



Auscap Newsletter

Auscap Long Short Australian Equities Fund

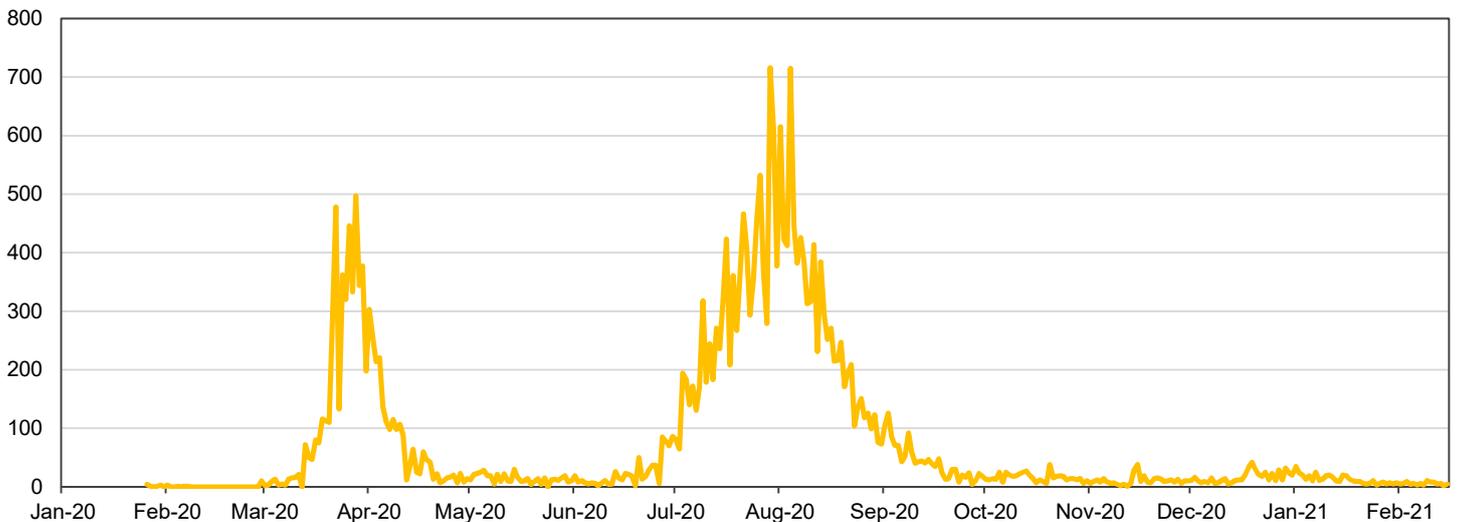
FEBRUARY 2021

AUSCAP ASSET MANAGEMENT

Is Australia A Lead Indicator For A Global Recovery?

Australia has had remarkable success in controlling the impact of COVID-19. New cases peaked in August 2020, leading to most major lockdown restrictions being lifted by the end of 2020. Australia’s economic recovery has since been robust and appears to be gaining traction, supported by extraordinary levels of fiscal and monetary stimulus. So what lessons can we apply to offshore markets? Whilst few major economies have controlled the virus as well as Australia, there have been clear behavioural trends observable across geographies, such as panic buying, increased spending on the home and a pick-up in household savings ratios. This newsletter outlines some Australian data as a guide for what we might expect internationally should global COVID cases be brought under control.

