

AUSTRALIAN

RESEARCH

INDEPENDENT INVESTMENT RESEARCH

Evans & Partners Global Disruption Fund

July 2017

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Independent Investment Research, "IIR", is an independent investment research house based in Australia and the United States. IIR specialises in the analysis of high quality commissioned research for Brokers, Family Offices and Fund Managers. IIR distributes its research in Asia, United States and the Americas. IIR does not participate in any corporate or capital raising activity and therefore it does not have any inherent bias that may result from research that is linked to any corporate/ capital raising activity.

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- 3) Our research does not provide a recommendation, in that, we do not provide a "Buy, Sell or Hold" on any stocks. This is left to the Adviser who knows their client and the individual portfolio of the client.
- 4) Our research process for valuation is usually more conservative than what is adopted in Broking firms in general sense. Our firm has a conservative bias on assumptions provided by management as compared to Broking firms.
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- 6) All staff are not allowed to trade in any stock or accept stock options before, during and after (for a period of 6 weeks) the research process.

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Note: This report is based on information provided by the Issuer as at June 2017



Key Investment Information

Name of Fund	Evans & Partners Global Disruption Fund
Investment Manager	Evans And Partners Investment Management Pty Limited
ASX Code	EGD
Offer Open	26 June 2017
Close Date	18 July 2017
Listing Date	31 July 2017
Min/Max Raise (Gross)	\$50-\$150M
Issue Price	\$1.60
Pro-forma NTA	\$1.55
NTA Pricing	Monthly
Distribution Frequency	Semi-annual*
Benchmark	N/A
MER	1.28% p.a.
Performance Fee	Nil
Objective	Provide investors with capital growth over the long-term through exposure to companies that will benefit from disruptive innovation.

Fees Commentary

The MER is 1.28% with total estimated costs being 1.52%. This is at the higher end of the costs spectrum, but not unexpected for a high conviction relatively low FUM investment mandate.

* based on the operating income of the Fund (excluding unrealised gains and losses). It is anticipated the Fund will receive only limited dividends and distributions from its investments.

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

OFFER OVERVIEW

The Evans & Partners Global Disruption Fund (the 'Fund') is designed to provide investors with capital growth over the long-term through exposure to companies that will benefit from disruptive innovation. It is a high conviction thematic based mandate with a portfolio that is expected to comprise 10 to 20 largely international listed securities that may operate in sectors such as digital media, cloud computing, ecommerce, payment systems, and artificial intelligence. The portfolio will be constructed and managed by the Investment Manager, Evans and Partners Investment Management Pty Limited, who will draw upon the knowledge, experience and insights of an Investment Committee with a very high degree of industry experience rather than by individuals occupying a traditional portfolio manager role. The Investment Committee will, however, be assisted in analytical efforts by a 'Portfolio Consultant'. Along with the thematic nature of the investment strategy, the key differentiating factor, in our view, is the calibre of the Investment Committee, consisting of highly experienced and well connected individuals whose experience is relevant in various ways to identifying companies that may be impacted by, or represent the driver of disruptive innovation. Richard Goyder is the Managing Director and CEO of Wesfarmers, Paul Bassat is the co-founder of Seek Limited and Square Peg Capital. David Thodey is the former CEO of Telstra and the current Chairman of the CSIRO. Sally Herman is a former executive of Westpac Group Institutional Bank and BT Financial Group. Jeffrey Cole is a Director of the Center for the Digital Future at the USC Annenberg School for Communication and Journalism and founder and director of the World Internet Project. David Evans and Portfolio Consultant Raymond Tong provide relevant equities market experience to a committee that otherwise lacks direct investment management experience, albeit we note the members significant business and industry experience. The Fund is seeking to raise \$100m (with over-subscriptions to \$150m) and list on the ASX under the code EGD.

INVESTOR SUITABILITY

IIR believes the Fund has the potential to provide Australian investors with a number of benefits. Firstly, the Fund provides local investors with access to global disruption themes that are re-shaping industries and benefiting particular companies. Secondly, exposure to companies that are potential beneficiaries of disruption may provide investors a hedge against the disruptive effects felt across various industries and, by extension, a potential hedge for their existing investment portfolios. It could be argued that Australian equities investors are particularly exposed to the risks of disruption, given the Australian market is often characterised by oligopolies and large dominant companies but often companies that are not at the forefront of innovation. Thirdly, the Fund has the potential to provide domestic investors with greater geographic diversification in a country where domestic investors often exhibit a significant home country bias in their portfolios. From a risk-return perspective, we perceive the Fund as moderately high risk-return. By its very nature, the thematic of the Fund entails risk, specifically trying to identify forces of change and those companies that may benefit from that change.

