ELEVATION CAPITAL® | VALUE FUND

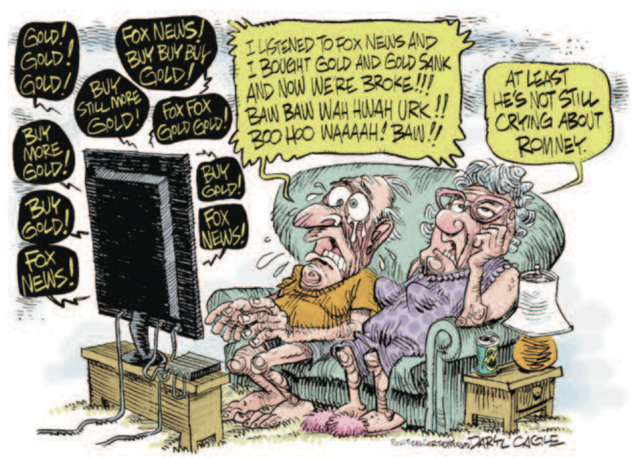
SECOND QUARTER 2013 INVESTOR REPORT ***9 August 2013***

Key Performance Data	
Q2 2013 Net Return	+6.95%
CY 2013 Net Return	+16.33%
Return Since Inception	+30.48%
Funds Under Management	NZ$ 11.57 million
Unit Price	NZ$ 1.2655

Top 10 Holdings			
Security	% of Portfolio	Security	% of Portfolio
Nestlé SA - Reg	3.08	Kirkcaldie and Stains Ltd	2.75
Molson Coors Brewing Co - B	2.98	Chesapeake Energy Corp	2.63
Kirin Holdings Co Ltd	2.93	Vivendi	2.61
Heineken Holdings NV	2.83	Encana Corp	2.57
Staples Inc.	2.79	Vealls Limited - Capital Share	2.53

Market Review – Q2 2013:

Price of Gold Plummets (©Luojie, China Daily, China)



Fox News GOLD (©Daryl Cagle, Cagle Cartoons)

The global equity markets were volatile (particularly in the commodity space as referenced in the cartoons above) during Q2 2013. Emerging markets experienced a sell-off late in the quarter, while developed markets maintained their early gains.

The Elevation Capital Value Fund (the Fund) returned +6.95% net for the quarter. The benchmark MSCI World Value Index (NZD) +2% was up +9.59% (gross) for the quarter, so the Fund captured 72.7% of the benchmark upside despite holding 21.12% cash at quarter end. This compares to Q1 2013 when the Fund captured 141.4% of the benchmark MSCI World Value Index (NZD) + 2% return despite holding 25.21% cash at quarter end. These statistics serve to highlight that returns are not linear and an investment time horizon longer than one quarter is required when analysing any fund (or other investment).

Note: we add 2.00% (200 basis points) per annum to the MSCI World Value Index (NZD) for our performance fee calculations, and therefore we report this to investors as the benchmark index.

Two critical points to keep in mind when assessing the performance of the Elevation Capital Value Fund are:

(i) While we provide comparison versus the MSCI World Value Index (NZD) +2% per annum, the composition of the underlying index has no bearing on our investment decisions. The Fund has an "Active Share" of approximately 94%[1] as at 30 June 2013. This means as at 30 June 2013, approximately 94% of the Fund's holdings were different to those of the index. The index is therefore purely a barometer to provide you with a gauge to measure our performance in broad terms.

(ii) The Fund has generated its returns since inception with a large (conservative) cash balance. The Value Fund has maintained an average cash balance (based on month-end data) since inception of +30% as at 30 June 2013. We believe this highlights the conservative nature in the way we manage the Fund and that this is translating into satisfactory long-term risk-adjusted returns for investors.

To paraphrase Warren Buffett, constructing a portfolio, which will be defensive during market declines is critical to outperforming in the long term. We would therefore consider a year in which we declined 15% and the global benchmark declined 30%, to be a superior performance over a year when both we, and the global benchmark advanced 20%.

