TERRACAPITAL
NEW HORIZONS FUND

JULY 2017

	1M	3M	6M	FYTD	1Y (rolling 12mths)	Inception (p.a.)	Inception (cumulative)
Terra New Horizons Fund	1.1%	2.6%	8.7%	1.1%	12.2%	24.7%	41.9%
ASX All Ords Acc.	0.2%	-2.1%	3.9%	0.2%	6.6%	9.3%	15.1%
ASX Small Ords Acc.	0.3%	0.2%	4.0%	0.3%	-1.1%	9.1%	14.8%
ASX Emerging Companies Acc.	3.0%	4.2%	-6.1%	3.0%	-8.7%	12.4%	20.2%
Unit Price	$ 1.41						

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

FUND DETAILS

NAV	$1.4069
Entry Price	$1.4069
Exit Price	$1.4069
Fund Size	$27.1M
APIR Code	TCN0001AU
Fund % Positive Months	58%
Index % Positive Months	58%

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.

OF NOTE:

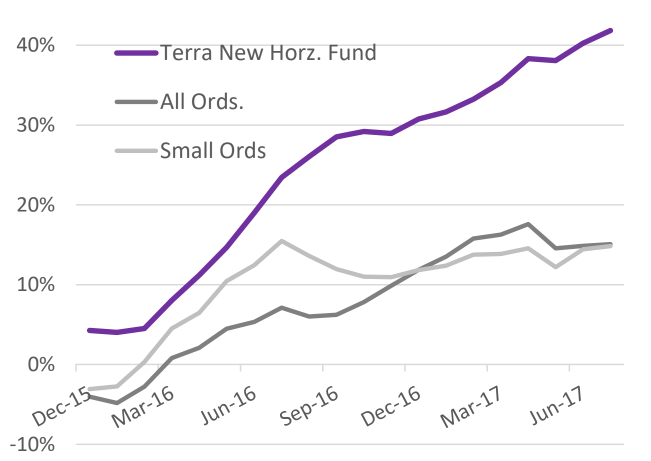
The Terra Capital New Horizons Fund ranked 3rd amongst similar Funds (0.9% off 1st place) for its performance in FY17. More information can be found here.

PERFORMANCE + OVERVIEW

The Fund returned +1.1% after fees for the month of June 2017. Since inception (Jan 2016) the Fund has returned +42% after fees vs. the market (All Ordinaries Accumulation Index) +15.1%.

The Unit Price is currently $1.41

Historical Performance (after fees)



INDUSTRY EXPOSURE

Agriculture	5.4%
Biotechnology	8.0%
Commercial services + supp.	10.8%
Electronic equipment + instr.	4.9%
Food products	5.5%
Internet software and services	26.8%
Media	2.1%
Pharmaceuticals	3.2%
Semiconductors + related equip.	9.5%
Software	5.5%
CASH	18.3%

MONTHLY PERFORMANCE BY CALENDAR YEAR

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2016	7.56%	-2.21%	-1.75%	3.08%	5.91%	0.04%	12.02%	-0.17%	2.39%	2.99%	-3.49%	-0.57%	**25.8%**
2017	2.2%	-4.5%	12.5%	-1.3%	-0.2%	1.6%	1.1%						**11.4%**

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AUSTRALIAN MARKETS OVERVIEW

July proved to be a volatile month for Australian equities but one where the key benchmark index ended flat (ASX 200 (0.0%)) – a repeat of the prior month. Small and mid-caps finished relatively flat with most of the outperformance coming through the large cap area of the market (ASX20 +1.1%, ASX Mid Cap 50 +0.2%, Small Ords 0.0%).

As a group, the Industrials and Healthcare stocks encapsulated the sell-off in offshore earners over the month as the A$ continued its relentless and non-consensus march upwards, hitting an intra-month high of US$0.8007 (up from the end of June when it was US$0.7687). While this move higher was in large part the consequence of a weaker US$, domestic economic data did nothing to suggest that this appreciation trend did not have some fundamental support.

