

The Australian Eagle Trust

ARSN 632 568 846

Date: May 2019



Investment Rating Report

Investment Rating: **Very Strong**

Product Complexity Indicator: **YELLOW - Complex Product**

Fund Details

Investment Manager: Australian Eagle Asset Mgmt. P/L

Investment Structure: Registered managed investment scheme

Inception: 1 July 2016

Wholesale/Retail: Retail

Category: Australian equity

Investment Style: Long-short, high alpha: growth, bottom-up, medium capitalisation, high-conviction

Management Fee: 1.5375% p.a. (includes GST)

Performance Fee: 20.5% of the outperformance of the asset's value over the S&P/ASX 100 Accumulation Index

Recoverable Expenses: Capped at 0.1568% (includes GST)

Distribution: Annually

Responsible Entity: The Trust Company (RE Services) Ltd.

Investment Objective The Fund aims to provide capital growth over the longer term through a leveraged long-short Australian shares strategy. Commensurate with this, the objective of the Fund is to substantially outperform the ASX 100 index over a period of five years.

Review Summary

The Australian Eagle Trust is a long-short strategy that represents an evolution of the manager's well proven long-only Australian equity strategy. The investment strategy uses fundamental research to identify the 'quality' of stocks and to look for positive changes which will drive outperformance. Those stocks that do not offer quality or outperformance drivers are then candidates for shorting within the portfolio. This strategy therefore leverages the underlying long-only strategy with the objective of substantially outperforming the S&P/ASX 100 Acc index.

The fund is managed by a stable, experienced, and well-credentialed investment team that implements a robust and disciplined investment process. The recent formation of Australian Eagle Asset Management has enabled equity participation for team members. The investment philosophy, investment strategy, investment process, and risk management elements of the company's activities are well established and embedded within Alleron.

In the year to 30 April 2019, the Australian Eagle Trust has outperformed the S&P/ASX 100 Acc Index by 2.5%. The average beta over the life of the Fund is between 0.8% and 0.9%.

Australia Ratings believes that an investment in the fund can provide an exposure to Australian equities with potential to outperform the underlying market and a form of downside protection. An investment in the fund should be considered as a long-term investment.

Performance

As at 30th April 2019

	3 months	1 year	2 year p.a.	Since inception p.a.
Australian Eagle Trust	9.37%	13.25%	16.58%	19.70%
S&P/ASX 100 Acc. Index*	9.22%	10.72%	7.50%	11.54%
Outperformance	0.16%	2.54%	9.08%	8.16%

Performance relates to the wholesale version of the Fund

Performance figures (%) are net of fees and expenses. Inception 1 July 2016. * Performance Benchmark.

Source: Australian Eagle

Investment Rating & Product Complexity Indicator

A VERY STRONG rating indicates a very strong conviction that the Trust can deliver a risk adjusted return in line with its investment objectives. The Investment Manager support for this strategy is very experienced and well-resourced with a solid track record.

Designation as a COMPLEX product indicates that the Investment Manager will seek to outperform their chosen market sector, in this case the Australian equities market, by including a leveraged short-selling component to its strategy.

The strategies used to outperform, while requiring a depth of market experience and due diligence, are completely compatible with normal market practice.

Fund Details

Fund Name	Australian Eagle Trust
Investment Manager	Australian Eagle Asset Management Pty Ltd.
Investment Strategy	Long-short, predicated on a superior bottom-up stock selection.
Investment Objective	To provide capital growth over the longer term through a leveraged investment in Australian securities; in particular outperforming the S&P/ASX 100 Accumulation Index over a period of five years
Responsible Entity	The Trust Company (RE Services) Ltd - a subsidiary of Perpetual Ltd
KEY FEATURES	DESCRIPTION
Fund Inception	July 2016, retail Fund launch 11 April 2019
Domicile	Sydney, Australia
Legal Form	Registered Managed Investment Scheme. ¹
Structure	Ordinary units ²
Investment Style	Long-short, high alpha: growth, bottom-up, medium capitalisation, high-conviction
Minimum Initial Investment	A\$25,000
Additional Investment	A\$10,000
Minimum Withdrawal	A\$10,000
Minimum Balance	A\$25,000
Geographic Mandate	Australia
Benchmark	S&P/ASX100 Accumulation Index
Entry Fee	Nil
Management Fee	1.5375% (inclusive of GST) per annum is paid to the Investment Manager
Performance Fee	20.5% (inclusive of GST) of the out-performance of the Net Asset Value of the Fund over the benchmark (the S&P/ASX 100 Accumulation Index) calculated daily and paid quarterly in arrears, subject to a high water mark.
High Water Mark on Outperformance	A performance fee becomes payable at the end of a quarter if the accrued performance fee at the end of that quarter is positive (the 'high water mark'). Negative performance fee amounts are carried to the next quarter.
Exit Fee	Nil
Investment Universe	ASX-listed ordinary shares and other securities and derivatives, plus cash holdings.
FUM	Approximately \$9.8m as at end April 2019
Investment Timeframe	Long-term (five years recommended)
Distributions	Annually (as at 30 June)
Company Address	Suite 301, Level 3, 161 Walker Street, North Sydney NSW 2060
Company Website	www.austeagle.com
PRIMARY CONTACT	
Name and Title	Barry Littler, Chairman and Chief Executive Officer
Email Address	eagletrust@austeagle.com
Telephone Number	+61 2 8252-7559

