

Fund Objective

The Fund aims to outperform the S&P Global BMI (US\$1bn - \$5bn Market Cap Range) Net Total Return Index ex Australia and New Zealand in AUD over a three to five year period (after management costs and before tax).

Performance Net (%)	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Since Inception* p.a.
Global Small Cap Fund	4.10	1.89	-1.77	9.48	9.55	14.57
Benchmark**	4.45	2.98	2.08	11.02	10.82	14.66
Excess Return	-0.35	-1.09	-3.85	-1.54	-1.27	-0.09

* Inception date - 18 January 2013

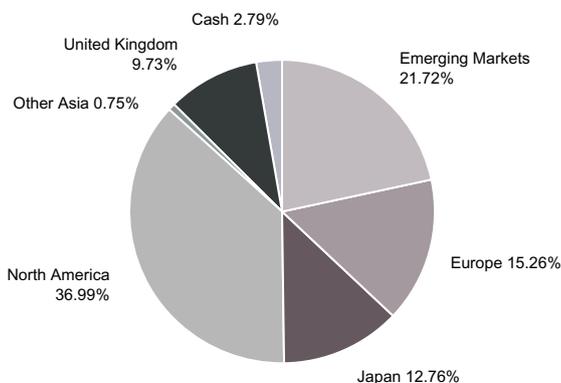
Fund Details

APIR Code	ETL0365AU
Fund Size (AUD m)	\$791
Number of Stocks	72
Weighted Average Market Capitalization (AUD)	\$3,476
Fund Base Currency	AUD
Distribution Frequency	Semi-Annually
Management Fee	1.25% p.a.
Performance Fee	15% p.a.
Buy Sell Spread	+/-0.30%
Minimum Investment (AUD)	\$20,000

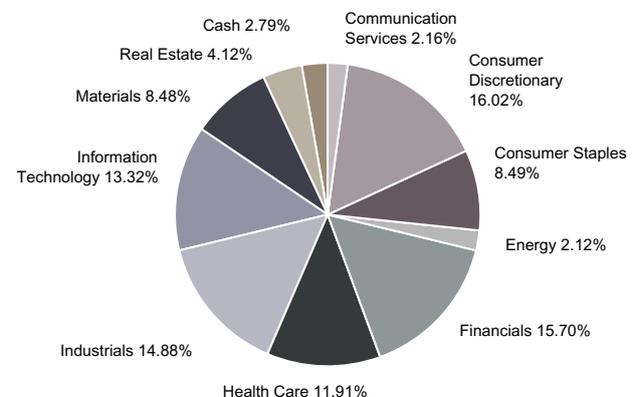
Top 10 Positions (%)

	Fund
Kansai Paint Co., Ltd.	2.93
Tata Global Beverages Ltd.	2.77
ITT, Inc.	2.62
Prologis Property Mexico, S.A. de C.V.	2.55
Axis Capital Holdings Ltd.	2.53
Avanos Medical, Inc.	2.42
Altran Technologies SA	2.39
Lear Corporation	2.36
CNO Financial Group, Inc.	2.33
Sotheby's	2.32

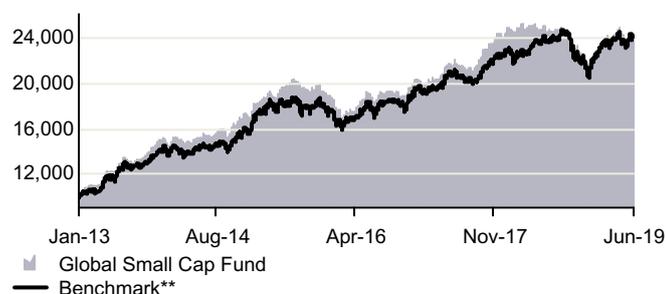
Region Allocation (%)



Sector Allocation (%)



Growth of AUD 10,000



** S&P Global ex Australia and New Zealand Between USD1 Billion and USD5 Billion (AUD) NTR Index effective from 5 November 2018. Prior to this date the benchmark was S&P Global Between USD1 Billion and 5 Billion (AUD) NTR Index effective from 1 October 2015 to 4 November 2018 inclusive and S&P Global Between USD1 Billion and 5 Billion (AUD) TR Index prior to 1 October 2015.

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Commentary

MARKET REVIEW

For the purpose of comparison, commentary herein is quoted in USD terms, except under the 'Performance' heading which is quoted in AUD currency.

