

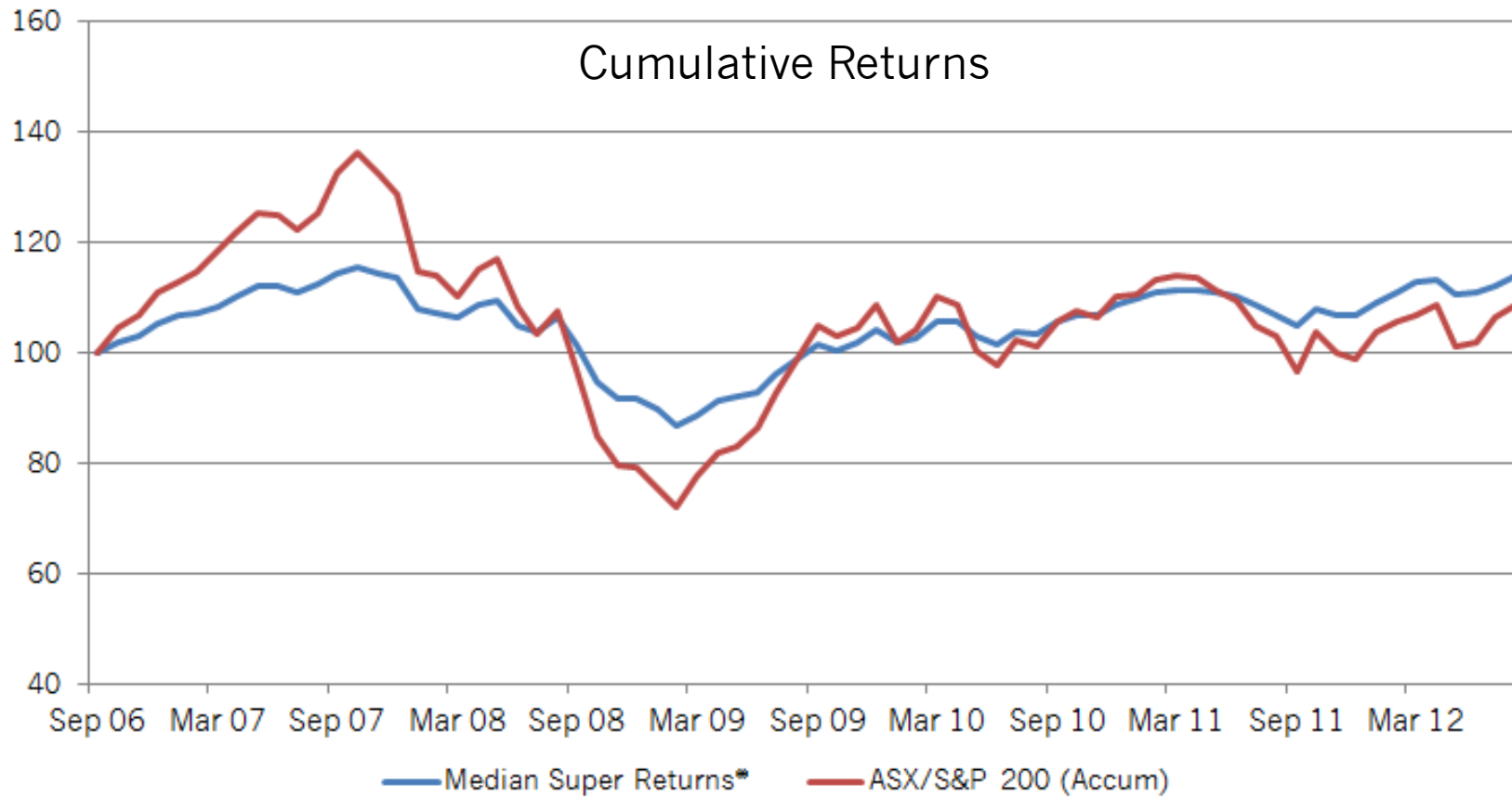
Niche and Less Correlated Investment Opportunities – Globally and Locally

