COLLINS ST

VALUE FUND

June 2017
Quarterly Report

The first rule of investing is don't lose money.

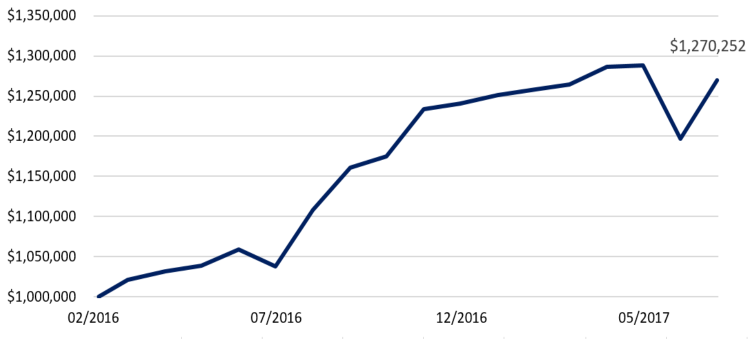
We would rather be prepared and wrong than right but unprepared.

Performance after Fees (to 30 June 2017)

Period		Return
1 month	↑	6.13%
6 months	↑	1.52%
9 months	↑	8.14%
Financial Year 2017	↑	22.43%
Annualised return	↑	18.65%
Total since inception	↑	27.03%

Our only fee is performance based. We only benefit when we succeed in growing our investors' wealth sustainably and over the long term.

Total Return from $1m invested in the Fund



The above chart is representative of investing $1million at inception. It is calculated after fees & assumes reinvestment of all distributions. Past performance is not a reliable indicator of future performance

Interested in making an investment or topping up?

03 9602 1230 admin@csvf.com.au

To make an investment in the Fund, please contact our office

www.csvf.com.au

Commentary & Performance

With the 2017 financial year behind us, we take the time to look back, reflect, and consider where we did well, and where we could do better.

Though the 2017 financial felt quite volatile, the ASX S&P200 Accumulation Index was rather strong producing a total return of +14.09%.

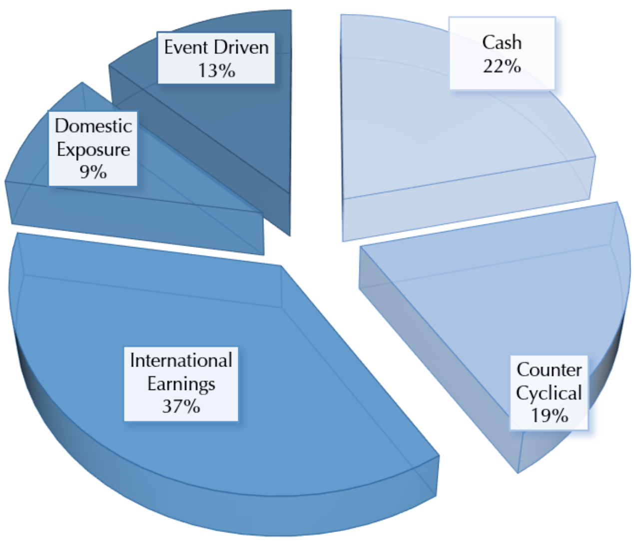
Our priority continues to be the preservation of capital. We will continue to do our utmost to ensure that the portfolio is positioned to benefit from positive news, while at the same time taking a proactive approach in protecting our capital when times look uncertain.

For the 2017 Financial Year we are pleased to report that the Fund has generated a 22.43% return (after fees).

	June 2017 Quarter	Financial Year 2017
Collins St Value Fund	-1.260%	22.43%
ASX Accumulation Index*	-1.578%	14.09%
Outperformance	**0.318%**	**8.34%**

* Source: http://www.rba.gov.au/statistics

This is an especially pleasing result given our current portfolio make up which includes a relatively high proportion of cash and defensive companies.



In the pages that follow we share some details on our portfolio makeup and discuss some of the more interesting positions that we've held this year.

We hope you enjoy our June write up.

COLLINS ST

VALUE FUND

Fund Unit Price (at 30 June 2017)*

Unit Price	$1.2465

Buy Price and Sell Price are subject to a 0.5% spread
*Unaudited unit price, calculated by Link Fund Solutions. This price is subject to change once 2017 distributions have been deducted.

