

Investment Update

September 2018

INVESTMENT RETURNS to 30 September 2018

	3 Months %	1 Year %	3 Years % p.a.	5 Years % p.a.	10 Years % p.a.	Since Inception % p.a.
ARA Investment Fund						
Defensive	1.4	3.9	4.3	4.7	3.8	4.9 (April 2003)
Growth	2.2	6.3	7.5	7.3	5.8	6.3 (April 2003)
Equities	2.5	6.3	7.3	6.4	6.8	7.0 (August 2003)
ARA Retirement Fund – Accumulation (taxed)						
Defensive	1.2	3.1	3.8	4.1	3.5	4.0 (April 2005)
Growth	2.0	5.2	6.7	6.7	5.5	5.6 (April 2005)
Equities	2.2	5.3	6.0	5.6	6.2	6.0 (April 2005)
ARA Retirement Fund – Pension (untaxed)						
Defensive	1.3	4.0	4.2	4.6	3.9	4.6 (April 2005)
Growth	2.2	6.4	7.3	7.4	6.3	6.3 (April 2005)
Equities	2.4	6.2	6.9	n/a	n/a	6.5 (October 2013)

Returns quoted are after all costs, and before the application of management fee rebates. Exclude commissions payable prior to 1/7/2006.

Return figures for the ARA Investment Fund are pre-tax and do not include the additional benefit of franking credits as the net result is dependent on individual investors' tax position. Assume the re-investment of distributions.

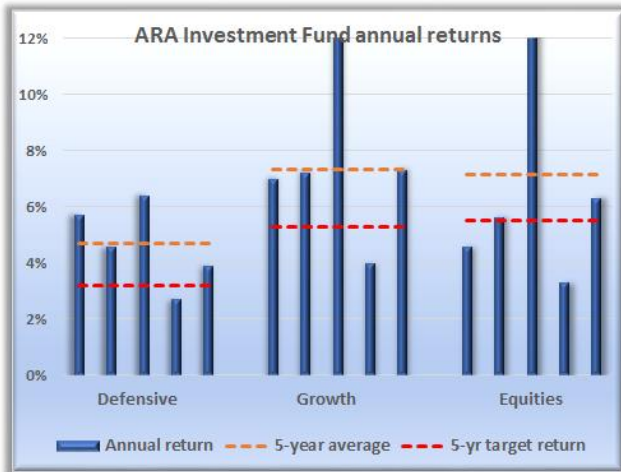
Return figures for the ARA Retirement Fund – Accumulation (Taxed) are net of all fees and tax on earnings at the statutory rate of 15%.

Return figures for the ARA Retirement Fund – Pension (Untaxed) are net of all fees and tax including the refund of franking credits.

ARA Retirement Fund returns are best estimates based on Investment Fund return—may be subject to minor change pending quarter end audit.

3 month return figures are for the three months to 30 September 2018 and are not annualised. Past performance does not ensure or imply a future result.

The portfolios started the new financial year in a solid fashion, keeping short and longer term performance well above target. The chart below shows the past five annual returns for each portfolio (to September 30) and five year averages vs their respective targets.



This is quite a happy state of affairs given that all portfolios are carrying substantial cash and term deposits, in the name of protection against downside risk. Something must be going OK, and these things stand out:

ProTen & Yumi's

These two stalwart investment assets were the subject of successful sale offers during the quarter at prices that were materially higher than their holding value in the Fund's books.

Both have been outstanding investments and textbook examples of how private equity investments should work. Buy into a quality

business alongside committed management at an attractive price, build the business up, then sell the larger entity on better terms. ProTen returned about 2.5 times our original investment and Yumi's about 4.4 times, in 3 and 4 years respectively.

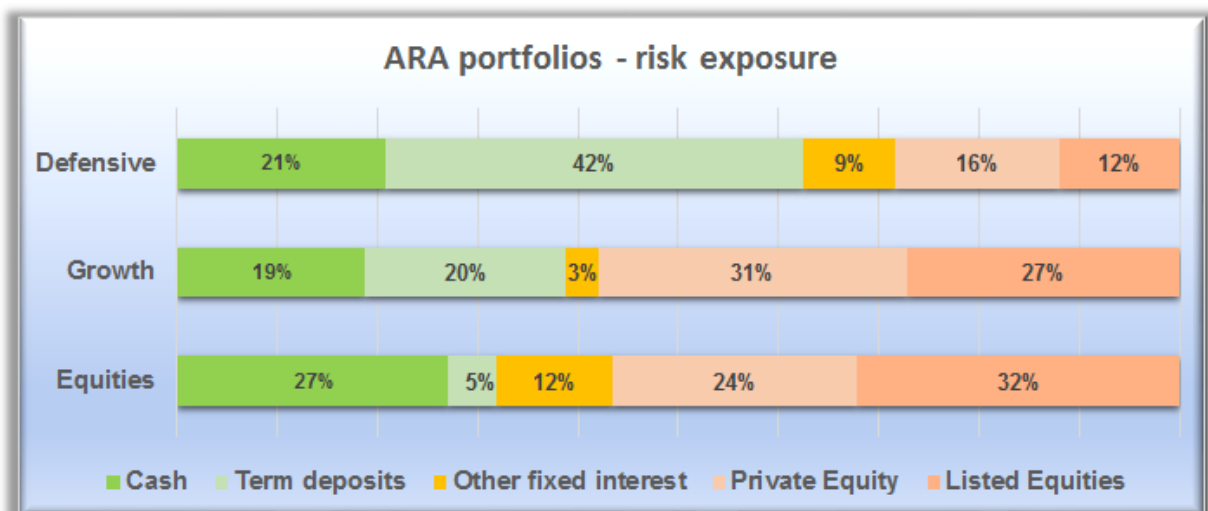
The Yumi's transaction was completed in September, ProTen is expected to proceed in the December quarter. As a result, the Fund will have a large amount of cash to re-deploy. Let's hope the managers can find a few more like those.