Global small caps improved 3.0% in Q2 2019 (S&P Global USD1-5B Net Total Return Index denoted in AUD) driven by North America and Europe. The US was the leading contributor to the rally, with a China trade deal inching closer and the Fed continuing its dovish stance and apparent readiness to support the equity markets if necessary. All markets were positive for the quarter as investors viewed worsening global economic data as positive news in anticipation of global rates cuts and subsequent demand for risk assets. Supporting this assertion was outperformance by the Industrial sector, a reversal from the prior quarter when investors paid for safer, less cyclical assets in the Healthcare and IT sectors.

PERFORMANCE

Europe was our leading geographic contributor due to stock selection and our modest overweight positioning. This performance was more than offset by stock specific issues in the UK and Emerging Markets.

The top relative contributors to performance for the quarter are as follows:

Sotheby's (US) Auction house Sotheby's received a buyout from French entrepreneur Patrick Drahi at a generous premium. This leaves both Sotheby's and rival Christie's in the hands of French billionaires who seem to better appreciate this oligopoly's favorable attributes than the public markets do.

Altran (France) R&D outsourcer Altran received a bid from strategic acquirer Capgemini. This was an unexpected development as Altran was in the early innings of executing against their long-term expansion strategy in the rapidly evolving R&D outsourcing market. Capgemini's ownership will accelerate this expansion, and Altran's shareholders were justly rewarded in the transaction.

Tata Global Beverages (India) Tata Global Beverages, a leading producer of tea and coffee, announced an all-stock deal to acquire the consumer products business of Tata Chemicals. This acquisition was cheered by the market and positions Tata Global Beverages as a global, diversified fast-moving consumer goods ("FMCG") business. Shares continued to rally after the initial announcement of this transaction as the Company further elucidated the benefits of combined scale. The deal diversifies the Company's product mix and geographic reach, adds additional distribution outlets for potential cross-selling, and offers significant back-office synergies.

The top relative detractors from performance for the quarter are as follows:

Eros International (India) Eros experienced questions surrounding the Bollywood firm's creditworthiness, as two missed interest payments by the firm's Indian-listed and main operating subsidiary EIML prompted a severe credit rating downgrade of its bank facilities by local ratings agency Care Ratings. Eros has announced that it made the interest payments, was initiating a share buyback, and was exploring strategic alternatives, but none of these statements has provided lasting relief to the share price. We await the results of this process, which could be facilitated by strategic shareholder Reliance Industries' board representative having stepped down.

Abercrombie & Fitch (US) Apparel retailer Abercrombie saw a reversal of fortune in Q2 after being a leading contributor in the prior quarter. Despite continued positive sales growth, the market reacted negatively to news of additional closures of Abercrombie's "Flagship" stores. The rationalization of these stores will be beneficial to the Company's financial performance in the long-term but carries a hefty price tag as the closures will involve exiting expensive leases in premium retail space.

Scapa Group (UK) Contract manufacturing outsourcer Scapa saw numerous headwinds in the quarter. First was the surprise resignation of the Company's CEO. Shortly after this announcement Scapa shocked the market again with the termination of a key contract with ConvaTec in North America, only two years into a five-year agreement. This dispute will end up in court and in the meantime the firm's Knoxville facility will be operating at an unprofitably low utilization. The only silver lining is that CEO Heejae Chae has decided to stay with the company.

Portfolio Changes

We took advantage of additional market volatility to initiate three new positions in Q2. These purchases include a business services group that was spun out of Xerox, a leading UK-based wound care manufacturer undergoing a significant restructuring effort, and a provider of geophysical surveying services.

We exited our position in Dairy Crest after their buyout offer and trimmed our position in International Speedway as the company received a buyout offer and briefly traded over the offer price.

OUTLOOK

US Fed Chairman Powell continued to hint at a looser monetary stance, fueling market hopes for interest rate cuts globally. We have re-entered an upside-down environment where negative economic news (such as June's declining global PMI) is *positive* to a market rooting for central bank support. This is an uncomfortable spot for long-term investors who believe market growth should be driven by global GDP growth and the profit earned by businesses supporting this growth. The "Fed Put" implies higher equity values without the corresponding GDP growth, a position that theoretically should be unsustainable in the long-term.

Volatility should be expected as the market grapples with the contradiction of worsening economic indicators and rising equity values. As we did in Q2, we will look to be buyers when the market recedes and sellers when the market is euphoric.