Steven Hall
PWN Investor Forum
12 and 14 March 2013



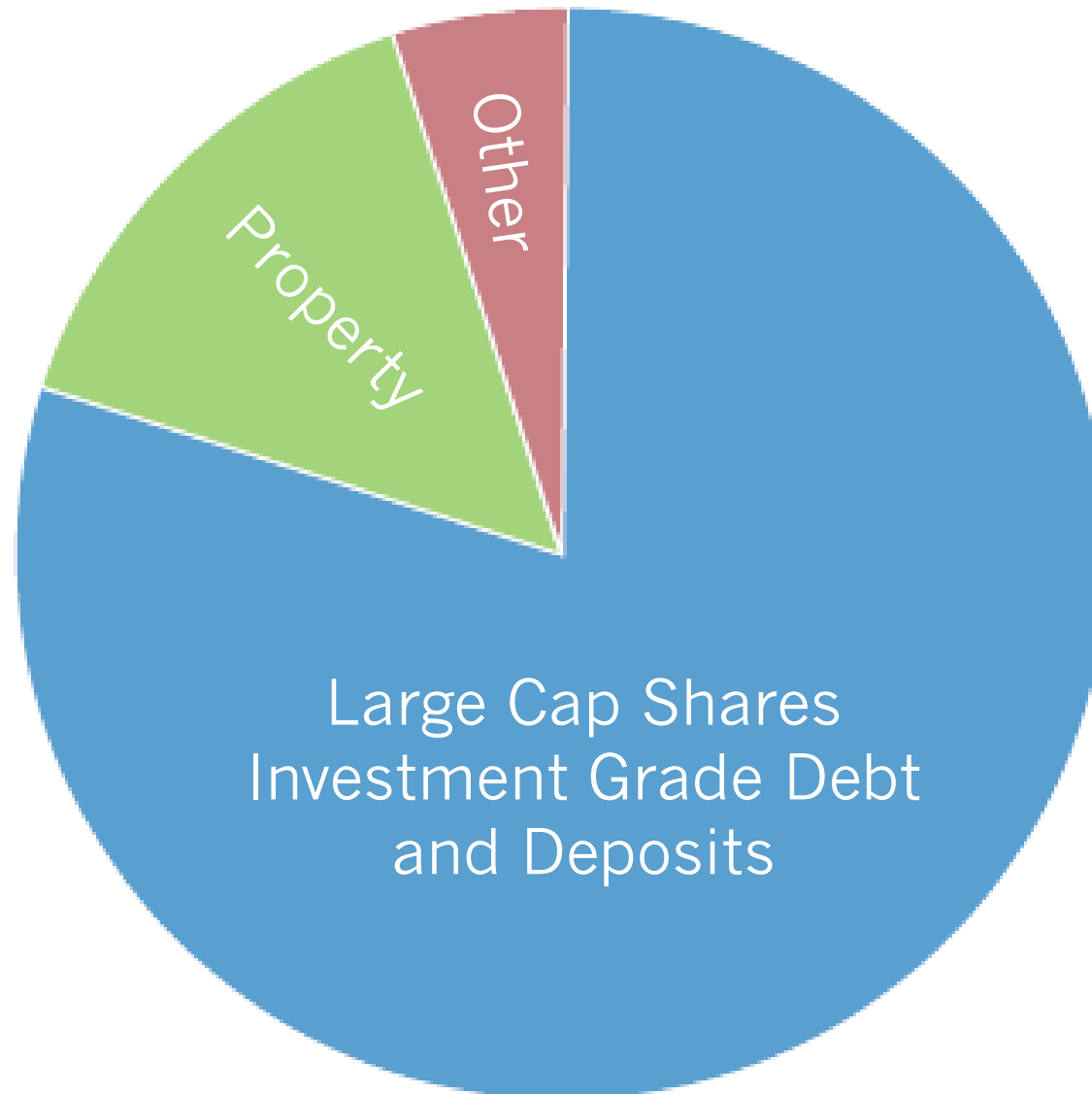
Why the discussion?

