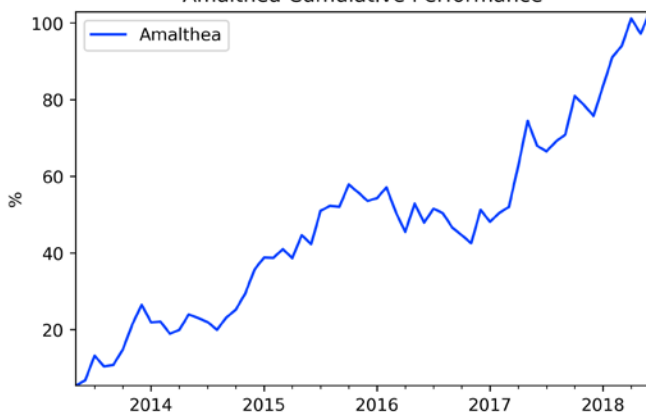


The Bronte Amalthea Fund is a global long/short fund targeting double digit returns over the long term, managed by a performance orientated firm with a process and portfolio that is genuinely different. Objectives include lowering the risk of permanent loss of capital and providing global diversification without the market/drawdown risks typical of long-only funds. A highly diversified short book substantially reduces risk and enables profits to be made in tough markets. The fund is an alternative to equity investing, and complement to most portfolios, and is typically an excellent diversifier which may lower overall portfolio risk.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
FY13											5.4%	1.3%	6.8%
FY14	6.0%	-2.5%	0.4%	3.6%	5.7%	4.3%	-3.7%	0.2%	-2.6%	0.9%	3.4%	-0.8%	15.2%
FY15	-0.9%	-1.6%	2.7%	1.7%	3.4%	4.9%	2.3%	-0.1%	1.7%	-1.7%	4.4%	-1.7%	15.6%
FY16	6.1%	0.9%	-0.2%	3.8%	-1.3%	-1.4%	0.5%	1.8%	-4.1%	-3.4%	5.1%	-3.4%	3.8%
FY17	2.5%	-0.8%	-2.5%	-1.3%	-1.5%	6.1%	-2.0%	1.6%	1.0%	7.0%	7.2%	-3.7%	13.6%
FY18	-0.9%	1.5%	1.1%	5.9%	-1.3%	-1.6%	4.4%	4.1%	1.5%	3.7%	-2.0%	2.9%	20.8%

Amalthea Cumulative Performance



We did well this month (+2.88%) and for that matter the year to date (+15.45%) and, this being our June letter, (+20.8%) for the full financial year. Over the same periods the MSCI ACWI Index (in AUD) has delivered 1.77% in June, 5.20% for the year to date, and 14.98% for the financial year. Moreover, into the teeth of this rising market, the fund has held many shorts resulting in its position approximating only 65% net long (and much lower yet when accounting for the higher “beta” of the shorts compared to the longs). (see over)

Fund Features		Portfolio Analytics ¹	
Min. initial investment	Presently closed to new investment	Sharpe Ratio ²	1.2
Min additional investment	Presently closed to additions	Sortino Ratio	2.5
Applications/redemptions	Monthly	Annualised Standard Deviation	10.6%
Distribution	Annual	Largest Monthly Loss	-4.1%
Management fee	1.5%	Largest Drawdown	-9.7%
Performance allocation	20%	Winning Month Ratio	0.6
Administrator	Citco Fund services	Cumulative return ³	102.9%
Auditor	Ernst & Young	1 year annualised return	20.8%
Custodian/PB	Fidelity Prime Services, Morgan Stanley	3-year annualised return	12.6%
		Annual return since inception	14.7%

¹ Performance and analytics are provided only for Amalthea ordinary class units. Actual performance will differ for clients due to timing of their investment and the class of their units in the Amalthea fund

² Sharpe and Sortino ratios assume the Australian cash rate as the applicable risk-free rate

³ Returns are net of all fees

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Despite this, the fund handily outdid the long only ACWI and, surprising us somewhat, was able to do so when the small cap, growth-packed Russell 2000 Index, which we use as a simplistic benchmark for the stocks we typically short, rose by 22% (in AUD) across the financial year.

Furthermore, other than the rather obvious currency derived advantage of being invested overwhelmingly outside of Australia, our macro positioning has not been wonderful. Tax cuts and economic growth juiced up the US markets (where we hold most of our shorts) and then the trade war emerged to damage the Euro and European stock indices where we are overweight (because they have been cheap compared to North America) and also made small cap domestic US stocks (where, again, we are short) that much more alluring.

Despite the macro headwinds, bottom up back-to-basics stock selection on the long and short sides has delivered the goods. With support from our new prime brokers we undertook even more company visits than in prior years and, on the short side, have made substantial progress in automating our short discovery methodology and integrating it into tangible stock trading work flows.

Hard Closure

Profits, along with inflows, has meant that it is time to close our fund to additional capital—at least for a couple of years. Our differentiated strategy requires many short positions, and this constraint has led to closure of the funds. Not only is it time consuming to generate and prosecute a large number of short ideas, but as our shorts tend to be smaller companies, the capacity of each idea is more limited. We are working hard to increase this capacity through investments in our IT infrastructure, which will allow us to find more short ideas, analyze them faster, and trade them in bulk. Moreover, markets are expensive and, despite the good stock picking of the last year, we still don't have a surplus of ideas to invest your capital in on the long side. Being hard-closed has three main advantages:

- a) Most importantly it means that our money-making ideas—when we have them—do not get diluted in too large a fund;
- b) We recover a good portion of the time spent marketing, giving us more opportunity to visit businesses and focus more intently on the portfolio; and
- c) We are able to share our ideas a bit more broadly.

Marketing hasn't gone away entirely though. We enjoy talking to, and often learning from, existing clients. Simon—who oversees operations and risk management—plans to travel to the US in September and will visit some clients who he has not yet met.

What we will talk about with clients (and for that matter other money managers)

We will generally talk with clients (and other money managers) about ideas when there is no detriment to the portfolio. We strongly believe in testing our ideas against competing hypotheses. Shorts we are more reluctant to discuss, for, as the recent performance of popular shorts reminds us, crowded trades can be dangerous.

Long ideas we are happier to discuss. However, if we have a small position we may wish to keep quiet in the hope it will go down (so we can buy more). In the past, we were (sometimes) unwilling to talk about longs even when we had a full-sized position because we anticipated future investor inflows to the funds, and we hoped the stocks would not appreciate too much before the new clients joined us. This is no longer a concern. If we find good longs we anticipate writing them up in these letters to a greater degree than in the past. Sharing them comes with another advantage: hopefully we find someone to tell us we are wrong. We are very fond of—and often seek out—people who disagree with our positions. With a little more openness (over time) our longs may get better.

End of Financial Year and Potential Distribution

The fund's accountant, Ernst & Young, will be calculating the distribution the fund will make. The distribution is based on realized gains that are generally taxable, whereas the gains that are reported to you each month include unrealized gains. Although the fund is up for the year, there may or may not be a distribution depending on E&Y's calculations.

In the event that a distribution is declared, you will receive (we anticipate in early August):

1. An annual tax statement;
2. A distribution statement; and
3. If you have elected to re-invest, a contract note detailing the number of additional units issued in the fund

If a cash distribution is determined and you have elected not to re-invest in the fund, then the payment will be made to your previously nominated bank account within approximately two business days of these documents being issued.

Once the distribution is determined, the fund will also issue a final June 2017 holding statement. Such a statement will be "ex-dividend:" it will show your holdings at 30 June 2017 after allowing for the distribution from the fund.