ELEVATION CAPITAL® VALUE FUND

Quarterly Report – Period Ending 31 December 2013

PERFORMANCE

Performance	Q4 2013	FYTD**	CYTD***	2 Years Annualised	3 Years Annualised	5 Years Annualised	Since Inception Cumulative
Value Fund NZ$ (Net)	6.18%	13.78%	23.77%	12.47%	6.23%	6.78%	38.82%
Value Fund US$* (Net)	4.93%	11.75%	23.48%	15.52%	8.17%	14.27%	100.69%

* 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 2013
*** Calendar year to date (CYTD) for year beginning - 1 January 2013

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		3.62%	Ciments Français		3.18%
Nestlé		3.52%	Heineken		3.04%
Mondelēz International		3.39%	Kirkcaldie & Stains		3.00%
encana		3.37%	VEALLS		2.98%
Molson Coors		3.29%	vivendi		2.95%

COMMENTARY

Fund Review – Q4 2013

The Value Fund delivered a strong result of +6.18% for the Fourth Quarter. This resulted in a +23.77% return for calendar year 2013. Given the conservative positioning of the Fund ending the year with a 25.08% cash balance (now ~29% at the time of writing based on new inflows and recent new investments) we believe this result is extremely sound on a risk versus reward basis.

Our conservative positioning has been driven by the continued appreciation of a wide range of asset classes around the world (including stock markets). Below is a selection of headlines from the Fourth Quarter that gives us pause and the desire to maintain cash levels until attractive investments can be found:

- The S&P 500 had its biggest gain since 1997 and hit a new record high;
- Initial Public Offerings (IPOs) have accelerated sharply across the globe (including New Zealand);

- Technology IPOs and cloud-based software companies seem to be particularly sought after at extremely high multiples of revenue (not profit);
- NYSE margin debt is at historical peaks;
- Junk bonds are in vogue in a very clear stretch for yield;
- Luxury vehicle sales across the world are hitting new highs;
- House prices are back to all-time highs in 10 of the 50 largest cities in the US. London house prices are at record highs driven by immigration, while in Auckland local journalists are providing almost weekly updates of the record prices across all suburbs;
- Christie's sold Francis Bacon's "Three Studies of Lucian Freud" for US$142 million this was US$ 57 million above the pre-sale estimate (the NZ secondary art market also had a record year at auction with sales totaling NZ$ 20.3 million);
- Jeff Koon's Balloon Dog (Orange) sold for US$ 58.4 million the highest price ever for a living artist;
- Classic cars are also achieving record prices; and
- Jewellery and watches are not excluded either, with Christie's selling a 1969 Paul Newman [Stainless Steel] Rolex Daytona for US$ 1.1 million.

Record prices across multiple asset classes, (yes "watches" are now an asset class!), is a reflection of the monetary policy (low interest rate) environment and we need to be ever mindful that this stimulus will not be sustained indefinitely. While no one can say if prices across the various asset classes mentioned above are going higher or lower with any certainty, it is important to maintain an innate sense of caution. At the time of writing, the Fed has just begun another step in its program called "tapering" which is aimed at removing monetary stimulus from the US economy over a period of time, to return to a more normal environment of only using interest rates to set monetary policy. This move by the Federal Reserve, which was well signaled, has seen equity markets, particularly emerging markets sell-off sharply in January.

However, one does not need to fear a pullback in the markets. Pullbacks are healthy and provide those investors conservatively positioned with cash balances - like the Elevation Capital Value Fund – the opportunity to acquire attractive businesses/assets at reduced valuations, and at times, significantly reduced within emerging markets.

Putting aside short-term market movements, we continue to believe that for long-term minded investors it is not unreasonable to expect a portfolio of high-quality globally focused companies and special situations will continue to outperform broader markets in the years ahead, while also providing a sustainable and growing dividend yield.