RECOMMENDATION

In IIR's view, the key appeal of the Fund is essentially two-fold: the thematic nature of the investment mandate and the calibre and experience of the Investment Committee. While the lack of direct equities and portfolio management experience of the Investment Committee could be seen as a negative, disruptive innovation is a thematic where, in our view, the key is understanding companies and products and services more so than the nuances of investment analysis (modelling, valuations, etc). In this regard, the direct industry experience and the variety of that experience across the Investment Committee members places it in a strong position. We do note, however, that the Investment Committee is newly formed and unproven. Overall, IIR rates Evans & Partners Global Disruption Fund RECOMMENDED.

SWOT ANALYSIS

Strength

- ◆ An Investment Committee with a significant amount of experience, pedigree and a range of different industry backgrounds relevant to identifying companies that may be beneficiaries of disruptive innovation.
- ◆ An attractive thematic that not only presents significant growth potential but also the potential to act as a hedge to domestic investors that have exposure to Australian companies that may be adversely impacted by disruptive technologies.
- ◆ The advantages of a listed entity in terms of liquidity, pricing and the information transparency associated with regular ASX releases.

Weakness

- ◆ The Investment Committee is newly formed, has no performance history and the majority of members have no direct equities or portfolio management experience, albeit with significant industry experience.
- ◆ The portfolio is yet to be established creating a lack of visibility in this regard and attendant investment risks.

Opportunities

- ◆ The Fund provides an opportunity to invest in internationally domiciled disruptive companies through an ASX listed investment vehicle.
- ◆ Exposure to companies that are potential beneficiaries of disruption may provide investors a hedge against the disruptive effects felt across various industries and, by extension, a potential hedge for their existing investment portfolios. It could be argued that Australian equities investors are particularly exposed to the risks of disruption, given the Australian market is often characterised by oligopolies and large dominant companies but companies that are often not at the forefront on innovation.
- ◆ The Fund has the potential to provide domestic investors with greater geographic diversification in a country where domestic investors often exhibit a significant home country bias in their portfolios.

Threats

- ◆ The Fund has an investment mandate centred around identification of investment opportunities expected to benefit from disruptive innovation. By its very nature, this involves risk and it may be difficult to predict technological, operational, financial and security price performance of securities in a constantly evolving disruptive environment.
- ◆ The Fund's investments will be primarily denominated in foreign currencies. The value of the Fund will be affected by increases and decreases in the value of the Australian dollar against foreign currencies in which investments are held, except to the extent any hedging of the portfolio is implemented. Hedging is not currently intended.
- ◆ The portfolio will be intentionally concentrated which brings associated risks.

PRODUCT OVERVIEW

The Fund aims to invest in companies that have proven abilities to disrupt, and the potential to continue to disrupt, existing markets and companies as well as a selection of smaller innovators who have the potential to successfully disrupt existing industries and companies. Complementing a relatively large exposure to major listed global companies will be a selection of smaller positions identified by the Investment Manager that have the potential to successfully disrupt existing industries and companies.

It is our expectation is the portfolio may have something of a core-satellite characteristic, representing a mix of larger, relative 'safe' companies (Alphabet, Apple, for example) and smaller less established companies.

The Investment Manager may seek to identify and source opportunities in unlisted Australian and international companies that are typically at an earlier stage in their business life-cycle than the Fund's listed investments but which have a disruptive business model or technology that the Investment Manager believes has the potential to be successful. This may involve

participation in pre-IPO fund raisings but will not encompass early stage or venture capital-type investments.

All investments are subject to the Investment Manager's review and approval. The Investment Manager will have day-to-day portfolio oversight and will provide risk management. As Investment Manager for the Fund, Evans and Partners Investment Management Pty Limited has appointed an Investment Committee of highly experienced corporate executives who, in conjunction with the Portfolio Consultant, will generate investment ideas, undertake due diligence, monitor industry developments, and make portfolio management recommendations to the Investment Manager.

As responsible entity, Walsh & Company is responsible for the operation and administration of the Fund, including by providing fund management and administrative services to the Fund, such as company secretarial, administrative and operational support services, and investor relations services.

The Investment Manager does not presently intend to hedge against currency risk but may re-evaluate the hedging policy in the event of changes to the prevailing exchange rates and economic conditions.

The offer comprises an offer of a minimum of 31.25 million units and a maximum of 62.50 million Units. The responsible entity may, at its discretion, accept oversubscriptions for up to an additional 31.25 million units. The offer comprises an offer of units at a price per unit of \$1.60.

