



MHOR
ASSET MANAGEMENT

MHOR AUSTRALIAN SMALL CAP

MONTHLY PERFORMANCE UPDATE

AS OF 31st OCTOBER 2017

FUND RETURNED +6.11% (AFTER FEES)

NAV: 1.2328

PERFORMANCE TO BENCHMARK

| | 1 MONTH | 3 MONTHS | 6 MONTHS | SINCE INCEPTION |
|------------------|---------|----------|----------|-----------------|
| FUND | +6.11% | +10.10% | +22.01% | +15.16% |
| BENCHMARK | +6.02% | +10.32% | +10.58% | +9.11% |
| VALUE ADD | +0.09% | -0.21% | +11.43% | +6.05% |

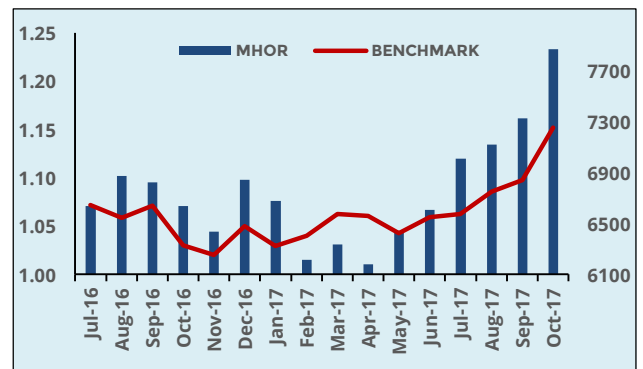
RECENT PERFORMANCE

| 2017 | AUGUST | SEPTEMBER | OCTOBER |
|-------------------|--------|-----------|---------|
| RETURN (%) | +1.30% | +2.43% | +6.11% |

MHOR TOP CONTRIBUTORS - OCTOBER 2017

| | | |
|---|----------------------------|-----|
| 1 | ALLIANCE AVIATION SERVICES | AQZ |
| 2 | IPH LTD | IPH |
| 3 | G8 EDUCATION | GEM |

MHOR NAV VERSUS BENCHMARK



COMMENTARY

The MHOR Small Cap Fund returned +6.11% for the month of October 2017, outperforming the benchmark S&P/ASX Small Ordinaries Accumulation Index by 9bps. During the month, the Small Industrials index rose 5.82% whilst the Small Resources index rose 6.36%. Since inception (August 2016), the Fund has generated an absolute positive return of +15.16%, which is +6.05% ahead of the benchmark (Vs Small Ords +9.11% over the same period).

The largest contributors to positive attribution in October were Alliance Aviation Services (AQZ), IPH Ltd (IPH) and G8 Education (GEM). AQZ continues to benefit from the early stages of the cyclical recovery in resources, driving FIFO aircraft utilization higher and generating strong cashflows to de-lever the balance sheet and fund dividends. Despite the strong stock performance, we still view valuation as attractive (sub 10x PE) and see upside risk to consensus estimates. IPH rallied on the announced acquisition of New Zealand's leading patent group, AJ Park (NZ\$66m, 7.5x EV/EBITDA), resulting in broker upgrades and prompting investors to re-visit the equity story. We believe IPH is a quality business with highly recurring revenues leveraged to global innovation, low capital intensity and upside potential from further acquisitions. GEM continues to outperform as investors increasingly appreciate the earnings quality and growth which remains mispriced, in our view. The key detractor from October's relative performance was Xenith IP Group (XIP) which provided a disappointing trading update citing lower than anticipated earnings from the newly acquired Griffith Hack business. We think these integration issues will likely be transitory rather than systemic while valuation remains supportive at these levels (sub 10x PE, 7% yield).

We entered October with 36 stocks and 6.7% cash, exiting the month with 33 stocks and 13.5% cash.

