



Harness Small Companies Value Fund Turns 1

At the end of last month our small companies value fund turned 1 year old. Our performance was acceptable without being spectacular. While we outperformed the ASX 300 accumulation index by about 7% (<http://harnessam.com.au/performance/>) I felt we could have done better and have learnt valuable lessons during the year. Our volatility was relatively low due to both our cash balance that we carried thru the year and the value style of our investing.

We would like to thank all our friends, investors and investment committee members for their support. It takes courage to back a fund manager in its first year and we are most appreciative of that faith.

We have had many people join our mailing list this year yet plenty of you have never met me. I would like to invite anyone interested in meeting with me and talking in more detail about the fund, to drop me an email. I would be pleased to catch up between now and the end of the year at a mutually convenient time.

The market is in a reasonably stable state at the moment which provides few "screaming" bargains usually created by fear and dread so we continue to search hard to deploy our precious capital in a rational way.

I spend little time and energy trying to predict short-term market movements, however I expect certain trends to continue. It appears unlikely the Aussie dollar is going to start rising in a meaningful way, while Australian interest rates are likely to remain low. Most commodity prices remain in a down-trend and the Asian middle class keeps growing. Another significant influence on the economy going forward is the high level of both government and consumer debt, we see no significant trend toward deleveraging which would make sense to us given the interest rate and asset price cycle. The cost of security will continue to increase and hamstring wealthy economies along with the freedoms we have become accustomed to.

Such observations provide a general background to the investing landscape we operate in but at the end of the day we attempt to find situations where value is compelling and we believe the odds favour us making money and not losing it. Profitable opportunities can be found in any market and we continue to hunt and find them. While growth companies are being priced very aggressively in this market, value is being left behind and we suspect this is the priming of "tomorrow's" performance for HAM.

Please let me know if you would like to come in meet the team.

Good investing,
Nigel Littlewood
27th Nov 2015
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