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 – End of Financial Year Review 2020

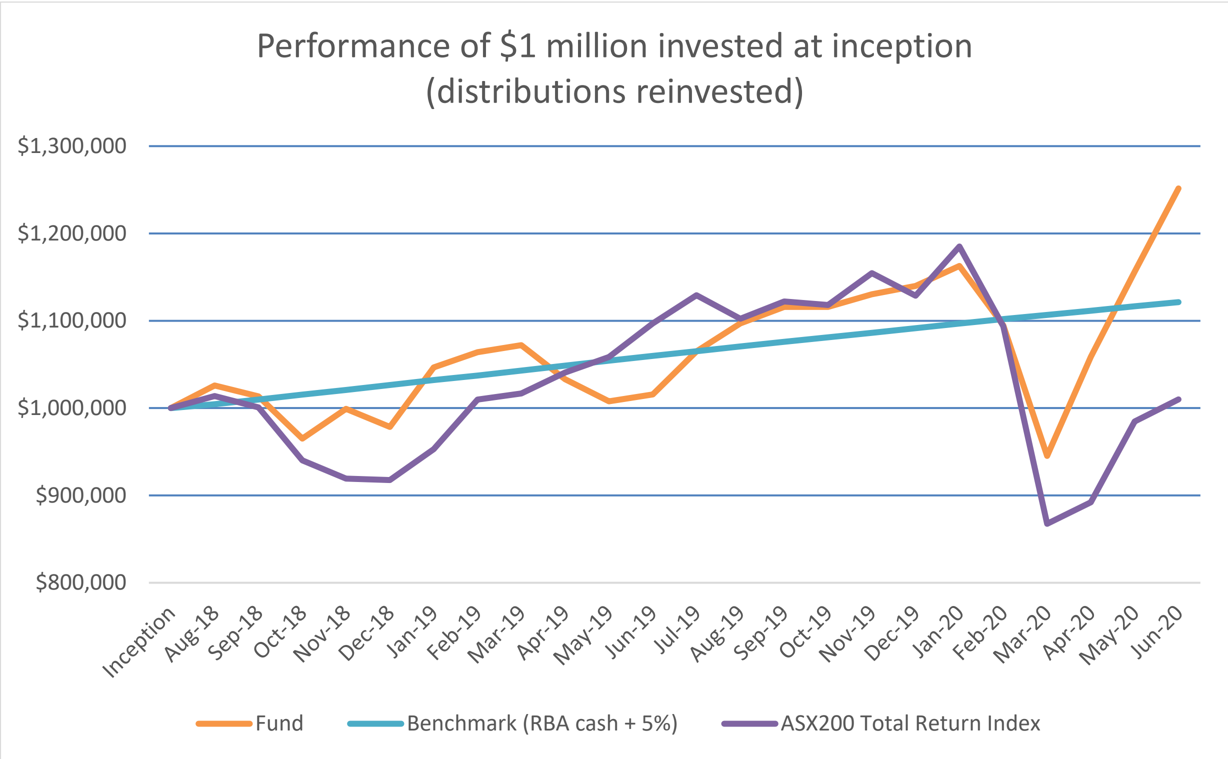
"The way to build long-term returns is through preservation of capital and home runs." - Stanley Druckenmiller

"More harm is done not by the things we don't know, but by the things we think we know to be true but are not" - Mark Twain

To our valued investors,

As we come to the end of the financial year, we celebrate the 23rd month of our Funds operations. FY20 has been a successful and challenging year for us despite the extreme volatility experienced from mid-February. We welcomed a number of new investors this year and spoke to many others.

We start by examining the relative performance of the Fund relative to the Benchmark and the ASX200 Total Return Index, an equity index often used for benchmarking pure equity funds. In addition, we provide portfolio analysis of the Fund's performance relative to the ASX200 Total Return Index over the financial year and since inception.



Financial Year	Datt Capital Absolute Return Fund	Benchmark (RBA cash + 5%)	Outperformance vs Benchmark	ASX200 Total Return Index (TR Index)	Outperformance vs TR Index
2019[1]	1.57%	5.98%	-4.41%	9.69%	-8.12%
2020	23.22%	5.27%	17.95%	-7.93%	31.15%
Net Cumulative Return[1]	25.15%	12.14%	13.01%	1.57%	23.58%
Net Compound Annual Return[1]	12.53%	6.21%	6.32%	0.82%	11.71%

[1] since inception

Portfolio Analytics[1]	Datt Capital Fund – FY20	TR Index – FY20	Datt Capital Fund – since inception	TR Index – since inception
Sortino Ratio[2]	1.37	-0.39	0.90	-0.01
Sharpe Ratio	1.02	-0.20	0.67	0.10
Standard Deviation (annualised)	22.65%	25.39%	18.42%	19.96%
Winning Month Ratio	58%	58%	65%	61%
Return Skew	-0.91	-1.85	-0.47	-2.14
Return Kurtosis	1.62	4.26	1.63	6.67
Average Monthly Return	1.76%	-0.66%	1.12%	0.25%
Up Capture Ratio	141.83%	-	91.22%	-
Down Capture Ratio	51.43%	-	52.89%	-

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

[2] Sortino and Sharpe ratios assume the Australian cash rate as the applicable risk-free rate.

