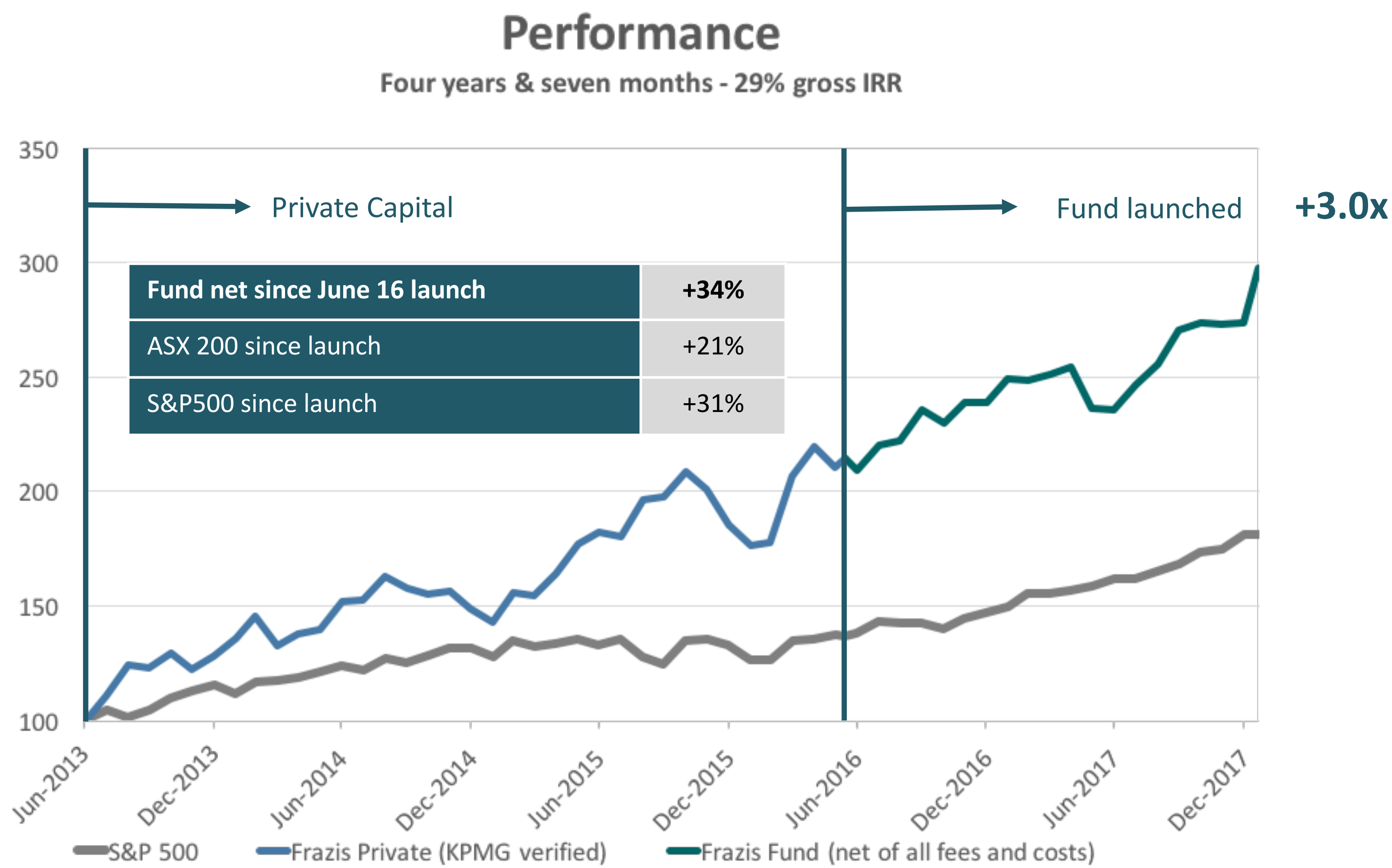
FRAZIS

CAPITAL PARTNERS

A global equity-focused USD investment fund

Performance



Frazis Fund One Ltd													
Year	**Net return**	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**Jun**	**Jul**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**
2016	**11%**						-2.5%	5.4%	0.8%	6.1%	-2.5%	3.9%	-0.1%
2017	**15%**	4.2%	-0.1%	0.9%	1.3%	-7.2%	-0.2%	4.6%	4.0%	5.8%	1.4%	-0.3%	0.2%

Note: includes provisional January 2018 numbers

Why do we do what we do?

We invest in the trends changing our world

We provide a capital bridge for companies changing the world

We allocate to companies, industries and countries in need – at low prices - and sell in times of abundance – at high prices

We hedge, paying money when times are good, for cash when times are tough

We target high returns, and measure success to determine our impact

We are here to build the best fifty year track record in the business and help society along the way

Who are we?

Michael Frazis – Portfolio Manager

Prior to founding the firm, Michael spent five years in private equity firm in London, after completing internships in Goldman Sachs Special Situations Group and the Boston Consulting Group. Michael read Chemistry at Oxford University, Magdalen College and has a Masters of Finance from the London School of Economics. At Oxford, Michael's research focused on the scale-up of enzyme-catayzed fuel cells in the same laboratory that pioneered lithium batteries. Michael came first in Australia in the 2006 Chemistry Olympiad.

Samuel Waller – Advisor

Before joining the firm, Sam was head of AUD/NZD rates derivative sales at Citigroup, where he specialised in global macro and relative value arbitrage opportunities. Prior to Citi Sam worked for RBC Capital Markets as head of $ Bloc rates derivative sales in Asia. Sam begun his career at Westpac in their Corporate Solutions Group. Sam holds a Bachelor of Economics from the University of Sydney and a Graduate Diploma of Applied Finance (Masters Program) from Macquarie University.

Peter Stevens– Analyst

Peter has completed internships in stockbroking (JB Were), M&A advisory (Brenowen Cross Capital), wealth management (Yellow Brick Road), and shipping (AM Nomikos). Peter is qualifying as a civil engineer at UNSW, while studying commerce. He is a fervent student of the traditional Graham and Dodd school of value investing.

What are we investing in?

1. **Global brands**
2. **Gene editing and immunotherapy**
3. **The growing value of healthcare**
4. **Premium land at ~20% yields**
5. **The rise of China and discretionary spending**
6. **Artificial intelligence and data**
7. **Exponential growth of capital and the increasing concentration of asset managers**
8. **Commodity dislocation**
9. **A Brazilian recovery**

Investment Portfolio – January 2018

AEGEAN
afterpay
Alibaba Group
avexis
Bellicum PHARMACEUTICALS

Berkeley Group
bluebirdbio
COOPER ENERGY
FIAT

FMG Fortescue The New Force in Iron Ore
HCA Hospital Corporation of America
JUNO THERAPEUTICS
KKR
NetEase Games
PERSIMMON Together we make a home

Santander
Telstra
VOLKSWAGEN AKTIENGESELLSCHAFT
xero
WIZZ

Case Studies

Global brands now reach billions of people

We take advantage of temporary price dislocations to buy the best brands cheaply, often at a fraction of the value of the market.

