

# **PRIOMHA CAPITAL PTY LTD**

*The World's Premier Sports Hedge Fund*  
ACN 143 806 624

FUND I

*CLONEY Multi-sport Investment Fund*

***Annual Report for  
Financial Year 2016***  
*(July 1<sup>st</sup> 2015 – June 30<sup>th</sup> 2016)*

***1<sup>st</sup> October 2016***

[www.priomha.com](http://www.priomha.com)

## 1. A MESSAGE FROM THE CEO

Dear Investors,

Another year has past & it is again time to review the performance of the Fund & provide some “crystal ball” thinking as to what we can expect moving forward. Prior to doing this however it would be remiss not to thank you all once again for the faith and support you have shown our growing company.

We are fully cognisant of the myriad of other investment vehicles in the market place; this fact is never lost on us & for your continued support we are very grateful. Without the faith and belief you have shown by investing in our CLONEY Fund we would not have been able to grow as we have over the last few years. As a new Fund looking to pioneer the development of an alternative asset class we are constantly evolving in terms of our business operations & trading strategies. We are not a “set & forget” Fund like many of the alternative options that you have. The fact that you understand this is especially appreciated.

	FY 2016 (1 <sup>st</sup> July 2015 – 30 <sup>th</sup> June 2016)	FY 2014	FY 2015	Since Inception
<b>CLONEY FUND</b>				<u>01/01/10 – 30/06/16</u>
Gross Return	<b>+10.13%</b>	+4.97%	+11.13%	<b>+210.52%</b>
<b>INDICES</b>				<u>01/01/10 – 30/06/16</u>
ASX200	<b>-4.14%</b>	+12.52%	+1.16%	<b>+6.71%</b>
HFRX	<b>-5.62%</b>	+5.28%	<b>-1.06%</b>	<b>+0.62%</b>

**TABLE 1: FY16 Comparative Returns**

FY16 was a solid, if not spectacular year for the Fund. Whilst we clearly outperformed the benchmark indices we were well short of our internal targets. There is clearly room for improvement. On the positive side however, the long-term performance of the CLONEY Fund remains clearly well in advance of our benchmark indices. For that we are pleased. Furthermore, the continued focus of the firm on the reduction of long term downside volatility is reaping rewards with the CLONEY Fund producing far fewer negative months than our benchmark indices. The key moving forward for the Fund, & something we continue to focus on is ensuring that we are not inadvertently suppressing the upside potential of the Fund as we look to reduce the downside.

For those longer term investors, for whom this is not the first Annual Report, you will be aware that we have been in a constant mode of optimising the operations of the business. From a personnel perspective this has entailed the recruiting of the highest quality analysts & managers available. We now have a core group that we believe will drive the company forward.

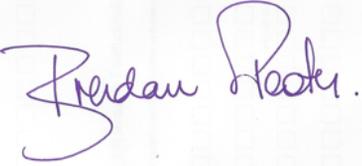
From a trading & analysis perspective we have spent a good deal of the past 12 months optimising both the markets we trade as well as how we trade them. The addition of quantitative professionals has meant that this exercise has been expedited. From a trading perspective you will note in Section 4 that we have narrowed the trading focus to the core asset classes of football (soccer), cricket, golf & Australian horse racing. The foreseeable future will see us only trading these assets. Whilst, as a portion of turnover other sports (such as AFL, NRL et al) have always been small, market restrictions in terms of data & liquidity has meant that as we have grown, the amount of time to trade these markets has not been worthwhile. This may change in the future but for the moment we will focus on the aforementioned four asset classes. There is enough liquidity in these markets to sustain the Fund on its growth trajectory.

The other key undertaking that the appointment of highly skilled quantitative personnel has permitted is additional in depth trading analysis & risk management studies. The results of these studies has materially impacted the way we trade. It is also the primary reason as to why we have been successful in reducing the volatility of the Fund. We will continue to work hard on using quantitative studies & data to help shape the way we trade moving forward.

In terms of sector growth we continue to see a sprinkling of competitor activity as more liquidity enters the markets. We welcome this competition as it will drive the sector forward as a whole. Section 2 provides some more insight into some of the trends that are shaping the sector.

