



Auscap Long Short Australian Equities Fund Newsletter – September 2014

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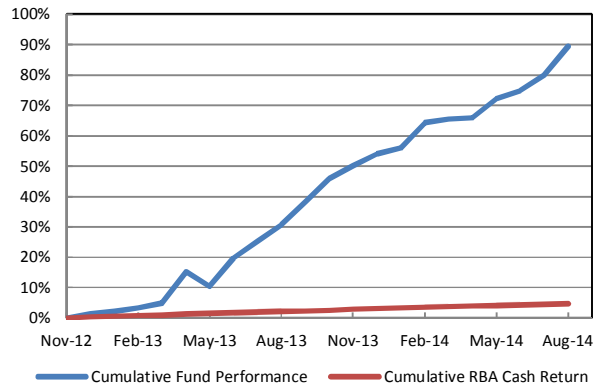
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Welcome

Welcome to the Auscap newsletter, an opportunity for us to report the performance of the Auscap Long Short Australian Equities Fund (Fund+) to current and prospective investors. In each publication we will also discuss a subject that we have found interesting in our research and analysis of the market. We hope that you enjoy reading these snippets and encourage any feedback. In this edition we analyse the returns delivered by the Fund in FY14 in terms of single stock and sector contributions.

Fund Performance

The Fund returned 5.24% net of fees during August 2014. This compares with the benchmark return of 0.21%. Average gross capital employed by the Fund was 144.8% long and 22.5% short. Average net exposure over the month was +122.3%. At the end of the month the Fund had 37 long positions and 5 short positions. The Fund's biggest stock exposures at month end were spread across the consumer discretionary, telecommunications, financials and healthcare sectors.



Fund Returns

Period	Auscap	Benchmark
August 2014	5.24%	0.21%
Financial Year to date	8.35%	0.42%
Calendar Year to date	23.03%	1.68%
Since inception	89.40%	4.75%

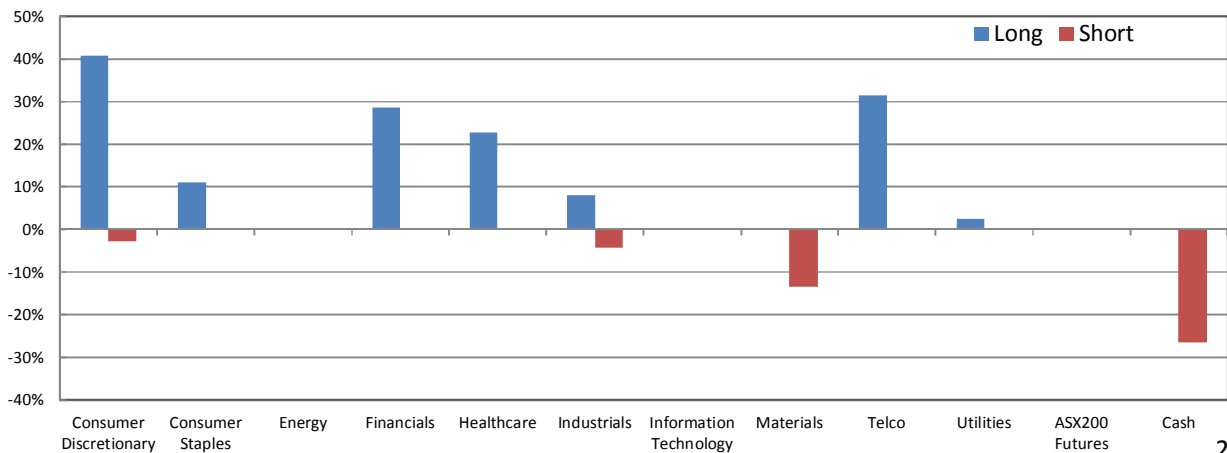
Fund Exposure

August 2014 Average	% NAV	Positions
Gross Long	144.8%	36
Gross Short	22.5%	6
Gross Total	166.3%	42
Net / Beta Adjusted Net	122.3%	84.6%

