

and you could improve your returns

Change your view on Alternatives

Look into Alternatives before your clients do.

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WINSTON
CAPITAL PARTNERS

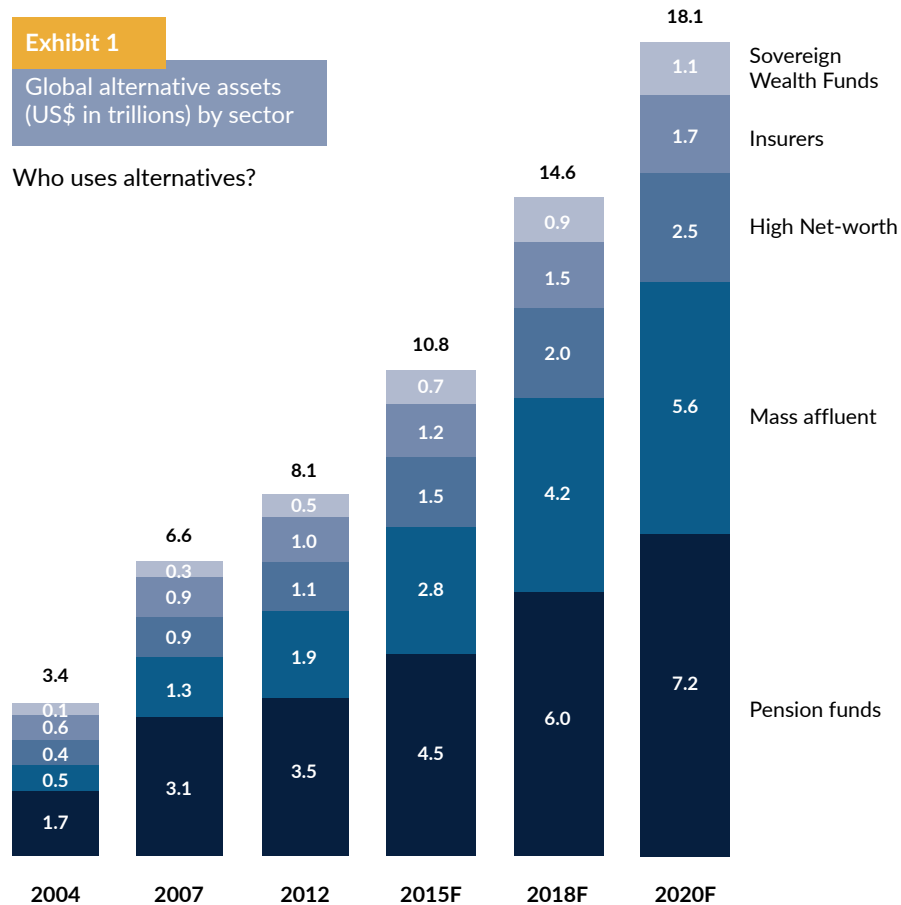
Alternatives aren't as alternative as you might think.



Exhibit 1

Global alternative assets (US\$ in trillions) by sector

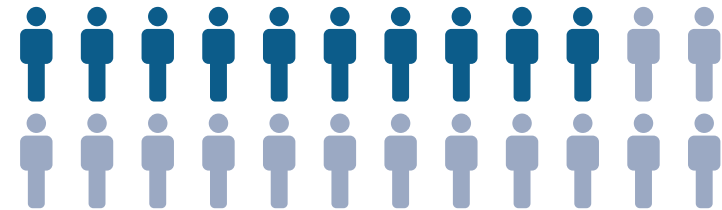
Who uses alternatives?



Fact #1

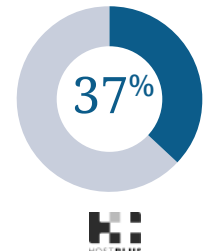
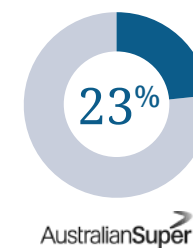
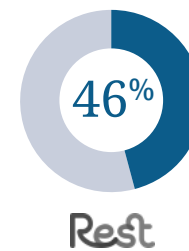


The average Alternative Allocation across Australia's largest and most popular Super Funds is more than 30%



Fact #2

More than 10 million Australians have at least 30% of their Superannuation invested in Alternatives



