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 as a category
- Management changes
- Country-specific issues
- Market's view that the business model is broken (at least in the short term) or conversely overly 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 and 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 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.

Returns (%)	WWF Fund	S&P/ASX 300 Accumulation Index	Relative Performance
Cumulative			
Since inception	52.9%	23.0%	**29.8%**
Annualised			
Since inception	13.9%	6.6%	**7.4%**
Latest 3 years	15.2%	6.6%	**8.6%**
Latest 2 years	17.7%	7.5%	**10.2%**
Latest 1 year	15.2%	11.8%	**3.4%**

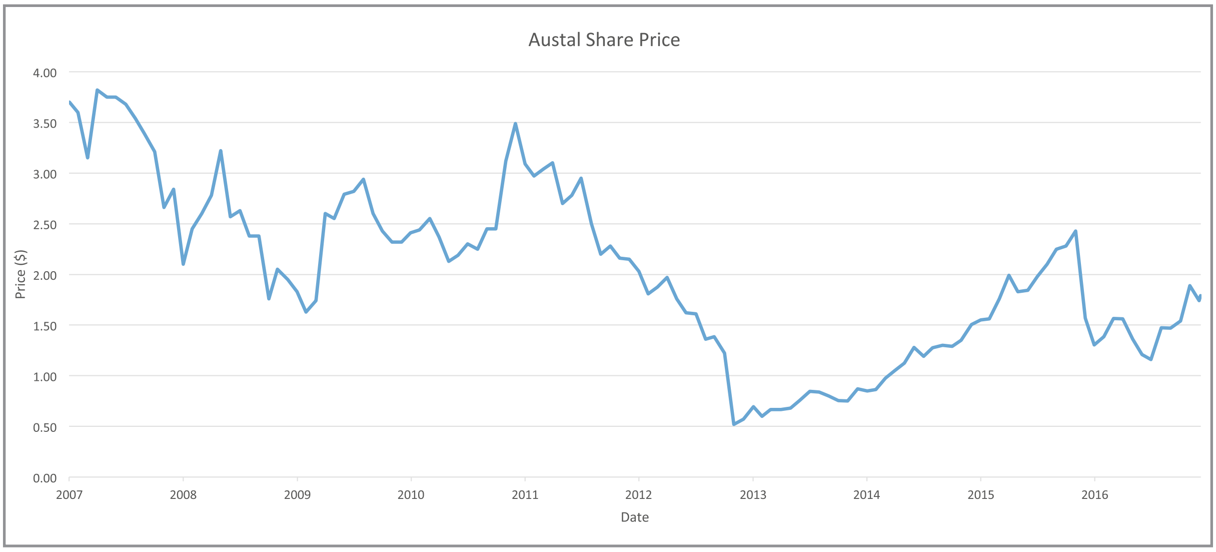
Returns are net of all fees, include income, assume reinvestment of distributions and exclude any spreads that might be payable on some transactions. Inception date is 30 September 2013.

In the 12 months to 31 December 2016, the Fund increased by 15.2% compared to a 11.8% return for the S&P/ASX 300 Accumulation Index (market). Arguably more importantly, our annualised return over three years is 15.2% compared to an annualised return of 6.6% for the market.

During the year we sold out of Collins Food, UGL, Broadspectrum and Nuplex, realising substantial gains for our unit holders. Typically, the holding periods on our investments is around three to four years. It is important to note that the upside return trajectory is not linear over the life of our holding period for each investment. With Broadspectrum and UGL in particular, we travelled through bouts of uncertainty that tested our conviction, and that of our unit holders, as we priced in what later proved to be some irrational share price movements along the way from time to time in the trust.

Going forward, it is important to note that the idea generation from our research team is very strong. We initiated on several new investments recently. A number of the new positions are likely to become, subject to volumes available at attractive entry price levels, more noticeable to you in future communications. We acquired our first Austal Limited shares in August 2016 and it is now a major position of the Fund and is therefore the focus of this Quarterly Report.

AUSTAL LIMITED (ASB)



Source: FactSet

Founded in Perth in 1988 as a high speed aluminium ferry builder, Austal now designs and constructs commercial and defence vessels with shipyards in the US, Australia and the Philippines. Austal has designed and constructed over 255 vessels for over 100 clients in 44 countries and also provides maintenance services for its vessels as well as other third party vessels.

