



Arcos Dorados



DeLaRue



RÉMY COINTREAU USA



QUARTERLY REPORT

ELEVATION CAPITAL VALUE FUND

30 September 2015



Quarterly Report – Period Ending 30 September 2015

PERFORMANCE

Performance	Q3 2015	FYTD**	CYTD***	2 Years Annualised	3 Years Annualised	5 Years Annualised	Since Inception Annualised
Value Fund NZ\$ (Net)	-3.49%	6.51%	10.68%	9.58%	12.91%	6.59%	6.84%
Value Fund US\$* (Net)	-8.72%	-9.14%	-9.42%	-3.97%	3.49%	3.70%	8.69%







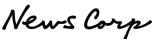













* USD performance numbers are calculated using spot FX rates (at month end) and are provided for informational purposes only. The Fund does not have a USD unit price at this time.

** Financial year to date (FYTD) for year beginning - 1 April 2015

*** 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
		4.15%			3.30%
		3.90%			3.24%
		3.66%			3.21%
		3.54%			3.20%
		3.40%			3.12%

COMMENTARY

Q3 2015

The third quarter saw heightened volatility in global markets as investors became increasingly concerned by the prospect of a slowdown in China and the impact it would have on the rest of the world. This was further fueled by the Chinese Central Bank – People's Bank of China (PBOC), devaluing the yuan which triggered further weakness in commodities and emerging markets more generally. More specifically, Chinese industrial companies reported an -8.8% year-on-year decline in profits in August. At a corporate level, Longmay Mining Holding Group, the largest coal miner in China's northeast announced 100,000 layoffs. Global Bio-Chem Technology, the largest corn refiner in China and the third largest in the world suspended operations. Even beer production in China fell 4% year-on-year!

One could be forgiven based on all the headlines that China was not only important to New Zealand, Australia, Brazil and Germany but also to the US. The facts are actually quite the contrary. Total US exports to China are US\$ 165bln, less than 1% of US GDP according to James Surowiecki at The New Yorker. Goldman Sachs estimates that just 2% of the S&P 500's revenues comes from China at present.

When the facts are accurately presented and considered opportunities arise.

Typically, when the markets experience a sell-off as we saw during the third quarter we are seeking to “upgrade” the portfolio where possible. You can see on page four of this report that we added a number of new positions and added to a large proportion of the existing portfolio.

During the third quarter, we invested NZ\$ 10.0mln versus divestments of only NZ\$ 1.98mln.

We exited several positions, which had contributed meaningful positive returns (STW Communications and Vivendi), positions which frankly were disappointing albeit not loss making (Kirkcaldie & Stains, & BP plc) and several smaller positions where we simply recycled the capital.

We have also being “blessed” with strong inflows from clients during a period of market weakness, which placed us on the front foot, something that should not be under-estimated in a pooled vehicle like the Fund.

“Having great clients is the key to investment success.” – Seth Klarman – Baupost Group

Our cash balance at the end of May 2015 was 31.2% of the Fund, with a total Net Asset Value of NZ\$ 17.74mln. Our cash balance at the end of September 2015 was 7.60% of the Fund, with a total Net Asset Value of NZ\$ 21.60mln. *Inflows remained positive during October and our cash balance is approximately 12.1% at the time of writing with a Net Asset Value of approximately NZ\$ 23.6mln.*

Reminder: Our long-standing fee reduction mechanism, kicks in at NZ\$ 25mln of Net Asset Value. This sees the management fee of the Fund decrease from 1.25% per annum to 1.20% per annum and continue to decrease with each NZ\$ 5mln of Net Asset Value growth up to NZ\$ 50mln where the fee will be 0.95% per annum. The whole objective of this mechanism is to share the benefits of scale with our clients in an open and transparent manner.

As “bottom-up” stock investors, we do not target sectors specifically but negative headlines tend to affect a cohort and the media sector this year has been swamped with negative headlines – “cord-cutting”, “skinny bundles” and further audience fragmentation. These headlines and the negative stock price performances have garnered our attention and we have accordingly added a number of new holdings to the Fund. In each case we have selected the company based on their individual merits but the opportunity has been presented by widespread despondency on the sector and the perceived threats facing the industry.

To provide some colour around the industry terminology:

“Cord Cutting” is the term used to define the number of households that have dropped pay-TV.

The “Skinny Bundle” is a phenomenon borne of the fact that households (particularly in the US) have been paying for an average of 194 channels while only watching 17 of them according to Nielsen. Consumers are now questioning why they do not just pay for what they actually watch – hence the popularity of such services as iTunes, Netflix & Hulu.

