MHOR AUSTRALIAN SMALL CAP

MONTHLY PERFORMANCE UPDATE

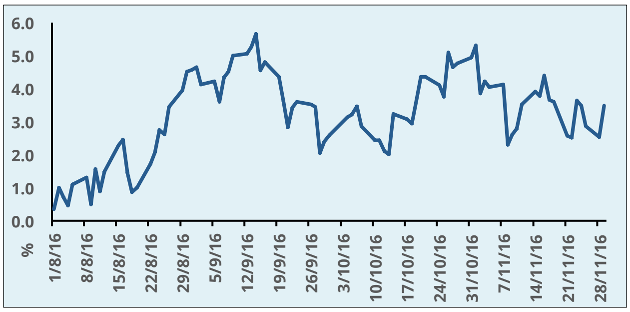
AS OF 30TH NOVEMBER 2016

FUND RETURNED -2.43%

PERFORMANCE TO BENCHMARK

	1 MONTH	3 MONTHS	SINCE INCEPTION
FUND	-2.43%	-5.31	-2.43%
BENCHMARK	-1.19%	-4.38	-5.91%
VALUE ADD	-1.23%	-0.93	+3.48%

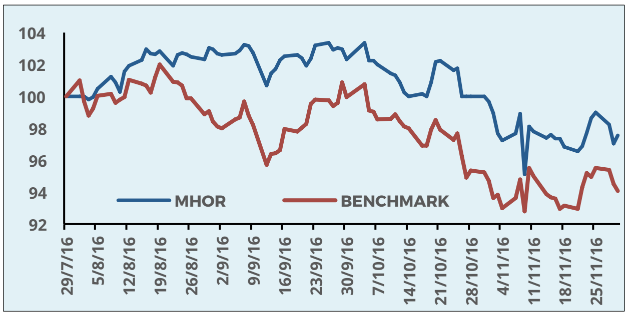
CUMULATIVE PERFORMANCE OVER BENCHMARK



HISTORICAL PERFORMANCE

2016	AUG	SEP	OCT	NOV	YTD
RETURN (%)	+2.95%	-0.6%	-2.28%	-2.43%	-2.43%

MHOR VERSUS BENCHMARK



MHOR TOP CONTRIBUTORS – NOVEMBER 2016

1	ELLEX MEDICAL LASERS	ELX
2	SMART PARKING	SPZ
3	ROYAL WOLF HOLDINGS	RWH

OVERVIEW AND WELCOME

JAMES SPENCELEY

Welcome to the MHOR Small Cap Fund report for November 2016.

The Fund underperformed the market by -1.23% over the period, comprising an absolute return of -2.43% versus the benchmark index which was down -1.19%. Whilst we will always be disappointed with a negative result, November was a challenging month, which saw many Small Cap funds materially, underperform. So on a relative basis, we managed to navigate these challenging conditions without too much impact.

We entered the month with 32 Stocks (1 unlisted) and 17% cash. Our strategic focus for November largely centred around positioning for the US election, the December US Fed meeting, as well as stock specific issues, such as AGM updates and capital raisings. On the back of strong positive momentum experienced in October, Fund inflows slowed during November, which we attribute to investors taking a breather to digest the global macro outlook. We ended the month of November with 34 stocks (plus 1 Pre-IPO investment which we expect to list in December) and 1.4% cash.

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ABOUT THE MONTH

November was a soft month for equities, particularly Small Caps, with the Small Ordinaries index down-1.19%. Global factors continued to influence markets, most notably the unexpected Trump victory in the US Federal Election at the beginning of the month and the ensuing 'reflation trade', driving a strong rally in Large Cap miners and banks, and a rotation out of higher multiple growth stocks ('market darlings'). Compounding the underperformance of the Small Cap market relative to Large Caps was a high volume of negative trading updates e.g. Adairs, Automotive Holdings, CSG Limited, iSentia Group, Scottish Pacific Group, and Vita Group (all except for Adairs were avoided by MHOR) each of these were met with fierce investor selling.

