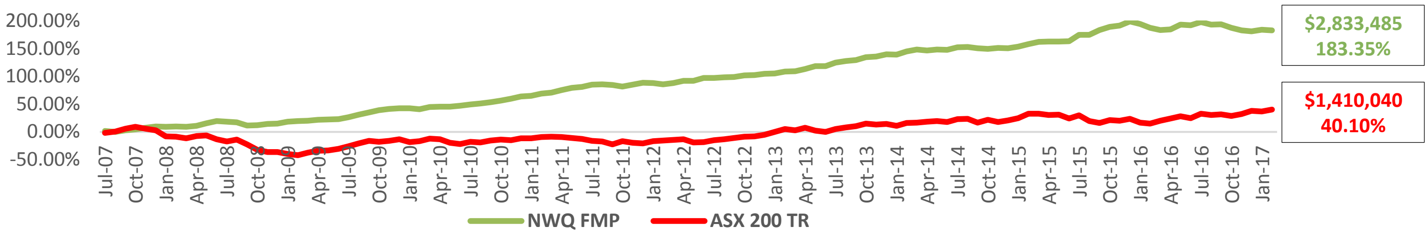
Fiduciary Model Portfolio (FMP) – February 2017

NWQ CAPITAL MANAGEMENT

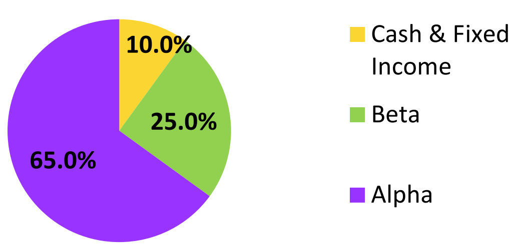
Cumulative NAV of $1,000,000 Invested at 1st Jul 2007 – 28th February 2017†



Monthly Gross Returns†

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017	1.09%	-0.31%											**0.78%**
2016	-1.53%	-2.34%	-1.27%	0.29%	3.00%	-0.34%	1.95%	-1.48%	0.13%	-2.13%	-1.52%	-0.74%	**-5.96%**
2015	1.09%	1.91%	1.56%	0.29%	0.00%	0.12%	4.47%	0.01%	3.09%	2.02%	0.80%	2.48%	**19.25%**
2014	-0.17%	2.37%	1.39%	-0.70%	0.57%	-0.18%	1.86%	0.18%	-0.70%	-0.67%	0.84%	-0.32%	**4.50%**
2013	0.37%	1.52%	0.33%	1.79%	2.49%	0.11%	2.97%	1.09%	0.79%	2.30%	0.49%	1.73%	**17.15%**
2012	-0.49%	-1.26%	1.47%	2.01%	-0.11%	2.76%	0.01%	0.66%	0.22%	1.39%	0.47%	1.07%	**8.45%**
2011	0.61%	2.35%	1.24%	2.60%	2.18%	1.00%	2.24%	0.45%	-0.61%	-1.59%	1.85%	1.96%	**15.15%**
2010	0.10%	-1.27%	2.66%	0.66%	-0.15%	1.33%	1.44%	1.22%	1.59%	1.92%	2.15%	2.52%	**15.04%**
2009	3.11%	1.20%	0.57%	1.22%	0.54%	0.38%	2.92%	3.67%	3.00%	3.12%	1.36%	1.03%	**24.41%**
2008	-0.09%	0.57%	-0.93%	2.01%	3.69%	3.73%	-0.92%	-0.96%	-4.96%	0.33%	2.30%	0.21%	**4.77%**
2007							1.80%	-1.81%	2.54%	1.89%	2.59%	2.08%	**9.37%**