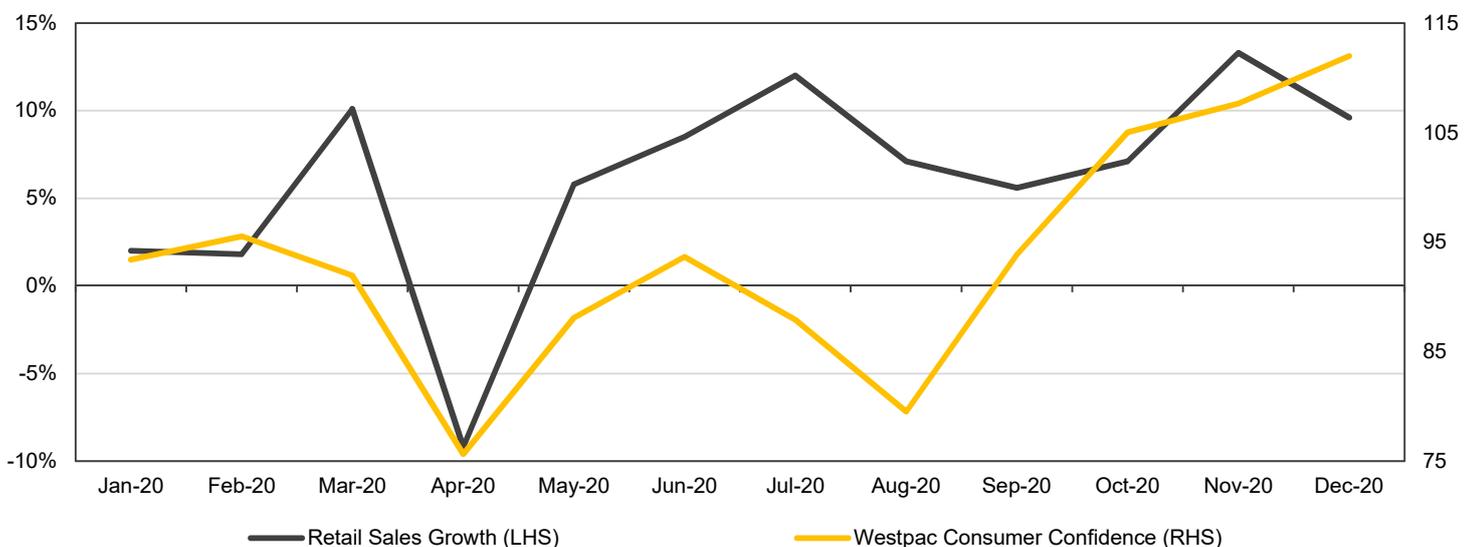
Australia - New COVID Cases



Source: www.ourworldindata.org, Auscap

New COVID cases in Australia peaked in August and appeared to be well under control by late September. Unsurprisingly, consumer confidence and retail sales growth softened during the two COVID case peaks. Since October, retail trends have experienced sustained strength.

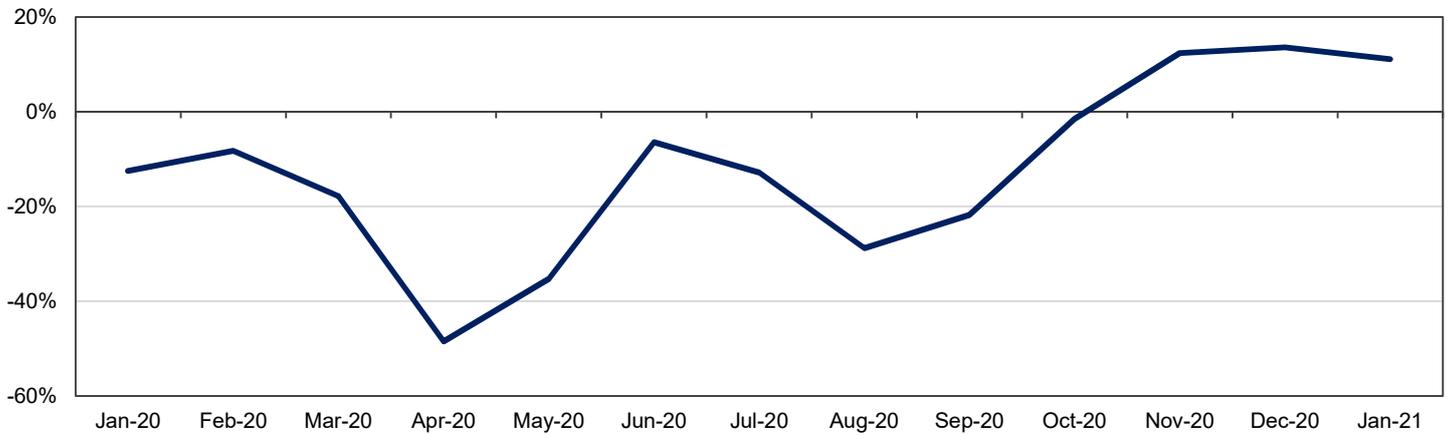
Retail Sales Growth vs PCP (% - LHS) and Westpac Consumer Confidence (Index - RHS)



Source: ABS, FactSet, Auscap

The improvement in consumption was broad based, including big ticket items such as cars.

