



**MHOR**  
ASSET MANAGEMENT

# MHOR AUSTRALIAN SMALL CAP

## MONTHLY PERFORMANCE UPDATE

AS OF 30<sup>TH</sup> JUNE 2018

**FUND RETURNED 0.42% (AFTER FEES)**

**NAV: 1.3239**

PERIOD	FUND	BENCH	RELATIVE
1 MONTH	0.42%	1.06%	-0.63%
3 MONTHS	2.02%	7.67%	-5.66%
6 MONTHS	-2.01%	4.67%	-6.68%
12 MONTHS	24.09%	24.25%	-0.16%
INCEPTION*	23.67%	22.47%	1.20%

\*Inception: 1/8/16

### JUNE 2018 PERFORMANCE

Fund performance for the month of June 2018 was 0.42% (net of all fees) versus the benchmark of 1.06%. Since inception (August 2016) the fund has delivered returns of 23.7%.

### DRIVERS OF FUND PERFORMANCE

Notable positives included NWH, AQZ & WEB and notable detractors were SPZ & IGE. The fund exited the month with 44 stocks, and 17% of cash.

### JUNE WINNERS

NWH (+25% in the month), a mining service provider, released a string of positive contract announcements in June. We'd topped up on NWH shares on price weakness driven by problems with progress at its Perth metro project. With a protracted period of strong commodity price levels we continue to see a good contract environment ahead for NWH specifically, and mining services more generally, as the miners replenish depleted resources. AQZ (+12%), rose on no new news. We anticipate AQZ will have a good F18 result (due August) and point to a strong F19 outlook, as we see good fundamental conditions for mining exposed contractors - good volume growth (flying hrs) and positive price conditions. AQZ should deliver very strong cashflows, on top of a now strong balance sheet and well invested asset base, we anticipate a rising distribution profile driven by excess capital. WEB (+9%) benefitted from a continued re-rate of high growth stocks in the market. We continue to view WEB as cheap for its growth profile.

### JUNE LOSERS

SPZ (-22%) continued to underperform following its initial announcement in May about problems in its UK business,

following up with more weak UK news in June. Although we reduced our exposure to SPZ, (both before and) after the initial UK announcement, the shares' continued weak performance dragged into June. IGE (-16%), no new news, but had been up 43% in May. IGE's an early stage developer of waste plastics to road ready fuel, with its first plant under construction, due for completion in November, we look forward to an update on project progress in its 4c and quarterly announcement due before the end of July.

### ACTIVITY & POSITIONING

We added 4 new stocks to the portfolio in June including PVS, SMR & NVT (more on NVT later), and sold out of GEM (sector fundamentals driving earnings risk trumps value for now) & IMD (limited scope for earnings momentum to continue). We continued to add to holdings of BAP & BIN where we see good value for the growth on offer.

### NVT-CHANGES & CHEAP GROWTH

It's been a long time since we looked favourably upon NVT; management's ideology of running the business on a land grab growth basis, low transparency on the profit density embedded in the contract exposure and a valuation framework that demanded success kept us away from the structural growth story of rising demand for a Western Education experience for emerging market students.

Today, however things appear to us to be changing; contract losses have brought light to contract profit exposure, management has changed and the focus has moved to optimising investments for profitable growth. A lower valuation demands growth, but within the scope of industry tailwinds - strong volume growth of students and rising costs of education driving price point should support high single/early double digit top line growth ambitions and a focus on capacity utilisation should lift margins.

Cheap growth is hard to find, with plenty of examples of expensive growth in the market (which has performed well of late) we think the market's attention will shift to more reasonably priced growth, that's where we are positioning the portfolio.

**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](#)**

# 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