Below we have detailed the five largest contributors/detractors from Fund performance during Q4 2013:

Contributors Q4 2013		Detractors Q4 2013	
Monster Worldwide Inc	US	Penn West Exploration	Canada
Vealls Limited – Capital Share	Australia	Petroleo Brasileiro SA	Brazil
Mondelez International Inc	US	Anglo American PLC	UK
Vivendi SA	France	Kirkcaldie and Stains	NZ
Scholastic Corp	US	Western Union Co	US

During Q4 2013 we undertook the following portfolio movements:

Reduced	Increased	Exited	New
Molson Coors Brewing Co	Gale Force Petroleum Inc.	Arden Group Inc.	-
Vivendi SA	Guinness Anchor Bhd	Christian Dior	
	Kirkcaldie & Stains Ltd	Hess Corp	
	Post Holdings Inc.	Marlin Global Ltd	
	Penn West Exploration	Sietel Ltd	
	Scholastic Corp	Western Union Co	

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

Company Name	Holding Period	Annualised Returns[1]
Arden Group Inc.	3.6yrs	+20%
Christian Dior	0.3yrs	+59%
Hess Corp	1.4yrs	+54%
Marlin Global Ltd	1.2yrs	+10%
Sietel Ltd	0.3yrs	+15%
Western Union Co	0.4yrs	+20%

We exited Arden Group Inc. on the back of a takeover offer from private equity firm TPG. As investors may recall in past letters and presentations, we always felt that Arden Group and its operating subsidiary, Gelson's Markets, was an eventual takeover candidate at a substantial premium to our costs basis given it owned parts of its underlying real estate and the lack of available sites to locate supermarkets in California these days. Additionally, Gelson's Markets were located in higher socioeconomic catchments within California. TPG announced a takeover offer on the 20th December 2013 and we exited our holding at a slight premium to this offer prior to 31 December 2013. Our investment in Arden Group generated a very attractive +20% annualised return over our 3.6 year holding period – including dividends.

Hess Corporation was quite simply an outstanding investment for the Fund. We purchased the company below Book Value (Corporate Net Worth) in May 2012. We felt that the sum-of-the-parts of the Company were significantly higher than the value the markets were prescribing at the time. Our thoughts were quickly supported by Elliot Capital Management (a large US based activist hedge fund) who turned up as a shareholder not long after we purchased the stock and began to pressure management, who also held a large stake in the Company, resulting in a substantial appreciation in the stock as the company divested surplus assets and ancillary businesses. Hess remains on our watch list as do any assets they plan to spin-off into another listed company.

We exited Marlin Global after our attempts to highlight what we continue to believe were very valid points to fellow shareholders in late 2012 failed to gain the necessary support to force a liquidation of the portfolio/company. We maintained a small position throughout 2013 as we continued to observe from afar. The rising tide of the markets lifted Marlin Global to a level where we generated a small return on the total investment.

We exited Western Union as the Company's outlook deteriorated in our view. We listened to Lord Keyne's here,
"When the facts change, I change my mind. What do you do, sir?"

We exited both Sietel and Christian Dior because they were both very small positions where we had attempted to acquire a larger position (in both cases) at a price we felt was compelling for the Fund, but the stocks either moved away or we could not source the volume to make each position more meaningful within the portfolio. Both stocks remain on our watch list should prices or volumes become more conducive to re-establishing a position in the future.

[1] In the holding's local currency

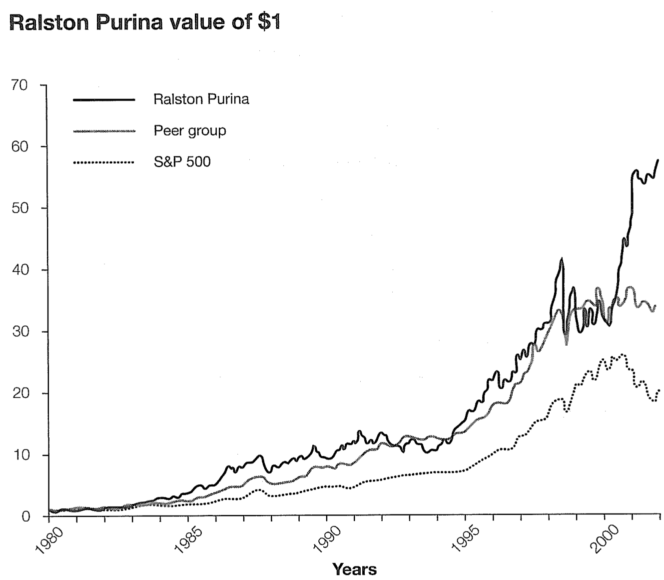
Company Update

Post Holdings Inc. ("Post") was added to the portfolio in September/October 2013. Post is listed on the NYSE and was a spin-off from a company called Ralcorp in 2012. Key points on Post are detailed below:

- Post is the third-largest cereals business in the US (10.4% market share);
- #1 Kellogg, #2 General Mills, #4 Quaker Oats (PepsiCo);
- The US Ready-To-Eat (RTE) Cereal industry has approximately 92% household penetration;
- Scale and brands provide a large barrier to entry.

