TERRACAPITAL
NEW HORIZONS FUND

DECEMBER 2017

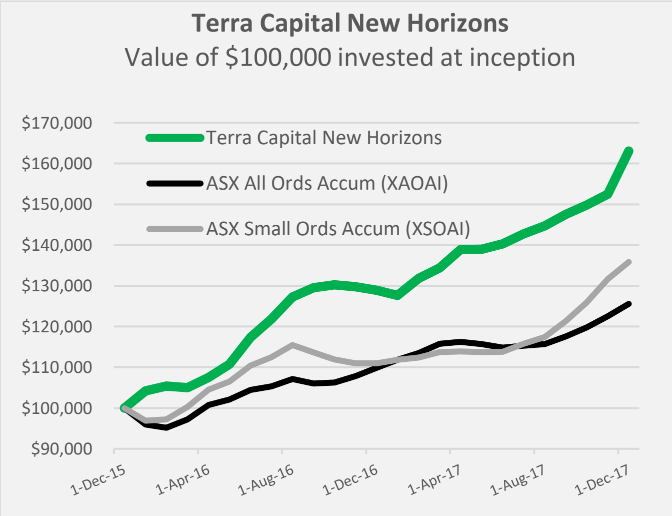
	1M	3M	6M	FYTD	1Y (rolling 12mths)	Inception (p.a.)	Inception (cumulative)
Terra New Horizons Fund	6.9%	11.3%	16.0%	16.0%	27.7%	27.7%	63.1%
ASX All Ords Acc.	2.5%	8.2%	9.3%	9.3%	12.5%	12.0%	25.6%
ASX Small Ords Acc.	3.2%	13.7%	18.7%	18.7%	20.0%	16.5%	35.8%
ASX Emerging Companies Acc.	6.0%	15.3%	25.5%	25.5%	17.5%	21.0%	46.5%
Unit Price	$1.61						

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

FUND DETAILS

NAV		$1.6138
Entry Price		$1.6138
Exit Price		$1.6138
Fund Size		$33.9M
APIR Code	TCN0001AU	
	Terra NHF	**Small Ords**
Sharpe ratio (1Y)	1.7	2.05
Sortino ratio (1Y)	2.48	2.4
Std Deviation (1Y)	14.6%	8.4%
% Positive Months (1Y)	75.0%	75.0%

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.

INDUSTRY EXPOSURE

Agriculture	5.8%
Biotechnology	7.6%
Commercial services + supp.	15.9%
Electronic equipment + instr.	4.9%
Food products	5.8%
Internet software and services	22.1%
Media	1.9%
Pharmaceuticals	3.6%
Semiconductors + related equip.	10.1%
Software	5.7%
CASH	16.6%

PERFORMANCE + OVERVIEW

The Fund returned +6.9% after fees for the month of December 2017. Since inception (Jan 2016) the Fund has returned +63.1% after fees vs. the market (All Ordinaries Accumulation Index) +25.6%.

The Unit Price is currently $1.61

MONTHLY PERFORMANCE BY CALENDAR YEAR

MONTHLY PERFORMANCE BY CALENDAR YEAR

	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%	0.6%	2.8%	1.3%	6.9%	**25.6%**

Address: **L12 Domain House, 139 Macquarie street Sydney NSW 2000** | Phone: **+61 2 9252 2518** | Email: **info@terracapital.com.au**

TerraCapital
NEW HORIZONS FUND

December 2017

Portfolio Commentary

We're pleased to report our performance for the month which rounds out two years since inception with a return (after fees) of 63.1%.

The core portfolio continues to be made up of solid industrial businesses where the growing cash flows of the business underwrite the valuation and our ongoing investment.

In addition to those businesses we have a number of smaller positions that take advantage of market themes and dynamics for the benefit of fellow unit holders.

In 2017 the move to legalise marijuana in North America created a significant number of global investment opportunities and we have been able to profit from this during the period. Though there are still several key steps left in the approval and implementation of the legal recreational program in Canada, the sector's prospects are no longer exclusively tied to medical cannabis in North America. We estimate the international medical cannabis market at a potential $180 billion at maturity, and we believe that broadly, investors are under-appreciating the global opportunity. Profits from legalization in North America may fuel growth for globalization, allowing companies to use cash flow generated from recreational sales in Canada to approach medical markets in other countries in stronger positions.

Our investment in ASX listed Cann Group (ASX:CAN) which is 20% owned by Canadian listed Aurora Cannabis, has performed well in the last 6 months as the company moves towards significant cash flows from its Australian growing facilities.

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

Australian Markets Overview

A strong finish to the year for Australian equities with broad based gains across both small (2.9%) and large cap (1.9%) sectors mirroring the trend in global markets as Trump tax cuts and continued strong growth data supported risk assets. The ASX200 finished the year rising 1.6% in December to post a 12-month return of 7.0% (11.8% including dividends).

Over the month, in a sign of market conditions, corporate actions dominated returns with Tabcorp finalizing the Tatts transaction (rising 15%). Westfield (13%) following the announcement that Unibail-Rodamco would acquire all outstanding shares. Other strong performances came from BSL (13%) which upgraded guidance, FXJ (+11%) and TPM (+10%). The oil majors (OSH (11%) and STO (7%)) were stronger off the back of a further increase in crude (the WTI hit US$60/bbl, its highest level since 2015) while Miners were also supported through the month by the continued run in iron ore (which was up from US$58/t in October to finish the year at US$71/t) and stronger industrial metal prices (copper 8%).

The big stories and underlying themes throughout the year were:

1. Strong performance of building and construction related areas (including the capex sensitive names;
2. Another strong year for commodity stocks (both resources and oil);
3. Continued re-rating in offshore exposed stocks (both industrial and healthcare); and
4. Ongoing pressure on interest rate sensitive areas as well as banks (the latter due to rising political risk rather than any meaningful deterioration in earnings fundamentals).

Global Market Overview

It was It was another strong month for global equity markets led by the US where Trump's tax cuts were finally approved. The S&P inched up 1.0% to post a 12-month return of 19.4% and while tech stocks (particularly the high flying FAAMGs – Facebook, Apple, Amazon, Microsoft and Google (Alphabet)) came under some late month selling pressure, the NASDAQ also finished the year on a strong note, posting a 28% return.

In Europe, momentum behind economic indicators remained strong with the market rising a further 1.4% to post an annual return of 22.1%. The EUR has been one of the better performing currencies versus the US$ as Eurozone growth has continually surprised on the upside (manufacturing LEI's are at 17-year highs) and as regional political risk has receded.

The UK was the standout performer, rising 5% to post a 12-month return of 7.6% as the manufacturing sector showed further strength and BREXIT implications turned less negative. This move was in line with a broadly stronger GBP which finished the year a touch off the high at US$1.35 but substantially up from the low of US$1.20.

Across Asia, markets were also stronger as materially weaker Chinese growth failed to emerge and political risks around North Korea continued to fade. Hong Kong marched higher with the Hang Seng (+2.5%) and up +36.0% on a 12-month basis – led most recently by a savage re-rating of the HK/China developers. Japan was relatively flat through December, rising only 0.2% but posted a strong 19.1% annual return.