¹ Under the Attribution Managed Investment Trust (AMIT) taxation regime.

² Units are issued in series given that the High Water Mark for units will vary depending on the issue price for each unit. Consolidation of series of units into one series is undertaken where those series have all been subject to a payment of a performance fee on the same date, typically quarterly

Investment Profile

HISTORY

The Australian Eagle Fund is managed by the Alleron (Australian Eagle AM) team, historically under the Alleron name and recently under the Australian Eagle Asset Management name. In March 2019, Alleron created a new company, Australian Eagle Asset Management, to house their investment management business and to allow team equity participation. Australian Eagle Asset Management is 65% owned by Alleron, its parent company, and 35% owned by staff.

Alleron was co-founded by Barry Littler and Albert Hung in Sydney in 2004 as a long-only domestic equities manager with a strong growth bias, relying heavily on stock-specific risk for its performance. As a company combining the inherent advantages of a boutique manager with the strengths of an established institution, it attracted funds management incubator Ascalon Capital Managers to acquire a foundation equity stake, and then progressively inject capital into Alleron over a three-year period via a series of equity tranches up to a 49% stake. Alleron began managing money in its predominantly long-only product in February 2005.

Alleron continued to grow the long-only mandate with wholesale institutional clients, and across nine years generated good returns. Over time, co-founders Littler and Hung elected to buy back a portion of the original equity taken up by Ascalon, as institutional monies progressively exited the long-only strategy.

In November 2015, Littler and Hung bought back the balance of Ascalon's (by then) 38% shareholding. At the time of the transition, Littler noted that it was "quite difficult to keep a mandate for more than nine years" (the mandate with Advance had dated from 2006). Alleron is now owned by Littler and Hung (45% each) having sold a combined 10% shareholding to Sean Sequeira.

On 1 July 2016, Alleron launched the wholesale version of the Australian Eagle Trust and began actively managing funds under the long-short strategy. The retail PDS for the existing Australian Eagle Trust was launched on April 11, 2019.

OBJECTIVE

The Fund's objective is to deliver double digit performance after all fees over a rolling five-year period by identifying mispriced stocks with changing growth profiles, and building a concentrated, high-conviction portfolio of these stocks.

The fund aims to achieve this performance via a long-short product by drawing on Australian Eagle's demonstrated expertise in constructing Australian share portfolios. Australian Eagle says that by modelling a combination of its actual long investment performance since 2005 in tandem with a short-selling discipline, suggests that this product "can provide strong investment returns combined with alpha performance that is negatively correlated to the broader Australian equities market".

FUNDS UNDER MANAGEMENT

As at the end of April 2019, the FUM for the Australian Eagle Trust was approximately \$9.8million. It is expected that the recent launch of the retail PDS will increase distribution for this strategy.

FEES

Management Costs		
Management Fees	1.5375% per annum (GST inclusive net of RITC*)	The management fees are calculated and accrued daily and paid monthly to the Responsible Entity and Investment Manager in arrears.
Performance Fee	20.5% of the out-performance of the net asset value of the unit (GST inclusive net of RITC ¹) over the benchmark	The performance fee (if any) is payable to the Investment Manager and is calculated and accrued daily and payable quarterly in arrears, subject to an outperformance highwater mark.
Recoverable Expenses	Capped at 0.1568% p.a. (GST inclusive, net of RITC)	Paid out of assets of the Fund when incurred
Indirect Costs	0%	

1. RITC is Recoverable Income Tax Credit

The Fund does not charge contribution fees, withdrawal fees or exit fees. However a buy/sell spread will generally apply.

