Fund Update

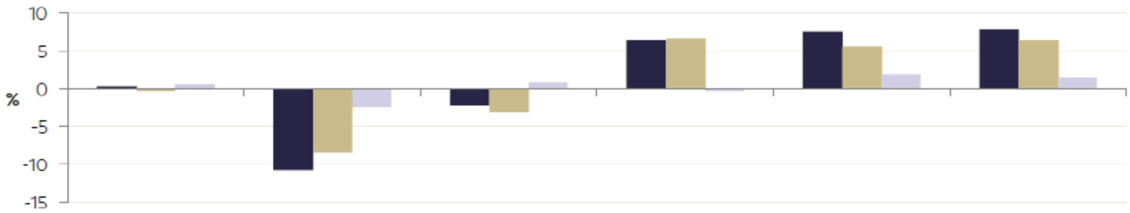
31 December 2018

PLATYPUS ASSET MANAGEMENT

Platypus Systematic Growth Fund

Platypus Asset Management (Platypus) is a leading Australian equity investment manager. The Platypus Systematic Growth Fund's (Fund) objective is to outperform the S&P/ASX 300 Accumulation Index (Benchmark) over an investment cycle with less downside risk over a three-year period.

Performance as at 31 December 2018



	1 Month	3 Months	1 Year	3 Years pa	5 Years pa	Inception*
Platypus pre fees	**0.33**	**-10.81**	**-2.22**	**6.42**	**7.48**	**7.81**
S&P/ASX 300 Acc Index	-0.23	-8.41	-3.06	6.65	5.60	6.42
Outperformance	0.56	-2.40	0.84	-0.23	1.88	1.39

Total Returns are calculated after fees and expenses and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance.

1Inception date for performance calculations is 26 November 2009.

Quarter in Review

The Platypus Systematic Fund decreased by 10.81 percent during the quarter, underperforming the ASX/S&P300 Index by 2.40 percent.

Contributors to performance included positions in Charter Hall Group (+0.30%) and Goodman Group (+0.28%). Detractors included a nil position in Commonwealth Bank (-0.78%) and a position in Lendlease Group (-0.45%).

At the sector level, Real Estate was the main contributor. Detractors were Financials (-1.06%), Industrials (-0.53%) and Materials (-0.49%).

Sector in Review

The December quarter was tough for equities investors in Australia and abroad. The S&P/ASX300 declined 8.41 percent, with the biggest drag coming from the Energy (-21.62%), Consumer Discretionary (-15.86%) and Communication Services (-14.88%) sectors. Top contributors to the benchmark's result were Utilities (-3.11%), Materials (-5.05%) and Real Estate (-5.30%). No sector posted positive performance for the quarter.

The majority of the correction occurred in October, when the S&P/ASX300 index declined 6.16 percent. Investors rotated out of higher valuation, growth stocks into more defensive sectors, which was similar to observations from abroad. While macroeconomic data out of the US remained strong for most of the year, both manufacturing and services Purchasing Managers Indexes (PMIs) declined in December. The most recent US reporting season (third quarter of 2018) exceeded on earnings expectations; however, investors focused on a cautious 2019 outlook instead, as the maturing economic cycle and inflationary cost pressures pose a threat to future earnings. The latest macroeconomic data and surveys from other regions have been pointing to slower growth for a little while. The most concerning is the slowdown is in China, which could have negative implications for broader global growth, if it is not addressed with an adequate and timely policy response. While, at the 2018 annual Central Economic Work Conference held in late December, Chinese top policymakers reiterated their commitment to supply-side structural reform and the balance between stable growth, restructure, social welfare and risk prevention, they also emphasized that macro-policy should be counter cyclical to ensure that economic growth is "within reasonable range". However, as we write this report, both official and Caixin Chinese PMI missed consensus numbers in December, with Caixin PMI posting first contraction since May 2017, and the official PMI since July 2016. Apple Inc. downgraded its 2019 outlook in January, calling out a slowdown in China as the main driver of this.

