TERRACAPITAL
NEW HORIZONS FUND

OCTOBER 2017

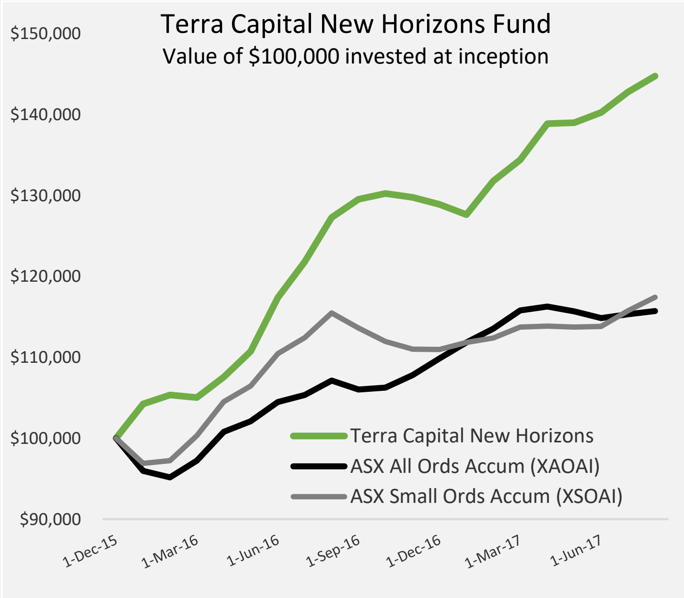
	1M	3M	6M	FYTD	1Y (rolling 12mths)	Inception (p.a.)	Inception (cumulative)
Terra New Horizons Fund	2.8%	5.9%	8.8%	7.1%	13.1%	25.0%	50.5%
ASX All Ords Acc.	4.1%	4.9%	2.7%	5.1%	15.5%	10.8%	20.8%
ASX Small Ords Acc.	6.0%	10.3%	10.6%	10.7%	14.6%	13.8%	26.7%
ASX Emerging Companies Acc.	4.3%	10.2%	14.9%	13.5%	0.7%	16.6%	32.5%
Unit Price	$1.49						

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

FUND DETAILS

NAV		$1.4897
Entry Price		$1.4897
Exit Price		$1.4897
Fund Size		$30.7M
APIR Code	TCN0001AU	
	Terra NHF	**Small Ords**
Sharpe ratio (1Y)	0.72	0.03
Sortino ratio (1Y)	1.08	0.02
Std Deviation (1Y)	14.8%	8.6%
% Positive Months (1Y)	58.3%	58.3%

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.

PERFORMANCE + OVERVIEW

The Fund returned +0.6% after fees for the month of September 2017. Since inception (Jan 2016) the Fund has returned +46.5% after fees vs. the market (All Ordinaries Accumulation Index) +16.0%.

The Unit Price is currently $1.45

INDUSTRY EXPOSURE

Agriculture	6.3%
Biotechnology	7.8%
Commercial services + supp.	14.9%
Electronic equipment + instr.	4.7%
Food products	5.6%
Internet software and services	20.9%
Media	2.1%
Pharmaceuticals	3.5%
Semiconductors + related equip.	10.1%
Software	5.3%
CASH	18.8%

MONTHLY PERFORMANCE BY CALENDAR YEAR

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2016	7.6%	-2.2%	-1.7%	3.1%	5.9%	0.0%	12.0%	-0.2%	2.4%	3.0%	-3.5%	-0.6%	**25.8%**
2017	2.2%	-4.5%	12.5%	-1.3%	-0.2%	1.8%	1.1%	2.4%	0.6%	2.8%			**14.5%**

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AUSTRALIAN MARKETS OVERVIEW

Australian equities were caught up in the euphoria that engulfed risk assets through October as improving economic growth, a better-than-expected US reporting season, greater confidence around US tax cuts and a continuation of relatively dovish central bank signalling helped propel markets higher.

