

# TERRACAPITAL

## NEW HORIZONS FUND

MARCH 2016

	1M	3M
Terra New Horizons	-1.7%	3.3%
ASX All Ords	4.7%	-2.4%
Small Ords	5.5%	1.0%
Unit Price	\$1.0334	

### FUND PERFORMANCE

During the month the S&P/ASX All Ordinaries Accumulation Index was higher 4.7% while the S&P/ASX Small Ordinaries Accumulation Index was up 5.5%. Against this backdrop the Fund was lower 1.7%.

The Unit Price is currently **\$1.03**.

### MARKET OVERVIEW

Equities underwent a sizeable rebound through March, rising 4.1% to post the strongest monthly return since October 2015. However, it was not enough to recoup the combined declines suffered through January and February with the ASX200 finishing 1Q16 down 4.0%.

As we have become accustomed, daily price movements were extreme, reflecting shifty sentiment rather than sustained changes in economic or earnings fundamentals. A dovish shift by the Federal Reserve set equities and emerging market risk assets on a higher path into the final day of the month (the ASX200 rose 1.4%) but it was strength in the commodity based sectors – Energy and Materials – that provided the positive platform for the overall market return through March.

Politics remains a talking point with BREXIT and US presidential elections continuing to dominate global headlines; at a domestic level the federal budget has been brought forward by a week, and the Senate has been recalled to consider legislation which could potentially trigger a double dissolution election in July (dismissed by the market without much fanfare or concern); banks led an intra-month sell-off on the back of ANZ's announcement of a worse-than expected resources sector impairment charge.

It was a positive month for global equity markets (MSCI World +6.5%) but with significant dispersion across regions and markets (MSCI Europe +1.0% vs MSCI Asia-X +11.1%).

Latin America was driven by strong local currency and US\$ returns from Brazil (Bovespa +17%) as commodity prices and the real appreciated significantly; Asia was led higher by China (SHCOMP +12%), Hong Kong (Hang Seng +9%) and India (Sensex +10%) but its commodity sensitive markets (Indonesia and Malaysia were regional laggards despite a significant weakening in the MYR); Europe was the global laggard (Euro Stoxx +2%) as France (CAC +1%) primarily offset a strong Germany (+5%); the UK was kept in check by ongoing BREXIT concerns (FTSE100 +1%); and the US took a strong lead from the rise in energy equities and later from Yellen's dovish communication that drove both bonds and equities higher (S&P500 +7%).

### OUTLOOK

Overall the market continues to exercise more discretion on emerging and tech companies' business models, growth expectations, and prospects in general. In recent weeks, even companies with superior growth characteristics and solid outlooks have seen their share prices slashed.

As not all stocks are created equal, the current market presents opportunities in our view. Valuations have come down across the board due to the general risk-off stance, which we believe presents opportunities to selectively buy emerging stories with solid fundamentals including strong top line growth, sufficient capitalization and sound business models.

During April we have an investment in a vegetable seed company listing on the ASX named Abundant Produce (ABT). Abundant is involved in the development and commercialisation of varieties of high-value food crops, particularly greenhouse vegetables that can be grown under low tech conditions.

Abundant Produce specializes in breeding F1 hybrid vegetables with better yield, disease resistance,

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temperature tolerance, taste, texture, colour and shape.

Abundant Produce is entering a new phase after the success of commercial trials after its cultivar development phase has resulted in a promising range of hybrids. The first crop developed to this stage is cucumber.

Below is a link to a radio interview recorded last week by Abundant's Research Manager Graham Brown:

<https://audioboom.com/boos/4394847-stuart-bocking-and-graham-brown?t=0>

Over the coming months the fund will have several positions list on the ASX. We believe this will create significant value for our unit holders.

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