MHOR AUSTRALIAN SMALL CAP

MONTHLY PERFORMANCE UPDATE

AS OF 31st JULY 2017

FUND RETURNED +4.95% (AFTER FEES)

NAV: 1.1197

PERFORMANCE TO BENCHMARK

	1 MONTH	3 MONTHS	12 MONTHS	SINCE INCEPTION
FUND	+4.95%	+10.82%	+4.60%	+4.60%
BENCHMARK	+0.34%	+0.24%	-1.09%	-1.09%
VALUE ADD	+4.61%	+10.58%	+5.69%	+5.69%

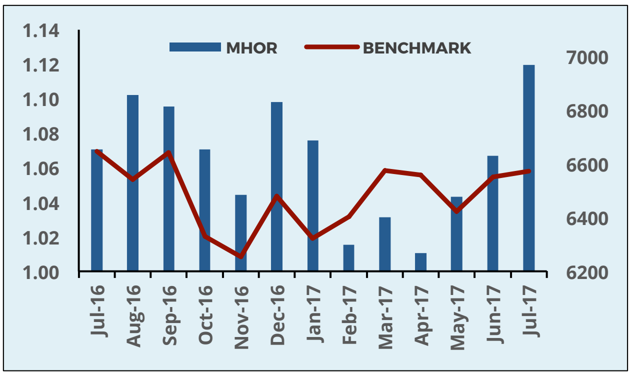
RECENT PERFORMANCE

2017	MAY	JUNE	JULY
RETURN (%)	+3.23%	+2.28%	+4.95%

MHOR TOP CONTRIBUTORS – JULY 2017

1	TOPBETTA HOLDINGS	TBH
2	ROYAL WOLF HOLDINGS	RWH
3	ZENITAS HEALTHCARE	ZNT

MHOR NAV VERSUS BENCHMARK



WELCOME AND HAPPY 1 YR ANNIVERSARY

July 2017 marks a milestone month for MHOR, it is our one-year anniversary. We are delighted to report that during our first year of operation, The Fund outperformed the benchmark index by +5.69%, delivering a +4.60% absolute positive return against a challenging market for Small Cap equities where the market declined -1.09%.

The month of July has seen recent strong positive momentum continue with the Fund gaining an absolute +4.95% vs the benchmark which was up +0.34%. **Over the last 3 months the Fund has gained +10.82% against the benchmark which has been broadly flat at +0.24%.**

Small Cap equities performed better than Large Caps for the third consecutive month in July, further reinforcing our view that the market correction in small caps earlier in the year was overdone. In our view the Smaller end of the market continues to offer superior earnings growth at more attractive valuations and we are excited about the fund's holdings and after a year we are starting to see the positive catalyst in many of the names we have invested in.

Whilst we are relatively pleased with our first-year returns considering the tough market conditions which we were presented with, we are certainly not complacent and continue to strive to perform better. **We are excited about the year ahead and believe The Fund is particularly well positioned** with a diverse portfolio of stocks strategically leveraged to multiple structural growth themes and trends, as well as a number of overlooked classic value plays.

We entered July with 31 stocks and 8.5% cash, exiting the month with 31 stocks and 9.2% cash.

JAMES SPENCELEY

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ABOUT THE MONTH

Over the course of July, the benchmark Small Ordinaries index increased +0.34%. Firmer commodity prices drove Small Resources (XSR) +2.88% higher during the month (XSR was broadly flat in June) while Small Industrials (XSI) eased -0.33%. For the third consecutive month, Small Caps eclipsed Large Caps with domestic Large Caps continuing to underperform global markets.

Profit warnings issued by Aussie Small Caps during July were broadly consistent with June volumes, materially lower than May levels (broker conferences held in May have become a popular forum for providing trading updates). Notable July warnings came from: Bulletproof, Wellard, Village Roadshow, SDI Ltd, Myers, Fletcher Building, Mitula, Decmil and Oliver's Retail Food (just 5 weeks after listing!). Pleasingly, we completely avoided each of these disappointers.