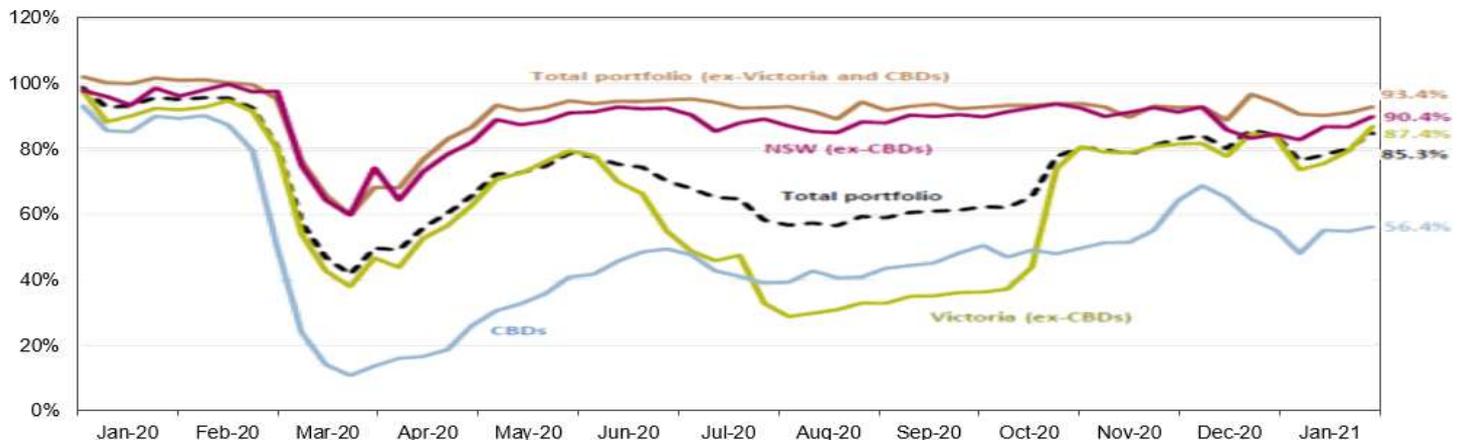
Australian Vehicle Sales - Growth on PCP (%)



Source: Federal Chamber of Automotive Industries, Auscap

Foot traffic in major indoor shopping centres was heavily impacted by the spikes in COVID cases, driven by a combination of government restrictions and some consumer unease. However, Australian foot traffic has since been recovering to near pre-pandemic levels, with the notable exception of CBD locations. Multiple major landlords and retailers have noted that the conversion of foot traffic into sales has increased post the COVID peaks.

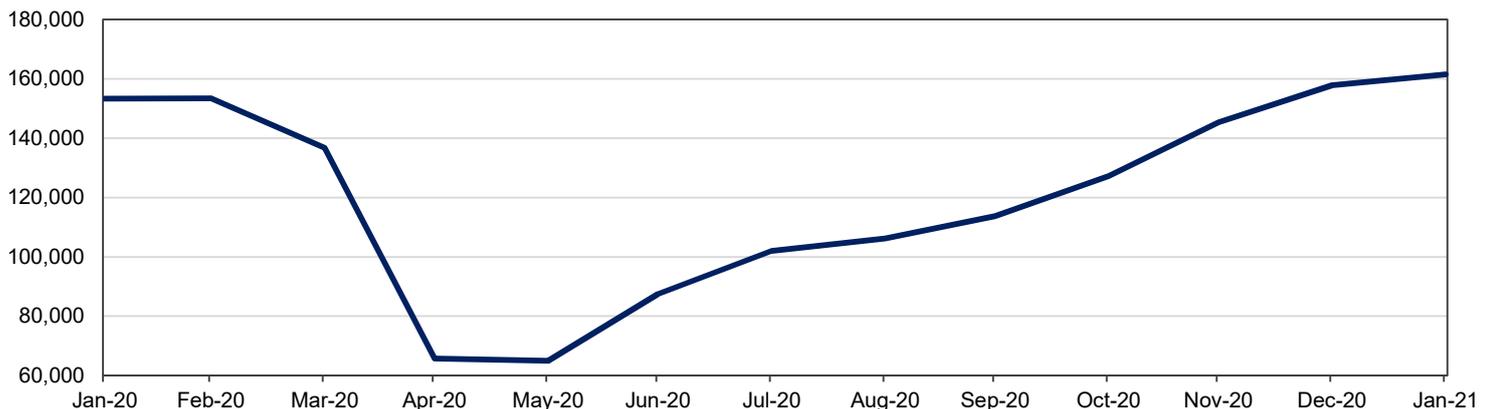
Visitation at Vicinity Centres vs PCP (%)



Source: Company disclosures, Auscap

Australian job advertisements now exceed pre COVID levels. Unsurprisingly, the biggest month on month increases in job advertisements followed Australia's recovery from each major wave.

