17th January, 2017

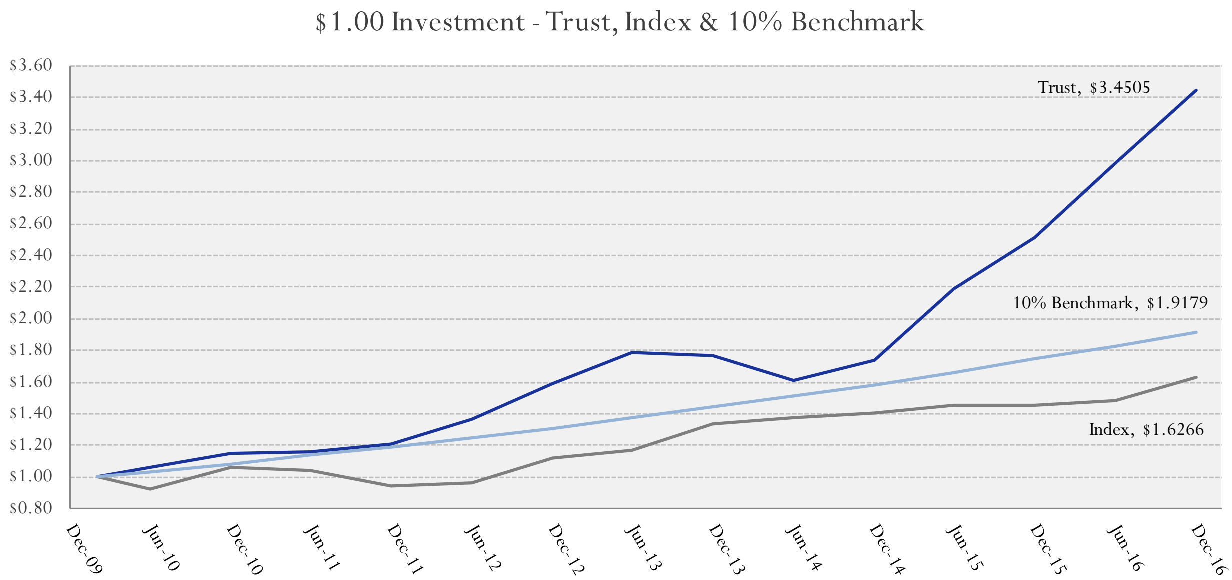
Half Year to 31 December 2016

The Trust performed well over the half year period, rising 15.75% (after all fees) to $3.2866/unit. A summary of this performance is shown in the table below, together with a comparison to the All Ordinaries Accumulation Index (Market Index) – the broadest measure of performance for the Australian stock market.

	Trust (before Perf. Fee)	Trust (after Perf. Fee)	10 % Benchmark	Market Index
01-July-2016	$2.8394	$2.8394	$2.8394	48,530.36
31-December-2016	$3.3587	$3.2866	$2.9813	53,353.97
Return	**18.29%**	**15.75%**	**5.00%**	**9.94%**

While a performance fee has been provisioned at 31 December, it is important to note that it is the Trust's policy to only pay the performance fee (if any) on an annual basis, after the end of the full year. This allows for alignment between the annual 10% hurdle used to calculate the performance fee and the payment of any fee.

The following graph illustrates the historical performance of $1 invested in the Trust versus the Index. The investment in the Trust is after all fees and *includes any distributions which have been paid*.



Operating Review

Income

The Trust generates the majority of its income from three streams, being:

1. Long term investments
    a. Realised positions
    b. Unrealised positions
2. Short term transactions
3. Dividend income

Consistent with recent history, much of our performance for the half year period was driven by unrealised gains on our long-term investments. Of the Trust's 15.75% half year return, roughly 13.5% is attributed to this component of earnings, as shown below.

Income	**1H 2017** $	**1H 2016** $
Investments - Realised	142,283	-
Investments - Unrealised	1,171,938	393,751
Short term transactions	(6,195)	876
Dividends	60,622	31,205
Interest	1,254	621
Other	-	-
Total Income	**1,369,902**	**426,454**

A significant contribution to the Trust's half year return came from a takeover bid on one of our core holdings – a telecommunication company called BigAir. The Trust bought its first share in BigAir in March 2012, as it seemed a unique company and an attractive investment. BigAir was benefitting from operating in a sector of the economy that was experiencing structural tailwinds, whilst also providing its core service (internet connectivity to small/medium businesses, SMBs) over infrastructure that it owned and operated. However, BigAir delivered these internet connections over a fixed wireless link, rather than a terrestrial connection (such as copper or fibre), providing BigAir with a sustainable differentiation to its operations. Combine this with profitability that was showing attractive growth and BigAir became an important part of the Trust's portfolio.

