Fairview Equity Partners Emerging Companies Fund

30 November 2019

FAIRVIEW EQUITY PARTNERS

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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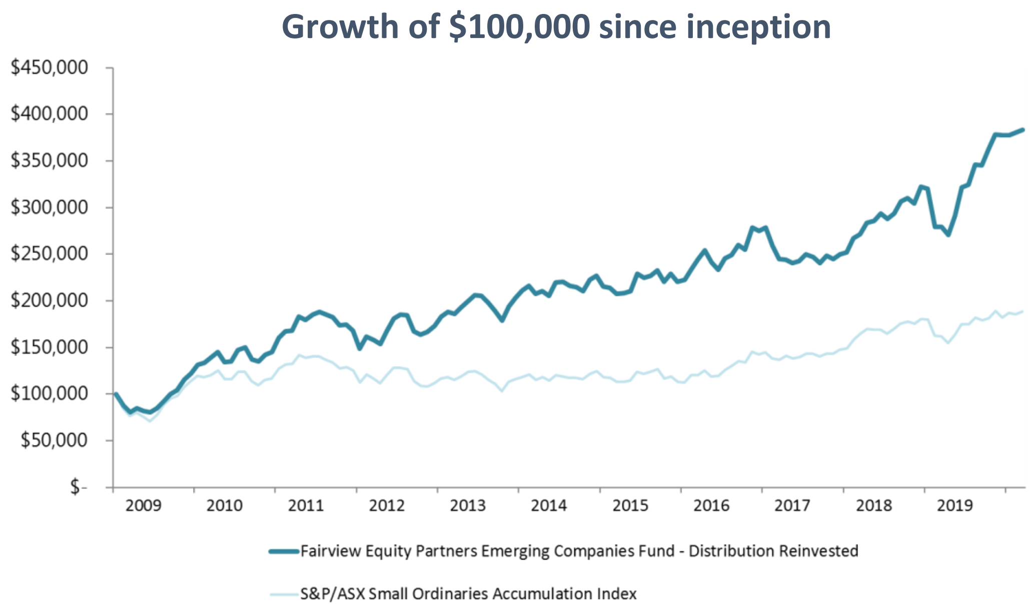
Net Performance

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

[1]Fund inception date: 8 October 2008. [2]Net returns are calculated after deducting management fees and are pre-tax. [3]Benchmark: 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.



2019 Finalist THE AUSTRALIAN FUND MANAGER AWARDS

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 Promedicus 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