

## Performance Report: October 2016

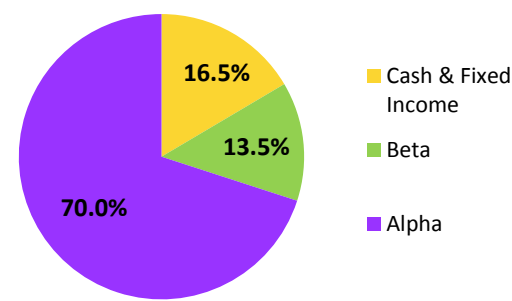
### Fund Objective and Investment Approach

The NWQ Fiduciary Fund (Fund), managed by NWQ Capital Management, is a diversified multi manager portfolio. The principal investment objective of the Fund is to produce attractive positive returns irrespective of market direction. This is achieved through active allocations to selective fund managers that employ a variety of traditional and absolute return strategies. The Fund places emphasis on managers who demonstrate a rigorous and repeatable investment process that has delivered a strong track record.

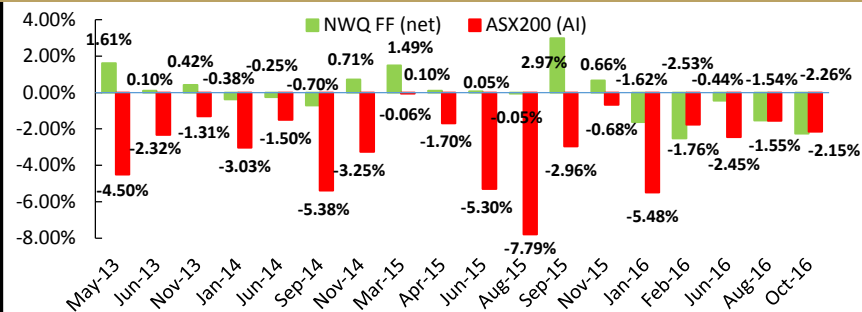
### Monthly Net Returns

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2016	-1.62%	-2.53%	-1.48%	0.27%	2.86%	-0.44%	1.88%	-1.54%	0.16%	-2.26%			-4.72%
2015	1.09%	1.73%	1.49%	0.10%	-0.19%	0.05%	4.19%	-0.05%	2.97%	1.80%	0.66%	2.22%	17.19%
2014	-0.38%	2.26%	1.29%	-0.95%	0.42%	-0.25%	1.78%	0.04%	-0.70%	-0.76%	0.71%	-0.40%	3.03%
2013	-	-	-	-	1.61%	0.10%	2.76%	0.79%	0.63%	2.00%	0.42%	1.41%	10.11%

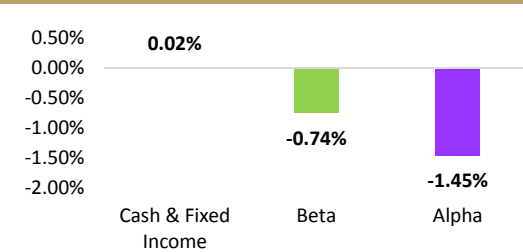
### Strategy Allocation as at 31/10/2016



### Performance During Down Market Months Since Inception



### Strategy Performance Attribution (gross) – October 2016



### Portfolio Statistics vs. Benchmarks

	Oct-16	CYTD	Last 12 Months	Inception	Standard Deviation (A)	Sharpe Ratio (A)	Max Drawdown
<b>NWQFF (net)<sup>†</sup></b>	-2.26%	-4.72%	-1.96%	6.98%	5.09%	0.92	-5.52%
<b>ASX 200 (AI)</b>	-2.15%	4.00%	6.11%	5.28%	12.44%	0.30	-13.72%
<b>Bloomberg Aus Bond Comp Index</b>	-1.28%	4.60%	4.03%	4.88%	2.64%	0.98	-2.01%
<b>RBA Cash</b>	0.13%	1.48%	1.81%	2.25%	0.10%	-	-

### Manager Commentary – October 2016

The NWQ Fiduciary Fund (Fund) has returned +6.98% p.a. since inception in May 2013. This compares to the ASX200 TR Index return of +5.28% p.a. over the same period. Pleasingly, the Fund has achieved this outperformance with less than half the risk of the Australian equity market (Fund volatility of 5.09% p.a. vs 12.44% p.a. for the ASX).

The 2016 calendar year (not unlike 2014) has proved to be a challenging year for hedged equity investors. Continuing reliance on monetary policy that has driven official interest rates towards zero – indiscriminately supporting asset prices globally – is starting to wane, and the potential handoff to fiscal measures is quite plausible as we enter 2017 with a Republican controlled congress, led by a Trump Presidency.

2016 has not rewarded fundamental long/short stock investors, who invest in higher quality stocks with superior earnings that typically enjoy a premium to the market and sell short lower quality stocks that typically trade at a discount to the market. This typical stock price dispersion has been absent and at more extreme levels than 2014. In 2014, this circumstance proved unsustainable and outsized gains rewarded long/short equity investors in 2015 as stock prices behaved in line with reported fundamentals.

With President Trump in the White House, we are confident that stock price dispersion will return, there will be winners and losers, and there will be a higher frequency and amplitude of stock market volatility. Skilled long/short equity investors should find this environment favourable.

