

EQUITY ALPHA PLUS FUND

PARADICE
 INVESTMENT MANAGEMENT

PERFORMANCE NET (%)	1 MONTH	3 MONTHS	1 YEAR	3 YEARS	5 YEARS	SI* P.A.
Equity Alpha Plus Fund	4.27	6.63	15.62	12.25	14.07	14.27
S&P/ASX 200 Total Return Index	4.19	6.21	13.53	7.44	7.52	7.74
Excess Return	0.08	0.42	2.09	4.81	6.55	6.53

*since Inception date (SI) - 12 July 2019

Past performance of the Fund is not a reliable indicator of future performance. The value of an investment in the Fund may rise or fall. Returns are not guaranteed by any person. Fund returns are calculated before tax, after ongoing management costs and any accrued performance fees, and assumes the reinvestment of distributions. Returns greater than 1 year are annualised.

INVESTMENT OBJECTIVE

The Fund aims to outperform the S&P/ASX 200 Total Return Index (after fees and before taxes) over the long term.

LEAD PORTFOLIO MANAGER

Tom Richardson

FUND OVERVIEW

This Fund uses a detailed fundamental research process to invest in stocks that are well placed for the future (longs) and takes advantage of stocks we believe have cyclical and structural headwinds (shorts). The Long/Short investment style is designed to enhance returns and manage downside risks.

MARKET EXPOSURES

Long	117.22
Short	-25.06
Net	92.17

SECTOR ALLOCATION

Communication Services	3.38 %	
Consumer Discretionary	6.26 %	
Consumer Staples	4.85 %	
Energy	6.83 %	
Financials	27.21 %	
Health Care	9.52 %	
Industrials	4.06 %	
Information Technology	0.10 %	
Materials	25.68 %	
Real Estate	0.79 %	
Utilities	3.49 %	
Cash ³	7.83 %	

KEY DETAILS

Number of Holdings	86
Portfolio Dividend Yield	3.03%
Fund Size (AUD)	\$ 147M
Redemption Price	\$1.3897

TOP 10 POSITIONS

WEIGHT %

BHP Group Ltd.	7.95
Resmed Inc	5.66
Macquarie Group, Ltd.	5.10
Newmont Corporation Registered	5.05
Brambles Ltd.	4.85
CSL Ltd.	4.84
ANZ Group Holdings Ltd.	4.42
QBE Insurance Group Ltd.	4.27
National Australia Bank Ltd.	3.84
Commonwealth Bank of Australia	3.81

FUND DETAILS

APIR Code	ETL8096AU
Distribution Frequency	Semi-Annually
Management Fee ¹	0.99% p.a.
Performance Fee ²	15% p.a.
Buy Sell Spread	+/- 0.30%
Minimum Investment	\$20,000
Stock Range	Long 20–60, Short 0–50
Cash Range	0–20%

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PERFORMANCE

The Fund rose 4.27% in July outperforming the Index which rallied 4.19%. Our Long book outperformed the Index with the three top contributors Newmont Mining, Spartan Resources and ResMed. While the gold price was marginally higher in July, both Newmont and Spartan delivered strong updates. Newmont announced its second quarter results and positively surprised on cash generation. The company initiated their share buyback earlier than we expected which also supported the share price. We continue to see upside in the stock and it remains a key holding. Spartan issued a resource update that showed a considerable increase in tonnes of a higher grade as they move towards a mine restart. The shares responded very positively, and we halved our position as a result. ResMed recovered after selling off in June and have subsequently delivered a great quarterly result. The stock is currently the largest active weight in the Fund. The Short book stocks underperformed, so contributed to the positive return of the Fund. Shorts in the Materials, Energy and IT sectors were the main contributors for the month.

MARKET WRAP

The Index reached a new high in July driven by gains in the Financials, Consumer Discretionary and Real Estate sectors. This positive return was largely driven by the second quarter inflation report which came in below consensus. It was a quiet month for company news as the market gears up for the August reporting season.

LOOKING FORWARD

Australia and offshore markets have re-rated in anticipation of stabilised economic growth, sustained disinflation, and a peak in interest rates. In aggregate, large company valuations appear full or require an acceleration of earnings that we are not currently seeing. We have been selectively increasing our exposure in small companies where we see better value. We have been increasing the size of the short book in companies where valuations have become extreme, and underlying fundamentals appear to be weakening. These are most prominent in the IT and Consumer Discretionary sectors.