INVESTMENT UNIVERSE

Australian Eagle's permissible investment universe includes, but is not limited to, the following securities:

ASX Listed	Unlisted
Ordinary shares	Shares or fund units for which an ASX listing is anticipated within six months of their purchase and specified in a formal offer document or information memorandum
Preference shares	Derivatives such as CFDs, options, and swaps on ASX-listed companies or indices
Property fund units	Any bonus issue, rights issue, placement, or any other corporate issue listed on the ASX or to be listed in the next six months
Equity fund units	Any underwriting, sub-underwriting, or other similar transactions which give rise to an investment commitment or contingent liability for listed shares or unit trusts
Company issued options	Any underwriting, sub-underwriting, or other similar transactions that give rise to an investment commitment or contingent liability for unlisted shares or unit trusts for which an ASX listing is anticipated within six months of purchase and specified in a formal offer document or information memorandum
Share price futures and options	Cash or various cash equivalents may also be held in the fund

Investment Strategy

In managing the Fund, Australian Eagle Asset Management's strategy is to buy a leveraged exposure to superior quality stocks identified by Australian Eagle Asset Management's bottom-up research process, funded by short selling lower quality stocks that the research process has historically identified as underperformers. These superior companies can be characterised by great management who are committed to shareholders, operating in a growing market, and having a long-term competitive advantage.

Australian Eagle seeks to invest in quality growth stocks with a sensible risk buffer and hold these so that the longer-term advantages of these companies deliver a superior rate of return.

The investment process is intended to identify stocks with the most characteristics of a superior company, and that also offer a valuation edge. Initial investment in such a company would entail a "Growth Delta" argument incorporating evidence that a material change in a company's prospects (for example, its growth profile) manifestly supports the investment opinion about the company.

On the short side, Australian Eagle looks to sell companies not displaying these characteristics or ranking poorly on the characteristics relative to their superior counterparts. These companies may rank lower on management characteristics, operate in competitive or shrinking markets, or have no long-term competitive advantage, and are deemed fully-valued relative to their prospects. Note that identification of these companies flows directly from the fundamental bottom-up research process that Alleron, and now Australian Eagle AM, has consistently applied since 2004 for its long-only portfolios.

Investment Philosophy

Australian Eagle's investment thesis holds that a portfolio of stocks with sound growth characteristics, transformative potential, and a margin of safety can deliver substantial outperformance in the longer term. It says that good quality growth stocks will have characteristics such as growth in product markets, brand and product differentiation, and management expertise.

They also seek investee companies that exhibit a willingness to deliver returns to shareholders. Australian Eagle says stocks with these characteristics can "provide a large margin of safety while retaining the ability to create a new investment standard in their own right" and for investors.

The Manager posits that what it calls a "valuation edge" occurs when short-term price behaviour fails to reflect longer-term fundamental factors. A dynamic example of such mispricing (or gap) can emerge when it underestimates the likely impact of emerging positive or negative change in a company's underlying business. Australian Eagle intentionally takes a longer-term perspective on how a company's business is evolving.

It identifies elements or factors that are likely to emerge in the ensuing six to nine months that will affect the company for the two to three years that follow. This is the “growth delta” rationale: when a positive path forward for a company, or a specific trigger, is detected, it moves on its stock.

“There has to be a growth delta argument and therefore, a trigger, [to act],” Barry Littler says. “It affects the valuation and therefore, the quality score,” he says. What we deal in is change; how is a company changing in a way that is beneficial for [its] shareholders? Is it a company that adjusts its earnings growth profile?

“We look for changes that could occur, then we look for evidence of them occurring – that’s our trigger to investment. And if those events do occur, our confidence [to invest] goes up. And you’ll see our conviction go up, and our percentage of that stock in our portfolio will go up.”

Australian Eagle believes that a qualitative, imaginative approach grounded in real experience is optimal in identifying emergent change that can transform the value of a company. At a portfolio level, it says the risk-and-return characteristics can be fine-tuned using rigorous quantitative techniques and blending those techniques with creative insights to ensure that all identified risk is rewarded.

