

Fairview Equity Partners Emerging Companies Fund

30 November 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

+0.25% / -0.25%

Number of Stocks

57

Contacts

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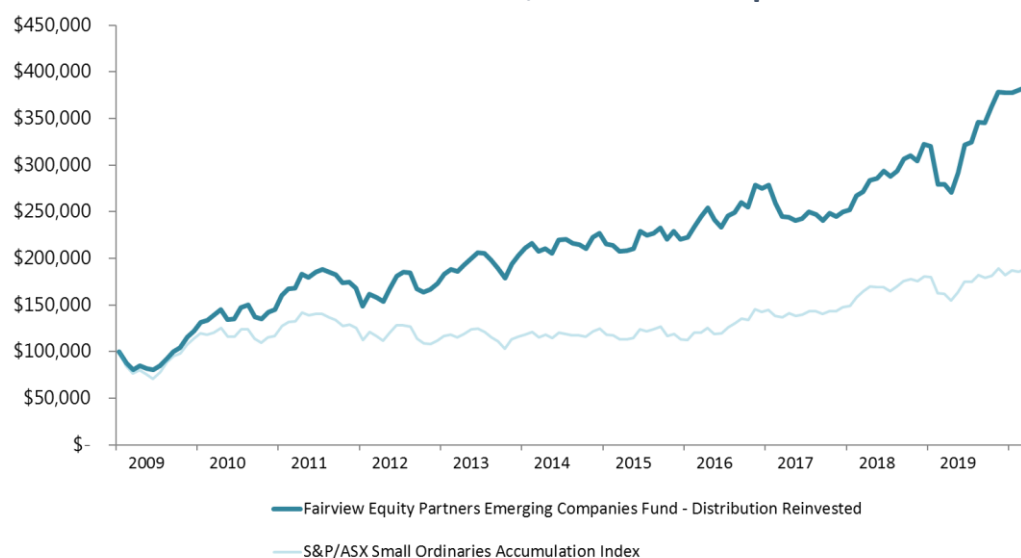
Net Performance

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 Return ²	0.62	1.53	37.06	16.16	13.03	10.66	12.81
Benchmark ³	1.56	3.68	16.62	11.39	10.82	4.60	5.86
Excess Return	-0.93	-2.15	20.44	4.77	2.22	6.06	6.95

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



Fairview underperformed in November. However, it has been a good year and we are especially proud of our three-year outperformance of above 4% p.a. net of fees. These returns will hopefully look even better after a tough December 2016 is rolled off. Generally, November 2019 was a good month for global equities after a poor start due to one man's twitter account. The local AGM season concluded with some ugly downgrades from the likes of G8 Education and Smartgroup. As the year draws to a close it is worth discussing two disciplines the Fund has really focused on this year.

Discipline to Harvest

This has been a calendar year of PE (price earnings) multiple expansion for growth companies. The fund has been harvesting our high growth names all year. The rough ratio has been \$3 harvested for every \$1, incrementally invested in these types of stocks. Consequently, we have dropped the median PE of our Fund by 15%. The question has been asked by unit holders, should a portfolio hold high growth loss makers? We firmly believe yes, provided there is a balance with lower PE names. We recognise such stocks are very difficult to value precisely. Certain growth company characteristics are mandatory for us to include in the portfolio. As tempting as it is, strong revenue momentum is simply not enough for us by itself to invest. We look for a combination of high gross profit margins, low customer churn and low customer acquisition costs. Resultant leverage can be powerful. Nearmap, Altium and Promedius fit the bill. Many others do not.

Discipline to Revisit

Like Pavlov's dogs, fund managers are pre-conditioned to flinch at certain names that have caused their unit holders pain. Three names that have been good 2019 contributors, have each been in the Fund before with mixed results. We tripped in 2013 on Codan. It is a far better business now with a robust distribution channel. Jumbo became a "must have" for our portfolio in March 2018 when the odds where changed to make it much harder to win first division Lotto, where Jumbo relies on large and ever-growing jackpots for strong revenue growth. Supercheap was simply too cheap in March this year and has catalysts for a re-rating.

So, what does that mean for other stocks that have previously stung our unit holders. The most pain from 2016, our toughest year, were owning Bellamy's instead of A2 Milk Company and owning Mayne Pharma. We have revisited these names many times since and still not ready to deploy funds to them. However, the discipline to revisit is key. If we had shied away from Supercheap, Codan and Jumbo, the 12-month numbers would be significantly lower. It is important to review all liquid relevant stocks as all companies evolve, sometimes rapidly. Interestingly the character and personality of key listed company executives does not change much, so at least there is one constant.

Investment Team



Michael Glenane

Portfolio Manager

BE, MBA

28+ years investment management experience



Tim Hall

Portfolio Manager

BComm

22+ years investment management experience



Leo Barry

Portfolio Manager

BSA, MBA

13+ 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 mlcam.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.