Fund Monthly Returns

Year	Jul %	Aug %	Sep %	Oct %	Nov %	Dec %	Jan %	Feb %	Mar %	Apr %	May %	Jun %	YTD
FY13						1.35	0.74	1.23	1.46	9.83	4.05	8.32	19.72
FY14	4.70	4.28	5.84	5.46	2.86	2.57	1.32	5.32	0.70	0.29	3.82	1.48	46.01
FY15	2.95	5.24											8.35

Sector Exposure - 31 August 2014



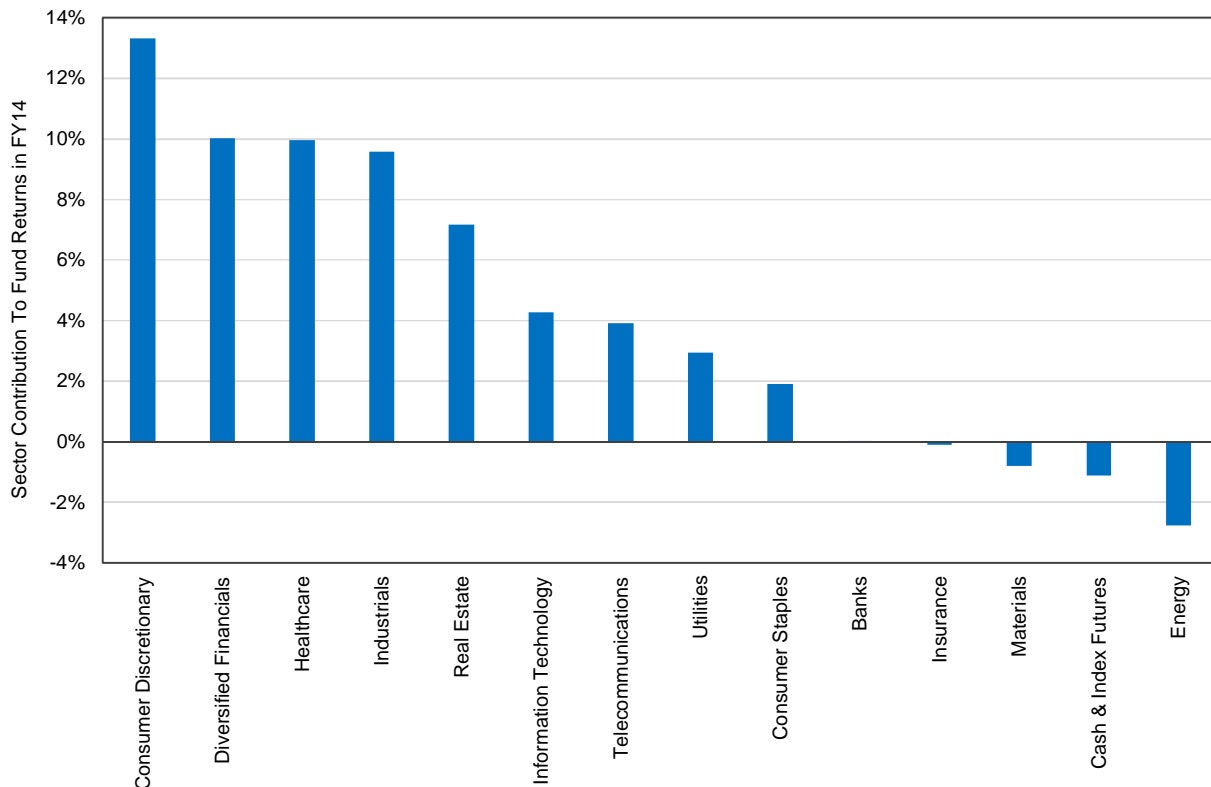
Analysing FY14 Fund Returns

The purpose of the newsletter is to inform current and prospective investors about the way we think about equities, our investments and various related topics. We would like our investor base to understand and be comfortable with the way that we invest in markets. We have explained in past editions that the 46.01% post fees return delivered in the financial year ending 30 June 2014 was unusually strong. We do not expect to, or more importantly, aim to deliver these sorts of returns. We are far more interested in a low risk 12% total return opportunity than a high risk potential 5-bagger! Each professional investor has his or her own unique modus operandi. We try to explain ours to ensure that our investors are familiar with the way we think, invest and respond to opportunities and threats within financial markets.

