

# TERRACAPITAL

## NEW HORIZONS FUND

JANUARY 2017

	1M	3M	FYTD	1Y (rolling 12mths)	Inception (p.a.)	Inception (cumulative)
Terra New Horizons Fund	2.22%	-1.92%	15.68%	21.36%	27.79%	30.54%
ASX All Ords Acc.	-0.77%	5.91%	9.10%	17.09%	9.88%	17.09%
ASX Small Ords Acc.	-2.44%	-0.13%	3.25%	16.36%	9.54%	16.36%
Unit Price	\$ 1.31					

*Terra Capital New Horizons Fund movements are shown after fees. Inception: 1<sup>st</sup> Jan 2016*

### FUND PERFORMANCE

During the month the S&P/ASX All Ordinaries Accumulation Index was down 0.8% and the S&P/ASX Small Ordinaries Accumulation Index was lower 2.4%. Against this backdrop the Fund was up 2.2%.

The Unit Price is currently **\$1.31**

### MARKETS OVERVIEW

Despite a late month slide on the back of policy uncertainty generated by the Trump Administration, equities were generally higher through January, led by Materials and other cyclicals (Discretionary, Industrials and IT over defensives such as Healthcare, Telco's and Utilities). Financials were slightly better than market performers as yield curves remained largely unchanged in the lead up to the US reporting season.

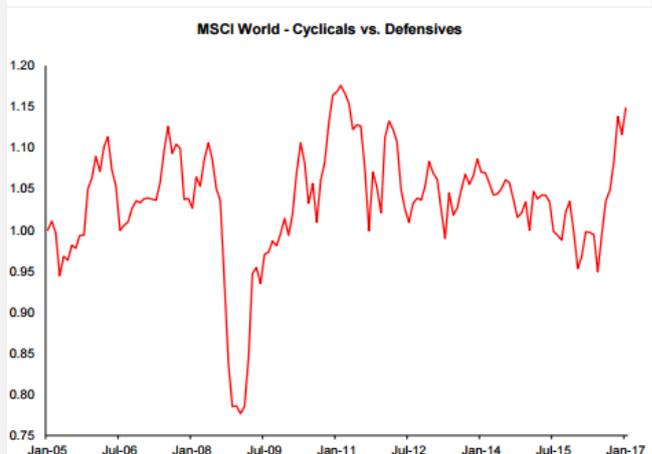
The S&P500 finished 2.0% higher and remains 6.5% above levels immediately post the US election in early November. European markets (EuroStoxx -1.8%) were broadly weaker through the month, led by France (CAC -2.3%). The FTSE was down marginally despite the GBP:US\$ cross falling to its lowest level post BREXIT.

Asia benefited from key markets being closed for Chinese New Year with the Hang Seng +6.2% and the Shanghai Comp rising 1.8%. Australia followed the US lead, declining from an intra month high of 5827 for the ASX200 to 5606 – a fall of 0.8%. This was on the back of a 10 year bond yield that was broadly unchanged at ~2.72% and an A\$:US\$ that rose significantly on the back of US\$ weakness. Other commodity producing exchanges were also beneficiaries of stronger currencies and commodity prices (Bovespa +7%).

### PORTFOLIO OUTLOOK

The market's rotation away from defensive businesses over the past six months has continued and has gathered pace. Investors have been forced down the market cap curve in the search for ever elusive growth and the broader market has now re-positioned itself for an expected run in cyclical and value type businesses.

*Cyclicals + Growth outperforming defensives:*



*Source: Factset, Macquarie Research, February 2017*

Our portfolio composition is yet to change dramatically in 2017 as our companies continue to perform well operationally and we approach major milestones in some of our larger positions in the next 4-5 months.

In the interim we have taken advantage of good trading conditions in stocks such as Bubs Limited, where we bought stock at 10c and sold at an average of 30c.

We welcome any feedback and thank you for your ongoing support.