

TERRACAPITAL

ETHICAL EMERGING COMPANIES FUND

OCTOBER 2018

	1M	3M	6M	FYTD	1Y (rolling 12mths)	2Y (p.a.)	Inception (p.a.)	Inception (cumulative)
Terra Ethical Emerging	-6.3%	-4.2%	-9.3%	-5.3%	-17.2%	-3.3%	8.1%	24.6%
ASX All Ords	-6.5%	-5.9%	-0.5%	-4.7%	3.1%	9.1%	8.0%	24.5%
ASX Small Ords	-9.6%	-7.7%	-4.2%	-8.6%	2.6%	8.4%	9.7%	30.0%
Exit Unit Price	\$1.21							

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

Performance & Overview

The Fund returned -6.3% after fees for the month of October 2018. Since inception (Jan 2016) the Fund has returned +24.6% after fees outperforming the market (All Ordinaries Accumulation Index) by 0.1%.

The Unit Price is currently \$1.21

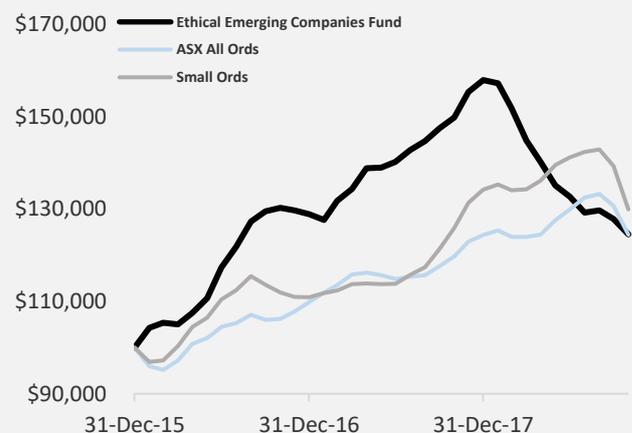
Markets

The S&P/ASX Small Ords index had its worst monthly performance since August 2015, losing -9.6% in October. The local market wasn't immune to the global sell-off of risk assets. Risk appetite collapsed with headwinds seemingly multiplying as an increasingly hawkish US Federal Reserve threatens to send monetary policy settings to levels that challenge asset valuations broadly. In addition to other risk factors including trade war concerns, weakness in emerging economies and higher crude oil prices (despite this month's fall), this proved to be a combustible combination.

Portfolio

After last month's sell-off we have carefully considered the negative opinions that globally, earnings have peaked, central bank bond purchases are reducing, the US Fed is raising rates, Chinese growth is slowing at a faster rate, and we are a decade in to a bull market, so the likely next market move is lower.

Conversely, the current bull case is that bond yields are low, valuations in the majority of sectors are reasonable, there are few signs of distress in credit markets and the Chinese are loosening credit while being committed to supporting growth.



These views considered we believe that given recent falls, markets appear to now be suitably pricing the risks. As a result of this we have retained most of our positions over the past 6 months.

One of the few areas of the market that has avoided the small and micro-cap malaise is that of medical and recreational cannabis. The past 2 years has seen the team learn about the industry culminating in part of the team recently conducting a tour of Canada which coincided with the date of recreational legalisation. The tour was again highly educational and saw presentations and/or meetings with over 100 companies within a week.

While the valuations of some of the Canadian companies are eye watering, we remain bullish on the sector as a whole and have established strong relationships that will see Fund investors get exposure to the best cannabis deals globally. The US is now the focus of investors as more US States legalise the recreational use of cannabis, with Michigan becoming the 10th State to do so this week. The team's education over the past month alone will prove invaluable as we continue to navigate this exciting sector.

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While disappointing for most of this year we remain committed to our process and analysis. We are well aware of our areas of expertise in the market and are sticking with them, we believe that if we continue to do this Fund performance will improve.

We thank you for your ongoing feedback and would like to invite you to reply to this email if you would like to arrange a call or meeting to discuss the Fund.

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	\$1.2096
Entry Price	\$1.2126
Exit Price	\$1.2066
Fund Size	\$28.3m
APIR Code	TCN0001AU

Fund Exposure

Pharmaceuticals, Biotechnology & Life	18%
Software & Services	18%
Media, Fintech & Financial Services	16%
Infrastructure & Services	14%
Agriculture	13%

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