

Fairview Equity Partners Emerging Companies Fund

28 February 2019



Monthly Report

About the Fund

The Fund invests in an actively managed portfolio of mainly small cap equities listed, or expected to be listed, on the Australian share market.

Investment Objective

The Fund aims to earn a return (after fees) which exceeds the Benchmark over rolling five-year periods.

Benchmark

S&P/ASX Small Ordinaries Accumulation Index ("Benchmark")

Inception Date

8 October 2008

mFund Code

FEP01

APIR Code

ANT0002AU

Minimum Initial Investment

\$20,000

Management Fee

1.20% p.a. of the Fund's Net Asset Value.

Performance Fee

20.5% of the Funds quarterly return (after deducting the management fee) in excess of the Benchmark's quarterly return after recouping any prior periods' underperformance in dollar terms multiplied by the Fund's average net asset value over the quarter.

Distribution Frequency

Annually calculated on 30 June. However, there may be periods in which no distributions are made or the Fund may make additional distributions.

Buy/Sell Spread

+0.30% / -0.30%

Number of Stocks

51

Contacts

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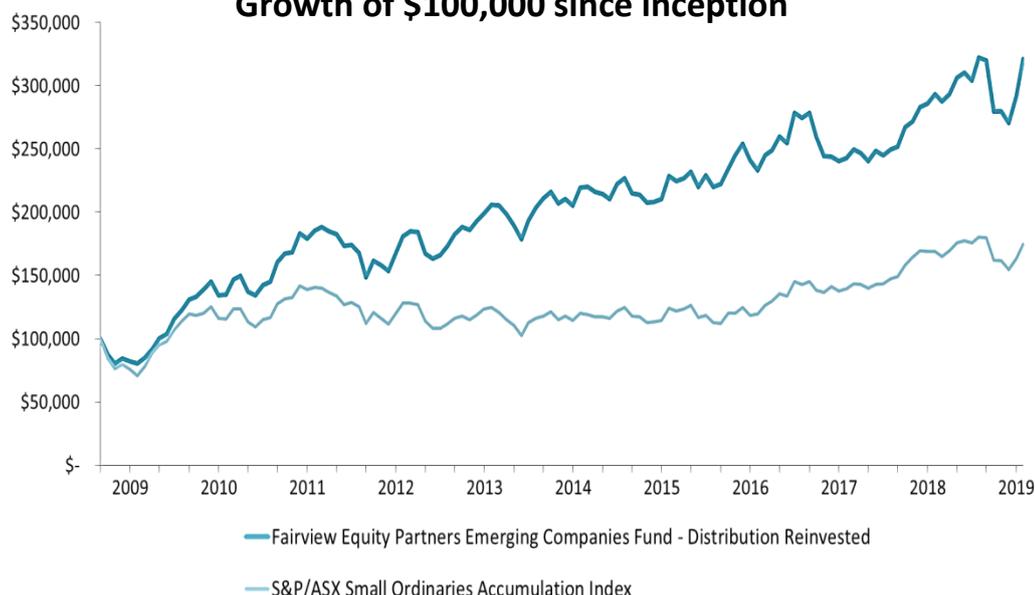
Net Performance

Period	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception ¹ % p.a.
Fund Return²	10.12	14.94	9.47	11.27	7.90	14.89	11.88
Benchmark³	6.78	8.01	3.48	13.44	7.74	9.44	5.51
Excess Return	3.34	6.93	5.99	-2.17	0.16	5.45	6.37

¹Fund inception date: 8 October 2008. ²Net returns are calculated after deducting management fees and are pre-tax.

³Benchmark: S&P/ASX Small Ordinaries Accumulation Index. Past performance is not a reliable indicator of future performance. The value of an investment may rise or fall with the changes in the market.

Growth of \$100,000 since inception



Performance and Market Outlook

Reporting Season signed off

In February, investors witnessed the second most volatile reporting season in the past 10 years. It truly was a stock picker's month. Fairview demonstrated solid outperformance against the Small Ordinaries Index in February.

Five stocks in the Small Ordinaries Index suffered falls of over 20%. In contrast 28 stocks rose by more than 20% - we owned 9 of these stocks. Stock specific issues won out. However, we observed that two key sectors rallied hard; 1. beaten down retailers and 2. disruptors that demonstrated the strength of their business models. Whilst industrial stocks were the focus, resource stocks also put in a credible performance with the ASX Small Ordinaries Resources Index up 5.7% in the month, just slightly behind the Small Ordinaries Industrials Index.

