GST but net of applicable Reduced Input Tax Credits (RITC)).	
	Performance Fee	11.00% pa (incl. GST but net of applicable Reduced Input Tax Credits (RITC)) of out-performance over the All Ordinaries Accumulation Index. High water mark applies.	

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Past performance is not indicative of future performance.

Interests associated with the Investment Manager maintain a significant holding in the Meme Australian Share Fund.

## FURTHER INFORMATION

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