

# TERRACAPITAL

## NEW HORIZONS FUND

JANUARY 2016

	New Horizons	ASX All Ords	Small Ords
1 Month	7.6%	-5.1%	-5.4%
Unit Price	\$1.0756		

### FUND PERFORMANCE

During the month the S&P/ASX All Ordinaries Accumulation Index was lower 5.4% while the S&P/ASX Small Ordinaries Accumulation Index fell 5.1%. Against this backdrop the Fund was up 7.6%.

The Unit Price is currently \$1.08.

### MARKET OVERVIEW

Equities had a dreadful start to the year with the S&P/ASX 200 falling -5.5%. Global market weakness was the culprit with Australia following a poor tape from offshore. The commodity markets once again resumed their loss leadership with Materials and Energy falling -9.1% and -6.5% respectively, as concerns around Chinese growth intensified. The result saw a defensive bid with outperformance seen by REITS (+0.2%), Telcos (+0.7%) and Utilities (+0.7%).

Growth fears were confirmed via a decline in Australian 10 year bond yields from 2.9% to 2.6% and the A\$ falling to a low of AUDUSD 0.683 during the month. At worst the decline saw the peak (5331) to trough (4804) move the ASX 200 by ~10%.

At an economic level there was little to offset the weakness over the first few weeks. Headline CPI data came in at 0.4% QoQ in 4Q15, to be 1.7%YOY, in line with our expectations; however, labour force estimates revealed a small - 1.0k decline in employment in December, with the large surge in employment from November broadly unchanged.

Global Markets' shocking start to the year was dominated by threats of slower growth in China and a precipitous drop in oil which saw US\$7.8trillion being wiped off in the first two weeks.

Volatility and caution remained the overarching themes this month; however, shares globally came off their lows towards the end of the month on hopes the Federal Reserve will slow the pace of

future interest rate hikes. Characterised by a retreat from risky assets, US markets finished the month lower with the Dow (-5.5%), S&P500 (-5.1%) and NASDAQ (-7.86%) all down for the month.

Closer to home, the Shanghai Comp (-22.65%), Nikkei (-7.96%) and Hang Seng (-10.2%) fell as news from China heightened fears the economy was slowing and attempts to prevent panic failed. Significant devaluations of the Yuan saw the Shanghai Comp close early, twice in one week, after falling over 7%. China factory activity shrank for the tenth straight month and a ban on share sales by major shareholders was put in place.

Japan introduced negative interest rates for the first time and pledged to keep increasing the monetary base at an annual pace of ¥80trillion to help revive the "deflationary mindset".

### OUTLOOK

As a result of remaining predominantly in cash the New Horizons Fund was shielded from the tumultuous month in global equities while our small technology and industrial investments performed well.

We have noted that the market leading FANG's (Facebook, Apple, Netflix, Google) posted their worst returns in January since the onset of the GFC. This is something we'll continue to watch closely however would like to make the point that these companies on the relatively asset light and expectation high NASDAQ are coming off massive multiples and huge share price appreciation over the past 5 years.

We look forward to updating you on our progress as we slowly and selectively deploy capital in the months ahead.