

# Flinders Emerging Companies Fund

Monthly Update: October 2016

FLINDERS  
Investment Partners



Performance (after all fees and expenses)	1 Month (%)	3 Months (%)	1 Year (%)	Since Inception <sup>^</sup> (% pa)
Flinders Emerging Companies Fund	-5.2	-2.4	18.4	24.5
S&P/ASX Small Ords Accumulation Index	-4.7	-4.8	14.9	21.1
<b>Net Value Added</b>	<b>-0.5</b>	<b>2.4</b>	<b>3.5</b>	<b>3.4</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 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 see reasonable profit taking in October**
- **De-rating of highly rated names**
- **Resources continue to outperform Industrials**

## Market

The Small Ords index had a weak month, finishing down 4.7%. Small Resources (-2.5%) outperformed Small Industrials (-5.3%).

Some macro factors are currently weighing on equity markets, with volatility having increased in recent weeks. These include the imminent outcome of the US Presidential Election, as well as the US Federal Reserve Bank looking to increase the cash rate in the coming months

Specifically in small caps, the softer month was driven by a number of factors:

1. Highly rated stocks derating - eg Aconex, Mayne Pharma Group, Smartgroup.
2. The gold sector experiencing some profit taking across the board. This followed the gold commodity price which fell 2.9%.
3. Several stock specific issues as well as weaker trading updates (many provided guidance during the current AGM season). These included The Reject Shop, Ardent Leisure Group and Bega Cheese.

## Portfolio

The Fund returned -5.2% (net) in October, 0.5% behind the Benchmark.

**Key Contributors:** There were few specific announcements driving the outperformers this month, however, **National Vet Care** did announce an increase in their debt facilities from \$15m to \$42m, which will continue to support their acquisition and expansion plans. **Sundance Energy** rallied on the back of a stronger oil price stemming from an announcement from OPEC to reduce production. **Australian Agriculture** bounced as further evidence of their strategic focus on value added and differentiated products continued with the release of a new premium branded beef products.

**Key Detractors:** **Aconex** continued to sell off, despite announcing explicit guidance at their AGM which was in line with the market's expectation, and translates to substantial growth; we remain comfortable with our holding. **Ainsworth** delivered an extremely weak and disappointing trading update. The loss of market share was far worse than we had expected and without any confidence in a reversal, we exited our position.

Performance Attribution <sup>^</sup>		Top 5 Active Positions <sup>^</sup>
Top 5 Contributors	Top 5 Detractors	
Australian Agricultural Co.	Aconex	Aconex
Ellex Medical Lasers	Ainsworth Game Technology	Mayne Pharma Group
Lifestyle Communities	Blackham Resources	Sealink Travel Group
National Veterinary Care	Mayne Pharma Group	Speedcast International
Sundance Energy Australia	Saracen Mineral Holdings	Sundance Energy Australia

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

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