ABOUT THE PORTFOLIO

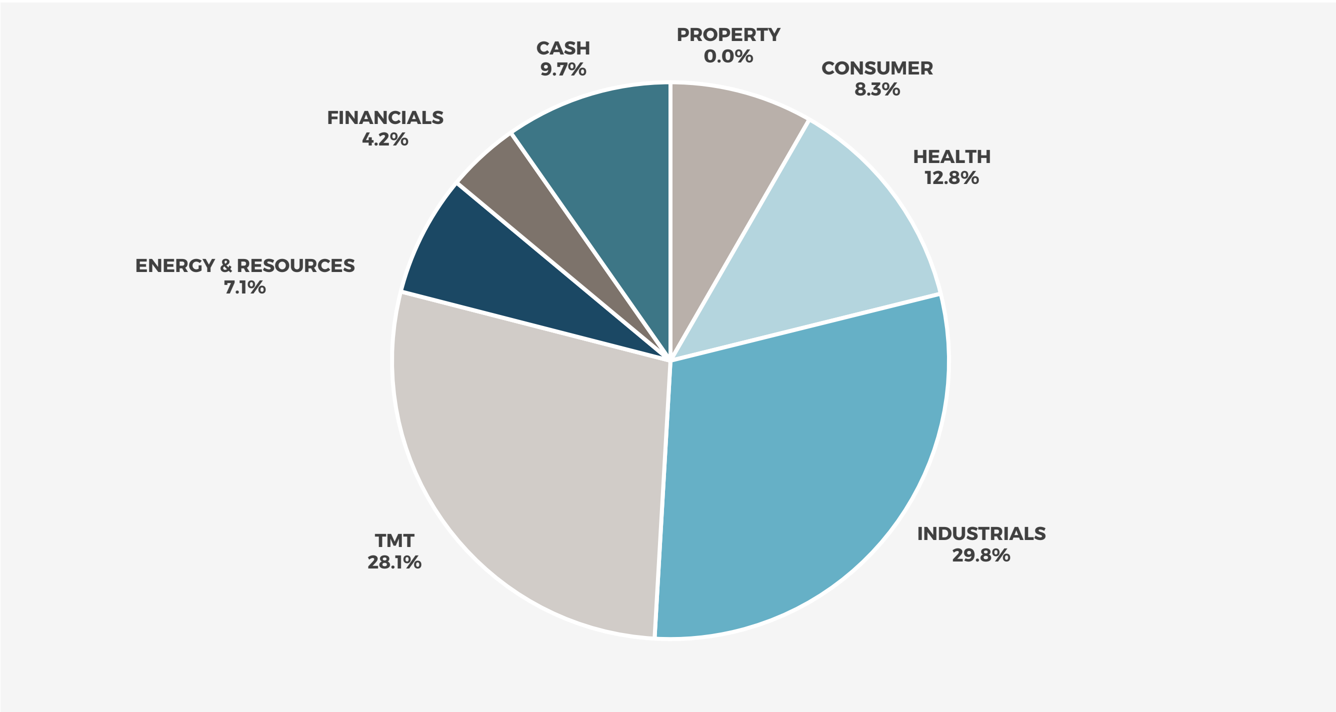
Three of the Fund's largest positive contributions came from TopBetta Holdings (TBH), Royal Wolf Holdings (RWH) and Zenitas Healthcare (ZNT). The major detractor for the month was SpeedCast International (SDA). More on each of these in the 'What happened in the Portfolio' section. The portfolio continues to exhibit a growth bias and has considerable exposure to smaller "undiscovered" stocks, which we believe are the future popular growth stories. We continue to search and find interesting new and emerging Small Cap equity stories, picking those that have the scope to be discovered by larger Small Cap funds.

PORTFOLIO EXPOSURE AND METRICS

CHARACTERISTIC	PORTFOLIO	MARKET***
1YR FORWARD PE	14.3X*	15.3X
1YR FORWARD DIV. YIELD	2.2%	3.2%
2YR EPS GROWTH CAGR**	C. 20%	4.9%

*Ex Select early stage companies, ** MHOR and FactSet Consensus data, *** FactSet Consensus for Small Ordinaries Forward P/E

PORTFOLIO SECTOR EXPOSURES



WHAT HAPPENED IN THE PORTFOLIO

TopBetta Holdings (TBH) +69%. TopBetta was a major positive contributor for July. Our investment thesis in this stock continues to play out with the equity story further de-risking on the release of the June quarterly and as a result the market is beginning to discover this stock. The June quarterly update showed a step change in revenue and the company announced it has secured their license to operate in the UK. We believe the UK provides enormous upside that is yet to be factored into the share price. The June Quarterly Report showed **quarterly wagering and tournament turnover growth of 220% sequentially on the March quarter to $42.5m** (with only 6 weeks of the The Global Tote included in those numbers). This news followed June's significant announcement that TopBetta had secured a guaranteed liquidity commitment of $200m into The Global Tote from racing form analyst and professional punter, Sean Bartholomew.

We expect to see The Global Tote increase coverage to include all domestic meetings and races (in time for the Spring Racing Carnival) plus the company to gain a US license, onboard domestic and international operators, expand product offerings, transition to a full 24/7 racing suite, launch B2C (Business-to-Consumer) in both the UK and the US. On the back of these initiatives, **Management estimates that quarterly turnover will more than triple, growing from $45m in the June 2017 quarter to $150m in the June 2018 quarter** (implying FY18 turnover of $380m, **ending the period with a $600m annual run-rate**). We believe the company is close to cash flow breakeven and notwithstanding the strong recent share price performance, we believe that the sub $70m market cap is yet is to reflect the true value of this company and continues to be one of the best opportunities in the small cap market.

