

Flinders Emerging Companies Fund

Monthly Update: August 2016

FLINDERS
Investment Partners



Performance to 31 August 2016	1 Month (%)	3 Months (%)	6 Months (%)	Since Inception [^] (%)
Flinders Emerging Companies Fund*	-0.8	6.8	25.5	30.5
S&P/ASX Small Ords Accum Index	-1.6	5.5	19.3	27.2
Value Add	0.8	1.3	6.2	3.3
Net Performance[#]	-0.9	6.5	24.9	28.8

* Performance is for the Flinders Emerging Companies Fund Class B units before fees. # Net performance shown is after deduction of fees. ^Performance inception date is 30 September 2015. Past performance is no indicator of future performance.

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: Investment Grade
Zenith: Approved
IRR: Recommended

Platform Availability

Powerwrap, HUB24,
Macquarie Wrap

Further Information

www.flindersinvest.com.au or
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- **Markets take a breather post strong July**
- **Reporting season delivers strong earnings growth for Smalls**
- **Sentiment proves a headwind for resources**

Market

This month Small Caps (-1.6%) consolidated after a strong July (+8.6%). The Resource area (-6.2%) underperformed Industrials (-0.5%), due to softer commodity prices, particularly base metals. August trading was also led by FY16 results. Market expectations of strong earnings growth from small caps was delivered, with 37% increase over the FY16. This compares to falling earnings growth (-7%) for large companies and validates the superior performance of Small Caps over the last year. The outlook for Smalls remains robust with forecast earnings growth currently at 12% in FY17, double that of large caps.

Portfolio

The Fund returned -0.8% in August, 0.8% ahead of the benchmark return. **Key Contributors: Altium, Webjet, National Veterinary Care** and **iSentia** rallied strongly after delivering earnings above expectations. Additionally Webjet entered into a significant partnership with global hotel supplier Thomas Cook and National Veterinary Care added 8 additional clinics. **Key Detractors: Aconex** saw some profit taking after delivering profit margins at the bottom end of their forecast range - we maintain our conviction as additional costs are supporting the tremendous growth opportunity. **G8 Education** delivered a weaker interim result which moderated growth expectations. **McMillan Shakespeare** identified integration issues with two recently acquired businesses, while flagging a lower margin from a key contract renewal. We maintain our position in both companies as they still exhibit positive growth at attractive prices.

Performance Attribution for Month (alphabetical order)

Top 5 Contributors

Altium
Evolution Mining*
iSentia Group
National Veterinary Care
Webjet

Top 5 Detractors

Aconex
Cleanaway Waste Management*
G8 Education
McMillan Shakespeare
Saracen Mineral Holdings

* denotes stock not held

Top 5 Holdings at end of Month (alphabetical order)

Aconex
Aveo Group
Catapult Group International
Mayne Pharma Group
Webjet

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