

TERRACAPITAL

NEW HORIZONS FUND

MAY 2016

	1M	3M	Inception
Terra New Horizons	5.9%	7.2%	12.8%
ASX All Ords	3.1%	13.1%	8.4%
ASX Small Ords	4.1%	11.5%	3.9%
Unit Price	\$1.13		

New Horizons Fund movements are shown after fees

FUND PERFORMANCE

During the month the S&P/ASX All Ordinaries Accumulation Index was up 3.1% and the S&P/ASX Small Ordinaries Accumulation Index was up 4.1%. Against this backdrop the Fund was up 5.9% after fees.

The Unit Price is currently **\$1.13**.

MARKET OVERVIEW

For the first time in years the adage 'sell in May and go away...' didn't hold true with the Australian equity market having a strong month up ~3% to mark it the best month of May since 2005 and up 10% from the February low. The rally was supported late in the month by a positive reaction to news the Fed is at ease with the growth outlook to continue the rate tightening cycle which was put on hold after a volatile 1Q.

Global markets started the month off on a weak note that was reversed into month end as sentiment turned up following a positive narrative by the Fed on growth and the potential for resumption in rate hikes that would reflect a stronger outlook. This saw the USD gain momentum against the majors with the DXY now having recouped around 50% of its early year decline (from 93.1 to 95.8). European markets were also buoyed by news that a BREXIT is looking less and less likely as the UK approaches its June 23rd referendum.

The continued move higher in oil continues to create some breathing room for a much troubled energy sector and oil producing nations (despite its consumer sapping offset). Broadly speaking, weakness in the leading cyclical sectors (US Transports and Small Caps) has not appeared to trouble most markets with majority of the major global benchmarks now back into positive YTD territory. Brazil was a significant laggard over the month (Bovespa -10.1%) as the political crisis intensified and concerns about the ability of the government to support growth damaged by the ongoing corruption scandal.

OUTLOOK

Positive returns continued in our major positions during May. Worthy of mention was our tech/industrial investment in a military drone engine supplier which performed well in May as did our vegetable seed breeding agri-business – major catalysts lie ahead in the coming few months for each company.

Also noteworthy, despite subdued share price performance is our investment in market leading technology company Updater (UPD). During May UPD announced it had assisted in 4.26% of all moves that took place in the US during April (up from 2% in Oct'15). On an annualised basis this equates to around 750,000 moves. Thus far the market has failed to grasp the significance of this.

Using Updater, movers can seamlessly transfer utilities, update accounts and records, forward mail, and utilise other handy features. Hundreds of the most prominent real estate companies in the US (from real estate brokerages to property management companies) rely on Updater's real estate products to save their clients hours with a branded and personalised Updater moving experience. With significant market share of all US household moves, Updater can enable contextual and personalised communication between relocating consumers and the US businesses spending billions of dollars trying to reach them. This means that there's a significant opportunity to sell the data Updater collects to businesses that would like to know exactly when Mr Smith moves into XYZ neighbourhood. As an example, it would be highly valuable to AIG Insurance to know when their home insurance customer Mr Smith is moving so that they can contact him to make sure he doesn't switch insurers when he moves home. It doesn't take too much to think of numerous other businesses that could use the data for targeted marketing purposes. We expect Updater to commercialise their market leading product in the months ahead.

Lastly we refer you to an article in The Australian (*IPOs still the way to go - 7th June*), mentioning the Abundant Produce (ABT) IPO which Terra Capital New Horizons Fund cornerstoned. We continue to hold the position and the stock is performing well.

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