

Flinders Emerging Companies Fund

Monthly Update: February 2017



Performance (after all fees and expenses)	1 Month (%)	3 Months (%)	1 Year (%)	Since Inception [^] (% pa)
Flinders Emerging Companies Fund	-4.2	-3.6	15.6	13.2
S&P/ASX Small Ords Accumulation Index	1.3	2.4	17.8	16.7
Net Value Added	-5.5	-6.0	-1.2	-3.6

[^] Inception date is 30 September 2015. Past performance is no indicator of future performance. Information relates to the Flinders Emerging Companies Trust Class B.

Investment Objective

Exceed S&P/ASX Small Ordinaries Accumulation Index by 5%pa (pre-fees) over rolling 3 year periods

Investment Time Frame

5 years

Portfolio Managers

Andrew Mouchacca and Richard Macdougall

Risk Profile

High

Distribution Frequency

Half Yearly

Minimum Investment

\$25,000

Inception Date

30 September 2015

APIR Code

ETL0449AU

M-Funds Availability

Code FEC01

Responsible Entity

Equity Trustees Ltd

Research Ratings

Lonsec: Recommended
IRR: Recommended
Zenith: Approved

Platform Availability

CFS, MLC, Netwealth, Powerwrap, HUB24, Macquarie Wrap

Further Information

www.flindersinvest.com.au or +61 3 9909 2690

- **Equity markets strengthen globally**
- **Volatility a feature of reporting season**
- **Has the rotation to value played itself out?**

Market

The Small Ords Index rallied 1.3% in February led by industrials which finished up 1.7%. Despite strong precious and base metal prices, resource stocks fell -0.2%. Broadly, our market underperformed global markets. The global appetite for risk assets continues - something that will be very supportive of small caps with good growth prospects.

Portfolio

The Fund return this month was -4.2%, 5.5% below the Benchmark. The weak performance was largely due to holdings in companies that missed our expectation during the February reporting season. The investment thesis for most of these companies remains intact and we continue to see good growth prospects, and so, we have used share price weakness to add to our holdings.

Key Contributors: iSelect, Mayne Pharma Group and Melbourne IT all reported strong results, highlighting financial trends and commentary that suggest a robust growth profile into the future. **Aconex** bounced back from a savage sell off in January following a downgrade to guidance; the detail in the result continues to suggest to us that a large market opportunity exists for the company.

Key Detractors: Eureka Group reported a result which fell short due to unanticipated costs, particularly related to due diligence of village acquisitions which didn't transpire. **Orocobre** surprised with a downgrade in near-term production guidance. We see the operational issues as transitory in nature and look forward to the company doubling its lithium production capacity over time. **Sundance Energy** reported a quarterly on 31 January highlighting mechanical issues which impacted quarterly production. The stock was subsequently weak in February, yet we expect production to increase more than 30% over the medium term. **Shaver Shop** reported an unsurprisingly weak result (given guidance in January), which still saw a share price sell off despite a cheap valuation. **iSentia Group** downgraded guidance for the second time in recent months. The acquisition of King Content continues to be problematic and competition seems to have escalated. Consequently we have lost conviction and exited the stock.

Performance Attribution [^]		Top 5 Active Positions [^]
Top 5 Contributors	Top 5 Detractors	
Aconex Limited	Eureka Group	Blackham Resources
Ardent Leisure*	iSentia Group	G8 Education
iSelect Limited	Orocobre	Mayne Pharma Group
Mayne Pharma	Shaver Shop	Speedcast International
Melbourne IT	Sundance Energy	Western Areas Limited

[^] Alphabetical order * Denotes stock not held

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