This statement may seem counter intuitive, but it is the protection of capital over the long term that truly wins the investment race. For example, if an investor reviewed the short-term performance of the Fund solely on the last quarter they might be disappointed, However, if the investor shifted their focus to a slightly longer time period – since inception returns – they would see the benefits of maintaining a conservative investment approach. The Fund since inception has delivered a net return as at 30 June 2013 of +30.48% versus the benchmark index of MSCI World Value (NZD) +2% (per annum) of +15.41% (Gross).

Therefore, one should not be surprised to see our cash balance increase further. As at 30 June 2013, the Fund's cash balance totalled 21.12%. (As at 9 August 2013, cash totalled over 25% of the portfolio.)

[1] Source: Thomson Reuters. The reference index for this percentage calculation is the MSCI EAFE Value Index ETF as a proxy for the performance fee benchmark index.

Fund Review:

Below we have detailed the five largest contributors/detractors from Fund performance during Q2 2013:

Contributors Q2 2013		Detractors Q2 2013	
Staples Inc	US	Kirkcaldie and Stains Ltd	NZ
Cisco Systems Inc	US	Heineken Holdings NV	Netherlands
Vealls Limited – Capital Share	Australia	Encana Corp	Canada
CBOE Holdings Inc	US	Canadian Natural Resources	Canada
Coach Inc	US	Nestlé SA – Reg	Switzerland

There are several other points which investors (and prospective investors) should be aware of with regard to the Fund's portfolio:

(i) The Manager trimmed/reduced a number of positions into Q2 2013 market strength (detailed below). We also increased holdings in those stocks where we felt the market was underestimating future prospects (also detailed below):

Reduced Positions	
Stock	**Domicile**
Kirin Holdings Co Ltd	Japan
Chesapeake Energy Corp	US
Cisco Systems, Inc.	US
GAM Holding AG	Switzerland
Laurent-Perrier Group	France
Leucadia National Corp	US
Novartis AG	Switzerland
OPAP SA	Greece
Smith & Nephew PLC	UK
Staples Inc	US
Tesco Plc	UK
Vealls Limited – Capital Share	Australia
Vivendi	France
Skyline Enterprises	NZ

Increased Positions	
Stock	**Domicile**
Anglo American Plc	UK
BP Plc – ADR	UK
Encana Corp	Canada
Kirkcaldie and Stains Ltd	NZ
Monster Worldwide Inc	US
Petroleo Brasileiro SA – ADR	Brazil
Penn West Energy	Canada
Scholastic Corp	US
Molson Coors Brewing Co – B	Canada

(ii) Portfolio concentration in global stocks has continued to increase during the past year which is reflective of the number of positions decreasing to 43 with a weighted average market capitalisation of NZ$16.862bln (this compares to NZ's largest company, Fletcher Building with a market capitalisation of approx. NZ$5.75bln as at 30 June 2013);

(iii) The portfolio is also liquid which is further illustrated in that we have been able to maintain our key portfolio exposures and conservative cash positioning whilst units on issue have decreased from 14.18mln as at 30 June 2012 to 9.14mln as at 30 June 2013;

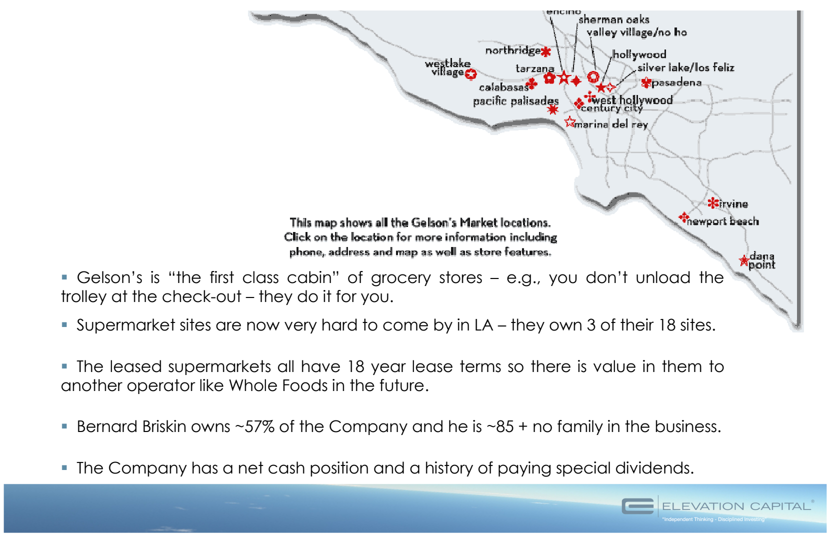
(iv) During the quarter we met with corporate management directly or attended presentations on the following twenty six companies: **Coach, Tiffany, Vivendi, Nestlé, Danone, Burberry, Givaudan, Clorox, Proctor & Gamble, Unilever, Imperial Tobacco, Reckitt & Benkiser, Anheuser Busch InBev, Grupo Campari, Henkel, Arca Continental, Mondelez, Colgate-Palmolive, Tate & Lyle, Coca-Cola, AmBev, Tod's, Hugo Boss, Brunello Cucinelli, Luxottica and L'Oreal.**