At this time, the federal government was in the throes of ramping up the roll-out of the NBN, which certainly posed as a risk to the earnings of telecommunication infrastructure owners – however distant this may have seemed. BigAir though offered two characteristics that continued to support a long-term investment in the business, even in light of the imposing NBN. The first of these was that BigAir was focused on the commercial market, rather than the residential market, with the latter certainly being the prime focus for the NBN. The second characteristic was due to BigAir offering fixed wireless connections, allowing it to own the 'last-mile' of connectivity to the client. Owning this connection to their client, meant that BigAir was not paying Telstra to access its copper wires and nor would it be forced to rely on the NBN (at some point in the future) for this same access. So, if the NBN did pursue the SMB market, then using its fixed wireless connections, BigAir could not only continue to operate free and clear of the very expensive NBN cost structure, but also compete with it bringing compelling points of differentiation such as a lower cost of service, faster speeds and diversity in access technology (i.e. wireless versus copper/fibre). This provided a durability in the long-term earnings of BigAir, of which was an important element to the Trust's investment.

With earnings from short term transactions having remained dormant for a number of years, we became more active during the half year period as the Trust invested in Galileo Japan Trust – a real estate investment trust with a diverse portfolio of assets in Japan. Galileo was the subject of an all cash takeover offer and with only a matter of months for the transaction to be completed, we sought to take advantage of the difference between the market price and the offer price. However, part way through the course of the transaction an opportunity arose which would provide the ability to invest the Trust's capital for a much longer time horizon than in Galileo. As has been previously stated, the Trust will always prioritise long term investment opportunities over shorter dated transactions when the expected returns are comparable. Accordingly, exiting the position in Galileo at a small loss of 1.26% and redeploying the capital into a long-term opportunity was considered more attractive than waiting for the takeover to be consummated.

Expenses

To help evaluate how efficiently the Trust is operating, expenses are split into three categories, as follows:

1. Investing
2. Management
3. Performance

Expenses	1H 2017 $	1H 2016 $
Investing Expenses		
Brokerage - Investments	14,313	2,509
Brokerage - Arbitrage	1,243	-
Total brokerage expense	15,556	2,509
Interest expense	15,753	12,052
Total Investing Expenses	**31,308**	**14,561**
Management Expenses		
Management fee	44,027	6,642
Administration	-	3,838
Total Management Expenses	**44,027**	**10,480**
Performance Expenses		
Performance fee	230,619	162,144
Total Performance Expenses	**230,619**	**162,144**
Total Expenses	**305,954**	**187,185**

Investing expenses are costs that relate directly to securing and holding the assets of the Trust, of which drive the investment returns achieved.

The management fee is calculated monthly and based on the net asset value of the Trust. The management fees paid for the half year period equate to 0.48% (including GST and after any input tax credit), of the average net asset value of the fund over the period. While this is in line with the annual 1% limit, there is still work to be done, as our objective is to have this fee as far below the annual 1% ceiling as reasonably possible.

As mentioned earlier, a provision has been made for the Performance Fee however no amount (if any) will become payable until after the end of the full year. Further to this and following the proposal put to Unitholders during the half year period, the performance fee provision includes a rebate for the full amount of any management fee paid. This management fee rebate was undertaken to further strengthen the alignment between the Manager and Unitholders and reinforce the Manager's focus on reducing, as much as possible, any fee that does not relate to the creation of Unitholder wealth.

Half Year Return

	1H 2017	1H 2016
Operating Profit	**$**	**$**
Total income	1,369,902	426,454
Total expenses	(305,954)	(187,185)
Net Operating Profit	**1,063,948**	**239,269**

The net profit of the Trust for the half year drove the increase in the unit price to $3.2866.

General Discussion

With a number of unexpected political and economic events occurring over the course of the 2016 calendar year, as long-term investors, we should not be surprised. That is, investing over larger spans of time means that we will inevitably experience anomalies, however an inevitable anomaly doesn't seem so anomalous – therefore with a healthy dose of irony, we should only come to expect unexpected events. Again though, armed with patience, we can use the volatility created by these events, to invest in businesses that would not otherwise be available at such attractive prices and allow the earning power of their assets and the durability of those earnings to compound our wealth.

While we measure performance over the long term, we nonetheless report results over the short term, which injects more volatility – both upwards and downwards – into the Trust's returns. Accordingly, while the result discussed above is for a half year period, it does not naturally follow that a similar result may prevail for the next half year – for example, this half year result is in line with the average annual return the Trust has achieved since its commencement in 2010.

Luke Trickett

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