

Key Points:

Optimal Australia is a specialist Australian equity investment manager established in 2008. The investment team of George Colman, Peter Whiting, Stephen Nicholls and Justin Hay have over 100 years combined experience in the Australian equity market.

The Fund's long/short equity strategy portfolio typically has a low but variable net market exposure comprising 40 to 65 stocks broadly selected from within the ASX200.

The Fund's risk profile is shown by 79% of monthly performances to date being positive with the largest drawdown of -4.65%. The Fund's Sharpe Ratio is 1.37 and Sortino Ratio of 2.86 compared with the ASX200 Accumulation Index's Sharpe and Sortino ratios of 0.21 and 0.19 respectively.

Management Company Overview:

Optimal Fund Management Australia ("Optimal Australia" or the "Manager") was formed in July 2008 by Principals George Colman and Peter Whiting in conjunction with Optimal Fund Management, which had managed Japanese and Asian long/short equity funds since 1998.

Colman and Whiting each have over 30 years' equity market experience including 20 years with Citigroup Australia and predecessor County NatWest, where Colman was a Managing Director of Equity Research. Whiting was a Managing Director in the Equities Division combining responsibility for Client Equity Risk with a senior advisory role both in Australia and internationally, with overall responsibility for sales trading.

Colman and Whiting are supported by Senior Investment Analysts Stephen Nicholls who joined the team in 2010, and Justin Hay who joined in October 2013. Nicholls also has 30 years' market experience, starting in foreign exchange risk management followed by periods as an investment analyst and portfolio manager with BHP and RACV, and then the equities division at Citigroup Australia. Hay has 15 years' experience with Goldman Sachs, where he was an Executive Director in the Equity Products Group.

As such the investment team combines extensive Australian equity market experience, and indicates disparate yet complimentary skill sets and a long history of working together at Citigroup and County.

Investment Strategy and Process

The Fund utilises an equity long short strategy investing exclusively in Australian and NZ listed markets. The portfolio has a target holding of 25-40 long and 15-25 short positions, with individual positions generally in the range of 2-5% of NAV, and aims to have 75% of gross equity market risk in the top 100 ASX stocks, and not less than 90% in the top 200. The Fund targets a low but variable net exposure profile, normally providing a

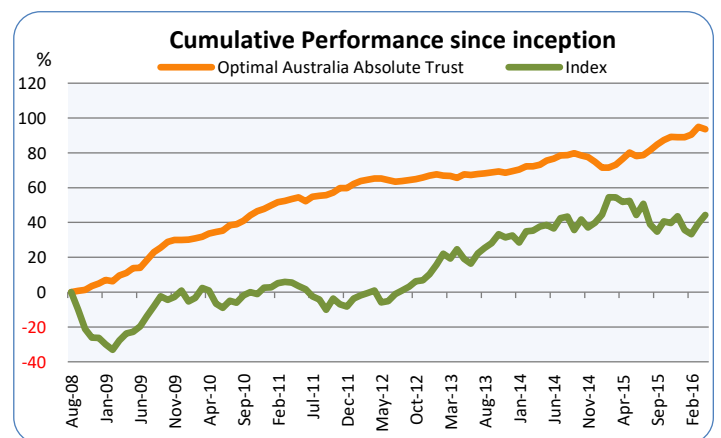


Key Performance Statistics	Optimal	Index*
Aug-16	0.02	-1.55
Annualised Return	8.62	5.36
Latest 3 Months	-2.15	2.07
Latest 6 Months	1.72	13.91
Latest 12 Months	6.79	9.30
Latest 24 Months p.a.	4.14	2.88
Latest 36 Months p.a.	4.84	6.59
Latest 60 Months p.a.	4.53	9.67
% Positive Months	79.17	58.33
Best Month	4.00	7.98
Worst Month	-2.28	-12.61
Largest Drawdown	-4.65	-33.11
Average +ve Return	1.07	3.42
Average -ve Return	-0.74	-3.53
Annualised Standard Deviation	3.79	14.41
Downside Deviation (Since Inception)	1.77	10.56
Sharpe Ratio (Since Inception)	1.37	0.21
Sortino Ratio	2.86	0.19

*Index is ASX200 Total Return adjusted since Fund's Inception

slight net long bias, and also uses SPI futures and long exchange traded options, primarily to hedge market risk.

