ELEVATION CAPITAL® **VALUE FUND**

Quarterly Report – Period Ending 31 March 2014

PERFORMANCE

Performance	Q1 2014	FYTD**	CYTD***	2 Years Annualised	3 Years Annualised	5 Years Annualised	Since Inception Cumulative
Value Fund NZ$ (Net)	-1.13%	12.49%	-1.13%	9.39%	4.28%	6.90%	37.24%
Value Fund US$* (Net)	4.24%	16.49%	4.24%	12.57%	8.83%	16.24%	109.19%

* USD performance numbers are calculated using spot FX rates (at month end) and are provided for informational purposes only. The Fund does not have a USD unit price at this time.
** Financial year to date (FYTD) for year beginning - 1 April 2013
*** Calendar year to date (CYTD) for year beginning - 1 January 2014

All performance returns detailed above are calculated using exit price to exit price, net of taxes and ongoing fees, but excluding entry costs and any individual taxes. The returns include reinvestment of all distributions (if any). The performance quoted represents past performance, which does not guarantee future results. The investment return and principal value of an investment in the Fund will fluctuate, so that an investor's units in the Fund, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

TOP TEN HOLDINGS

Company	Domicile	% of Portfolio	Company	Domicile	% of Portfolio
Ciments Français		4.01%	Mondelēz International		3.07%
Chesapeake Energy		3.54%	VEALLS		3.03%
Nestlé		3.34%	Heineken		2.87%
Molson Coors		3.19%	vivendi		2.75%
Kirkcaldie & Stains Ltd		3.18%	Leucadia National Corporation		2.62%

COMMENTARY

Fund Review – Q1 2014

The First Quarter of 2014 saw increased volatility in equity markets around the world. This was largely driven by Russian imperialism in the Ukraine and some air being let out of the lofty multiples we have been seeing in the technology sectors. Household names in the technology sector like Facebook, LinkedIn, Twitter and Amazon saw double-digit declines during the first quarter. NZX listed software darling Xero saw its share price decline by around 30% in the recent weeks.

New Zealand's perceived "safe haven" status saw the New Zealand Dollar appreciate +5.4% versus the US Dollar during the quarter. The Fund remains unhedged on all of its holdings and the underlying currency + stock movements resulted in a return of -1.13% for the first quarter of 2014. We believe this performance continues to highlight the strength of our conservative positioning and security selection based on quantifiable investment fundamentals. The Fund has no exposure to the aforementioned tech "darlings" and we caution investors as to what we believe has been a growing euphoria towards these stocks and new listings in general, both offshore and in New Zealand. We continue to believe it is sensible to give pause towards IPOs (in general) and ask who is this being priced for, the buyer or the seller?

Our cash balance which totaled 27.61% at the end of the quarter was broken down as follows: US$ 16.74%, GBP 3.45%, CHF 1.32%, Euro 0.84% & NZ$ 5.14%. The foreign currency balances principally stem from the fact we have not repatriated funds in recent months/quarters following various divestments. We continue to believe and reiterate that for New Zealand domiciled investors the Fund provides an attractive mechanism to diversify offshore and take advantage of our increased purchasing power.

It is also important to reiterate that we view our cash balance as an integral part of our investment philosophy and strategy. We are reminded by Benjamin Franklin who said "There are three faithful friends – an old wife, an old dog and ready money."

The Fund maintained its history of undertaking an annual distribution as at 31 March. This year the distribution totaled NZ$ 2.625 cents per unit, an increase of 5% year-on-year.

Below we have detailed the five largest contributors/detractors from Fund performance during Q1 2014:

Contributors Q1 2014		Detractors Q1 2014	
Ciments Francais	France	Staples Inc.	US
Encana Corp	Canada	Chesapeake Energy Corp	US
Kirkcaldie and Stains	NZ	Guinness Anchor Bhd	Malaysia
Arcos Dorados Holdings Inc.	Argentina	Kirin Holdings Co Ltd	Japan
Anglo American Plc	UK	Tiffany & Co	US

During Q1 2014 we undertook the following portfolio movements:

Reduced	Increased	Exited	New
Ciments Francais	Anglo American Plc	CBOE Holdings Inc.	Advanced Info Service
Encana Corp	Chesapeake Energy Corp	Canadian Natural Resources	Arcos Dorados Holdings Inc.
Kirkcaldie and Stains Ltd	Gale Force Petroleum Inc.	Smith & Nephew Plc	Paris Orleans
Monster Worldwide Inc.	Guinness Anchor Bhd	Starz	Remy Cointreau
Vivendi	Petroleo Brasileiro SA		Tod's Spa
	Penn West Energy		
	Staples Inc.		

