

Fairview Equity Partners Monthly Combined Investment Report



31 January 2016

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 January 2016	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Since inception#
Fairview Emerging Companies Fund*	-5.13%	4.10%	18.65%	9.66%	9.67%	16.65%
S&P/ASX Small Ordinaries Accumulation Index	-5.11%	-1.38%	3.59%	-1.43%	-3.10%	2.35%
Excess Return*	-0.02%	5.48%	15.06%	11.09%	12.77%	14.30%
Net Fund Return (after fees & expenses)	-5.22%	2.96%	14.65%	6.54%	6.09%	12.79%

* 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.

Although there were some large individual stock price moves within the fund the overall performance of the portfolio was in line with the index in the month of January.

Performance and Market Outlook

The Small Ords index fell -5.1% in January, but outperformed the S&P/ASX100 by +0.4%. The Small Industrials index underperformed the S&P100/ASX Small Industrials by -0.2%, while the Small Resources Index outperformed the S&P100/ASX Small Resources by +4.8%. Sector performances over the month were largely negative with most sectors closing in negative territory. Telecommunication Services was the best performer returning +5.2%, followed by Utilities (-0.1%) and Real Estate (-2.6%). Energy was the worst performer, returning -19.8%, followed by Consumer Discretionary (-7.1%) and Financials (-5.9%).

Whilst January is typically a fairly quiet month for corporate news flow there were a few announcements that negatively impacted the fund. It is worth noting though that all of the stocks mentioned below are held at fairly modest weights.

Firstly Shine lawyers made a materially negative revision to its sustainable earnings base and was severely punished by the market as a result. Secondly Lovisa Holdings, the retailer of fast fashion jewellery, also flagged lower earnings due to a large drop in gross margins. We were very disappointed with this update as our recent discussions with management had provided no indication that such an outcome was likely. At face value this would suggest that the company has little pricing power to recover currency impacts.

We are currently looking forward to another reporting season and a reasonably optimistic on the earnings announcements to come given operating conditions remain fairly satisfactory. There remains a large pipeline of potential new investments coming from both the IPO market and existing emerging opportunities.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the month of January 2016.

Positive contributors		Negative contributors	
SpeedCast International Ltd.	Overweight	Shine Corporate Ltd.	Overweight
Vocus Communications Limited	Overweight	Magellan Financial Group Ltd	Overweight
Nanosonics Limited	Overweight	Lovisa Holdings Ltd	Overweight
Domino's Pizza Enterprises Limited	Overweight	Select Harvests Limited	Overweight
G8 Education Limited	Overweight	Japara Healthcare Ltd	Overweight

Contributors

Key successes for the fund include SpeedCast International Ltd who recently held a well attended investor day and Vocus Communications Limited whose potential merger with MTU was approved during the month of January. Nanosonics Limited benefited from a very strong sales figure announcement and Domino's Pizza Enterprises Limited continues their expansion with the confirmed acquisition of Pizza Sprint. G8 Education Limited also had a stellar month with the announced early redemption of their Singapore notes.

Detractors

The month of January has seen a few detractors with Shine Corporate Ltd announcing a large profit downgrade and Lovisa Holdings Ltd releasing a disappointing trading update, thus casting doubt over the future viability of these holdings. Magellan Financial Group Ltd had a weaker month, falling in line with the wider sell off in equity markets, while Select Harvests Limited continues to be affected by weaker almond prices. Japara Healthcare Ltd also had a weak month with the market has concerns surrounding potentially adverse regulatory changes.

Number of stock holdings as of 31 Jan 2016

62

Contacts

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Fairview Emerging Companies Fund

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Please contact your NAB Asset Management Investment Specialist.

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