QUARTERLY REPORT

ELEVATION CAPITAL VALUE FUND

31 March 2015

ELEVATION CAPITAL®

Quarterly Report – Period Ending 31 March 2015

PERFORMANCE

Performance	Q1 2015	FYTD**	CYTD***	2 Years Annualised	3 Years Annualised	5 Years Annualised	Since Inception Cumulative
Value Fund NZ$ (Net)	3.92%	7.39%	3.92%	9.91%	8.72%	5.92%	47.38%
Value Fund US$* (Net)	-0.30%	-7.20%	-0.30%	3.97%	5.50%	7.09%	94.14%

* 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 2014
*** Calendar year to date (CYTD) for year beginning - 1 January 2015

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

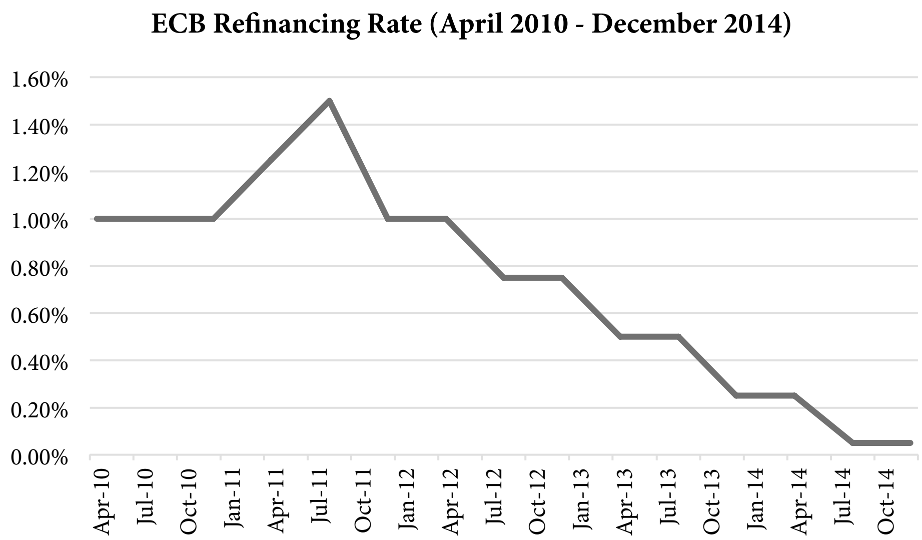
Company	Domicile	% of Portfolio	Company	Domicile	% of Portfolio
Chesapeake Energy		4.08%	TOD'S		3.23%
adidas Group		3.74%	Nestlé		3.22%
Viacom		3.57%	DIAGEO		3.14%
gsk GlaxoSmithKline		3.27%	Rémy Cointreau		3.14%
Heineken		3.26%	Mondelēz International		3.08%

COMMENTARY

Q1 2015

The first quarter of 2015 has seen equity indices march on, albeit more slowly in the US, and bond yields fall to previously unseen levels. Oil prices have seemingly found a floor (at least for the time being), and the effect of monetary easing by the European Central Bank (ECB) is being felt in equity and fixed income markets – particularly in Europe. A number of the best performing stocks in the Elevation Capital Value Fund portfolio have been European, including Tod's SpA, Heineken Holdings, Remy Cointreau and adidas AG, all of which have delivered returns of above +15% (in local currency terms) for the quarter.

In late January, Mario Draghi, President of the ECB, announced a comprehensive program of quantitative easing to counter the threat of deflation. This will involve the purchase of up to € 1.1 trillion (€ 60 Bln per month) worth of financial assets - primarily bonds – by the ECB. The move was largely anticipated by markets but this has not stopped a number of equity indices being pushed to new highs. The DAX, a German equity index, has risen ~ 15% since the announcement and the CAC40, a French equity index, has risen ~ 10.5%. In hindsight, the ECB's decision to raise the refinancing rate (the European base rate, equivalent to the OCR in New Zealand) in April 2011 was very premature.



