



MHOR
ASSET MANAGEMENT

MHOR AUSTRALIAN SMALL CAP

MONTHLY PERFORMANCE UPDATE

AS OF 30th NOVEMBER 2017

FUND RETURNED +4.04% (AFTER FEES)

NAV: 1.2826

PERFORMANCE TO BENCHMARK

	1 MONTH	3 MONTHS	12 MONTHS	SINCE INCEPTION
FUND	+4.04%	+13.08%	+22.80%	+19.81%
BENCHMARK	+3.91%	+11.60%	+20.50%	+13.37%
VALUE ADD	+0.13%	+1.48%	+2.30%	+6.44%

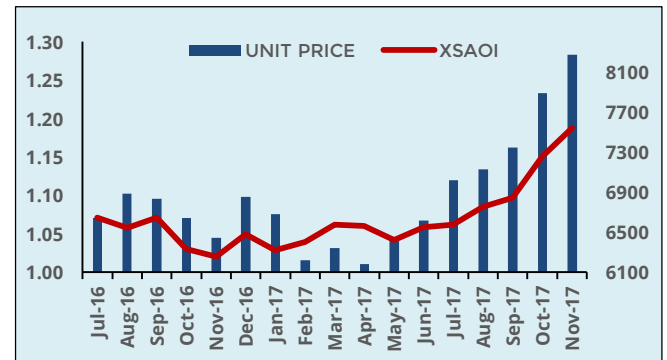
RECENT PERFORMANCE

2017	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
RETURN (%)	-2.03%	-5.62%	1.57%	-2.03%	3.24%	2.28%	4.95%	1.29%	2.43%	6.11%	4.04%

MHOR TOP CONTRIBUTORS - NOV 2017

1	SPEEDCAST INTERNATIONAL	SDA
2	OROCOBRE	ORE
3	SPIRIT TELECOM	ST1

MHOR NAV VERSUS BENCHMARK



COMMENTARY

The MHOR Small Cap Fund returned +4.04% for the month of November 2017, outperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index by 13bps. During the month, Small Industrials gained 2.7% whilst Small Resources rallied 7.9%.

For the rolling 12 months the Fund has generated an **absolute positive return of +22.80%** and the most recent 3 months the fund is up 13.08%.

The largest contributors to positive attribution in November were **SpeedCast International (SDA)**, **Orocobre (ORE)** and **Spirit Telecom (ST1)**. SDA rose in response to higher oil prices (energy represents c.40% of SDA's revenues) and an upbeat presentation delivered by management at a broker conference, citing a **strong pipeline of new revenue opportunities** across the energy, cruise, merchant shipping and government sectors and expanding margins resulting from scale and cost synergies. We still think the shares are cheap (9x 2019 cash EPS) with an improving outlook and balance sheet likely to drive a further re-rating.

The growing market acceptance of EV as the next global megatrend continues to drive up battery minerals stocks, such as **ORE**. Lithium market fundamentals remain robust with firming prices reflecting demand far exceeding supply. We see ORE as particularly well placed considering its world class Olaroz lithium brine asset in Argentina sits low on the cost curve and has significant expansion potential.

ST1 published a positive 1Q18 operating update which highlighted sustained solid organic growth in the core On-Net building business (+10% on 4Q17) and early signs of growth from the recently acquired World Without Wires unit. Recent significant negative press around NBN performance is a positive for ST1 and is attracting more interest in this so far under the radar stock.

The key detractor from November's performance was **TopBeta (TBH)** which slid after the September Quarterly report revealed higher than anticipated costs (including a number of one-off expenses) to support the very strong turnover growth. We believe this is not a run-rate cost increase but specific to spring carnival. The company recently announced the signing of Ladbrokes (one of the largest bookmakers) to their platform, the stock price is yet to re-act, this is a classic example of the small cap market being inefficient with the market not yet working out the enormity of that announcement. After recently meeting management we are further convinced on this position and see very near term positive catalysts for the stock price.

