

# Flinders Emerging Companies Fund

Monthly Update: April 2018



Performance (after all fees and expenses)	1 Month (%)	3 Months (%)	FYTD (%)	1 Year (%)	Since Inception <sup>^</sup> (% pa)
Flinders Emerging Companies Fund	3.1%	0.8%	25.9%	22.7%	15.5%
S&P/ASX Small Ords Accumulation Index	2.8%	0.4%	18.6%	18.5%	17.3%
<b>Net Value Added</b>	<b>0.4%</b>	<b>0.4%</b>	<b>7.3%</b>	<b>4.3%</b>	<b>-1.8%</b>

<sup>^</sup> 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 3% pa (after-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: Investment Grade  
IRR: Recommended  
Zenith: Approved

## Platform Availability

MLC, Netwealth, Powerwrap, HUB24, Macquarie Wrap

## Further Information

[www.flindersinvest.com.au](http://www.flindersinvest.com.au)  
or +61 3 9909 2690

- **Resources drive the market higher**
- **Global growth continues at a solid pace**
- **Financial services in the spotlight**

## Market

Equity market volatility eased during April as global stocks staged a modest recovery. The Small Ords accumulation index (the index) posted a gain of 2.8% in April, led by resources (6.9%) which significantly outperformed industrials (1.5%).

Global equity markets recovered in April. While the Dow Jones and S&P500 were up less than 1%, European and Asian markets were generally up between 3% and 6%. Bond markets were weaker with the US 10 year yield briefly touching 3% - a level not seen since 2013. Commodities were mixed, with WTI oil up 5.6%, gold steady and base metals stronger – the highlight being the 12.5% rise in aluminium following US sanctions hitting Russian producer Rusal. The Australian dollar eased over April, finishing the month at US\$0.7530.

With the current royal commission in to the banks underway, focus has been squarely on the financial advice industry in recent weeks. While outcomes will take time, there will clearly be greater need for regulatory compliance but we expect the move to independent advisors, increased product transparency and fee for service all to gather pace. This will benefit niche operators, some of which are listed small companies.

## Portfolio

The Fund had a positive month returning +3.1%, outperforming the benchmark by +0.4%.

**Key Contributors:** Oil & gas company, **Beach Energy (30.0%)** released a solid March quarter production report and also benefitted from a stronger oil price over the month. The company has been an excellent performer for the Fund since purchase in June 2017 coinciding with the bottoming of oil prices. The company's purchase of the Lattice Energy assets from Origin in late 2017 has further stimulated price performance. Satellite broadband provider, **Speedcast International (15.2%)** continued to re-rate as its growth into the cruise ship communication and remote oil & gas facility businesses is recognised by investors. Bedding and manchester retailer, **Adairs (12.4%)** provided a trading update during the month suggesting that sales and operating margins were running above budget. Better stock control and marketing is clearly having a positive impact. Metal recycler, **Sims Metal Management (12.1%)** recovered some of the lost ground from the previous month as markets focussed on more cyclical companies with good growth profiles and rising returns. The fund also benefited from not having exposure to comparison site operator iSelect Limited (-44.1%), entertainment group Village Roadshow (-30.1%) and child care provider G8 Education (-14.4%) all of which had severe earnings downgrades over the period.

**Key Detractors:** Online marketplace platform, **Redbubble (-16.4%)** released a quarterly report that was slightly behind expectations but realistically provided evidence of its excellent organic growth prospects and cash generation. The negative working capital advantage that the business has is particularly beneficial in funding its growth initiatives. **Service Stream (-2.5%)** gave back some of its gains from the previous month despite continuing with its buyback. Finally, not holding either WorleyParsons (13.3%) or Metcash (15.0%) had an impact on relative performance due to their gains.

## Disclaimer and Disclosure

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Performance Attribution <sup>^</sup>		Top 5 Active Positions <sup>^</sup>
Top 5 Contributors	Top 5 Detractors	
Adairs	Apiam Animal Health	EQT Holdings
Beach Energy	Metcash *	Mineral Resources
NIB Holdings *	Redbubble	Service Stream
Sims Metal Management	Service Stream	Smartgroup Corporation
Speedcast International	Worley Parsons *	Webjet

<sup>^</sup> Alphabetical order. \* Denotes stock not held.

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