

Fact Sheet

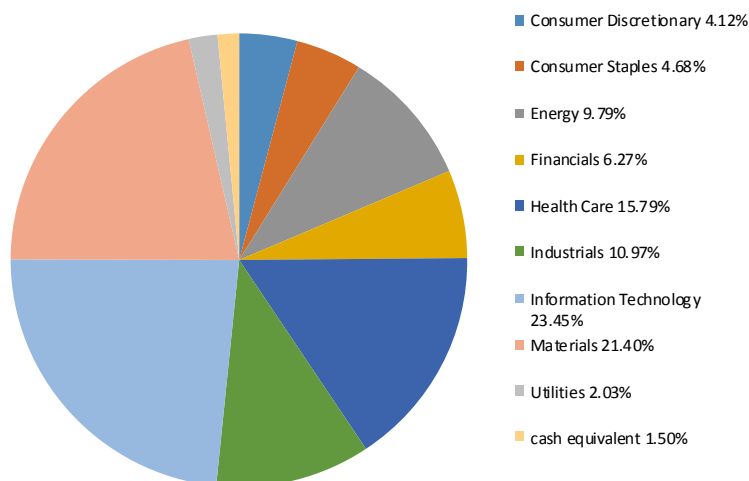
Investment objective	To provide medium to long-term capital growth potential and seeks to outperform the S&P/ASX Emerging Companies Accumulation Index over rolling three to five year periods after taking into account fund fees and expenses.		
Investments held	The Fund will primarily invest in companies that have a market capitalization of less than \$500m at the time of first purchase and cash.		
Investment Manager	SG Hiscock & Company		
APIR	ETL0118AU	mFund Product Code	SHF04
Commencement	9 October 2001	Buy spread	+0.35%
Management costs¹	1.03% p.a.	Sell spread	-0.35%
Performance Fee²	20.50%	Investment pool size	\$64.68 million
Minimum Initial Investment	\$20,000	SIV Compliant	Yes (1 July 2015)

Unit Prices	Application	Net Asset Value	Withdrawal
31 July 2018	\$ 4.1428	\$ 4.1284	\$ 4.1140

Performance as at 31 July 2018 ³	1 mth %	3 mths %	6 mths %	1 yr %	3 yrs % p.a.	5 yrs % p.a.	Since Inception % p.a.
Distribution Return	0.00	0.00	0.00	0.00	0.00	0.23	4.35
Growth Return	1.04	-2.05	-10.73	19.25	20.65	21.45	8.79
Total Net Return	1.04	-2.05	-10.73	19.25	20.65	21.68	13.14
Index Return ⁴	-2.08	-2.37	-5.79	17.12	11.80	7.99	6.98
Total Net Return vs. the Index	3.12	0.32	-4.94	2.13	8.85	13.69	6.16

Distribution Period	31-Dec-16	30-Jun-17	30-Jun-18
Distribution rate (cents per unit)	NIL	NIL	NIL

Asset allocation as at 31 July 2018



Top 10 holdings as at 31 July 2018

Cooper Energy Limited
AJ Lucas Group Limited
Compumedics Ltd
Zenitas Healthcare Limited
Zip Co Ltd
Triton Minerals Limited
Redflex Holdings Limited
Dubber Corp Ltd
Zenith Energy Limited
Volpara Health Technologies Limited

Top 10 holdings represent 31.10% of the total Fund.

1. Includes estimated GST payable, after taking into account Reduced Input Tax Credits ("RITC").
 2. Effective 1 October 2015, a performance fee of 20.50% (inclusive of GST and an estimate of RITC) of any performance in excess of the performance hurdle (the daily percentage movement in the S&P/ASX Emerging Companies Accumulation Index on a daily basis) may also be payable.
 3. Performance: Distribution Return is the return due to distributions paid by the Fund, Growth Return is the return due to changes in initial capital value of the Fund, Total Net Return is the Fund return after the deduction of ongoing fees and expenses and assumes the reinvestment of all distributions.
 4. Index = S&P/ASX Emerging Companies Accumulation Index effective 1 October 2015, previously S&P/ASX Small Ordinaries Accumulation Index.

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Commentary

- Our better performing stocks for the month include Azure Healthcare (up 38.3%), Cooper Energy (up 23.4%), AJ Lucas (up 18.2%), Zenith Energy (up 17.9%), Locality Planning Energy (up 17.65), Dubber Corporation (up 14.35), Compumedics (up 11.6%), and Zenith Healthcare (up 11.5%).
- Stocks that declined for the month include Cann Group (down 20.5%), Global Geoscience (down 19.4%), Livehire Limited (down 16.2%) and The Data Exchange Network Limited down (14.5%).

Our Fund increased by 1.04% in July, out-performing its benchmark the S&P/ASX Emerging Companies Index which fell 2.08%. For the rolling twelve months, the Fund is up 19.25% after fees, compared to the S&P/ASX Emerging Companies Index which has gained 17.12%. As we highlighted last newsletter, we expected July to be a better month for the portfolio after the emerging companies' tax loss selling in June. Although, the S&P/ASX Emerging Companies index fell for the second consecutive month. The full year profit reporting season has started, and we expect much of the focus will be on management guidance for the next twelve months. Note, with the ASX continuous disclosure regime most of the FY18 profit downgrades have already been announced. However, many small-cap growth stocks are trading on very high valuation multiples which we think are susceptible to significant share price corrections if there are any signs of a slow-down in growth. Particularly, after the recent de-rating of Facebook and Twitter and tech sell-off on NASDAQ. Overall, we remain positive about the market. The primary share market risks are still global - US equity market valuations, US interest rates and the US dollar, global trade war and emerging markets weakness. Mostly, we remain concerned about the impact of a rising US dollar on emerging markets and recent commodity price weakness - which we think is signaling a slowdown in global growth. Although, there are no signs of a US economic recession on the horizon. But with the enormous debt overhang, the financial system is vulnerable to a shock. In any event, the noise from all of these risks is at the very least likely to keep global share market volatility high. Against this global backdrop, the Australian economy remains on a solid footing with 2019 growth expected to above 3%. Further, very low interest rates are continuing to support the economy. Note, this is the longest period that Australia's monetary policy has remained unchanged on record. Moreover, with CPI inflation within the Reserve Bank's 2-3% band and a softening housing market in NSW and Victoria, it appears likely that interest rates will remain low for the foreseeable future. Likewise, business conditions and consumer confidence also remain favourable, particularly with a pick-up in the resources sector, large east coast Australia infrastructure projects and legislated tax cuts for individuals and small business. As a Federal election is due in 2019, we also see the potential for more fiscal stimulus. All up, notwithstanding the global risks, both liquidity conditions and economic growth are still favourable for Australian emerging companies. And, as such, we remain positive about the Fund's prospects for capital gains over the next twelve months.

For more information visit www.sghiscock.com.au

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