



**MHOR**  
ASSET MANAGEMENT

# MHOR AUSTRALIAN SMALL CAP

## MONTHLY PERFORMANCE UPDATE

AS OF 28<sup>TH</sup> FEBRUARY 2018

**FUND RETURNED -1.36% (AFTER FEES)**

**NAV: 1.3287**

PERIOD	FUND	BENCH	RELATIVE
1 MONTH	-1.36%	0.03%	-1.40%
3 MONTHS	3.60%	2.67%	0.92%
6 MONTHS	17.15%	14.58%	2.56%
12 MONTHS	30.85%	20.81%	10.03%
INCEPTION*	24.12%	16.40%	7.71%

\*Inception: 1/8/16

### FEBRUARY 2018 PERFORMANCE

Fund performance for the month of February 2018 was -1.36% (net of all fees) versus the benchmark of +0.03%. Since inception (August 2016) the fund has delivered returns of 24.1%.

### DRIVERS OF FUND PERFORMANCE

Notable positives included SPZ, NWH & IMD and notable detractors were TBH & DUB. The fund exited the month with 32 stocks, and 10% of cash.

### FEBRUARY WINNERS

SPZ's 1H results show it is now starting to deliver. Its core parking management business is on a fast growth, profitable high returning site rollout strategy that's been in train for over a year. SPZ is well funded for its rapid growth (\$15mn net cash), should do \$9mn EBITDA for F18 and \$18mn in F19 on our numbers – all for a sub \$100mn EV!

Our January report foreshadowed our view that the Mining Services sector was a source of stocks with reasonable valuations but likely strong earnings performance and outlook. IMD's 1H18 results exceeded expectations, and upgrades followed. NWH outperformed as the market appreciated its positioning for anticipated mine development work in WA Iron Ore, which in our view is not baked into analyst expectations or NWH's valuation framework.

### FEBRUARY LOSERS

TBH was again the principal detractor in the month, as investors reacted further to its Ladbroke's announcement of late January. This overshadowed the strong operational results from TBH's Global Tote business – Wagering turnover of \$83mn, up 50%+ in 3 months. Investors remain concerned that game changing potential of Global

Tote may not crystallise value quickly enough to ease pressure on TBH's limited cash resources.

### EARLY FEBRUARY MARKET SELL-OFF

The portfolio performed inline with the market during the downdraft. The market sell-off occurred just as we were positioning for results season – we had lifted cash to 20% allowing us to carry the higher beta exposure in Mining Services, a sector where we expected fundamental positive factors to emerge during results.

### RESULTS SEASON – CASH TO WORK

We went into results season with a target list of potential actionable ideas pre-worked up. From this ideas list, and others, we net deployed 10% of the fund's cash through the season, gaining conviction on some stocks and topping up holdings, but also rotating into new ideas and away from stocks where our assessment had changed.

### REPORTING & POSITIONING

It was a polar results period. Small upgrades (usually in expensive stocks) being cheered disproportionately higher, and the reverse with small downgrades in the cheaper stocks. We don't own large momentum centric growth stories in the portfolio – too risky.

Fundamentally, it was the cyclical stocks that caught our eye the most. The Mining Services sector remains foremost in our thinking with much repaired balance sheets, improved operational visibility, reasonable valuation and consensus expectation framework, and in many cases a more limited competitor set than the prior resources peak. This sector remains our largest overweight.

Valuation and expectation wise, Media and Retail looked interesting ahead of results. However reporting season highlighted business quality issues in retail for us, and weak competitive positions and soft consumer means we think these names are cheap for a reason.

Media is interesting. There are quality businesses out there with the extra catalyst of a changed regulatory backdrop that so far hasn't crystallised an M&A event but we think the logic is there. For the first time in a long time we have multiple media investment targets for the fund.

**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](http://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](#)**

+61 2 9191 9500

info@mhor.com.au

www.mhor.com.au

ABN 32 611 709 927

# FACT SHEET

## MHOR ASSET MANAGEMENT

MHOR is an independent boutique investment manager and was established in 2016 by Gary Rollo and James Spenceley, based in Sydney.

MHOR's investment team is a combination of successful entrepreneur with real world business building experience and fund manager with a proven investment process and performance track record. MHOR holds its own AFSL licence and today manages the MHOR Australian Small Cap Fund. MHOR is 100% owned by its employees.

## MHOR AUSTRALIAN SMALL CAP FUND

The fund's investment universe are stocks listed in Australia and New Zealand outside of the S&P ASX 100 stocks. We believe Smaller Companies are the growth and innovation engine of Australia, with many established to specifically commercialise a single product or service, often in industries where change is badly needed. Investing alongside talented founders and managers, unencumbered by the legacy of an industry status quo, can create significant value.

We believe that with the right investment process, team, skills and experience that this value can be un-locked for investors, crystallising the potential in the under-researched asset class. The fund's objective is to outperform its benchmark – the S&P/ASX Small Ordinaries Accumulation Index - over a rolling five year period and aims to deliver strong absolute positive returns. The fund has an independent trustee (Equity Trustees), is priced daily, has a low minimum investment of \$20,000, and is Audited by Deloitte.

## OUR APPROACH

### Real world business experience + proven investment process:

We have built our investment team with the specific objective of being able understand management's challenges and opportunities from an operator's perspective, believing that combining this understanding with a disciplined and proven investment process helps unlock the value creation potential in Small Caps for our investors.

### Philosophy & Process:

Our investment philosophy is theme led, we aim to benefit from direct positive exposure to the tailwinds of change. Investment opportunities are researched on a bottom up basis, we aim to have portfolio risk and return driven by stock specific factors that we can research, not hard to call macro factors.

We seek an advantaged edge, investing where we believe we know more than the market, aiming to find stocks before their potential is fully discovered by others. Our portfolio construction process aggregates and selects from these investment candidates, building a balanced portfolio of under-valued companies with absolute upside.

### Performance driven:

The Investment team believe that fund size is a factor in delivering investment performance. Fund size will be limited to that which does not restrict the ability to perform.

### Alignment:

The employees of the manager have made significant personal investments in the fund, providing strong alignment between the Investment Team and our investors.



**JAMES SPENCELEY**

The company's CEO **James Spenceley** is one of Australia's most successful entrepreneurs, founding and growing his previous business, Vocus Communications into one of the best small cap growth stories in recent years, now a multiple billion dollar business.



**GARY ROLLO**

Chief Investment Officer, **Gary Rollo** has a proven track record as a successful small cap portfolio manager. Gary spent six years as a Portfolio Manager at Renaissance Asset Management, a dedicated Australian small cap investment firm. During those six years the fund outperformed the Small Ordinaries Index by over 13% p.a.

FUND INFORMATION	
APIR CODE	ETL0030AU
ARSN	105 436 753
MINIMUM INVESTMENT	\$20,000
APPLICATIONS & REDEMPTIONS	Daily
BENCHMARK	S&P ASX Small Ordinaries Index (Acc)
PORTFOLIO MANAGERS	Gary Rollo and James Spenceley
STOCK HOLDINGS	25-75
INDIVIDUAL STOCK LIMIT	10%
AUTHORISED STOCKS	Stocks listed on the ASX or NZX and unlisted companies expected to list within 12 months
UNLISTED STOCK LIMIT	20%
CASH LIMIT	0-50%
INVESTMENT STYLE	Long only
INVESTMENT TEAM	MHOR Asset Management
RESPONSIBLE ENTITY	Equity Trustees Limited
RECOMMENDED INVESTMENT PERIOD	Medium to long term
INCEPTION DATE	1 August 2016