

Stonehouse Core Value Portfolio

Monthly Update - May 2016



May Performance Overview

The Stonehouse Core Value Portfolio (CVP) rose +1.14% over May with broad gains being registered across the Portfolio's equity and fixed income assets.

Equity holdings delivered positive returns with a solid performance coming from Blackrock Global +6.77%, Wingate Global Equity +5.47%, Northcape Emerging Markets +4.44%, new entrant IML Equity Income +4.26%, SG Hiscock ICE +3.20% and Platinum International +2.90%.

Fixed Income investments were also generally positive with CQS +1.04%, Ardea +0.94%, T Rowe Price +0.51%, Kapstream +0.48% and Payden & Rygel +0.33% continuing to perform well.

Listed Property and Infrastructure strategies were mixed with solid returns coming from our property holdings Cromwell +3.69% and SG Hiscock +2.39%. Alternative investments were also mixed with a standout performance by Bennelong Long Short +7.58% and Invesco GTR +1.55% with AQR Managed Futures -4.37% and 36 South -2.35% (in USD terms).

We are continuing our ongoing review of all Equity and Alternatives holdings in light of current macroeconomic conditions with a focus on capturing a good portion of the upside movements whilst limiting downside risk. To this end, we have recently introduced a dynamic Australian equity income manager, namely IML Equity Income, to replace an existing passive strategy given the Committee's view that the current environment is likely to favour the active approach of the new manager.

Portfolio Summary

Stonehouse Core Value Portfolio

Unit price \$1.0734

Asset class ranges & current allocations ¹	Current exposure
Cash & Fixed Int. 15% 60%	32.2%
Property 0% 25%	4.5%
Equities 25% 65%	43.8%
Alternatives 5% 35%	19.5%

¹ The 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

Top 10 investment holdings (ex cash)

1. Statestreet S&P/ASX 200 ETF
2. Northcape Emerging Markets
3. Bennelong Long Short Equity
4. AQR Managed Futures
5. Wingate Global Equity Income
6. Platinum International Class A
7. Payden and Rygel Global Income Opportunities
8. Kapstream Absolute Return
9. Ardea Inflation Plus
10. J O Hambro Asia ex Japan



Market Performance and Outlook

Historically a seasonally weak month, this May witnessed Equity and Credit investors being rewarded for risk as prices rose and yields continued to fall.

Risks on the horizon do remain elevated, particularly with the uncertainty around the referendum on the UK to remain in the European Union with the 'Brexit Vote' on 23 June causing some jitters in most markets. We are witnessing exactly this at time of writing.

The US share market remains vulnerable in a challenging earnings and economic environment and the Portfolio continues to be significantly underweight to this market.

Further, the US and Spanish elections are also adding to uncertainty, however investors remain complacent as highlighted by the VIX Index (a measure of US stock market volatility) below 20 at the time of writing. As regular readers would note, we have positioned the Portfolio to benefit from an increase in equity market volatility and remain opportunistic in taking advantage of market sell-offs to acquire assets at attractive prices.

Overall we remain constructive, if cautious, on Equities over Fixed Income. Alternative investments are increasingly the primary source of diversification given the questionable performance of low yield Bonds in a more volatile environment. Going forward, we remain confident that an increased exposure to active management across the asset classes and a higher allocation to Alternatives with lower correlation to the Equity market is the main strategy to achieve favourable market returns and limit capital loss in the event of a market downturn.