Investment Process

Australian Eagle’s fundamental stock research is disciplined, combining identification of potential investments with risk mitigation. The process can be broken down into the following sub-categories:

- Quality rating – the manager has conducted research that shows a marked performance gap between companies that it identifies as having high quality and those with lower quality. Selection of higher quality companies only for the portfolio therefore mitigates downside risk.
- Valuation gap – while this is an important metric for growth potential, it also shows where a company may be overvalued, again leading to risk mitigation.
- Change arguments
- Investment Grade

QUALITY RATING

A quality score/rating for each stock covered by the research process is developed as the first step: this is explicitly and unambiguously qualitative, adopting and anticipating a “quality will out” perspective. Each of the top 100 ASX-listed stocks by market capitalisation, and selected stocks (30 to 40) outside the top 100 – as determined by Australian Eagle – is assessed for a qualitative rating on a regular basis.

The qualitative attributes that are screened to put the “quality” – or “superior company” – philosophy into action extends the core focus factors of market, competitive advantage, and good management, to the following 10 attributes:

- | | |
|--|--|
| ▪ management track record and succession plan | ▪ financial health; |
| ▪ sustainable competitive advantage in its industry/sector; | ▪ market size – regional/global; |
| ▪ growth aspects of competitive advantage; | ▪ barriers to entry; |
| ▪ capital deployment opportunity and strategy implementation ability; | ▪ organic growth; and |
| ▪ capital management (return on equity and shareholder value enhancement); | ▪ cyclicalities – short, medium or long. |

Analysts then allocate a score from one to five for each of these individual factors. These, in turn, are then totalled to give an overall quality rating of 10 to 50 points for each stock. Australian Eagle says “the process involves rigorous discussion of the factors as they relate to the specific company, but also, methodical and rigorous thought is applied to how the company rates on the key criterion relative to all other companies in the consideration set”. The discipline of the qualitative score ensures that for each researched stock there is an integrated and concise longer-term judgment of each business, both relative to its immediate peers and to all other stocks that have been analysed.

Only stocks that achieve a quality score of 30 or higher are considered as candidates for investment in the long portfolio. Stock selections for the short portfolio are represented by those that the manager identifies as part of its research process to be of lower quality than its long portfolio and as stocks that may be fully valued relative to their perceived prospects.

Australian Eagle does not use external stockbroker research as an input to its qualitative scoring process and has never based an investment decision on broker research. It argues that the broker time horizon is often limited to only six months versus Australian Eagle’s three-to-five-year view. It uses predominantly official ASX (and other) market releases and other sources including the internet to access relevant secondary external research material.

VALUATION GAP

Analysts determine “sensible valuations” for the companies being researched by utilising recognised valuation metrics. The output of this process is a set of valuation ranges that are compared to the relevant stock price to provide an estimate of each stock’s valuation gap. The gap, which is quantified as a percentage, provides a consistent tool for estimating the potential upside in each stock and is a primary metric in the segmentation and ranking of the research universe.

CHANGE ARGUMENTS

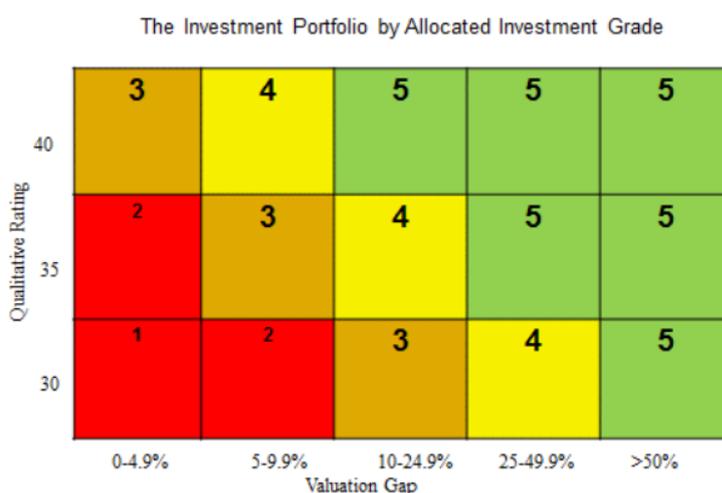
The key part of Australian Eagle’s process when researching stocks is to identify stocks that are undergoing positive change. To do this, they take a longer perspective than the general market, looking back historically over years and projecting forward for three-to-five years or more. In order to be a candidate for the portfolio, a stock must have a “change” or “growth delta” argument, along with identification of a “trigger” that will confirm the realisation of the positive growth change.

In order to achieve this depth of analysis, Australian Eagle has built an in-house system that captures an extensive amount of data from their 13 year history, including over 3,500 research reports. Because stocks outside the top 20 are more likely to be impacted by positive changes, the Australian Eagle portfolio is likely to be overweight 21-100 stocks and underweight the top 20.