We are very much looking forward to the next 12 months and continuing to grow our business and with it your investment. As always, we will keep you posted on all developments within both Priomha Capital and the broader market sector. We look forward to working with you again over the upcoming financial year and delivering further on the faith that you have shown our Company.

Sincerely,



**BRENDAN POOTS**

## 2. THE GLOBAL SPORTS HEDGE FUND SECTOR

Priomha Capital is well into its 7<sup>th</sup> year of operation & we continue to see momentum in our sector. Developments in both Europe and the USA are strong indicators that the Global Sports Hedge Fund sector will continue to grow over the medium term. Given that Priomha Capital is the leading incumbent in the sector we envisage that we are best positioned to take advantage of this continued growth.

### **Sector Growth & Competitor Activity**

Whilst the idea of a sports hedge fund is not a new one, developments within the last 12 months have propelled the concept into the mainstream media. The passing of Senate Bill 443 in the USA, which permits Entities to wager on behalf of clients, based outside of Nevada, is seen by many as the catalyst for sports hedge funds to grow quickly in the USA. Should this catalysation take place one can expect global market liquidity on the sports wagering markets to increase significantly.

Whilst there is no definitive figure on the value of the global wagering market it is estimated to be in the vicinity of AUD\$1.0tn per annum. The passing of Senate Bill 443 & the continuing momentum that the legalisation of sports wagering is garnering in the USA will assuredly see this figure increase significantly.

Given the growth within the sector it is hardly surprising that over the course of the last 12 months other entities labelling themselves as sports hedge funds have emerged. With the passing of Senate Bill 443 a number of small “shops” have opened in the USA. Given the current restrictions regarding in-play wagering in the USA, as well as the dearth of counter parties available to these entities, these “shops” tend to employ one-directional, set & forget strategies. Subsequently, they are not pure competitors to Priomha, who employs a hedging strategy on over 85% of its trades.

In Europe, where there are multiple counter party alternatives & in-play wagering is seen as the norm there are a number of companies positioning themselves to enter the sports hedge fund universe. We will continue to monitor the movements of these firms.

Overall, we welcome the potential new players in the sector as they will add liquidity to the markets & their presence, on the proviso that they are strong operators, will continue to bring sports hedge funds into the mainstream of alternative investment options.

### *China, India, Asia*

Outside of the main geographies of Europe & the USA global wagering growth is burgeoning in Asia. Legislative restrictions are currently preventing main stream acceptance in those areas but should that change additional liquidity will enter the markets. We will watch this space.

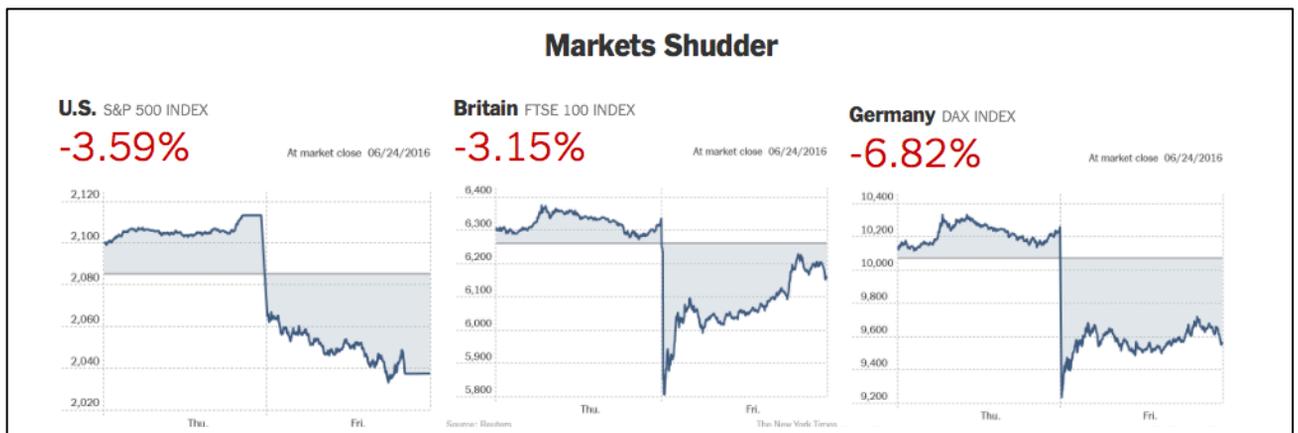
### 3. SPORTS HEDGE FUNDS – A non-correlated Alternative Asset Class

The past 12 months provided another clear example of how contagion can beset the world's markets. One of the catalysts behind the formation of Priomha Capital & our continual pursuit of excellence in the Sports Hedge Fund sector has been the underlying belief that diversification is no longer a full-proof strategy when it comes to the preservation & growth of wealth.

