

16-Jun +0.61 %
Latest 12 Months +31.53 %

Key Points:

- Meme Capital Management is a Perth-based boutique Fund Manager, established in 2012.
- The Meme Australian Share Fund specializes in the development and application of technical and quantitative strategies to build and protect investor's wealth.
- The Fund invests in shares that are on the ASX, which lie outside the ASX20.

Management Company Overview:

Meme Capital Management Pty Ltd ("Meme") was established in 2012 to establish and manage investment schemes based on quantitative and technical investment strategies. The Meme Australian Share Fund is the first fund established by Meme.

Greg Jude is Managing Director, Chief Investment Officer and currently sole shareholder of Meme. After graduating from the University of NSW in the late 1970's with a degree in Civil Engineering Jude developed an early career in systems design, initially for IBM and then through private consultancies, and has managed systems design and implementation projects throughout Australia, the United States and South East Asia.

Since the early 1990's Jude has worked in the financial planning and investment management industry. Over this time he focused on developing technical and quantitative strategies to generate and protect long term wealth investing in Australian equities.

Investment Philosophy

Jude has used his engineering and systems analysis experience to develop an investment approach based on observation, measurement and logic. The resulting investment philosophy is based on what Jude believes to be a number of simple and self-evident truths about profitable share market investing, essentially that:

- Profits are made by holding positions which increase in value;
- The largest gains are made in the largest moves;
- Price trends exist; and
- Price trends, once established, persist.

Based on the above concepts, Meme's broad investment philosophy is essentially trend-following with a momentum (or relative performance) overlay. Jude has developed a system which analyses past price movement to both assess trend development and to measure absolute and relative stock price performance. This allows for the identification of stocks whose share price is rising in a sustainable fashion, and a comparison of performance with respect to the broad market, the ASX20 and GICS sectors. This filtering process is designed to provide the universe of acceptable investments and is performed on monthly timeframes as the trends identified here can persist for extended periods of time and the price increases can be



Key Performance Statistics	Meme	Index*
Jun-16	0.61	-2.45
Annualised Return	20.10	7.66
Latest 3 Months	15.20	3.94
Latest 6 Months	11.33	1.09
Latest 12 Months	31.53	0.56
Latest 24 Months p.a.	24.82	3.08
Latest 36 Months p.a.	NA	7.66
Latest 60 Months p.a.	NA	NA
% Positive Months	72.22	61.11
Best Month	8.60	6.89
Worst Month	-7.50	-7.79
Largest Drawdown	-8.19	-13.73
Average +ve Return	3.36	3.05
Average -ve Return	-2.97	-3.05
Annualised Standard Deviation	12.84	12.25
Downside Deviation (Since Inception)	7.25	8.34
Sharpe Ratio (Since Inception)	1.33	0.48
Sortino Ratio	2.23	0.62

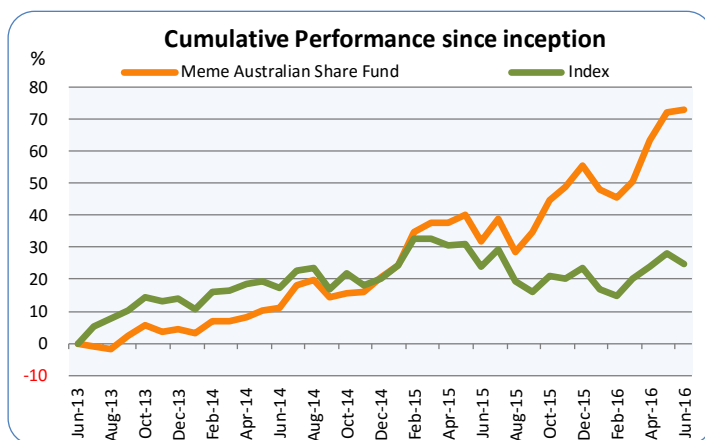
*Index is ASX200 Accumulation adjusted since Fund's Inception

substantial. Also, it gives a basis for the strategy to give context to share price movements in shorter time frames, such that they can be considered as either trend or counter-trend movements in terms of the longer term trend.

The Fund does not invest in Initial Public Offerings (IPO's) as the process requires a price history before any investment analysis occurs.

Investment Strategy

Essentially the investment strategy is to identify those companies whose share price is trending upwards and



Performance - Net of Fees (%)							Meme Australian Share Fund						
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	-4.89	-1.71	3.38	8.60	5.43	0.61	-	-	-	-	-	-	11.33%
2015	3.29	8.38	2.09	-0.04	1.76	-5.97	5.56	-7.50	4.93	7.12	3.11	4.40	29.14%
2014	-1.32	3.66	0.16	1.01	1.84	1.01	6.12	1.59	-4.60	1.10	0.42	3.79	15.38%
2013	-	-	-	-	-	-	-0.99	-0.67	4.19	2.94	-1.96	1.00	4.45%

outperforming, and then to seek appropriate opportunities to invest which fit the technical entry rules and the risk management aspects of the investment strategy. These opportunities are based on validation of short and medium term technical signals in the context of the longer-term trending filter.

