

## FURY FUND MONTHLY REPORT

September 2018

### Portfolio Performance

	Sept 18	YTD 2018
The Fury Fund* <sup>1</sup>	-4.15%	-6.05%
HFRI EM Asia ex Jpn**	-2.64%	-5.10%

### Exposure

As at 30 Sept 2018	1 mth	Positions
Long Positions	53.18%	16
Short Positions	46.82%	21
Incl. Index Hedges	23.68%	4
Net	6.36%	-

\* The Fury Fund is an unregistered wholesale unit trust in Australia which acts as an AUD hedged feeder fund into The Asian Fury Fund. The Fund's inception date was 1 August 2018. <sup>1</sup> Founder share class.

\*\*HFRI Emerging Markets Asia ex-Japan Index

All performance figures are net of fees and expenses.

### Portfolio Overview

Extreme volatility in the Asian markets continued in September as fears of an escalating U.S and China trade war drove the Hang Seng Index to an intramonth low of 5.5%. For the month, the Fury Fund was down 4.16%.

With trade war headlines dominating the marketplace, stock price movements in September decoupled from fundamentals as reflected in the Macau gaming stocks. The Special Administrative Region reported strong September year-on-year gaming revenue growth of 17.1% (above consensus of low teen growth), however the "risk-off" overarching market attitude drove the sector meaningfully lower. Accordingly, Melco International (down 25.2% for September) was our biggest detractor for the month.

While September showed how macro-economic sentiment can impact stocks in the near term, one of our best performers for the month validated our strong conviction that fundamentals will eventually prove to be determinant. Netease's stock fell in August on concerns surrounding Chinese gaming regulations and a broader Chinese tech sector sell-off despite the company announcing earnings in early August that beat consensus estimates. This month, Netease's stock rallied 15.4% as an attractive valuation (0.8 PEG) combined with robust performance of one of its recently launched games (reached #3 in the rankings of gross billings) refocused the market on Netease's fundamentals.

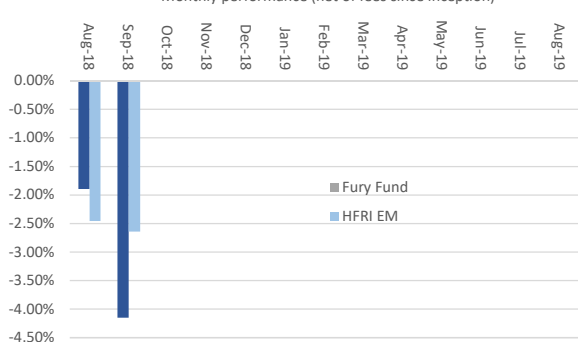
As we enter the fourth quarter of 2018, our expectation is that macro headline risk will continue to create a volatile market for Asian equities providing exciting entry points for many stocks, particularly in the Chinese tech sector where PEG ratios for several major platforms have dropped to near historic lows.

### Fund Strategy

The LSL Partner's Fury Fund strategy aims to deliver high, risk adjusted returns from a concentrated portfolio of well researched listed Asian stocks.

The investment team ranks an investable universe of companies across multiple sector and filters the most under and over valued candidates for further analyses into any embedded controversies that may, or may not, be valid risks to the companies' stock price valuation. A long/short portfolio is constructed of approximately 30 positions from these selected companies. The investment team will seek a prudent balance between long and short exposures within a +/- 25% net market policy exposure range. Any country weight mismatches are neutralised via ETF or derivative instruments where no market view is taken. Net target returns are in excess of 10% per annum with a Sharpe ratio above one.

Monthly performance (net of fees since inception)



### LSL Partners Fury Fund Features

Fund type	Asia Pacific Long/Short
Inception Date	1 August 2018
Min. Initial Investment	AUD 500000
Management Fee	1.50%
Performance Fee	20% of performance
Distribution Frequency	Annually
Applications/Withdrawals	Monthly
Buy/Sell Spread	None

### LSL Partners Fury Fund - Net Monthly Returns

	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FY
Fury Fund 2018	-	-1.90%	-4.15%	-	-	-	-	-	-	-	-	-	-6.05%
HFRI EM	-	-2.46%	-2.64%	-	-	-	-	-	-	-	-	-	-5.10%

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**Date of preparation:** 15 October 2018 - LSL Partners Pty Limited (CAR No. 001264850 of Fundhost AFSL No. 233045)