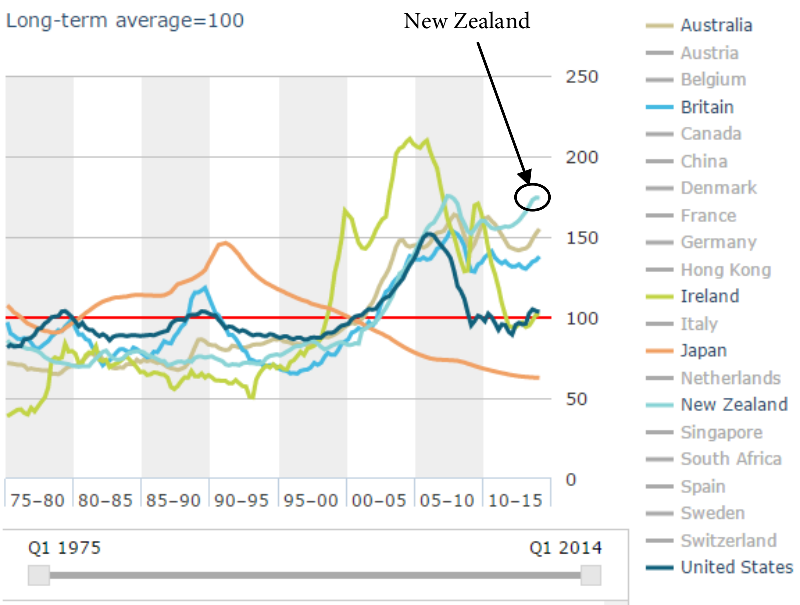
A discussion of easy monetary policy and its effects on asset prices leads us to the subject of residential property prices in New Zealand – particularly Auckland. New Zealanders have had a long love affair with property as an investment for various reasons. Property is more tangible than stocks and bonds (you can walk around and touch a home or a property), no taxes are imposed on capital gains and, perhaps most importantly, one can generally borrow a greater portion of the purchase price to finance the purchase of property. The rapid rise of residential property prices has largely been the result of the willingness of banks to lend large amounts to borrowers with minimal deposits. While margin lending for the purchase of stocks is capped, banks will allow you to leverage your property purchase many times over. A 10% deposit means you are leveraging your investment 10x, meaning the return on equity is significantly boosted by the use of leverage, enhancing risks as well as returns.

It is very difficult to argue against the returns Auckland property investors have experienced in the recent past which have pushed prices to among the most expensive in the world. A recent QV report on New Zealand residential property prices demonstrated a 17.9% year-on-year increase in the prices of property in Auckland City South, while Auckland City East and Auckland City Central showed gains of 15.4% and 11.3% respectively. Constraints impacting the property market do not help. One of the effects of provisions in the Resource Management Act has been to make it more difficult, time consuming and expensive to build a home, meaning that people are incentivised to buy existing homes, rather than increase the stock by building. As the American Economist Steve Landsburg said regarding the discipline of economics, "People respond to incentives, the rest is mere commentary". Confusing the supply and demand equation further is the fact that demand is not restricted to the local market. Overseas investors who can borrow at lower interest rates see Auckland property as an attractive investment, with little paperwork and limited restrictions on foreign ownership of multiple dwellings, thereby increasing demand for properties. These buyers have played an increasingly large role in Auckland housing (albeit statistics are difficult to ascertain, which in itself is puzzling).