The investment strategy, which is identical for both the local and offshore fund, is based around the team's fundamentally



Performance - Net of Fees (%)													Optimal Australia Absolute Trust														
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD	Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2016	0.02	0.77	2.34	-0.69	2.29	0.11	-2.28	0.02	-	-	-	-	2.53%	2016	0.02	0.77	2.34	-0.69	2.29	0.11	-2.28	0.02	-	-	-	-	2.53%
2015	-1.88	-0.08	0.98	1.96	2.04	-1.09	0.31	1.52	1.79	1.42	1.01	-0.11	8.07%	2015	-1.88	-0.08	0.98	1.96	2.04	-1.09	0.31	1.52	1.79	1.42	1.01	-0.11	8.07%
2014	0.57	1.06	0.04	0.57	1.38	0.63	1.03	0.06	0.64	-0.71	-0.53	-1.53	3.22%	2014	0.57	1.06	0.04	0.57	1.38	0.63	1.03	0.06	0.64	-0.71	-0.53	-1.53	3.22%
2013	0.46	-0.50	-0.06	-0.70	1.22	-0.18	0.36	0.14	0.43	0.32	-0.52	0.54	1.50%	2013	0.46	-0.50	-0.06	-0.70	1.22	-0.18	0.36	0.14	0.43	0.32	-0.52	0.54	1.50%
2012	1.51	1.03	0.46	0.46	0.00	-0.60	-0.54	0.26	0.29	0.37	0.57	0.66	4.54%	2012	1.51	1.03	0.46	0.46	0.00	-0.60	-0.54	0.26	0.29	0.37	0.57	0.66	4.54%
2011	1.36	1.26	0.50	0.74	0.57	-1.38	1.69	0.29	0.29	0.97	1.63	-0.09	8.07%	2011	1.36	1.26	0.50	0.74	0.57	-1.38	1.69	0.29	0.29	0.97	1.63	-0.09	8.07%
2010	0.17	0.52	0.68	1.45	0.59	0.57	2.34	0.36	1.45	2.23	1.66	0.86	13.64%	2010	0.17	0.52	0.68	1.45	0.59	0.57	2.34	0.36	1.45	2.23	1.66	0.86	13.64%
2009	1.81	-0.56	3.10	1.37	2.43	0.09	4.00	3.88	2.00	2.68	0.78	0.09	23.81%	2009	1.81	-0.56	3.10	1.37	2.43	0.09	4.00	3.88	2.00	2.68	0.78	0.09	23.81%
2008	-	-	-	-	-	-	-	-	0.67	0.59	2.19	1.47	5.00%	2008	-	-	-	-	-	-	-	-	0.67	0.59	2.19	1.47	5.00%

driven research and stock picking ability. Coupled with active position management and the risk management framework, the process is designed to protect capital and avoid negative performance. Colman, Nicholls and Hay are responsible for fundamental research, which at a minimum requires a clear knowledge of company earnings, valuation and capital structure in order to understand the investment risk.

Central to the process is a research-based assessment of each stock's fair value range. Positions may be initiated in the expectation of a reversionary move in the stock price toward fair value, after full consideration of both fundamental and non-fundamental factors.