Trade tariff developments between the US and China were closely watched during the quarter. Economic impact from trade tensions to date has been limited; however, uncertainty surrounding further developments has had a negative impact on investor confidence. The announcement in early December that the US and China have

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agreed to 90 day truce at the G20 meeting (to allow China to prepare for further trade negotiations) was well received by the markets, and as we approached the year end Donald Trump informed the public that negotiations to date have been constructive.

In December, as widely expected, the US Federal Reserve (Fed) increased the target Fed Funds rate by a further 0.25 percent to 2.25 percent / 2.5 percent. In light of slowing economic conditions, the Fed participants have downgraded their outlook from three to two further interest rate increases during 2019, specifically calling out further tightening of financial conditions and slowing growth outside of the US. The keenly watched US 10 year bond yield rose to 3.14 percent, up 8 basis points in October, then corrected through the remainder of the quarter to finish the year just below 2.7 percent, suggesting that the market expects no further hikes from the Fed in the year ahead.

Domestically, the Reserve Bank of Australia (RBA) continued to hold the cash rate steady at 1.5 percent. The Reserve Bank Governor stated that despite the fact that the Australian economy continues to perform well, the outlook for household consumption continues to be a source of uncertainty due to the high level of household debt, low growth of household incomes and more recently, house price corrections driven by tighter home lending conditions.

Commodities were under pressure this quarter, with the CRB Index correcting 14.1 percent. Crude was the stand out underperformer with WTI Crude down 39.8 percent in the quarter, settling in the US$40-60 range. Iron ore was volatile and finished the quarter 5.4 percent higher; however, the price declined sharply in November then recovered into year-end as Chinese HRC prices climbed.

The Australian dollar corrected 2.7 percent against its US counterpart, with the appreciation in the first half of the quarter followed by a decline into year-end. As we write this report, the Australian dollar continues to correct further against the US dollar, currently below 70 cents, the lowest level in three years.

A number of geopolitical events occurred in the quarter, although most had a limited impact on market performance. These included the US Midterm elections, the second rejection of the Italian budget, the Brazilian elections, German provincial elections, the Khashoggi tragedy and the ongoing failing to reach a Brexit deal.

Domestically, the bank-reporting season and the annual general meeting (AGM) season provided some relief from macro pressures on the market, with the AGM trading updates having material impact on stock performance. Australia's 'Commonwealth Treasury' released the Mid-Year Economic and Fiscal Outlook in December indicating that current cash balance is ahead of forecast. Third quarter gross domestic product growth was sluggish. The other notable domestic development was the announcement of the removal of the 30% supervisory benchmark on interest only lending, by the Australian Prudential Regulation Authority in December. The benchmark initially imposed in March 2017.

Factor Analysis

All four factors we generally consider underperformed the market in Q4.

