

Fairview Equity Partners Emerging Companies Fund

30 November 2018



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

48

Contacts

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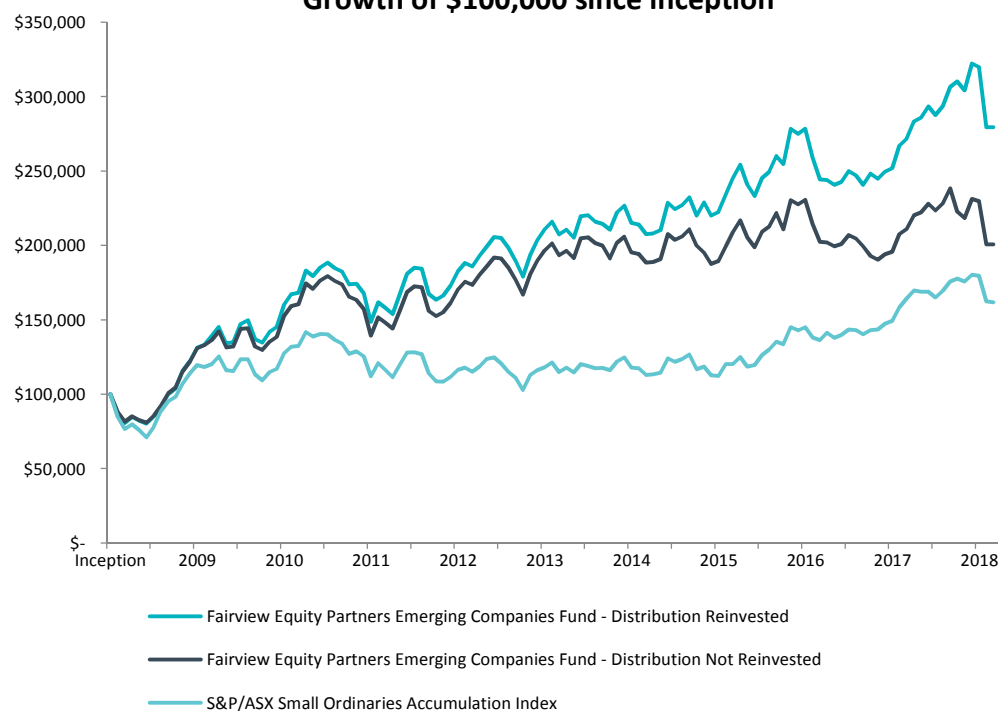
Net Performance

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	0.01	-13.25	2.91	4.49	6.16	13.24	10.66
Benchmark³	-0.37	-10.25	-1.63	10.40	7.07	7.77	4.85
Excess Return	0.38	-3.00	4.54	-5.91	-0.91	5.47	5.81

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

What's neutral mean to the US Fed?

After a considerable de-rating across global equity markets during October, November was always primed to be an interesting month. The two regions embroiled in the Trade War (US and Asia) delivered the stronger equity gains. A bigger impact on the US equity markets was not the mid-term election but the US Federal Reserve's neutrality comments towards the end of the month on interest rates. This re-stimulated investor's risk appetite, and along with the oil price entering a technical bear market (WTI price fell 23% for the month), contributed to a softened view on US inflation. The trade war rumbled along until an early December ceasefire.

While the Australian dollar recorded the first rise versus the key currencies since the start of the year, the domestic equity market was one of few globally that didn't deliver positive gains. The ASX100 Accumulation Index fell 2.4% while the ASX Small Ordinaries Accumulation Index fared slightly better ending 0.4% lower (Small Resources were weak – down 3.8%). Reflecting the indiscriminate nature of the selling over the last quarter, the ASX100 ASX Small Ordinaries along with the ASX Small Industrials and ASX Small Resources are all down 10%. *(Highlighting the abnormality of October, there's only 7 occasion since 2003 the Small Ordinaries Index delivered a 10%+ monthly decline.)*

The fund outperformed the benchmark by 38bps in November, bringing the 12 month excess return above the benchmark to 4.5%.

Goods new in Lithium, but not so for Oil

With the lithium price down 35% in 2018, the sector was due positive news. It came in November with Mineral Resources (MIN) crystallising value in their large WA hard rock asset, announcing the sale of a 50% stake to \$US11bn US-listed industry behemoth, Albermarle. While all lithium exposures delivered positive share price gains (Kidman Resources +34%, Orocobre +30%), MIN was only up 7%, due to a simultaneously announced AGM earnings downgrade (something we'd suspected might occur - so while the fund gained, it wasn't a large position).

Other Small Cap companies to deliver strong share price gains during the month were G8 Education (GEM,+36%) following a trading update indicating improving occupancy trends at their childcare centres, Appen (APX ,+30%) after a strong FY19 earnings upgrade at the AGM due to strong demand for their AI capability, and BWX (+29%) bounced after their AGM earnings downgrade with analysts pointing to its attractive relative valuation. Amongst the weaker performers were Energy names: FAR and Sundance Energy (SEA). FAR dropped 44% after an unsuccessful drill campaign at its West Africa offshore Sambo field, while SEA declined on no material company specific news. Mesoblast (MSB, -34%) fell after a FDA Phase IIb trial study found their heart failure drug did not meet the primary end point. Wagner (WGN, -27%), disappointed investors in its maiden year as an ASX listed company with a poor trading update referencing no large construction projects, while Maca (MLD, -25%) shocked the market with a cost driven earnings downgrade.

The fund avoided the major AGM earnings downgrades (except MIN) but one of our portfolio holdings, McMillan Shakespeare (-14%) did make a bid for another listed company. We prefer to be on the other side of such M&A (ECX, GXL, TRS all received bids).

The team continues to observe various global risk factors with key attention on (but not limited to) Trade wars (China slowdown) and the direction of US inflation. Domestically, beyond the weakening Consumer, we ask ourselves what impact a change in Federal Government (following Labour's landslide victory in VIC) might have on various industries, especially in the context of recent industrial action? Additionally, how might company boards react to the prospect of possible franking credit changes?

Having been asked about the potential for a Small Cap December rally, truth is we don't know (we think few do); particularly when the US President is accused of creating his own fake news on China's cuts to US auto tariffs. What we can say is over the last 17 years, the Small Ordinaries Index has posted December gains 70% of the time, but as we got to print, a positive month is looking highly unlikely. At Fairview, the investment process remains unchanged and we continue to focus on selecting companies that present a strong competitive position enjoying defensive, structural earnings growth tailwinds that are reasonably valued.

Investment Team



Michael Glenane

Executive Director/Portfolio Manager
BE, MBA
24 years' Investment Management experience



Leigh Cronin

Executive Director/Portfolio Manager
BBus, ACA, GDipAppFin, F Fin
19 years' Investment Management experience



Leo Barry

Senior Investment Manager
BSA, MBA
9 years' Investment Management experience



Tim Hall

Senior Investment Manager
BComm
17 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.