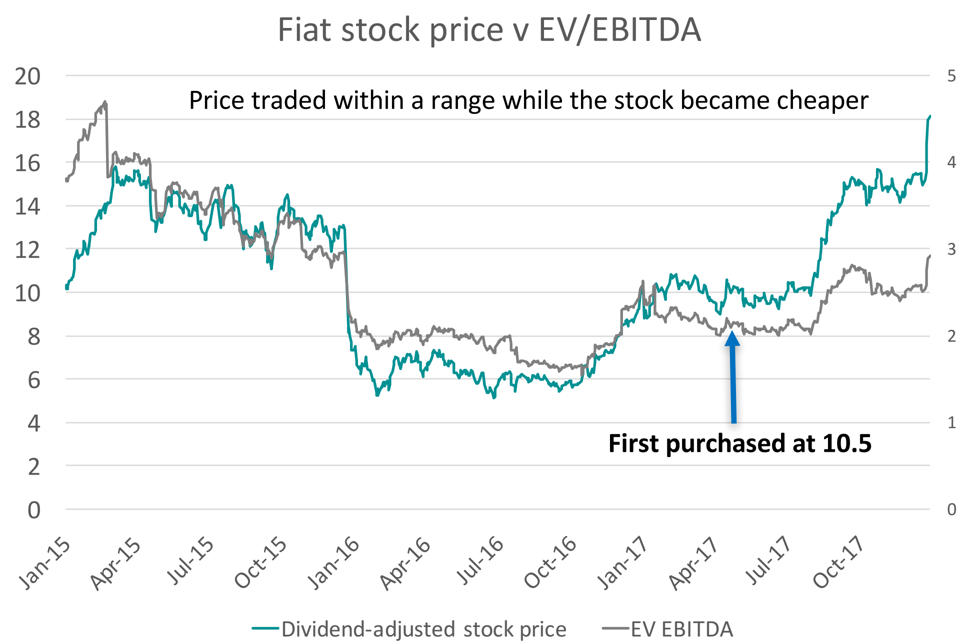
Even a company as successful as **Apple** can trade be bought at a steep discount to the market, effectively assigning negative value to the brand. Please see our August 2017 investor letter for more detail.

Valuation discounts in **Fiat** and **Aegean Airlines** (a local brand leader) are even more extreme, both were trading ***below*** 2x EBITDA at purchase.

Global brands: Fiat – which comes with Jeep, Alfa Romeo and Maserati

Theme: Fiat is trading cheaply on an absolute basis, and the brands themselves can effectively be bought for free.

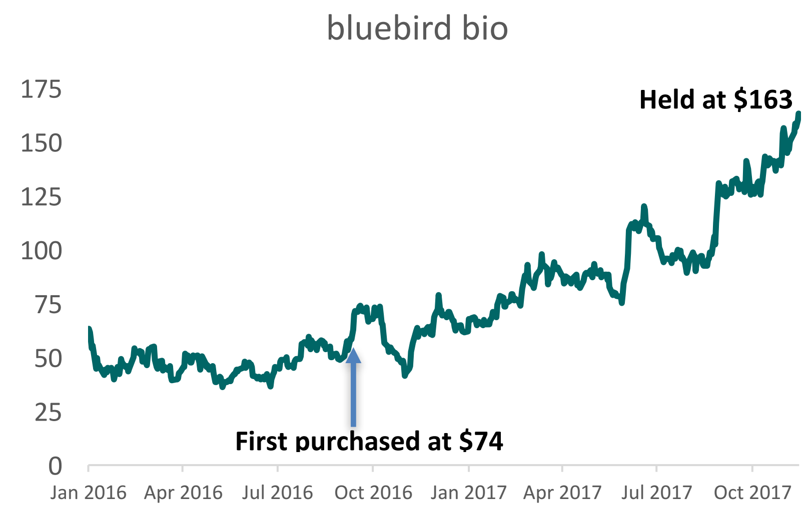
- After immense fundamental improvement, Fiat's forward EV EBITDA **dropped from over 3x to 1.2x.**
- CEO Marchionne is actively looking for shareholder-friendly ways to sell or break up Fiat.
- Jeep alone (80% of revenue) maybe be worth more than the current enterprise value. Maserati and Alfa Romeo may be spun out as a luxury brand, and the parts manufacturer Magneti Marelli could also be spun off. .
- We purchased at an equity valuation of ~14 billion euros when Fiat was **making more than 10 billion euros** of operating cash flow every year.
- Ferrari was spun out in Jan 16 and promptly became more valuable than original Fiat itself, showing the immense break-up value here.



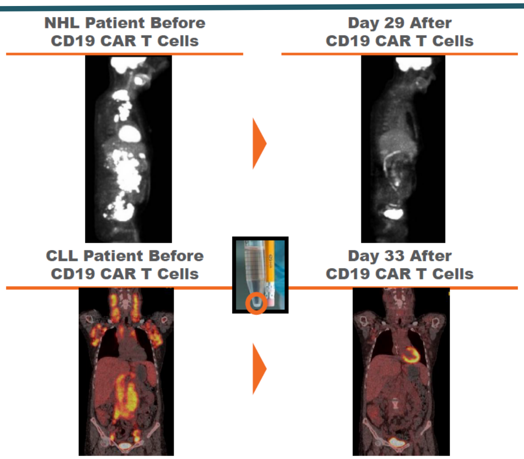
Gene editing and immunotherapy

Theme: After decades of promise, immunotherapy is finally maturing, with the first CAR-T therapy for non-Hodgkins lymphoma approved in 2017 (by Kite pharma, purchased by **Gilead**). Early trials from our portfolio companies have been extremely promising, and we believe early stage trial data in genetic engineering is far more telling than equivalent data for small molecule candidates, which tend to blast multiple receptors in the humanbody.

- Companies like **bluebird bio** are on the brink of curing genetic conditions like Sickle Cell Disease. They harvest the patient's own cells, correct the faulty gene, and reinsert the cells back into the patient, resulting in a permanent cure.
- There are **excellent economics** for these treatments, which may cost up to $500,000, which looks expensive compared to a pill, but is ***cheap*** compared to the life extension gained. 100k people in the US have SCD, for example.
- The complex processes involved are rapidly maturing. **Juno** has cut their treatment timeline from nearly a month to a few days.
- **Gilead**, the owner of the **Hep-C cure** and a **daily single-pill HIV treatment**, is trading at a historic EV EBITDA of 6x, and a $94 billion market cap, and is well placed to harvest the profits from mid-cap developers.
- Bluebird bio, Bellicum, Juno and Avexis are excellent takeover candidates in an environment where well-resourced pharmaceutical majors are facing a patent cliff.
- However, these $3-7b companies may be the next $30-40b majors/



