Ranger Fund

Performance Commentary

The Ranger Fund was up 2.08% for the month of February.

The majority of companies held by the Fund reported half year results during the month. Pleasingly, the majority of them gave solid updates with few surprises. At the top of the class though was Australian Vintage which is now seeing the benefits of substantial restructuring and production rationalisation. As with most turnaround situations, it has taken some time to bear fruit, in this case 10 years, but once the inflection point has been reached progress can quite be rapid. On all financial metrics this half was a strong improvement and the board now intends to announce a final dividend at its full year result.

At the other end of the scale, Slater & Gordon’s half year led to significant share price weakness. The company suffered goodwill impairments of $876m. While not unexpected, it appears that these writedowns have triggered a mechanism that could allow its lenders to bring forward the repayment of debt to March 2017. This is clearly not an ideal situation but the market has assumed the worst of all possible scenarios.

Performance to 29 February 2016 (net of fees)

<table>
<thead>
<tr>
<th></th>
<th>Past Month</th>
<th>Past Quarter</th>
<th>Past Year</th>
<th>Since Inception (p.a)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ranger Fund</td>
<td>2.08%</td>
<td>1.76%</td>
<td>2.82%</td>
<td>3.81%</td>
</tr>
<tr>
<td>NZ Official Cash Rate plus 5%</td>
<td>0.58%</td>
<td>1.93%</td>
<td>8.02%</td>
<td>7.85%</td>
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<tr>
<td>Over/Under Performance</td>
<td>+1.50%</td>
<td>-0.06%</td>
<td>-5.20%</td>
<td>-4.05%</td>
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</tbody>
</table>

*Fund inception 24th January 2014

Fund Strategy

The Ranger Fund is a high conviction portfolio of New Zealand and Australian listed companies. The fund’s objective is to provide equity-like returns over the long run while minimising exposure to extreme share market fluctuations. During periods of market stress, the fund will seek to preserve capital by holding significant amounts of cash and bonds, shorting individual shares, selling index futures contracts and/or buying index put options. The fund will never be leveraged or net short.

Equity Holdings by Category

- Deep Value: 19%
- Mid Cap Grower: 45%
- Value: 32%
- Moat: 4%

Holdings by Country

- New Zealand Equities: 10%
- Australian Equities: 41%
- Cash: 49%

- Largest Holdings
  - Wellcom Group: AUD 7.5%
  - Australian Vintage: AUD 5.9%
  - MacMahon Holdings: AUD 5.6%
  - Swick Mining Services: AUD 5.5%
  - Corporate Travel Management: AUD 4.9%
  - Vista Group International: NZD 4.8%
  - Boom Logistics: AUD 4.4%
  - Slater & Gordon: AUD 3.5%
  - Touchcorp: AUD 2.3%
  - Scott Technology: NZD 2.2%
  - Other Australasian Listed Holdings: 4.2%
  - Cash & Term Notes: 49.2%

Portfolio Characteristics

- Dividend Yield: 2.4%
- Price/Earnings ratio: 9.3x
- Price/Free Cash Flow ratio: 6.8x
- Price/Book Value ratio: 0.5x
- Return on Equity: 5.1%
- Earnings Growth: 23.0%
- Gearing: 23.0%

Fees

1.05% capped management fee plus a performance fee equal to 15% of any returns above the performance hurdle. The performance hurdle is the New Zealand Official Cash Rate plus 5%. A perpetual High Water Mark applies to the performance hurdle. No entry or exit fees are currently charged.