We also aim to be transparent about our investment process and sector exposures, without talking about individual securities in the portfolio. The reasons behind this are twofold. Firstly, our positions are our intellectual property. Secondly, we prefer not to become wedded to any particular position. If the facts or circumstances change, we want to be able to think clearly, freely and be in a position where it is easy to change our mind. This becomes more difficult if a position has been discussed with and justified to numerous parties or through a publication such as this. But with the aim of transparency, we commissioned our Administrator, White Outsourcing, to conduct an independent attribution analysis of our returns in FY14. We have used this analysis to prepare the following charts and commentary.

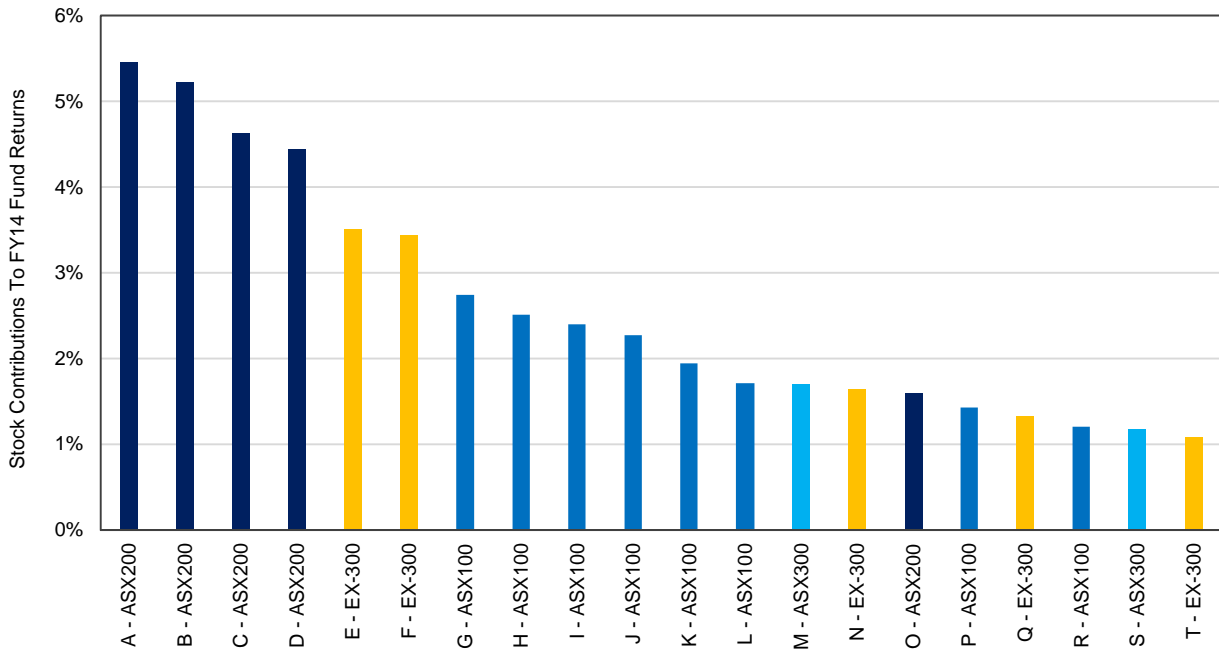
Over the course of the last financial year, as seen in the sector exposure analysis in each monthly newsletter, the Fund had a large exposure to the consumer discretionary, diversified financials, healthcare, industrials, real estate and telecommunications sectors. These sectors contributed most of the Fund’s FY14 returns. The Fund had very little exposure to the two largest sectors in the market, Banks and Materials.