Juno's treatment for two cancers

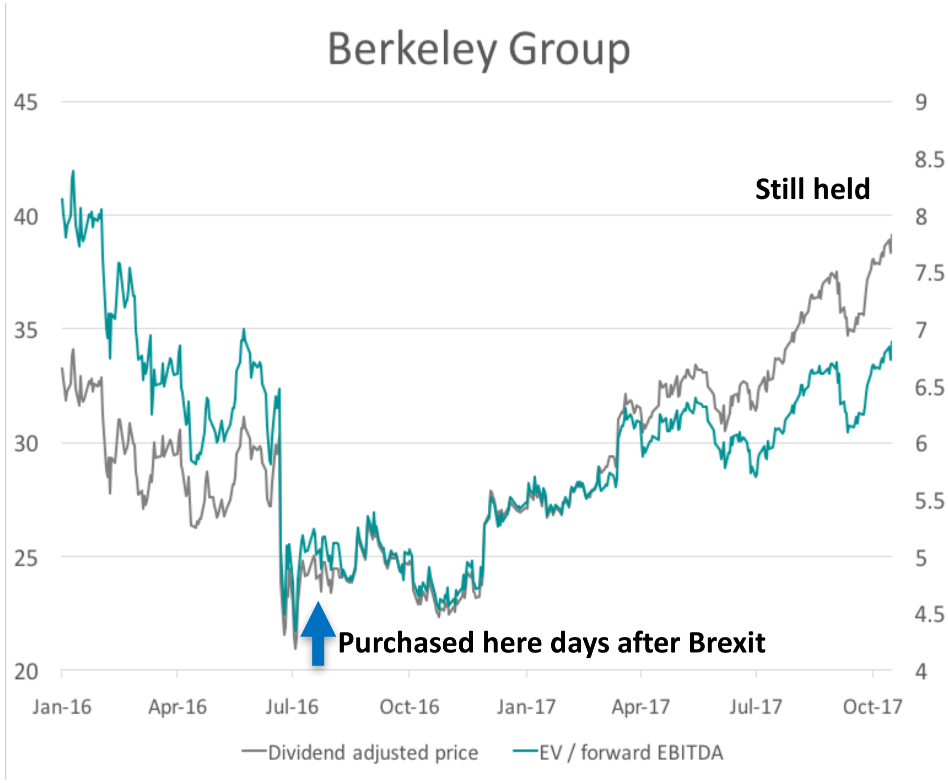


Premium Land: British developers purchased after Brexit

Theme: We've been watching developers in the UK for a long time. They have excellent supply/demand fundamentals, as land release is highly restricted in the UK. Furthermore factors that increase their major costs (land and wage inflation) are likely to be greatly supportive of asset values.

- In days after Brexit valuations compressed substantially, and we purchased the British land developers Berkeley, Persimmon and Crest Nicholson. When possible, we express our themes with multiple stocks, to reduce one-off risks.
- For example, Berkeley had net cash at purchase (over £500m now) and was real estate-backed by some of the most valuable land in the world, in London and South East England.
- The firm traded on a sub 5x EV EBITDA, for a base return on enterprise value of over 20%.
- This has returned over 70%, and we still hold the position.

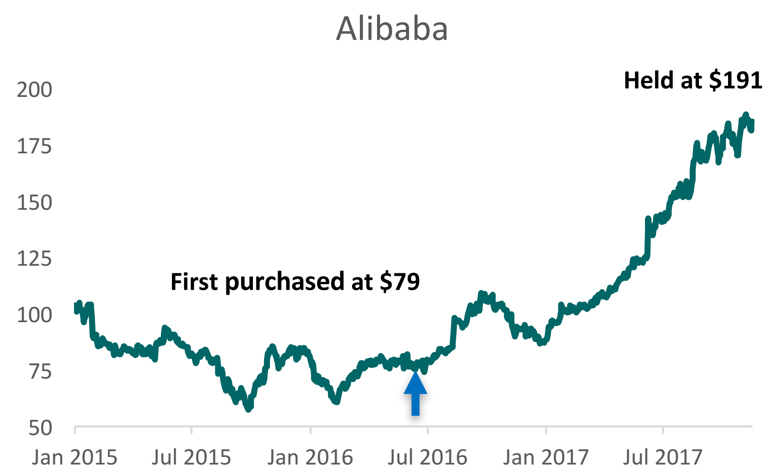
We found prime real estate at 20% EBITDA yields in one of the most liquid and well-researched markets in the world



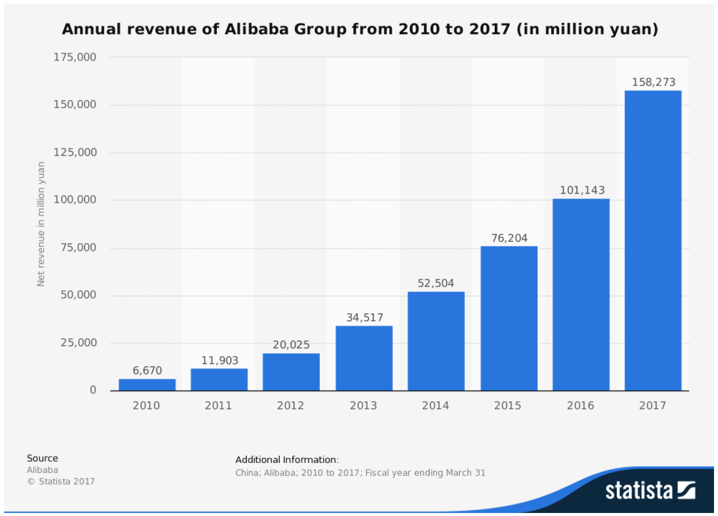
Rise of China and online retail: Alibaba

Theme: Chinese retail is growing at over 10% per annum – and online retail is growing even faster, at **well over 30% per annum.**

- Chinese leadership is racing towards 18 trillion economy by 2021, the centenary of
- This is not a Chinese GDP thing – this is more to do with growing wealth.
- China is already larger than the US on purchasing power parity. Reported growth figures are now off a very large base indeed.



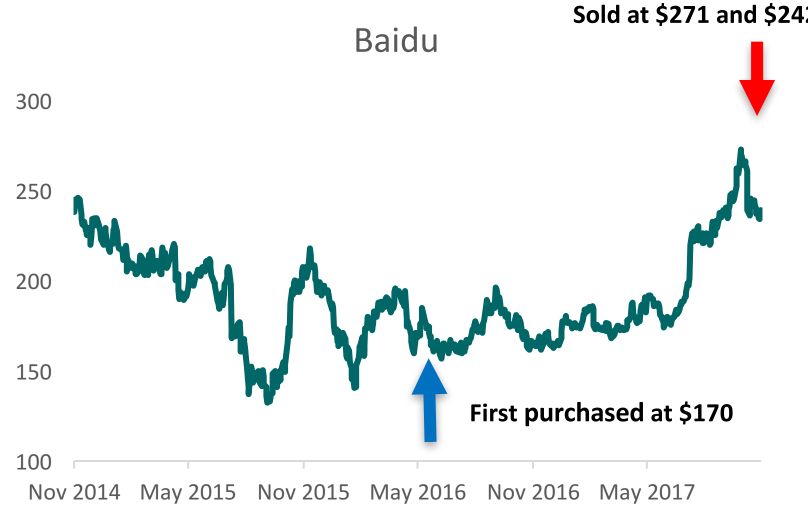
- **Alibaba is growing its top line at a rate of 61% (3Q17).**
- Alibaba was one of the Fund's first positions and we've held it ever since.
- We bought it on a 2017 EV EBITDA **multiple of 20x**, and expected a 2018 EV EBITDA multiple of sub 15x.
- Alibaba is **NOT** the Amazon of China, generating most of its revenue from advertising, with a rapidly growing financial services division.
- The firm is highly profitable, with net income margins of ~35%.



