

Stonehouse Core Value Portfolio

Monthly Update - April 2017



April Performance Overview

The Stonehouse Core Value Portfolio (CVP) rose +1.42% in April, outperforming Australian and Global equity markets which both returned +1.0% for the month.

Our global equity managers produced strong positive returns, with the major contributors including Lazard Global Small Caps (+4.4%) and Northcape Emerging Markets (+4.8%), along with broader market managers Platinum (+3.5%), Wingate (+2.7%) and Old Mutual (+2.3%)¹. Our dedicated European equity manager Lansdowne (+6.8%)¹ was the standout performer during the month. We will be looking to increase this position to add exposure to the value inherent in their Portfolio as well as the strengthening economic activity in the region.

Amongst our Australian equity managers IML Equity Income (+2.0%) and SGH ICE (+1.9%) were positive for the month, while Allan Gray (-0.5%) detracted after a very strong prior 12 month period.

Our property and infrastructure exposures contributed to the positive return with Resolution (+4.2%), Cromwell Phoenix (+1.1%) and Lazard (+3.2%) all posting solid numbers.

Our Alternative managers were predominantly positive led by Bennelong's (+5.8%) stellar return, while Acadian (+2.4%), Blackrock (+0.4%), Invesco (+1.0%) and JP Morgan (+0.5%) were also contributors to performance. AQR Managed Futures (-3.3%) detracted from performance along with 36 South Kohinoor (-1.7%)¹ which we exited at the end of the month.

Our Fixed Income managers CQS (+0.7%), Kapstream (+0.2%), Payden & Rygel (+0.3%) and Ardea (+0.6%) continued to perform well, while our holding in the T Rowe Dynamic Bond Fund was flat for the month.

We introduced a put option on the S&P 500 toward the end of the month to provide a ballast against future expected equity volatility, some of which is being experienced at time of writing this report. The Portfolio and many of our active managers have been cautiously positioned in recent times due to stretched valuations and increasing global economic and political risks; however it has been pleasing to see the active managers in all sectors delivering alpha and outperforming the market and more passive index based investments which fared well late in 2016.

Portfolio Summary

Stonehouse Core Value Portfolio

Unit price \$1.0852

Asset class ranges & current allocations² Current exposure

Asset Class	Range	Current Exposure
Cash & Fixed Int.	15% - 60%	28.8%
Property	0% - 25%	3.7%
Equities	25% - 65%	46.6%
Alternatives	5% - 35%	20.3%

Top 10 investment holdings (ex cash)

1. Macquarie True Index Aus Shares
2. Wingate Global Equity Income
3. Old Mutual World Equity
4. Northcape Emerging Markets
5. Platinum International Class A
6. T Rowe Dynamic Global Bond
7. IML Equity Income
8. AQR Managed Futures
9. Invesco GTR
10. Payden and Rygel Global Income Opportunities

¹In local currency terms.

²The current exposures include the underlying asset allocations of each investment. The total exposure may not sum to 100% due to any direct derivative investments (such as options and futures).

AFSL: 292 469



Market Performance and Outlook

The month of April witnessed several geopolitical events with the potential to unsettle global capital markets. The escalation of US involvement in Syria, coupled with fears of nuclear confrontation on the Korean Peninsula had markets rattled. The latter was most alarming given North Korea's continued missile tests.

In Europe markets were anxiously monitoring the outcome of the French election with Centrist Emmanuel Macron defeating the anti-EU candidate Marine Le Pen in the second round in early May. This provided relief for European markets as the risk of a further breakup of the EU has abated for the time being.

In spite of these risks global equity markets continued to power ahead with a relatively strong showing from Emerging Markets which had lagged Developed Markets over the last 6 months.

While US employment data disappointed in March, the recovery in April (released in early May) has provided some support for markets; and the weak first quarter US GDP result is expected to be reversed in the second quarter. The economic data out of Europe confirms our view of a broad based recovery taking stronger hold, with PMI's continuing to expand.

Global bond markets also posted solid returns as government yields fell in both the US and Australia, with the latter benefitting from the continued weakness in retail sales. Global credit also performed well as spreads contracted, but commodity markets in general fell during the month.

Our view remains unchanged that some Developed Markets, especially the US, remain expensive with opportunities continuing to be found in Japan, Europe and Emerging Markets. We also recognise that geopolitical risks are somewhat elevated and have the potential to provide a shock to markets which many commentators believe are "priced for perfection".