

TERRACAPITAL

NEW HORIZONS FUND

OCTOBER 2016

	1M	3M	6M	FYTD	Inception
Terra New Horizons Fund	3.0%	5.3%	24.9%	17.9%	33.1%
ASX All Ords Acc.	-2.2%	-3.1%	3.8%	3.0%	4.6%
ASX Small Ords Acc.	-4.7%	-4.8%	6.2%	3.4%	10.6%
Unit Price	\$1.33				

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 down 2.2% and the S&P/ASX Small Ordinaries Accumulation Index was lower 4.7%. Against this backdrop the Fund was up 3.0% after fees.

The Unit Price is currently **\$1.33**

AUSTRALIAN MARKETS OVERVIEW

The market had a tough month, falling -2.2% with broad based sector weakness and some heavy stock specific losses. The equity market had to absorb an indifferent AGM season where, despite some positive guidance, corporates generally erred on the side of caution - emphasising 2H strength over near-term improvement and a further rise in bond yields that proved unrelenting for the interest rate sensitive sectors despite having already suffered 2 months of declines.

GLOBAL MARKETS OVERVIEW

Global equity markets showed large performance dispersion through October. The majority of markets suffered from a rise in bond yields and a steepening in global yield curves led by the US, which saw 10 year bond yields from 1.59% to 1.85%, a stronger DXY weaken the majority of dollar based returns and global bond indices suffer their worst monthly return since May 2013 (the taper tantrum).

US equities were down ~2% over the month after reaching a record high. However, despite the weak US lead, many other developed markets still finished in positive territory. UK equities were up +1% for the month although recorded a large 5% decline in US\$ returns as a result of GBP weakness. Other European markets were broadly flat to positive as a weaker Euro provided some offset to the move higher in bond yields (10 year Bunds rose from -0.122% to +0.164%, Italian 10 year yields from 1.18% to 1.58% and France 10 year yields from 0.187% to 0.464% despite the ECB reaffirming its plans to maintain QE at current levels). Japanese equities were up, ~+6%, on the back of a weaker

Yen as were China equities (Shanghai Comp +3.2%), which benefited from positive growth data out of the mainland.

OUTLOOK

While our core positions were mixed this month our positive performance was due to three IPO's. Veem Ltd (VEE) Cfoam Ltd (CFO) and Bod Australia Ltd (BDA) all successfully debuted during October.

Veem Ltd is a family run and majority owned, marine technology company specialising primarily in propulsion and stabilisation systems.

Cfoam Ltd is an industrial company that produces a carbon material produced from coal using a proprietary manufacturing process. The material is predominantly used in composite and aeronautical tooling but has a number of other potential applications. The company's current customers include Boeing, Northrop Grumman and SpaceX among others.

Bod Australia Ltd is a developer and distributor of natural skin and health products for sale in Australia and Asia. BDA have secured several ex-Bellamy's Organics sales executives, headed by the former Bellamy's national sales manager John Gilder, providing BDA with a highly effective sales and distribution platform. BDA currently has exclusive distribution rights for the Dr Roebuck's (AU, NZ & China) and BIOEFFECT (AU) brands. In addition BDA will develop new products across baby skin care and natural remedies, such as an enhancement for memory and concentration.

Our ability to gain priority access to deals has been highlighted by our allocations to the above successful IPOs. This remains a core competitive advantage of the fund and we look forward to utilising it for the benefit of our unit holders in the future.

We welcome any feedback.