Underlying Yield (at 30 June 2017)*

Net	4.00% p.a.
Gross	5.39% p.a.

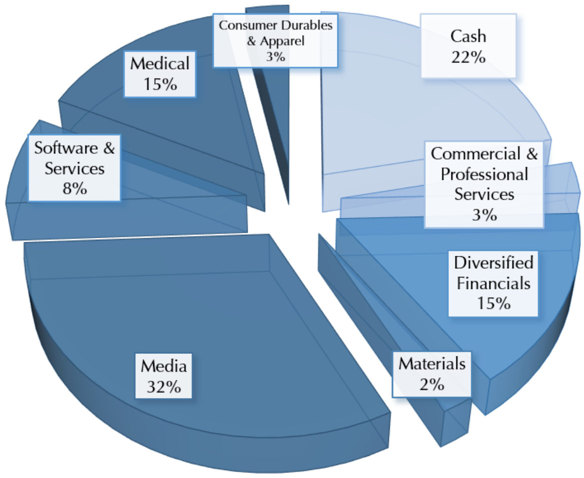
* Underlying Net Yield (excluding franking credits) or Gross Yield (including franking credits) is based on current year's consensus of the distributions paid to the Fund by its underlying equities held. Actual Distributions paid by the Fund to investors will vary due to the Funds realised profit and loss within a given period.

Fund Holdings* (at 30 June 2017)

BPS Technology
Caltex Australia Ltd
Cash Converters Limited
Clarius Group Limited
Litigation Capital Man.
Money3 Corporation
NZME Group
Prime Media
Shriro Holdings
Sirtex Medical Group

* In the interests of investors, the Fund does not disclose shares it is in the process of purchasing, selling or considers a 'special situation'. As such, this is not a complete comprehensive list

Fund Weighting (at 30 June 2017)



Fund vs Market Metrics

	Fund	Market
PE ratio	9.21 x	17.27 x
Return on Equity (ROE)	26.17%	9.73%
Price to Book	1.924 x	1.97 x
Interest Cover	8.12 x	6.48 x

Portfolio Weighting (at 30 June 2017)

No direct leverage in the Fund

ASX securities	78%
Cash	22%

View on the domestic economy

As part of our ongoing duty to protect our investments, we monitor a number of data points that we believe portray the state of the economy and foreshadows its direction;

- House prices – despite a small reversal in housing prices in April and May, Australian houses in Sydney and Melbourne continue to defy expectations, increasing in price to new highs.
- Average Price to Earnings – The average PE in the Australian market is as high as its been for a number of years.
- Debt levels – Australian consumers are more indebted than any other nation in the OECD.
- Retail activity – weaker than expected retail sales (particularly car sales).
- International share markets – The US stock market reaching all-time highs.
- Local stock market prices – excluding commodity companies, the ASX300 is as high as it's been since 2002.
- Employment – surprisingly positive employment data was released by the ABS in May.

As long as the available data remains conflicted, the role of active management is more important than ever.

We believe that finding specific companies trading on attractive multiples with earnings not exposed to domestic economic activity will be the key to successful investing in the coming 12 months.

We've spent the last quarter repositioning our portfolio, increasing our cash holding, and directing our capital specifically to businesses that we believe will thrive even in a slowdown in economic activity.

The good, the bad and the ugly. 2017 review.

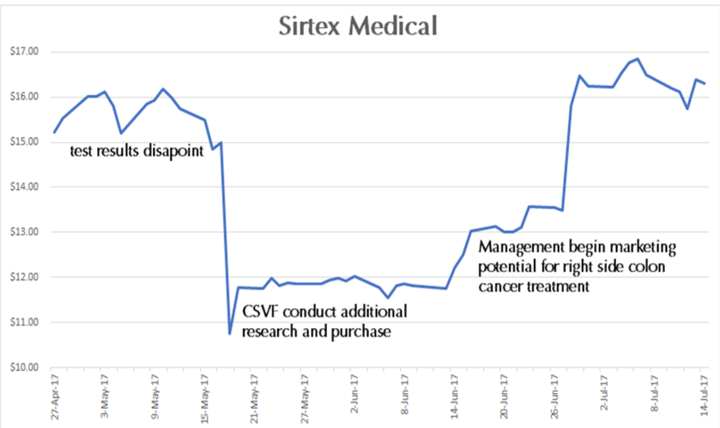
The Good:

In a year that saw the Fund up over 21%, there have been lots of good decisions to choose from. In an effort to refine the conversation, let's look at a business that was a good decision, and fortunately timed.