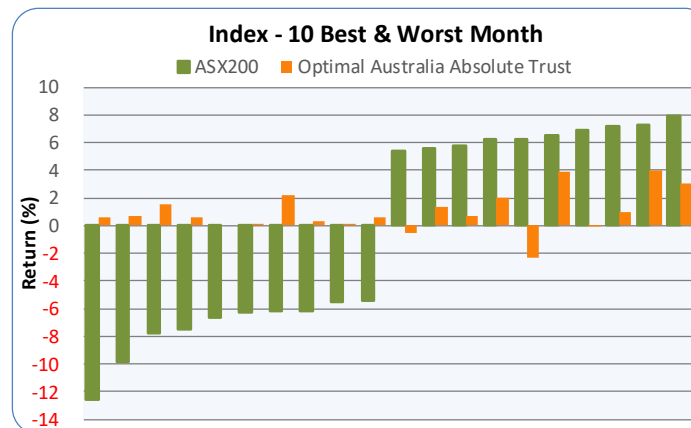
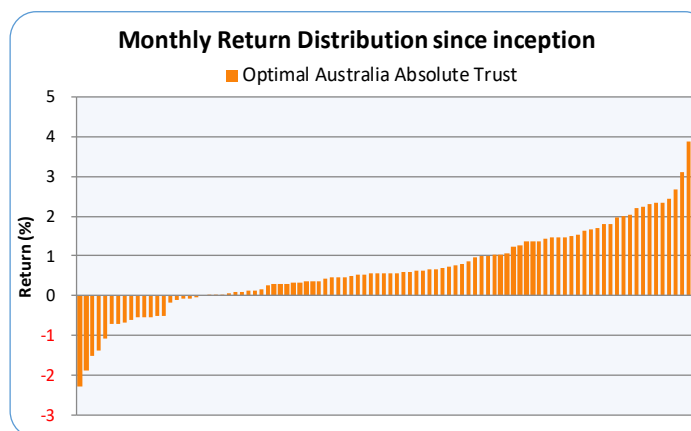
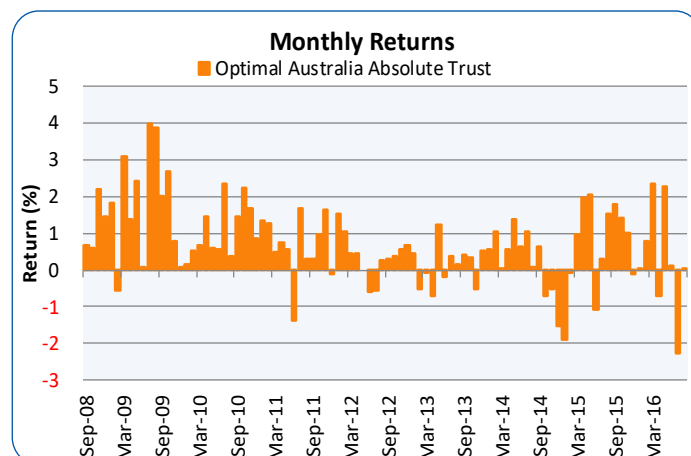
Opening a position requires the unanimous agreement of Colman and Whiting, with the latter responsible for the position's implementation. Whiting also provides active input into the portfolio's construction, and is responsible for rebalancing positions within the fair value range.

Overall market exposure and risk is established according to the investment team's view of equity markets, with position sizes adjusted downwards, and both gross and net risk levels reduced as the outlook for the market direction becomes less clear. Exposure and risk limits are reviewed on a real time basis by the investment team.

The Investment team's complementary skills of research and market knowledge are key to the Fund's performance. However, the investment model also focuses on keeping to a defined and disciplined universe of liquid and well researched stocks, strong risk management, an aversion to crowded or overly complicated trades, and active position management.

The investment team's core philosophies, which are fundamental to the Fund's strategy and implementation, include:

- They are fundamentally driven investors, understanding that successfully extracting "alpha" from the market



requires a deep insight into industry sectors and underlying companies.

- They recognise that although their knowledge, research and view might be correct, they must remain flexible and aware of prevailing market conditions and opinion and the institutional bias which can frequently occur in Australian equity markets.
- Finally, they understand their industry and company valuations, believing that when stock prices move away (up or down) from fair value, opportunities exist for attractive returns.