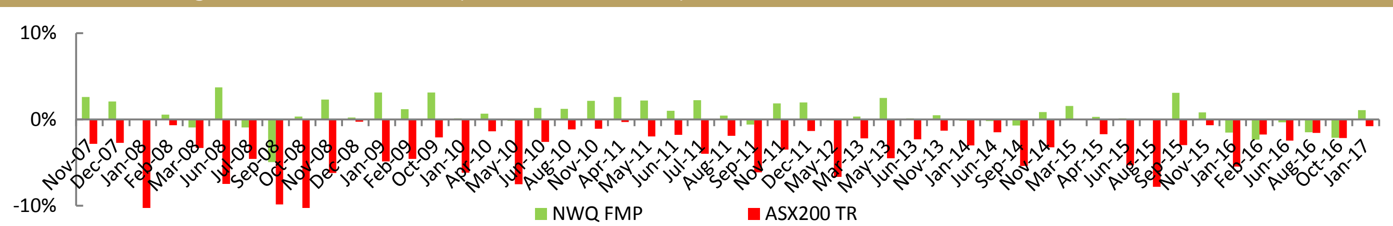
Strategy Allocation (28th Feb 2017)†



Portfolio Statistics† vs. Benchmarks (Jul 2007 – Feb 2017)

	Feb-17	YTD	Last 12 Months	Inception Return (A)	Standard Deviation (A)	Sharpe Ratio (A)	Max Drawdown
FMP (Gross)†	-0.31%	0.78%	-1.45%	11.38%	5.26%	1.38	-6.74%
ASX200 TR	2.25%	1.44%	22.15%	3.55%	14.51%	0.06	-47.19%
Bloomberg AusBond Index	0.17%	0.78%	1.44%	6.29%	2.97%	0.82	-3.08%
RBA Cash Rate	0.11%	0.24%	1.65%	3.78%	0.51%	-	-

Performance During Down Market Months (Jul 2007 – Feb 2017)†



Manager Commentary†

The NWQ Fiduciary Model Portfolio (FMP) returned -0.31% in February and has returned +11.38% p.a. since its inception in July 2007. This compares favourably to the ASX200 TR Index return of +3.55% p.a. over the same period. The FMP has achieved this outperformance with less than half of the risk of the Australian equity market (FMP volatility of 5.26% p.a. vs. 14.51% p.a. for the ASX200 TR Index).

Equity and fixed income prices remained elevated and a typical balanced portfolio has arguably never been more expensive. In NWQ's opinion, markets are late cycle but are being priced for a high probability of continuing buoyant times ahead (i.e. low volatility). Any prospective risk event or interruption to bullish sentiment, which in the US is nearing record highs, could produce unexpectedly higher levels of volatility and investor challenges. This environment would be well suited for an equity market neutral portfolio, such as the FMP.

Global equities continued their strong start to 2017 as investors were encouraged by macroeconomic data and corporate earnings updates that were generally supportive—at least in the short term—of improved growth prospects. After a slow start to the month, the Australian equity market rallied to finish the month up (+2.25%). The Australian bond market was slightly higher in February (Bloomberg AusBond Composite Index +0.17%) as downward pressure was placed on yields.

The MSCI World Index (+1.48% in AUD terms) was stronger in February led by the United States, which posted solid gains (SP500 TR Index +3.97%). Notably, the Dow Jones Industrial Average broke through the 21,000 point barrier for the first time following Donald Trump's speech to Congress. The speech was received by the markets as a signal that Congress would be receptive to enacting Trump's agenda, but considerable uncertainties remain around whether the Trump agenda can be delivered in the scale and within the timeframe expected by the market.

commentary continued overleaf…

†See disclosures at the end of this document. Please note all performance figures are GROSS of fees - these numbers would reduce when fees are applied

Manager Commentary Continued

There is also the risk that if all fiscal stimulus expectations are met, the US Federal Reserve will then accelerate its interest rate tightening agenda, placing renewed pressure on equity valuations. European markets were higher in February (MSCI Europe TR +2.92% in EUR terms) as stronger than expected economic data showed that the pace of Eurozone economic growth was nearing a six-year high. Notwithstanding this positive outlook, there is heightening geopolitical uncertainty with the upcoming elections in France, Germany and Holland expected to reveal the extent of the shift towards populist politics in the Eurozone and whether it will influence policy in the same way that it has in the US and the UK. Asian markets were also stronger in February (MSCI Asia ex Japan TR +3.39% in USD terms).