SIRTeX

Sirtex (ASX:SRX)
As long-term investors will know, our process sees us seeking out businesses that have experienced short term uncertainty and as a result have seen their share price fall.

Sirtex is relatively recent addition to our portfolio. The company has a long track record of providing medication and treatment for late stage colon/liver cancer sufferers. The company refers to their primary service as "salvage". Simply put the company uses their drugs and IP to extend the end of life for terminally ill cancer patients.



Over the last few years, Sirtex have been testing their treatment to assess if earlier implementation of the medication can be used to cure (left and right side) liver cancer. In May the results came in, and it was determined that earlier implementation does not have the sought-after desired effect.

As a result, the share price fell considerably, and we became interested.

Having done our research and corresponded with pharmaceutical testing experts, we determined that the company was trading cheaply based purely on its traditional business. As an additional potential benefit, we discovered that during the most recent round of testing, incidental evidence suggested that the treatment of cancers located on the right side of the colon were reacting favourably to the testing.

Additionally, evidence based research (recognised by European medical treatment regulators) shows that the Sirtex treatment can be used for any cancer which spreads to the liver. The company recently lodged a request to the US regulator to extend the cancers which Sirtex treatment is approved for. Such recognition would have a significantly positive impact on SRX earnings going forward.

In the weeks following our assessment and purchase of the company, management began to market the potential for treating right side liver cancers to the medical industry. Accordingly, the share price has performed very strongly.

Sirtex (SRX) at $12	
Market cap	$600 million
Net cash position	$200 million
Price to Earnings (PE)	less than 14 times
PE ex cash	less than 10 times
Return on Equity	28%
Dividend	2.5% plus franking

The Bad:

Pleasingly there was not a lot of *bad* in the portfolio this year. However, our record isn't perfect, and Cash Converters stands out as our poorest performer (by dollars lost) for the year.

cash converters

Cash Converters (ASX:CCV)

Having first purchased CCV at around the 50c mark, Cash Converters soon found themselves engaged with ASIC.

ASIC took issue with the fact that a large proportion of the company's client base were Centrelink recipients. In fact, so common was the practice of lending to customers on welfare that Cash Converters generated more than a third of their loan book from welfare receiving customers.

At the time of our initial purchase (in 2016) we were of the view that Cash Converters would pursue an outcome that would see them able to maintain the business of lending to those who most desperately needed it, and that a compromise would be implemented that would see limits on interest charges.

To our surprise no compromise was forthcoming.

Instead, Cash Converters undertook to stop lending to welfare recipients all together.

Given that those small short term loans (also known as pay-day-loans) represented a significant portion of the company's earnings, we were left in a position where we had to reassess the company's earnings going forward.

When all was said and done, we had bought stock at as high as 55c, averaged down as time went on, and sold out at 33c - after the downgrade.

