



MHOR
ASSET MANAGEMENT

MHOR AUSTRALIAN SMALL CAP

MONTHLY PERFORMANCE UPDATE

AS OF 31ST JANUARY 2019

FUND RETURNED 5.85% (AFTER FEES)

NAV: 1.2201

PERIOD	FUND	BENCH	RELATIVE
1 MONTH	5.85%	5.56%	0.29%
3 MONTHS	-4.56%	0.78%	-5.34%
6 MONTHS	-8.96%	-6.95%	-2.01%
12 MONTHS	-9.42%	-3.06%	-6.37%
INCEPTION*	13.97%	12.81%	1.17%

*Inception: 1/8/16

JANUARY 2019 PERFORMANCE

Fund performance for the month of January 2019 was +5.85% (net of all fees) versus the benchmark of +5.56%. Since inception (August 2016) the fund has delivered returns of 14.0%.

DRIVERS OF FUND PERFORMANCE

January saw equity markets bounce back from the significant losses seen in the final quarter of 2018 as the US Fed's move away from a rate tightening stance eased global macro/liquidity fears. The Fund recovered with the market, with most stocks up for the month. Stock wise positives included MGX (again), SEA & new issue SPT, detractors had a modest impact on the Fund this month but included AQZ & MLX. In the month we added 1 new name. The Fund exited the month with 17% cash & 39 investments.

JANUARY WINNERS

MGX (+21% for month), has featured in the monthly in the recent past so we won't go through the thesis again here. MGX has benefitted from positive external factors (firming Iron Ore price & weaker AUD), but is in a fundamentally strong position with the re-start of its high-grade Iron Ore mine on Koolan Island on top of a fantastic balance sheet position of A\$431mn net cash.

SEA (+33%), bounced on stabilising oil prices. Fundamental news from the company in the month included further excellent well performance data (strong flow rates well above type curve & much "oilier" than expected). Management notes its ability to adjust capital spending to live within its operational cashflow envelope in a weaker oil price environment, also noting its asset suite generates returns across the cycle at USD\$30 oil. We view SEA's strong hedging position and the capex flexibility as offering resilience to a weak oil price environment.

SPT (+275% on IPO), one of our pre-IPO investments listed at the end of January. SPT is a "buy now pay later" player seeking to follow in the footsteps of APT. SPT's offer is based on utilising the spare credit card capacity of existing credit worthy consumers, targeting merchants of higher ticket items than APT. AfterPay for grown-ups. It's early days, but we are encouraged by the growth we have observed so far.

JANUARY LOSERS

AQZ (-3%), share price moderated on no new news in January. However as we write we note that QAN has announced it has taken a 19.9% stake in AQZ, looking to take a "majority" position post ACCC clearance at some undisclosed later date. AQZ has performed well for the Fund, driven by the commodity cycle returning, great management with some outstanding forward thinking on asset purchases in the teeth of the cycle downturn. Its business is humming and we expect the upcoming results to reflect this.

MLX (-16%), delivered a weak quarterly during the month largely reflecting previous management's operating plan. New management are making changes to production plans, and in our view there is considerable scope to lift production and lower costs, but it will take some time. In the meantime we see MLX as undervalued.

POSITIONING

The final quarter of 2018 set the scene for the 2019 Macro picture – a synchronised global slowdown, but with the US Fed moving from a tightening bias to a more balanced stance eases global liquidity fears halting the recent sharp decline in asset prices. We appear stuck in a low bond yield & low growth world. Australia lives in that world too.

Positioning: We don't like the look of domestic consumer exposed stocks, with the "credit crunch", Federal election & inflation for basic goods (weak AUD related) ahead look like further sapping demand. The brightest spots for us are mining services, selected technology stocks (on scarce growth), overseas earners and our favoured GARP names. Earnings season is upon us and we are looking to buy bombed out earnings disappointers of which there will be a few.

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