Noontide Investments Ltd

Level 7, 55 Hunter Street, Sydney N.S.W 2000 Ph: 02 9239 9399

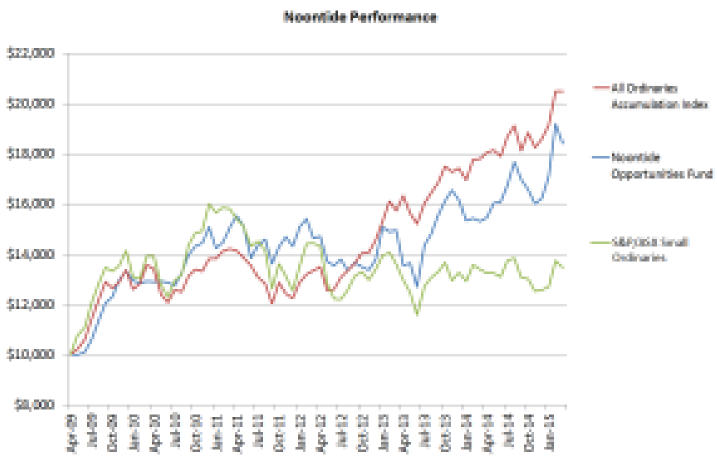
ABN 43 133 439 817

Quarterly Report - March 2015

Fund Facts	
Manager	Noontide Investments Ltd
Sector	Special Events, Small Caps
Fund commenced	April 2009
Minimum Investment	$50,000
Management Fee	1% Net Assets
Performance Fee	20% above 10%pa high watermark

Performance	Fund (Net)	Small Ords Acc	All Ords Acc
1 month	-4.1%	-1.9%	-0.0%
3 months	13.3%	7.3%	10.2%
FYTD	14.5%	4.7%	12.7%
Rolling 1 year	20.0%	2.3%	13.3%
Since Inception (pa)	10.8%	5.9%	12.6%

Top 5 Holdings	
Centuria Capital Ltd	17.6%
Ariadne Australia	14.1%
Folkestone Ltd	11.8%
Metals X Ltd	10.7%
RoyalCo Resources Ltd	10.4%
Cash	3.0%



The Fund returned 13.3% for the March quarter thanks to a positive contribution from resource stocks, in particular gold miners. The realization that a combination of lower costs and a weakening local currency more than offsets a lackluster gold price has become more widespread and many stocks have rerated accordingly. Our property funds managers had a more subdued quarter but remain exceptionally well positioned and we expect a pick-up in news flow in coming months to generate renewed investor interest. There have been a number of changes in the portfolio with profitable exits from some long term holdings and the emergence new themes that should position the portfolio well for the medium term.

Noontide Portfolio

The Funds largest exposure remains property funds management stocks exposed to ongoing investor enthusiasm for yield. Despite this tailwind, Centuria Capital Ltd and Folkestone Ltd both had a fairly quiet quarter in terms of performance. We have discussed the potential for Centuria's property business on several occasions and retain confidence in management's ability to capitalize on current opportunities. It is also worth noting, however, that the company has a substantial insurance bond business which provides an alternative saving structure to superannuation. This division has been going backwards (slowly) for a long time because of the tax advantages of investing through super funds. Despite its lack of growth the division remains quite profitable and has provided a solid cash flow underwriting the growth of the property business. The growing likelihood of changes to the tax treatment of super has the potential to, at least partially, level the playing field for insurance bonds as an alternative savings vehicle. At the very least, the constant talk about changing the rules relating to super may entice some inflows into these products. It is no coincidence that the business recently had its first net inflows in a long time. We believe there is significant upside in Centuria based purely on the growth of the property business, any growth from the insurance bond business would be a welcome bonus.

As mentioned the best performing stocks in the portfolio for the quarter were gold miners. Sentiment towards resource stocks remains woeful. Every day seems to provide new headlines about the carnage in the sector and the likelihood that it will get worse. Not surprisingly, opportunity abounds. We don't expect the headlines to improve anytime soon and don't profess to know where individual commodity prices will bottom, but we do know that many valuations are compelling and the outlook for selective commodities and stocks isn't as bad as the headlines suggest. There are definitely stocks and sectors to avoid but there is also exceptional value on offer.

Gold stocks are a case in point. The current environment for Australian based gold producers is actually as good as it's been in a long while despite stock prices that until recently implied the entire sector was going out of business (a scenario that one article we read at the time actually suggested as likely). Taking a step back from the day to day noise reveals a very different picture. In mid-2011 as the gold price shot through US$1500 there was plenty of enthusiasm with many stocks trading at multiples of recent lows. The US$ gold price has fallen substantially since and sentiment has turned with pundits now competing to pick how far the price will inevitably fall. However, for Australian producers the currency has absorbed most of the fall in the gold price. At the time of writing the AUD gold price weighs in at a healthy $1520, about where it was when the industry was thought to be in a boom. It gets better. Costs have come down across the board. Energy accounts for a large portion of costs so a falling oil price is a positive; cost pressures from massive expansions in iron ore and other commodities have alleviated; and contractors are suddenly competing for work they wouldn't even consider not long ago. As a specific example drilling costs have dropped from $240 a meter to $90 for one company in the portfolio. Margins for most gold miners are actually much better than when share prices were double or triple the current price. As this realization has spread, many gold stocks, including those in our portfolio, have been rerated. Upside remains and valuations are not exactly stretched but we have taken some profits on our trading positions given how quickly they have risen; the amount of stock we added at lower prices and the emergence of a number of new opportunities. We will however keep the core positions as we see more potential catalysts including an increase in M & A activity.

During the quarter the Fund achieved a profitable exit from two of our longer term holdings. Both Oncard International Ltd and Aurora Funds Ltd recently sold their operating businesses and undertook to return the capital received to shareholders. In both instances the proceeds received represent a substantial profit on the initial investment. We have identified a number of opportunities to deploy the cash received and believe the new additions to the portfolio offer significant upside from current prices.

The cycle continues.

The narrative driving markets in recent months has been the expectation of increasing momentum in the US recovery: an imminent rise in US interest rates and a positive turn of events in Europe as it embraces the miracle of QE and follows the path to recovery forged by the US. It's hard to remember such a strong consensus built on such flimsy foundations. The perceived recovery in the US was at least partially (and potentially largely) driven by a weaker US$. It was always worth considering that a strengthening currency could halt momentum. Likewise it was always worth considering that, with a large amount of employment growth coming from the oil and gas sector, a lower oil price may not be as positive as many thought. If the US economy can't stand a stronger dollar then enthusiasm for Europe and Japan is probably misplaced as it is largely based on a weaker Yen and Euro. Unfortunately somebodies currency has to be stronger than the others.

Rather than the interest rates increases expected in the US, it would appear we face the possibility of low rates and ongoing QE programs for a long time to come. The longer this situation persists the more unstable it becomes. The distortions and unintended consequences created by an artificial cost and quantity of money compound and will have to be unwound at some point in the future. When this happens the response will likely be an increased dose of the policies that caused the problem in the first place. How many times this cycle can repeat before the primary theme that currently underpins markets, namely; that central banks have it all under control, is undermined is impossible to tell. It remains a very resilient idea but nonetheless a flawed one.

Should any unit holder wish to discuss any of the issues raised or any other matter relating to the Noontide Opportunities Fund or Noontide Investments Ltd, please don't hesitate to contact me at the office on (02) 9239 9333 or by email david@noontide.com.au.

David Croll
Director
29th April 2015