Both equity and bond markets suffered losses in October as hints of rising inflation, potential interest rate increases and the resulting rise in bond yields weighed on asset prices. Domestically, the ASX200 Accumulation Index closed the month -2.15% lower, despite remaining broadly flat in the first half of the month following the RBA's decision to keep rates at 1.50%. Uncertainty over the outcome of the US presidential election weighed on

*Commentary continued overleaf...*

### Fund Information

<b>Fund Name:</b>	NWQ Fiduciary Fund	<b>Retail Management Fee:</b>	Direct: 1.30%	Indirect: 1.00%
<b>Investment Manager:</b>	NWQ Capital Management	<b>Retail Incentive Fee:</b>	Direct: 0.00%	Indirect: 0.00%
<b>Administrator:</b>	Custom House Fund Services (Australia) Pty Limited	<b>Wholesale Management Fee:</b>	Wholesale A: 0.50%	Wholesale B: 0.95%
<b>Auditor:</b>	Ernst & Young	<b>Wholesale Incentive Fee:</b>	Wholesale A: 5.00%	Wholesale B: 0.00%
<b>Counsel:</b>	Gilbert + Tobin, Sydney	<b>Hurdle:**</b>	RBA Cash Rate, High Water Mark	
<b>Responsible Entity</b>	OneVue RE Services Limited	<b>Liquidity:</b>	Monthly	
<b>Reporting:</b>	Monthly	<b>Minimum Contribution:</b>	\$25,000	
<b>Subscriptions:</b>	Monthly	<b>Income Distributions:</b>	Annually after June 30	
<b>Redemptions:</b>	Monthly with 30 days notice	<b>Unit Price (as at 31/10/16)</b>	Wholesale A: 1.0942	Wholesale B: 1.0941
			Direct: 0.9808	Indirect: 0.9804

<sup>†</sup> Performance reported for Wholesale A Units  
<sup>\*\*</sup> Incentive fee calculations only

## Manager Commentary continued

markets leading into month end, helping equities finish the month in the red. Meanwhile, the rise in bond yields saw the Bloomberg AusBond Composite Index fall -1.28%, the worst monthly performance since 1999.

Global market performance reflected the domestic market as a plethora of macro and political risk factors led major indices lower (S&P500 Index -1.94%, MSCI Europe -0.92%, MSCI Asia Ex. Japan -1.54%). A global sell-off in longer maturity bonds in the face of possible inflation following a perceived shift away from monetary policy towards fiscal stimulus was the main theme for the month. A potential December US rate hike weighed on sentiment, as did political uncertainty in the US. In Europe, the ECB provided little guidance on extending its quantitative easing programme, although stocks did receive some support from a falling Euro against the US dollar. Asian markets were also soft in October, although Japan (Nikkei 225 +5.93%) benefitted from recent weakness in the Yen as the Bank of Japan continued with its aggressive monetary stimulus programme.

Turning to individual sectors, Materials (+1.27%) was the strongest performer for the month as iron ore and coal prices rose +15.25% and +18.10% (thermal coal) respectively. Financials (+0.71%) were also positive for the month of October, supported by an improvement amongst banking stocks. All other sectors were negative, with a large sell-off seen in Health Care (-8.26%), which saw a re-rating of "premium" valuations prevalent across the sector. Other poor performers included Information Technology (-6.57%) and Consumer Discretionary (-6.03%), with the latter being impacted by the casino/gaming stocks with Crown operators being arrested in China impacting the sector.

The Fund encompasses allocations to nine underlying Australian-domiciled investment managers – five equity market neutral and four equity beta-correlated strategies, complemented by a modest cash allocation. Throughout the month, selective rebalancing within the Beta strategy has been implemented, which has included a reallocation between underlying investment managers. The cash allocation has been increased to provide optionality around rebalancing. The Fund is NWQ's flagship managed fund. It is an "all weather" portfolio solution constructed to generate a meaningful premium above cash with low correlation to equity markets and the ability to withstand negative market shocks.

Fund returns were negative in October as macro and political factors fuelled market uncertainty. The portfolio's Beta managers, utilising a range of long/short equity strategies, attributed -0.74% for the month. Alpha managers were also down for the month, attributing -1.45%.

It remains the view of NWQ that there exists further potential for destructive equity and bond market volatility in the coming months. The timing and magnitude of this volatility is unknown; however it is known that current bond and equity market valuations are at elevated – and in some cases extreme – levels. Accordingly, the portfolio has an overweight allocation to Alpha, or market neutral strategies. We see this positioning as offering superior downside protection over conventional multi-asset strategies that are vulnerable to both bond and equity market drawdown risks. As at month end, selective rebalancing has been implemented within the Beta strategy which NWQ expects will provide further return diversification within the strategy.

## Disclaimer & Disclosures

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### Past performance is not a reliable indicator of future performance.

\*Performance information presented above represents the performance of unit holders interests purchased at the inception of the Fund. Year-to-date returns experienced by individual investors will vary depending on their date of investment, as well as the timing of any additions to or redemptions from their investment in the Fund. **The month-end returns presented above are estimates and are subject to change.**

**ASX 200 TR Index:** The ASX 200 index is a market capitalisation-weighted and float-adjusted index comprised of the largest 200 companies listed on the Australian Securities Exchange. The index is adjusted for the effect of reinvested dividends, and is equal to the price level ASX 200 index plus the index value of reinvested dividends.

**RBA Cash Rate:** The RBA Cash Rate denotes the target rate set by the Reserve Bank of Australia at which financial institutions can borrow or charge to lend funds in the money market on an overnight basis. The returns associated with the RBA Cash Rate are those that would be earned on a sum on money lent in the money market for the duration of the relevant time frame.

### Note:

Investors generally cannot invest directly in the ASX 200 TR Index or any of the other indices mentioned above. These indices are presented for reference purposes only. The statistical data regarding the ASX 200 TR Index, the Balanced Fund Benchmark and the other indices mentioned above has been obtained from sources believed to be reliable but NWQ does not represent that it is accurate or complete and should not be relied on as such. The indices (a) may be adjusted to reflect reinvestment of dividends, (b) are unmanaged, and (c) set forth the performance of well-known, broad-based market statistics. The indices are not necessarily representative of the management style of NWQ.