The negative headlines in the sector have led us to invest across the sector on a stock specific sum-of-the-parts basis. One of our largest media holdings today where we believe there is compelling long-term value with multiple mechanisms to realise fair value overtime is Discovery Communications Inc. which we have provided a brief summary on the ensuing page.

Discovery Communications Inc.



Discovery Communications Inc. is the world's #1 pay-TV programmer, based on cumulative subscribers of 2.8 billion in more than 220 countries. It provides non-fiction media and entertainment programming to pay-TV distributors through network brands such as the Discovery Channel, TLC, Animal Planet, Velocity and ID. The Company also recently acquired Eurosport to enter the non-football sports programming market in Europe.



The real attraction to Discovery is their content library and international footprint which we expect will allow the company to adapt, evolve and ultimately thrive in a changing media ecosystem.

Discovery owns the majority of its content and this content is relatively low cost to produce. Gabelli Research suggests “the typical discovery program costs \$300K per hour versus scripted programming which can cost \$2-5 million per hour”. The content can also be easily transferred across markets with a sound overlay to change languages and largely does not date.

This creates an enviable business model for Discovery where 50% of revenue (est. + US\$ 6bln for 2015) is generated from long-term agreements with pay-TV distributors and the Company is exposed to secular growth in the international pay-TV industry. Discovery accordingly has industry leading margins and reliably returns capital to shareholders through share buybacks.

Discovery currently trades at a meaningful discount to its slower growing peers, which attracted us to the Company.

We believe Discovery is positioned well as a standalone business, but we also believe the Company has a number of strategic options due to:

- (i) Discovery having a leading network of international channels that would be attractive to other large media companies;
- (ii) Discovery's US business would benefit from being part of a larger media complex; and/or
- (iii) Discovery could also be a candidate for a tax inversion which could add significant value for shareholders. (It just so happens that the master of tax strategies Dr. John Malone is the largest voting shareholder of Discovery.)

We plan to release a detailed presentation on Discovery in the New Year.

Portfolio Review – Q3 2015

Below we have detailed the five largest contributors/detractors from Fund performance during Q3 2015:

Contributors Q3 2015		Detractors Q3 2015	
Molson Coors Brewing Company	Canada	Arcos Dorados Holding Inc	Argentina
Post Holdings Inc	US	Viacom, Inc	US
Nestle SA	Switzerland	Chesapeake Energy Corp	US
Imperial Tobacco Group Plc	UK	Anglo American Plc	UK
adidas AG	Germany	Coach Inc	US

During Q3 2015 we undertook the following portfolio movements:

Increased	Exited	New
Anglo American Plc	BP Plc	BHP Billiton Ltd
Arcos Dorados Holding Inc	Coca-Cola Amatil Ltd	Cable One Inc
Chesapeake Energy Corp	Johnson & Johnson	Discovery Comm. Inc
Coach Inc	Kirkcaldie & Stains Ltd	Edgewell Personal Care Co
Diageo Plc	Natura Cosmeticos SA	Givaudan SA
De La Rue Plc	STW Communications Group Ltd	Kering
GlaxoSmithKline Plc	Vivendi SA	Liberty Media Corp
Guinness Anchor Berhad		News Corp
Heineken Holding NV		Paypal Holdings Inc
Molson Coors Brewing Company		
Mondelez International Inc		
Nestle SA		
Procter & Gamble Co		
Philip Morris International Inc		
Pental Ltd		
Remy Cointreau		
Scholastic Corp		
SGS SA		
The Swatch Group SA		
Tiffany & Co		
Time Inc		
Viacom, Inc		

We exited the following positions during Q3 2015:

Company Name	Holding Period	Annualised Returns ¹
BP Plc	5.1yrs	6.2%
Coca-Cola Amatil Ltd	1.2yrs	7.9%
Johnson & Johnson	<1yr	117.4%
Kirkcaldie & Stains Ltd	6.6yrs	1.3%
Natura Cosmeticos SA	<1yr	-27.5%
STW Communications Group Ltd	<1yr	32.1%
Vivendi SA	3.8yrs	22.7%

¹ In the holding's local currency including dividends

In Closing

The world's finances continue to be manipulated by central bankers utilising their monetary policy levers. Interest rates have been driven to levels not seen for hundreds of years, and the impact of low rates can be seen in asset prices across the world. We are extremely conscious of this fact and that the unintended consequences of this unprecedented monetary intervention are unknown and largely unquantifiable.