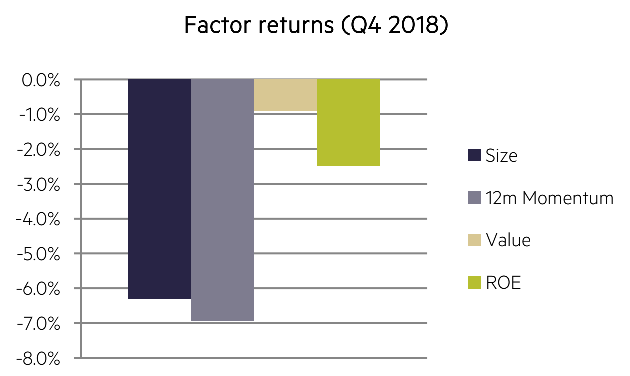
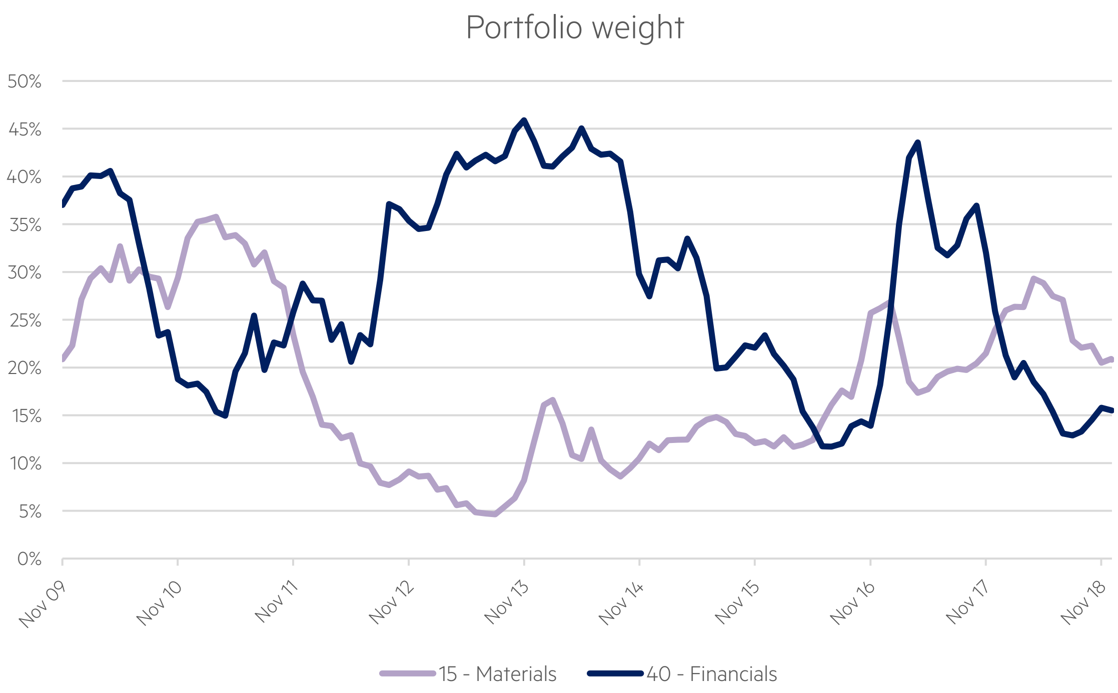


Chart 1: Top quartile factor alphas for the quarter. This is the average return obtained from the top 75 stocks in the ASX 300, sorted by size, momentum, value and ROE respectively, compared to the index performance.

There was nowhere to hide, and so over the quarter, the portfolio underperformed the index by [XX bps]. When momentum underperforms, it is likely that the portfolio will also underperform. Our quality filter and risk model aim to limit this underperformance as much as possible. Unlike last quarter, ROE underperformed, and so did not mitigate momentum's underperformance. In stressed markets, correlations tend to increase. In Q4, value momentum and growth all underperformed. There is little that can be done from a factor perspective in markets like these. Over long periods of time, we expect that these environments will be rarer than those in which momentum outperforms.

The Systematic fund can make large sector bets, and this quarter saw a further flattening out of the Financials bet that has been reducing since early 2017.



Sector exposures like this can lead to good alpha outcomes, and are a direct result of the process being based on momentum.

The portfolio trades at a premium to the market-cap benchmark as measured by price-to-book (1.95x vs 1.84x) and as measured by forward price-to-earnings (15.18x vs 14.2x).

Outlook

This time last year, synchronised growth in economic activity was driving positive sentiment despite a general acknowledgement that the current expansion was mature. Fast forward twelve months and we have a less synchronised picture on growth with a strong US economy and softness elsewhere. Monetary policy has become less accommodative, and investors are becoming increasingly concerned that a policy error could lead to over tightening and crush economic growth. Adding to these macroeconomic concerns are a raft of geopolitical stresses that have made headlines throughout 2018. Increased volatility and general souring of risk appetite seen during the last quarter of 2018 is congruent with this macroeconomic and geopolitical context.

We expect volatility to continue in early 2019 as investors consider how global economies evolve and assess the actions of those in charge of monetary and fiscal policies. Taking the US as an example, neither the market nor the White House has been able to force the Federal Reserve to reverse course on gradual policy normalisation. Likewise, in China the slowing of the economy and increased trade tensions with the US have not forced Beijing to abandon the deleveraging program and announce large stimulus measures either. As 2019 progresses, things could unfold in two ways. A major policy mistake could create an earnings recession and further falls in equities ahead of an eventual macroeconomic recession in 2020. On the other hand, economic expansion could prove to be more resilient than the market's current expectations or in its absence; a supportive policy response could come early in 2019, which would make the bull market in equities more enduring. It is very difficult to predict which of the two scenarios look more probable as we stand here today.