Globalisation has seen the once lauded advantages of diversification decrease as it becomes more lucid that all asset classes are inextricably linked. June 24<sup>th</sup> 2016 provided yet another clear example of this.

#### June 23<sup>rd</sup> 2016 – The BREXIT Referendum

On June 23<sup>rd</sup> the UK conducted the long awaited & much anticipated BREXIT Vote. To the surprise of many, & especially the market, 51.9% of the UK electorate chose to leave Europe. Whilst the pros & cons of the result will be the subject of many studies for years to come the impact it had on global markets was unequivocal. With the likelihood of a drawn out exiting process & legislative hurdles we anticipate that the “choppy waters” delivered by the vote are not over.

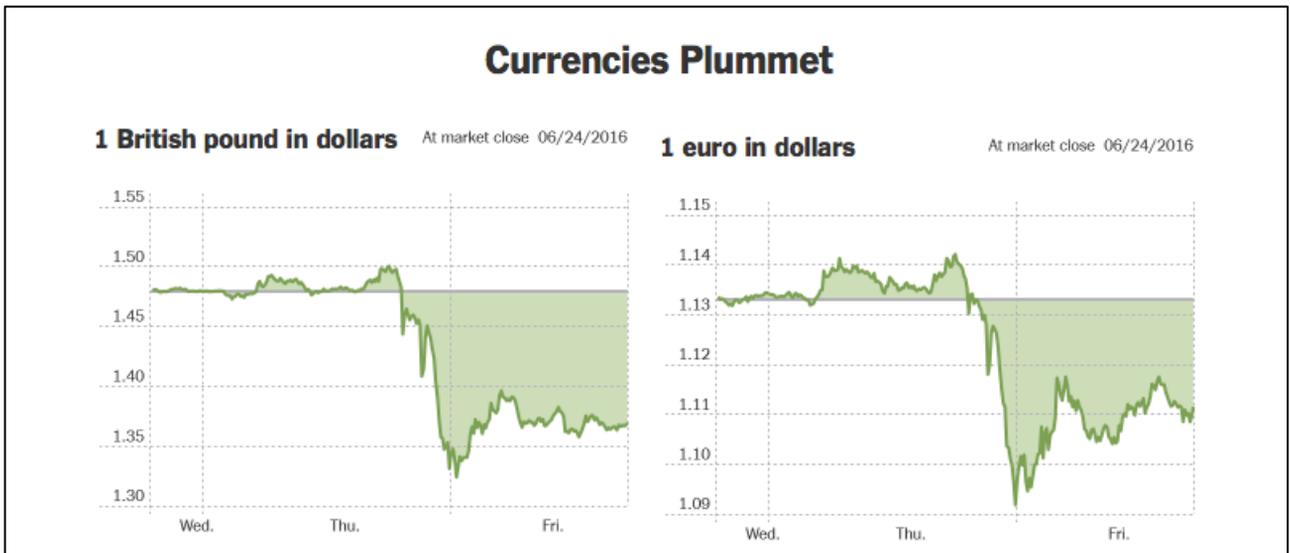


**FIGURE 1: June 24<sup>th</sup> 2016 – the markets react to the BREXIT vote**

Global markets reacted to the BREXIT vote immediately with a rapid drop across all indices & some currencies. Very few markets were spared.

In the sporting world the BREXIT vote coincided with the middle of the EURO 2016 football tournament being held in France. Whilst the world markets were reacting in spectacular fashion to the news of BREXIT, the elite European footballers were plying their trade, undeterred. Similarly, the global sports markets were unaffected with more than US\$200m traded globally on each of the EURO 2016 matches. Furthermore, The Championships, at Wimbledon commenced on June 27<sup>th</sup>, unaffected by the turmoil that the UK electorate had injected into the markets.

