WENTWORTH WILLIAMSON

As you are aware, the objective of the Wentworth Williamson Fund (the Fund) is to generate superior returns to our competitors over the long term by acquiring a select portfolio of value-driven investments. We aim to protect our clients principal while growing capital well above the prevailing cash rate over the medium to long term.

A REMINDER - INVESTMENT APPROACH

The prices of shares tend to vary far more than the value of the underlying businesses. Some of the factors that contribute to this are:

- Economic sentiment
- General market sentiment towards equity investments generally or as a category
- Management changes
- Country-specific issues
- The market taking the view that the business model is broken (at least in the short term) or conversely over-optimistic expectations; and
- Lack of sell-side research due to size or free float in the shares of the company or conversely the "follow-the-pack" mentality often driven by mainstream, widely read analysis research

We aim to invest in companies that in our view fall below their underlying value (often as we have a contrary view to the market for the reasons mentioned) and sell when the price rises above our assessment of fair value.

The key aspect of our investment process is determining the underlying or intrinsic value of the businesses we evaluate. We therefore spend a great deal of time developing differentiated information that helps us determine the intrinsic value of a target company. This involves rigorous research and analysis of the industry and competitors, in order to construct a detailed picture of the dynamics of the market and investment being reviewed.

By not limiting ourselves to any market capitalisation size or sector and by allocating more time to research and investing (rather than trading) we believe this strategy gives us a structural competitive advantage to generate returns in excess of our benchmark.

The current composition of the portfolio is set out in the Appendix on page 5.

SEPTEMBER 2015 QUARTERLY REPORT

	Inception	12 Months to September
Wentworth Williamson Fund	24.8%	13.9%
S&P/ASX 300 Accumulation Index	3.3%	-0.7%
Cash rate + 2.5% (Benchmark)	10.2%	4.9%

Returns are net of all fees, include income, assume reinvestment of distributions and exclude any spreads that might be payable on some transactions. Inception date is 30 September 2013.

The Fund increased 13.9% for the 12 months to September 2015, compared to a -0.7% return for the S&P/ASX 300 Accumulation Index. Although this will not always be the case, it is pleasing to see our primary focus on capital preservation and strict value discipline rewarded during turbulent markets, and over the last 6 months when the market fell by 12.5%, the fund increased by 9.2%. Furthermore, since inception, the fund has recorded a 24.8% return relative to a 3.3% return for the market.

In the midst of the recent market "correction", we think it is a good opportunity to remind unit holders of our values: we are an absolute return fund, so stocks are not necessarily good investments just because they have fallen 10-15% recently, especially when we found many ideas to be overvalued beforehand. We look for stock specific ideas only, irrelevant of market movements, and are extremely selective with our investments. We currently hold 13 stocks and have roughly 1/4 of the fund in cash ready to deploy when we believe the risk reward ratio is materially tipped in our favour on an individual stock idea. However, there are a few promising prospects on our target list and we look forward to hopefully updating you on some of these ideas in the months to come.

During the quarter we had an opportunity to buy back into one of our pre-existing ideas, Transfield Services. We know the business quite well and had previously owned and sold out on the Ferrovial Servicios S.A. $2.00 per share bid late last year at a substantial profit. This year, controversy and uncertainty relating to the Welfare and Garrison Support Services provided for the Department of Immigration and Border Protection resulted in a significant share price decline. At the current price we believe the company is a good investment again, trading on a low multiple of free cash flow with contracted revenue, falling debt, sector diversification (especially away from mining), and a strong management team.

During the quarter we also sold out of our position in Amalgamated Holding Limited (AHD), realising a return greater than 60% within two years. In each quarterly newsletter it is our tradition to report on the investment thesis of at least one of our holdings. AHD is a classic example of a Wentworth Williamson investment, so it is worthwhile reviewing for this report.

AMALGAMATED HOLDINGS (AHD)

Source: Google Finance

AHD is an Australian-based holding company with interests in entertainment, hospitality and leisure, and owns well-known brands such as Event Cinemas, Greater Union, Rydges Hotels, QT Hotels and the Thredbo Alpine Resort. Although AHD is a large business with a market capitalisation in excess of two billion dollars, the free float is only ~55% due to the stakes of the Rydges family directly and via their controlling interest in Carlton Investments Limited. The conglomerate company structure, coupled with relatively low liquidity and management's reluctance to conduct roadshows and self-promoting investor presentations, have resulted in a shallow investor following from both buy and sell side analysts over the years. This type of scenario is where we often find hidden gems.

The key to this business is the Cinema and Thredbo Alpine Resort (Thredbo) interests, which collectively generate over 70% of Group profits but do not own any property assets. Cinema interests operate on long leases, Thredbo is on a 50 year lease, and the Group has zero net debt. The kicker for us at the time of our first investment in late 2013 was that the independent valuation of properties from the Group's hotel and other property interests equated to over 70% of the entire market capitalisation. It was immediately clear to us that the implied valuation of Cinema and Thredbo, calculated by subtracting the independent property valuations from the market capitalisation, was grossly understated. Even the most cynical of analysts would have to concede that, at the very least, our downside appeared limited.

At the time of our original investment, we viewed the business more akin to a good family office – conservative and patient investors with a strong property bent. Although we felt the business was significantly undervalued, we doubted our upside would be realised quickly. Rather, we felt the stock would keep on giving over time, in line with its long operating history and consistent dividend payments (including special dividends from time to time). We were wrong! Operationally the company has performed well and the most recent set of record results were nothing short of outstanding. Although hotels are still under-earning relative to their independent valuations, the margins of the other business interests look healthy relative to history.

The share price of AHD has exceeded our expectations and we have been happy realising a substantial profit. AHD is a well-run company and we wish the management team our best going forward.

LOOKING FORWARD

Looking back I can't ever recall thinking a particular time was 'straightforward' for investing. Even during the depths of the GFC, when we were fully invested, it was psychologically difficult to hold your nerve and spend cash when prices were plummeting. Similarly, on a new stock idea, the more investigation you do and the better you get to know a company, the more 'hair' or problems you tend to uncover. The reality is that you will always uncover something to worry about if you look hard enough.

At the moment, we see some storm clouds on the horizon at a macro level but will have no hesitation investing in a good business provided it is trading at a meaningful discount to our valuation. I am certain that if we are patient and considered with our investments we will continue to outperform cash sitting in the bank and the general share market over the long term.

Yours faithfully,

James Williamson

Fund Manager

APPENDIX

The Fund's Portfolio (unaudited)

As at 30 September 2015

Company Name	% of Fund
Commercial Services	9.5%
Commercial Services	7.4%
Real Estate Investment Trusts	6.6%
Food and Staple Retailing	6.1%
Materials	5.8%
Industrial Services	5.7%
Beverages	5.7%
Commercial Services	5.4%
Industrial Services	5.4%
Other investments	15.6%
Total Equity Exposure	**73.2%**
Net Cash	26.8%
Total	**100%**

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