Fairview Equity Partners
Quarterly Combined Investment Report

31 March 2017

FAIRVIEW
EQUITY PARTNERS

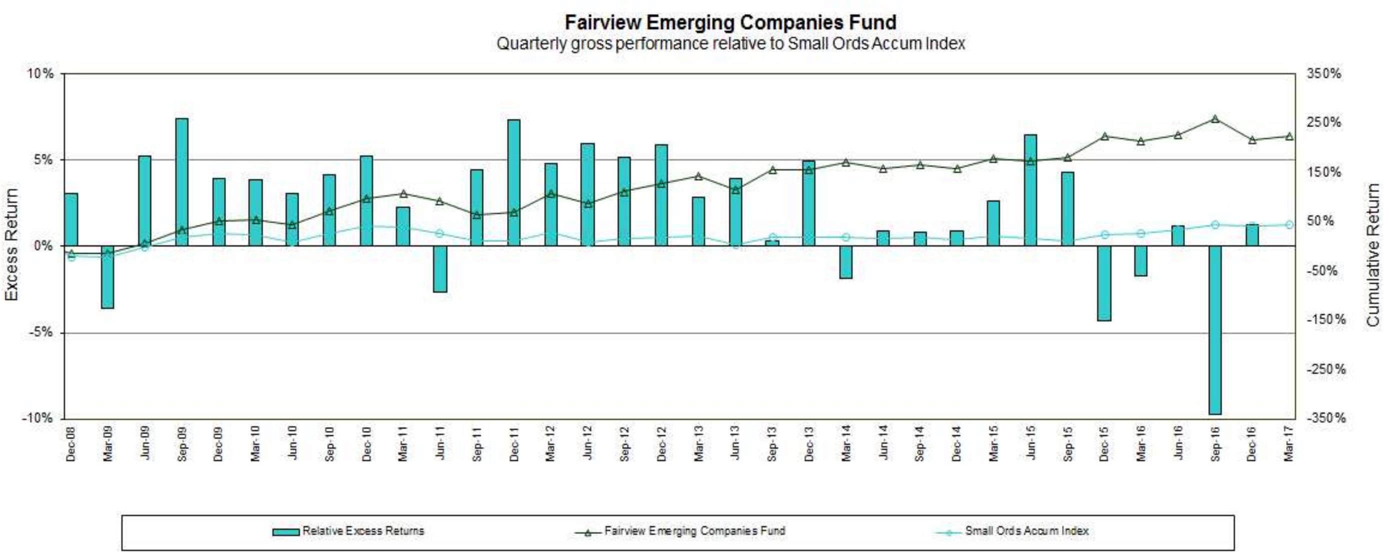
Emerging Companies Fund

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 March 2017	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Since inception#
Fairview Emerging Companies Fund*	3.09%	2.72%	3.10%	6.29%	9.23%	14.89%
S&P/ASX Small Ordinaries Accumulation Index	2.66%	1.46%	13.68%	6.45%	2.28%	4.35%
Excess Return*	**0.43%**	**1.26%**	**-10.58%**	**-0.16%**	**6.95%**	**10.54%**
Net Fund Return (after fees & expenses)	2.97%	2.43%	1.88%	4.30%	6.20%	11.40%

** 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

The small ordinaries Index ended up 1.46% for the March quarter, driven by small industrial stocks (+1.97%) while the small resources index was down, and was the worst local index performance. Pleasingly we have seen a return to form for Fairview, outperforming the index for the March quarter.

The first quarter has certainly been an interesting one for equity markets with a mixed reporting season locally, a +25bp US Fed rate hike, strong global economic data and slowing of the recent resources rally. Domestically, we remain comfortable with the view that even with improving economic conditions, the availability of growth stories remains tight. Excluding the resources, housing and construction sectors, cyclical businesses continue to report relatively benign conditions whilst economic indicators remain mixed. The unemployment rate continues to rise towards the upper end of the RBA's targeted range.

Within the broader small cap universe the top performers in the quarter had a modest skew towards the agricultural and gold sectors. Mesoblast (+59%) rallied following FDA granting of a Fast Track designation and announced clinical trial continuation. Bega (+49%) announced the acquisition of most of Mondelez' Australian and New Zealand grocery and cheese business for $460m. Finally Westgold post the MetalX demerger reported a strong first half profit result.

The worst performers in the quarter were broad-based with no discernible trend. iSentia (-49%) was impacted by the acquired King Content business failing to achieve management expectations, whilst the core SaaS/VAS ANZ business seems to have reached a limit in its ability to generate incremental returns through price increases. Last year's euphoria seen in lithium stocks has dissipated with falls in the underlying commodity price. As a result, Orocobre (-38%) was weak after downgrading FY17 guidance. Quintis (-37%) fell following the release of a negative short seller report.

The last few months have been an extremely busy period for the team with a significant amount of company meetings and presentations post the first half year results. As highlighted market conditions remain patchy and this was reflected in forward earnings per share revisions. The small industrials saw 39 downgrades of greater than 5% vs 25 upgrades with the Fairview portfolio faring better with 14 upgrades and only 9 downgrades. We continue to favour high quality businesses that are demonstrating the ability to grow well independent of economic cycles or have offshore earnings that will benefit from a stronger USD. After a difficult previous few quarters for the fund we remain confident that our portfolio is well positioned to benefit from the focus back towards quality small cap growth stocks.

