

TERRACAPITAL

ETHICAL EMERGING COMPANIES FUND

MAY 2018

	1M	3M	6M	FYTD	1Y (rolling 12mths)	2Y (p.a.)	Inception (p.a.)	Inception (cumulative)
Terra New Horizons Fund	-0.6%	-9.0%	-10.2%	-3.7%	-0.9%	13.4%	13.9%	36.9%
ASX All Ords	1.4%	1.2%	3.6%	10.3%	10.8%	12.2%	10.4%	26.9%
ASX Small Ords	3.7%	4.1%	6.9%	22.5%	25.4%	16.3%	15.2%	40.7%
Unit Price	\$1.35							

Terra Capital Ethical Emerging Companies Fund movements are shown net of (after) fees. Inception: 1st Jan 2016

Performance & Overview

The Fund returned -0.6% after fees for the month of May 2018. Since inception (Jan 2016) the Fund has returned +36.9% after fees outperforming the market (All Ordinaries Accumulation Index) by 10.0%.

The Unit Price is currently \$1.35

Markets

The Australian market (+0.5%) was in the black in May despite Italian politics causing some global market gyrations late in the month, reviving concerns around populism and the potential for an EU breakup.

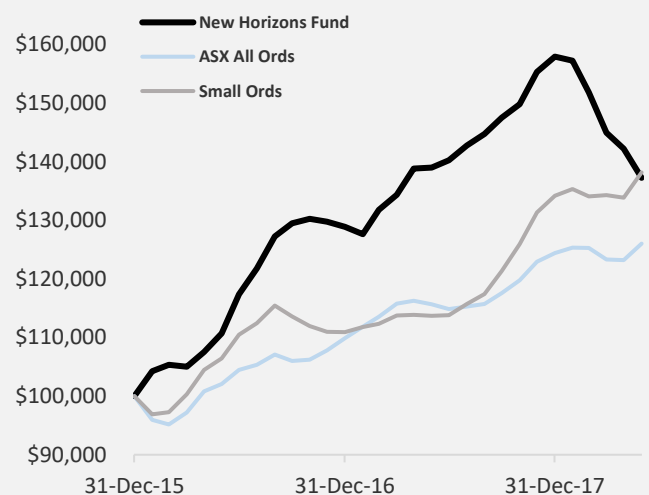
Equity investors in the smaller end of the market were generally hurt by the "Sell in May and go away" headline however the Ethical Emerging Companies fund was resilient and slightly negative. We expect the market to find it's appetite for equity capital in the micro/small cap stocks as we move into the second half of the year.

Portfolio

During May the Ethical Emerging Companies fund invested in two FinTech related companies:

Paygroup (PYG.asx), provides payroll and human resources outsourcing services to some of Australia's largest business who have difficulties paying taxation, superannuation and other employee benefits to employees domiciled overseas. PYG's end to end solution reduces the administrative work for their customers as well as reduces the issues felt by their employees. Ironically PYG's customers include some of the big 4 banks.

Value of \$100,000 invested at inception



SmartPay (SMP.asx), are looking to capture a small footprint in the lucrative business of merchant services for SME's. SMP's tap and go payment machine offers software which allows customers to pay with alternatives to Visa and Mastercard, including WeChat and Alipay. We don't think SmartPay will take over 100% of the merchant market however there are certain areas within the SME segment we believe would benefit greatly if their customers could pay with WeChat and Alipay (which would be highly lucrative for SMP). Recently they have begun offering cash balance services to SME's which could enable them to double the revenue for their existing customers.

We have been disappointed with the performance of the fund in the last 6 months. Over the next three months we have some very exciting positions that will list both from a pre-IPO and IPO perspective. We look forward to these companies listing and are available to discuss them with you if you would like. We thank you again for the support.

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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	\$1.3345
Entry Price	\$1.3579
Exit Price	\$1.3545
Fund Size	\$31.8M
APIR Code	TCN0001AU

Fund Exposure

Pharmaceuticals, Biotechnology & Life	16.31%
Internet Software & Services	15.37%
Agriculture	11.26%
Software & Services	11.02%
Cash	10.74%
Infrastructure & Services	7.86%
Telecommunications & Services	7.77%
Commercial Services and Supplies	6.34%
Media	6.02%
Semiconductors + related equip.	4.24%
Technology Software & Hardware	2.44%
Consumer Staples	0.63%

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