Correlation to shares may be too high

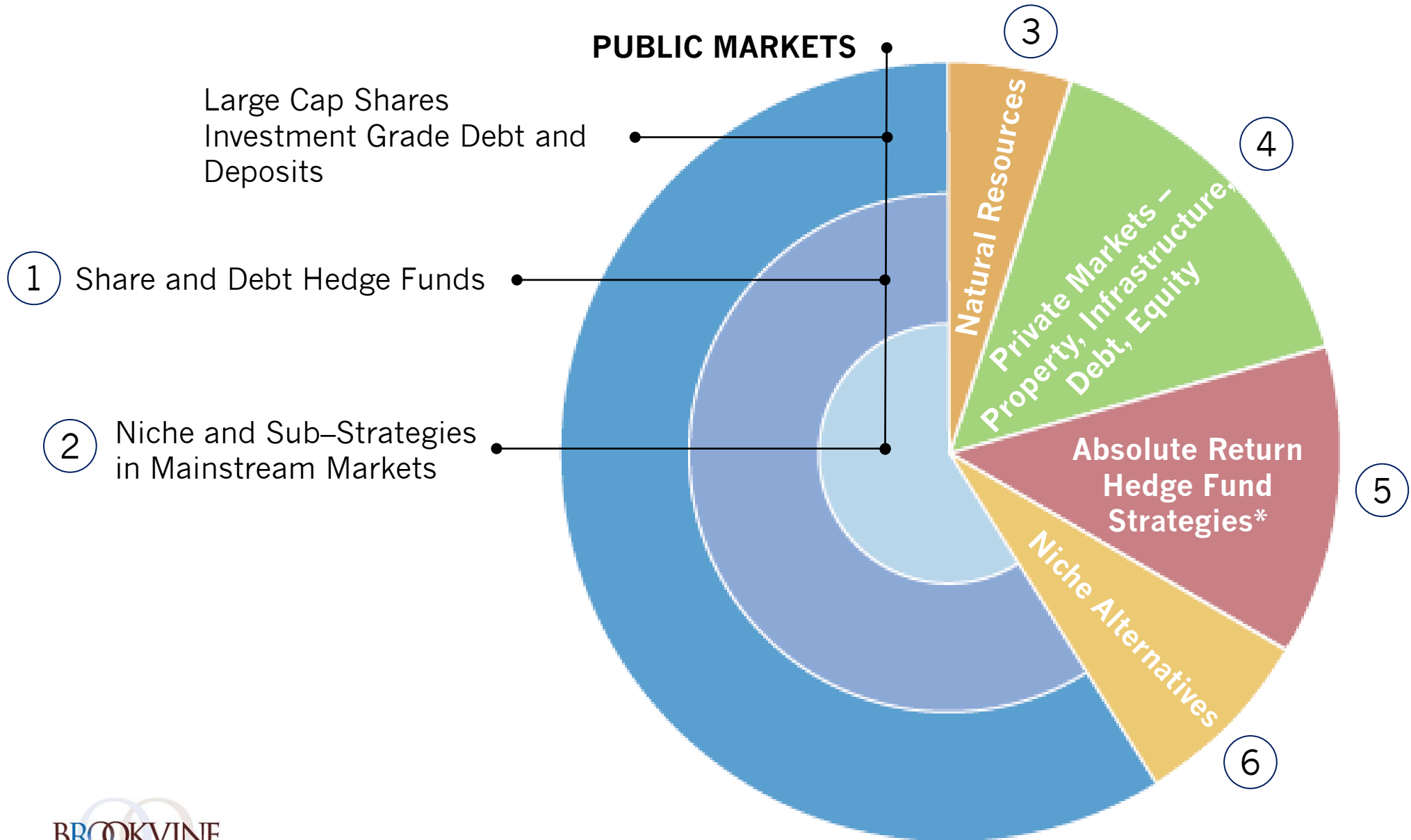


Source: Superratings, SR50 Balanced Median Fund Return

Typical portfolio composition



Alternative portfolio composition



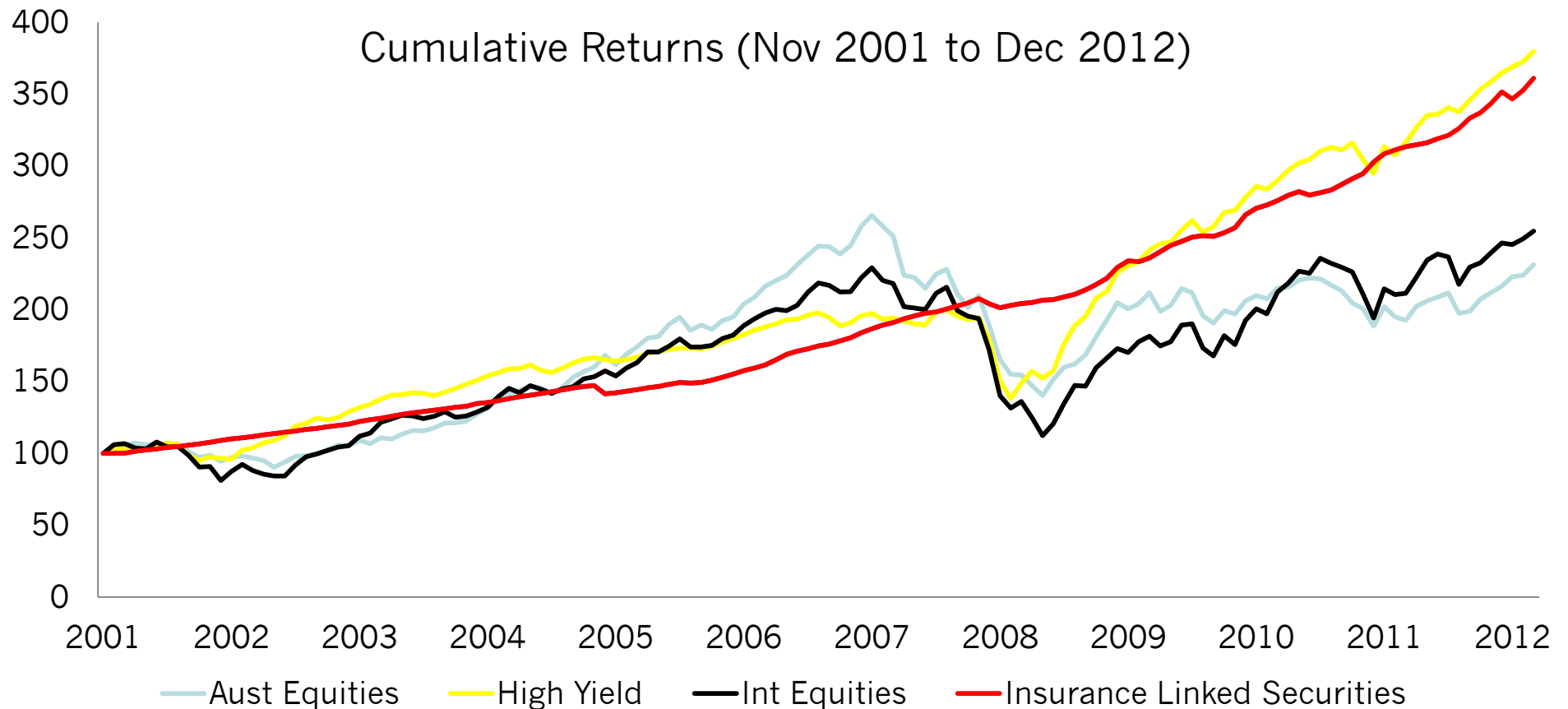
* Targeting low correlation to equity and credit markets

What makes a niche and less correlated alternative?

- Different set of risks and return drivers
- Not easily replicable
- Often undercapitalised and less efficient
- High barriers to entry

