ELEVATION CAPITAL® **VALUE FUND**

Quarterly Report – Period Ending 30 September 2014

PERFORMANCE

Performance	Q3 2014	FYTD**	CYTD***	2 Years Annualised	3 Years Annualised	5 Years Annualised	Since Inception Cumulative
Value Fund NZ$ (Net)	3.24%	6.56%	5.35%	15.81%	10.67%	6.60%	46.25%
Value Fund US$* (Net)	-8.09%	-4.28%	-0.23%	12.18%	10.83%	8.23%	100.23%

* 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 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
MOLSON Coors		3.40%	TOD'S		2.68%
STAPLES		3.32%	VEALLS		2.67%
pental		3.00%	Chesapeake ENERGY		2.58%
Arcos Dorados		2.77%	Mondelēz International		2.56%
Nestlé		2.75%	KIRKCALDIE & STAINS Ltd		2.48%

COMMENTARY

Market Review – Q3 2014

The most recent quarter saw increased volatility in global equity markets, which has continued into October/November. Uncertainty has prevailed across most markets, with Europe suffering from the interrelated worries of a lack of economic growth and the possibility of deflation. Emerging markets were also hard hit, both by currency depreciation worries and geo-political uncertainty. A tailwind for NZ domiciled investors was the long-awaited depreciation of the NZ dollar, with a fall of ~10.7% relative to the US dollar during the last quarter. This came amid steeply declining dairy prices and a pause in the interest rate cycle by the RBNZ.

In the US, the S&P 500 lost ground slightly, declining ~ -0.05%, and the Dow Jones Industrial Average gained slightly, increasing ~0.5%. An important driver of market activity continues to be the ongoing uncertainty over the timing and extent of monetary policy action from the Federal Reserve. Consensus suggests that an increase in the Federal Funds Rate is unlikely to come about until at least late 2015. With increasing uncertainties in other parts of the world we expect this timeline might elongate. Increasingly, the prospect of renewed conflict in Iraq involving US (and other) troops on the ground is gaining market attention. The advance of ISIS toward Baghdad has already spurred action from Western Leaders. This is leading to a more comprehensive effort, led by the US, to suppress ISIS militants.

The European markets reacted to the release of negative economic data during the quarter ending September 30th. German GDP had been projected to grow 1.8% over 2014, but the market was surprised by the release of data showing the economy had contracted by 0.2% over the second quarter, prompting fears of a German recession. Unemployment remains stubbornly high on the European continent, although Britain has seen significant reductions in unemployment and a sustained increase in economic growth. Emerging Markets have also seen a broad sell-off, sparked largely by currency depreciation. The Russian Ruble and the Brazilian Real, among others, have been a source of uncertainty, depreciating ~8% and ~9.5% respectively.

At the time of writing, oil markets have also seen increased volatility on the back of moves by Saudi Arabia to reduce the price of oil to a level whereby it potentially becomes uneconomic to develop new sources/fields. This has been driven by the fact that in just a few years, the US has been transformed from the world's largest net importer of petroleum products - 3.9mln barrels per day at the peak month of October 2005, to the world's second-largest net exporter of petroleum products - 2.5mln barrels per day by the end of 2013, including natural gas liquids (NGLs). US Bank - Citi now expects by 2020, the US to export more LPGs than Saudi Arabia and in time to be exporting more LPGs than the entire Middle East. This shift from net energy importer to a potential large scale net energy exporter is resulting in wholesale reassessment of future energy projects, current projects and in the case of oil exporting nations economic and social programs.

Fund Review – Q3 2014

The Elevation Capital Value Fund delivered a positive result in the quarter (+3.24%) assisted by our conservative cash position and un-hedged foreign currency position/s. Our cash balance which totaled 23.53% at the end of the quarter, was mainly in two currencies: USD 20.94% and NZD 2.32%. The underlying portfolio positions were weaker as oil and gas companies were under-pressure as the key commodity price declined abruptly (per our reference above).

Within the portfolio we have been focused on upgrading and concentrating the portfolio and this has continued into Q4 2014. (By concentrating we refer to our target portfolio size of ~35-40 companies within the Fund at anyone time.)

We have also been afforded the opportunity to acquire some enduring franchises / brands within the Consumer Discretionary sector. These are companies whom have an exposure to the emerging consumer whether they be in Asia or South America (e.g. Arcos Dorados, Diageo, Remy Cointreau, and Tod's). The source of the negative investor sentiments in a number of these companies is the continued slow-down due to restrictions on gifting of luxury goods (e.g. cognac or watches) in China. We believe in each case we have purchased an enduring brand and business model. However, it is not unreasonable to expect a continuation of the negative market sentiments towards these stocks and that may weigh on our short-term performance.