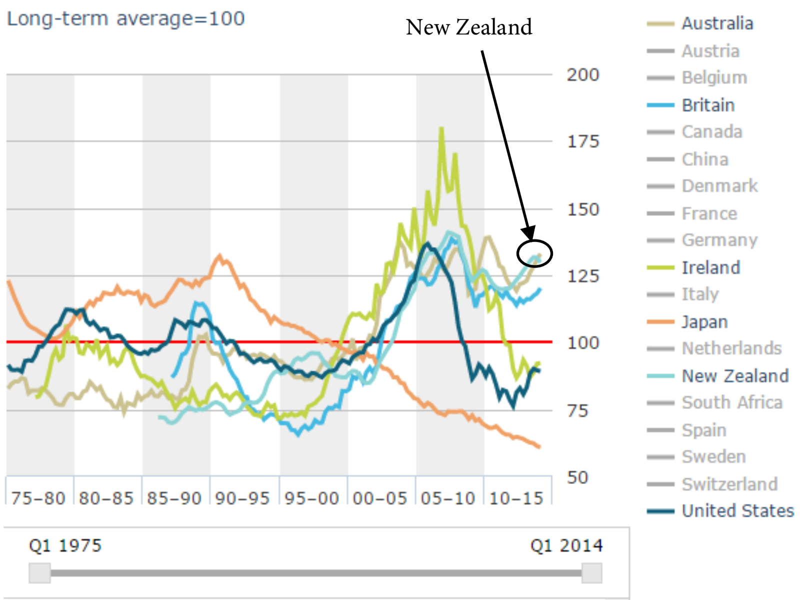
Given the rapid rise of property prices in Auckland, the investment case for property is, in our view, weak. Traditional measures of the fundamental value of properties such as price in relation to annual rental income (rental yield) and price in relation to median household income have increased to the extent that they are no longer predictive of property prices. Rental yields are historically low, while household incomes have risen only moderately in real terms. We interpret these two metrics negatively in terms of their implications for value in property markets at present. Rent can only be raised by so much in the face of median incomes which have only increased slowly.

'The Economist" tracks residential property prices closely and New Zealand residential property prices (driven largely by Auckland) have been notable for their divergence from long term trends in both price vs rental income and price vs average national income (see charts below). It is worth noting that the red line in both charts represents the long term average. See the following link to The Economist feature: http://www.economist.com/blogs/dailychart/2011/11/global-house-prices.

Price vs Rental Income:



Price vs Average National Income:

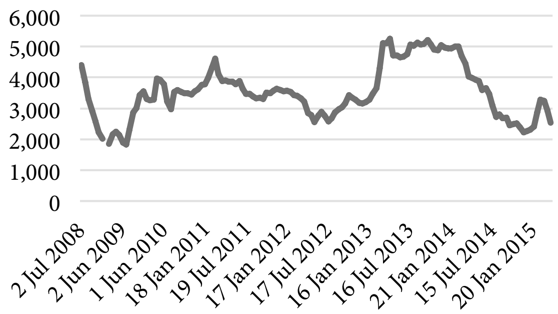


In the event that property prices suffer a decline, the effects on the banking system and individual borrowers may be unpalatable. The implications should be obvious to most investors – diversification is key. Having exposure to different markets, not just property and not just New Zealand, is important for investors seeking to minimise risks. Although property has been a good performer for investors in the recent past, this is no indication that it will continue in the future. To quote Babe Ruth, "yesterday's home runs don't win today's games".

We are increasingly cautious regarding debt levels in New Zealand. Within New Zealand at present we fear significant complacency amongst the broader population in the face of key commodity price deflation. It seems that debt fuelled property price appreciation has put the blinkers on to the possible misallocation of resources. Time may prove us wrong, but borrowing more to spend more on houses is not the same as earning more to spend more. Economic history is replete with large groups of investors who believed in mathematically unsustainable trends. We doubt this time is any different - despite what the wider real estate industry will tell you. Additionally, low interest rates are likely to moderate or even reverse course in time - we are circumspect as to whether higher interest rates in the future are being factored in by current buyers.