We were far more active on the buy-side this quarter (five new purchases in Q1 2014 vs. zero purchases in Q4 2013), particularly within the emerging markets directly (Arcos Dorados - Argentina, Advanced Info Service - Thailand, Guinness Anchor – Malaysia, Petrobras - Brazil), as well as those stocks with businesses that have an exposure to the emerging market consumer (Tod's – Italy, Remy Cointreau - France), commodity related businesses (Anglo American - UK, Chesapeake Energy - US, Gale Force Petroleum – Canada, Penn West Energy - Canada) and financial services (Paris Orleans - France).

All of the positions we exited during the quarter were profitable. Detailed below is a brief overview of the results:

Company Name	Holding Period	Annualised Returns[1]
CBOE Holdings Inc.	2.3yrs	+49%
Canadian Natural Resources	2.3yrs	+8%
Smith & Nephew Plc	2.2yrs	+24%
Starz	1.0yrs	+84%

CBOE Holdings (formerly known as the Chicago Board of Options Exchange) owns the extremely popular VIX Index. This is a volatility index and is used by financial market participants to not only gauge market euphoria or pessimism at anytime but invest/trade on these sentiments. The demand for this product has exploded over the past few years and as a result the earnings of CBOE have continued to grow solidly over this period. We exited this stock, as it reached what we felt were increasingly lofty valuation metrics. The returns over our holding period were more than satisfactory and with the benefit of hindsight one can only wish we had purchased more.

Canadian Natural Resources is an extremely well managed oil and gas company based in Canada. We divested this stock solely because we have a number of oil and gas holdings, and we have sought to consolidate those holdings into two categories: (i) attractive (read high and sustainable) dividend yields with sound long-term business prospects across multiple geographic locations, and, (ii) smaller companies (relative to Total, Shell or BP) where it is not unreasonable to expect they could be the target of industry consolidation and/or companies where sentiment is extremely negative which has created what we believe to be significant undervaluation relative to their asset base and their longer term business prospects.

Smith & Nephew Plc is a UK domiciled global pharmaceutical and medical device company. We have long held the view that consolidation would remain a key feature of this industry. This thesis continues to play out today with Pfizer bidding for Astra Zeneca. Given Smith & Nephew's market capitalisation, low debt levels and discount to private market values we felt the Company was a prime candidate in time for potential consolidation. Unfortunately, the executive team had other ideas and they became an acquirer. (*We are not expressing a definitive view of whether these acquisitions will be positive for the Company in the long term, albeit in most cases history shows you are better to be acquired.)* However, from our point of view a key facet to our investment in the Company was removed and we sold. The returns again were more than satisfactory over our holding period.

Starz is a US domiciled integrated global media and entertainment company with operating units that provide premium subscription video programming on domestic US pay television channels (Starz Networks), global content distribution (Starz Distribution) and animated television and movie production (Starz animation). Starz was a spin-off* from John Malone's Liberty Media and we purchased it not long after the spin. Spin-off's are a lucrative area of the market to focus on because they typically lack analyst coverage for a period of time and index fund managers or index "hugging" fund managers typically divest these holdings quickly after receiving the stock so they can get back to tracking or hugging the index. Yes, this does actually happen and supposedly long-term minded investors sell stock irrespective of valuation and this provides a Fund like the Elevation Capital Value Fund with opportunities. Once again, in hindsight we only wish we had bought more of what was a very successful investment.

* *A spinoff is a type of divestiture. It involves the creation of an independent company through the sale or distribution of new shares of an existing business or division of a parent company.*

[1] In the holding's local currency including dividends

Takeover Update – Ciments Francais

On 6 March, 2014, the parent company of Ciments Francais – Italcementi launched a tender offer for Ciments Francais at Euro 78.00 per share, a 19% premium to the 5 March closing price and a 31% premium to the weighted average price in the preceding three months. The bid price will be adjusted for any dividend payments - expected to be Euro 1.50 per share.

Italcementi has been the controlling shareholder of Ciments Francais since 1992 and holds 83.16% of its share capital and 91.12% of its voting rights.

Since we first invested in Ciments Francais in 2010, we have always held the view that Italcementi would look to remove the minorities to gain access to 100% of the cashflows. In fact, Italcementi had, in the past, tried and failed to acquire Ciments Francais. The directors on 12 March 2014 appointed an independent expert (FINEXSI) to issue an independent appraisal report on the offer and we are awaiting this. The stock is currently trading above the bid-price, which is supportive of our preliminary view that the bid is not high enough.