Rise of China and online retail: Baidu and Netease

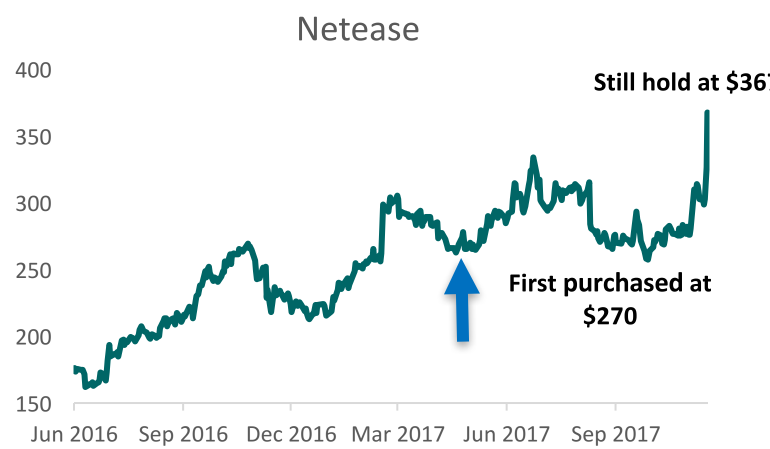
Baidu 百度

- We purchased **Baidu** at a forward EV EBITDA multiple of 16x.
- The firm was reeling after losing medical revenue after a scandal and as trading at 1/10th the market cap of Google.
- However, we sold out after valuation expanded to nearly 25x and it become increasingly likely that Alibaba and Tencent would capture the growing market for advertising spend.
- **Baidu** is **NOT** the google of China (though we sold out when it was trading at 1/7th of the value).



NetEase Games

- **Netease** is growing revenue at over 50% per annum.
- The firm owns exclusive rights to Blizzard and Minecraft, as well as developing in house games.
- We purchased **Netease** at a forward EV EBITDA of 10x.
- **Netease** also has a rapidly growing e-commerce division (including the Kaolo brand) that is **growing at 80% per annum.**
- This is our favored pick in the sector, as we expect both fundamental *and* multiple growth.



Artificial intelligence and Data: Appen

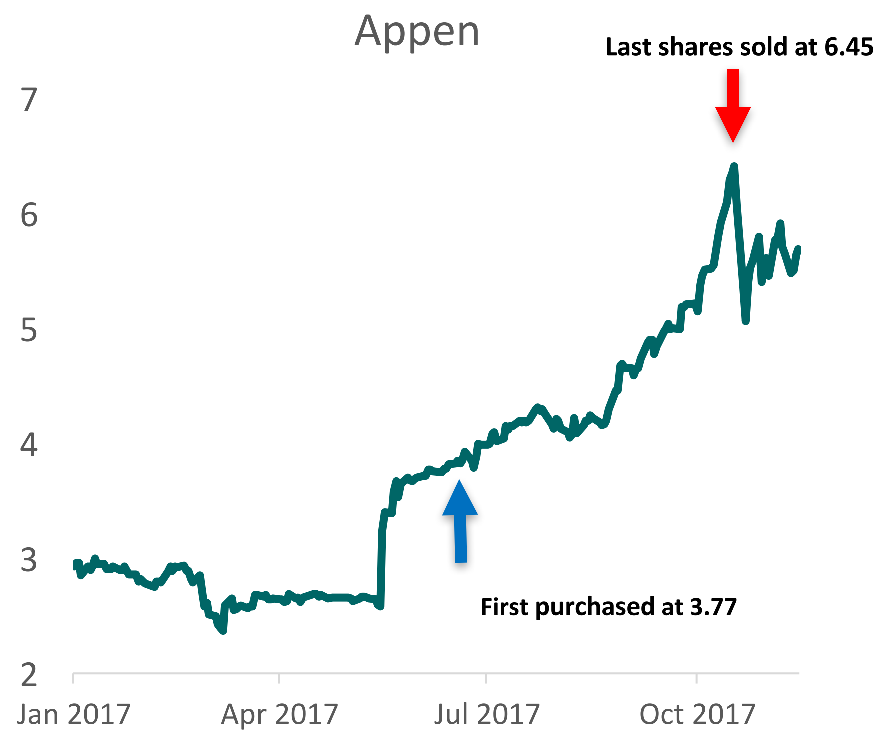
Theme: The market for artificial intelligence and data is growing at around 70%, and will increase from US$2.4 billion in 2017 to US$60 billion by 2025.[1]

While searching for a suitable investment in the sector, we came across Appen, which offers annotated datasets to train artificial intelligence/machine learning systems to improve search and voice recognition.

We purchased at a 2 year forward valuation of 10x, though we considered it highly likely that Appen would exceed the implied earnings forecasts.

We exited after the stock rallied over 70% in a few months, judging that much of the firm's mid-term success is priced in.

We are firm believers in the company (if not, currently, the price) and if confidence is shaken we are prepared to re-enter the position.



1: Statista estimates, accessed 20 November 2017 https://www.statista.com/statistics/607716/worldwide-artificial-intelligence-market-revenues/

AI and data in financial services: Xero and Afterpay

Theme: Accounting is moving from the PC to the cloud, offering virgin territory for cloud accounting providers.

Xero offers cloud accounting software and is growing at ~40% per year. This field is wide open as accounting shifts from PCs to the cloud, and Xero is the market leader outside of the United States. Xero's SAAS revenue is very sticky – who wants to change their accounting software?

Xero offers a platform for advisors who can access their clients information and offer accounting, tax and strategic services. They provide an AWS-hosted backend for developers to build apps.

Theme: Payments are still incredibly difficult and inefficient.

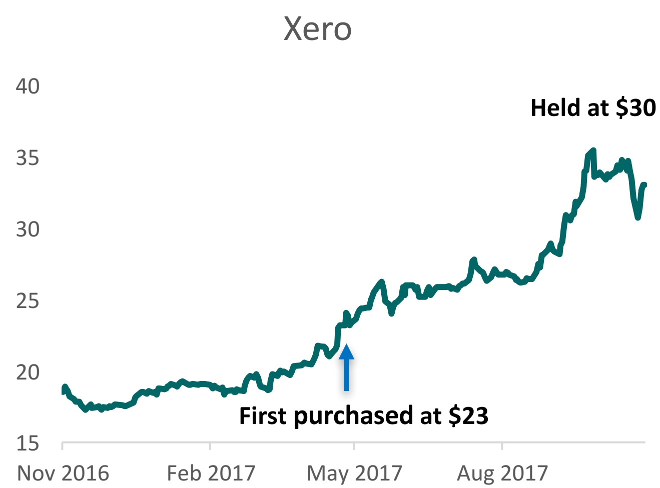
Afterpay has a current revenue run rate of $60 million, and is growing at a ~20% margin. They have over 1.2 million customers, many of whom are in highly desirable millenial demographics.

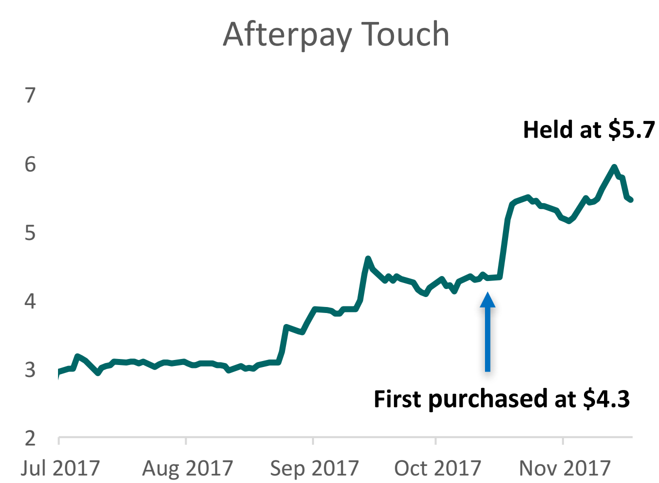
The value proposition is clear: the customer get 30 days free credit, ~merchants get dramatically increased sales, and **Afterpay** gets ~4% fee from the merchant.