MANAGEMENT GROUP PROFILE

The Responsible Entity and the Investment Manager are members of the Evans Dixon Group. The Evans Dixon group was formed in the latter part of 2016 when Evans and Partners and Dixon Advisory merged their two entities. Their existing businesses, Evans and Partners, Dixon Advisory and Walsh & Company, retain their identities under the merged group. Evans Dixon is now a significant Australian investment and wealth management business with enhanced capability and broad client offerings across Asset Management, Corporate Advisory, Institutional Equities & Debt, Private Wealth Management and Self-Managed Superannuation.

INVESTMENT TEAM

The Investment Committee will provide recommendations to the Investment Manager, in respect of investment decisions and portfolio construction. The primary role of the Investment Committee is to:

- ◆ identify investment themes and opportunities;
- ◆ review information and carry out research and analysis with respect to potential and existing investments; and
- ◆ provide recommendations to the Investment Manager regarding the allocation of the Fund's capital.

Formal Investment Committee meetings will be held on a monthly basis. However, in the interim, there is expected to be regular less formal communication in relation to necessary updates or the discussion of investment ideas.

The relevant experience of the Investment Committee members and Portfolio Consultant is summarised below.

David Evans BCOM (MONASH) Chair. Executive Chairmain of Evans Dixon. Director of Seven West Media and Chairman of Cricket Australia's Investment Committee. Previously Managing Director and Chief of Staff at Goldman Sachs JBWere.

Richard Goyder AO, BCOM (UWA) Committee Member. Managing Director and CEO of Wesfarmers Limited. Chairman of the Australian Football League Commissions, incoming director and Chairman of Woodside Petroleum Limited, nominee director of Qantas Airways Limited.

Paul Bassat, BCOM, LLB. (MELB) Committee Member. Co-founder of Square Peg Capital and co-founder of Seek Limited. Director of Wesfarmers Limited and board member of Innovation Australia and the Peter MacCallum Cancer Foundation.

David Thodey AO, BA (VU WELLINGTON), HON DOC (DEAKIN) Committee Member.

Former CEO and Executive Director of Telstra. Chairman of the Commonwealth Scientific and Industrial Research Organisation (CSIRO), Chairman of JobsNSW, advisory board member of Square Peg Capital and Unified Healthcare Group.

Sally Herman BA (UNSW), GAICD Committee Member. Former executive of Westpac Group Institutional Bank and BT Financial Group Director of Suncorp Group Limited, Premier Investments Limited and Breville Group Limited. Board member of Investec Property Limited and Sydney Harbour Federation Trust

Jeffrey Cole PH.D. Committee Member. Director of the Center for the Digital Future as the USC Annenberg School for Communication and Journalism. Founder and director of the World Internet Project. Adviser to governments and large global companies on digital strategies

Raymond Tong BE (Hons), BCom, CFA Portfolio Consultant. Evans and Partners Senior Research Analyst, previously Goldman Sachs. Rated in the top three analysts in the Australian telecoms sector over a number of years, as well as having covered other industry sectors over the years. Raymond commenced at Evans and Partners in January of this year. The role represents his first in relation to portfolio management, with his prior relevant experience limited to the 'sell side'. Raymond is not a voting Investment Committee member, rather he acts as a 'consultant' to the Investment Committee members. Raymond also has access to an assistant analyst to provide additional resourcing.

INVESTMENT PROCESS

Investment Philosophy

Walsh & Company notes that the term disruptive innovation was coined to describe a process where a smaller company with fewer resources initially targets a particular market niche and then eventually displaces previously dominant competitors, with its offering taken up by the primary market. However, today colloquial usage of the term "disruption" or "disruptive innovation" tends to be more broad, describing the role innovation plays in significantly transforming markets, industries, and companies. Disruption has become increasingly prevalent over recent years, driven by advancements in technology such as fixed line broadband, developments in mobile network speeds and capacity, smartphones, cloud technology and the internet of things.

Furthermore, Walsh & Company notes that technology advancements have allowed companies to increase productivity, reach new customers and introduce new products. These advancements have, in many instances, lowered barriers to entry and enabled new entrants with innovative approaches to solve complex business problems, better serve customers and/or improve efficiencies to a greater extent than previously seen.

Notably, many industries and businesses targeting the consumption of information have been significantly affected by technology since the turn of the century. Walsh & Company notes that this is at least partly due to technology facilitating the transition to online distribution models that have enhanced speed of delivery and consumer convenience – mobile phones, media, music and movies being four prominent examples. In many instances the impacts upon existing businesses in these industries have been far reaching, both operationally and financially.

