

Priomha Capital CLONEY Multi-sport Investment Fund

Quarterly Investment Report - Q1 FY 2015 (Q3 2014)

Priomha Capital

Priomha Capital is a boutique funds management firm whose investment universe centres on sports and events. It was founded in 2010 by a senior business executive who identified the opportunity to secure superior returns through the application of mainstream portfolio and investment management techniques to the nascent industry of sports and event investment.

Investment Objective

The objective of the Fund is to provide consistent capital growth and a growing level of income over the medium term (3-5 years) by investing in global sports and events. The Fund endeavours to generate returns in excess of the major Australian stock market and global hedge fund indices. The benchmarks by which to gauge investment performance are the ASX200 & HFRX Indices. The Fund may not achieve its investment objective. Returns are not guaranteed.

Investment Strategy

The CLONEY Fund seeks to achieve its objective through the adherence to three key beliefs:

- **The preservation of capital.** Over 95% of all trades are hedged so as to secure profit or mitigate loss. Strict risk management protocols are enforced regarding maximum trade size & exposure limits.
- **Extensive analysis.** All investment decisions are underpinned by extensive statistical and probability analysis to identify intrinsic value in the individual markets.
- **Diversification.** The Fund takes an even approach to investing by holding a diverse range of sport and event positions within its portfolio.

FUND INFORMATION	
Investment Manager	Priomha Capital Pty Ltd
Domicile & Currency	Australia & AUD
Investment Horizon	5 years
Total FUM	Less than \$AUD4.0M
Minimum Investment	AUD\$200,000
Management Fees	2% FUM* (charged annually)
Performance Fees	20% of profits (charged bi-annually)
Maximum Trade	3% FUM
Fund Profile	Multi-strategy/Value Fund
Distribution	Reinvestment or redemption
Launch Date	1 January 2010
Accounting Year End	30 June
Fund Counsel	Keelins Pty Ltd www.keelins.com
Fund Auditor	Deloitte Australia www.deloitte.com.au

TABLE 1: Fund information

* Management fees vary. Management fees are charged pro-rata annually in arrears and only if an investor's account is in profit by 2% or more for the calendar year.

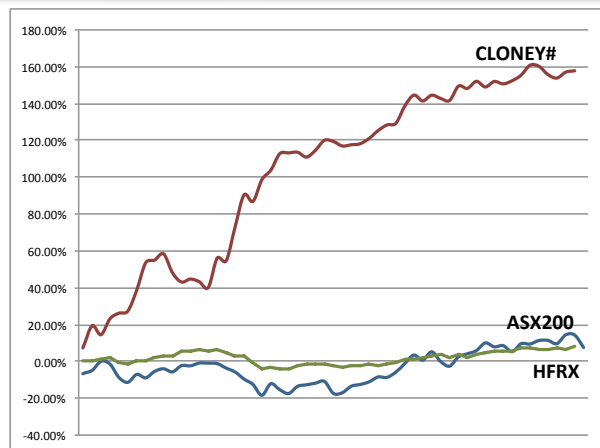


FIGURE 1: Comparative returns

Priomha CLONEY Fund gross return.

INVESTMENT RETURN	CAGR	\$100K#
CLONEY Fund (net)^	16.53%*	\$207,150
ASX200 (gross)	1.54%	\$107,535
HFRX (gross)	1.46%	\$107,145

TABLE 2: CAGR and investment return

Assuming an initial investment of AUD\$100,000 and full reinvestment of all dividends

* Recorded returns are adversely impacted by open Futures Investments to end June 2014

^ Assuming a 2/20 fee structure

TRAILING RETURNS	CLONEY#*	ASX200	HFRX
One Quarter	2.91%	-1.91%	-0.57%
Two Quarters	0.16%*	-1.74%	0.07%
One Year	3.63%*	1.57%	3.54%
Two Years	18.17%*	20.93%	8.86%
Three Years	31.51%*	31.77%	11.24%
Four Years	68.49%*	13.68%	5.14%

TABLE 3: Trailing Returns

Priomha CLONEY Fund gross return.