Performance Analysis

The Fund comprehensively outperformed its Benchmark and the ASX200 Total Return Index in FY2020 and since inception. Pleasingly, this was achieved at a lower risk than the broader equity market with the Fund achieving superior risk metrics in terms of volatility, skew, kurtosis and up/down capture ratios relative to the TR Index. We hope to maintain these superior outcomes for our investors going forward and feel that we are well placed going forward.

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Investment Reflection:

Looking back through our Fund performance since inception, we noted a number of elements. In FY2019, we were focused on the wrong investment thesis: Safety. Consequently, we gave a large portion of our return away around 10% due to over-hedging via put options. This was a strong reminder at the time not to attempt to predict or time markets. In retrospect, we would have achieved a greater return in FY2019 by maintaining our holdings in concentrated positions rather than trimming back winning positions.

Success this financial year in 2020 has been driven by not trying to moderate our speed in terms of reducing our positions when winning, focusing on our core, medium-term holding strategy and letting our portfolio structure temper our risk profile instead of trying to time markets via hedging.

In some ways we liken investment managers to Formula 1 race car drivers. These drivers are not necessarily considered dangerous drivers because they drive fast. They are actually considered great drivers because they can go as fast as possible without crashing. In our case, we structurally mitigate the chance of 'crashing' via our asset allocation strategy. We truly are physical, risk-bearing drivers who are allocating and managing our own capital by virtue of related parties holding over 50% of the Funds units on issue. If an investment manager is not aligned in a similar manner it's akin to them playing a video game with other people's money as they are not taking the risk and pain of crashing personally.

Conventional wisdom correlates risk with return which isn't a necessarily correct. For example, we think of an investor like Warren Buffett who has outperformed the broader market for decades – should we typify him as a 'risky' investor because of his returns? In many ways, the true mark of quality is outperforming when others are underperforming with the caveat that the time period must be sufficient and the returns must be realised. Many managers who largely avoided the market downturn in February and March, stubbornly remained anchored to their bearish theses and consequently missed the market rebound despite the market around the low being extremely attractively priced.

Our response in March revealed that we know when to be in the game. We quickly cut non-core positions and recognised the opportunity for what it was: the perfect environment for a skilled active investor to thrive. When governments become active in financial markets for the sole purpose of raising the equity index and providing stability, which fool will disagree and bet against the government by reducing exposure at this particular time? Whilst government intervention is generally only a short-term measure, the opportunity must be grasped by raising your sails and capturing as much wind as possible. In many ways, markets are like nature, the key to surviving is to recognise the cycle by feasting when there is plenty in preparation for the hard times. Accordingly, we feel the biggest risk for investors is not being able to generate a sufficient amount of return for their own purposes which represents a real opportunity cost.

We welcomed a number of new investors this financial year and spoke to many other potential investors. The reality is that by all conventional measures that allocators use in their selection process: being in possession of a long track record, large assets under management, large fund manager pedigree and name recognition within the industry - we fulfill none of the typical criteria. It should be pointed out that not a single one of these attributes nor all of them in combination make the slightest difference if the selected fund does not perform as expected. You cannot live off where an investment manager previously worked, only the net return which the manager provides to you as an investor. We revel in our unconventional approach to investment management which has delivered huge outperformance this financial year relative to the major equity indexes, and bask in our reputation as an unconventional industry 'outsider'.

Fees, benchmarks and the future

We charge fair fees as part of our Fund offering. Performance fees are paid in recognition of our skill as investment managers upon outperformance above the Funds Benchmark. We charge a 1.025% management fee that assists in covering our overheads, along with a performance fee of 20.5% for returns above our benchmark which is the RBA cash rate as at the 1st day of each financial year plus 5%, which is the long-term equity market premium in Australia. This structure is exceedingly fair, especially considering we invest in other lower yielding, more defensive asset classes than equity as part of our investment portfolio as well as holding higher than usual allocations towards cash. Accordingly, investors can be assured that returns above our benchmark are higher quality than pure equity returns whilst also providing additional downside mitigation as demonstrated by our performance during the most volatile months of this financial year. In addition, our 'high water mark' is linked to our benchmark which cannot be a negative value, unlike some other funds where performance fees may be applicable for negative performance that outperforms the linked benchmark.

