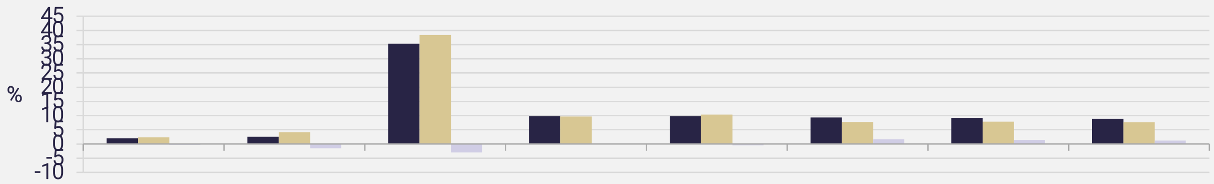
Fund Update

PLATYPUS
ASSET MANAGEMENT

Platypus Systematic Growth Fund

31 March 2021
QUARTERLY

Performance as at 31 March 2021



	1 mth %	3 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	7 yrs % p.a.	10 yrs % p.a.	Since inception % p.a.
Total return	**2.01**	**2.60**	**35.33**	**9.82**	**9.82**	**9.37**	**9.24**	**8.91**
S&P/ASX 300 Acc. Index	2.30	4.15	38.34	9.73	10.32	7.77	7.86	7.66
Active return	-0.29	-1.55	-3.01	0.09	-0.50	1.60	1.38	1.25

Performance returns are calculated after fees and expenses and assume the reinvestment of distributions. Past performance is not a reliable indicator of future performance. Inception date for performance calculations is 24 November 2009.

Quarter in Review

The portfolio returned 2.60% in the 2021 March quarter and underperformed the benchmark by -1.55%. Notable contributions to relative performance came from Harvey Norman +0.21%, Lynas Rare Earths +0.19% and OZ Minerals +0.16%. Notable detractors included Westpac -0.78%, NAB -0.37% and Charter Hall -0.22%.

At the sector level positive contributions came from Materials 0.69%, Consumer Discretionary 0.31% and Industrials 0.17%. While notable detractors at sector level were Financials -1.59%, Real Estate -0.69% and Communication Services -0.35%.

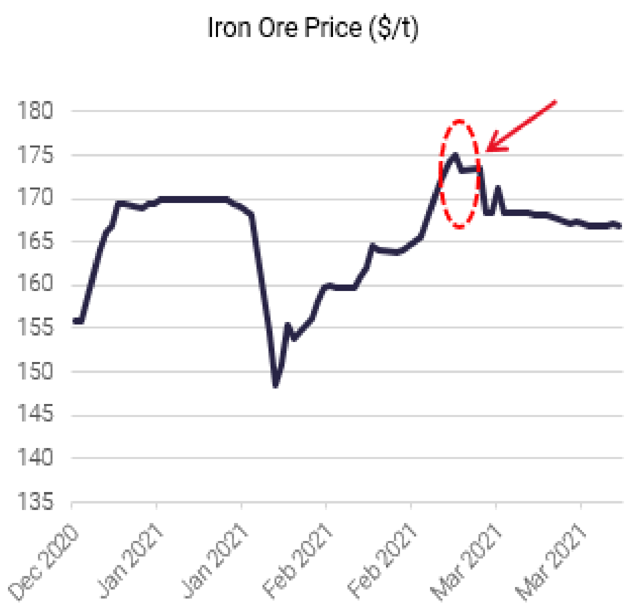
Sector in Review

The S&P/ASX300 index returned 4.15% in the quarter, with all 3 months posting positive returns. The index accelerated its positive return into March returning 2.3% for the month but underperformed global benchmarks in local currencies.

The market was led higher by Financials, Communication Services and Consumer Discretionary, while Information Technology lagged, weighing down the index.

In other notable items, sovereign bonds sold off with the Australian 10 Year bond yield rising 85bps and the US 10 Year yield rising 83bps during the quarter. As we discuss later in this report, the jury is still out on if the US 10 Year yield rising is the mean reverting in nature as the global economy recovers from the pandemic, or a start of a more structural bear market in bonds. The narrowing of the spread between US and Australian 10-year yield, combined with a pullback in commodity prices contributed to AUD depreciation against USD to 0.76.

On the commodities front, Brent prices were up US$12/bbl in the quarter to US$64/bbl as vaccine optimism took hold. Iron prices ended the quarter up 3% after an intra-month spike to US$175/t. The big picture is iron ore prices continued to strengthen in the quarter (highest in the last 6-7 years) but sold off from mid-March on the pollution problems in Tangshan. The price of Gold eased some US$179/oz during the quarter as central bankers' confidence on economic growth and price stability remained elevated.