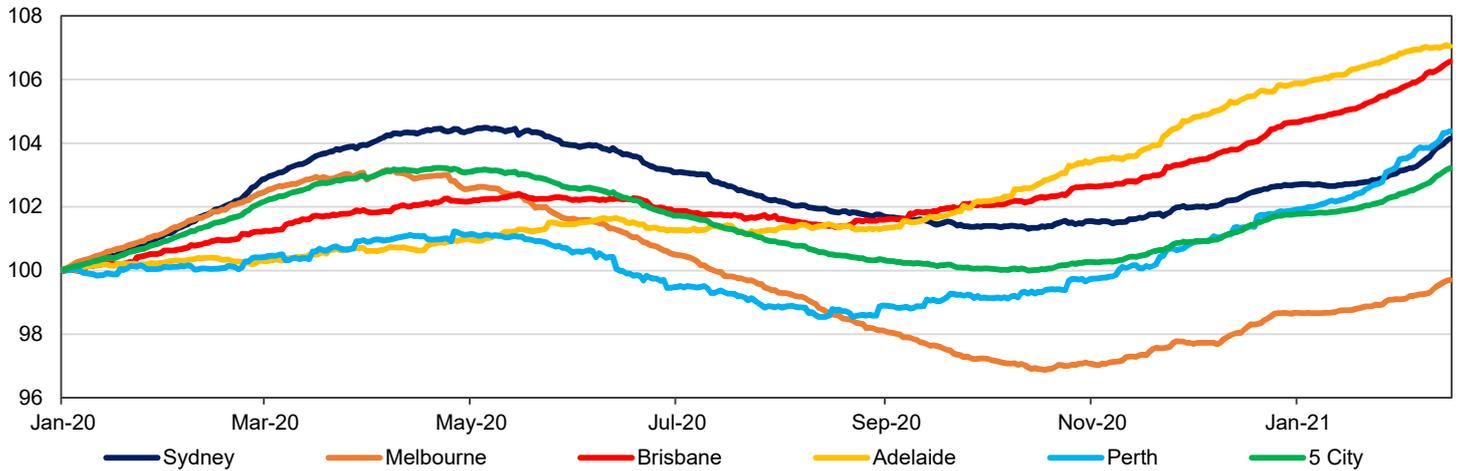
Australian Job Advertisements



Source: Bloomberg, Auscap

High household savings rates, significant Government stimulus, changes to working arrangements and lower interest rates have fuelled renewed demand for residential property, with house price gains seen across the country in recent months.

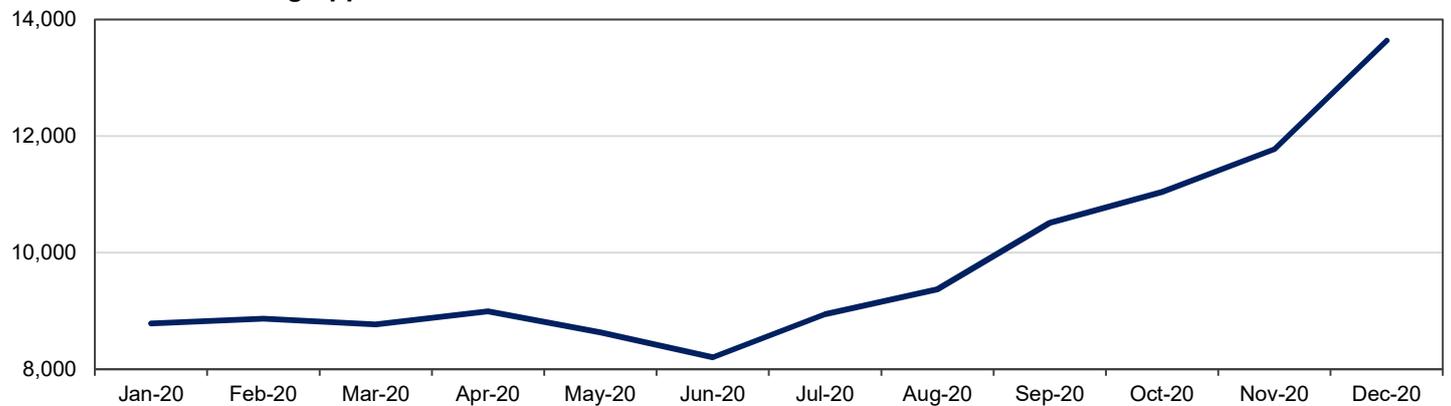
Australian House Prices (Rebased to 100)



