

## Performance Report: May 2017

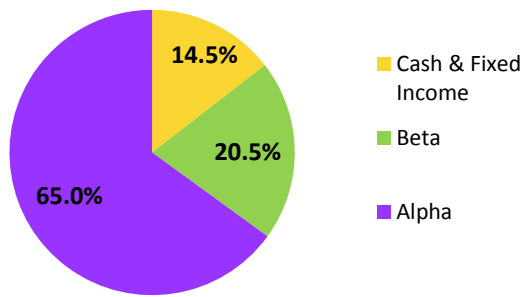
### Fund Objective and Investment Approach

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.

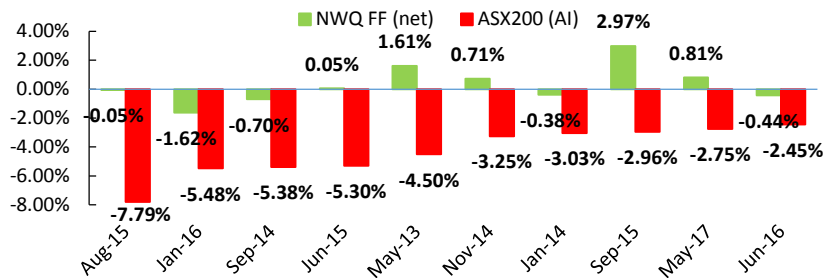
### Monthly Net Returns

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Year
2017	1.02%	-0.35%	0.21%	0.25%	0.81%								1.95%
2016	-1.62%	-2.53%	-1.48%	0.27%	2.86%	-0.44%	1.88%	-1.54%	0.16%	-2.26%	-1.57%	-0.86%	-7.03%
2015	1.09%	1.73%	1.49%	0.10%	-0.19%	0.05%	4.19%	-0.05%	2.97%	1.80%	0.66%	2.23%	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%

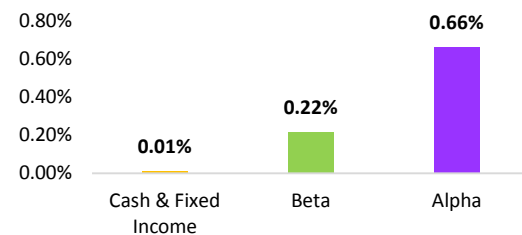
### Strategy Allocation as at 31/05/2017



### Performance During 10 Largest Down Market Months Since Inception



### Strategy Performance Attribution (gross) – May 2017



### Portfolio Statistics vs. Benchmarks

	May-17	CYTD	Last 12 Months	Inception Return (A)	Standard Deviation (A)	Sharpe Ratio (A)	Max Drawdown
<b>NWQFF (net)<sup>†</sup></b>	0.81%	1.95%	-2.74%	5.82%	4.91%	0.75	-7.03%
<b>ASX 200 (AI)</b>	-2.75%	2.98%	11.10%	7.15%	11.97%	0.46	-13.72%
<b>Bloomberg Aus Bond Comp Index</b>	1.17%	3.18%	2.51%	4.56%	2.66%	0.89	-3.08%
<b>RBA Cash</b>	0.13%	0.62%	1.55%	2.16%	0.12%	-	-

### Manager Commentary – May 2017

The NWQ Fiduciary Fund (Fund) returned +0.81% in May and has returned +5.82% p.a. since its inception in May 2013. Notably, the Fund has achieved this performance with less than half of the risk of the Australian equity market (Fund volatility of 4.91% p.a. vs. 11.97% p.a. for the ASX200 (AI) Index).

NWQ's approach to active risk management saw the Fund deliver a positive +0.81% return during the month of May, a month which traditional investors found challenging, with the ASX200 (AI) Index falling -2.75%.

As seen in the chart above, the Fund's performance during down markets since inception has substantially protected our investors against destructive equity market volatility. In our view, global markets remain fragile and the likelihood of increased volatility may prove unsettling to many investors that do not adopt an active risk management approach.

Following on from last month, the "risk-off" tone in the domestic equity market continued into May. The ASX200 (AI) Index finished the month weaker (-2.75%), having recovered somewhat from its intra-month low (-3.06%). Australian bonds rallied in May (Bloomberg AusBond Comp Index +1.17%) as yields continued to fall; a sign that markets suspect that the next move from the RBA may be to cut interest rates. The economic outlook for the domestic economy has deteriorated in recent months and the consensus view remains that the RBA will not begin tightening until well into 2018. Our view remains unchanged; the typical balanced fund has arguably never been more expensive with equity markets valuations looking stretched and bond yields at historic lows. This view has only strengthened with the recent bond rally, which has seen the Bloomberg AusBond Comp Index rise +3.18% so far this year.

Global markets were generally stronger in May (MSCI World Index +2.58% in AUD terms) with gains posted in the US (S&P 500 TR Index +1.41% in USD terms), Europe (MSCI Europe TR Index +1.53% in EUR terms) and Asia (MSCI Asia ex Japan TR Index +4.35% in USD terms).

*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>NAV Price (as at 31/05/17)</b>	Wholesale A: 1.0885	Wholesale B: 1.0854
			Direct: 0.9710	Indirect: 0.9724

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

## Performance Report: May 2017

## Manager Commentary continued

Despite the ongoing political uncertainty in the US, the S&P 500 was stronger in May, supporting the consensus view that the US is poised for a growth rebound in the remainder of CY2017. However, it remains unclear whether there is sufficient momentum behind this 'reflation trade' to see a steepening of the yield curve. The momentum in the Chinese economy is waning with the government cracking down on the "shadow banking" sector and weaker activity coming through in the latest Purchasing Managers' Index (PMI) data print. In Europe, by contrast, growth is robust with the latest PMI prints signalling strong prospects for future growth led by Germany, France, and Italy.

There was a high level of dispersion at the sector-level in May. The standout performers were Industrials (+4.71%), Telecoms (+3.37%), and Energy (+2.02%). The main detractors were Financials (-7.74%), which were hurt by news of the introduction of a 'bank tax' in the Federal Budget, Healthcare (-2.05%), and REITs (-1.10%). In recent months we have observed that market returns have been driven largely by fundamentals (i.e. stock-specific factors) rather than broad market thematics, which drove returns in CY2016. This environment is conducive to long/short relative value investing and the Fund is well positioned to capitalise on this trend should it persist.

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. 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.

The performance of the Fund's underlying managers in May was solid—six of the nine managers delivered a positive return—in a month where the domestic equity market fell sharply. Of particular note is that three of the four Beta managers—i.e. managers with positive net market exposure—delivered a positive return, underscoring the importance of stock selection and active risk management. The Beta managers combined for a positive contribution (+0.22%) to overall Fund performance. The Fund's Alpha managers also combined to make a positive contribution (+0.66%) to overall performance in May with three of the five managers delivering a positive return.

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 closed the month at approximately 30%.

## Disclaimer &amp; 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.