Risk Management

The Fund invests in exchange traded stocks, SPI futures and "long" Exchange Traded Options only. Market risk is governed

Performance Review

□ The Fund has a track record of over 7 years, incorporating market conditions that have been both varied and challenging. Since inception, the Fund has outperformed the underlying market, particularly given the high market volatility in 2008 & 2011 and recently in August 2015 and January 2016.

□ An indication of the Fund's performance is the return of 8.62% p.a. and positive returns every year since inception compared with the ASX200 Accumulation Index return of 5.36% p.a. over the same period.

□ The approach and focus on risk and capital protection is also evident in other Key Risk Statistics including the Sharpe Ratio of 1.37 and a Sortino ratio of 2.86 demonstrating the successful emphasis on capital preservation. This is clearly displayed in the Fund & Index chart (right), with low negative performances.

□ The Fund has significantly lower volatility at 3.79% than the market at 14.41%, and also against the majority of its absolute return peers. Other risk based statistics also indicate the strong risk aversion characteristics of the Fund with downside deviation since inception of 1.77 compare to the Index of 10.56.

by a series of limits on gross and net exposure, position size, and a hard stop loss limit on short positions.

Single positions (long or short) are limited to 15% of NAV at cost for ASX 200 members, and 10% for non-index stocks, although in practice this rarely exceeds 10% and are typically sized between 1% and 5% of NAV.

There are no hard liquidity limits on individual positions, but liquidity and position size are closely monitored by Whiting. Given the Fund's current size and focus on top 100 ASX stocks the absence of a hard liquidity limit is unlikely to be an issue.

The hard stop loss limit on individual short positions cuts in when the price movement creates a 0.5% loss on overall NAV. Although not firm, the manager adopts the same approach to losses in the long portfolio.

Under normal market conditions the portfolio will have a variable but net long bias. If insufficient stocks qualify as short positions based on fair value and risk criteria, the portfolio's net exposure will be lowered using SPI futures.

Positions are sized based on the investment team's assessment of price versus a stock's fair value. Overall the Fund's net and gross exposure is governed by the overall view of market risk, with gross exposure (long + short + derivatives) limited to 200% of NAV and net exposure of 60%. In practice this rarely exceeds 90%, with net month end exposure since inception ranging from -7% to +35%.

Operational Risk

The Manager has well defined operational processes with daily trade reconciliation between the Prime Broker and Administrator.

IT systems are outsourced, and disaster recovery is addressed by information systems being accessible via the web for key staff. Compliance and operations are the responsibility of the Chief Administration Officer, Ms Sook Fun Chan.

Overall business and key person risk is enhanced by the seniority and knowledge of the investment team of Colman, Whiting, Nicholls and Hay, whose combined market experience totals over 100 years. While the interaction and synergy between these four (and Colman and Whiting in particular) is undoubtedly a part of their success, it also helps to diminish key person risk.

Marketing and Investor Relations

The Fund's investor base is principally made up of high net worth individuals and family offices with the largest investor representing 25% of FUM. Principals George Colman and Peter Whiting are both significant investors in the Fund on the same terms as external investors. The Manager expects capacity to be limited to \$500m.

Structure, Terms & Conditions and Fees

Optimal Fund Management Australia (ABN 48 129 937 837) holds AFSL 325159 for wholesale investors only issued on 30 July 2008.

Trustee: Optimal Australia

Administrator: HSBC, Sydney
Prime Broker: UBS AG, Australian Branch
Auditors: Ernst & Young, Sydney
Legal: King & Wood Mallesons, Sydney

Optimal Australia Absolute Trust	
Strategy	Equity Long/short
Geographic Mandate	Australia
Investor Type	Wholesale
Min. Investment	A\$500,000
Additional Investment	A\$100,00
Management Fee	1.00% p.a
Performance Fee	20% p.a, with high water mark
Hurdle	No
Min. Term	1 Month
Investment/Redemption	Monthly
Inception Date	Sep-08
Fund Size	A\$100 million
Status	Open

This Report is valid till October 2016

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