Source: Corelogic, Auscap

This demand has extended to new housing, with housing building approvals at record highs.

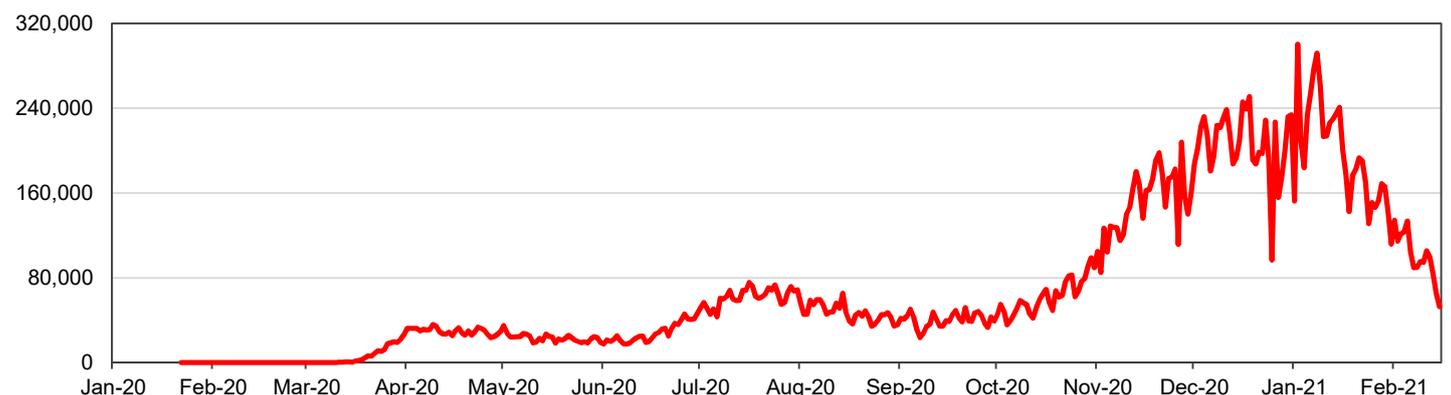
Private Sector Housing Approvals



Source: ABS, Auscap

This data is interesting in the context of the global health recovery from COVID. The United States saw cases peak quite recently. However the combination of lockdown measures and the rollout of approved vaccines has seen the number of new cases plummet.

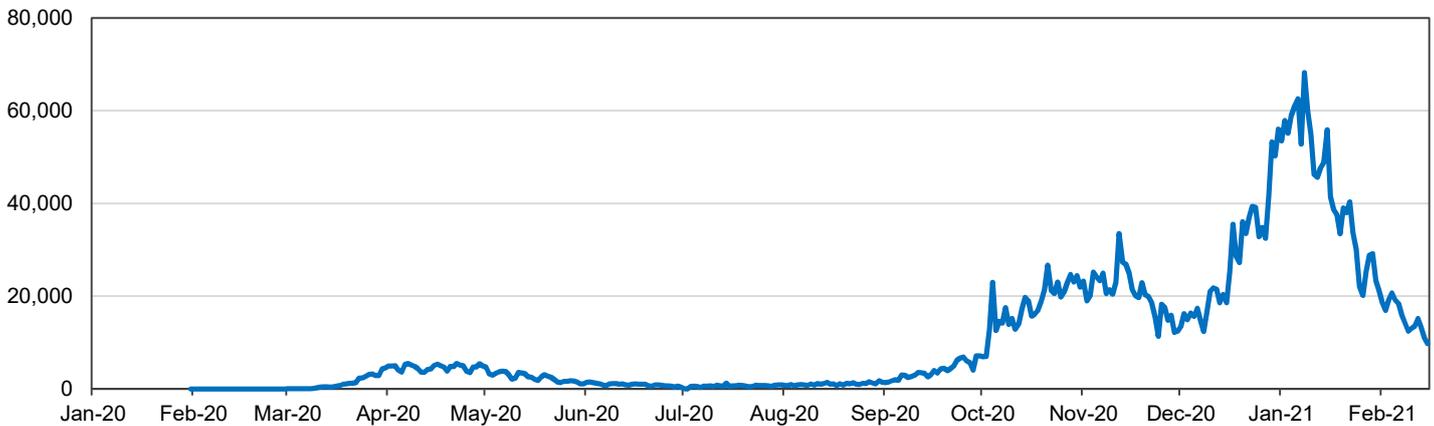
United States of America - New COVID Cases