Source: Strategy& and PWC - www.strategyand.pwc.com/media/file/Alternative-investments.pdf

Sources: Rest Annual Report 30 June 2017 https://www.rest.com.au/Document-Library/Publications/Annual-Report/REST-Industry-Super_Annual_Report_2017.pdf
 Australian Super Annual Report 30 June 2017 <https://www.australiansuper.com/-/media/australian-super/files/about-us/annual-reports/2017-annual-report.pdf?la=en>
 Host Plus Annual Report 30 June 2017 <https://hostplus.com.au/-/media/Files/Hostplus/Documents/Annual-Reports/2017/Hostplus-Annual-Report-2017.pdf?la=en>

And it has served them well.

Industry funds' superior diversification has helped them consistently outperform retail funds



Industry funds outperform retail funds for 2016/2017 year, and longer term

November 8, 2017 by Trish Power — 2 Comments

Note: This article compares the investment performance of industry super funds and retail super funds for the 2016/2017 financial year, and over 5 years and 10 years to 30 June 2017. You can also access the performance comparison of performance for industry funds and retail funds going back to 2007/2008. A comparison of performance for industry funds and retail funds going back to 2007/2008 is available in the SuperGuide. (80% of fund members are invested in the growth investment option for the latest calendar year, see SuperGuide for the 2017 calendar year, and longer term).

The median growth investment return for the 2016/2017 financial year (the 2014/2015 year), according to the explanation of a growth investment: What is the difference?

A 'median' return is the return for the 2016/2017 financial year (the 2014/2015 year), according to the explanation of a growth investment: What is the difference? funds gain 10.8% for 2016/2017 financial year, see SuperGuide for the 2017 calendar year, and longer term).

Industry Super funds 'systematically' outperform retail funds: report

By Eryk Bagshaw
28 May 2018 — 6:12pm

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A \$10 billion industry superannuation fund is significantly underperforming for up to 250,000 members, opening the \$534 billion union-linked sector to another attack by the Coalition as it seeks to influence the dominance of the funds in the sector.

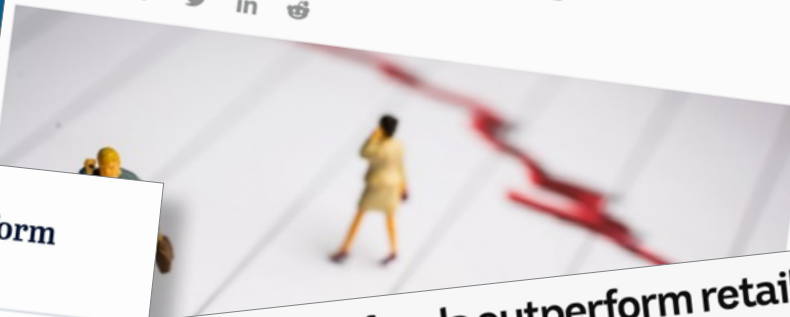
A landmark report by the Productivity Commission has found overall not-for-profit industry super funds outperformed retail for-profit funds but up to 10 of 26 underperforming default funds were in the industry-backed category.



Recommendations from the Productivity Commission will boost your super and simplify the system. Economics editor Peter Martin explains.

Retail funds exposed as superannuation's laggards

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Industry super funds outperform retail, partly due to lower share exposure

By business reporter Michael Janda
Updated 22 Jul 2016, 8:11am

Industry super funds have continued to outperform their for-profit rivals, with data from SuperRatings showing a 1.72 percentage point gap in returns last financial year.

The data, released by Industry Super Australia (ISA), show that the not-for-profit sector beat bank-owned super funds over one, three, five, seven and ten years.

The gap in rolling ten-year returns was 2.21 per cent in favour of the industry funds.



Sources: Australian Financial Review <http://www.afr.com/personal-finance/superannuation-and-smsfs/retail-funds-exposed-as-superannuations-laggards-20180528-h10m6j>
Sydney Morning Herald <https://www.smh.com.au/politics/federal/industry-super-funds-systematically-outperform-retail-funds-report-20180528-p4zhy7.html>
SuperGuide <https://www.superguide.com.au/boost-your-superannuation/industry-funds-retail-funds-performance-comparison>
ABC News <http://www.abc.net.au/news/2016-07-21/industry-super-funds-outperform-retail-lower-share-exposure/7649306>

The power of true diversification.