Whilst we monitor the macroeconomic and geopolitical developments heading into 2019, our focus remains on bottom up stock picking. There are plenty of opportunities to buy quality businesses with good long-term growth prospects at sensible prices, and we will look to take those opportunities in 2019 and beyond.

Commentary courtesy of Platypus Asset Management Pty Limited
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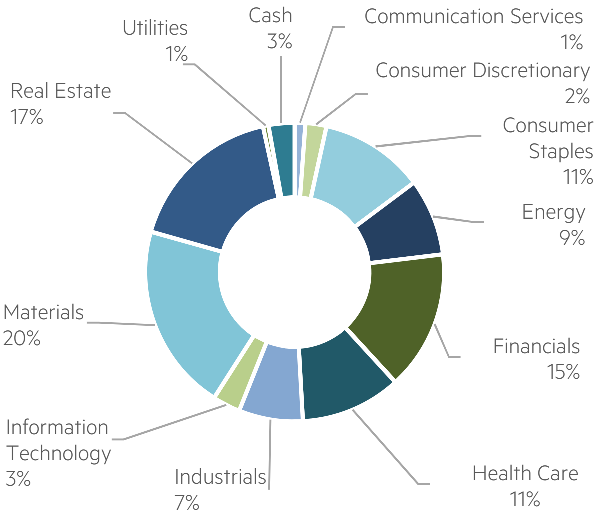
Sector Allocation



GICS Sector	Portfolio%	Benchmark%	Active%
Communication Services	1.15	3.52	-2.36
Consumer Discretionary	2.29	4.04	-1.76
Consumer Staples	11.32	8.15	3.17
Energy	8.36	5.40	2.95
Financials	15.08	32.15	-17.07
Health Care	10.91	8.78	2.13
Industrials	6.96	8.00	-1.04
Information Technology	2.99	2.21	0.78
Materials	20.31	18.12	2.19
Real Estate	17.22	7.64	9.58
Utilities	0.59	1.99	-1.40
Cash	2.82	0.00	2.82

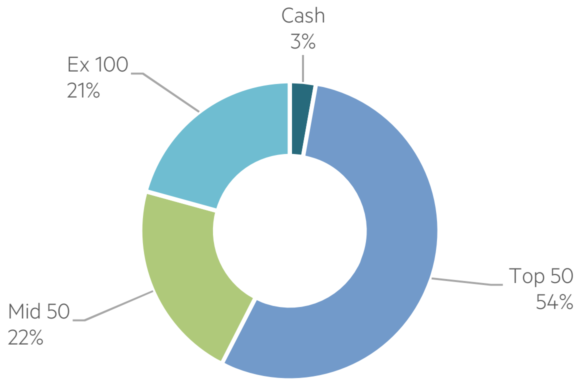
Asset Allocation

Asset class	Portfolio%
Australian Shares	97.18
Cash	2.82
Total	100.00

Top 5 Holdings

Company	Portfolio%	Benchmark%	Active%
BHP Group Limited	8.50	6.53	1.97
CSL Limited	6.72	5.43	1.29
Macquarie Group Limited	3.62	2.23	1.39
Woodside Petroleum Ltd	3.08	1.90	1.18
Goodman Group	3.04	1.10	1.94

Market Capitalisation



Market Cap Band	Portfolio%	Benchmark%	Active%
Cash	2.82	0.00	2.82
Top 50	54.71	76.66	-21.95
Mid 50	21.74	12.67	9.07
Ex 100	20.73	10.67	10.06
Non benchmark	0.00	0.00	0.00

Fund Snapshot

APIR Code	AUS0036AU
Inception date	24 November 2009
Fund size (net asset value)	$ 24.97 m
Minimum initial investment	$5,000
Management Fees	0.4124% p.a.
Estimated Recoverable Expenses	0.12% of net asset value of the Fund for each financial year ending 30 June.
Performance Fees	15.375% of the excess performance over the relevant Index[2]
Buy/Sell spread	0.20%/0.20%
Distributions	Half yearly
Advice fee	Available

[2] Refer to the PDS for more information about the Performance Fee.