Identification of change arguments will impact both the Quality Ratings and the Valuation Gap, the Investment Grade Matrix below encapsulates this information.

INVESTMENT GRADE

Each stock is assigned an Investment Grade from one to five with five representing the highest-quality investment. The Investment Grade is a function of a stock’s quality score and estimated upside as determined in the two preceding stages (see following matrix). The assigned Investment Grades are used as the basis for stock selection and portfolio weighting for each stock within the portfolio.



Source: Alleron (Australian Eagle AM)

The prime responsibility for the assignment of the Investment Grade is evenly spread across the CIO, Senior Portfolio Manager and the Investment Analyst. The CIO and Chairman of Investments generally cover all of the stocks. Allocation of the stocks disregards sector specialisation and is rotated by the CIO with the aim of maximising the probability of identifying good change arguments from as broad a base as possible.

Australian Eagle stresses that the allocation of Investment Grades arises from a fluid and collegiate process; the primary analyst will generally complete the framework, then consult with all team members before finalising the Investment Grade. This is particularly the case with stocks for which there is a current, active, or imminent exposure, or a major change in the view on the stock. There are formal processes for reviewing all Investment Grades allocated, for overall consistency and ongoing effectiveness.

Portfolio Construction

Portfolio construction is managed through the Portfolio Construction Committee, which comprises the CIO, Chairman of Investments, and Senior Portfolio Manager.

LONG SIDE

The long side of the Australian eagle portfolio will typically hold between 25 to 35 stocks, selected from the top 140 stocks. There is a maximum of 10 stocks from outside the top 100 allowed. As noted above, the portfolio is likely to be underweight the top 20 stocks and overweight top 21- 100 stocks.

Stocks that are rated 5, 4, and 3 on the Investment Grade Matrix are available for investment in the portfolio, once a trigger is confirmed. The initial weighting of the stocks is dependent on the rating scale, with higher weightings being given to higher Investment Grade stocks. The fund uses a qualitative and quantitative risk overlay process to manage long-term volatility and drawdown patterns within the long portfolio.

SHORT SIDE

Stocks that are shorted within the fund generally have a lower Investment Grade and will mostly be selected from within the top 100 stocks. Australian Eagle says that its analysis across 14 years suggests that there will generally be between 12 and 25 shorts in the portfolio.

GEARING RATIO

There has been extensive research on the gearing ratio for longs vs shorts, using maximum drawdown and return standard deviation as optimising factors. The findings show that 150/50 strikes a sensible balance between return and maximum drawdown. It also shows that return standard deviation is relatively stable for levels of shorting up to 50%.

RISK PARAMETERS

- 25-35 long positions; 12-25 short positions
- Maximum 10 long positions outside the S&P/ASX100
- No short positions established outside the S&P/ASX100 but may be held if previously established within the S&P/ASX100
- Ex-S&P/ASX100 \leq 3.75% of portfolio each
- Cash is usually held at 4.5%. Alleron (Australian Eagle AM) reserves the right to increase cash to 100% of the portfolio
- Investment Grade stock weights on active purchase and sale
- Asset allocation ranges: Long positions can be from 90% to 170%, short positions from -70% to 0%
- Net equity exposure from 90% to 110%
- Stock weightings:

Long

IG 5 = 4.5% to 9% (or 1.5 times index weight)

IG 4 = 1.5% to 4.5%

IG 3 = 0% to 1.5%

IG 1 & 2 = 0%

Short

IG 5 = 0%

IG 4 = 0%

IG 3 = 0% to -4.5%

IG 1 & 2 = 0% to -4.5%

DYNAMIC STOCK MANAGEMENT

Australian Eagle will exit a stock on the long side when either the “growth delta” argument or “trigger” is invalidated, or the stock has reached its valuation. It is more usual for stocks to be sold from the portfolio because the growth delta argument fails. Over time, this has meant that about 50% of stocks are sold from the portfolio within a year. The position size of these exits tends to be relatively small.

Investment Team

The Australian Eagle investment management team is small but tight-knit, dedicated, and focused. Under Barry Littler, the Chairman and CEO, the investment team comprises a small collegiate group, with shared stock responsibilities and portfolio-construction decision making.

