Fairview Equity Partners
Monthly Combined Investment Report

30 April 2017

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 30 April 2017	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Since inception#
Fairview Emerging Companies Fund*	-1.10%	2.85%	0.20%	6.56%	8.97%	14.58%
S&P/ASX Small Ordinaries Accumulation Index	-0.25%	3.75%	10.05%	6.80%	2.42%	4.27%
Excess Return*	**-0.85%**	**-0.89%**	**-9.85%**	**-0.25%**	**6.55%**	**10.30%**
Net Fund Return (after fees & expenses)	-1.19%	2.55%	-0.97%	4.55%	6.02%	11.14%

** Returns shown are gross 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.

Performance and Market Outlook

Global markets were firm in April led by Europe reacting favourably to the first round of French presidential elections. US equities rallied, aided by some positive results during earnings season and the unveiling of anticipated tax reform proposals. The Chinese market however was down 2.1% following data that indicates a slowing growth profile. This impacted commodity markets with a fall in the price of iron ore, plunging from US$81 to US$62 during the month. The price was impacted by elevated inventory and signs of demand peaking. The other major news was the sharp rise in coking coal prices, surging 46% during the month after cyclone Debbie resulted in supply disruptions.

In the domestic economy, the Australian dollar finished the month down 2% with the RBA leaving the cash rate unchanged at 1.50% and inflation remains at the low end of their targeted range. Economic data released looked slightly more positive with employment for March higher than expected. Business confidence levels continue to improve, however the retail sector remains very patchy as evidenced by recent trading updates from The Reject Shop (-49%) and RCG Corporation (-24%), both highlighting negative LFL sales growth. New car sales have also had a noticeably soft start to the year, tracking below the prior corresponding period.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors during April 2017.

Positive Contributors		Negative Contributors	
BWX	Overweight	Vita Group	Overweight
Metcash	Not Held	Bapcor	Overweight
BT Investment Management	Overweight	Sandfire Resources	Overweight
Credit Corp Group	Overweight	Mayne Pharma Group	Overweight
OZ Minerals	Not Held	a2 Milk Company	Not Held

Contributors

BWX Ltd (BWX) manufacturer of the rapidly growing Sukin natural skincare brand benefited during the month from the indefinite deferral of proposed regulatory changes in China which would have required animal testing on products sold through off line channels. They were due to come into effect in May 2017 and although China sales are still very small for BWX at the moment it does present a significant opportunity. **Metcash Ltd (MTS)** we remain concerned about the competitive environment in the food and liquor category and see further pressure on margins and sales to continue, as such we do not have a position in the company. **BT Investment Management Ltd (BTT)** notched up a milestone with a record quarter of net-flows for the March period achieving $2.7 billion, ahead of market expectations. This is a great outcome, particularly given this largely followed the Brexit vote and demonstrates the strong momentum from the JO Hambro business. **Credit Corp Group Ltd (CCP)** provided an update to the market reiterating financial year 2017 guidance and provided the market with further confidence in the following year forecasts with another upgrade of PDL acquisitions to $235-240m. **OZ Minerals Ltd (OZL)** has benefited from a supportive gold and copper price and during the month re-confirmed full year guidance. Fairview has no holdings in OZ Minerals as we prefer Regis and Sandfire in the sector.

Detractors

Vita Group Limited (VTG) weakness was attributed to a leaked article highlighting that Telstra internally has identified 16 stores it believes would be more profitable if they were brought back into the Telstra Shop Network, because it would no longer have to pay sales commissions to licensees. **Bapcor (BAP)** saw some profit taking despite having now effectively wrapped up its takeover of NZ Hellaby's, which is likely to provide both growth and synergy opportunities for the Group. **Sandfire Resources (SFR)** announced its March quarterly production numbers which was a slight miss verses consensus estimates. We remain positive and see the lower-trending capital expenditure resulting in strong free cash flows, with the company well placed to fund further developments. **Mayne Pharma Group Ltd (MYX)** was weaker on no major news but speculation had arisen on some generic drug discounting from some US peers. **a2 Milk Company Ltd (A2M)** provided a strong trading update in April flagging better than expected demand for a2 Platinum in Australia and also ongoing strength for cross-border sales into China. We do not have a position in the company.

Top Ten Holdings

We highlight below our top ten holdings within the portfolio, in alphabetical order as at 30 April 2017

Bapcor Ltd	IDP Education Ltd
Charter Hall Group	Mayne Pharma Group Ltd
Corporate Travel Management Ltd	Regis Resources Ltd
Costa Group Holding Ltd	Sandfire Resources Ltd
Credit Corp Group Ltd	Webjet Ltd

Number of stock holdings as of 30 April 2017	**56**

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