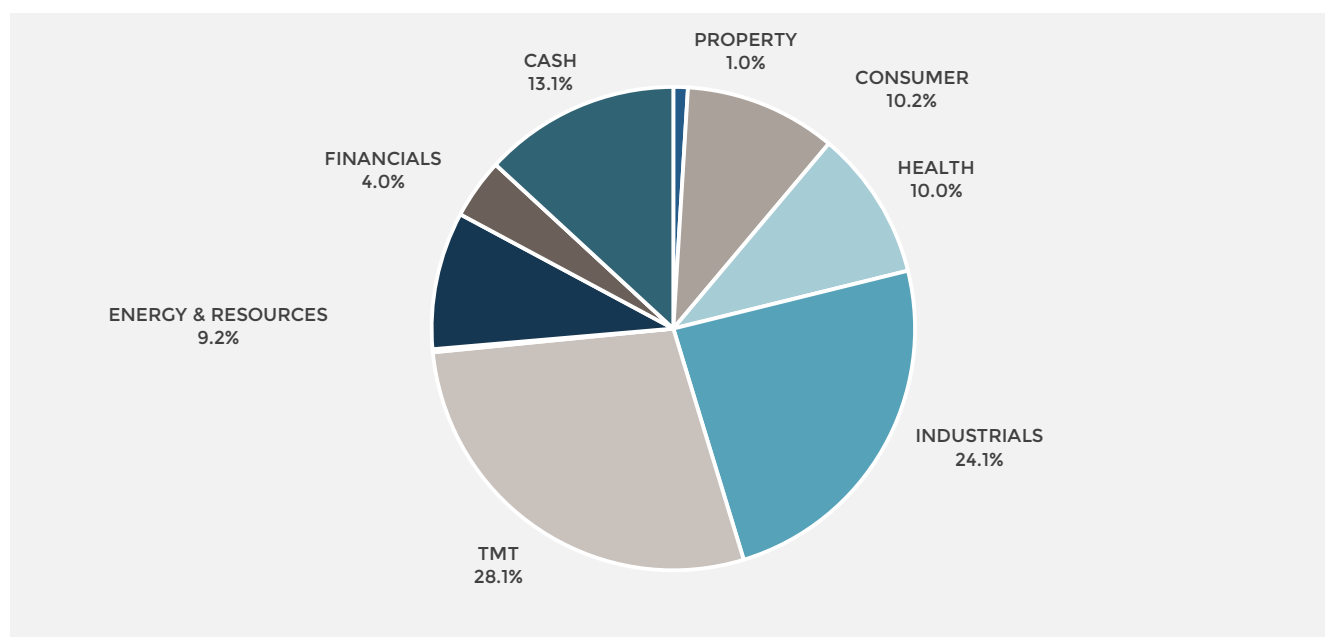
We entered November with 33 stocks and 13.5% cash, exiting the month with 33 stocks and 13.1% cash.

PORTFOLIO EXPOSURE AND METRICS

CHARACTERISTIC	PORTFOLIO	MARKET***
1YR FORWARD PE	13.6X*	18.8X
1YR FORWARD DIV. YIELD	3.4%*	3.4%
2YR EPS GROWTH CAGR**	C. 20%	C. 7.5%

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

PORTFOLIO SECTOR EXPOSURES



Important Information: The information given in this publication is general information only, which means it does not take into account your investment objectives, financial situation or needs. You should therefore consider whether the information is appropriate to your needs before acting on it, seeking advice from a financial adviser. The PDS documents are available on our website www.mhor.com.au and contain important information, including information about the risks of investing in stocks and small caps. You should obtain and consider the PDS before making a decision to invest in the Fund. The PDS is issued by the responsible entity, Equity Trustees Ltd ABN 46 004 031 298, AFSL number 240975.

HOW TO APPLY: APPLY ONLINE [HERE](#) OR DOWNLOAD THE APPLICATION FORM [HERE](#)