GLOBAL MARKET OVERVIEW

Global equities finished the month with a minor wobble. This was largely driven by the US tech sector, which came under late selling pressure from AMZN's disappointing result. This was not a catalyst for a major correction despite the Powershares QQQ ETF (which tracks the NASDAQ) suffering its biggest 5 day outflow since 2007, with the S&P500 still posting a small gain (2.1%) but slightly off its mid-month all-time record high of 2478.

The US reporting season has been better than expected with strong results across cyclical sectors (i.e. CAT) as for the banks and brokers. The equity rally was once again given upside support following dovish comments by Fed Chair Yellen as well as solid growth data (2Q GDP at 2.6%) and slightly weaker inflation prints. German and French equity markets were weaker on the back of further gains in the Euro (hurting export competitiveness) following on from recent comments by ECB president Mario Draghi that the bank would begin removing monetary stimulus. The BoC followed up on its tightening rhetoric, with the first rate rise since 2010 coming shortly before Canada posted its 7th straight quarter of GDP increases (the longest since 2014) on top of solid labour market gains.

The story for equity markets shifted towards the East through July as strong Chinese growth data (in particular on the construction side) provided a boost for building and construction and early cycle cyclicals throughout the region. The Heng Seng rose 6% while the Shanghai Comp rose 2.5% over the month. Miners had a strong July while it was the best month in some time for oil (Brent was up 12%), helping support global Energy stocks.

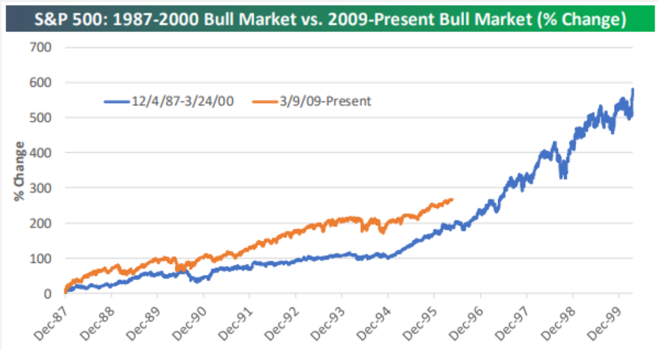
PORTFOLIO COMMENTARY

Over the past few weeks and months we've heard numerous market commentators talk about the market being in a bubble and that we're due for a severe correction.

I've written about it before here and have outlined the theory of the depression baby effect when markets continue to perform well for a longer period than most expect after a significant negative event such as the GFC.

As the bull market continues, calls that the bubble is about to burst continue to come in waves. Certainly, on the whole some tech stocks in the US are trading on significant multiples but we would argue that not only are we not in a stock market bubble, but that we're not in a tech stock bubble either. We are of the view that we're in a long-term upswing in the business cycle that has yet to reach the extremes that we see before bubbles burst.

As an example of a bull market that has lasted longer, during the rally from December 1987 through March 2000, the S&P 500 rallied nearly 600% without experiencing a 20% drop at any point. Compared to the current bull market, the '87-'00 bull saw double the gains and lasted another 1,400+ days.



Source: bespokepremium.com

FLUENCE CORP. (ASX.FLC)

One of our top 10 holdings is Fluence Corporation and they recently announced an US$11m strategic investment in the Company by a large US-based institutional investor.

Fluence Corp's vision is to become a leading global provider of fast-to-deploy decentralized and packaged water and wastewater treatment solutions, already an estimated A$17 billion market in 2016, excluding the China rural market opportunity. Fluence has experience operating in over 70 countries worldwide and employs more than 300 highly trained water professionals around the globe. The Company provides local, sustainable treatment and reuse solutions while empowering businesses and communities worldwide to make the most of their water resources.

Fluence offers an integrated range of services across the complete water cycle, from early stage evaluation, through design and delivery to ongoing support and optimization of water related assets. With core operations in North America, South America, the Middle East and Europe, one of Fluence's main focuses will be expanding into the vast market in China for rural wastewater treatment.

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