Aussie shares

The sharemarket blinked in September, but is still well up for the year to September 30. Our core managers of Australian shares have gone along for the ride, with Sterling Equities having a blinder of a run!



And so, the exposure of the three portfolios to the various asset classes is currently as shown:



Major Holdings

Apart from bank deposits and other interest-bearing accounts, the Fund invests in a range of assets, primarily through funds managed by specialist independent firms. If we drill through to the assets selected and overseen by those managers, there are in fact well over a hundred individual securities providing diversification of risk and exposure to a wide range of opportunities.

The table below shows the 20 largest individual holdings and what proportion of each portfolio they represent. These are the investments that will have the biggest impact on the return of your portfolio.

Investment	Type	Principal Activity	Defensive Portfolio Exposure	Growth Portfolio Exposure	Equities Portfolio Exposure
ProTen	Private company	Chicken farming	4.2%	8.0%	9.3%
Nearmap	ASX listed company	Aerial mapping services	1.2%	2.7%	2.4%
Cobram Estate	Private company	Olive oil producer	1.9%	2.2%	1.1%
Polaris Marine	Private company	Marine services	1.1%	2.1%	1.4%
Big River Industries	ASX listed company	Building supplies	0.9%	2.0%	2.0%
Condor Energy	Private company	Mining services	0.8%	1.9%	1.4%
GTN Ltd	ASX listed company	Media advertising	1.0%	1.8%	0.9%
Force Fire	Private company	Fire safety services	0.7%	1.6%	1.6%
Warakirri Dairies	Farmland & dairy operation	Dairy production	1.1%	1.5%	0.0%
Schaffer	ASX listed company	Diversified industrial	0.7%	1.4%	1.3%
Lotus Filters	Private company	Commercial cleaning	0.6%	1.3%	1.0%
Perth Airport	Infrastructure	Expensive parking	0.0%	1.3%	0.7%
Commercial Alliance Enterprises	Private company	Commercial fishing	0.5%	1.3%	0.9%
Quota Trust	Private trust	Statutory fishing rights	2.9%	1.0%	1.1%
RISSafety	Private company	Building safety services	0.5%	1.0%	0.1%
Transgrid	Infrastructure	Transmission grid	0.0%	0.8%	0.5%
REX	ASX listed company	Regional airline	0.3%	0.7%	0.6%
SmartPay	ASX listed company	Financial services	0.2%	0.7%	0.5%
ASX	ASX listed company	Stock Exchange	0.3%	0.6%	0.5%
Aussie banks	ASX listed companies	Financial services	0.7%	0.5%	2.4%

On yer bike!

You might recall from a previous edition that long time great friend of ARA and AFL legend, David Parkin, is also patron of the oh-so-aply named Male Bag Foundation.



The MBF is a dedicated band of weekend warriors who raise funds for prostate cancer research and treatment, primarily by riding those iconic red Honda Postie bikes around the countryside.

This year's ride will see 18 blokes riding over 2,000 kilometres in eight days around rural Victoria and NSW, supported by a hardy team of volunteers.

ARA is proud to sponsor the Male Bag Ride, and this year our intrepid leader, Alan Rimmer, will be among the riders. Probably somewhere near the back.

To date the Foundation has raised over \$800,000, to fund research, resources and equipment for the detection and treatment of cancer and care for sufferers. It's a point of great pride in the Foundation that participants in these rides pay their own way – bikes, accommodation, food and yes, medical expenses – so that funds raised go entirely to this worthy cause.



There are not many families that have not been touched by cancer. I know it's hard to turn around these days without being asked to put your hand in your pocket, but if by chance you'd like to sponsor Alan and the team in this year's ride, the Foundation and its beneficiaries would be most grateful. The link is here.

<https://donate.everydayhero.com/d/biq7TOpZVQiZmq8gOjmiuw/amount>

Aged Care

At our September Client Update meetings we had packed houses in both Melbourne and Shepparton, to hear Jayne Maini talk about negotiating the maze that is Aged Care accommodation.

Jayne is a Director and National Operations Manager of Millennium Aged Care Consultants, and a guru on the subject if ever there was one. It is clearly an area that calls for professional, quality advice and assistance and we have no hesitation in recommending her services. Go to the website at www.millenniumagedcare.com.au , or call on 1300 755 702.



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