Source: Factset, Platypus

The index rose throughout all 3 months as vaccine programs progress in various parts of the world. Israel was ahead of the pack with 30% of their population covered by Jan followed by a large proportion of their over 65's

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covered by Feb. Early indications of their vaccine data appeared positive. The initial volatility re leadership transition in the US appeared to be dealt with earlier in the quarter with Biden administration taking over the executive arm of the US government. On the other hand, the rise of the bond yields did not spark any concerns from central bankers. They remained confident of their ability to achieve their objectives of economic growth and price stability. In this environment it was not surprising to see base metals and crude prices rallying and gold prices softening.

Domestically, the first half FY21 earnings season was the focus for investors who would have been pleased with what corporate Australia had to report. FY21 estimated earnings per share has been revised upwards to 21.7% over FY20, some 880bps better than what the market expected heading into February.

Global and domestic macroeconomic data continues to be strong in the quarter and we are starting to see a pullback of stimulatory measures across regions where the COVID outbreak has been brought under control, and domestic economies could reopen sooner (e.g. China). Domestically, house prices continued to rise and unemployment data points to a very tight labour market; however, JobKeeper and JobSeeker measure have just come to an end and we will monitor to see what, if any impact, this has on domestic economy going forward. The domestic prudential regulator reiterated that housing credit supply should not weaken and that managing house prices is not the regulator's job.

In other news, a ship blocking the Suez Canal was not freed until the end of March, therefore causing further disruption to already strained global supply chains.

Factor Analysis

Momentum was strong over the quarter, but because it was concentrated in more cyclical names, the overall portfolio underperformed the benchmark. From a broad factor perspective, although cheap stocks rallied, an equal weighted value portfolio as measured by price-to-book, underperformed the benchmark. Stocks with higher on average return on equity did worse than those cheap stocks, as did stocks that are ranked as having good ESG. As value continues to rally, we expect that the stocks that rallied initially will become more expensive, and their momentum rank will continue to improve. We expect the portfolio to slowly rotate into these better performing names, as can be seen in the increased financials weight.

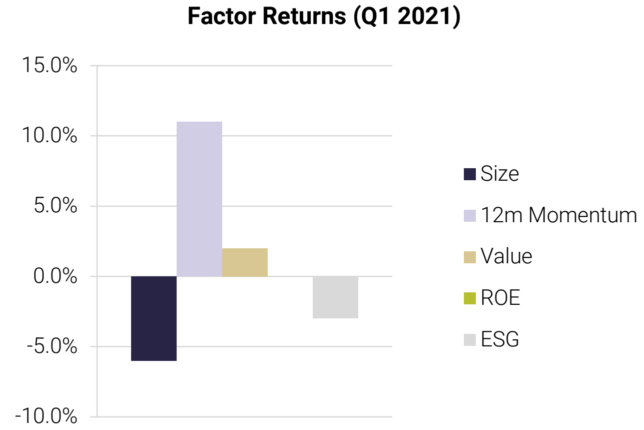


Chart 1: Top quartile factor alphas for the quarter. This is the compounded return obtained from the top 75 stocks in the ASX 300, sorted by size, momentum, value and ROE respectively, compared to the index performance.

The portfolio trades at a premium to the market-cap benchmark as measured by price-to-book (2.32x vs 2.25x) and at a discount when measured by forward price-to-earnings (17.20x vs 18.38x). The Financials sector weight increased through the quarter, while the portfolio reduced its largest weight in the materials sector since 2011 by a small amount.