Ciments Francais is currently our largest position (via performance) so we will keep you abreast of what transpires. Italcementi has already indicated a desire to utilise squeeze out provisions (compulsory acquisition thresholds) should they receive enough acceptances. Therefore, the independent appraisal report is critical to the process at this point.

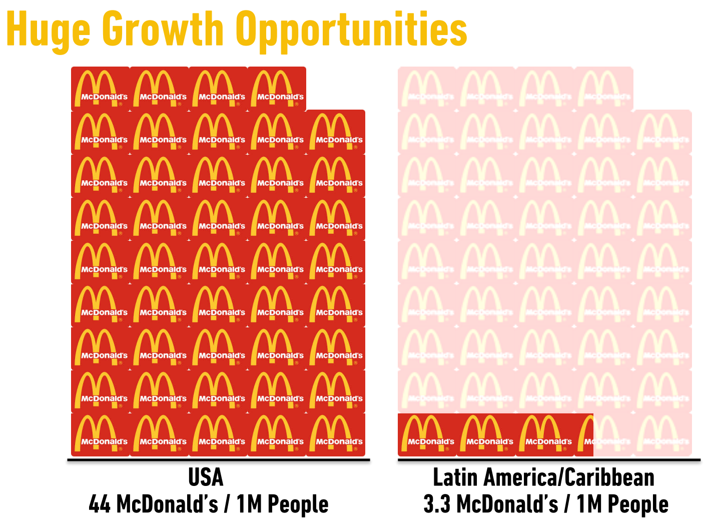
New Company Update – Arcos Dorados

We added Arcos Dorados to the portfolio in early February 2014. It is the largest franchisee of McDonald's restaurants in the world, operating in South America and the Caribbean. Arcos Dorados has over 2000 restaurants in this region and we see this number growing rapidly as the business takes advantage of the rise of the South American middle class and the increase in discretionary spending associated with the rapid economic growth of emerging economies.

In line with a number of other emerging market stocks, Arcos Dorados has performed poorly over the last two to three years. Since its IPO in 2011, Arcos Dorados shares have fallen from a high of $28.25 to their current price of $8.50. As the tapering of quantitative easing has been anticipated and eventuated, emerging market equities have been hit by an outflow of capital back to developed economies. The result has been large foreign exchange losses being recorded on income statements and negative sentiment dominating the markets. This negative sentiment has led to what we believe is an opportunity to buy a fundamentally good business. Arcos Dorados has growth potential far beyond that of the vast majority of companies in developed markets in our opinion and this is not currently reflected in its valuation. In basic terms, we believe we are buying what would naturally be a growth stock for the price of a much better than average value stock.

Arcos Dorados holds the exclusive rights to the McDonald's brand across South America and the Caribbean and it has an 11.2% share of these markets. The next largest operator is Burger King, which holds a mere 3.2% market share. McDonald's dominance in this market allows it to take advantage of the growth opportunities, which we foresee. To contextualise this growth potential, we've drawn a comparison between the number of McDonald's restaurants per person in the United States and the equivalent in Latin America.

The chart below illustrates why we believe Arcos Dorados represents an opportunity to buy a stake in a brand/business, which dominates a market with the potential to grow significantly*. *(*Note: we are not suggesting that the penetration rate will be anywhere near the level it is in the US, but we believe it is reasonable to expect it will increase from current levels in the years ahead.)*



Political and macroeconomic issues unique to Latin America have also contributed to the negative performance of Arcos Dorados shares in recent times. Venezuela and Argentina have demonstrated an interventionist tendency when dealing with business, leading to regulatory issues being faced in these countries. Inflation has also become an issue, particularly in Venezuela. Our valuation takes account of the political and macroeconomic conditions faced by Arcos Dorados by significantly reducing the value of the assets they own in these countries and reducing future earnings from these regions. In fact we have impaired Venezuela to zero in certain valuation scenarios. Some protection from further downside risk, is also afforded in our view by Arcos Dorados owning a significant amount of real estate (~25% of its stores), a key factor which provides support to our "worst case" liquidation scenario. The company-owned real estate assets are held on the balance sheet at historical cost of US$ 1.179B. Valued at current market prices these assets are potentially worth more than their book value in our opinion.

Arcos Dorados also pays a dividend and currently yields 2.7%, so importantly we are paid to be patient.

In summary, with Arcos Dorados we gain exposure to the emerging market consumer, South American real estate, a roll out of one of the strongest brand names in the world, a CEO heavily aligned with a +40% ownership stake in the business, who was also recently purchasing shares on market at the same time as ourselves and an investment where the "future" has already happened in many other parts of the world.

In Closing

We have just returned from a trip where we attended the 48th Berkshire Hathaway Annual Shareholder Meeting in Omaha, Nebraska. The key takeaway from the event for us was the need to be ever vigilant with corporate managements.