ABOUT THE PORTFOLIO

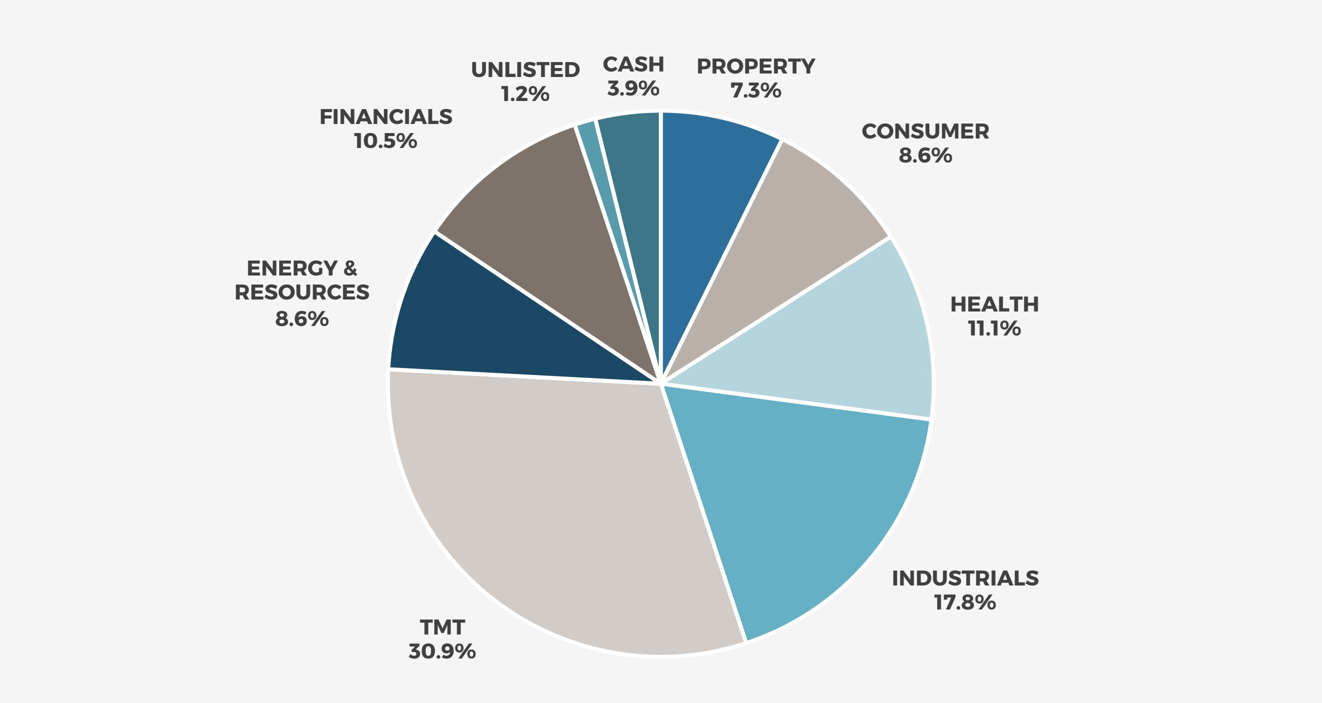
October/November AGM outlook commentary was relatively cautious across the board with many companies joining the dreaded 'second half club' to meet full-year earnings guidance, presenting heightened risks for investors at the February results period. The Fund's largest positive contributions came from Ellex Medical Lasers (ELX), Smart Parking (SPZ) and Royal Wolf Holdings (RWH). The only major detractor for the month was Adairs (ADH). More on each of these in the 'What happened in the Portfolio' section.

PORTFOLIO EXPOSURE AND METRICS

CHARACTERISTIC	PORTFOLIO	MARKET***
1YR FORWARD PE	13.8X*	15.8X
1YR FORWARD DIV. YIELD	4.2%	3.1%
2YR EPS GROWTH CAGR**	C. 11.8%	7.4%

*Ex Select early stage companies, ** MHOR and FactSet Consensus data, *** FactSet Consensus for Small Ordinaries Forward P/E

PORTFOLIO SECTOR EXPOSURES



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WHAT HAPPENED IN THE PORTFOLIO