As we highlighted in our last quarterly report we are attune to the prospect of widespread deflation. Jim Grant - Historian and Monetary Economist recently stated *"There's nothing wrong with falling prices if the cause of the decline is wholesome gains in productivity. There's everything wrong with falling prices if the cause is un-payable debts."*

In our minds low interest rates (discount rates) lead to the potential for erroneous investments. This comment extends not only to international commodity trading houses like Glencore who utilise vast amounts of debt within their business model, but also to real estate investment trusts ("REITs") who equally are using cheap debt to fund development pipelines, and also potentially captures the average house purchase today in Auckland.

Accordingly with conservatism in mind, our portfolio consists of companies that provide everyday necessities, aspirational luxury goods and entertainment. The majority of our investments have pricing power by virtue of the brands/content they own, the services they provide or they are simply worth more in pieces than the current whole or to competitors/fellow industry participants.

We only hold two commodity producers within the portfolio at present – Chesapeake Energy and Anglo American plc – both companies on a sum-of-the-parts basis we believe are worth more than the current share prices imply but to date have been disappointing investments as our forecasting ability on commodity prices has been limited at best and both these holdings have accordingly been a drag on the Fund's performance.

However, we are reminded by the October rally in global markets whereby most of the year's losses have been erased as can be seen by our recent returns that it is important to continue to focus on the long term and try to reduce/eliminate the short-term noise.

The Chinese authorities have a novel approach to reduce/eliminate the "noise" with their domestic media as shown below which we have sourced from the Financial Times (31 August 2015):

"Do not conduct in-depth analysis, and do not speculate on or assess the direction of the market," it reported an official directive as saying. "Do not exaggerate panic or sadness. Do not use emotionally charged words such as 'slump', 'spike' or 'collapse'.

Needless to say we do not own any Chinese shares in the Fund – the market in our view is currently uninvestable.

Thank you for your continued interest, long-term mindedness and collective positive response to recent market volatility.

Respectfully submitted,



Christopher Swasbrook
Managing Director
Elevation Capital Management Limited

FUND PORTFOLIO HOLDINGS

Asset	Domicile*	% of Portfolio	# of Shares	Year First Purchased	Asset	Domicile*	% of Portfolio	# of Shares	Year First Purchased
Procter & Gamble Co	US	4.15	7,981	2015	Nestlé SA	Switzerland	2.58	4,750	2011
Molson Coors Brewing Co - B	Canada	3.90	6,500	2011	Post Holdings Inc	US	2.57	6,000	2013
Coach Inc	US	3.66	17,500	2015	Tod's Spa	Italy	2.37	3,750	2014
Edgewell Personal Care Co	US	3.54	6,000	2015	Remy Cointreau	France	2.36	5,000	2014
Mondeléz International	US	3.40	11,250	2012	Kering	France	2.36	2,000	2015
De La Rue Plc	UK	3.30	62,500	2015	Guinness Anchor Bhd	Malaysia	2.34	105,000	2013
News Corp	US	3.24	35,000	2015	Chesapeake Energy Corp	US	2.25	42,500	2012
Tiffany & Co	US	3.21	5,750	2012	SGS SA	Switzerland	1.95	155	2015
Diageo Plc	UK	3.20	16,500	2014	Anglo American Plc	UK	1.81	30,000	2011
Glaxosmithkline Plc	UK	3.12	22,500	2013	Imperial Tobacco Group Plc	UK	1.68	4,500	2011
Philip Morris International	US	3.01	5,250	2015	Arcos Dorados Holdings Inc (ADR)	US	1.68	85,000	2014
The Swatch Group	Switzerland	3.01	1,125	2014	BHP Billiton Plc	Australia	1.13	10,000	2015
adidas AG	Germany	2.91	5,000	2014	Liberty Media	US	1.03	4,000	2015
Viacom, Inc	US	2.88	9,000	2014	Skyline Enterprises	NZ	0.96	15,000	2009
Heineken Holdings NV	Netherlands	2.82	5,500	2010	LAACO Ltd	US	0.69	60	2009
Discovery Communications Inc	US	2.82	15,000	2015	Paypal Holdings Inc	US	0.62	2,750	2015
Scholastic Corp	US	2.82	10,000	2013	eBay Inc	US	0.49	2,750	2014
Time Inc	US	2.76	20,000	2014	Cable One Inc	US	0.35	115	2015
Givaudan SA	Switzerland	2.76	235	2015	Cash		7.61		
Pental Ltd	Australia	2.66	1,150,000	2014					

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

* Domicile = Primary Listing

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