As we have seen in recent months, isolated political risk (i.e. the Catalonian crisis, which saw Madrid reassert control over the breakaway region) did little to upset the positiveness around a strengthening growth backdrop with all major PMIs well into expansionary territory (US, Europe, China). On a similar note, Australia had its own political event with the High Court ruling Deputy Prime Minister Barnaby Joyce was ineligible to hold his seat alongside four other senators who were deemed ineligible to be in Parliament. Joyce now faces a by-election for his New England seat and neither the Government nor the opposition now has a ruling majority.

Australian equities performed strongly (+4.0%) despite returns being hampered by Retail (-0.7%) which was the only sub-sector to suffer a decline, Real Estate (1.4%) and Telcos (2.8%). Banks were small underperformers (2.8%) early into the reporting season on a disappointing release from ANZ (1.0%) where underlying earnings trends were softer than expected. BEN (-2.0%) also finished the month weaker as macro-prudential measures were seen to have slowed balance sheet growth momentum. REITs had a mixed month (despite a move lower in long bond yields) although Lend Lease fell -9.5%, dragging Real Estate down, following its divestiture (retirement stake to APG) and construction cost overruns.

GLOBAL MARKET OVERVIEW

It was a powerful month for global equity markets led by US tech giants which rose strongly off the back of better than expected quarterly results from the likes Amazon, Alphabet, Microsoft and Twitter, Global markets have been helped along by expectations that Trump will be able to negotiate through the House/Senate some form of tax stimulus as early as 1Q2018. As a result, US tech was the leader for markets with the NASDAQ +3.6, S&P500 +2.2%, DOW +4.3% all posting positive months.

In Europe, economic conditions surged to their highest level in 17 years despite rising political concerns in Spain following the Catalonian crisis (which saw Madrid reassert control over the breakaway region, driving bond yields lower and the domestic equity market higher) and being just a month out from Angela Merkel's Christian Democrat party taking parliament in German elections. The Eurozone's industrial sector is now running at its best level since 2000 with cyclical industries such as consecution showing a strong rebound. It was this more positive outlook that prompted the ECB to signal its intention to wind back its QE by €30m a month starting in 2018. European markets were strong including the UK (FTSE +1.6%), France (CAC+3.3%) and Germany (DAX +3.1%) led by deep cyclicals and financials. A reversal of the strong run in the EUR:US$ also supported the export sensitive areas of equities space.

In China, the 18th Party Congress was held over the month, with President Xi cementing his power with an opening 3.5 hour speech. As our China economist highlights (China Macro – After thoughts from the 19th Party Congress: What's Next), the Party Congress meeting was more about personnel changes than introducing new reform plans. With political power being much more consolidated than five years ago, now the challenge for top leaders is to justify that power by continuing to deliver on their key mandate: the Chinese Dream (i.e., to make China great again). To do that, they need to overcome two potential traps: the middle-income trap and the Thucydides trap (i.e., managing a peaceful rise as a great power). Regionally the Shanghai Comp (1.3%) was an underperformer with the Hang Seng rising 2.5% and other Asian markets also taking a stronger lead from the US.

PORTFOLIO COMMENTARY

Our positive performance this month was driven primarily by our exposure to ASX listed stocks who sell their products to Chinese consumers. We believe the theme has merit into the future and our holdings in Bubs Australia Limited (BUB) and Abundant Produce Limited (ABT) have performed well.

Bubs are a producer and seller of a goat milk based infant formula and organic infant food domestically and into China. Recently the company vertically integrated its infant milk formula business gaining control over its supply chain & local sourcing of key ingredients, to capitalise on the rapid growth of specialty milks and the formula sector particularly in China.

We have written Abundant Produce in this note previously and have mentioned its Abundant Natural Health (ANH) division but the company is now starting to gain momentum in this endeavour. ANH leverages ABT's strengths in plant science to diversify revenues by accessing the international market for natural cosmetics and nutraceuticals. The company has established sales channels into China and has recently announced its Tomato Infusion Daily Face Cream has been added to Alibaba's, T-Mall Global "Must Buy" product list. This product is the first of many the company will produce and sell into China.

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

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