The Fund invests in listed Australian shares outside the Top 20 using a technical approach, with a series of tests and factors derived from analysing price behaviour. The Top 20 stocks are excluded as Meme's view is that many investors in the Fund will be SMSF's, most of which are typically heavily exposed to the top 20 ASX stocks. Jude believes that excluding these ASX20 stocks from the Fund's investment universe provides a clear and unambiguous distinction for these investors by providing a diversifying exposure to the balance of the Australian stock market in a single professionally managed investment.

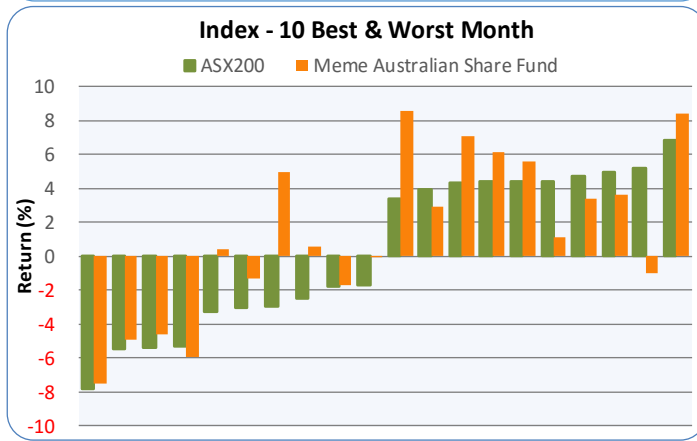
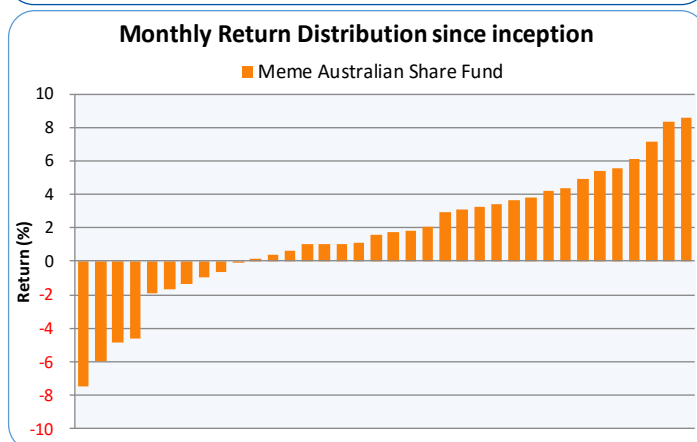
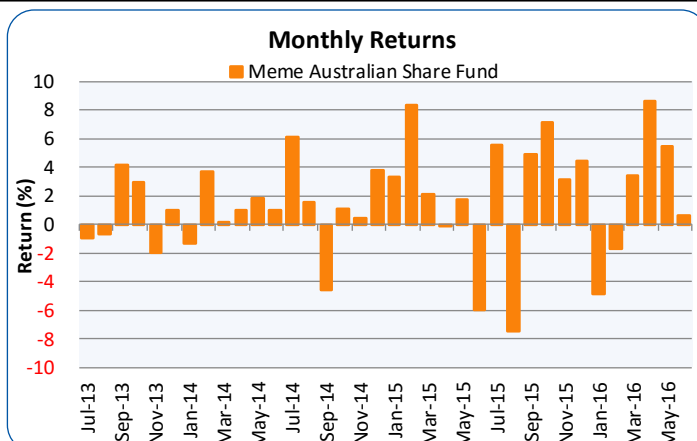
As the Fund is "long-only" the trend-following investment strategy is disciplined and systematic, resulting in an approach which aims to only identify stocks likely to appreciate and outperform over the medium to long term which, based on the "trends persist" philosophy, will maximise returns and limit losses.

In addition, to the stock selection process, a number of measures have been developed to address the risks and uncertainty inherent in the investment markets. A rigorous position sizing model ensures the size of each investment is appropriate and relative to its assessed risk, and that the total holding of any individual stock is appropriate relative to its market liquidity. These limits, in addition to a rule that no individual stock investment will be smaller than a fixed proportion of the total portfolio value, means the Fund is likely to reach maximum capacity at a relatively low level of about \$30million.

Stop loss levels are set for each initial investment and a system of trailing exit positions ensures profits are secured when appropriate. Stop losses are calculated using volatility measures, and this is designed so that any losses are taken while they are still small, limiting downside losses, while allowing the Fund's exposure to continuing and expanding trends to capture significant upside potential.

To cover a period where relatively attractive opportunities have been added to the Fund but the relatively weaker ones are yet to meet their exit criteria, the Fund will utilise a borrowing facility to cover any temporary cash short-fall. This borrowing will be relatively short-term and at all times will be restricted to no more than 25% of the net asset value of the Fund. In any event the investment manager will ensure that the Fund reverts to an un-leveraged position by the end of each calendar month.

This facility also enables the Fund to apply for maximum allocations in corporate actions such as rights issues and entitlements without having to raise the application funds from asset sales. The Fund takes a medium to long term view of the investment process, such that profitable positions are maintained for periods from months through to years, while unprofitable positions are closed out promptly.