Themes from February

Again and again companies highlighted investment into technology as the key avenue in their search for cost efficiency. This drive for cost reductions is a response to a low organic earnings growth environment. The ASX top 100 stocks are forecast to deliver 4.2% EPS growth in FY20, not too bad but perhaps not enough to sustain current multiples. In contrast Fairview's universe, the ASX Small Ordinaries, is expected to produce 19% growth. The quest for growth in the large caps suggests M&A will continue. Indeed Fairview in the last days of February benefited from a proposed takeover of a recent portfolio addition, Ruralco. The bid was at a 40% premium to last trade. This is the first time in two and a half years our unit holders have enjoyed this type of event and we hope the drought has broken. We do not purchase stocks for the fund in anticipation of corporate activity but it is nice when it happens.

Distributing franking credits? – Not yet

One surprise was that potential 'pre Government change' capital management to distribute excess franking credits just did not eventuate. Maybe companies are waiting until the Federal election is called. Another feature of the season was profit adjustments galore from accounting standard changes. These changes often confuse the market even though almost every analyst pretends they understand them. We have always looked closely at the cash flow statement, but in periods of accounting rules changes it is scrutinised even more intensely.

Where to now

After such a strong market the prospect for companies to raise equity capital in the near term is heightened. We've considered this in our portfolio rebalancing. The global themes of trade dislocations and populism will probably resurface and closer to home an election that is shaping up to be fought on envy vs enterprise. It is curious which issue will prevail in a backdrop of declining house prices and a nervous consumer.

Top Three Contributors

Security Name	Sector	Value Added (%)
Appen	Information Technology	0.72
Jumbo Interactive	Consumer Discretionary	0.48
Nanosonics	Health Care	0.47

Appen (APX) has been the 6th best performer in the ASX Small Ordinaries over the past year. A result that beat already upgraded guidance propelled the stock 47% in the month.

Jumbo Interactive (JIN) demonstrated superb margin leverage and management provided insight into its exciting SAAS growth option. Our thesis of greater number of jackpots due to Tatts group changing the odds last year is playing out.

Nanosonics (NAN) was the result we were most sweating on. Alas nervous sweat is the currency of portfolio managers. It was a truly great result with 64% growth in consumables well above our top of the market estimates.

Top Three Detractors

Security Name	Sector	Value Added (%)
Australis Oil & Gas	Energy	-0.47
McMillan Shakespeare	Industrials	-0.39
Webjet	Consumer Discretionary	-0.35

Australis Oil & Gas (ATS) reported a poor drill result for its fourth well in its initial six well drilling campaign. This has caused investors to question the viability of the Tuscaloosa Marine Shale basin. We have reduced our holding.

McMillan Shakespeare (MMS) result was below par, we had already halved our holding in November 2018 but it still hurt. We would speculate that a lower bid price by McMillan Shakespeare for Eclipx could be announced this month.

Webjet (WEB) was our one significant misstep in the February reporting season; we sold in anticipation of a softening domestic consumer. Margin leverage from the group's growing B2B hotels business was stunning. We are still worried about the domestic consumer impact on Webjet's domestic B2C business.

Investment Team



Michael Glenane

Portfolio Manager

BE, MBA

27+ years' Investment Management experience



Tim Hall

Portfolio Manager

BComm

19+ years' Investment Management experience



Leo Barry

Portfolio Manager

BSA, MBA

11+ years' Investment Management experience



Leigh Cronin – *Departed 28 February 2019*

Portfolio Manager

BBus, ACA, GDipAppFin, FFin

19+ years' Investment Management experience

This report is issued by Antares Capital Partners Ltd ABN 85 066 081 114, AFSL 234483 ('ACP'), the responsible entity of, and the issuer of units in, the Fairview Equity Partners Emerging Companies Fund, ARSN 133 197 501 (the 'Fund'). ACP has appointed Fairview Equity Partners Pty Ltd ('Fairview'), ABN 45 131 426 938, AFSL 329052, a specialist Australian small company equities manager, as investment manager of the Fund. An investor should consider the current Product Disclosure Statement ('PDS') for the Fund in deciding whether to acquire, or continue to hold, units in the Fund and consider whether units in the Fund is an appropriate investment for the investor, and the risks of any investment. The PDS is available from nabam.com.au or by calling the Client Services Team on 1300 738 355. The information in this report may constitute general advice. This report does not take account of an investor's particular objectives, financial situation or needs. Investors should therefore, before acting on information in this report, consider its appropriateness, having regard to the investor's particular own objectives, financial situation or needs. We believe that the information contained in this report is correct and that any estimates, opinions, conclusions or recommendations are reasonably held or made at the time of compilation. However, no warranty is made as to their accuracy or reliability. The information in this communication is subject to change without notice. All statements as to future matters are not guaranteed to be accurate and any statement as to past performance is not a reliable indication of future performance. ACP is a member in the group of companies comprised National Australia Bank Limited ABN 12 004 044 937, AFSL 230686, its related companies, associated entities and any officer, employee, agent, adviser or contractor ('NAB Group'). An investment in the Fund is not a deposit with or liability of, and is not guaranteed by the NAB Group.