

# TERRACAPITAL

## ETHICAL EMERGING COMPANIES FUND

JANUARY 2019

### Performance & Overview

The Fund returned -0.3% after fees for the month of January 2018. Since inception (Jan 2016) the Fund has returned +13.7% after fees underperforming the market (All Ordinaries Accumulation Index) by 12.2%.

The Unit Price is currently \$1.10

### Portfolio Commentary

After the worst December performance since the GFC the MSCI World Index returned +7.8% which was its strongest monthly movement since October 2011. The rally was the result of oversold stock prices in December combined with the US Federal Reserve Governor Jay Powell's comments that the planned tightening in monetary policy would be less aggressive over the short term.

In China, there was further news of a slowing economy as it was reported that new car sales were down -5.8% for 2018 however news that President Trump and President Xi are planning to meet during March to discuss trade terms provided a relief to China focused markets.

Despite several reports highlighting both the Australian retail and property slowdown the ASX300 finished up 3.9% (thanks mostly to the US Fed easing and trade talk news mentioned above).

On the whole, most of the companies in the Ethical Emerging Companies fund reported positive updates in their December quarterly reports however this failed to translate to positive price movements as the fund finished flat for the month. We would expect the positive sentiment in the larger caps start to translate into performance in the smaller caps that the fund invests in.

Indeed, the funds pipeline of listings that were due to occur in Q4 last year were pushed out due to poor market conditions. With market conditions improving we are seeing the first of those listings occur in February with at least half a dozen companies due to list in the next 4 months.

### Fluence Corporation (FLC.ASX)

One of the Ethical Emerging Companies funds best performing stocks for January was Fluence Corporation (FLC.ASX), a business that provides waste water treatment and management solutions.

During January the company reported they had reached over \$100 million in revenue for the CY2018 (unaudited) and gave guidance that they would be EBITDA positive by no later than Q4 2019.

As discussed in our November monthly note, operationally we expect 2019 to be FLC's strongest year yet and we hope this will cause a rerate in FLC's valuation.

### HeraMED (HMD.ASX)

During the latter part of 2018 HeraMed (HMD.ASX), one of the funds pre-IPO investments, listed on the ASX. HeraMED is a medical technology company focusing on developing pregnancy monitoring products for home use. HMD's flagship product, HeraBEAT, measures the heart rate of a child while still in the womb and connects to an application on the mother's phone to provide analysis.

From our own personal experience, we know the anxieties which commonly accompany pregnancies and we believe the HeraBEAT can help by providing some immediate comfort to parents.

In 2019 we are expecting HMD to 1) earn revenues from a deal already signed with an Israeli distributor, 2) sign additional deals with global medical distributors, and 3) sign agreements with insurance companies and hospitals who will provide the HeraBEAT to their patients (revenue not expect until 2020).

Although HMD is currently a smaller position in the fund, we believe the company has a high calibre board and we look forward to updating you on the company's progress in the months ahead.

As always, we appreciate your feedback.

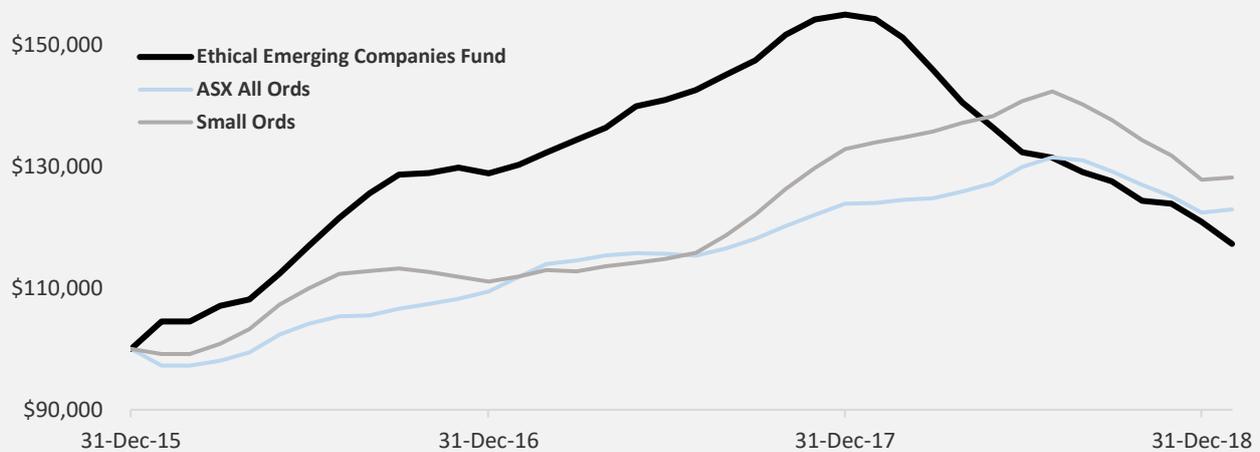
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Calendar Year Performance	2016	2017	2018	2019
<b>Ethical Emerging Companies Fund</b>	27.71%	27.68%	-30.07%	-0.27%
<b>ASX All Ords Accumulation Index</b>	11.65%	12.47%	-3.53%	3.99%
<b>Outperformance</b>	16.06%	15.21%	-26.53%	-4.26%
<b>ASX Small Ords Accumulation Index</b>	13.18%	20.02%	-8.67%	5.56%
<b>Outperformance</b>	14.53%	7.67%	-21.40%	-5.83%
<b>ASX Emerging Companies Accumulation Index</b>	24.61%	17.54%	-19.94%	4.24%
<b>Outperformance</b>	3.10%	10.15%	-10.13%	-4.51%

### Value of \$100,000 invested at inception



Value of \$100,000 calculated using exit NAV prices net of all fees.

### Ethical Emerging Companies Fund Strategy

The Fund is a global, long only emerging companies fund established in January 2016. The Fund's strategy is fundamentally driven, high conviction, high concentration and we pride ourselves on our relationships with our investors. Terra Capital's research driven process and true active management is complimented by a focus on risk management.

The objective of the Fund is to deliver superior absolute returns over the medium to long term by investing in small to medium-sized listed and a portion of unlisted companies.

### Fund Details

NAV	\$1.1043
Entry Price	\$1.1071
Exit Price	\$1.1015

### Fund Exposure

Software & Services	20%
Media, Fintech & Financial Services	19%
Pharmaceuticals, Biotechnology & Life	13%
Infrastructure & Services	13%
Technology Software & Hardware	11%

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