

# Fairview Equity Partners Monthly Combined Investment Report

31 August 2015



## Emerging Companies Fund

Fairview Equity Partners is a smaller company Australian equities manager. The Fairview Equity Partners Emerging Companies Fund seeks to provide capital growth and some income by outperforming the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term.

## Performance Return

Period ending 31 August 2015	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Since inception#
Fairview Emerging Companies Fund*	-3.37%	-3.92%	-0.74%	11.56%	12.34%	15.93%
S&P/ASX Small Ordinaries Accumulation Index	-4.87%	-10.90%	-9.62%	0.38%	-0.72%	1.76%
<b>Excess Return*</b>	<b>1.50%</b>	<b>6.98%</b>	<b>8.88%</b>	<b>11.18%</b>	<b>13.06%</b>	<b>14.17%</b>
Net Fund Return ( after fees & expenses)	-3.88%	-5.28%	-2.94%	8.35%	8.66%	12.12%

\* Returns shown are gross of fees at a manager level (pre fees).

# Returns over 1 year are annualised. Fund inception 8 October 2008.

Past performance is not a reliable indicator of future performance.

The fund out-performed the benchmark during the month of August.

## Performance and Market Outlook

The Small Ords index fell 4.9% in August, but outperformed the S&P/ASX100 by 3.1%. 139 companies in the ASX Small Industrials reported in July/August with 27 companies seeing upward consensus EPS revisions with almost double (52) seeing downward revisions. Cyclical and oil & gas exposed sectors were the biggest detractors with Financials -105bps, Energy -100bps and Discretionary -80bps.

Reporting season has now concluded and despite the moves above we were generally happy with the progress and outlook from the companies owned by the fund. Individual stock moves were extremely volatile with the market dealing harshly with any stocks that disappointed on the earnings front. A key example was Dick Smith which reported a subdued sales number for the last quarter of the year. APN Outdoor conversely reported a very strong result which saw analysts upgrade their forecasts by over 10%.

Adding to this volatility were the severe macro ructions coming from global markets and in particular China which was savaged during the month of August. Despite continuing macro uncertainties we believe there is a solid array of companies that are well placed to thrive in the current environment. Operating conditions remain reasonable and there has been a modest increase in quality investment ideas courtesy of a vibrant IPO period. We are now actively processing the considerable amount of news flow that occurred during the month and expect to convert this to several new stock inclusions over the coming weeks.

## Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the month of August 2015.

Positive contributors		Negative contributors	
APN Outdoor Group Ltd	Overweight	Veda Group Limited	Overweight
Sirtex Medical Limited	Overweight	Dick Smith Holdings Ltd	Overweight
IPH Ltd	Overweight	Sundance Energy Australia Limited	Overweight
Reece Australia Limited	Overweight	GBST Holdings Ltd	Overweight
Magellan Financial Group Ltd	Overweight	Nanosonics Limited	Overweight

## Contributors

Key successes for the fund were APN Outdoor Group Ltd who produced a strong result that was well above market expectations and Sirtex Medical Limited whose full year result showed excellent margin improvement as the business continues to scale up. IPH Ltd produced a solid full year result that demonstrated strong growth in Asia. Reece Australia Limited continues to benefit from robust residential construction markets as evidenced by its recent 2015 profit result and Magellan Financial Group's excellent margin improvement was shown in the recent result due to a stable cost base.

## Detractors

Veda Group Limited's costs are continuing to increase as the company expands its products and services. Dick Smith Holdings Ltd reported a weak full year result with poor cash flow conversion. Sundance Energy Australia Limited Company continues to be buffeted by the volatile oil price and GBST Holdings Ltd recent result was reasonable but the outlook was tempered by an expansion in the cost base. Nanosonics Limited is experiencing a flat period of sales growth whilst it transitions to a direct sales force in the US.

Number of stock holdings as of 31 Aug 2015

62

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