

The Datt Capital Absolute Return Fund is a long-only, multi-asset fund targeting double digit returns over the medium term, managed by a performance orientated and differentiated boutique fund manager. Our objectives are to minimize the risk of permanent capital loss, achieve an absolute return throughout the economic cycle and temper the market risks typical of equity funds. We believe that utilizing a multi-asset approach reduces downside risk and volatility in returns.



Datt Capital Absolute Return Fund - January 2020

To our valued investors,

Thank you for entrusting your capital and co-investing with us.

For January the Fund provided a **net return of 2.02%** for the month.

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	FYTD
FY19		2.6%	-1.22%	-4.8%	3.53%	-2.07%	6.97%	1.66%	0.76%	-3.64%	-2.45%	0.79%	1.57%
FY20	4.85%	3.01%	1.72%	0%	1.31%	0.84%	2.02%						14.49%

Asset Allocation for the Fund at January month end was:

CRE debt - 36%

Equities - 59%

Cash - 5%

Derivatives – 0% (liquidation value)

The portfolio returned 2.02% for the month of January, despite fears around the spread of the coronavirus originating in China. The portfolio is well positioned and exposed to a number of positions with near term catalysts.

Fund Features		Portfolio Analytics ¹	
Investment Objective	To achieve absolute double digit returns over 2-year periods, irrespective of market conditions	Sortino Ratio ²	1.51
Min. Investment	\$100,000	Sharpe Ratio	0.94
Applications/redemptions	Monthly/Quarterly	Standard Deviation (annualised)	9.92%
Distributions	Quarterly	Up/Down Capture ²	46% / 7%
Management Fee (p.a.)	1.025%	Largest Drawdown	-6.00%
Performance Fee (p.a.)	20.5% > benchmark	Winning Month Ratio	67%
Benchmark	RBA rate + 5%	Cumulative Return	16.28%
Fund Administrator	Fundhost	1 year rolling return	11.09%
Auditor	Ernst & Young	3 year rolling return	-
Custodian/PB	NAB Asset Services	5 year rolling return	-
Responsible Entity	Fundhost	Annual Return since inception	10.68%

¹ Actual performance will differ for clients due to timing of their investment. Returns are calculated net of all fees, since inception.

² Sortino and Sharpe ratios assume the Australian cash rate as the applicable risk-free rate. Up/Down capture relative to ASX200 TR index

Investment review

Commercial real estate debt

We evaluated 1 debt deal and made no new investments.

Project F was successfully repaid in mid-January.

Our real estate debt exposures as at the end of January are:

Name	Location	Type	Maturity	Max LVR/LSR	Interest receivable (per annum)
Project A - Mixed use/Residential infill	Melbourne, Inner East	1st Mortgage Land Facility	June 2021	65%	11%
Project E - Residential infill	Melbourne, Inner West	Special situation	February 2020	77%	17.50%
Project G - Industrial	Melbourne, Inner West	Preferred Equity	July 2021	70%	14.50%
Project H - Residential greenfield	Melbourne, West	1st Mortgage Land Facility	November 2022	57%	11%

Fixed interest

We continue to monitor a number of fixed income instruments in the distressed and special situation space.

Derivatives

We have no current derivative exposure.

Equities

This month, our equity exposure increased with a new position being taken in Alkane Resources.

Alkane Resources

Alkane Resources is a gold producer with outstanding gold-copper exploration potential as well as holding an undeveloped rare earth project, which is anticipated to be demerged at some stage this year.

Alkane's recent discovery strike at Boda was the best porphyry exploration discovery hole in the Lachlan Fold Belt outside the Cadia, Cowal and North Parkes mines in the last 20 years; according to John Holliday, the discoverer of the world-class Cadia deposit and a technical consultant to **Alice Queen** (another portfolio holding).

The discovery strike of 502m @ 0.48g/t Au, 0.20% Cu from 211 metres in depth, ended in strong mineralisation to the end of hole. We believe this is exceptionally significant. The strike is exceptionally gold rich relative to other porphyry deposits, and we are encouraged by the fact that the copper grade appears to increase at depth. Importantly, a clear high-grade zone of approximately 361m of over 1g/t exists between 228m and 589m intervals. To put it into context, this high grade zone of strike was superior to the Cadia Hill discovery hole which struck 243m @ 1.21g/t Au; and superior to the current reserve grade at Cadia East. A lot more work needs to be conducted by **Alkane** to prove that a large deposit exists, but the potential for a large, commercial discovery is clear.

Alkane are currently waiting on assays from a second, deeper hole being drilled 100 metres to the east of the initial strike, to test at a planned depth of 1100 metres. An additional 4 holes are planned for the current exploration program however, we expect the number of metres drilled to increase significantly in the case of step out holes at Boda.

Large porphyry deposits are generally clustered, typified by the monstrous Cadia-Ridgeway complex which spans almost 20 sq km and enjoys a rich mineral endowment of 38 Mozs of Au & 8.3 Mt of Cu. We note that mineralisation at the Cadia complex, broadly runs in an east-west direction for approximately 7 kms. With **Alice Queen's** Yarindury tenement only 700 metres away from Boda's discovery hole, we believe that there is very strong potential that the mineralisation that **Alkane** discovered at Boda, may extend onto the Yarindury tenement. Accordingly, our portfolio has significant exposure and leverage to the outcome of another successful hole at Boda.

Alkane also possess an operating 1 mtpa plant at its Tomingley gold project, currently producing around 30,000 ozs of gold per annum. We expect production to increase over time as higher grade ore is mined, along with further definition of resources at Rosewell, San Antonio and El Paso; which will increase the life of mine significantly for the project.

We believe the upcoming demerger decision for the Dubbo rare earth project will also be a key catalyst for the company, and has the potential to significantly rerate the stock on the basis of its 'pure' gold-copper exposure.

We consider **Alkane** to be a compelling investment proposition, given the numerous near-term catalysts on the horizon.

Our current equity exposures are: **Afterpay, Adriatic Metals, Alice Queen, Alkane Resources, Argonaut Resources, Valmec, Whitehaven Coal** and **Yandal Resources**.

We have a full pipeline of potential investment opportunities which we consider materially undervalued, and will carefully consider for inclusion into our portfolio at the appropriate time.

For now, the Fund remains open for investment.

To join our Waitlist and Register your interest in the Fund please register via this link:

<http://bit.ly/datt-register>

Please click the link below to view the Fund disclosure documents and apply for an investment online.



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