Below we have detailed the five largest contributors/detractors from Fund performance during Q3 2014:

Contributors Q3 2014		Detractors Q3 2014	
Acurity Health Group Ltd	NZ	Arcos Dorados Holdings Inc	Argentina
Staples Inc	US	Chesapeake Energy Corp	US
Heineken Holdings NV	Netherlands	Penn West Petroleum Ltd	Canada
Novartis AG	Switzerland	Post Holdings Inc	US
Vivendi	France	BP Plc	UK

During Q3 2014 we undertook the following portfolio movements:

Reduced	Increased		Exited	New
-	Advanced Info Service Pcl	Monster Worldwide Inc	-	Adidas AG
	Arcos Dorados Holdings Inc	Paris Orleans		Diageo Plc
	Coca-Cola Amatil Ltd	Post Holdings Inc		GlaxoSmithKline Plc
	Diageo Plc	Pental Ltd		Monmouth Real Estate Inv Corp
	Gale Force Petroleum Inc	Remy Cointreau		
	Guinness Anchor Bhd	Staples Inc		
	Kirkcaldie and Stains Ltd	Tod's Spa		

Portfolio movements have continued in the Q4 2014 as the market sell-off presented an opportunity to add to portfolio positions across the board, utilising our cash balance (now down to ~12%). We also divested two consumer stocks (in Japan) + several smaller positions to further facilitate new acquisitions within the global media sector – namely Viacom (owner of MTV, Nickleodeon and Paramount Studios) and Time Inc., a recent spin-off from Time Warner.

New Positions (Adidas and Diageo) & Company Disclosure (Pental)

Adidas

Sustained weakness in the share price of Adidas has led to what we believe to be an opportunity to acquire an enduring global brand at a discounted price. Adidas is dominant in a number of sports including football (soccer), rugby and American football. Increasingly, the company is also making inroads into other sports including cricket, hockey and basketball. Perhaps most intriguing is the case for a break-up of Adidas. The company currently owns Reebok, TaylorMade (the largest golf brand in the world) and Rockport, a shoemaker, alongside the Adidas brand. Part of our thesis for investing in Adidas is the fact that value could be created for shareholders by the sale of some of its brands, including TaylorMade. Soon after we initiated our position, an offer of was made for Reebok and a syndicate of hedge fund managers, (Knight Vinke, Third Point and TCI), were speculated to have taken a large stake in the company in order to initiate change through activism.

We are of the view that Adidas management would best serve its shareholders by selling TaylorMade, Reebok and Rockport in order to focus on the core Adidas brand (and its diffusion brands, Y3, Stella McCartney, as well as Adidas Vintage). However, a break-up of the business is not crucial to our investment and we remain satisfied that we have acquired high quality assets/brands which are temporarily underpriced by the market, largely due to concerns regarding currency and macroeconomic conditions.

At the time of writing, Adidas accounts for approximately 3.4% of the Value Fund.

Diageo

Diageo is the largest spirits company in the world and has a presence in virtually all categories and geographies. The company's unmatched brand portfolio is anchored by the number one scotch brand (Johnnie Walker) and the number one vodka brand (Smirnoff), but also includes the second-largest rum brand (Captain Morgan), the largest Canadian whiskey brand (Crown Royal) and the largest liqueur brand (Bailey's) among many others. Additionally, Diageo owns Guinness the number one stout in the world, as well as, a 34% stake in Moet Hennessey, the spirits and wine subsidiary of LVMH. The opportunity to acquire Diageo has arisen as a result of sales growth being pressured on the back of economic weakness in emerging markets, most notably China.

Despite this short-term weakness, the global beverage industry offers investors like ourselves the opportunity to participate in the growth of worldwide consumer wealth through ownership of well-managed, high-quality businesses in established financial markets. Distilled spirits in particular provide consumers in both developed and emerging markets with the rare combination of affordability and aspirational luxury, while offering manufacturers barriers to entry, pricing power and strong profitability.

A key attraction the global spirits industry, particularly at the premium end of the market, is the virtually 100% branded business, with many of the world's leading brands being decades, if not centuries old. Building new brands to scale requires substantial investment in marketing and distribution in order to generate consumer awareness. Additionally, in the case of aged spirits, inventory must be stored for years prior to sale, which requires a substantial and ongoing investment in working capital. Consequently, established spirits brands are highly valuable assets and industry consolidation / takeover multiples have averaged 17x – 18x EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation)* over the past fifteen years. These multiples (or in some cases higher multiples) can be justified by the substantial synergies and accretion that scaled spirits producers can realise by "dropping" an established brand portfolio into its marketing and distribution platform. We expect consolidation to be a significant driver of long-term value in the industry, for both buyers and targets in the years ahead and have taken advantage of short-term weakness to acquire meaningful positions in both Diageo and Remy Cointreau for the Fund.

