

Sigma Select Equities Strategy

An innovative approach to broadcap investing

Performance to 30 June 2015	Month %	Quarter %	1 year %	2 years % p.a.	3 years % p.a.	4 years % p.a.	Since Inception [^] % p.a.
Sigma Select Equities Fund*	(6.6)	(3.9)	5.9	13.7	18.0	10.5	9.6
S&P/ASX 300 Acc. Index	(5.3)	(6.5)	5.3	11.3	14.7	8.3	7.4
Value added (deducted)	(1.3)	2.6	0.3	2.4	3.3	2.2	2.2

*Gross Performance. Past performance is not a reliable indicator of future performance. ^Since Inception: 2nd May 2011

Sigma Select is a high conviction, broad-cap, value strategy.

Select combines the highest conviction stock ideas from Sigma's Large Cap and Small Cap investment teams into a single portfolio driving superior performance, lower risk and increased consistency.

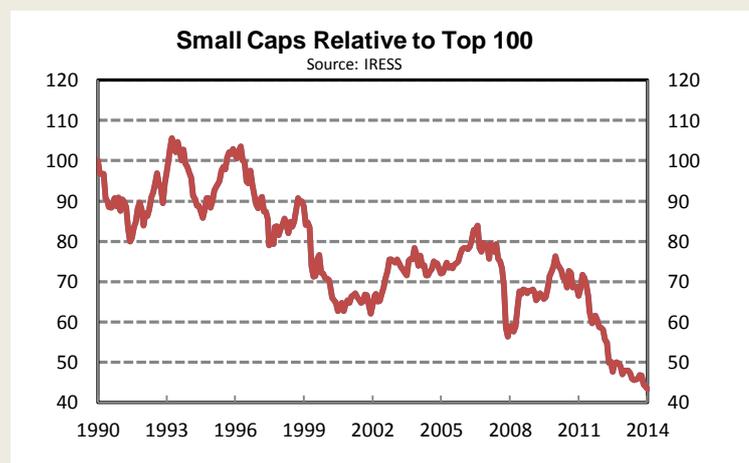
Features of Sigma Select

- High conviction, value-biased portfolio of 20 to 40 stocks
- Broad universe (ASX 300) of investment opportunities
- Efficient access to Small Caps (0% to 25% range)
- Focus on capital protection: Cash allocation (0% to 25% range) managed when equity risk is high
- Timely allocation between Large Caps, Small Caps and Cash (systematic management of beta risk)

Benefits of Sigma Select's investment approach

- Avoids risk of allocating to overpriced assets
- Efficient allocation of capital to highest conviction ideas
- Improved diversification leads to lower volatility and increased consistency of performance
- Lower cost access to Small Cap alpha

Why include Small Caps exposure?



Large Caps have outperformed Small Caps by 4.0% pa over the 24 years to 31 December 2014, so why invest in Small Caps?

- Skilled Small Cap managers materially outperform the Small Cap sector and achieve higher returns than Large Cap managers
> Exposure to the very best Small Cap ideas generates superior performance
- Large, short-term performance differentials between the Large Cap and Small Cap sectors are evident
> Significant opportunities for skilled managers to add value by tilting between Large Caps and Small Caps (thus managing sector beta risk)

Sigma Select: an innovative approach to Large Cap and Small Cap allocation

- Complexity and difficulty in managing Small Cap beta is a challenge for investors in Australian equities
- Sigma Select is an innovative solution for managing 'beta risk' in a broad-cap portfolio
- Sigma's capability is enhanced through 'Integrated & Aligned' Large and Small Cap investment teams

Sigma Select versus Median Large Cap and Small Cap managers (March 2015)

	Allocation %	Return % pa	Benchmark	Benchmark Return % pa	Outperformance % pa
Median Large Cap Manager	90	10.6	ASX 300	9.0	1.6
Median Small Cap Manager	10	8.4	Small Ords	(1.8)	10.2
Typical AEQ allocation (90% large caps / 10% small caps)	100	10.4	ASX 300	9.0	1.4
Sigma Select Strategy		11.7	ASX 300	9.0	2.7
Performance difference		1.3			1.3

Source: eVestment, performance since Select inception 2nd May 2011

Since inception, Sigma's Select Strategy has outperformed typical Australian equities portfolios through:

- Successful stockpicking in Large Caps, and
- Extracting alpha from selected Small Cap stocks, whilst
- Underweighting the Small Caps sector through the majority of this period

Sigma's competitive advantage: 'Integrated & Aligned'

- Most investment management firms comprise distinct Large Cap and Small Cap teams with separate incentive structures and competing interests
- In contrast, Sigma's Large Cap and Small Cap teams are equal partners, completely aligned to success of the Select strategy
- Sigma Select is enhanced by an integrated investment approach to Large Cap and Small Cap
- Select offers strong capability in Large and Small Cap stock picking, reduced volatility through improved diversification and active management of 'beta risk'

About Sigma Funds Management

- Value-style Australian equities manager that outperforms while protecting the downside of "value traps" through an investment approach called *Value: Risk Adjust*
- Independent and majority employee-owned firm founded in 2009 by six experienced investment professionals who previously worked together at a leading global investment manager

For more information contact Pinnacle Investment Management, the fund's distributor, on 1300 010 311.

See also www.sigmafunds.com.au

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