OUTLOOK

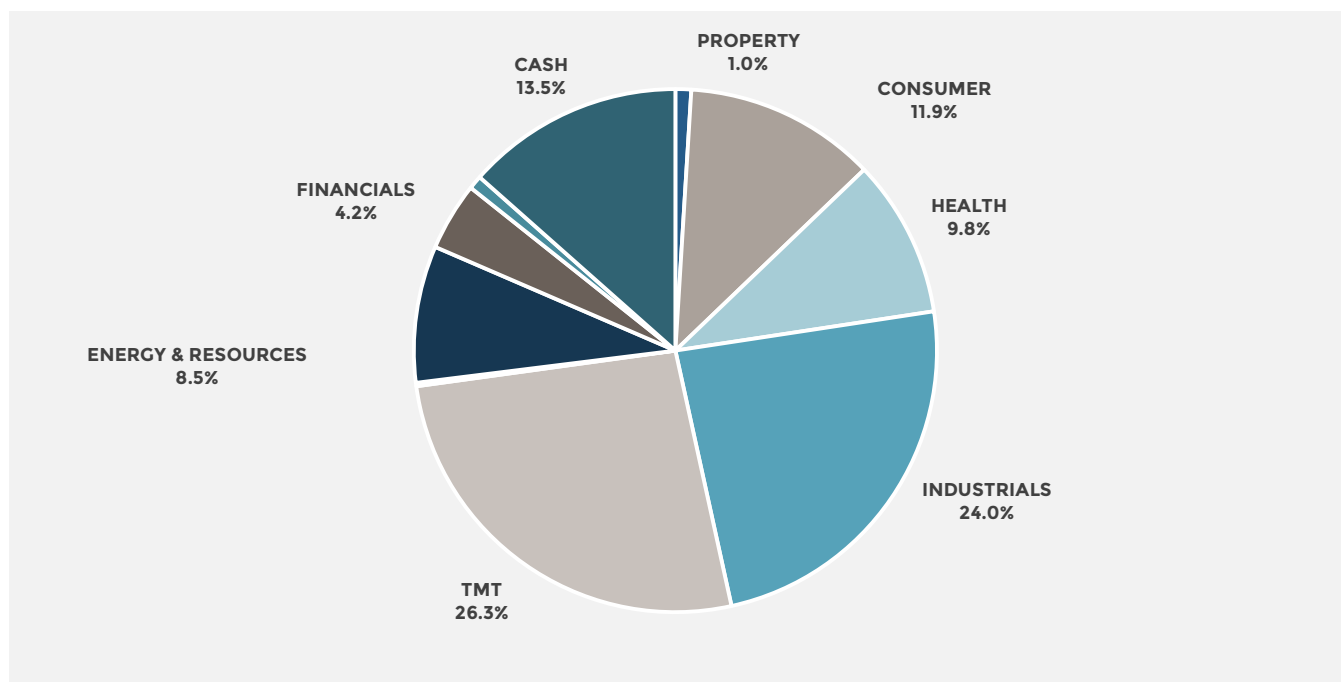
Synchronized global economic growth continues to underpin a constructive outlook for equity markets, in our view. Monetary policy is expected to normalize; however we only anticipate a gradual tightening cycle considering stubbornly low wage inflation and relatively high household debt levels. Domestically, we remain cautious on retail and property, preferring to play resources, mining services and technology whilst remaining disciplined on valuation. Our relatively high cash levels provides us with ample flexibility to capitalize on investment opportunities over the coming months.

PORTFOLIO EXPOSURE AND METRICS

| CHARACTERISTIC | PORTFOLIO | MARKET*** |
|------------------------|-----------|-----------|
| 1YR FORWARD PE | 13.6X* | 18.4X |
| 1YR FORWARD DIV. YIELD | 3.4%* | 3.5% |
| 2YR EPS GROWTH CAGR** | C. 20% | C. 7.5% |

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

PORTFOLIO SECTOR EXPOSURES



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.

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