In addition to the circa 200k new accounts each month, we think there are *multiplicative* axes of growth:

1. International expansion
2. Travel services
3. In-store purchases
4. Expansion into financial services for millennials, like savings and superannuation

No doubt, there will also be considerable and growing value in the data of both of these companies



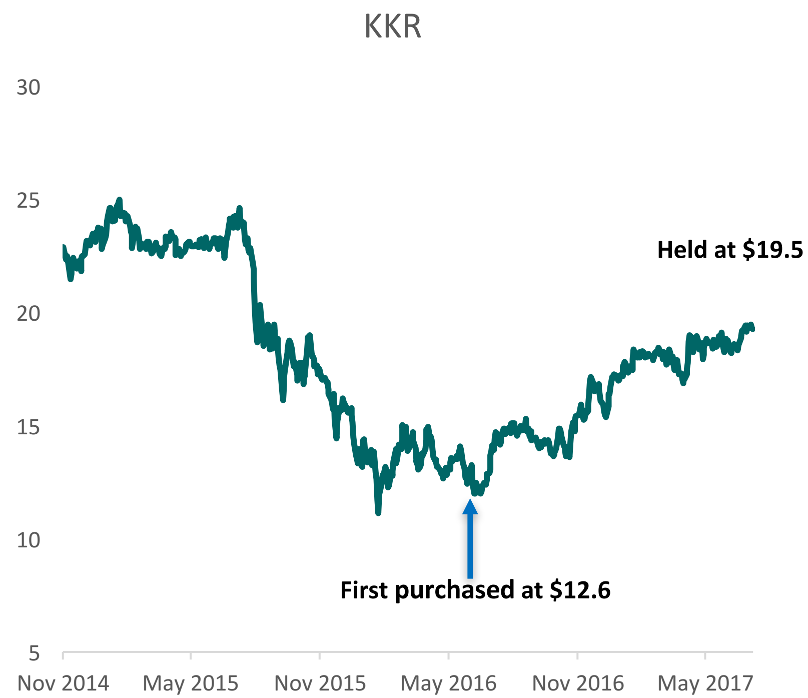


FRAZIS
• CAPITAL PARTNERS •

Exponential growth of financial capital and trend towards quality

Theme: Financial assets are growing exponentially, and with regulation increasing every year, the vast majority of capital is flowing to established managers with proven ability to attract talent and create value, such as private equity.

- At purchase **KKR's** market cap was approximately US$16 billion.
- However, this included about $12 billion of net cash and investments.
- **KKR's** business generating management and performance fees was **valued at only $4 billion** – and the firm generated over **$2 billion** of after tax profits over the previous year alone.
- With a stellar reputation, the firm is a major beneficiary of the world's exponentially growing assets, and the asset-management trend towards quality.
- 75% of **KKR's** assets are locked up for eight years or more at initiation, giving excellent stability in short term crises.
- Any downturn that would rock **KKR's** > 140billion portfolio would likely lead to significant profits in our hedging program.

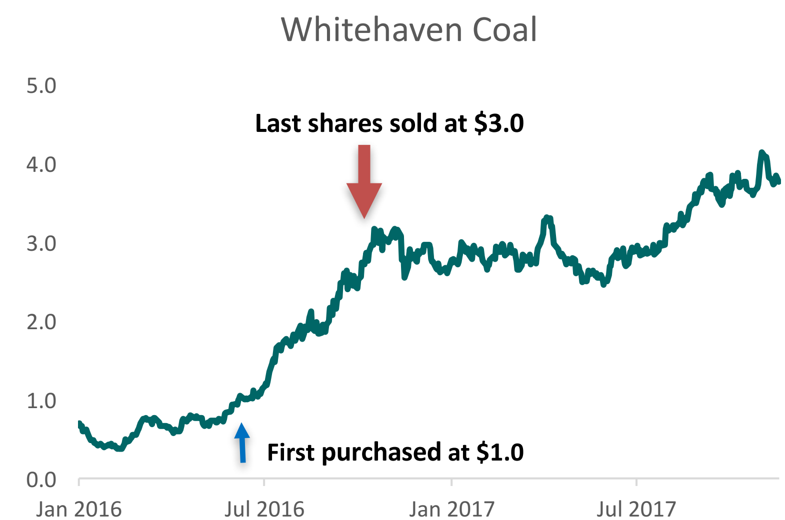


KKR

Energy case study: Whitehaven and US Oil ETF

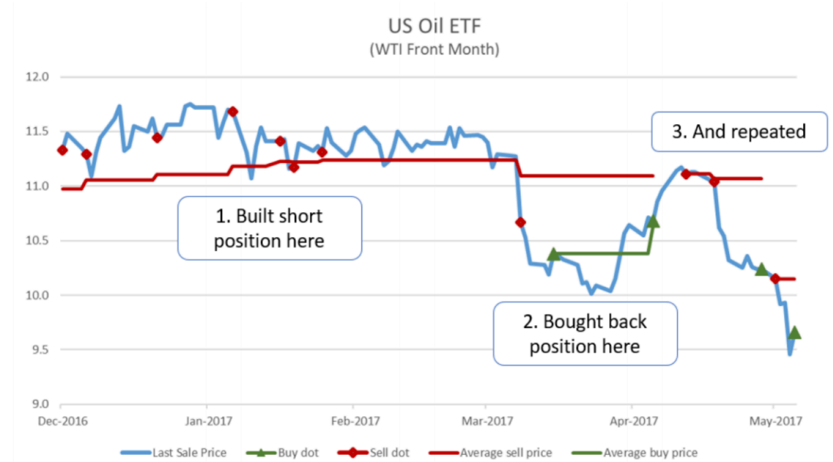
Whitehaven

- There are two things we look for in a commodity play:
    1. Rapid production expansion
    2. Convincing bull case in the underlying commodity
- We are long term bears on the price of energy and coal in particular, as incremental solar installation every year reduces the market. In many cases solar is now cheaper.
- We watched coal price fall for years.
- However, eventually there was a supply response.
- We noticed that production in the US dropped 25%, with similar drops occurring elsewhere.
- This was our signal to enter at a forward EV EBITDA of 5x.
- After a 4x rally, the forward EV EBITDA is still 5x….



US Oil

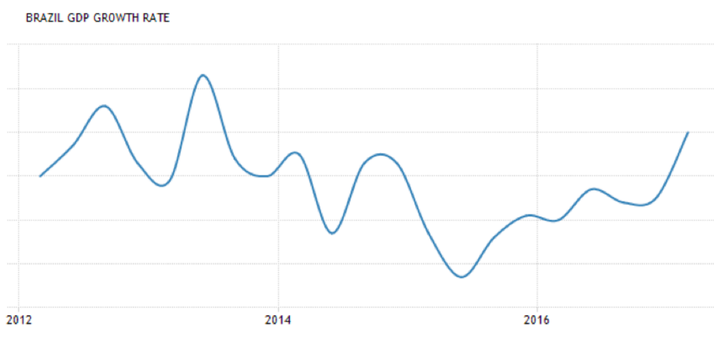
- See our investor letter for reasons why we are so bearish on oil. It's no electric vehicles, as much as domestic supply in the US and chronic overinvestment.
- This trade takes advantage of the structure of the oil futures market.
- OPEC talked up the market, but we judged they would be ineffective, given many of the states involved were basically at war with one another and all needed the cash.
- In November 2017, we re-entered the position in small size (~2% at 21 Nov 17).