Example .. (1) insurance linked securities

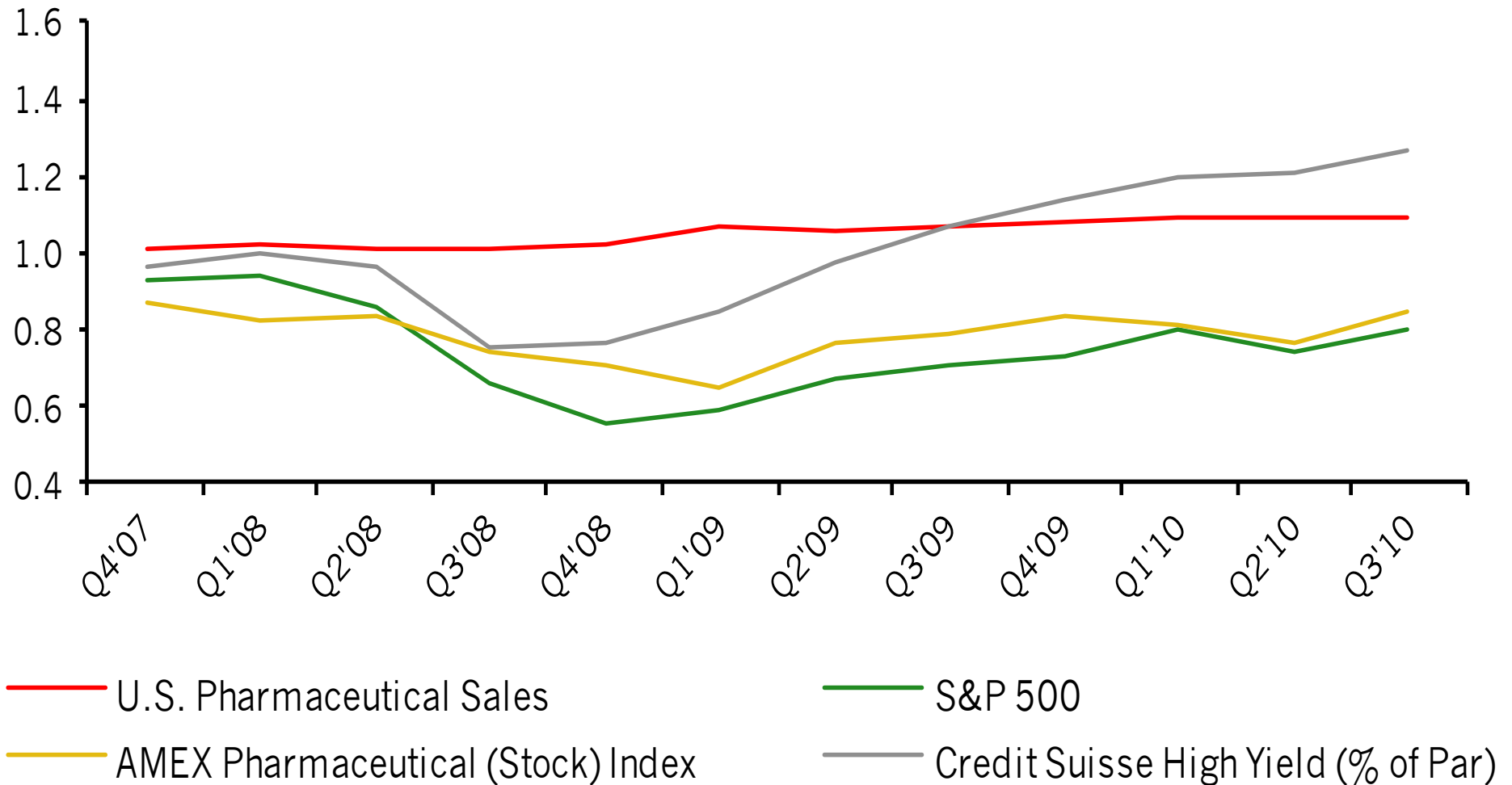
A new(ish) capital product



Insurance Linked Securities (Catastrophe Bonds): Fermat Capital Management, Composite, Gross of Fees (in AUD); Aust Equities: S&P/ASX200 Accumulation Index; High Yield: Merrill Lynch High Yield Bond Index (in AUD); International Equities: MSCI World ex Aust (in AUD)