(v) We continue to believe our unique approach (for a NZ domiciled investment manager) to global investing offers you an attractive risk/reward proposition for an investment in global equities and special situations.

Specific positions:

Arden Group is the parent company of Gelson's Market which operates 16 full-service supermarkets in Southern California, carrying both perishable and grocery products (with a new store currently under construction scheduled to open in Long Beach later this year).

We have owned Arden Group over a number of years and first shared our thesis on this stock with you in May 2010 as per the slide below:



Arden Group announced on 15 July 2013, that its Board of Directors has initiated a strategic alternatives review, which may include a possible sale of the Company. The Company has retained Moelis & Company as its exclusive financial advisor to assist the Board in connection with the strategic review process. This is something we had always believed was a logical outcome given the age of Mr. Briskin the controlling shareholder and the fact that there was no family involved in the business. We continue to believe the Gelson sites will be extremely attractive to the likes of a Whole Foods Market or Sprouts, as supermarket sites with adjacent parking are exceptionally hard to come by in a state like California.

On 11 May 2010, Arden Group closed at US$ 93.48 per share. Since this date we have received US$ 0.25 per share per quarter, as well as a special dividend of US$ 20.00 per share in November 2012. Arden Group closed at US$132.40 per share on 9 August 2013 and we continue to believe intrinsic value lies at a premium to current levels should a sales process conclude.

Note: We first purchased Arden Group on 27 July 2007 in our earlier fund, the Elevation Capital Multi Strategy Fund, and then on 10 May 2010 for the Elevation Capital Value Fund. We would also like to thank our Global Advisor, Raymond Webb, who first highlighted Arden Group as a potential investment idea to us all those years ago.

KIRIN Kirin Holdings

Kirin Holdings Company Limited is a Japanese listed brewer, which today owns 100% of Lion Nathan and has continued to expand its footprint globally (recently Brazil) due to the declining Japanese beer market.

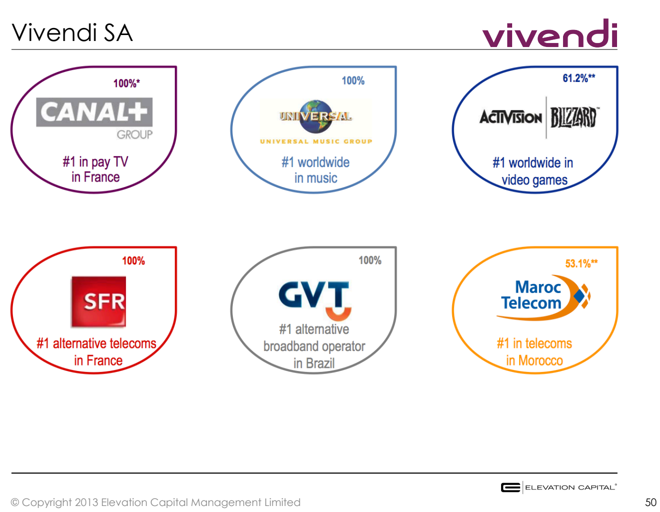
Japan is the third-largest beer market in the world but since 1994 this beer market has been declining. Not surprisingly until more recent times the market had priced Kirin on the basis that its growth prospects were limited and we were able to acquire our stake at/or below Book Value. Kirin has a long history as a listed-company, impressively it has distributed a dividend every year since its founding in 1907.