The Investment Manager is of the view that the pace of technological innovation is likely to accelerate, with future technological advancements benefiting from previous developments, potentially creating opportunity for further disruptive innovation and in-turn business and investment opportunities.

Investment Strategy

The types of investments in which the Fund may invest will be primarily international and Australian securities that are quoted for trading on a financial market, as well as some unquoted securities (or interests in such securities).

Subject to market conditions, it is intended the initial portfolio will be substantially invested within three months of the offer closing date. From that time, the Investment Manager will target approximately 10 to 20 investments.

The Investment Manager will target a concentrated portfolio of investments (primarily listed companies) which may exhibit some or all of the following characteristics:

- ◆ a proven ability to disrupt, and continue to disrupt, existing markets and businesses;
- ◆ the ability to utilise new technology to disrupt existing industries;
- ◆ demonstrated growth potential and scalability; and
- ◆ an appropriate capital structure to fund research and development, as well as growth.

Complementing a relatively large exposure to the major listed global companies will be a selection of smaller positions identified by the Investment Committee that have the potential to successfully disrupt existing industries and companies.

Investment Process

Market Review

In the first stage of the investment process the Fund implements a top-down thematic approach.

Examples of these key themes include the growth of ecommerce over traditional retail, the evolution of payment systems, and artificial intelligence.

The Investment Committee and Portfolio Consultant seek to gain an understanding of the role disruptive innovation plays in global and domestic markets and the impact it may have upon existing industries and businesses. By applying their knowledge and expertise in this area, the Investment Committee and the Portfolio Consultant have identified, and will continue to monitor for, key themes that are associated with disruption.

These key investment themes guide the Fund's investment process by focusing research efforts on specific industries and companies in these areas, and these themes are ultimately expressed through the portfolio's individual security holdings.

Idea Generation

Following market review and the identification of targeted disruptive themes, initial screening is used to identify listed companies, globally, which may be beneficiaries of these disruption related themes. Screens are both quantitative and qualitative, depending on the investment theme and companies being assessed. The Fund also monitors initial public offerings to identify new listed companies with potentially disruptive business models.

Investment ideas may also be sourced from the Investment Committee or Portfolio Consultant through their industry knowledge and networks. These may include a selection of smaller companies that have the potential to be successful but are not currently listed. This may involve participation in pre-IPO fund raisings but will not encompass early stage or venture capital-type investments.

Security Selection

The initial screening process enables the Investment Manager to maintain a database of companies that have been identified as having some or all of the following characteristics: a proven ability to disrupt, and continue to disrupt, existing markets and businesses; the ability to utilise new technology to disrupt existing industries; demonstrated growth potential and scalability; and an appropriate capital structure to fund research and development, as well as growth.

The Portfolio Consultant and/or Investment Manager then conduct in-depth, bottom-up research and analysis on the identified securities, as well as frequent monitoring of existing securities within the database. This bottom-up research may involve: industry; business quality, operational, and financial analysis; evaluation of management; and valuation.

Companies are assessed against criteria which may include: competitive advantage of the product, or service, within a market and meaningful barriers to entry; growth potential; management team capability and depth; corporate strategy; balance sheet strength and cash flow generation capacity; and attractive valuations relative to price.

Following in-depth assessment of the short-listed securities, the Portfolio Consultant then makes recommendations to the Investment Committee regarding the purchase or sale of securities in the portfolio, based on the relative attractiveness of securities. Recommendations may take place on an ad-hoc basis or at regularly scheduled Investment Committee meetings. Following consideration by the Investment Committee, any approved

security purchase or sale will then be recommended to the Investment Manager for approval and trade execution.

Portfolio Management

The portfolio is constructed in a concentrated, benchmark unaware manner. When determining security weightings, a range of factors will be considered. For each security, this may include: the assessed valuation to price; business quality and risk; company size and liquidity; portfolio concentration (including by sector, product and geographic market); and each security's correlation to existing portfolio holdings.

The Investment Manager will target the following portfolio construction, once the Fund is substantially invested: 30–98% in listed international equities; up to 20% in listed Australian equities; 2–50% in Cash; at the time of acquisition, a maximum weighting of 15% for any one security; and not more than 20% of the portfolio to comprise unlisted securities, measured at the time of the latest acquisition of unlisted securities.

Subject to market conditions, it is intended the initial portfolio will be substantially invested within three months of the offer closing date.