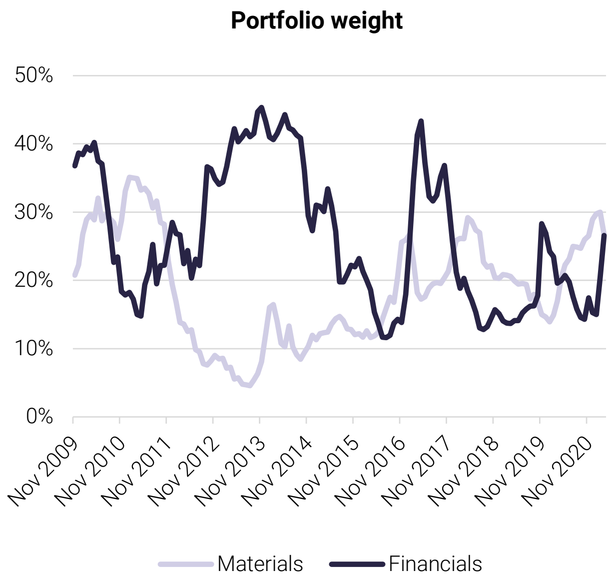


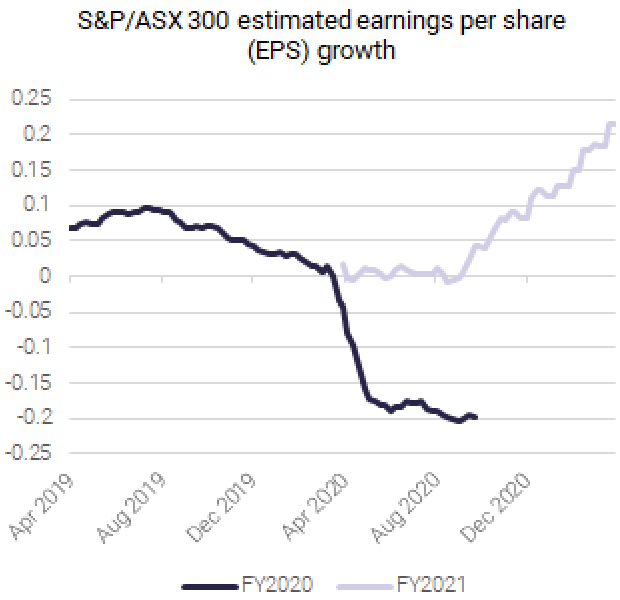
Chart 2: Financials and materials weight through time.

Outlook

The backdrop for equities markets remains broadly positive for the remainder of 2021.

As the restrictions to movement introduced to contain the COVID-19 pandemic are eased the global economy is recovering from the sharp contraction that was induced by them. The world seems to be learning to live with the virus which has meant that each subsequent wave has been less damaging to economic activity. Further, a number of efficacious vaccines have been approved and their roll out is progressing well in some geographies. In particular the US but with mixed execution elsewhere, Europe being a prime example. All in all, it seems fair to expect that COVID-19 will be substantially behind us towards the end of 2021.

Global corporate earnings have rebounded in sync with an improving economy. The S&P/ASX300 estimated earnings per share growth for FY2021 (chart below) now stands at 21.7% after the February reporting season.



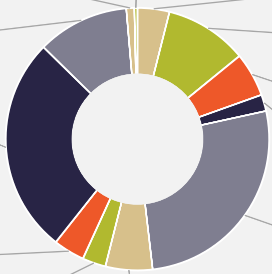
Source: Factset, Platypus

The economic recovery comes as policy picture remains highly supportive for markets. Global central banks have committed to keeping interest rates low for an extended period of time, whilst a whole raft of fiscal support measures deployed last year have been extended in many economies to combat the subsequent waves of the pandemic.

Having said all this, in addition the markets have had a 'V' shaped rebound since the lows of March 2020 and have captured a good part of the improvement in the economy and corporate profits. It would therefore be reasonable to expect the markets to consolidate and digest the gains in the near term before attempting to recapture the pre-COVID high of 7,150 on the S&P/ASX300, at some point in 2021.

Commentary courtesy of Platypus Asset Management Pty Limited ABN 33 118 016 087, AFS Licence No. 301294

Sector Allocation



GICS Sector	Portfolio%	Benchmark%	Active%
Communication Services	3.92	4.18	-0.26
Consumer Discretionary	10.17	8.03	2.13
Consumer Staples	5.44	5.61	-0.17
Energy	2.03	3.73	-1.70
Financials	26.60	29.28	-2.68
Health Care	5.77	9.99	-4.23
Industrials	2.88	6.79	-3.91
Information Technology	3.84	4.20	-0.36
Materials	26.72	19.95	6.77
Real Estate	11.29	6.97	4.31
Utilities	0.98	1.27	-0.28
Cash	0.38	0.00	0.38

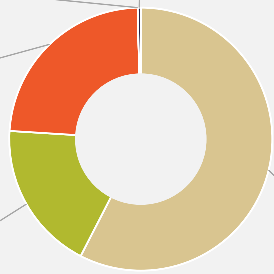
Asset Allocation

Asset Class	Portfolio%
Australian Shares	99.62
Cash	0.38

Top 5 Holdings

Company	Portfolio%	Benchmark%	Active%
BHP Group Limited	8.48	6.75	1.73
Commonwealth Bank of Australia	7.46	7.73	-0.28
Wesfarmers Limited	4.94	3.02	1.92
Australia and New Zealand Banking Group Limited	4.73	4.06	0.67
CSL Limited	3.77	6.09	-2.32

Market Capitalisation



Market Cap Band	Portfolio%	Benchmark%	Active%
Top 50	57.56	74.10	-16.54
Mid 50	18.43	13.26	5.17
Ex 100	23.63	12.63	11.00
Non benchmark	0.00	0.00	0.00
Cash	0.38	0.00	0.38

Fund Snapshot

	Wholesale Units
APIR Code	AUS0036AU
Inception date	24 November 2009
Fund size (net asset value)	$24 m
Minimum initial investment	$5,000
Management Fees	0.41% p.a
Estimated Recoverable Expenses	0.12% of net asset value of the Fund for each financial year ending 30 June.
Buy/Sell spread	0.20%/0.20%
Distributions	Half yearly
Advice fee	Available

Important Information