



MHOR
ASSET MANAGEMENT

MHOR AUSTRALIAN SMALL CAP

MONTHLY PERFORMANCE UPDATE

AS OF 30TH NOVEMBER 2018

FUND RETURNED -4.17% (AFTER FEES)

NAV: 1.2251

PERIOD	FUND	BENCH	RELATIVE
1 MONTH	-4.17%	-0.37%	-3.80%
3 MONTHS	-11.62%	-10.25%	-1.37%
6 MONTHS	-7.07%	-7.98%	0.90%
12 MONTHS	-4.48%	-1.63%	-2.85%
INCEPTION*	14.44%	11.52%	2.92%

*Inception: 1/8/16

NOVEMBER 2018 PERFORMANCE

Fund performance for the month of November 2018 was -4.17% (net of all fees) versus the benchmark of -0.37%. Since inception (August 2016) the fund has delivered returns of 14.4%.

DRIVERS OF FUND PERFORMANCE

Macro drivers were centre stage, making November another volatile month for markets. Stock wise positives included CTD, GEM & TME and detractors were ASL, MMS & SEA. In the month we sold 8 stocks & added 2 new ones. The fund exited the month with 15% cash & 38 investments.

NOVEMBERS WINNERS

CTD (+15% for month), recovered somewhat post the VGI short research disclosure in October. Of the VGI claims, the key ones for us were around M&A accounting masking allegedly weaker cashflows. Our own work, and CTD's rebuttal aided by independent Auditors, left us comfortable to buy a modest position and take advantage of a low price for a consistent high earnings growth company.

GEM (+36%). We've been trying to figure out when the new supportive childcare industry funding structure would start to overwhelm the impact of strong centre supply growth and lead to investors gaining confidence that we are not too far from the bottom for all important utilisation rates. Both TNK and GEM AGM statements in the month suggest that industry utilisation trends may now no longer be deteriorating, which was enough to lift the shares. GEM has a good valuation case, a strong growth opportunity, which does require capital, but funding requirements appear to be within its' means. Cheap GARP. TME (+27%), one of our GARPs, received a bid from a respected UK based Private Equity fund (APAX). The board have engaged, allowing a period of DD. There are news reports of other potential suitors. TME is a quality business, with considerable

growth potential embedded in its under developed classifieds business. We continue to hold, as we don't see the potential for any nasties in the DD process, the shares trade below the bid price and the potential for a higher bid.

NOVEMBER LOSERS

ASL (-15%), the stock hasn't performed well since its capital raise to fund the Barmingo acquisition despite its obvious valuation appeal (sub 4x proforma EBITDA). There was some negative contract news in the month, with ASL losing a contract at a high cost (low margin) mine that impacted the shares.

MMS (-14%) sold off on the announcement of the proposed merger with competitor ECX. To us it looks a good deal, the assets of each complement the other and there is a whopping realisable \$50mn credible synergy pack that renders the deal 20%+ EPS accretive on our maths. Shares were down 14% for the month, it's that type of market at the moment.

SEA (-39%) was impacted by the move in oil (WTI -22%). Expectations of Oil market tightness (Iranian oil embargo) gave way to excess (Saudi pumping) leaving the Oil market incorrectly positioned. SEA is a leveraged play, its production growth profile depends on funding to drill out its' acreage. That funding is protected by a hedging program that should, provided the drilling yields as expected, get SEA to become a 20k+ boepd producer, FCF positive, in 2019. SEA's recent drilling results showed good data (50-150% better type curves) on the initial production results from its acreage in the month – which we expect the market will circle back to if/when the oil price panic comes to an end.

POSITIONING

The macro is driving markets; stock specific fundamentals are taking a back seat. This presents opportunities when the dust settles, particularly in those GARP names we like.

Fundamentals update: We continue to be cautious Australian consumer specifically retail, although we could see a better November than expected as it looked like more retailers participated in Black Friday promos than in the past. We see that as a spend pull forward & a sign the retailers recognise the potential for consumer weakness ahead. Our cyclical exposures – resource, energy & mining services (less so) have underperformed in the past 2 months, here we have lowered our exposure by selling out of some names, and focusing on others. Our preferences remains GARP for our growth exposure & overseas earners.

Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the MHOR Australian Small Cap Fund. Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). This information has been prepared to provide you with general information only. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Neither MHOR, Equity Trustees nor any of its related parties, their employees or directors, provide and warranty of accuracy or reliability in relation to such information or accepts any liability to any person who relies on it. Past performance should not be taken as an indicator of future performance. You should obtain a copy of the Product Disclosure Statement (PDS) before making a decision about whether to invest in this product. PDS documents are available at www.mhor.com.au and contain important information, including information about the risks of investing in stocks and small caps.

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