Performance Attribution

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

Positive Contributors		Negative Contributors	
Costa Group	Overweight	RCG Corporation	Overweight
Regis Resources	Overweight	Eureka Group	Overweight
BWX	Overweight	Sundance Energy	Overweight
IDP Education	Overweight	Nearmap	Overweight
Fletcher Building	Nil Holding	Aconex	Overweight

Contributors

Costa Group (CGC) benefited from increased investor interest on the back of its entry into the Avocado market in Australia. Avocados are a high value seasonal product and are an exquisite fit into the Costa fruit portfolio and we see more acquisitions in this space. In February they also upgraded their full year guidance (again) by another 10% and the share price was 'berry' strong for the quarter. **Regis Resources (RRL)** is an Australian based, high quality gold miner and was our second best performer in the March quarter. Regis benefited from a strong rebound in the AUD gold price and announced a solid quarterly production result. We still like this company a lot as we believe the market underestimates this highly experienced management team for their growth potential in the McPhillamys project in NSW. **BWX Ltd (BWX)** manufacturer of the rapidly growing Sukin skincare brand also had strong end to the quarter despite negative investor sentiment towards any stock related to the Chinese consumer space. China sales are however still very small for BWX and the real opportunity is in the UK through the Boots pharmacy chain rollout. BWX reported +50% domestic sales growth at the half year result underpinning the strong sales growth momentum. **IDP Education (IEL)** exceeded market expectations at the half year result with a 5% beat at the EBITDA line despite headwinds from domestic competition and difficult trading conditions in India due to the PM withdrawing high value bank notes from circulation that limited IELTS (English language proficiency). We remain tremendously excited by the growth potential of IDP's multi destination student placements business. **Fletcher Building (FBU)** in March revised profits to be lower due to the identification of additional estimated losses and downside risk in the buildings and interiors business unit of the construction division. We do not have a position in the company**.**

Detractors

RCG Corporation (RCG), the nation's biggest footwear chain reported good results for the six months to December 2016 but a subdued outlook impacted the share price. The comments highlighted difficult trading conditions post-Christmas with aggressive discounting and soft consumer conditions. **Eureka Group (EGH)** is a retirement accommodation consolidator and a small portfolio position. Unfortunately management disappointed the market with below expected revenues, delays in completing acquisitions and the impact of due diligence cost associated with failed acquisition attempts. **Sundance Energy (SEA)** fell after rallying hard in January as some short term troubles with shale oil well reworks meant this stock missed its quarterly production targets. **Nearmap (NEA)** post digesting the $20m capital rise in November and departure of a few key staff, had a soft March quarter. We used the weakness to increase our position early in the quarter and believe the Australian revenue growth of 30%+ will continue and optionality exists in the US business. **Aconex (ACX)** provided a few surprises downgrading FY17 guidance which was provided at the AGM. Australian and New Zealand revenue growth has slowed to 6% on the prior period following rapid growth driven by numerous large enterprise wins and also the Europe and Middle East results were well below expectations following the Conject acquisition. Management now expects revenue growth of 20%+ per annum over the medium to long term.

Major Stock Additions

Tassal Group Limited (TGR) raised $80m in March and we used the opportunity to add to our initial position. We see tailwinds through a strong wholesale pricing environment, strong production growth and upside risk to biomass growth to support future volume increases. Domestically, government policy remains supportive restricting the ability of foreign importers. Tassal now have sufficient lease capacity to replace Macquarie Harbour volumes, which the market regarded as an inherent risk.

Cooper Energy (COE) is an oil and gas play leveraged to the impending east coast gas production shortage. The impact of insufficient gas to meet projected demand by gas-fired-power-generation (GFPG) for supply of electricity will start to bite in the summer of 2018–19 very close to when Cooper's Sole project will come online. There has already been a substantial jump in the Victorian spot gas price this year and we see significant upside due to demand pressures.

Service Stream (SSM) is a service and installation business set to benefit from the NBN rollout and ongoing associated maintenance works. SSM is not just an NBN story though, with the Mobile and Energy and Water divisions leveraged to several other attractive growth drivers, including 5G mobile rollout, smart meter installation, commercial solar installations and large scale battery storage.

Major Stock Disposals

Shaver Shop Group (SSG) was a small IPO investment which missed prospectus revenue forecasts coupled with a tough consumer backdrop and we saw little nearer term upside risk in the share price.

Mantra Group (MTR) continues to experience soft average room rate growth in the key mining markets of Perth, Darwin and Brisbane and industry feedback is that competition for management leasing rights in key leisure markets are becoming overheated.

Sirtex Medical (SRX) after being a fantastic performer for the fund over a number of years, despite the recent volatility we decided to exit the stock. We have become more cautious on the slowing dose sales growth due to a new competing oral product, taking share in the key US market for rescue dose liver cancer therapy.

iSentia Group (ISD) was our most disappointing stock in the reporting season and our investment thesis was invalidated by very poor prior period comparable growth both domestically and in Asia. A poor acquisition in King Content coupled with competitive pressures domestically saw us exit the position.

Top Ten Holdings

We highlight below our top ten holdings within the portfolio, in alphabetical order as at 31 March 2017.

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

Number of stock holdings as at 31 March 2017	**57**

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