Fund Update - 31 March 2019

Australian Mid Cap Fund - Class B

PARADICE
INVESTMENT MANAGEMENT

Fund Objective

The Fund aims to outperform the composite benchmark of 70% of the S&P/ASX Mid Cap 50 Total Return Index and 30% of the S&P/ASX Small Ordinaries Total Return Index over a three to five year period (after management costs and before tax).

Performance Net (%)	1 Month	3 Months	1 Year	Since Inception* p.a.
Australian Mid Cap Fund - Class B	0.04	10.15	1.80	6.94
Mid Cap Composite Benchmark	0.02	10.67	4.57	8.50
Excess Return	**0.02**	**-0.52**	**-2.77**	**-1.56**

* Inception date - 15 May 2017

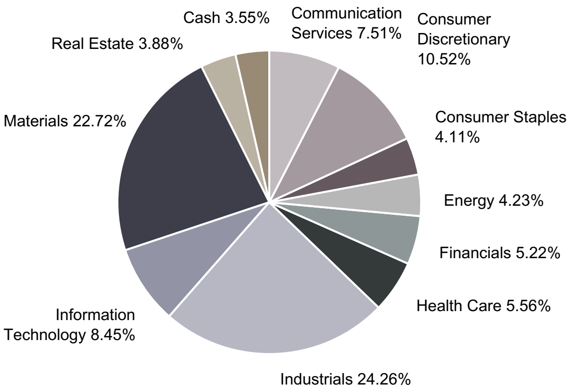
Fund Details

APIR Code	ETL8772AU
Fund Size (AUD m)	$79
Application Price	$1.0175
Redemption Price	$1.0125
Distribution Frequency	Semi-Annually
Management Fee	1.10% p.a.
Performance Fee	15% p.a.
Buy Sell Spread	+/-0.25%
Minimum Investment (AUD)	$20,000

Characteristics

Number of Stocks	54
Portfolio Dividend Yield	2.93%
Stock Range	Typically 40-60
Industry Range	Unconstrained
Cash Range	0-10%

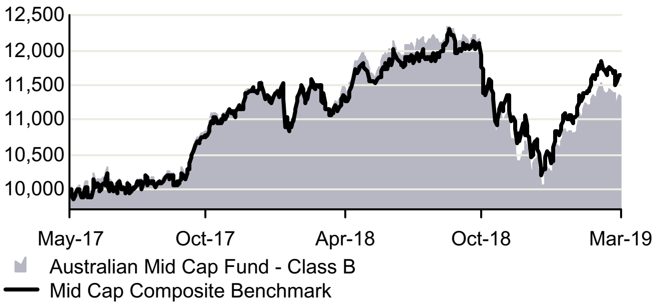
Sector Allocation (%)



Top 10 Positions (%)

	Fund
Cleanaway Waste Management Ltd.	4.06
Atlas Arteria	3.97
Charter Hall Group	3.88
Downer EDI Ltd.	3.82
a2 Milk Company Ltd.	3.50
Orora Ltd.	3.25
Tabcorp Holdings Ltd.	3.06
CIMIC Group Ltd.	2.95
Bluescope Steel Ltd.	2.94
Resmed Inc	2.93

Growth of AUD 10,000



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Commentary

MARKET REVIEW

For the purpose of comparison, commentary is quoted in AUD terms except where stated otherwise.

The March 2019 quarter was a strong turnaround from the very weak prior quarter. Most asset classes and sectors rallied. After falling 13.1% in the December quarter, the S&P/ASX Mid Cap 50 Total Return Index returned +9.8% in the March quarter. This was the case right across the board with the S&P/ASX 200 Total Return Index up 10.9% and the S&P/ASX Small Ordinaries Total Return Index up 12.6%. Globally markets were up strongly too, the S&P 500 NTR Index up 13.5%, the Nasdaq up 16.5% and the Shanghai Composite Index up 23.9%.

Bonds also rallied strongly with US 10 year bond yields falling 28bps to 2.41% and the AU 10 year bond yield falling 54bps to 1.78%. Whilst yields at the shorter end of the bond market also fell, the yield curve flattened in both markets as a dovish Federal Reserve renewed fears of slowing global growth, seemingly at odds with the stock market. In Australia, the RBA left the cash rate unchanged at 1.5%, with expectations of the next move being a cut.

Many of the issues grabbing the headlines during the weak December quarter continued through into the March 19 quarter. Brexit is no closer to a solution, the talks between China and the US over the trade war are no closer to being resolved and European growth is lacklustre. However, the market ignored this and focussed more on central banks shifting away from plans to tighten monetary policy, following Chairman Powell's 4th January shift in outlook to being more accommodative.

The Australian reporting season was average at best. Downgrades exceeded upgrades, however the market moves were upbeat as in-line results were generally seen as being good enough to garner support. The domestic cyclicals were the weakest sector driven by the housing downturn. The economic data was mixed. Employment continue to be strong however wage growth remains soft and we are cautious about the impact on employment from the housing downturn despite some offset from growth in social and healthcare care hiring.

Commodities were up strongly with oil and iron ore the standouts. WTI and Brent crude were up 32% and 25% respectively due to OPEC cuts, Venezuela political issues and inventory drawdowns, whilst iron ore rallied approximately 20% due to supply shortages post the Vale tragedy in Brazil and robust Chinese demand, especially with stimulus being pumped back into their economy.

PERFORMANCE

The top relative contributors to performance for the quarter are as follows:

Cleanaway Waste Management (CWY) – Overweight A strong result coupled with strong management resonated well with the market. The waste management sector is evolving and CWY is well positioned.

Charter Hall Group (CHC) – Overweight Management has done a great job in growing the funds management business and continuing to grow the property portfolio.

Challenger Group (CGF) - Underweight / not owned A weak result and uncertainty over future margins was the key area of concern for Australia's largest provider of annuities.

The top relative detractors to performance for the quarter are as follows:

Star Entertainment (SGR) – Overweight Despite trading at historically low multiples, SGR has struggled due to concerns over a second casino license on the Gold Coast and a potentially weaker consumer.

Orora Limited (ORA) – Overweight ORA delivered an in-line result however it was not enough for the market and concerns seemed to revolve around their USA growth strategy.

Spark New Zealand (SPK) – Overweight After a very strong performance, there was some profit taking over the quarter.