The sector rotation out of low market risk stocks and into cyclicals such as resources abated in February with both Materials (-3.18%) and Energy (-2.06%) weaker as investors took profits. The only other sector to fall was Telecommunications (-3.13%), which fell following Telstra's announcement that its half-year net profit had fallen by over 14%. The remaining sectors posted solid gains led by Consumer Staples (+6.17%), REITs (+4.15%), Financials (+4.11%), and Healthcare (+3.91%), all of which benefited from earnings announcements that were in line with expectations.

The FMP 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. The FMP is a model portfolio and the foundation for the construction of all NWQ separately managed accounts and our flagship managed fund, the NWQ Fiduciary Fund.

There was a high degree of dispersion in the performance of the FMP's underlying managers in February. This was the case among the FMP's Alpha managers who combined to deliver a modest return (+0.18%). The FMP's overall performance was weighed down by the performance of the Beta managers, which utilise a range of long/short equity strategies, that combined to post a negative return (-1.63%). However, this short term underperformance should we weighed against the long term outperformance of the FMP's Beta managers relative to the equity market both in terms of return (8.79% p.a. vs 3.55% p.a. for the ASX200 TR Index) and risk (6.39% p.a. vs 14.51% p.a. for the ASX200 TR Index) since July 2007.

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.

Estimated look through equity beta was up, closing the month at 31%.

Index Explanations and Disclosures

- **The above is a hypothetical portfolio only. This report was prepared as private communication and the information given is purely hypothetical and never actually occurred. Past outcomes displayed above are in no way an accurate indicator of future performance.**

- †FMP returns are reported gross of NWQ fees and administration cost recovery but net of alpha and beta manager fees, and fixed income bond fund fees.

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- **ASX 200 TR Index**: The ASX 200 Index is a total return market capitalisation-weighted index comprised of the largest 200 companies listed on the Australian Securities Exchange.

- **Note:**
  Investors generally cannot invest directly in the ASX200 TR. This index is presented for reference purposes only. The statistical data regarding the ASX 200 TR 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 index (a) may be adjusted to reflect reinvestment of dividends, (b) is unmanaged, and (c) set forth the performance of well-known, broad-based market statistics. The index is not necessarily representative of the management style of NWQ.

NWQ CAPITAL MANAGEMENT

*Fiduciary Model Portfolio Methodology

- The Fiduciary Model Portfolio is a hypothetical portfolio comprised of actual investment funds that have reported monthly net performance during the time period shown.
- All managers have been rigorously scrutinised by NWQ Capital Management and are a targeted constituency of the firm's due diligence process.
- The performance data presented encompasses two distinct periods.
- In-sample data is presented for the pre-August 2011 period.
    - The in-sample performance data is calculated by back testing using weights determined in August 2011. In January 2013 the methodology was changed so that these weights are held constant throughout the in-sample period (i.e. monthly rebalancing).
- Out-of-sample data is presented for the period after August 2011.
    - The out-of-sample performance data is calculated with reference to portfolio weightings that are set in advance of the beginning of the month, assuming that the portfolio is rebalanced to these weights at the beginning of the month.
- In January 2013 we also incorporated bid/ask spreads into the performance numbers. We incur both the bid and ask fee in the month of the investment.
- In March 2014 we made a change to the fee assumption for a particular underlying fund that reports performance gross of manager fees. This affected portfolio performance from May 2013 to February 2014 by a total of 10bps.

The hypothetical portfolio presented is a simulation only.

*Fiduciary Model Portfolio Model Observations

- We have conducted statistical analysis that concluded with a high level of statistical significance that the distributions of the in-sample and out-of-sample data are not dissimilar.
- We have tested the validity of our assumption that the portfolio is rebalanced monthly and found that cumulative performance is not materially affected by either the underlying managers' liquidity terms or the frequency of rebalancing.
- We have compared the performance of the model to that of the Fiduciary Fund and found that when the Fund returns are adjusted for bid/ask spreads and fees on average in excess of 80% of the variation is accounted for. The model is a hypothetical portfolio and does not incur spreads when there are fund inflows and is reported gross of fees.

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