Brazilian recovery

Brazil

- The story of **Brazil** should give Australians chills.
- When commodities collapsed in 2013, Brazil went down with it.
- Unlike Australia, which invested heavily in infrastructure on the East Coast, Brazil faced astronomical inflation, at over 10%.
- Interest rates were lifted to 14%, which sent the economy into a double dip.
- Now inflation has collapsed, rates are likely to follow, employment is recovering, and so is GDP.
- The market is trading on a CAPE of 10 - **lower than where the US bottomed in 2009** – and corporate profits are likely to follow the same path as the US.
- **We have seen this story before.**
- We first expressed the trade in liquid ETFs at the start of the fund. However, we re-entered and substantially increased the position in mid 2017. See July 2017 Investor Letter for more detail.
- The investment has contributed ~200bps to the Fund's performance



What is our process?

1. We discover the most engaging themes changing our world.

2. We then search for the leading companies within those themes, forming a view of an industry's competitive dynamics and how that is likely to evolve. Researching a particular industry often leads directly to world-changing companies.

3. If we find a favourable business, we assess the company for value, using metrics that connect the fundamental performance to the share price.
    1. We use a number of metrics, eg EV/EBITDA, EV/EBIT, PB, PE etc. All can be used to calculate returns directly, for example, an equity return can be broken down into change in multiple x change in fundamental + cash yield. For example:

Change in PE X Change in earnings + Dividend yield + Buyback/issuance adjustment = Total Return

4. We generally only invest when the calculated expected return annualizes to over 25%.

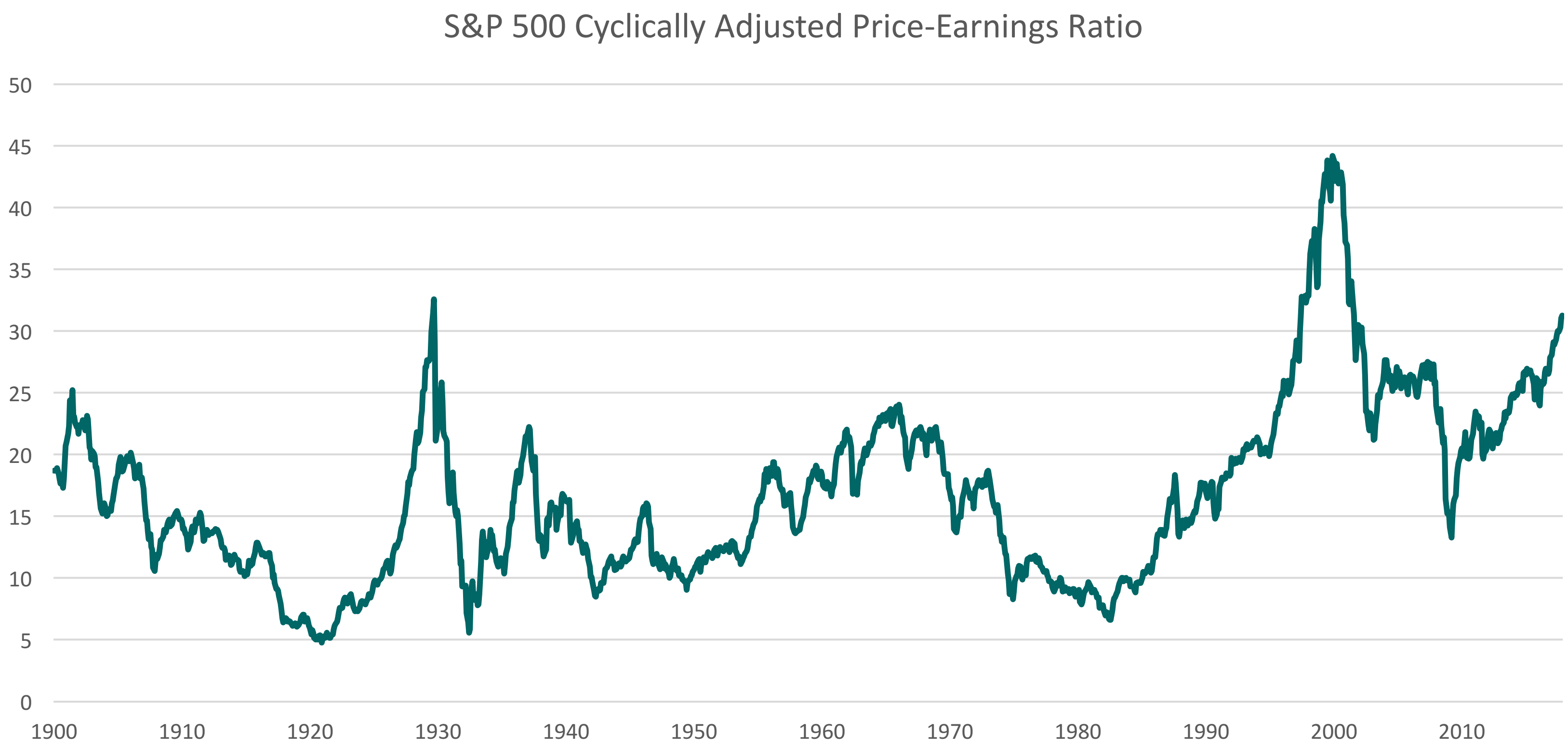
5. We also regularly screen the global equity universe for interesting companies.
    - Common screens include *cash in excess of market capitalization*, *fast growth on a cheap valuation*, and *deep value*. We often screen for growth directly, and assess interesting cases for hidden value or compelling stories.

6. Often ideas come from unexpected places. While investigating Australian hospitals for their real estate value, we discovered HCA (Hospital Corporation of America), trading at a fraction of the valuation.

We calculate expected returns rather than static valuations

Why are we hedging?

We are late cycle



Our hedging strategy allows us to be fully invested in our best ideas

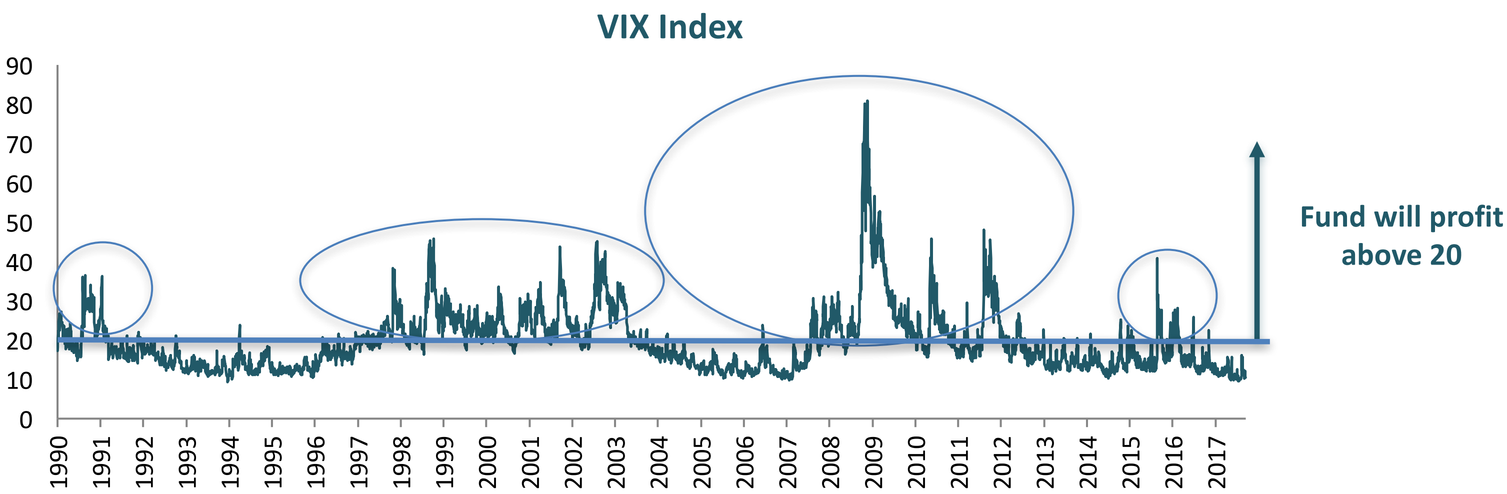
How are we hedging?