Source: www.ourworldindata.org, Auscap

Similarly in the United Kingdom, new cases peaked in early January. Since then, more than 15 million Britons have received the vaccine. This, combined with current lockdown measures, has seen new cases falling rapidly.

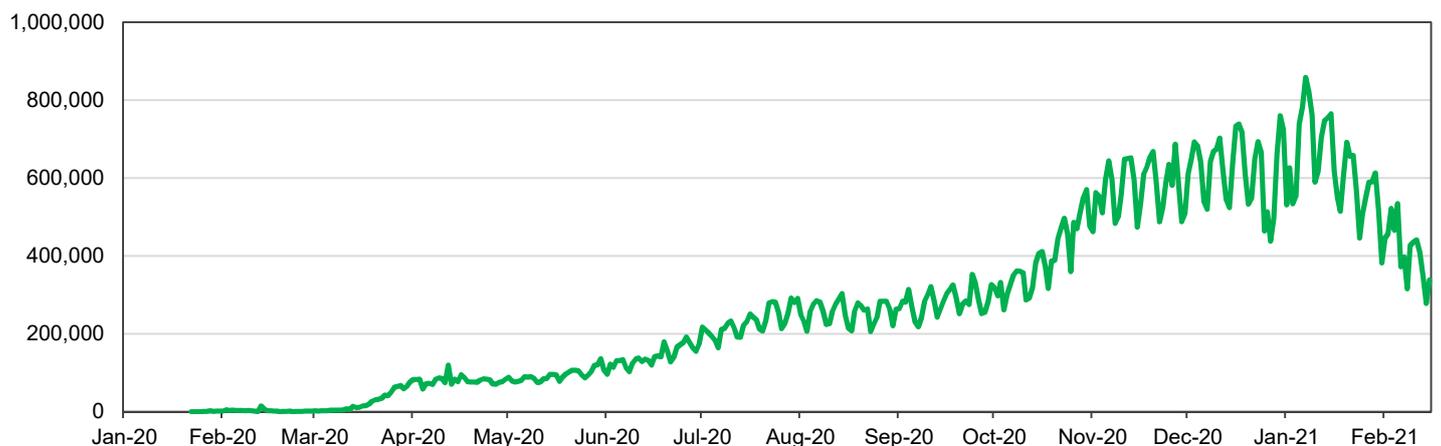
United Kingdom - New COVID Cases



Source: www.ourworldindata.org, Auscap

In fact this trend can be seen across the globe.

World - New COVID Cases



Source: www.ourworldindata.org, Auscap

There are a number of ASX-listed companies with meaningful exposure to the macroeconomic trends listed above in offshore markets, which currently trade at a discount to comparable domestic businesses. If the impact of COVID has peaked, Australia may provide an interesting lead example of the ability of economies to bounce back from the pandemic. Should this be the case, there might be reason for optimism in international markets where economic data points have lagged Australia.

Auscap Long Short Australian Equities Fund

Fund Performance*

| Period | Auscap | All Ords |
|------------------------|--------|----------|
| January 2021 | (0.2)% | 0.3% |
| Financial Year To Date | 50.9% | 16.1% |
| Since Inception | 227.7% | 116.7% |
| Annualised Returns | 15.6% | 9.9% |

