



MHOR
ASSET MANAGEMENT

MHOR AUSTRALIAN SMALL CAP

MONTHLY PERFORMANCE UPDATE

AS OF 31ST MARCH 2018

FUND RETURNED -2.33% (AFTER FEES)

NAV: 1.2977

PERIOD	FUND	BENCH	RELATIVE
1 MONTH	-2.33%	-2.29%	-0.04%
3 MONTHS	-3.94%	-2.79%	-1.16%
6 MONTHS	11.70%	10.52%	1.18%
12 MONTHS	25.84%	14.99%	10.84%
INCEPTION*	21.23%	13.74%	7.49%

*Inception: 1/8/16

MARCH 2018 PERFORMANCE

Fund performance for the month of March 2018 was -2.33% (net of all fees) versus the benchmark of -2.29%. Since inception (August 2016) the fund has delivered returns of 21.2%.

DRIVERS OF FUND PERFORMANCE

Notable positives included SPZ & BIN and notable detractors were TBH & NWH. The fund exited the month with 35 stocks, and 7.5% of cash.

MARCH WINNERS

SPZ +49% in the month, continued its strong run. We highlighted SPZ's 1H results release in February as evidence that our thesis was coming through. We'd been buying ahead of the results and increased our exposure again immediately post results at attractive prices. We continue to see good self-funded growth where we expect NPAT to triple on a 3 year view, significant scope for consensus upgrades and all at a cheap valuation 14.5x F19 PE on our model. Happy holders.

BIN, a growing waste recycler, performed well in March as the market digested its strong results in February. BIN is rapidly expanding its recycling plant capacity in Sydney and Melbourne benefitting from a trend of rising waste volumes and the problem of what to do with it all. BIN recycles 75% of the waste it collects, benefitting from not incurring rising landfill costs for the materials it recycles.

MARCH LOSERS

NWH was a notable detractor in the month, driven by specific issues at its high-profile Perth Airport train link project. The issues appear to us to be temporary, yet impacted sentiment and the shares in the month. We added to our NWH position on these fears.

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

TAXI FOR MO?

The market was down 2.3% for the month, with the larger high PE multiple growth stocks notable underperformers – WTC, CGC, APT, CTD, BWX & WGN as examples. These stocks tend to trade on earnings momentum with lesser regard for valuation as investors faced with limited growth options crowd into a small focused group of names. These stocks consequently perform well when sentiment is strong (going up) but when sentiment changes, these stocks can “gap” down as they seek valuation levels more supported by fundamentals. It's too early to tell if the market “Mo” has gone, but it's worth noting the new volatility in this segment of the market. Our view of valuation and risk means that our process isn't identifying these “Mo” stocks as candidates for investment right now.

ACTIVITY & POSITIONING

We added 3 new stocks to the portfolio in March including NBL and SEA. Although we are cautious on retail in general, NBL offers a good management execution story at a low valuation, with likely profit upgrades from organic activity and the potential for M&A optionality from a pristine balance sheet.

SEA is a US shale oil play, it went through an effective re-capitalisation event in March. We participated in the equity raise. SEA is a stock we have had on our radar for some time and we have been waiting to understand how management would look to re-set the company to create value in the renaissance going on in US Shale. We like SEA's low valuation and leverage to the Oil price.

We sold the last of our NXT in the month, on valuation, crystallising great returns for unit-holders. We also profitably sold two smaller micro-cap names including XF1 where we have concerns that recent growth rates were not sufficient to justify the risk of investment, choosing to exit early rather than run the risk that sufficient growth doesn't come through.

The mining services sector has taken a breather in the quarter, tracking the relative underperformance of the XSR (Small Resources index) in the period. Fundamentally the market for mining services companies continues to strengthen, with good balance sheets and low valuations we maintain our overweight and added to some positions here.

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

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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