KEY INVESTMENT STAFF RESPONSIBILITIES

Name	Position	Responsibilities
Sean Sequeira	Chief Investment Officer	<ul style="list-style-type: none"> ▪ responsibility for implementation of all aspects of the investment process ▪ stock analysis ▪ portfolio construction lead ▪ head of dealing ▪ leadership of (six monthly) Growth Delta, Risk, and Process Integrity Committees
Alan Kwan	Senior Portfolio Manager	<ul style="list-style-type: none"> ▪ stock analysis ▪ portfolio construction participation ▪ member of Growth Delta, Risk, and Process Integrity Committees ▪ after-tax issues
Mark Oliver	Investment Process & Portfolio Risk Manager	<ul style="list-style-type: none"> ▪ investment process analyst ▪ portfolio risk recommendations & management ▪ Head of Process Risk Committee ▪ Analytical support to all committees ▪ Software development and algorithm integrity
Daniel Chan	Investment Analyst	<ul style="list-style-type: none"> ▪ stock analysis ▪ member of Growth Delta, Risk, and Process Integrity Committees
Albert Hung	Chairman of Investments	<ul style="list-style-type: none"> ▪ ongoing mentoring of the Investment team ▪ ongoing process evaluation ▪ Investment Committee member ▪ selected stock analysis ▪ Portfolio Construction

BARRY LITTLER, Chairman & Chief Executive Officer, Executive Director

Investment experience - 37 years

Barry Littler co-founded Alleron Investment Management in 2004 with the aim of providing a high-conviction equity boutique manager with the genuine capacity to outperform across significant periods of time. Alleron started managing money directly in February 2005 and since that time, has looked after clients by adding significant alpha above the S&P/ASX100 Accumulation Index.

Barry has been active in financial markets since 1982 and is one of the few individuals in the country who has run significant businesses in most aspects of wholesale markets. These include a full-service futures broker, bond desk, currency desk, options businesses, and an equity investment business.

ALBERT HUNG, Chairman of Investments

Investment experience - 36 years

Albert has more than 30 years of experience in managing equity portfolios for wholesale clients including various roles at different institutions before co-founding Alleron in 2004. He is credited with providing the intellectual inspiration and practical experience necessary for the development of the Australian Eagle AM investment process.

Albert holds a Masters Degree in Commerce from the University of Newcastle and a Bachelor Degree in Social Science (Honours 1st Class) from the Chinese University of Hong Kong. He is also an accountant, a fellow of Chartered Certified Accountants (UK), and an associate of the Hong Kong Institute of Certified Public Accountants.

SEAN SEQUEIRA, CFA, Chief Investment Officer, Executive Director**Investment experience - 26 years**

Sean has been fascinated by financial markets since his first day as an intern in the dealing room with the Citibank's treasury economics department in 1991; comments from a visiting analyst sent the AUD/USD cross rate plummeting and the dealing room into overdrive. Sean's desire to better understand the rationales for such market movements led him to pursue further analysis work with Citibank's economic department. He was later invited to assist in establishing the economics department within the treasury of Société Générale Sydney where he became a treasury economist.

After gaining global experience within investment banks in Europe during the late 1990s, Sean returned to Australia and in 2000, under the mentorship of Albert Hung, commenced with Tower Asset Management dealing in and analysing Australian equities. From this time, Sean studied and implemented the investment process developed by Albert Hung, and in 2004 he was asked to become a founding member of Alleron. Aside from establishing the dealing systems and processes, Sean continued to learn and implement the Alleron investment process as a senior member of the investment team.

He was appointed Alleron's (Australian Eagle AM's) Chief Investment Officer in 2016. In addition to stock selection and analysis, he is responsible for all aspects of Australian Eagle AM's investment process. Sean is head of Australian Eagle's unique Growth Delta Committee, the Portfolio Risk Committee, and the Process Integrity Committee. He is also one of the three investment team members that make up the Portfolio Construction Committee.

ALAN KWAN, CFA, Senior Portfolio Manager, Executive Director**Investment experience - 25 years**

Alan is principal analyst for many of Alleron's portfolio stocks and the coverage universe, in particular medium-capitalisation companies. He is a key member of the portfolio management team and implementation process. Alan's extensive experience allows him to both implement the investment process, and also play a pivotal role in how the process evolves.

Alan joined Alleron in 2011 to focus on analysing Australian stocks, and his experience has included working for Aon Consulting, Legal & General, WorkCover NSW and nearly five years in Europe investing in global equity markets with Allianz Asset Management.