A key topic of discussion was the Coca-Cola Company's ("Coca-Cola") executive remuneration scheme, which was egregiously generous both in an absolute sense and relative to past schemes (albeit there was also some debate about the exact quantum of the dilution shareholders would suffer). Berkshire Hathaway is the largest shareholder in Coca-Cola and Mr. Buffett (83 years) abstained from the vote sending a strong signal to the Coca-Cola management that he and Mr. Munger (90 years) were unhappy with the scheme as it was currently proposed. Mr. Buffett said he could not vote against Coca-Cola management because it would be un-American and he did not want to go to "war" with Coca-Cola management whom he respects. But he did want to send them a clear message that he did not approve of the proposed compensation scheme.

This stance is clearly fine for Mr. Buffett with his stature in America and widespread acclaim around the world, but for the balance of investors, we all need to be ever vigilant and voting **NO** is not something we should be reluctant to do. The fact is, if this Coca-Cola remuneration scheme was approved without all the headlines it could have been hugely negative for investors in the US, and arguably across the world, as one needs to remember compensation amongst publicly listed companies is almost always based on peer review, a completely flawed methodology in our view because the ratchet usually only moves up. Mr. Munger also pointed out that this has had the terrible effect of creating executive "envy" which in-turn has resulted in escalating remuneration packages once again based solely on relative assessment in many cases.

Mr. Munger also added additional perspective on their experience with executive compensation over the years: *"Warren was totally voted down at Salomon. They were like what does he know about Wall Street. Knowing both Howard and Warren – they won't go soft, just because they don't shout all the time. If we all did that we couldn't hear each other. I offend more people than you (Warren) and I am comfortable with your level."*

With the 50th meeting in sight and another year behind them, both Mr. Buffett and Mr. Munger showed no signs of changing intensity. There is always something to take away from this dynamic duo and we have found it very rewarding over the years. If you would like to attend the meeting with us next year – please email me directly at chris.swasbrook@elevationcapital.co.nz or Richard Milsom at Richard.milsom@elevationcapital.co.nz and we will provide you with our itinerary for next year's meeting as we put it together.

Please also find detailed below a link to an article from the Omaha World Herald (owned by Berkshire Hathaway), which features one of our fellow investors in the Fund who travelled with us and also attended a University of Nebraska course on Value Investing: http://www.omaha.com/article/20140502/MONEY/140509796

Thank you once again for your continued support and interest in the Fund, it is not lost on us you have a choice of investment managers.

Yours sincerely,

Christopher Swasbrook
Managing Director
Elevation Capital Management Limited

FUND PORTFOLIO HOLDINGS

Asset	Domicile*	% of Portfolio	# of Shares	Year First Purchased
Ciments Francais	France	4.01	3,750	2010
Chesapeake Energy Corp	US	3.54	14,000	2012
Nestlé SA - Reg	Switzerland	3.34	4,500	2011
Molson Coors Brewing Co - B	Canada	3.19	5,500	2011
Kirkcaldie and Stains Ltd	NZ	3.18	172,500	2008
Mondelēz International	US	3.07	9,000	2012
Vealls Limited - Capital Share	Australia	3.03	39,895	2008
Heineken Holdings NV	Netherlands	2.87	4,500	2010
Vivendi	France	2.75	10,000	2011
Leucadia National Corp	US	2.62	9,500	2011
Total SA	France	2.59	4,000	2011
Penn West Energy	Canada	2.47	30,000	2009
Kirin Holdings Co Ltd	Japan	2.46	18,000	2010
Scholastic Corp	US	2.38	7,000	2013
BP Plc - ADR	UK	2.37	5,000	2010
Imperial Tobacco Group Plc	UK	2.19	5,500	2011
Arcos Dorados Holdings Inc-ADR	US	2.11	21,250	2014
Encana Corp	Canada	2.11	10,000	2011
Staples Inc	US	1.96	17,500	2011
Post Holdings Inc	US	1.90	3,500	2013
Monster Worldwide Inc	US	1.85	25,000	2012
Guinness Anchor Bhd	Malaysia	1.70	40,000	2013
Petroleo Brasileiro SA - ADR	Brazil	1.68	13,000	2011
Novartis AG	Switzerland	1.68	2,000	2012
Anglo American Plc	UK	1.51	6,000	2011
Remy Cointreau	France	1.49	1,875	2014
Skyline Enterprises	NZ	1.35	15,000	2009
Tod's Spa	Italy	1.28	1,000	2014
Tiffany & Co	US	1.28	1,500	2012
Japan Tobacco Inc	Japan	1.24	4,000	2011
Advanced Info Service PCL	Thailand	1.20	17,500	2014
LAACO Ltd-Units of Ltd Partners	US	0.69	60	2009
Laurent-Perrier Group	France	0.49	500	2011
Paris Orleans	France	0.36	1,500	2014
Genesis Energy Ltd	NZ	0.29	21,611	2014
Gale Force Petroleum Inc	Canada	0.17	300,000	2013
Cash		27.61		