DISTRIBUTIONS POLICY

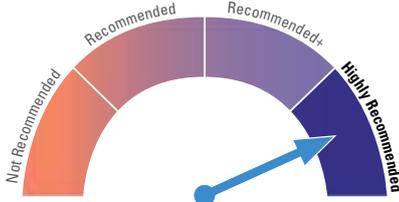
The Responsible Entity will generally determine the distributable income of the Fund for each financial year based on operating income of the Fund (which excludes unrealised gains and losses). As many of the underlying investments are not expected to have high dividend payout ratios, it is anticipated that the Fund will receive only limited dividends and distributions from its investments.

In assessing the suitability of a distribution, the Responsible Entity will consider, in its absolute discretion, a number of factors including the following: the distribution and dividend profile of the underlying portfolio; maintaining a stable distribution profile of the Fund; and any taxation implications.

APPENDIX A – RATINGS PROCESS

Independent Investment Research Pty Ltd “IIR” rating system.

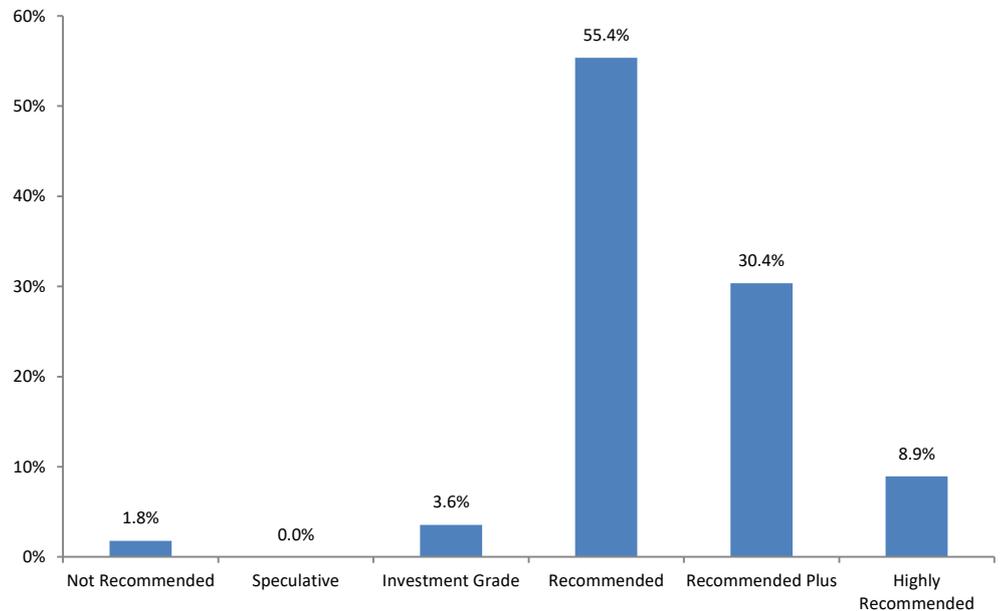
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: product management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
<p>Highly Recommended</p> 	<p>83 and above</p> <p>This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.</p>
<p>Recommended +</p> 	<p>79–82</p> <p>This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.</p>
<p>Recommended</p> 	<p>60–78</p> <p>This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.</p>
<p>Not Recommended</p> 	<p><60</p> <p>This rating indicates that IIR believes this is a suitable product that has met the aggregate requirements of our review process across a number of key evaluation criteria. The product provides some unique diversification opportunities, but may not stand apart from its peers. It has an acceptable risk/return trade-off and should generate risk adjusted returns in line with stated investment objectives. However, concerns over one or more features mean that it may not be suitable for most investors.</p>

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

SPREAD OF MANAGED INVESTMENT RATINGS



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For further information, please contact IIR at: client.services@independentresearch.com.au



Independent Investment Research (Aust.) Pty Limited

SYDNEY OFFICE

Level 1, 350 George Street
Sydney NSW 2000
Phone: +61 2 8001 6693
Main Fax: +61 2 8072 2170
ABN 11 152 172 079

MELBOURNE OFFICE

Level 7, 20–22 Albert Road
South Melbourne VIC 3205
Phone: +61 3 8678 1766
Main Fax: +61 3 8678 1826

HONG KONG OFFICE

1303 COFCO Tower
262 Gloucester Road
Causeway Bay, Hong Kong

DENVER OFFICE

200 Quebec Street
300-111, Denver Colorado USA
Phone: +1 161 412 444 724

MAILING ADDRESS

PO Box H297 Australia Square
NSW 1215