

The Datt Capital Absolute Return Fund is a long-only, multi-asset fund targeting double digit returns over the medium term, managed by a performance orientated and differentiated boutique fund manager. Our objectives are to minimize the risk of permanent capital loss, achieve an absolute return throughout the economic cycle and temper the market risks typical of equity funds. We believe that utilizing a multi-asset approach reduces downside risk and volatility in returns.



Datt Capital Absolute Return Fund - February 2020

To our valued investors,

Thank you for entrusting your capital and co-investing with us.

For February the Fund provided a net return of -5.85% for the month.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
FY19		2.6%	-1.22%	-4.8%	3.53%	-2.07%	6.97%	1.66%	0.76%	-3.64%	-2.45%	0.79%	1.57%
FY20	4.85%	3.01%	1.72%	0%	1.31%	0.84%	2.02%	-5.85%					7.79%

Asset Allocation for the Fund at February month end was:

CRE debt - 39%

Equities - 53%

Cash - 8%

Derivatives – 0% (liquidation value)

The portfolio returned -5.85% for the month of February vs a fall of -7.69% for the ASX 200 TR index.

The broader market weakness was exacerbated by concerns about the geographic spread of the coronavirus.

We do note the material improvements in the Chinese coronavirus situation where active cases have fallen to less than 20,000 active cases vs a high of approximately 60,000 active cases in less than 3 weeks; and the nation appears to be back to business as usual. There will be similar ebbs and flows in each nations fight against the coronavirus; we expect the current levels of concern to dissipate over time.

Fund Features		Portfolio Analytics ¹	
Investment Objective	To achieve absolute double digit returns over 2-year periods, irrespective of market conditions	Sortino Ratio ²	0.61
Min. Investment	\$100,000	Sharpe Ratio	0.46
Applications/redemptions	Monthly/Quarterly	Standard Deviation (annualised)	10.97%
Distributions	Quarterly	Up/Down Capture ²	46% / 33%
Management Fee (p.a.)	1.025%	Largest Drawdown	-6.00%
Performance Fee (p.a.)	20.5% > benchmark	Winning Month Ratio	63%
Benchmark	RBA rate + 5%	Cumulative Return	9.48%
Fund Administrator	Fundhost	1 year rolling return	2.89%
Auditor	Ernst & Young	3 year rolling return	-
Custodian/PB	NAB Asset Services	5 year rolling return	-
Responsible Entity	Fundhost	Annual Return since inception	5.96%

¹ Actual performance will differ for clients due to timing of their investment. Returns are calculated net of all fees, since inception.

² Sortino and Sharpe ratios assume the Australian cash rate as the applicable risk-free rate. Up/Down capture relative to ASX200 TR index

Investment review

Commercial real estate debt

We evaluated 1 debt deal and made no new investments.

Our real estate debt exposures as at the end of February are:

Name	Location	Type	Maturity	Max LVR/LSR	Interest receivable (per annum)
Project A -Mixed use/Residential infill	Melbourne, Inner East	1st Mortgage Land Facility	June 2021	65%	11%
Project E - Residential infill	Melbourne, Inner West	Special situation	February 2020	77%	17.50%
Project G - Industrial	Melbourne, Inner West	Preferred Equity	July 2021	70%	14.50%
Project H – Residential greenfield	Melbourne, West	1st Mortgage Land Facility	November 2022	57%	11%

Fixed interest

We continue to monitor a number of fixed income instruments in the distressed and special situation space.

Derivatives

We have no current derivative exposure.

Equities

This month our equity performance was negative driven the fall in our two largest exposures, Adriatic Metals and Alkane Resources. We exited our holding in Whitehaven whilst increasing our exposure in Alkane Resources.

All of our equity holdings have clear cut value catalysts ahead of them, all within reasonable timeframes. We believe this may provide us with a degree of insulation from further weakness in the broader market.

Alkane Resources

Alkane during the month of February released a couple of material updates.

A strike of 689m @ 0.46g/t gold, 0.19% copper from 402 metres in depth was achieved in the latest hole (hole 5) from Boda. Hole 5 tested beneath the discovery hole (hole 3) further at depth, and was drilled 100 metres to the east.

This result demonstrated unusually consistent overall grade of mineralisation between hole 3 & hole 5, as well as a very consistent and well-defined higher-grade zone that translated 100m apart with only about 1 metre variance in the size of the zone. There are still 3 more holes to be drilled in the existing program, but we expect Alkane to have a rig onsite on a permanent basis at the conclusion of this initial program.

Alkane also announced the appointment of a managing director for Australian Strategic Materials – its subsidiary that holds the Dubbo Rare Earth Project. This is another positive step towards the eventual demerger of its rare earth assets into a separate ASX listed vehicle, which we anticipate will occur within the next few months.

Our current equity exposures are: **Afterpay, Adriatic Metals, Alice Queen, Alkane Resources, Argonaut Resources, Valmec** and **Yandal Resources**.

Media

A blog “Coronavirus demystified” can be found via this link: <http://bit.ly/Datt-corona>

[For now, the Fund remains open for investment.](#)

To join our Waitlist and Register your interest in the Fund please register via this link:

<http://bit.ly/datt-register>

Please click the link below to view the Fund disclosure documents and apply for an investment online.



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