MARK OLIVER, Senior Portfolio Risk Manager**Investment experience - 28 years**

Mark's focus is on risk, return, and consistency. He is responsible for ensuring that the ideas expressed in the Australian Eagle AM portfolio are implemented in the most efficient manner possible. He applies quantitative analysis to qualitative stock selections to evaluate and minimise risk, to recycle capital from underperforming stocks to those with greater growth delta, and to study any market aspect that affects the investment process.

Mark is a long-standing member of the Australian Eagle AM team. He won first place and the University Medal in Electrical Engineering at the University of New South Wales, coupling this with a Bachelor of Science degree majoring in Computer Science, and has applied his passion for analysis to a wide variety of financial markets for nearly three decades. Mark is experienced in trading, risk analysis software design, and financial market education, having delivered seminars on futures, options, fixed interest and foreign exchange trading to more than 1000 market professionals in Australia, Canada, New Zealand, India, and Singapore.

DANIEL CHAN, Investment Analyst**Investment experience - 5 years**

As an Investment Analyst, and beyond the usual realms of financial modelling, Daniel is responsible for monitoring and updating the quality, valuation and growth delta triggers for portfolio stocks as well as stocks within the ASX100. He is also responsible for identifying growth delta triggers in the context of Australian Eagle's investment philosophy, and alerting the team to any company inflection points that may assist with the buying or selling of these stocks.

Daniel is a member of the Risk, Growth Delta, and Process Integrity Committees and actively engages in the challenge of building investment cases for companies that compete for investment on behalf of Australian Eagle AM's clients.

Daniel has a Bachelor of Business and a Bachelor of Arts in International Studies from UTS, is a CPA and CFA Charter Holder, and has previous business experience undertaking audit and assurance work for Moore Stephens in Hong Kong.

Risk Management

OPERATIONAL RISK MANAGEMENT

Australian Eagle AM's management reviews a range of internal policies and manuals as part of its ongoing operational risk management activities, at least annually. A number of these are reviewed under the company's Compliance Plan and Program. The policies, plans, and manuals include the following:

- Conflicts of Interest;
- Personal Trading;
- Proxy Voting;
- Insider Trading;
- Compliance Plan;
- Compliance Program;
- Disaster Recovery Plan;
- Risk Management & Control Matrix;
- Code of Ethics;
- Gifts Policy;
- IT Security;
- Whistleblower;
- Privacy Policy;
- Operations Manual;
- Personnel Manual;
- Fiduciary Manual
- Delegations Manual

SUCCESSION/KEY PERSON PLANNING

Australian Eagle AM's principals and Board have a succession plan for each investment and operational role in the company, providing another example of the Manager's methodical process. It is envisaged that the role of CEO and CIO will each be filled by current members at future dates, as required. In the medium term, it is not foreseen that the CEO or CIO, as the co-founders of the business with majority equity in the business, are likely to change roles.

For back-up to staff functions, the investment managers back up the CIO role, and their peers and the CIO backs up the investment manager role if and when required. Additional staff may be employed on an opportunistic basis. The CIO acts as back-up for business and marketing functions, as and when required.

Performance – Wholesale Fund

Note that the performance shown below is that of the Australian Eagle Trust Long-Short fund. The retail version of this Fund, discussed in this review, was launched in April 2019. The Wholesale trust converted to a Retail trust in April 2019.

In the 34 months since the fund inception, the performance has met objectives with an outperformance over benchmark of 7.78%.

As at 30 April 2019	1 month	3 months	1 year	2 year	Since inception p.a.
Australian Eagle Trust	3.65%	9.37%	13.25%	16.58%	19.70%
S&P/ASX 100 Accumulation Index*	2.26%	9.22%	10.72%	7.50%	11.54%
Out(under)performance	1.39%	0.16%	2.54%	9.08%	8.16%

Performance figures (%) are net of fees and expenses. Inception 1 July 2016. * Performance Benchmark. Source: Australian Eagle

NET MONTHLY RETURNS

Month	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
2016/17	10.52%	0.99%	-1.08%	-4.14%	2.94%	5.16%	-0.25%	5.15%	-0.06%	1.94%	1.31%	0.36%	24.48%
2017/18	-1.70%	5.27%	0.20%	5.35%	1.05%	1.10%	2.41%	3.08%	-3.86%	4.18%	2.34%	3.60%	13.27%
2018/19	-1.09%	1.45%	-2.24%	-7.62%	-0.53%	2.23%	5.98%	3.70%	1.76%	3.65%			

Source: Australian Eagle

Portfolio Position at 30 April 2019: Long Positions (32) = 145.3%, Short Positions (19) = -49.7%
Net Exposure = 95.5%

Transparency & Reporting

Portfolio Performance Reports, Portfolio Holdings Reports, Compliance Statements, and Corporate Actions Reports are usually produced on a monthly basis in line with the standard customer Service Level Agreement. Investors can request by email and receive monthly unit pricing and quarterly portfolio reports. Investors also receive any audited annual financial statement and reports and annual distribution statement.