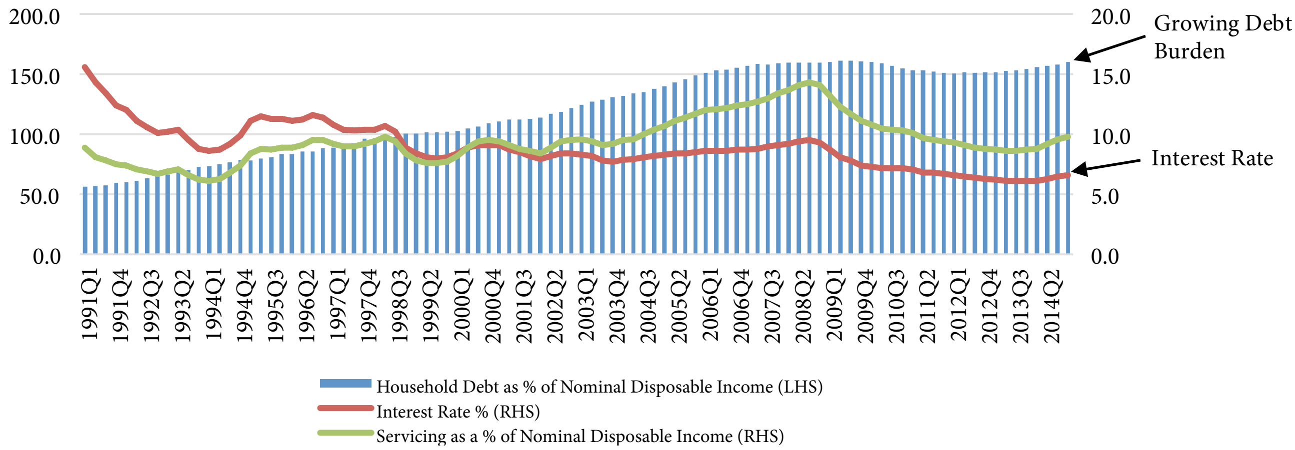
Whole Milk Powder Average Price (USD/Metric Tonne)

(Source - globaldairytrade.com)



New Zealand: Household Debt

(Source - Reserve Bank of New Zealand)



Looking forward in equity markets, the possibility of rising interest rates in the United States is likely to lead to increased volatility in the months ahead. Markets which have been supported by accommodative monetary policy (the bull market has been charging ahead for five years now), may be volatile in the face of rising interest rates. More generally, market conditions are clearly developing pockets of complacency. One area of particular concern is the bond market. Bond yields have been pushed to previously unseen lows by increasing prices as investors seek safety. The risk to equity markets is fundamental – in the event of a bond market bubble bursting, the weighted average cost of capital for firms increases on a forward basis. It is easy for firms to generate a positive net present value on projects when capital is costing them 3%-5%, not so easy when it is costing them 7% or above. Famed investor Julian Robertson acknowledged the link between the equity and bond markets in a recent interview, saying that a bursting bond bubble would have a serious impact on stocks.

In mature bull markets it is always prudent to have an eye on the possibility of a correction in equity prices. This is important for both buy and sell decisions and emphasis should rest firmly on value rather than price as multiples become further stretched. Seth Klarman of Baupost Group sums up his mindset as a value investor in a mature bull market – "Stick to your knitting. Avoid portfolio leverage. Maintain sell discipline. Hold some cash in reserve to take advantage of future opportunity." As with all fund managers, we have views on likely macroeconomic outcomes in the future. However, making investments based on macroeconomic views often leads to binary outcomes. Instead, we take the approach of bottom up, fundamental valuation, basing our decision to purchase a share on our view of the fundamental intrinsic value of that share. As we screen hundreds (perhaps thousands) of companies per year, assessing the multiples they trade at against their peers and where they have traded historically, our approach is moving towards one of caution. We are seeing shares trading at multiples which are significantly higher than their historical averages. Our cash balance is +24% (as at 15 April 2015), which is indicative of our cautious outlook (we expect this balance to move to over 30% on forecast new inflows in May 2015).

Broader equity valuations are stretched in a number of markets, increasingly the US. Our view of Europe differs slightly, in that we believe there is still room for further earnings growth and multiple expansion (particularly with the advent of quantitative easing). A recent Financial Times ("FT") article highlighted this point eloquently, saying that the Eurozone stock market is valued at 52% of the region's GDP, versus the US stock market which is valued at 138% of US GDP. Even accounting for regional differences in the proportion of listed versus private firms, this highlights how far behind the Eurozone has been in terms of both real economic recovery and equity market recovery. Our bottom up fundamental analysis supports this view and Europe currently accounts for approximately 35.6% of the portfolio as at 31 March 2015.

While we are increasingly cautious of elevated market multiples, this is largely driven by a few sectors (eg. Technology, Healthcare, Biotechnology etc.). We are not suggesting there are no opportunities at present. To once again quote Seth Klarman on the opportunities available in both bull and bear markets:

"It's crucial to remember that a bear market is still a market. Markets are driven by supply and demand, and greed and fear. They constitute, as Benjamin Graham noted, a voting machine, not a weighing machine. Emotion-driven individuals dominate markets and just as no bull market goes on forever, nor does any bear market. To take advantage of the low prices in a bear market, you have to have been buying on the way down, perhaps all the way down. There is no way to perfectly time the bottom, and no other way to put substantial capital to work".