Gross Fund Returns by Sector



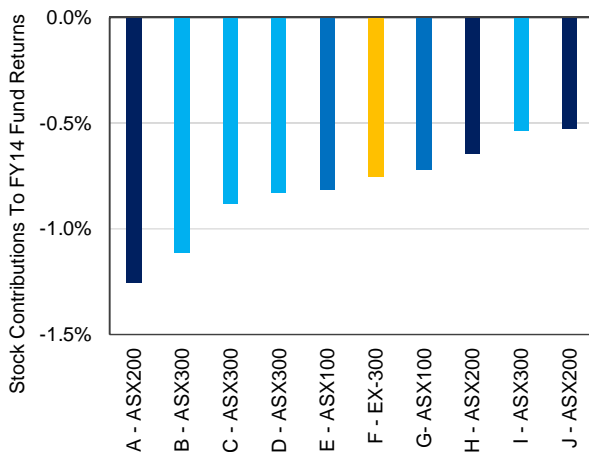
In the charts below we have listed the best and worst single stock performers in the portfolio during FY14. These are classified according to whether they occupy a position in the ASX100, and if not then a position in the ASX200, or then the ASX300 or finally if they are outside the ASX300 (EX300) as at 30 June 2014. The bulk of the Fund's returns were generated through investments in stocks currently within the ASX200. Of the top 12 contributors to portfolio returns, 10 were in the ASX200 at 30 June 2014. The remaining two (stocks E and F below) had a return on capital in excess of 100% during the financial year and represented compelling investment opportunities at the time of acquisition. No single stock dominated performance, with 5.46% the largest single stock contribution and 21 stocks contributing more than 1% to the gross return of the Fund.

Best 20 Single Stock Contributions to Fund Performance

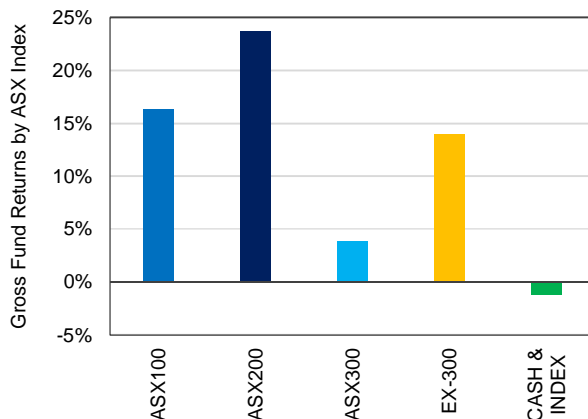


There were only two positions which detracted more than 1% from performance during the year. There was most likely an element of good fortune as much as good management in these results, we are well aware of our ability to get things wrong! Investors should not expect such a considerable positive skew in future years.

Worst 10 Single Stock Contributions



Gross Fund Returns by Index



As we would normally expect in a strong market, Auscap's long positions generated the bulk of the performance. However, there were a few shorts which added meaningfully to returns, with three shorts contributing in excess of 1% each to gross performance. While we anticipate remaining long biased through the cycle, we expect individual shorts to contribute more meaningfully to performance in markets that drift sideways or down.

It is important that our current and prospective investors understand how the Fund has been positioned and how the returns have been generated. Hopefully this report has shed some further light on this. We have considerably more modest expectations for future financial year returns than those delivered in FY14. We will continue to operate in the same manner, looking for value based investment opportunities, particularly in large and liquid securities, that we think offer our investors compelling potential returns over time.

Auscap Long Short Australian Equities Fund Overview

The Fund was launched in December 2012 and targets strong absolute returns in excess of the RBA Cash Rate. The Fund focuses predominantly on fundamental long and short investments while utilising a multi-strategy approach to take advantage of shorter term market opportunities to increase returns, hedge the portfolio, protect capital and minimise volatility where prudent. The Fund is a concentrated portfolio and will typically have 25-45 positions. Further information on Auscap and the Fund is available at our website www.auscapam.com.

If you do not currently receive the Auscap Newsletter automatically, we invite you to register. To register please go to the website and follow the registration link on the home page.

Interested wholesale investors can download a copy of the Information Memorandum from the website, www.auscapam.com/information-memorandum.

We welcome any feedback, comments or enquiries. Please direct them to info@auscapam.com.

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