

Flinders Emerging Companies Fund

Monthly Update: April 2017

FLINDERS
Investment Partners



Performance <i>(after all fees and expenses)</i>	1 Month (%)	3 Months (%)	1 Year (%)	Since Inception [^] (% pa)
Flinders Emerging Companies Fund	-2.0%	-4.9%	3.7%	11.2%
S&P/ASX Small Ords Accumulation Index	-0.3%	3.8%	10.0%	16.6%
Net Value Added	-1.7%	-8.6%	-6.4%	-5.4%

[^] 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
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- **Resource stocks follow commodities lower**
- **Small cap growth stocks the cheapest in 20 years!**
- **Soft news punished by the market**

Market

The Small Ords Index fell -0.2% in April weighed down by the resources sector which finished down -3.5%. In addition, small cap growth stocks continued to underperform value stocks over the month; growth stocks are currently valued at the largest discount vs value stocks over the last 20 years. Our view is that this dichotomy is unsustainable given the prevailing investment environment; consequently we remain vigilant in our pursuit of well-priced, growth names to populate the portfolio. For additional detail, please see our recent research insight at: http://www.flindersinvest.com.au/news-reports/research_insights.html

Portfolio

The Fund return this month was -2.0%, 1.7% below the Benchmark. Weighing on performance were some of our resource company holdings (**BLK**, **WGX** and **SEA**), which were led down broadly by negative commodity price movements. Pleasingly, the portfolio benefited from a recovery in core names that had been weak in recent months (**ACX** and **ORE**) on the back of continued short selling. With improved operational performance in these companies, we envisage a short-squeeze developing in these names and the stocks to continue to outperform.

Key Contributors: BT Investment Management reported an excellent March quarter, with a \$4.2bn increase in funds under management to \$91.2bn. **Speedcast** hosted an investor day, providing further visibility around the benefits of their recent acquisition of Harris CapRock. **Orocobre** released a positive quarterly report with production and costs in line with downgraded guidance delivered in February. Also, lithium carbonate pricing improved over the quarter.

Key Detractors: gold producers Blackham and Westgold fell following the release of poor quarterly production reports, primarily caused by heavy rain fall at their West Australian based operations. We expect a recovery in production through the current June quarter. **Catapult** sold off despite announcing a number of new contracts, expansion into the amateur/enthusiasts (prosumer+) market and the appointment of Joe Powell (formerly at Seek) as new CEO. The sell-off was an example of the de-rating in growth names that we witness in recent times.

Performance Attribution [^]		Top 5 Active Positions [^]
Top 5 Contributors	Top 5 Detractors	
Aconex	Blackham Resources	Catapult Group Int.
BT Investment Mgmt	Catapult Group Int	G8 Education
Metcash*	G8 Education	Mayne Pharma Group
Orocobre	Sundance Energy	Sealink Travel Group
Speedcast International	Westgold Resources	Webjet

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