Ellex Medical Lasers (ELX) +33%. Ellex Medical Lasers performed strongly during November, buoyed on by positive outlook commentary provided at the AGM and a favourable US government agency reimbursement decision for 2017. The Company designs, manufactures and sells medical devices to surgeons for the treatment of eye disease. Ellex is a leading global brand in the traditional ophthalmic laser and ultrasound market (c.90% revenue) and is expanding into two new market segments, the fast-growing market for minimally invasive glaucoma surgery and the emerging market for treating early stage age related macular degeneration. Somewhat unusual for a smaller medical device Company, Ellex has generated consistently solid sales and profit growth from its core ophthalmic laser and ultrasound business. We are also particularly excited by the significant upside potential from successfully expanding into the two new market segments, which are both larger than the core market. Encouragingly, the November AGM highlighted a positive outlook for FY17; demand for the core products remains strong while sales growth for the Ellex iTRACK catheter device for glaucoma continues to accelerate and is expected to accelerate further, driven by additional sales management and sales representatives, as well as the increased reimbursement in the US. We see a number of positive catalysts for Ellex in the year ahead and remain comfortable with our position.

Smart Parking (SPZ) +26%. Having followed the equity story for some time, we decided to invest in Smart Parking, participating in the November capital raising ($10.9m placement). Pleasingly, this investment was a key positive contributor during the month. Smart Parking is a global car parking business with two operating segments; Management Services and Technology. The Management Services business (c.90% Group revenue) operates more than 120,000 car parking spaces in the UK on behalf of retail customers, landowners and managing agents. The Technology business designs, develops and specializes in on-street and off-street parking technology and software, which enables clients to manage parking efficiently and cost, effectively. The growth outlook for Smart Parking's Management Services business remains robust; the company is targeting more than 130 new managed services sites in the UK during FY17 (Vs 143 installations as at June 2016). The economics of this business are very attractive; average EBITDA margins per site per month are 70% with a payback on capital invested less than 4 months. The Technology outlook is also highly prospective, with over $30m of tenders, quotes and proposals in the pipeline for key markets.

Royal Wolf Holdings (RWH) +14%. Royal Wolf Holdings sells and hires new and refurbished shipping containers to a broad range of customers across Australia and New Zealand. Royal Wolf is a cyclical business and its earnings were adversely impacted during the resources sector downturn; although recent market updates suggest activity has stabilised. Our investment thesis for Royal Wolf has been predicated upon a potential earnings recovery driven by increased resources, infrastructure and construction activity; balance sheet improvement as excess inventory is sold to reduce debt levels; and attractive valuation with the stock trading on 13x FY17 earnings with a 4% dividend yield. Broker coverage is limited so we feel this story continues to fly under the radar. We believe Management are sensible, having negotiated challenging market conditions relatively well and positioning the Company for growth. Positive catalysts we see for Royal Wolf include signs of sustained earnings growth, improved debt metrics and increased market exposure.

Adairs (ADH) -34%. The major detractor to the Fund's performance was Adairs, which surprised the market with a negative trading update in early November. The Company confessed that trading through the first four months of FY17 missed internal expectations, largely due to underperformance in the bed linen category. This was attributed to Adairs misreading shifting fashion trends with a flow on impact on plain linen sales and requiring increased promotional activity to clear excess stock, rather than external factors such as competition or the Federal election. As a result, the Company materially revised down FY17 sales and earnings guidance, leading to a sharp sell-off in the share price. Notwithstanding the disappointing trading update and share price underperformance, we were impressed with Management for 'owning' the earnings downgrade and taking swift action to remedy their mistakes. Whilst we acknowledge Adairs has been relegated from being a growth stock to a turnaround story and will likely remain in the market 'sin bin' for some time yet, we continue to like the category and see valuation as attractive with the stock trading on 13x FY17 earnings and yielding 6%.

OUTLOOK

The reflation trade which gained strong momentum during November on the back of the surprise Trump victory has driven a solid rally in global cyclicals and banks, and a rotation out of defensive yield-proxies (infrastructure, telcos and REITS) and expensive market darlings. Domestically, this trade has led to Small Cap index underperformance as domestic Large Cap fund managers and international investors have sold down their high-growth, high-PE Mid and Small cap stocks to fund overweight positions in resources and banks.

Consequently, many Mid and larger Small Cap fund managers have materially underperformed the benchmark as they have struggled to counter this sharp transition. Indeed, our relatively small size and bias towards value has served us well compared to our peers. We continue to see numerous opportunities for Fund outperformance, particularly at the smaller, value end of the market as investors increasingly look for a margin of safety rather than trying to play the higher stakes momentum game with the market darlings.

HOW TO APPLY: APPLY ONLINE **HERE** OR DOWNLOAD THE APPLICATION FORM **HERE**