		S&P/ASX All Ordinaries TR	S&P/ASX Small Ordinaries TR AUD	MSCI World Ex Australia NR AUD	BBgBarc Global Aggregate TR Hdg AUD	Bloomberg AusBond Composite 0+Y TR AUD	S&P Global Infrastructure TR Hdg AUD	S&P/ASX 300 A-REIT TR	TReuters/CoreCommodity CRB TR USD	SG CTA PR USD
Australian Equities	S&P/ASX All Ordinaries TR	1.00	0.90	0.47	0.08	-0.31	0.75	0.68	0.08	-0.51
	S&P/ASX Small Ordinaries TR AUD	0.90	1.00	0.41	0.09	-0.32	0.72	0.58	0.11	-0.58
Global Equities	MSCI World Ex Australia NR AUD	0.47	0.41	1.00	-0.17	-0.03	0.48	0.44	0.30	0.17
Fixed Interest	BBgBarc Global Aggregate TR Hdg AUD	0.08	0.09	-0.17	1.00	0.60	0.26	0.31	-0.39	0.02
	Bloomberg AusBond Composite 0+Y TR AUD	-0.31	-0.32	-0.03	0.60	1.00	-0.17	0.07	-0.23	0.51
Property and Infrastructure	S&P Global Infrastructure TR Hdg AUD	0.75	0.72	0.48	0.26	-0.17	1.00	0.65	0.05	-0.49
	S&P/ASX 300 A-REIT TR	0.68	0.58	0.44	0.31	0.07	0.65	1.00	0.08	-0.25
Commodity Index/Commodities	TReuters/CoreCommodity CRB TR USD	0.08	0.11	0.30	-0.39	-0.23	0.05	0.08	1.00	0.02
Managed Futures Index	SG CTA PR USD	-0.51	-0.58	0.17	0.02	0.51	-0.49	-0.25	0.02	1.00

- True Diversification is achieved when lowly correlated assets are combined with each other
- Industry funds have known this for some time, and their higher performance is partly explained by their superior diversification
- Diversification is not achieved when large cap Australian equities and are combined with small cap Australian equities as the table highlights
- Correlations should be judged over the long term and not over 1 year time periods

Source: Morningstar, Foresight Analytics - 10 Year Asset Class Correlations to April 2018

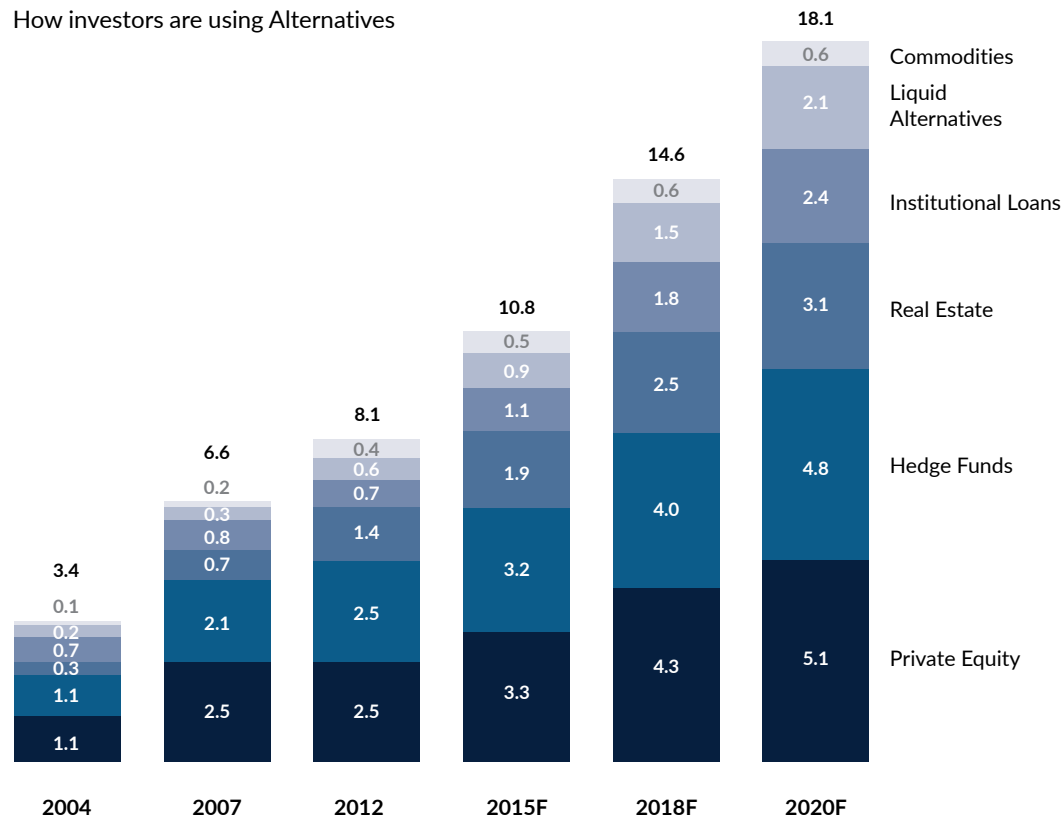
So, what are Alternatives?