* Recorded returns are adversely impacted by open Futures Investments to end June 2014

RISK & RETURN CHARACTERISTICS	CLONEY#	ASX200	HFRX
Return Since 2010	161.24%*	7.54%	7.14%
Best Quarter	23.44%	8.67%	3.23%
Worst Quarter	-7.71%	-13.43%	-6.46%
% Positive Quarters	78.95%*	68.42%	68.42%
Standard Deviation	8.25%	6.23%	2.48%

TABLE 4: Risk & return characteristics comparison

Priomha CLONEY Fund gross return

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QUARTER & FY	PRIOHMA	BENCHMARK INDICES		OTHER INTERNATIONAL MARKETS					
	CLONEY#	ASX200	HFRX	DJIA	FTSE100	DAX	NIKKEI	HANG SENG	SHANGHAI
Q1 FY2015	▲ 2.91%*	▼ -1.91%	▼ -0.57%	▼ -1.22%	▼ -1.80%	▼ -3.60%	▲ 6.67%	▼ -1.69%	▲ 13.46%
Q4 FY2014	▼ -2.67%*	▲ 0.17%	▲ 0.64%	▲ 2.24%	▲ 2.21%	▲ 2.90%	▲ 1.96%	▲ 4.03%	▲ 0.04%
Q3 FY2014	▲ 4.04%	▲ 0.80%	▲ 1.11%	▼ -0.72%	▼ -2.23%	▼ -0.44%	▼ -8.17%	▼ -5.55%	▼ -3.61%

TABLE 5: Quarterly returns for the CLONEY Fund, Benchmark Indices & selected international markets

Priomha CLONEY Fund gross return.

* Recorded returns are adversely impacted by open Futures Investments to end June 2014

Summary

For the quarter ending September 30th 2014 (Q1 FY2015) the CLONEY Fund generated a reported profit of **+2.91%** based on trading a total of 336 events. For the same period the ASX200 and HFRX benchmark indices returned losses of **-1.91%** and **-0.57%** respectively highlighting the non-correlated nature of the CLONEY Fund.

For Q1 FY2015 racing was the most profitable sector of the portfolio whilst golf was the worst performing asset class. Total turnover for Q1 FY2015 was in line with the long term average for the quarter. Racing turnover was proportionately higher than the long term average owing to the commencement of European football in this quarter. As the football season develops racing will regress to the long term average of around 15% of total turnover as we increasing football trading turnover.

The breakdown of trading activity on a turnover basis is shown in Figures 2 & 3 below.

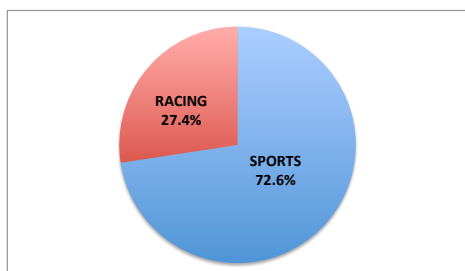


FIGURE 2: % of turnover between Racing & Sports

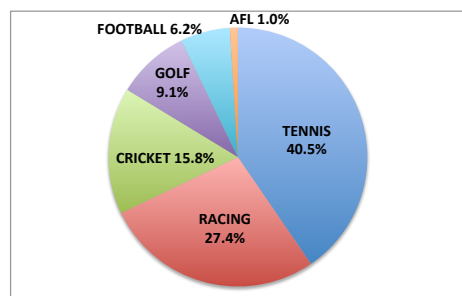


FIGURE 3: % of turnover across all asset classes

The performance for Q1 FY2015 was marginally below our internal benchmark and can be largely attributed to two factors.

The first factor was *Rory McIlroy*. McIlroy had a stellar end to the Major Championship season and on both occasions the Fund was on the receiving end. In both The Open Championship and the USPGA Championship we had taken long term positions against him on the back of his opening price being well below the rated quote. In The Open Championship the weather was against us on the opening two days, with fine conditions on the first afternoon, and again on the second morning. The normal conditions are that the afternoon always plays more difficult over the first two days meaning the split tee time system employed creates parity. This year this was not the case. McIlroy got the best of conditions and led from the start. Our back trade was only partially matched on Day One and we spent the rest of the tournament reducing our loss. In the USPGA Championship he again started quickly and we spent the four days reducing our loss. It was a bad quarter for golf.

The second factor contributing to the lower than expected quarterly return was the *Australian Cricket Team*. Their loss to Zimbabwe (their first in over 30 years) was a poor result for the Fund. We BACKED the Australian team at an average price of \$2.10 which we had rated at excellent value. After a slow start Australia was never in the game and whilst we were able to mitigate some of the loss it was a losing trade. We were able to recover more of the loss incurred over the rest of the tournament, but not enough to return cricket to a profitable asset class for the quarter.

Of the other asset classes, racing provided consistent profits. Football was thinly traded in Q1 FY 2015 and provided a solid return given the slow trading. We anticipate that football will start to show its value as an asset class over the next two quarters. Tennis was only marginally profitable, adversely affected by the loss on our long term pre-tournament lay of Djokovic in the US Open (see August 2014 Report).

Since inception the CLONEY Fund has generated a **16.53% CAGR** (net) which has outperformed the benchmark indices. We remain active in our endeavour to ascertain value in the markets and position the CLONEY Fund as an excellent long term investment.

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