

Fairview Equity Partners Quarterly Combined Investment Report

31 December 2015

Emerging Companies Fund

Fairview Equity Partners is a smaller company Australian equities manager. The Fairview Equity Partners Emerging Companies Fund aims to provide long-term capital growth and some income by outperforming the S&P/ASX Small Ordinaries Accumulation Index (after fees) over rolling five year periods.

Performance Return

Period ending	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Since inception#
31 December 2015						
Fairview Emerging Companies Fund*	3.98%	15.63%	26.48%	12.80%	10.40%	17.72%
S&P/ASX Small Ordinaries Accumulation Index	3.91%	11.33%	10.16%	1.69%	-2.51%	3.12%
Excess Return*	0.07%	4.30%	16.32%	11.11%	12.91%	14.60%
Net Fund Return (after fees & expenses)	3.79%	14.36%	22.20%	9.59%	6.80%	13.78%

* Returns shown are gross of fees at a manager level (pre fees).

Returns over 1 year are annualised. Fund inception 8 October 2008. Past performance is not a reliable indicator of future performance.

The fund outperformed the benchmark during the December quarter.

Performance and Market Outlook

The December quarter was very strong in both relative and absolute terms and this has provided for an excellent full year return to investors. Equity markets finished the year strongly in a remarkably consistent finish to previous years where the final weeks have tended to be positive. We thank our investors again for their support and we look forward to another fruitful year in 2016.

January tends to be a subdued month for corporate news flow although investors need to be alert for updates that may precede the February reporting period. We are generally fairly comfortable with the prospects of companies held within the fund with our relentless levels of company contact ensuring that negative surprises should be minimal. However the Christmas trading period is critical for many companies and it will be interesting to see how they fared during this time.

Key successes during the quarter were Dominoes Pizza who made a reasonably sized acquisition in Germany, Freedom Foods which benefited from the strong share price performance in dairy stocks and finally both of our outdoor media stocks (APN and Ooh Media) that continue to enjoy strong operating conditions.

The major negatives were Sundance Energy due to a weaker oil price, Godfreys which cautioned on weak trading conditions and Select Harvests due to a softening in the almond price.

Other key events in the small cap market were the collapse of Dick Smith due to poor inventory management and a large profit downgrade from Spotless Group. Finally on the positive side Broad Spectrum (ex Transfield Services) received a takeover offer.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the December quarter, 2015.

Positive contributors		Negative contributors	
Magellan Financial Group Ltd	Overweight	Godfreys Group Limited	Overweight
Mayne Pharma Group Limited	Overweight	Sundance Energy Australia Limited	Overweight
Vocus Communications Limited	Overweight	Select Harvests Limited	Overweight
G8 Education Limited	Overweight	Ardent Leisure Group	Overweight
APN Outdoor Group Ltd	Overweight	Reece Limited	Overweight

Contributors

Key successes for the fund include APN Outdoor Group Ltd, which benefited from strong growth in outdoor advertising and Magellan Financial Group Ltd with excellent retail flows over the period. Elsewhere, Domino's Pizza Enterprises Limited recently acquired their German franchise, proving materially accretive to the existing business. Webjet Limited and Mayne Pharma Group also performed strongly on the back of positive recent AGM's with Webjet Limited announcing an impressive full year profit guidance.

Detractors

Sundance Energy Australia Limited was adversely affected by a weaker oil price over the month of December and the fund has since reduced its position. Similarly, a modest drop in almond prices took its toll on Select Harvests Limited shares. Godfreys Group Limited also had a bad month, reporting weak trading conditions in the lead up to Christmas, whilst Ardent Leisure Group was weaker given market concerns surrounding the strength of its gym business. Finally, despite positive commentary at their AGM, Reece Limited's stock weakened given the growing concerns around the new housing market.

Number of stock holdings as of 31 Dec 2015

63

Major Stock Additions

Surfstitch Group (SRF): We are attracted to this inventory light business model which has global growth avenues in many key markets.

Oohmedia (OML): The investment case is similar to our other outdoor media company (APO) with the digitisation of bill boards and solid industry growth driving good growth rates.

McGrath Holding Company (MEA): We participated in the IPO of this company as we believe it is well placed to consolidate the real estate agent industry.

IDP Education (IEL): Through its co-ownership of IELTS the globally recognised English language test it is well placed grow its student placements business.

Major Stock Disposals

Collection House (CLH): We sold our position as we believe the competitive environment will intensify following the entrance of a new global player.

Energy Developments (ENE): We accepted the takeover offer from Duet.

Resmed (RMD): We were happy to exit our position following the strong performance of this stock and it reaching our share price objectives.

Flexigroup (FXL): The company has gone ex growth in most of its business lines and we no longer have a valid investment case.

Contacts

Website

www.fairviewequity.com.au

Email

info@nabam.com.au

Client Services

1300 738 355

Adviser Services

Please contact your NAB Asset Management Investment Specialist.

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