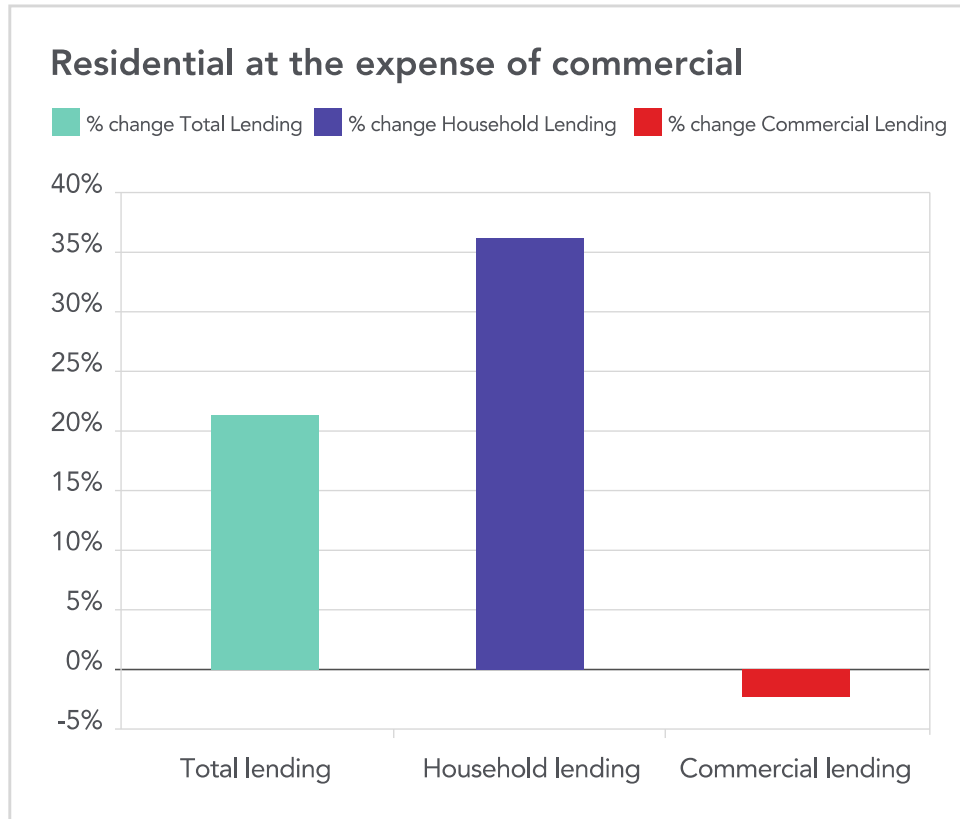
Example .. (2) pharmaceutical royalties

An existing mechanism applied to a new area

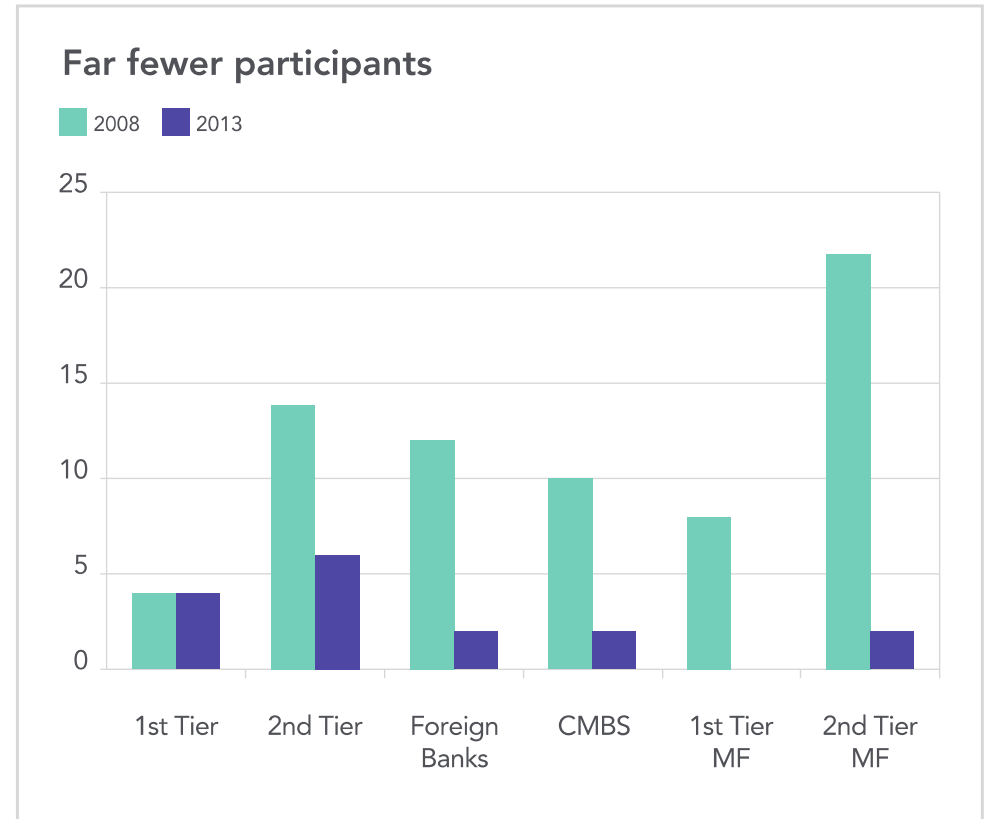


Example .. (3) direct lending