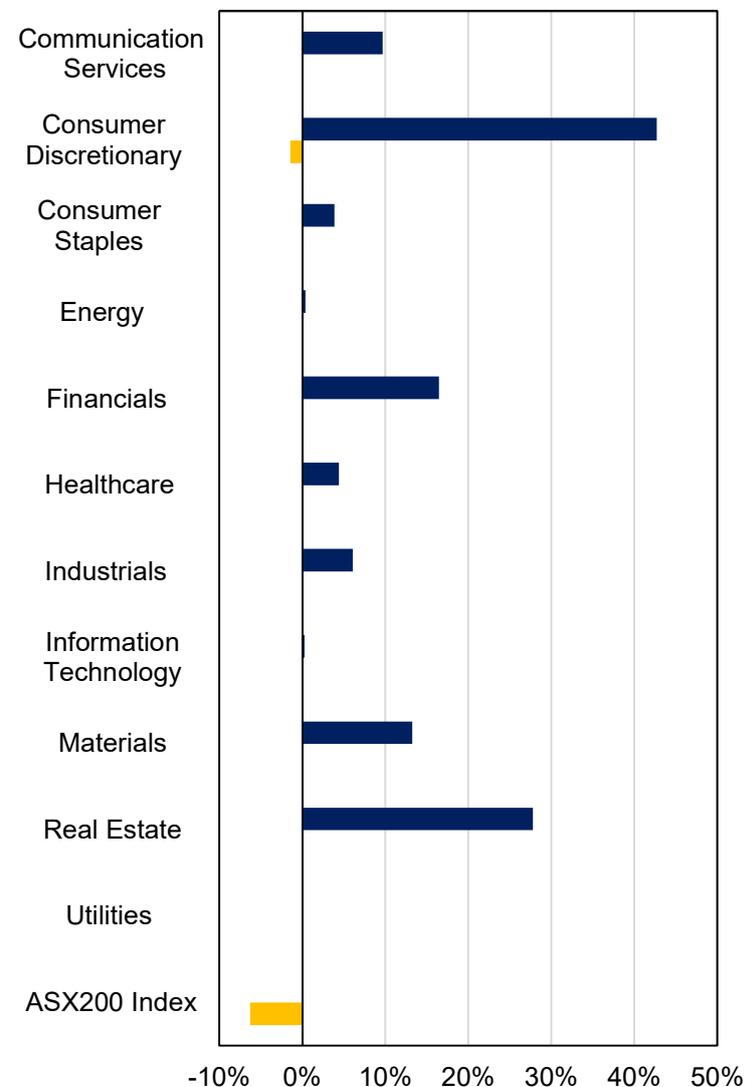
Fund Exposures

| January 2021 Average | % NAV | Positions |
|-------------------------|--------|-----------|
| Gross Long | 132.0% | 51 |
| Gross Short | 7.8% | 2 |
| Gross Total | 139.8% | 53 |
| Net / Beta Adjusted Net | 124.2% | 147.4% |

Portfolio Commentary

The Fund returned negative 0.2% net of fees during January 2021. This compares with the All Ordinaries Accumulation Index return of 0.3%. Average gross capital employed by the Fund was 132.0% long and 7.8% short. Average net exposure over the month was 124.2%. Over the month the Fund had on average 51 long positions and 2 short positions. The Fund’s biggest exposures over the month were spread across the consumer discretionary, real estate, financials, materials and communication services sectors.

Sector Exposure - January 2021



Top 10 Investments^

| | |
|---------------------|---------------------------|
| Aventus Group | Nick Scali |
| Eagers Automotive | NZME |
| GDI Property Group | Super Retail Group |
| Mineral Resources | Unibail-Rodamco-Westfield |
| Motorcycle Holdings | Virgin Money UK PLC |

Fund Calendar Year Returns*

| | | | |
|------|-------|------|---------|
| CY13 | 51.9% | CY18 | (18.5)% |
| CY14 | 23.2% | CY19 | 18.1% |
| CY15 | 36.0% | CY20 | 10.6% |
| CY16 | 2.2% | CY21 | (0.2)% |
| CY17 | 17.1% | | |

* Performance figures are calculated for the lead series net of all fees and expenses assuming the reinvestment of all distributions. Note, as at 1 January 2021, the Series Class was consolidated into the Monthly Class. Past performance is not a reliable indicator of future performance.

^ Top 10 long investments in alphabetical order as at 31 January 2021.

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Auscap Asset Management Limited

ACN 158 929 143 AFSL 428014
Lvl 30, 9 Castlereagh St, Sydney

Email: info@auscapam.com
Web: www.auscapam.com

Service Providers

Prime Brokerage: Citi Global Markets
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