Despite the negative market perceptions at the time of our acquisition, beer remains by far the most popular alcoholic beverage among both developed and emerging markets and is the single biggest category in all but France and Italy (where wine is popular), India (where spirits, particularly whiskies dominate) and China (as spirits consumption overtook beer in 2012, driven by growth of brandy and cognac).

Kirin also has a more balanced portfolio than key competitor Asahi. Kirin relies on its Japanese alcoholic beverages business for 35% of its profits, Australia for 22% and more recently Brazil for 9%. Asahi meanwhile still depends on its Japanese alcoholic beverages business for 77% of profit. Kirin also has a pharmaceuticals and bio-chemicals business (as well as other arguably non-core assets), which could potentially be spun-off or divested. However, as we have seen for many decades the Japanese do not embrace change swiftly and our investment was not premised on such ideas. The company has recently stepped up plans to reduce debt (post acquisitions), increase its dividend and repurchase shares – all moves that impact positively on shareholders. Additionally, the Kirin brand does have the ability to be marketed into more global markets and beer industry consolidation continues across the world. It might not be as far-fetched as some believe to see one of the major Japanese brewers acquired in the fullness of time.

vivendi

Vivendi is a French conglomerate, which has once again embarked on a strategic review and is now in the process of disposing of its several telecommunications and media assets. Vivendi is most famous because of its transformation from a French water utility to a global telecommunications/media/internet company in the late 1990's and early 2000's under the leadership of Jean-Marie Messier. Vivendi post this acquisition spree struggled under an enormous pile of debt and was forced to shed assets and retire debt. The company survived and has now under shareholder pressure embarked on another round of asset divestments because the conglomerate structure still does not reflect the true value of the underlying asset base (see chart below).



Based on a conservative sum-of-the-parts calculation, we estimate potential value uplift to shareholders of +30% – +40%, after the asset divestment program is completed. It is likely we will end up holding two companies, (i) SFR - the number two French mobile operator and (ii) a media company, which we expect will comprise of Universal Music and the other remaining media assets.

The telecommunications businesses are clearly no longer as attractive as they once were. Witness Telecom NZ as an example in our home market. In terms of telecommunications assets, Vivendi just announced the divestment (subject to government approvals) of its 53% stake in Maroc Telecom for €4.2bln. The proceeds of which will be used to retire debt. The telecommunications industry in Europe has been, or depending on how you view it, still is in turmoil. The competitive landscape is extremely aggressive and as a result valuations of these assets and those ascribed by the market are significantly lower today than in the past. Enter at this point one of the world's great value investors and depending on which day of the week/month the richest man in the world – Mr. Carlos Slim. Mr. Slim controls America Movil SAB de CV, the dominant Mexican mobile telephony provider (America Movil now has 262 million wireless subscribers across the Americas as at 26 July 2013) and he has turned his attention to the European telecom's industry. His moves in the European telecommunications industry suggest to us maybe the market has become overly pessimistic and that there exists the potential for further cross-border consolidation? While we have not factored any such thoughts into our valuation of Vivendi's telecommunication assets we believe recent industry transaction multiples lend support to our assessment of potential future value on a total sum-of-the-parts basis.

If we shift our focus to the media assets, it was recently reported/speculated that Japanese telecommunications and media company Softbank tabled a bid for Universal Music, which was twice our estimate of value for the business. Evidently, the board of Vivendi rejected the bid but we expect that should the media division of Vivendi (including Universal Music) end up as a stand-alone company that it is not unreasonable expect a formal bid for the company. Music libraries are once again of increasing value given the advent of iTunes, etc and an increasing willingness from the consumers to pay for music versus piracy. (Although, a large amount of education still needs to be applied with respect to copyright infringement with the younger generation/s.)

Vivendi until recently also held a 61.1% stake in the world's number one gaming company - Activision Blizzard. On 26 July 2013, Vivendi announced plans to divest 85% of their holding for US$ 8.2bln or €6.2bln. Part of the proceeds will be used to retire debt and part maybe used to fund some kind of capital return or share buy-back.