### 3. SPORTS HEDGE FUNDS – A non-correlated Alternative Asset Class



**FIGURE 2: June 24<sup>th</sup> 2016 – the currency markets react to the BREXIT vote**

All sports, and in turn the trading thereof are ostensibly immune to the events within the economy, be them on a global or domestic level. The trading of sports is immune to the sentiment in global financial markets.

Additionally, contagion does not impact the global sports markets. As a result one can trade each event as an independent market with the knowledge that what is occurring simultaneously elsewhere will have no bearing on how the active market currently traded will move.

**FIGURE 3 (opposite): June 24<sup>th</sup> 2016 – the CLONEY Fund return compared to major financial markets.**

S&P/ASX 200	5,113.20	- 3.17%
^AORD	5,192.80	-3.09%
FTSE 100	5,962.99	-5.92%
DAX	9,501.37	- 7.37%
^HSI	20,086.94	- 3.74%
CLONEY FUND		+0.58%

A professionally operated sports hedge fund is immune to contagion. The absence of contagion is one of the key advantages of sport as an alternative asset class. With continued globalisation and the links between markets, contagion will continue to pervade traditional asset classes. Investors in Priomha Capital do not face such risk.

#### 4. PERFORMANCE REVIEW – CLONEY Multi-sport Investment Fund

The CLONEY Multi-sport Investment Fund has a mandate to invest on any global sporting event. As per the message from our CEO, the past 12 months has seen us narrow our focus to four primary asset classes namely;

- **Football (soccer)** – major European Leagues, UEFA tournaments & Cup matches. Regular global FIFA tournaments such as the recently completed EURO 2016 event are also traded.
- **Cricket** – all international & domestic T20 matches as well as ODIs & Test Matches.
- **Golf** – all USPGA & European Tour Events
- **Australian Horse Racing**

Given the current size of the Fund, the resources available & market opportunities, trading the above four asset classes only will provide ample opportunities for the Fund moving forward.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	YEAR
<b>FY 2016</b>	0.91	-1.32	1.98	1.05	0.85	1.58	1.08	0.17	-0.80	1.33	1.37	1.54	<b>10.13%</b>
<b>FY 2015</b>	1.27	0.04	1.40	0.36	0.34	0.25	1.33	-0.04	1.52	0.19	3.95	0.07	<b>11.13%</b>
<b>FY 2014</b>	-0.36	0.39	0.81	0.17	0.71	0.67	0.82	0.29	0.55	0.40	-0.08	0.50	<b>4.97%</b>
<b>FY 2013</b>	0.30	0.25	1.33	1.92	1.37	0.40	4.10	2.45	-1.29	1.30	-0.72	-0.46	<b>11.38%</b>
<b>FY 2012</b>	10.08	-1.85	6.30	2.60	4.41	1.20	0.16	-1.23	1.77	2.52	-0.30	-1.11	<b>25.46%</b>
<b>FY 2011</b>	8.98	10.65	0.97	2.14	-6.48	-3.37	1.14	-1.01	-2.20	11.43	-0.99	11.88	<b>35.81%</b>
<b>FY 2010</b>	-	-	-	-	-	-	7.18	11.36	-4.08	7.55	2.47	0.93	<b>27.34%</b>

TABLE 2: Priomha CLONEY Fund monthly returns (gross) since inception

#### Fund Performance FY 2016

##### Investment Return

Table 2 above shows the performance (gross) of the CLONEY Fund since inception. The compounded gross return for the CLONEY Fund since inception is +210.52%. Over the same period the ASX200 has returned +6.71% whilst the HFRX Index has returned a meagre +0.62%

##### Downside Volatility

For FY2016 the Fund had two (2) negative months whilst the ASX200 had six negative months and the HFRX returned losses in seven months. As articulated earlier in this document we have focused heavily on reducing the downside volatility of the Fund. Whilst there is still room for improvement we are pleased to have recorded over 77% of positive trading months since inception. In comparison, over the same period, the ASX200 has had 52% positive months whilst the HFRX has had 61%.

## 5. CONTACT DETAILS

To find out more about Priomha Capital please do not hesitate contact us.

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