

Fairview Equity Partners Emerging Companies Fund

31 October 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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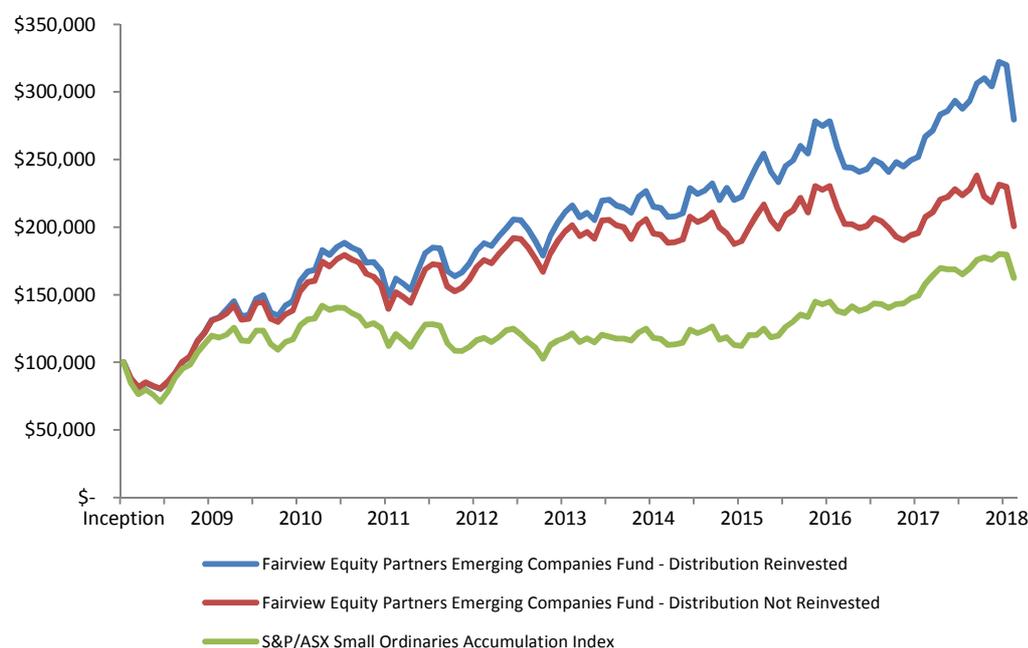
Net Performance

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	-12.6	-8.09	4.69	6.09	5.29	12.33	10.75
Benchmark³	-9.60	-7.67	2.59	10.54	6.00	6.73	4.93
Excess Return	-3.00	-0.42	2.10	-4.45	-0.71	5.60	5.82

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

Global risk off month

It was a torrid month for equity markets around the world with a 'risk off' sentiment in all markets, but mostly felt in Asia, Technology (NASDAQ -11%) and Small Caps (US Russell 2000 -11%). A buoyant Q3 US reporting season (running ~7% ahead of analyst expectations) wasn't enough to counter the backdrop of geopolitical risks and rising yields (notably, the US vs AUS 10 yr yield differential is now at a 37 year high).

Domestically, the ASX Small Ordinaries Accumulation Index fell 9.6%, (the most since May 2012) experiencing the biggest relative underperformance to the S&P ASX 100 for four years (-3.8%). Small Cap Resources (-6%) held up better than the Small Cap Industrials (-11%) due to the strong performance from the safe-haven status of gold exposures, as well as iron ore price strength (up 13% over last 3 months).

Performance

After a strong August performance, we'd repositioned the fund (via harvesting profit in Technology holdings and increasing Resource exposures), but it was not enough. Disappointingly, the fund fell below the benchmark by 3%, crimping the fund's CYTD excess return to 3.8%. This was largely isolated to the last three days of the month and two portfolio companies – Corporate Travel Management (CTD) and Kogan (KGN). CTD (-34%) was a high profile case in the media of a domestic short seller targeting the company with a shopping list of concerns. While the company's valuation has been heavily de-rated, we continue to believe CTD is a quality growth cash-generative business run by a quality CEO. Separately, following the July 2018 GST introduction to all online goods, KGN started the year well with shrinkage in the competitive landscape, but in recent months, the emergence of GST-avoidance from overseas websites has stymied KGN's sales and profit growth. Earnings downgrades followed with the share price falling 50%. Adding to the frustration is that despite our longstanding cautious view on the domestic consumer (further evidenced by the month's weak AGM trading updates) and overall underweight sector position, we thought KGN's Mobile Telco offering would have enabled superior earnings growth. Clearly, we were wrong and have cut our position. Whilst it hurt, we still generated a healthy return over our time as KGN shareholders.

Private Equity - Back and Buying

Private Equity-backed bids and speculation drove the share prices of three small cap companies – MYOB (+13%), Navitas (+13%) and Greencross (+7%). Common to all, was a recent history of poor earnings delivery. None were portfolio holdings. Bigger, liquid names appeared to be sold more aggressively during October, some speculating larger cap funds withdrew exposure from the small cap sector. Equity Capital Market teams were busy, (and frustrated), with Worley Parsons (WOR) undertaking the 2nd largest equity raising of the year (\$2.9bn) while Coronado Coal's IPO disappointed, dropping 10% on its first day of trading, and several IPOs being withdrawn (PEXA the biggest and most expensive at 20x sales). Recent market movements should provide a more sober pricing environment for fresh capital with the door of the post Private Equity IPO boom (2015/2016) looking likely it will remain closed until 2019.

Our active company visitation remains critical to our investment process and this will continue in earnest during November with the team continuing to visit a number of companies, both at site and broker-sponsored Conferences. No doubt the velocity of earnings revisions will continue during the November AGM season, and while it comes as little solace to unit holders given our October performance, the fund presented a reasonably good strike rate of avoiding most of the month's meaningful (>3%) downgrades. Gold and Energy sectors led the earnings upgrades. Finally, since the October sell off the ASX Small Ordinaries Index PE is trading in line with the 5 year average of 15x.

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.