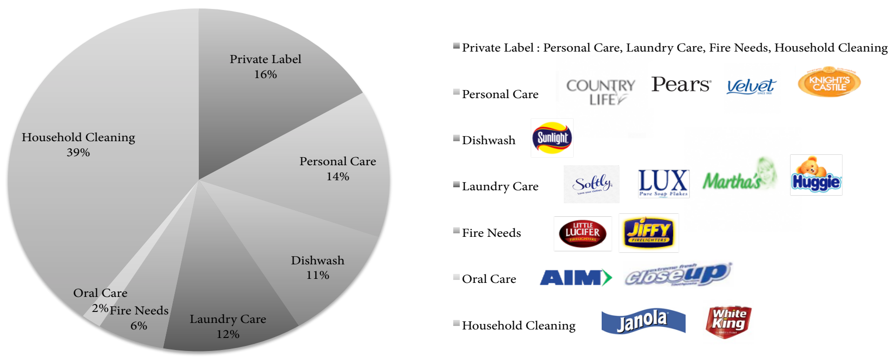
At the time of writing, Diageo accounted for approximately 3.6% of the Value Fund and Remy Cointreau for approximately 3.75% of the Value Fund.

**(Reference Source: Gabelli & Co – 21 October 2014)*

Pental

Pental is a small capitalisation company based in Victoria, Australia with operations in the household cleaning products market. *(We did not disclose Pental by name last quarter as we were in the process of acquiring a larger position for the Fund and our Separate Account customers.)* Although you may not have heard of Pental, its products are household names in New Zealand and Australia. These include: Janola bleach, Sunlight dishwashing liquid and Little Lucifer Firelighters. Our position in Pental was initiated on the basis of two insights. Firstly, we believe that Pental is fundamentally undervalued by the market, and is trading at a significant discount to its global peers. This could be attributed to its small size and the associated lack of coverage it receives from market analysts. Secondly, we believe it may become an attractive target for larger competitors, in particular, Clorox. However, in the interim, we are satisfied that we own a fractional interest in a company with low debt levels, strong brands and that will pay us an attractive dividend yield (currently ~3.6% with risks to the upside).

Detailed below is a snapshot of Pental's brand portfolio:



SOURCE: PENTAL 1H FY2014 RESULTS PRESENTATION

With an A$60mln market capitalisation and this brand portfolio it is not difficult to see why this company could be attractive to the likes of a Clorox.

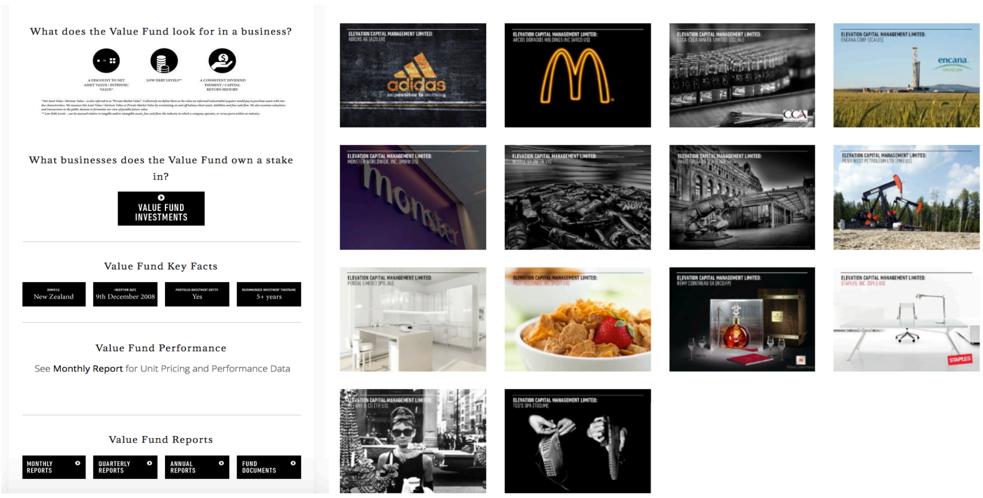
At the time of writing, Pental accounts for approximately 3.4% of the Value Fund.