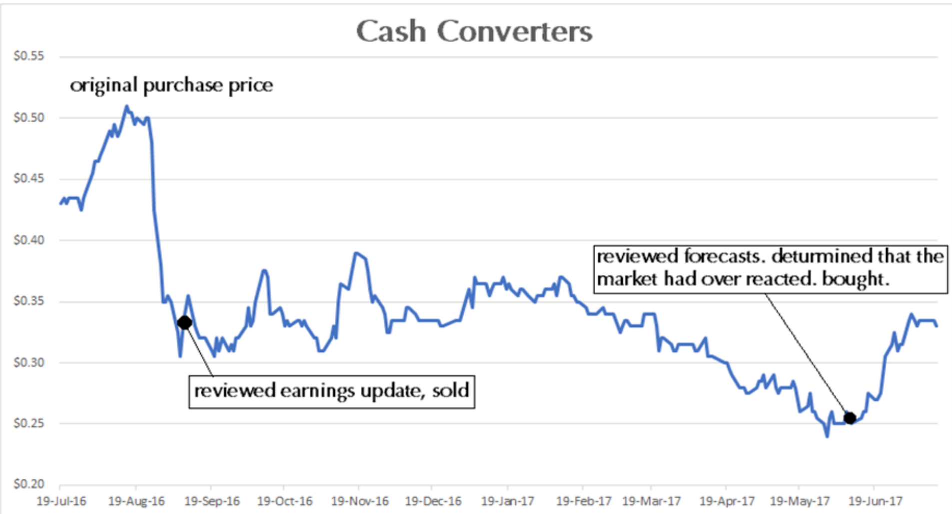
Cash Converters is a good illustration of our policy of making investment decisions based on real information. As long as the fundamentals of the company suggested that the business was a buy, we were happy purchasers of the business. At the moment that the information changed, and CCV was no longer attractive based on its earnings, we sold.

In June of 2017 we revisited Cash Converters.

Having met with the company's directors and determined that the market had underrated the company's current turn around, we bought back into CCV at an average price of 25c.

Cash Converters (CCV) at $0.25	
Market cap	$165 million
Price to Earnings (PE)	less than 6 times
Book value	27c per share
Return on Equity	~15%

At this point we think the company has taken the hard steps, repositioned their business, and are well along the path to turning around earnings.



The Ugly:

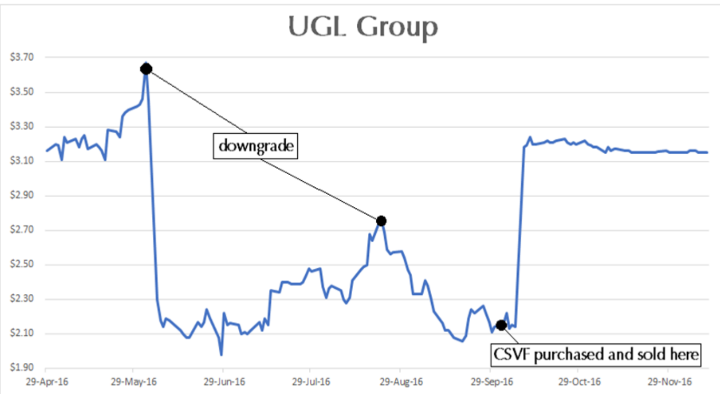
As so much of our investment decision making is driven by a defined process, there are inevitably opportunities that go wanting. This was especially illustrated by the Fund's investment in UGL Group.

UGL Group (ASX:UGL)

In September 2016 the Fund took an interest in UGL. The business had twice downgraded its profits due to cost blow outs at one of its main projects, and the market had simply had enough.

Despite the fact that an agreement had been made with the site operator ensuring that there would be no further cost increases, and the fact that UGL had forecast robust earnings going forward, the market punished UGL, pushing its share price to as low as $2 (down from $15 in 2011).

Confident that the company had seen the last of its downgrades, and comfortable with the earnings outlook, the Fund invested in UGL at approximately $2.15.



At that price, the business had a very healthy interest cover ratio of 8 times, and a price to earnings ratio of less than 7.

Between September 20 and September 28, the Fund accumulated a significant stake in UGL.

On September 29, as part of our ongoing due diligence, we discovered new information that suggested that there was a potential class action brewing against UGL for some of its reporting standards over the previous 18 months.

Concerned by the early reports, we discussed the situation with professionals (legal and commercial), and determined that the risk of a class action was great enough that we should exit.

Over the following two days the Fund exited its entire stake in UGL at a 1% discount to our purchase price.

Satisfied with our research and actions, UGL was put back on our watch list as we waited to see how the events would play out.

On the weekend of October the 9th Engineering and Construction giant CIMIC made a takeover offer for UGL at $3.15.

The bid was eventually successful, and our Fund missed out on considerable gain. Nevertheless, if situation presented itself again we would have taken the same action.

When so many investment mistakes are driven by emotional decision making, a robust process is the only way to ensure that we can outperform the market over the long term.

Financial Year 2017 has been a clear example of a market that felt worse than the returns would suggest.