We are often compared to pure equity funds by investors, who may not be aware of the nuances of our approach. As such we have started comparing our returns to the ASX Total Return Index (XNT), a commonly used benchmark for pure equity funds. This has the added benefit of demonstrating that we are capable of outperforming one of Australia's best-known equity indexes with a generally more conservative approach to asset allocation.

We are glad the investors who have shown faith in us at this early stage of our Fund's lifecycle have been amply rewarded for financial year 2020.

Conclusion

We remain focused on delivering outstanding performance for our investors and will continue to act as a responsible steward for the wealth they have entrusted to us.

The recent difficult market conditions have validated our approach with our strategy outperforming the broader market on the upside and downside.

We possess a rich opportunity set to mine via our research library, with more opportunities than liquidity at present. Our all cap mandate and flexibility in asset allocation allows us to tailor the best exposure given the circumstances for our investors.

We are interested in speaking to the right kind of canny investor who understands and trusts our process to work over time. Whilst our Fund is definitely not for everyone, interested potential investors should lodge an expression of interest via the link below to learn more. Our primary objective is to look after the interests of our existing unit holders, first and foremost, so we have absolutely no interest in growing our funds under management at a rate we consider unsustainable.

We thank all our unit holders for their faith and support over the last financial year and we look forward to another successful year ahead.

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.

APPLY ONLINE

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 - June 2020

To our valued investors,

Thank you for entrusting your capital and co-investing with us. For June the Fund provided a net return of 8.24% for the month. The Fund has achieved a 12-month rolling return of +23.22% vs a fall of -7.93% for the ASX 200 Total Return Index over the same period; outperforming by 31.15%.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	June	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%	-13.66%	12.00%	9.22%	8.24	23.22%

Asset Allocation for the Fund at June month end was:
CRE debt - 30%
Equities - 59%
Cash - 11%

The Fund performed well for the 3rd month in succession with a number of stock positions increasing materially over the month due to positive tailwinds and catalysts being realized. The portfolio remains directed towards growth opportunities and special situations where we feel there remains considerable upside despite the forecast weaker macroeconomic environment.

We are finding many interesting opportunities in the current environment which we feel is exceptionally good for active and creative stock pickers. Our current opportunity set surpasses our present investable funds, so now may be an opportune time to consider an investment into the Fund.

Fund Features		Portfolio Analytics[1]	
Investment Objective	To achieve absolute double digit returns over 2-year periods, irrespective of market conditions	Sortino Ratio[2]	0.90
Min. Investment	$100,000	Sharpe Ratio	0.67
Management Fee (p.a.)	1.025%	Standard Deviation (annualised)	18.42%
Performance Fee (p.a.)	20.5% > benchmark	Winning Month Ratio	65%
Benchmark	RBA rate + 5%	Cumulative Return	25.15%
Fund Administrator	Fundhost	1 year rolling return	23.22%
Auditor	Ernst & Young	3 year rolling return	-
Custodian/PB	NAB Asset Services	5 year rolling return	-
Responsible Entity	Fundhost	Annual Return since inception	12.53%

[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.

Investment review

Fixed income

Our CRE debt portfolio continues to perform as expected. Our focus on short duration, low LVR and double-digit yielding deals restricted to the core Australian cities (Sydney and Melbourne) continue to bear fruit. Project A was successfully repaid in June.

Equities

Our equity portfolio performed very well in June. We continue to find inefficiently priced opportunities in the market, which we continue to exploit tactically.

Self Wealth, one of the funds core holdings, continued to appreciate during the month. We noted the continued strong performance of its web traffic and product reviews, indicating strong customer usage. In addition, we noted the time to open an account over the quarter remained fairly consistent – ranging between 7 days at the March peak to around 5 days at the end of June. This indicated to us that customer signups remain elevated and consistently strong.

Alice Queen resumed its drilling campaign at Yarindury as well as the first test of its Boda East copper-gold porphyry prospect, adjacent to Alkane's copper-gold porphyry discovery at Boda. Alkane have now resumed their drilling campaign at Boda, and we expect there to be significant news flow from both companies over the coming months.

At Horn Island St Barbara, Alice Queen's JV partner, has committed to a $2 million exploration program for FY21; looking for extensions to the existing ~500,000 ounce inferred gold resource. We expect Alice Queen to expend some funds on bringing this resource to indicated status, increasing the value should St Barbara opt to back into the project under the terms of the JV agreement.

Media

1) Owen Rask interviewed Emanuel for another episode of the Australian Investors Podcast. In this episode we talk about portfolio construction, the benefits of unlisted debt, assessing management teams and a mining development company called Adriatic Metals.

Access link: https://bit.ly/Datt-Rask4

<u>For now, the Fund remains open for investment.</u>

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