Adhering to these wise words, we believe our collective patience, coupled with our cash balance, will afford the Fund opportunity in the future.

Portfolio Review – Q1 2015

Below we have detailed the five largest contributors/detractors from Fund performance during Q1 2015:

Contributors Q1 2015		Detractors Q1 2015	
Monster Worldwide, Inc	US	Chesapeake Energy Corp	US
adidas AG	Germany	Pental Ltd	Australia
Remy Cointreau	France	Anglo American Plc	UK
Heineken Holding NV	Netherlands	Staples Inc	US
Tod's SpA	Italy	Encana Corp	Canada

During Q1 2015 we undertook the following portfolio movements:

Reduced	Increased	Exited	New
Staples Inc	eBay Inc	Gale Force Petroleum Inc	BHP Billiton Ltd
Molson Coors	Chesapeake Energy Corp	Monster Worldwide, Inc	Coach Inc
Imperial Tobacco Group Plc	Anglo American Plc		De La Rue Plc
Remy Cointreau	Penn West Petroleum Ltd		Hess Corp
Tod's SpA	Viacom, Inc		Philip Morris International Inc
Diageo Plc	Encana Corp		STW Communications Group Ltd
Nestle SA	Pental Ltd		
Time Inc	Arcos Dorados Holdings Inc		
Vivendi SA			

We have exited two positions during Q1 2015:

Company Name	Holding Period	Annualised Returns[1]
Gale Force Petroleum Inc	1.6yrs	Loss[2]
Monster Worldwide, Inc	3.0yrs	+22%

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

[2] Gale Force Petroleum ("GFP") was exited at a loss which amounted to ~0.43% of Net Asset Value (as at 31 March 2015). It was a very small position within the portfolio which totalled only ~0.51% of Net Asset Value - our average position size as at 31 March 2015 was 2.16%. GFP was a small capitalisation oil company based in Canada which was best described as a special situation investment which failed to fulfil the prospects for capital return via asset realisation despite trading at a significant discount to stated Net Asset Value (proven reserves). Clearly, not every position goes to plan and thankfully in this case the position was sized to reflect the risks inherent in small capitalisation companies (which are increasingly a rarity in our portfolio as highlighted by the portfolio detailed on the front cover to this quarterly report.) However, losses (on occasion) are an inescapable fact within this business and one has to place these examples in the "never forget" file/ledger and learn from them.

New Position Acquired During Q1 2015

De La Rue Plc

DeLaRue

During the most recent quarter we established a new position in a company called De La Rue. Based in the United Kingdom, De La Rue is the primary private sector currency printer globally. The Company's main activity is printing bank notes for central banks in over 150 countries. It also produces other documents including security paper, passport and identification documents as well as software. Its two biggest contracts are with the British government (to produce British passports, a 10 year contract it renewed in October 2014) and the Bank of England (to produce the British Pound bank note, a 10 year contract renewed in 2014).

De La Rue has a venerable history. Established in 1813, De La Rue (Thomas De La Rue as it was called then) began as a printer and a stationer. In 1831, Thomas De La Rue was awarded a Royal Patent from King William IV for the manufacturing of playing cards. In 1846, the Company invented the first envelope folding machine, producing 2,700 envelopes per hour. In 1860, De La Rue produced its first paper money – the Mauritius £ 5, £ 10 and 10 shilling notes. De La Rue also developed the first fountain pens considered to be practical in 1881. In 1914, the UK treasury commissioned Thomas De La Rue to print £ 1 and 10 shilling notes at the outbreak of the First World War. The company's factories were destroyed during the blitz in 1940 but arrangements were quickly made to resume printing elsewhere and De La Rue was able to honour all arrangements. Innovation continued in 1957 when De La Rue first began marketing its highly successful banknote counting machine. In 1967, De La Rue developed (jointly with Barclays Bank) the world's first through-the-wall ATM machine.