We currently hedge by buying calls on VIX. We know our maximum possible hedging loss at all times.

Example: We bought four month calls struck at 18 and 20 on the VIX equivalent to about 13-14% of our Portfolio in September. This cost us about 1% of the portfolio, so we would expect to pay 3-4% per year to maintain the strategy.

If the VIX moves to 40 at expiry we would expect to realize 13-14% cash, **which we would then reinvest at the bottom of the market.**

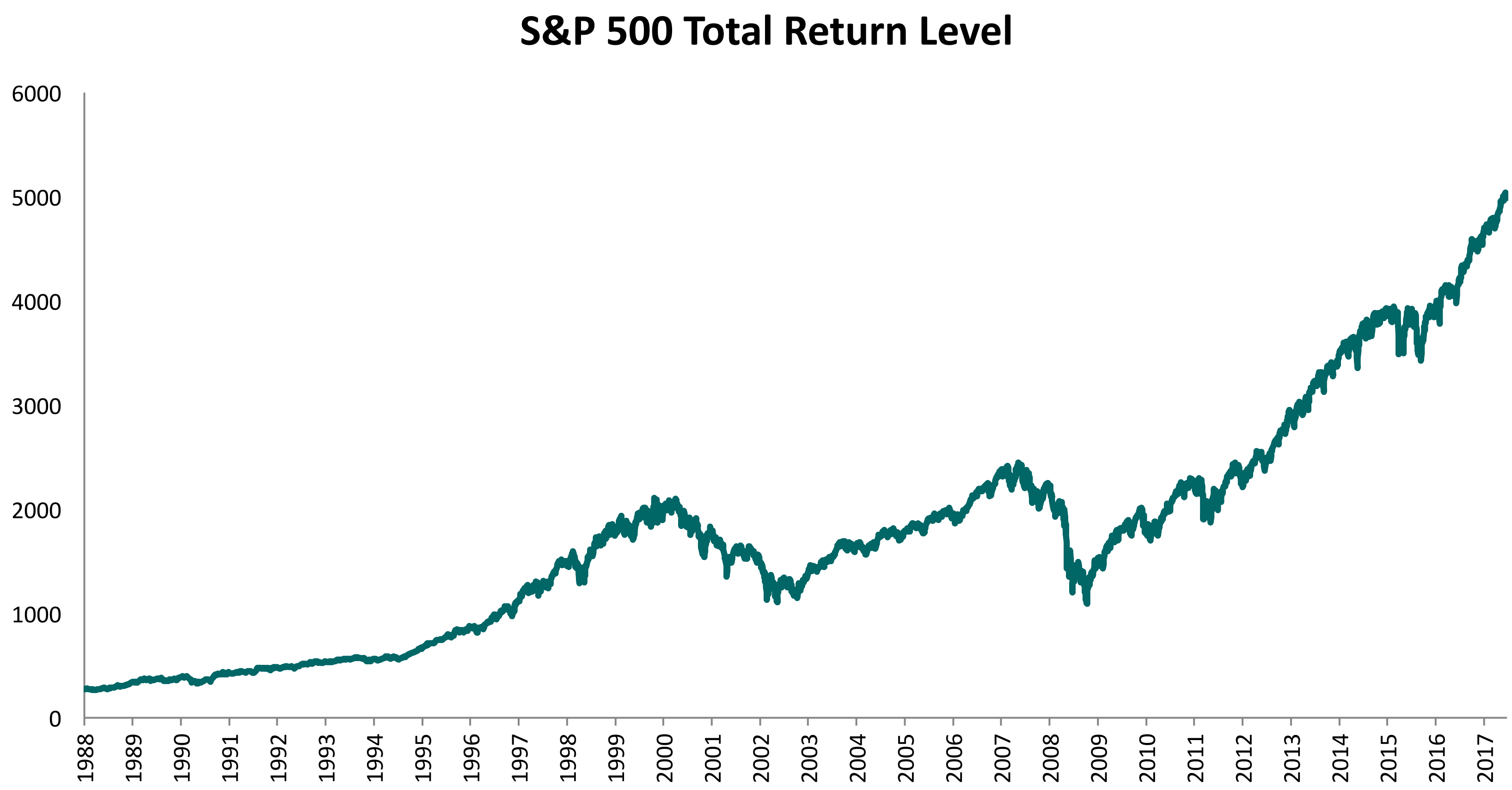
In a Lehman type scenario we would expect to generate **three times** this.



Our portfolio is structured to outperform its component stocks

Note: The VIX is calculated from a range of option prices on the S&P500. A lower zero bound of the VIX exists as option prices can't be negative. A VIX at 0 implies free optionality. The upper limit is technically unbounded, but in practice, an option will never trade above the value of the underlying. Given options have set expiries, will almost always trade at a significant discount.

The defining features of markets are 1) a steady up-drift in value, roughly, equal to corporate profits, and 2) short, sharp crises



Our hedged equity strategy captures both of these dynamics

Risk Management

We use **simple rules** to manage risk:

1. Investments are limited to 100% of the portfolio at initiation.

2. We **ALWAYS** have a hedge in place.
    - As markets decline, we incrementally cash profits from our hedges and reinvest them.

3. We take **no uncapped risk** in our derivatives portfolio.

4. Equities are typically sized around 3% to 6%. We **never** initiate over 10% at initiation. **Why?**
    1. The opportunity set is so great in this world that we expect to always find a wide range of ideas.
    2. The factors driving stock returns lie mostly in the future. Small positions ensure idiosyncratic events have limited impact.

5. Where possible, we buy multiple companies to express a theme. For example, after Brexit we purchased three land bank developers, not just our favorite. Similarly, with gene editing and immunotherapy we have picked five companies, rather than a favorite.

6. We invest long-term in the largest and best companies in the world, as often the clearest trends are global.
    - Consider the slow-motion train wreck of Nokia and Blackberry vs the ten year run of Apple's iPhone. This profitable opportunity was available to anyone who cared to study the trends, especially as valuations also pointed in the correct direction. Apple was cheap, RIMM and Nokia were expensive.

We are always partly hedged

What about currency?

The Fund selects investments from the full set of global opportunities.

We manage our FX exposures separately to investments.

