

TERRACAPITAL

NEW HORIZONS FUND

AUGUST 2017

	1M	3M	6M	FYTD	1Y (rolling 12mths)	Inception (p.a.)	Inception (cumulative)
Terra New Horizons Fund	2.42%	5.46%	16.83%	3.59%	15.37%	25.27%	45.60%
ASX All Ords Acc.	0.79%	1.26%	2.55%	0.97%	8.91%	9.30%	15.99%
ASX Small Ords Acc.	2.71%	5.12%	5.44%	3.06%	3.20%	10.40%	17.94%
ASX Emerging Companies Acc.	2.29%	7.72%	-1.86%	5.36%	-3.52%	13.21%	22.99%
Unit Price	\$ 1.44						

Terra Capital New Horizons Fund movements are shown after fees. Inception: 1st Jan 2016

FUND DETAILS

NAV	\$1.4410
Entry Price	\$1.4410
Exit Price	\$1.4410
Fund Size	\$27.9M
APIR Code	TCN0001AU
Fund % Positive Months	56%
Index % Positive Months	50%

Above ratios are since inception. Further information on the ratios can be found [HERE](#)

FUND STRATEGY

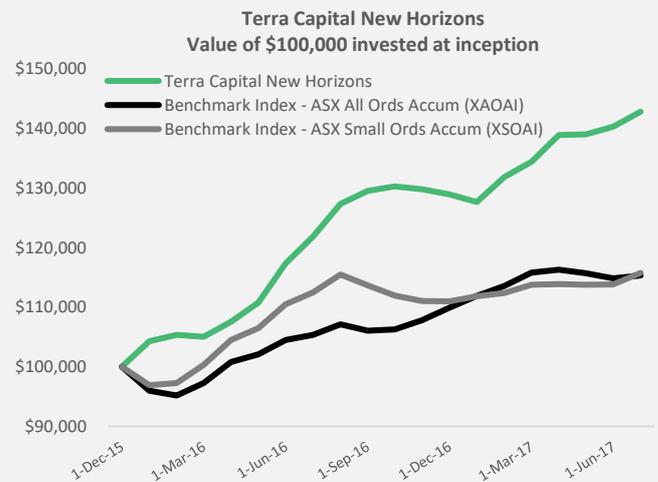
The Fund is a global, long only emerging companies fund established in January 2016. The Fund's strategy is fundamentally driven, high conviction, high concentration and we pride ourselves on our relationships with our investors. Terra Capital's research driven process and true active management is complimented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

The objective of the Fund is to return in excess of 10% p.a. after fees over a 3-5yr investment time horizon.

PERFORMANCE + OVERVIEW

The Fund returned +2.4% after fees for the month of August 2017. Since inception (Jan 2016) the Fund has returned +45.6% after fees vs. the market (All Ordinaries Accumulation Index) +16.0%.

The Unit Price is currently \$1.44



INDUSTRY EXPOSURE

Agriculture	6.2%
Biotechnology	7.8%
Commercial services + supp.	11.0%
Electronic equipment + instr.	4.7%
Food products	5.9%
Internet software and services	25.6%
Media	2.0%
Pharmaceuticals	3.1%
Semiconductors + related equip.	9.7%
Software	5.8%
CASH	18.2%

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2016	7.6%	-2.2%	-1.7%	3.1%	5.9%	0.0%	12.0%	-0.2%	2.4%	3.0%	-3.5%	-0.6%	25.8%
2017	2.2%	-4.5%	12.5%	-1.3%	-0.2%	1.8%	1.1%	2.4%					14.0%

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AUSTRALIAN MARKETS OVERVIEW

The Australian equity market absorbed a hugely volatile reporting season trading remarkably flat, bouncing off an index low of ~5680 five times through the month but also failing to break 5800 on the upside. The ASX200 finished - 0.1% but with significant sector return variation. 2018 Industrial earnings growth was cut from 11.1% down to 6.3% while 2018 earnings for Resources was upgraded from -15.9% to +6.0%. LPT's (from 4.3% to 3.8%) and Banks (~2.5%) saw 2018 growth estimates stay flat.

Energy (3.0%), Materials (4.2%), Industrials (+4.2%) and Staples (+3.7%) were all major supports. Oil & Gas was strong on better-than-expected results with a combination of production upgrades (WPL), stronger cash flow and debt reduction (OSH, STO) helping drive substantial earnings upgrades. Materials were also strong contributors, in large part a result of upgraded guidance on top of exceptionally strong cash flow.

GLOBAL MARKET OVERVIEW

Global equities finished the month on a positive note, led by the S&P500 which posted its 5th straight monthly gain (+0.1%). The NASDAQ posted another record high close (rising +1.6%) while the Dow Jones also recorded its fifth straight monthly rise. These gains came despite the rise in political tensions mid-month on the Korea Peninsula. Hurricane Harvey devastated the Gulf Coast but expected quickly shifted towards how this tragedy would bring together a divided government to provide relief efforts which would indirectly include tax cuts and an extension of the debt ceiling which is upcoming.

Equity markets took nothing sinister out of the Jackson Hole symposium with neither Yellen nor Draghi providing much concern for markets to expect a faster and/or more aggressive policy tightening stance. Consequently, the EUR continued to strengthen against the US\$ which took finally appears to be taking some of the steam out of exporting sensitive European markets. The DAX was down 0.5% over the month with the CAC also drifting slight lower.

Asia was the major focus over the month with Chinese and Hong Kong equities rallying strongly off the back of continued growth data from the Mainland. The Shanghai Comp rose 2.5% and is up 10% since May. The Hang Seng was a similar story rising 2.4% to post a stunning YTD return in excess of 30%. Japan was the major casualty through August as it suffered the consequences of rising North Korea's tensions. The Nikkei finished strongly in the final few days to be down

only 1.4% after tracking as far as 3.4% in the red following the initial flare up in geopolitical risk.

PORTFOLIO COMMENTARY

In another month where small stocks outperformed large (Small Ords +2.7% vs ASX200 +0.7%) we were happy with the overall performance of our portfolio. As it stands currently we are sitting with more of our portfolio valued at less than what we consider to be intrinsic value rather than at fair value or slightly above. This bodes well for the portfolio where we hope to see some of our positions bridge the valuation gap as catalysts occur over the next 6 months.

Updater Inc (ASX:UPD)

Just after month end, one of our holdings Updater Inc, raised A\$50m bringing new high-quality investors to the register. The additional cash allows the company to do the following:

- Finance the acquisitions of IGC Software and Asset Controls Inc.,
- Fund the rollout of its new insurance division
- Increase working capital to accelerate the sale of Business Products into additional verticals

IGC Software and Asset Controls are removalist IT platforms that together serve a large percentage of the removalists operating in the US. With these businesses now owned by Updater, the company can better control users first interactions with the Updater platform improving the likelihood of multiple interactions with the platform as users make decisions and engage the service providers associated with moving home.

We look forward to updating you on our progress and welcome any feedback.

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