But Post is undertaking a transformation "*from a low growth single category participant to a consumer products holding company, operating in center-of-the-store, active nutrition and private label categories*".[2]

Leading this transformation is Bill Stiritz who has an exceptional track record at his former company Ralston Purina:



A dollar invested with Bill Stiritz when he became CEO of Ralston Purina was worth US$ 57 nineteen years later, a compound annual return of 20%[3].

[2] From POST 2013 Annual Report (page 4)
[3] Source: The Outsiders by William Thorndike Jnr.

Additionally, Stiritz's remuneration is as follows:

- Base salary of US$ 1 per year, the rest in stock options @ market prices;
- 1,550,000 non-qualified stock options were granted at US$ 31.25 per share[*] in May 2012. 600,000 stock options were granted at US$ 40.30 per share[*] in October 2013. The options vest over the course of 3 years but are not exercisable until Stiritz is no longer an officer of the Company. Stiritz was also granted 312,500 restricted stock units.

As mentioned above Post is a company in transformation. Since spin-off in January 2012, the Company has:

- Repurchased ~5% of outstanding shares at a price of US$ 30.50 (Sept 2012);
- Acquired Attune Foods for US$ 9 million (Jan 2013);
- Acquired Organic and Natural Cereal, Granola and Snacks Business of Hearthside Food Solutions for US$ 158 million (May 2013, 7.3x EBITDA);
- Acquired Premier Nutrition Corporation for US$ 180 million (Sept 2013, 8.4x EBITDA);
- Announced acquisition of Dakota Growers Pasta Company for US$ 370 million (Sept 2013, 8.4x EBITDA);
- Announced acquisition of Golden Boy Foods for CAD 320 million (Dec 2013, 10.6x EBITDA);
- Announced acquisition of Dymatize Enterprises for US$ 380 million (Dec 2013, 9.5x EBITDA)

We expect Stiritz to undertake further acquisitions to enable the planned transformation of Post to continue. At the time of writing Nestle (another investment for the Fund) has just announced it has sold PowerBar and Musashi to Post.

In the next few years as the current acquisitions are bedded down and the synergies extracted, we believe Post's earnings could potentially grow significantly. However, we also expect the ultimate outcome with Post may be that it becomes the target of another consumer products company, conglomerate or private equity fund. Based on past transaction multiples within the industry and our conservative estimates of future earnings (based on company guidance) we estimate that Post has an intrinsic value of approximately US$ 63.00 – US$ 72.00 per share, as compared to the current price of approximately US$ 52.50 per share and the Fund's cost basis of US$ 39.79 per share.

Post currently makes up 1.9% of the Fund's portfolio. The position size is lower than we would like but this is due to the fact that after we started to purchase the stock and scale into the position it rallied away from us. We would welcome the opportunity to acquire additional shares in Post at a +33% discount to our low-end estimate of intrinsic value but the opportunity has not presented itself to date.

We look forward to keeping you up to date on Post in the months/years ahead.

Should you wish to be sent our presentation on Post Holdings Inc., which we produced for a global online investment conference in early January 2014, please email me directly at: chris.swasbrook@elevationcapital.co.nz.

ELEVATION CAPITAL® VALUE FUND

Elevation Capital Update from Christopher Swasbrook (Managing Director)

The New Year has begun with a bout of volatility, which is welcome for the Elevation Capital Value Fund. As indicated earlier we have been holding large amounts of cash (by industry standards) and this should enable the Fund to participate in interesting opportunities, particularly in the emerging markets or businesses with an exposure to the emerging/developing market consumers if they present themselves.