Performance Review:

- Since inception in July 2013, the Fund has an annualised return of 20.10% p.a. compared to the ASX200 Accumulation Index return of 7.66% p.a.
- Over the past 12 months, the Fund has returned +31.53%, outperforming the Index which has returned +0.56%, by 30.97%.
- The Fund has just over two-year track record and therefore it is difficult to draw conclusions around performance a range of market conditions. However, the Fund has notable Sortino ratio of 2.23 (Index 0.62).

Investment Objectives

The Manager's philosophy is that professional fund management involves the application of two separate but related investment principles, the creation of wealth, and the

subsequent protection of the wealth created. Consequently, the Fund maintains two separate investment objectives, one return and the other risk.

The return objective is to achieve positive, above benchmark, returns in the Australian equity market and specifically to outperform the S&P/ASX All Ordinaries Accumulation Index after fees and expenses over rolling 3-year periods.

The risk objective of the Fund is to limit the peak - to - trough drawdown to a maximum of 20% of the Fund's value at the time. The "peak-to-trough" draw-down is the largest cumulative percentage decline in net asset value and is used as a measure of the Fund's risk.

Operational Risk and Management

The Fund's Trustee is Theta Asset Management Limited ("Theta"). Theta has appointed Valuestream Investment Management Limited ("Valuestream") to provide custody services. Theta is a public company and provides professional and independent trustee and responsible entity services to managed investment schemes. Garigal Financial Services ("Garigal") provides some administrative support to the Fund. Theta has been a trustee company since 1995 and, together with sister companies Valuestream and Garigal, comprises the Valuestream Group which is responsible for funds under issuance of more than \$500 million.

Meme commenced investment operation in mid-2013 without institutional backing and consequently initial funds under management were modest. It was clear to Jude from the outset that meaningful traction in funds inflow would come only after a track record of two years or had been established in order to provide an investment 'proof-of-concept'. In the meantime, operational costs have been absorbed through Meme itself undertaking some aspects of the fund administration rather than outsourcing all administration activities to high cost third parties in the first instance. Once funds under management reach critical mass the administration activities will be outsourced to appropriate industry recognised third parties.

Unit Registry is currently managed by Meme using software licensed from Mnemonics, an established Sydney-based financial information systems business. Unit pricing is managed by Meme using the Prime Broker back-office facilities, and as all investments are listed, pricing is fairly simple. The pricing system has been checked by Theta accounting at the outset and each pricing event is confirmed by Garigal on an ongoing basis.

The Prime Broker is Interactive Brokers, the US online brokerage with a comprehensive back office function. System analytics are derived using the Amibroker development platform, which then populate a comprehensive Excel system. Trading signals are derived using an IRESS Dynamic Data Exchange feed of ASX pricing data directly into the Excel system.

AFSL compliance is managed by Licensee Solutions and there have been no reportable breaches. Due to the relatively small initial funds under management unitholders agreed to delay the 2014 fund audit. The Fund accounts are currently in the process of being audited for both the 2014 and 2015 financial years.

The Fund makes daily backups which are stored off-site. There is currently Key Person risk in Jude as he will continue to provide the trading and internal administrative functions until growth in funds under management enables support staff to join the company and principal administrative and registry activities to be outsourced.

Investor Relations and Marketing

Jude is responsible for investor relations and marketing.

Structure, Terms and Fees

Meme Capital Management Pty Ltd (ABN 61 158 314 982) is an Australian company which was registered with ASIC in 2012. The company holds AFS Licence number 430126.

Management fee is 1.0% pa (plus GST) while the performance fee is 10.0% (plus GST) of the amount the fund (after fees and expenses) outperforms the Fund's benchmark (All Ordinaries Accumulation) provided the Fund return is positive and exceeds the high water mark. Fees are accrued weekly and management fees are paid monthly and performance fees, if applicable, are paid six monthly. The buy/sell spread is 0.25% on each side.

The Fund is open to Wholesale investors. Minimum application is \$20,000, minimum withdrawal is \$5,000 and the minimum balance is \$20,000.

Distributions are paid in July and January for the previous six month periods ended June and December.

Meme Australian Share Fund	
Strategy	Equity Long
Geographic Mandate	Australia
Domicile/Structure	Australia
Investor Type	Wholesale
Min. Investment	\$20,000
Additional Investment	\$5,000
Management Fee	1.0% p.a. of NAV (plus GST)
Performance Fee	10% (plus GST)
Hurdle	S&P/ASX All Ordinaries Accumulation Index
Min. Term	NA
Investment/Redemption	Weekly
Buy/Sell Spread	0.25%/0.25%
Liquidity	Daily
Inception Date	01-Jul-13
Status	Open

Service Providers

Administrator:	Meme/Mnemonics/Garigal
Auditor:	Calibre Partners
Executing Broker:	Interactive Brokers
Legal:	PMC Legal
Custodian:	ABN ABRO / Valuestream Investment Management Limited

This Report is valid till August 2016

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