De La Rue currently trades at £ 5.55 per share (as at 31/03/2015), having fallen 48% from a high of £ 10.73 per share in October 2012. In September 2014, the dividend was cut and earnings expectations revised down in an announcement which induced a ~37% fall in the share price. This saw De La Rue move into an attractive price range in terms of the multiples it trades at. Speculation has mounted that a takeover offer from Oberthur (a French competitor) and an undisclosed private equity partner (likely Bain Capital) may be forthcoming. Oberthur has previously made an offer for De La Rue and, based on our analysis, we believe that any offer would likely be in the price range of £ 7.50 and £ 8.13 per share. De La Rue operates in a truly niche industry, in which it is one of only a handful of participants, with high barriers to entry. It has an illustrious history dating back to 1813 and there is, in our view, a reasonable prospect that it will be acquired by a competitor. In the meantime, we receive a dividend yield of 4% - 5% to wait patiently.

A presentation on De La Rue will be released in Q2 2015.

ELEVATION CAPITAL® VALUE FUND

Portfolio Company Presentations Produced/Updated in Q1 2015

Viacom: http://www.elevationcapital.co.nz/viacom

Molson Coors: http://www.elevationcapital.co.nz/molson-coors

In Closing

Thank you once again for your continued support and interest in the Fund and the trust you place in our firm.

Respectfully submitted,

Christopher Swasbrook
Managing Director
Elevation Capital Management Limited

FUND PORTFOLIO HOLDINGS

Asset	Domicile*	% of Portfolio	# of Shares	Year First Purchased
Chesapeake Energy Corp	US	4.08	30,100	2012
adidas AG	Germany	3.74	5,000	2014
Viacom, Inc	US	3.57	5,500	2014
Glaxosmithkline Plc	UK	3.27	15,000	2013
Heineken Holdings NV	Netherlands	3.26	5,000	2010
Tod's Spa	Italy	3.23	3,750	2014
Nestlé SA - Reg	Switzerland	3.22	4,500	2011
Diageo Plc	UK	3.14	12,000	2014
Remy Cointreau	France	3.14	4,500	2014
Mondelēz International	US	3.08	9,000	2012
Coach Inc	US	2.95	7,500	2015
Pental Ltd	Australia	2.94	1,000,000	2014
Coca-Cola Amatil Ltd	Australia	2.93	37,500	2014
Molson Coors Brewing Co - B	Canada	2.83	4,000	2011
Scholastic Corp	US	2.72	7,000	2013
Post Holdings Inc	US	2.67	6,000	2013
Arcos Dorados Holdings Inc-ADR	US	2.64	56,250	2014
De La Rue Plc	UK	2.54	32,500	2015
Guinness Anchor Bhd	Malaysia	2.31	63,500	2013
Vivendi	France	2.24	9,500	2011

Asset	Domicile*	% of Portfolio	# of Shares	Year First Purchased
Kirkcaldie and Stains Ltd	NZ	2.17	181,546	2008
Anglo American Plc	UK	2.14	15,000	2011
Staples Inc	US	1.93	12,500	2011
Time Inc	US	1.92	9,000	2014
Total SA	France	1.89	4,000	2011
Imperial Tobacco Group Plc	UK	1.88	4,500	2011
BP Plc - ADR	UK	1.86	5,000	2010
eBay Inc	US	1.50	2,750	2014
Skyline Enterprises	NZ	1.33	15,000	2009
Encana Corp	Canada	1.32	12,500	2011
Penn West Petroleum Ltd	Canada	1.25	80,000	2009
Tiffany & Co	US	1.25	1,500	2012
Hess Corp	US	0.97	1,500	2015
LAACO Ltd-Units of Ltd Partners	US	0.91	60	2009
STW Communications Group Ltd	Australia	0.75	150,000	2015
BHP Billiton Ltd	Australia	0.56	2,500	2015
Philip Morris International	US	0.18	250	2015
Others	-	0.03	-	2015
Cash		15.68		

*Total Number of Holdings = 38**, Total Number of Countries = 12*

** Domicile = Primary Listing*

*** VIA.US and VIAB.US are considered as one holding*

RISK DISCLOSURE STATEMENT

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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. 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.

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