Royal Wolf Holdings (RWH) +41%. During July portable container provider, **Royal Wolf, was subject to a $1.83 all cash takeover offer** for the company made by 51% shareholder, General Finance Corporation (GFN). **This represents a healthy 41% premium to the pre-bid share price** and implies a FY17 PE multiple of 20x. We originally invested in Royal Wolf based on compelling valuation on offer (10x PE), earnings turnaround potential driven by a bottoming out in the resources cycle, growth from construction and infrastructure activity, as well as implementing good cost control. RWH was one of the first stocks in the portfolio, Investing in turnarounds typically requires some patience, we have been rewarded for our patience on this stock which for 12 months didn't contribute materially to the fund's performance. **Royal Wolf serves as a reminder that good quality industrial stocks trading at a material discount to the market remain at risk of corporate activity**, especially give how cheap debt capital is.

Zenitas Healthcare (ZNT) +26%. Share price strength in ZNT reflected two material acquisitions announced to the market during the month which, in our view, demonstrate Management's ability to execute upon the stated sector consolidation strategy. The first transaction was the leading home care and support services provider Nextt Care. This deal meaningfully diversifies the Group's revenue base by both client and geography, provides a strong home care platform to leverage and cross-sell services, and is highly earnings accretive. The second acquisition was 100% of Dimple Group, Australia's largest aged care podiatry provider, for $13.4m consideration. We view Dimple as a strong strategic fit, delivering Zenitas a number one market position in aged care podiatry services (c.24% market share), a sector with favorable dynamics, and opportunity to rollout podiatry services into the broader home care and allied health segments. Also acquired at 5.9x FY17 EBITDA, **Dimple is anticipated to be c.22% accretive to pro forma FY17 EPS.** The ZNT balance sheet remains in solid shape post transaction. We continue to like Zenitas as a capital-light play on the ageing population thematic and back Management to drive further consolidation within the highly fragmented home care space. Furthermore, valuation remains undemanding with the stock trading on just **6x year-forward EBITDA with excellent growth profile**.

SpeedCast International (SDA) -10%. The major detractor to July's performance was satellite communications provider, SpeedCast International. Stock was sold off after announcing the acquisition of UltiSat for USD $100m. **Deal metrics appear attractive with the acquisition priced at 7x 2017 EBITDA before synergies, reducing to c.5.5x after synergies** and tax benefits. In our view, the share price weakness likely reflects investor concerns about the timing of the acquisition, coming just six months after completing the transformational USD $425m Harris CapRock deal, and the shape of the balance sheet post transaction. In a perfect world, SpeedCast would have published a full set of accounts highlighting the underlying organic growth within the business and the successful integration of Harris CapRock before embarking upon another large transaction. However, the world is not perfect and often deal timing cannot be controlled. We take comfort in SpeedCast's update to the market, noting that the **Harris CapRock integration is tracking ahead of plan**, **c.85% complete at the end of July**, with **synergies benefits in excess of prior forecasts**. The balance sheet has indeed been put to work to fund the UltiSat acquisition, however SpeedCast anticipates pro forma leverage to be at or below 3.0x by the end of December 2017, forecast to fall to a manageable 2.3x a year later (as per consensus estimates). **Valuation remains compelling from our perspective; SpeedCast is trading on a sub 11x 2018 PE multiple with a 3.8% yield, too cheap for a business of this quality generating strong double-digit earnings growth** over the medium-term. Few Small Cap industrials present such upside potential, in our view. We expect the share to re-rate as the market progressively gains confidence in the earnings growth and the debt metrics reduce to a more palatable level for many funds.

OUTLOOK

Global equities should remain relatively well supported by the solid macro backdrop across all major regions, delivering further positive earnings momentum to justify prevailing valuations. A normalizing global economy will permit central banks to progressively unwind their ultra-accommodative monetary policies; however stubbornly low wage inflation throughout the developed world will most likely result in a more gradual tightening cycle, representing a more favourable outcome for equities. Additionally, global geopolitical risks have arguably reduced, particularly in Europe where the prospects for the EU holding together have markedly improved on the back of recent election results. Chinese economic data has also been encouraging, suggesting that an orderly economic slowdown is now more probable than a hard landing. Although the outlook for the Australian consumer remains highly uncertain (Amazon, household indebtedness, property prices, rising rates etc), recent data points (retail sales, auto sales, capital city home prices, auction clearance rates) have broadly beaten market expectations. We remain favourably disposed towards domestic Small Caps which we believe offer investors superior earnings growth at more attractive valuations, and with less reliance on global macro forces.

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