For Elevation Capital, 2013 marked a step change, with assets under management growing from approximately NZ$ 30 million to over NZ$ 180 million. As we enter 2014, I am happy to report a number of inflows into our Funds. The Value Fund in January has seen +NZ$ 650,000 of net new inflows which into a NZ$ 11.2 million fund is significant. We have indications of further inflows during Q1 2014 from both existing and new investors into both of our Funds.

I am also delighted to announce that we have entered into an agreement with **Thom Bentley from Remarkable Capital** to market and distribute our Funds to Authorised Financial Advisors (AFA's) and institutional investors in New Zealand. Thom has a proven track record in marketing and distribution of financial products (both in NZ and the UK) and his skill-set is in an area where we have lacked resource and hence our penetration rates have been very low to date.

The potential impact of new inflows and a dedicated resource on Funds distribution should not be underestimated on a Fund, its Investors and its Manager.

We would also like to welcome Sean Bird who is joining us for a period of time from The University of Canterbury where he is completing a Graduate Diploma in Economics, in addition to his LLB and recently passed professional legal training (professionals). Sean is assisting me directly at present on one potential investment idea. At this stage, we have nothing to disclose but it is refreshing to now have three young smart/keen individuals (Richard Milsom, Sam Weir and Sean Bird) working in the office alongside John and I.

In Closing

The five-year anniversary of the Elevation Capital Value Fund has now passed and we would like to thank all investors for their continued interest and support. It is not lost on us that you have a choice of investment managers and we greatly value your trust.

Onwards and (conservatively overtime) Upwards,

Christopher Swasbrook
Managing Director
Elevation Capital Management Limited

ELEVATION CAPITAL® **VALUE FUND**

FUND PORTFOLIO HOLDINGS

Asset	Domicile*	% of Portfolio	# of Shares	Year First Purchased
Chesapeake Energy Corp	US	3.62	12,500	2012
Nestlé SA - Reg	Switzerland	3.52	4,500	2011
Mondelēz International	US	3.39	9,000	2012
Encana Corp	Canada	3.37	17,500	2011
Molson Coors Brewing Co - B	Canada	3.29	5,500	2011
Ciments Francais	France	3.18	4,000	2010
Heineken Holdings NV	Netherlands	3.04	4,500	2010
Kirkcaldie and Stains Ltd	NZ	3.00	179,550	2008
Vealls Limited - Capital Share	Australia	2.98	39,000	2008
Vivendi	France	2.95	10,500	2011
Leucadia National Corp	US	2.87	9,500	2011
Smith & Nephew Plc	UK	2.85	18,750	2011
Kirin Holdings Co Ltd	Japan	2.76	18,000	2010
Canadian Natural Resources	US	2.71	7,500	2011
Monster Worldwide Inc	US	2.66	35,000	2012
Total SA	France	2.62	4,000	2011
BP Plc - ADR	UK	2.59	5,000	2010
Scholastic Corp	US	2.54	7,000	2013

Asset	Domicile*	% of Portfolio	# of Shares	Year First Purchased
Imperial Tobacco Group Plc	UK	2.27	5,500	2011
Penn West Energy	Canada	2.01	22,500	2009
Post Holdings Inc	US	1.84	3,500	2013
Novartis AG	Switzerland	1.71	2,000	2012
Staples Inc	US	1.70	10,000	2011
Tiffany & Co	US	1.48	1,500	2012
Guinness Anchor Bhd	Malaysia	1.41	27,500	2013
CBOE Holdings Inc	US	1.39	2,500	2011
Japan Tobacco Inc	Japan	1.38	4,000	2011
Petroleo Brasileiro SA - ADR	Brazil	1.32	9,000	2011
Skyline Enterprises	NZ	1.28	15,000	2009
Anglo American Plc	UK	1.05	4,500	2011
Starz	US	0.78	2,500	2013
LAACO Ltd-Units of Ltd Partners	US	0.74	60	2009
Laurent-Perrier Group	France	0.47	500	2011
Gale Force Petroleum Inc	Canada	0.16	200,000	2013
Cash		25.08		

Total Number of Securities = 34, Total Number of Countries = 11

RISK DISCLOSURE STATEMENT

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