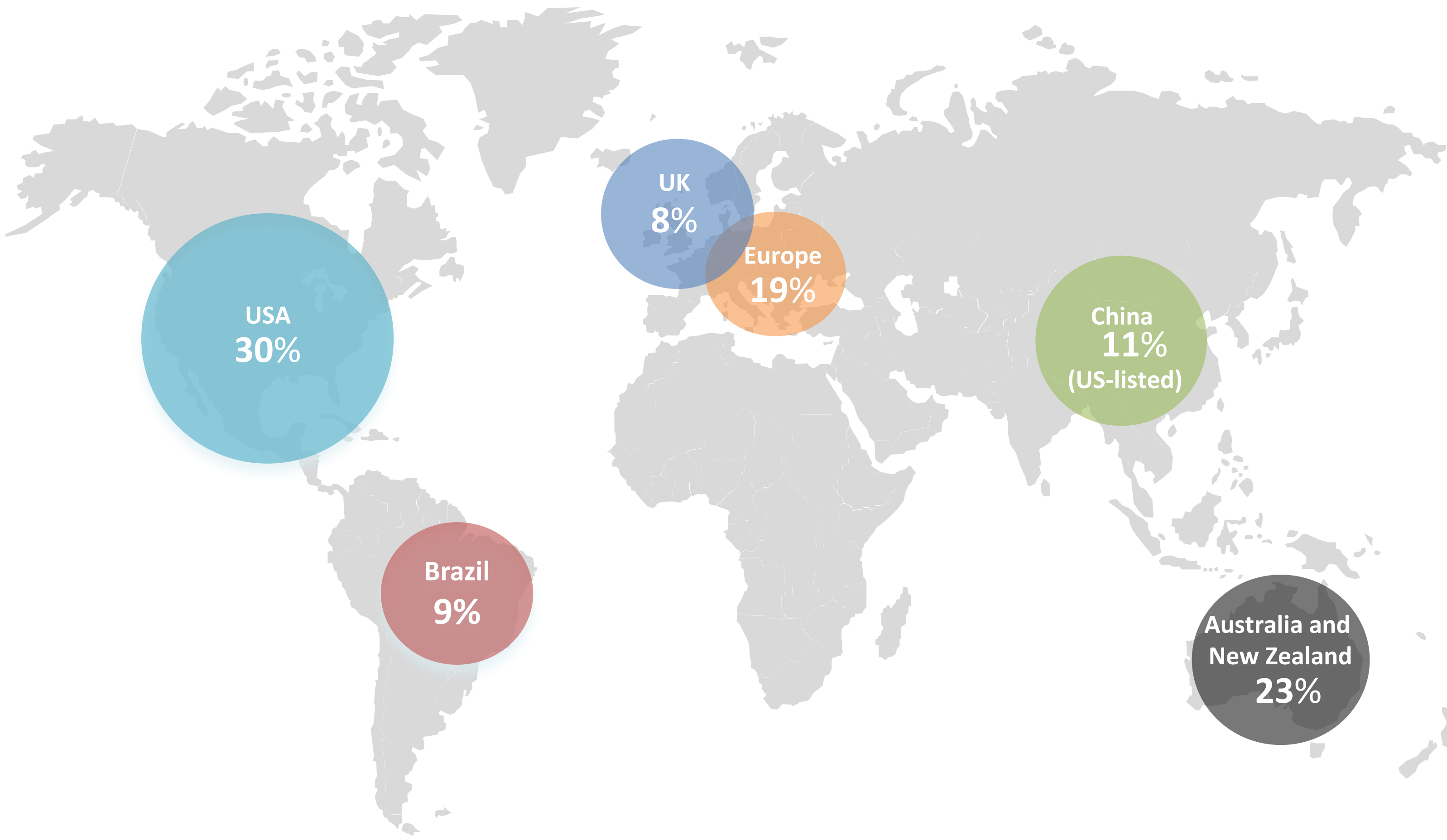
We minimize risk-taking in FX

- We keep our exposures in clear ranges.
- We aim to keep AUD exposure in a range between 20% and 80%.
- FX exposures are reported monthly.

14 November 2017	FX Exposure
USD	62%
AUD	19%
EUR	10%
GBP	9%

The Fund is a USD investment

Geographic Exposure



Note: as of January 2017

Key Terms

Management Fee	1.5% per year
Performance Fee	20% of net profits
Minimum investment (fund is USD-denominated but takes investment in AUD or USD)	A$500,000
Withdrawals/Redemptions	Quarterly
Reporting Frequency	Monthly
High Water Mark?	Yes
Redemption Fee	0.25% paid to the Fund (not Manager). This ensures redemptions do not disadvantage remaining investors.

Full terms are outlined in our Private Placement Memorandum

Reporting

Monthly Statement	Generated by our third party administrator Apex shortly after the close of the month, clearly stating Net Asset Value and return.
Monthly Investor Letter	Additional commentary, FX exposures, theme exposures, and so on.
Online portal	Apex247 allows an investor to login and see the value of their investment at any time: https://www.apexfunds247.com
Fund equity holdings	Investors may request the Fund’s current equity holdings, subject to confidentiality

Past investment letters available at www.fraziscapitalpartners.com

Contact Details

How to invest
1. Read Private Placement Memorandum
2. Complete subscription and KYC/FATCL/AML forms
3. On confirmation of receipt, transfer funds to designated bank account

Subscription forms and further information:

Michael Frazis
michael@fraziscapitalpartners.com
+ 61447559606
www.fraziscapitalpartners.com

Regulatory information

ABN: 24 609 648 026
Frazis Capital Partners Australia Pty Ltd is a Corporate Authorised Representative (AFS Representative Number 001240825) of Lanterne Strategic Investors Pty Ltd of AFSL license number 238198.

Monthly letters available at www.fraziscapitalpartners.com

Appointed Service Providers

Function	Firm	Notes
Prime Broker	Interactive Brokers	Interactive Brokers is a full-service broker listed on the New York Stock Exchange. Founded by computer scientists, the company has a market capitalization of over US$20 billion.
Administrator	Apex Fund Services	Apex acts as middle and back office for the fund, including • Liaison with investors, investor letters, holding certificates • Net Asset Value calculation, reconciliation, reporting and verification • Preparation of accounts.
Accountant	Ecovis Clark Robertson	Tax accounting.
Cayman Legal Advisor	Walkers Global	Fund documents and review of prime broker and administration agreements. Registered office for Cayman Fund.
AFSL authorisation for the Australian investment advisor	Lanterne Strategic Investors	Frazis Capital Partners Pty Ltd (ACN 607 648 026) is a corporate authorised representative of Lanterne Strategic Investors Pty Ltd (ABN 49 098 472 587, AFSL No. 238198).

Appendix

Disclaimer

This document is for information purposes only and does not constitute or form part of, and should not be construed as, an offer, invitation or inducement to purchase or subscribe for any units in the Fund nor shall it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever. It also does not constitute a recommendation regarding any units. Any decision to invest in the Fund must be made based on the disclosures, terms and conditions set out in the relevant offering documents and subscription application, all of which must be read in their entirety. The units have not and will not be registered for sale, and there will be no public offering of the units. No offer to sell (or solicitation of an offer to buy) will be made in any jurisdiction in which such offer or solicitation would be unlawful. The information in this document has been obtained from sources believed to be reliable but no representation or warranty, express or implied, is given hereby as to the fairness, accuracy or completeness of the information or opinions contained herein. This presentation reflects the information available as of the date this presentation was prepared and is subject to change without notice to the recipient. Past performance may not necessarily be repeated and is no guarantee or projection of future results. This presentation is intended solely for the information of the person to whom it has been delivered. It is not an advertisement and is not intended for public use or distribution. No part of this presentation may be reproduced or distributed in any manner without prior written permission of Frazis Capital Partners Pty Ltd.