In Closing

Increasingly, and in contradiction to academic theory, experience is affirming that a concentrated portfolio of well-financed, profitable businesses that have been extensively researched and carefully purchased will generate higher returns with less risk over time than a more diverse basket of stocks chosen with less care. However, a concentrated portfolio may deliver results in an individual year that do not correspond closely to the returns generated by the broader market.

We have not needed the markets to decline 20% to find interesting long-term investment opportunities. Recent purchases have been companies with underlying exposures to oil and gas, consumer products, luxury goods, located in Australia, Latin America and across Europe that have all experienced meaningful corrections. Specifically the Fund's new holdings are shares in companies, which have declined 10% to 40% during the course of 2014. These are not "broken" companies, these are companies with positive long-term growth prospects, sound business fundamentals, including brands, which have the ability to generate free cash flow. While we are not blind to the short-term challenges these businesses may face, we believe the market values currently ascribed are not reflective of even a conservative appraisal of their long-term intrinsic value, and the value, which another industry participant may ascribe to acquire the business/company.

We have also undertaken a significant amount of "infrastructural work" to assist our investors in learning more about the companies they own within the Value Fund. We have developed a new Unitholder communication which we will release this week highlighting our recent investment in Adidas. You can expect to see further communications and website developments later this month. In the interim, please feel free to visit the new dedicated webpage we have created for Unitholders where you can learn more about a number of the companies you hold investments in via the Value Fund. Please visit: http://www.elevationcapital.co.nz/vf-investments-1. We have also detailed snapshots of the relevant webpages below:



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.

Respectfully submitted,

Christopher Swasbrook
Managing Director
Elevation Capital Management Limited

FUND PORTFOLIO HOLDINGS

Asset	Domicile*	% of Portfolio	# of Shares	Year First Purchased
Molson Coors Brewing Co - B	Canada	3.40	5,500	2011
Staples Inc	US	3.32	33,000	2011
Pental Ltd	Australia	3.00	12,500,000	2014
Arcos Dorados Holdings Inc-ADR	US	2.77	55,500	2014
Nestlé SA - Reg	Switzerland	2.75	4,500	2011
Tod's Spa	Italy	2.68	3,250	2014
Vealls Limited - Capital Share	Australia	2.67	39,895	2008
Chesapeake Energy Corp	US	2.58	13,500	2012
Mondelēz International	US	2.56	9,000	2012
Kirkcaldie and Stains Ltd	NZ	2.48	201,546	2008
Heineken Holdings NV	Netherlands	2.48	4,500	2010
Glaxosmithkline Plc	UK	2.38	12,500	2013
Acurity Health Group Ltd	NZ	2.26	50,000	2014
Total SA	France	2.16	4,000	2011
Remy Cointreau	France	2.10	3,500	2014
Diageo Plc	UK	2.05	8,500	2014
Adidas AG	Germany	2.01	3,250	2014
Vivendi	France	2.01	10,000	2011
Kirin Holdings Co Ltd	Japan	1.99	18,000	2010
Imperial Tobacco Group Plc	UK	1.98	5,500	2011
Guinness Anchor Bhd	Malaysia	1.95	60,000	2013

Asset	Domicile*	% of Portfolio	# of Shares	Year First Purchased
Scholastic Corp	US	1.88	7,000	2013
Leucadia National Corp	US	1.88	9,500	2011
Monster Worldwide Inc	US	1.83	40,000	2012
BP Plc - ADR	UK	1.83	5,000	2010
Encana Corp	Canada	1.67	10,000	2011
Penn West Petroleum Ltd	Canada	1.65	30,000	2009
Coca-Cola Amatil Ltd	Australia	1.59	25,000	2014
Novartis AG	Switzerland	1.57	2,000	2012
Petroleo Brasileiro SA - ADR	Brazil	1.52	13,000	2011
Post Holdings Inc	US	1.24	4,500	2013
Tiffany & Co	US	1.20	1,500	2012
Advanced Info Service Pcl	Thailand	1.15	20,000	2014
Anglo American Plc	UK	1.12	6,000	2011
Skyline Enterprises	NZ	1.09	15,000	2009
Japan Tobacco Inc	Japan	1.08	4,000	2011
Paris Orleans	France	1.07	5,875	2014
LAACO Ltd-Units of Ltd Partners	US	0.64	60	2009
Laurent-Perrier Group	France	0.36	500	2011
Monmouth Real Estate Inv Corp	US	0.34	4,000	2014
Gale Force Petroleum Inc	Canada	0.20	750,000	2013
Cash		23.53		

Total Number of Securities = 41, Total Number of Countries = 15

** Domicile = Primary Listing*

ELEVATION CAPITAL® **VALUE FUND**

RISK DISCLOSURE STATEMENT

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