

TERRACAPITAL

NEW HORIZONS FUND

MARCH 2017

	1M	3M	FYTD	1Y (rolling 12M)	Inception (p.a.)	Inception (cumulative)
Terra New Horizons Fund	12.49%	9.77%	24.23%	35.66%	33.69%	40.19%
ASX All Ords Acc.	3.16%	4.50%	14.89%	19.48%	14.17%	16.67%
ASX Small Ords Acc.	2.66%	1.46%	7.39%	13.67%	12.62%	14.84%
Unit Price	\$1.40					

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

FUND PERFORMANCE

During the month the S&P/ASX All Ordinaries Accumulation Index was up 3.2% and the S&P/ASX Small Ordinaries Accumulation Index was higher 2.7%. Against this backdrop the Fund was up 12.5%.

The Unit Price is currently \$1.40

AUSTRALIAN MARKETS OVERVIEW

A strong month for the market with the ASX200 rising 3.3% and finishing just a touch off a two-year high. The market showed significant resilience, absorbing a six-day string of losses out of the US as disappointment around President Trump's policy proposals intensified.

The major banks led performance (CBA, NAB and WBC all returning more than 4%) as investors cheered out-of-cycle rate rises that came despite a flattening domestic yield curve. Broader financials also delivered strong returns, with Div Fins (+4.2%) and Insurers (+3.1%) both posting gains.

With the exception of Materials, Telecoms and Real Estate, it was a solid month for the remainder of the market.

GLOBAL MARKET OVERVIEW

Despite Global Equities led higher by Europe which absorbed UK exit plans (triggering Article 50) as well as elevated political risk out of France. Better-than-expected economic data and the potential for the ECB to be confident enough to accelerate the reversal of its bond-buying programme were generally behind the upbeat sentiment. In the US, after swinging in and out of negative territory, the S&P 500 (+0.1%) ended the month largely unchanged, but up ~5.5% for the quarter. Overall, the market showed strong resilience, after investor confidence was shaken following Trump's failure to gain

enough support for proposed healthcare reforms, which in turn has triggered concerns about his ability to push through tax cuts.

Shares in Asia were mixed. The Hang Seng (+1.7%) was up for the month but the SSE (-0.6%) retreated on the back of tightening liquidity concerns and stepped-up regulation in the housing market. Positive data on industrial profits was not enough to see the index finish in positive territory - PMI readings suggest that China's economy continued to perform well in March. The official manufacturing PMI was up from 51.6 in February to 51.8 on its way to a five-year high.

The Nikkei (-0.4%) was also down during March as the yen climbed to its highest level against the dollar since November, on the back of rising US uncertainty.

PORTFOLIO COMMENTARY

Despite all the headlines regarding Trump, his actions, policies, and what they will end up doing to financial markets, there's an underlying feeling of positivity. On the one hand, on there's Trump's political news that whiffs of insecurity and indecision but rather than reacting in a negative fashion there has been a sense of optimism.

Current volatility (VIX 12.39) remains low compared to historical levels (10 year average of 20.70), the Dow Jones has hit a record high as investors have been quick to price in hints of good news and worry later if it comes through.

US margin debt climbed to a record high in February, a fresh sign of bullishness for perplexed investors trying to navigate the political and economic currents driving markets. The amount investors borrowed against brokerage accounts climbed above \$525 billion in February, according to the most recent data available from the NYSE. There's nothing alarming in that data by the way, it's a sign of confidence rather than over-levered enthusiasm at this point.

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Consider the US consumer confidence survey figure for March and the Case Shiller house price growth in the US and you see how there's a fair amount of momentum in that market.

We continue to pick and hold what we think are the optimal exposures to risk adjusted returns in small companies (ex-resources).

The largest contributing stock to our portfolio during March was Updater Inc (ASX:UPD) after releasing partial results of their pilot program with a US home insurer. The program showed that people about to move home who were exposed to Updater communications purchased the home insurers products at a 93% higher rate than those not exposed to Updater communications. This result is very strong validation of the value of Updater's data.

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