Alleron (Australian Eagle AM) maintains a company website. Access to all relevant information is available on <http://alleron.com.au/> (<http://austeagle.com/>). All recent and current company and fund information is posted on this site including quarterly performance reports and corporate governance practices.

Corporate Governance & Compliance

Australian Eagle is a Corporate Authorised Representative of Alleron's Australian Financial Services (Licence No 278856) to provide financial services to wholesale clients only as defined by the Corporations Act 2001.

Australian Eagle's Risk & Compliance Committee comprises Barry Littler (CEO, Chairman, and Director), Helen Imienionek (Compliance Officer – external, from Responsible Compliance Solutions), Sean Sequeira (CIO and Director), and Alan Kwan (Senior Portfolio Manager). The Committee meets quarterly and reports to Australian Eagle's board and to Perpetual's Corporate Trust division.

Australian Eagle's Compliance Program involves a quarterly assessment program run by Australian Eagle's independent outsourced compliance officer as part of the quarterly compliance meetings. The Compliance Program reviews and assesses Australian Eagle's key compliance processes such as AFSL compliance, AML compliance, Privacy, etc. for adequacy and operational compliance.

Australian Eagle's external auditors are responsible for reviews of all aspects of corporate accounting in line with the Corporations Act and AFSL requirements. They also complete audits on the internal controls (GS007 reviews), which include all aspects of internal operational reconciliation processes and trade allocations etc..

The external officer has a direct reporting line into the Chairman at all times, and the officer has standing instructions to bring any matters that she considers appropriate to the Chairman's attention. The external officer has direct access to any staff member as may be required in the course of her duties, and direct access to all third-party service providers.

Third Party & Service Providers

Fund Administrator	Mainstream Fund Services Pty Ltd
Custodian	Mainstream Fund Services Pty Ltd
Independent Auditor	EY
Independent Compliance Plan Auditor	PwC
Securities Lender to Fund	Macquarie Bank Ltd
Insurance Provider	Lloyds of London (Bershire Hathaway) (via Risk Partners)
IT Network Provider	Internal
Portfolio software	IRESS/IOS, Internal FOTS (Front Office Trading System)

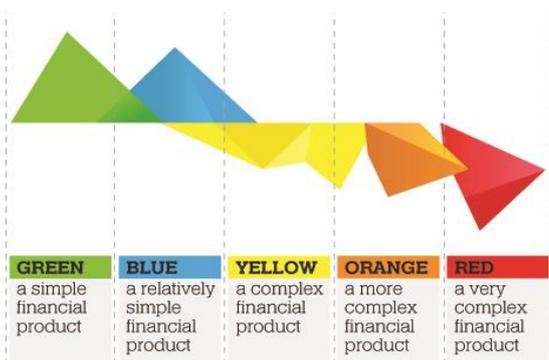
Investment Rating Scale

The Australia Ratings Analytics investment rating is an opinion on how well we believe a fund will perform against a range of risks.

Rating	Definition
Superior	Indicates the highest level of confidence that the fund can deliver a risk adjusted return in line with the investment objectives of the fund.
Very Strong	Indicates a very strong conviction that the fund can deliver a risk adjusted return in line with the investment objective of the fund.
Strong	Indicates a strong conviction that the fund can deliver a risk adjusted return in line with the investment objective of the fund.
Competent	Indicates that the fund may deliver a return in line with the funds relevant benchmark.
Weak	Indicates a view that the fund is unlikely to deliver a return in line with the investment objective of the fund and/or meet the returns of its benchmark.

Product Complexity Indicator

A Product Complexity Indicator (PCI) highlights the complexity of an investment by its terms and conditions' structure and transparency that may affect the investor's return.



Investment Rating & Product Complexity Methodology

Australia Ratings' methodology for its investment rating and research can be downloaded from its website.

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Financial Services Guide

A copy of the Australia Ratings' Financial Services Guide can be obtained at www.australiaratings.com/fsq. A copy can also be provided by calling (03) 8080 6684.