The lesson learned from this year is one of utmost importance: Those investors who are able to look past the market noise and recognise where others are making decisions based on emotion, are likely to find opportunity and profit where others miss out.

Selective stock picking is always the key to strong long term outperformance. This is never more true than in markets as volatile and uncertain as those that we have faced over the last 12 months.

What to expect from us and your Investment in the Fund?

With each quarterly update we like to remind our investors of how we run the Fund and what our expectations are from it. We believe communication is the key to building a long term working relationship, and want to ensure that our investors are fully informed about our strategy and the Funds direction.

Reviewing the following should help answer most queries about our process and performance. However, feel free to be in touch if you have any additional questions.

- Our aim is to create strong investment returns irrespective of the market over the medium to long term.
- We seek to achieve gains by investing in a concentrated portfolio of Australian listed securities. We focus on identifying deep value investment opportunities, constantly identifying sustainable businesses trading at a discount to our assessment of intrinsic value.
- As opportunistic investors, we are patient. In the absence of finding a wonderful investment for our capital, we have no hesitation holding a significant amount of cash or investing in short term special situations.
- Our mandate is to generate index unaware, absolute returns. We would much rather miss a 'suspect' opportunity, than purchase a company we are unsure of.
- As the Fund will have a concentrated portfolio of shares, we expect short term volatility. We expect that volatility to have no meaningful effect on our long term returns. We are focusing on the destination, not the journey.
- As contrarian value investors with a medium to long term view, we rarely invest for the short term. Attempting to pick short term market movements only acts as a distraction to our long term aim of strong investment returns.
- After conducting adequate research, we prefer shares in which we are not fully invested in to fall (in the short term). That is, once we are happy to buy a company we would much rather pay a discounted price for that asset even if it means our initial purchase price was slightly higher.
- To achieve the goal of long term outperformance, the cost is often short term volatility. We have implemented procedures to try and reduce volatility, but are aware that it will remain "the cost of doing business".
- We will send out quarterly reports to you that will include the Fund's official unit price. We ask that you consider these reports in context. Returns in a single quarter (good or bad) are not necessarily indicative of what the Fund will generate over the longer term.
- With our money invested alongside and on equal footing to yours, you can rest assured that we are motivated by the same outcome as you – an increasing unit price. Additionally, our fee structure further ensures that our interests are closely aligned.

Although official reports are only distributed once a quarter, we are always happy to take investor calls at any time.

Yours Faithfully,

Vasilios Piperoglou
Head Analyst of the Collins St Value Fund

Michael Goldberg
Managing Director of the Collins St Value Fund

KEY FEATURES

Fund Name:	Collins St Value Fund ABN 72 216 927 242
Trustee:	Collins St Asset Management Pty Ltd ACN 601 897 974 AFSL 468935
Custodian:	Link Fund Solutions (Sub-custodian is JP Morgan)
Registry/Unit Pricing:	Link Fund Solutions Pty Ltd
Auditors:	Pitcher Partners
Fund Inception Date:	5th Feb 2016
Investment Objective:	The Fund will seek to create strong investment returns over the medium to longer term, with capital preservation a priority.
Investment Strategy:	The Fund invests in a concentrated portfolio of Australian listed securities. It focuses on identifying deep value investment opportunities. This is achieved by identifying sustainable businesses trading at a discount to our assessment of intrinsic value.
Benchmark:	Index Unaware
Asset Class:	Long only ASX listed securities & Cash (no derivatives).
Leverage:	None
Minimum Subscription:	$500,000 and only open to investors considered "wholesale investors" under Section s761G of the Corporations Act.
Investment Term:	There is no fixed investment term. Investors may apply to acquire Units in the Fund at any time the Fund is open for investment. Investors may redeem Units subject to the applicable liquidity and redemption policy.
Distribution Frequency:	Bi-annually
Entry Fee:	Nil
Buy/Sell Spread:	0.50%
Applications/redemptions:	Monthly
Management Fee:	Nil
Performance Fee above Hurdle Rate:	25% (Hurdle rate is the 10 year Aus Gov't Bond Rate)

For more information about the Fund please obtain a copy of the Information Memorandum which is available upon request.