

Flinders Emerging Companies Fund

Monthly Update: May 2018

FLINDERS
Investment Partners



Performance (after all fees and expenses)	1 Month (%)	3 Months (%)	6 Months (%)	1 Year (%)	Since Inception [^] (% pa)
Flinders Emerging Companies Fund	4.3%	3.8%	11.3%	32.6%	16.8%
S&P/ASX Small Ords Accumulation Index	3.7%	4.1%	6.9%	25.4%	18.3%
Net Value Added	0.6%	-0.3%	4.4%	7.2%	-1.5%

[^] 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

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- **Sell in May? Not this year...**
- **Small caps continue to lead the market**
- **Banks cop more pain**

Market

The Small Ords accumulation index (the Index) surged ahead 3.7% in May bringing its gain for the year to 25.4%. While it's been a good year for the equity market generally, it's worth noting that small caps have outperformed the top 100 by an amazing 17.1% in that short time. Growth works!

Outside Asia, equity markets had a strong May led by solid global growth figures and generally better company earnings results in the US. The S&P500 was up 2.4% and the FTSE100 2.8% higher. Asian markets were generally weaker on Korean political confusion. Bond markets both in the US and Australia were little changed despite a dip in rates mid-month on some weak US economic data, which almost reversed by month end. The Aussie dollar was steady, commodities mixed with base metals strong and oil and gold down 2.2% and 1.3% respectively.

Portfolio

The Fund had another positive month returning +4.3%, outperforming the benchmark by +0.6%. Pleasingly, the performance came from a broad range of industries and while the portfolio has seen solid gains, the growth attributes remain double market levels but with valuation still at a significant discount to the Index. We continue to find good opportunities in the small companies market.

Key Contributors: Chinese based gas company, **Sino Gas & Energy (+38%)** released a positive update to its development profile early in the month then was the recipient of a cash takeover shortly afterwards. We feel the 25c bid undervalues the company and consequently still hold the stock. Wealth management platform company, **HUB24 (+24%)** benefitted from aspects of the banking Royal Commission. With banks and the AMP under pressure to unwind their tied financial advice models, the swing to independent advisors will continue to gather pace. As one of the two fastest growing platforms for those advisors, we expect the company's already impressive growth profile to accelerate.

Diversified technology company, **Codan (+19%)** had a good month following an upgraded profit guidance announcement. The company's metal detection business continues to see strong growth and the emerging Minetec division is seeing increased orders. Online and wholesale travel company, **Webjet (+14%)** recovered well during the month, having seen some profit taking earlier. While there was little news, the company confirmed its forecast profit for the current financial year in April, helping share price performance into May.

Key Detractors: In a strange month, it was stocks that we don't hold that had the greatest negative impact on relative performance. The top four detractors for the month were **Wisetech Global (+46%)**, **Blackmores (+29%)**, **Reliance Worldwide (+25%)** and **Whitehaven Coal (+13%)**. Only **EQT Holdings** which was down a modest **3%** was amongst the top detractors actually held in the portfolio...

Disclaimer and Disclosure

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Performance Attribution [^]		Top 5 Active Positions [^]
Top 5 Contributors	Top 5 Detractors	
Codan	Blackmores*	Mineral Resources
HUB24	EQT Holdings	NRW Holdings
Metcash*	Reliance Worldwide*	Service Stream
Sino Gas & Energy	Whitehaven Coal*	Smartgroup Corporation
Webjet	Wisetech*	Webjet

[^] Alphabetical order. * Denotes stock not held.

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