We first acquired our stake in Vivendi on 7 October 2011 at an average price of €14.21 per share. Since that time we have received dividends totalling €2.00 per share. The last sale in Vivendi as at 9 August 2013 was €16.255 per share. The recent divestments provide support to our sum-of-the-parts analysis and we continue to believe that Vivendi remains an attractive risk/reward proposition for investors in the Fund at this point in time.

Firm Update:

In the last three months, Elevation Capital Management Limited has been appointed for several global mandates, which total approximately NZ$ 140 million. These mandates are on a separate account basis (so are not reflected in our Fund/s assets) but use the same skills and philosophy we apply to stock selection in the Elevation Capital Value Fund. Based on these appointments total assets under management are now over NZ$ 170 million (as at 9 August 2013).

It is also pleasing to report two new interns have joined Elevation Capital Management Limited recently – Andrew Lawrence who is currently studying business at AUT and is with us for a nine week period and Richard Milsom who has joined us from the University of Canterbury where he studied finance and economics. We welcome both of them.

Closing:

Thank you for your continued investment and interest in the Fund. Our portfolio is well positioned to continue to deliver satisfactory risk-adjusted returns over the long term. The portfolio is an eclectic mix of large capitalisation global franchise stocks, which we expect will continue to compound earnings, dividends and intrinsic value at attractive rates over time as well as a number of special situations, which have catalysts in place (or we plan to act as the catalyst) to potentially unlock value for shareholders. Our current cash balance continues to afford us opportunity should markets weaken across the world and you should expect to see several new additions to the portfolio were this to occur. Unfortunately, we can provide no insights as to timing.

"Money is made not in the buying and selling but in the waiting."
Charlie Munger

Yours sincerely,

Christopher Swasbrook
Managing Director
Elevation Capital Management Limited

Fund Portfolio Holdings (as at 30 June 2013):

Asset	Domicile*	% of Portfolio	# of Shares
Nestlé SA - Reg	Switzerland	3.30	4,500
Molson Coors Brewing Co - B	Canada	3.21	6,000
Kirin Holdings Co Ltd	Japan	3.15	18,000
Heineken Holdings NV	Netherlands	3.13	5,000
Staples Inc	US	3.11	17,500
Kirkcaldie and Stains Ltd	NZ	3.08	165,000
Chesapeake Energy Corp	US	2.96	13,000
Vivendi	France	2.96	14,000
Encana Corp	Canada	2.94	15,500
Vealls Limited - Capital Share	Australia	2.90	39,000
Leucadia National Corp	US	2.79	9,500
Total SA	France	2.73	5,000
Cisco Systems Inc	US	2.72	10,000
Canadian Natural Resources	US	2.53	8,000
Ciments Francais	France	2.51	4,000
Smith & Nephew Plc	UK	2.34	18,750
BP Plc - ADR	UK	2.34	5,000
Penn West Energy	Canada	2.07	17,500
Imperial Tobacco Group Plc	UK	1.94	5,000
Mondelēz International	US	1.92	6,000
Western Union Co	US	1.87	9,750
Novartis AG	Switzerland	1.59	2,000
Japan Tobacco Inc	Japan	1.58	4,000
Monster Worldwide Inc	US	1.51	27,500
Nokia Corp - ADR	Finland	1.47	35,000
CBOE Holdings Inc	US	1.30	2,500
Metlife Inc	US	1.28	2,500
Tiffany & Co	US	1.22	1,500
GAM Holding AG	Switzerland	1.15	6,750
Skyline Enterprises	NZ	1.13	15,000
Petroleo Brasileiro SA - ADR	Brazil	1.12	7,500
Tesco Plc	UK	0.98	17,500
Scholastic Corp	US	0.98	3,000
Anglo American Plc	UK	0.97	4,500
OPAP SA	Greece	0.94	10,000
Laurent-Perrier Group	France	0.94	1,000
Hess Corp	US	0.93	1,250
Arden Group Inc - Class A	US	0.90	750
LAACO Ltd-Units of Ltd Partners	US	0.75	60
Starz	US	0.62	2,500
Veritas Investments Ltd	NZ	0.57	50,000
Marlin Global Ltd	NZ	0.30	50,000
Christian Dior	France	0.18	100
Cash		21.12	

Total Number of Securities: 43
*Domicile = Primary Listing.

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