Total Number of Securities = 36, Total Number of Countries = 14

RISK DISCLOSURE STATEMENT

Elevation Capital Management Limited is a Registered Financial Service Provider in New Zealand in accordance with the Financial Service Providers (Registration and Disputes Resolution) Act 2008 -- FSP # 9601.

Elevation Capital Management Limited does not provide personalised investment advisory services to the public. Nothing herein should be construed as a general advertisement of investment advisory services or a solicitation of prospective clients for investment advisory services.

The information herein is intended solely to provide certain background information about the Elevation Capital Value Fund. The discussions above represent our views at the time of this commentary and are subject to change without notice. One of our responsibilities is to communicate in an open and direct manner. Insofar as some of our opinions and comments in our reports and commentaries are based on current expectations, they are considered "forward looking statements," which may or may not be accurate over the long term. While we believe we have a reasonable basis for our comments and we have confidence in our opinions, actual results may differ materially from those we anticipate. You can identify forward-looking statements by words such as "believe," "expect," "may," "anticipate," and other similar expressions. We cannot, however, assure future results and disclaim any obligation to update or alter any forward-looking statements, whether as a result of new information, future events, or otherwise. The above views may not be relied upon as investment advice or as an indication of trading intent on behalf of any Elevation Capital Fund or Portfolio. Security examples featured are samples for presentation purposes and are intended to illustrate our investment philosophy and its application. It should not be assumed that most recommendations made in future will be profitable or will equal the performance of the securities.

The information contained in this report has been prepared solely for informational purposes. It is not an offer to buy or sell or a solicitation of an offer to buy or sell units in the Elevation Capital Value Fund, a recommendation of any security or to participate in any trading strategy. If any offer of units in the Elevation Capital Value Fund is made, it shall be pursuant to a definitive Investment Statement and Prospectus prepared by or on behalf of the Elevation Capital Value Fund. Any decision to invest in the Elevation Capital Value Fund should be made only after reviewing the definitive Investment Statement and Prospectus (available at www.elevationcapital.co.nz or by contacting Elevation Capital Management Limited, PO Box 911145, Victoria Street West, Auckland 1142, New Zealand), conducting such investigations as the investor deems necessary and consulting the investor's own investment, legal and tax advisors in order to make an independent determination of the suitability and consequences of an investment in the Elevation Capital Value Fund.

All performance data, portfolio composition data and risk targets contained in this report are subject to revision by Elevation Capital Management Limited and are provided solely as a guide to current expectations. There can be no assurance that the Elevation Capital Value Fund will achieve any targets or that there will be any return on or of capital. International investments involve special risks, including currency fluctuations, lower liquidity, different accounting methods, economic and political systems. These risks are typically greater in emerging markets. Adverse political and economic developments or rapid changes in the value of foreign currency add to the risk and volatility of emerging markets. Differences in tax and accounting standards, difficulties in obtaining information about foreign companies, restrictions on receiving investment proceeds from a foreign country, confiscatory foreign tax laws and potential difficulties in enforcing contractual obligations, can all add to the risk and volatility of foreign investments. The Elevation Capital Value Fund may invest a significant portion of its assets in the stocks of small and medium-sized companies, which tend to be more volatile and less liquid than those of large companies, may have underperformed the stocks of larger companies during some periods and tend to have a shorter history of operations than larger companies. Potential investment risks are discussed in more detail in the Investment Statement and Prospectus for the Fund/s. Past performance is no guarantee of future results and current performance may be higher or lower than the performance shown. This data represents past performance and investors should understand that investment returns and principal values fluctuate, so that when you redeem your investment it may be worth more or less than its original cost. Current performance data may be obtained by visiting www.elevationcapital.co.nz or calling +64 9 307 6741.

Elevation Capital Management Limited, its directors, employees and agents believe that the information herein is correct at the time of compilation; however they do not warrant the accuracy of the information. Save for any statutory liability which cannot be excluded, Elevation Capital Management Limited further disclaims all responsibility or liability for any loss or damage which may be suffered by any person relying on any information or any opinions, conclusions or recommendations contained herein whether that loss or damage is caused by any fault or negligence on the part of Elevation Capital Management Limited, or otherwise.