The company enjoyed solid growth and fairly stable performance until 2012. However, a strong Australian dollar and a downturn in the ferry market combined with two stock boats that the company was struggling to sell, left the company with a stretched balance sheet resulting in a deeply discounted capital raising. This proved to be a turning point for the company. Soon after the two stock boats were sold enabling the company to become debt free and the US navy contracts continued to perform well increasing the share price up to $2.50. Unfortunately for Austal shareholders, in December 2015 the company took a large write down on one of its US Navy contracts and the well-respected CEO resigned resulting in the share price plummeting below $1.50 a share. After the dust had settled and the share price remained low we felt that it would be an opportune time to revisit the company as a potential investment for our Fund.

The key factor that drew us in initially, other than the recent share price decline and attractive entry earnings multiple, was that we felt the company was perfectly placed to take advantage of big defence expenditures that several countries will be undertaking in the coming years, especially Australia and the US.

In 2016 the Australian Government published the Defence White Paper outlining their plans to expand and modernise an ageing Navy using Australian workers and knowledge. Austal is perfectly positioned to benefit from this as they are the only ship builder in Australia with the experience and existing shipyard that could realistically build a number of these ships. Specifically, there are two projects that we feel Austal could participate in. First is a $1 billion Offshore Patrol Vessel contract, we are almost certain they will build ten ships at their Henderson Shipyard in Perth. This contract will underwrite the Perth based facility for at least the next fifteen years. Any further building works from the shipyard, such as ferry builds, will be very profitable as the general overheads from the facility will have already been covered. The other much larger project is a $9 billion contract for Future Frigate ships. We believe Austal stands a good chance to win the build contract at the government owned shipyard in Adelaide. Austal already runs a larger shipyard in the United States and has experience building the Littoral Combat Ship, which is essentially a small frigate for the United States Navy. In other words, in Australia Austal is in with a good chance to participate in both the Offshore Patrol Vessel and Future Frigate build projects in Australia, potentially increasing the company's order book by $10 billion and attached to this could be recurring maintenance contracts.

In the US, Austal has participated in the Expeditionary Fast Transport building programme which is coming to a close and more importantly in the Littoral Combat Ship (LCS) programme which will ensure that there will still be a lot of work in this market for years to come. The LCS programme has suffered its fair share of controversy as cost blow outs have diminished support in some circles in the US leading to discussions in the past about reducing the order book. However, president elect Trump has indicated his desire to expand the US Navy fleet from 308 to 355 ships as geopolitical tensions around the world rise. This should all but ensure that the LCS programme will continue as originally contracted which should be worth more than A$10 billion over the remaining life of the contract. Similar to the Australian market opportunity this should also come with long term maintenance contracts.

Combining the Australian and US ship building programmes, Austal has a potential future order book of $20 billion on which they should generate a margin of approximately 5%. This is not even including potential navy contracts from the Middle East and continuous ferry sales which they continue to complete at a steady rate. We feel that the market is underappreciating just how well Austal is positioned to win the Australian contracts and it is probably wary of past uncertainty around the LCS programme in the US. However, at the current price we believe Austal is offering great value even on the existing order book and support contracts. The significant future upside options are so huge, particularly from Australia, that it catapults the stock to one of the best ideas for our Fund.

LOOKING FORWARD

Subsequent to the December year-end we have managed to secure a meaningful position in a company that experienced a share price plunge late last year and it has therefore reduced our cash position. Geoff and I are very familiar with the company as we have been investors previously and we anticipate considerable upside potential from current share price levels. We look forward to discussing this new investment, updates on or existing holdings and some of our other ideas we have been working on in future communications with you.

We wish you and your families all the very best for this year.

Yours faithfully,

James Williamson
Fund Manager

APPENDIX

The Fund's Portfolio (unaudited)

As at 31 December 2016

Company Name	% of Fund
Commercial Services	7.1%
Capital Goods	6.4%
Commercial Services	6.3%
Industrial Services	6.2%
Beverages	4.3%
Commercial Services	4.3%
Oil & Gas	4.2%
Redeemable Convertible Preference Shares	4.0%
Real Estate Investment Trusts	3.6%
General Industrial	3.1%
Other Investments	11.6%
Total Equity Exposure	**61.3%**
Cash	38.7%
Total	**100%**

COMPANY NAMES ONLY AVAILABLE TO UNIT HOLDERS

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