A market-led solution to a market problem



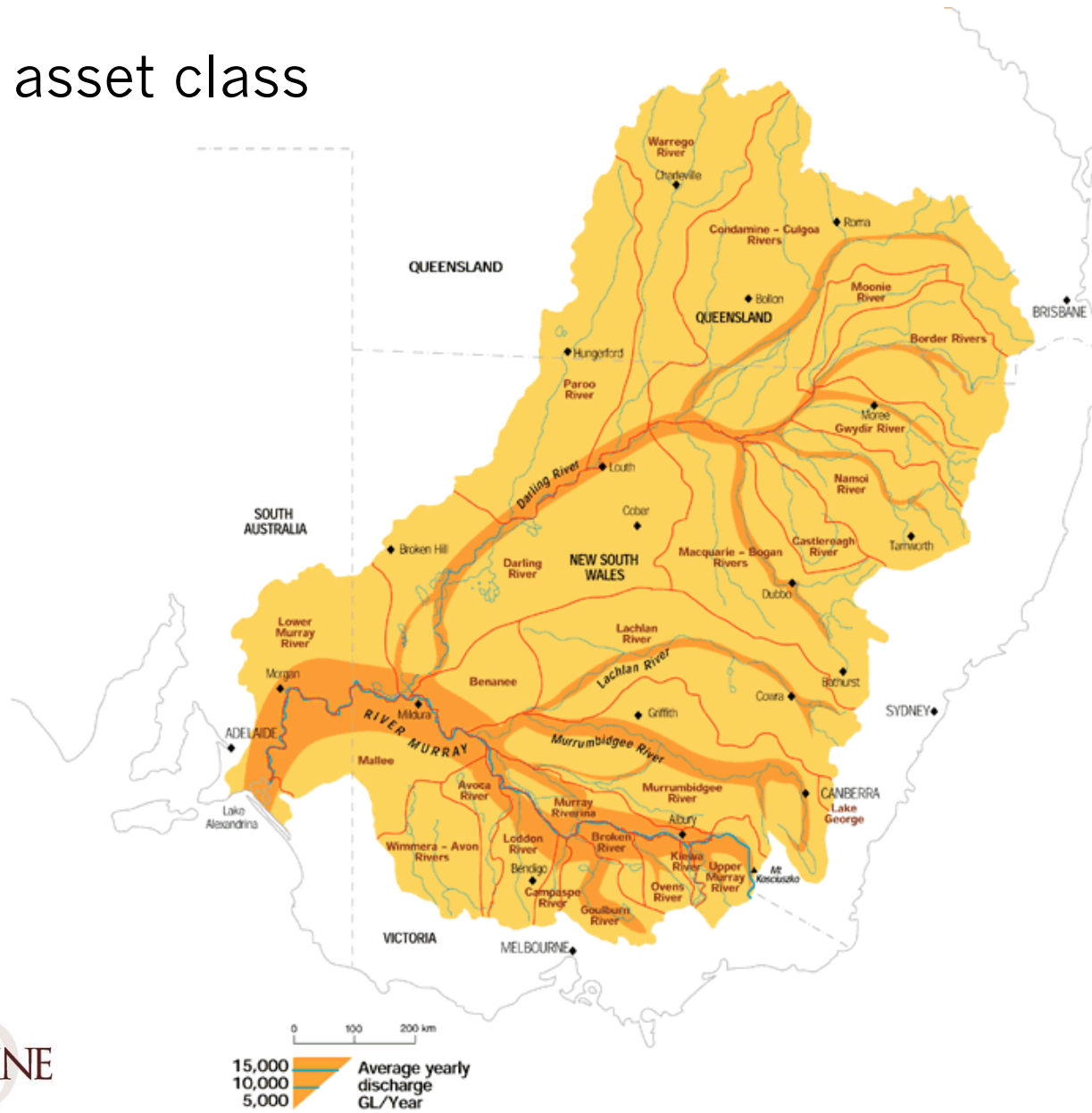
Source: Total Lending Residential, Personal and Commercial RBA, Mar 2008 - Dec 2012