Exhibit 2

Global Alternative assets
(US\$ in trillions) by asset class type

How investors are using Alternatives



Alternative investments are those that are proven to be lowly correlated with traditional asset classes like bonds, equities and property over the long term.

They include asset classes such as private equity, commodities, and precious metals, and alternative investment strategies, where fund managers may invest in traditional assets, but in a different way. For example, market neutral equities, merger arbitrage, global macro, long term trend following, hedge fund risk premia, momentum and other such strategies to generate positive long term returns that are lowly correlated with traditional assets classes.

And the great news for financial advisers is that these strategies are now available in liquid forms, that are transparent, and where the fees are lower than in the past.

When added to a portfolio of traditional assets, alternatives can lower overall portfolio volatility, improve long term returns, lower the drawdowns and smooth the path of returns. These portfolio benefits are important because we know from the behavioural finance literature that if investors experience less volatility, they are more likely to stay invested during times of market stress, meaning they are more likely to achieve their long-term investment objectives.

And to be clear, the correlation benefits of adding alternatives, should be measured over the long term – there may be times when correlations rise but this does not diminish their value, as the Industry Funds' long term returns can attest too.

The chart on Page 4 shows the 10 year correlations between the various asset classes, including managed futures, infrastructure and commodities, alongside traditional assets. It is this period in which combining lowly correlated assets should be measured.

It's never been easier for financial advisers to invest in alternatives.



CFM has made it simple for financial advisers to access liquid alternative strategies based on empirical data

CFM ISTrends – Long Term Trend Following

Class A

- Volatility – ~10%
- MER 0.80% p.a.
- Performance Fee 10%
- Daily priced

Class B

- Volatility – ~15% p.a.
- MER 1.425% p.a.
- Performance Fee 0%
- Daily priced

Long Term Trend Following

Commodities

- Grains
- Base Metals
- Precious Metals
- Energy
- Softs
- Meats

Currencies

- AUD
- CAD
- CHF
- EUR
- GBP
- MXP
- NZD
- JPY
- USD

Bonds

- US
- UK
- Canada
- Europe
- Australia
- Japan
- Korea

Rates

- US
- Canada
- Australia
- Europe
- Japan

Equities

- US
- UK
- Canada
- Europe
- Australia
- Japan
- Korea
- Hong Kong
- Taiwan



CFM ISDiversified – Core Alternative Beta Solution

- Volatility – ~6% p.a.
- MER 1.30% p.a.
- 10% Performance Fee

- Daily Priced
- Multi Strategy
- Multi Asset

Multi Strategy Alternative Beta

Trend Following 30%

- Currencies
- Bonds
- Rates
- Equities

Equity Market Neutral 30%

- Value
- Momentum
- Quality
- 1,500 Stocks

Alternative Risk Premia 30%

- Universal Carry
- Currencies
- Credit
- Equities

Short Volatility

- Bonds
- Equities
- Currencies
- Rates

Universal Value 10%

- Equities
- Bonds
- Rates



The above list is provided for information purposes and may change in the future

I'd like to know more about what effect Alternatives could have on my portfolio.

If you have any questions or would like to meet to discuss how advisers are using Alternatives in their portfolios, please contact any of the relevant Winston Capital BDM's below:

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