Source: Balmain Corporation

Example .. (4) water entitlements

A new asset class



Challenges

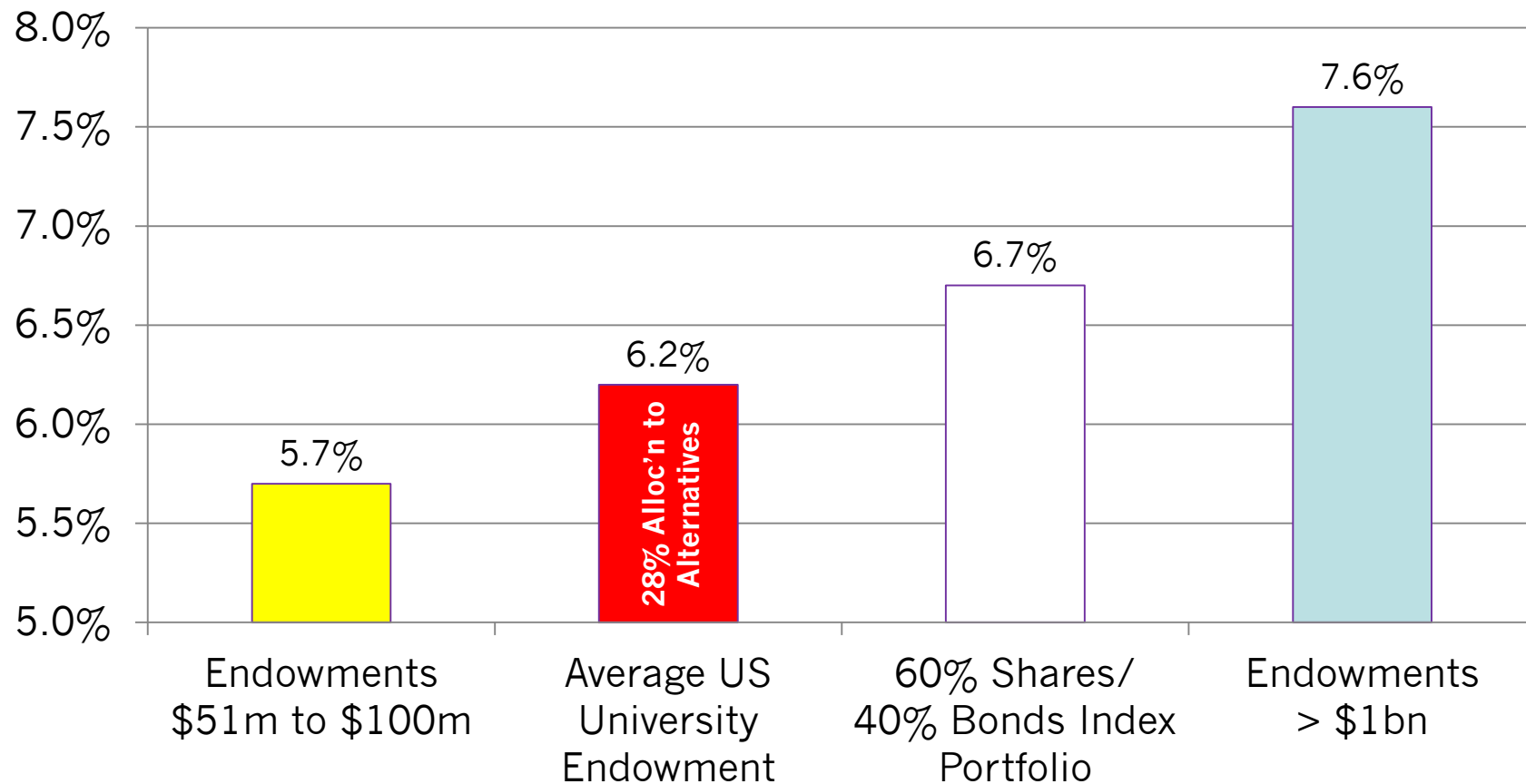


- You may be able to see attractive returns ... but you can't get hold of them
- Markets are liquid ... until they're not
- Assets don't correlate ... until they do

Reality check ...

Small versus large US college & university endowments

Annualised Portfolio Returns (10 Years to June 30, 2012)



Source: 2012 NACUBO-Commonfund Study of Endowments. Released February 2013.
Index Portfolio is 42% Russell 3000 Index, 18% MSCI All Country World Index ex. US and 40% Barclays Aggregate Bond Index, rebalanced annually.

Disclaimer

IMPORTANT NOTE: This document has been prepared by Brookvine Pty Limited solely for the information of the person or persons to whom it has been delivered. The information contained herein is strictly confidential and is only for the use of the person to whom it is presented. The information contained herein may not be reproduced, distributed or published by any recipient for any purpose without the prior written consent of Brookvine Pty Limited. The information contained in this document is drawn from publicly available information, and is therefore subject to inaccuracies. No reliance may be placed for any purpose on the information and opinions contained in this document or their accuracy or completeness.