

Fairview Equity Partners Emerging Companies Fund

30 June 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

FEPO1

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

nabam.com.au

fairviewequity.com.au

Email: info@nabam.com.au

Client Services: 1300 738 355

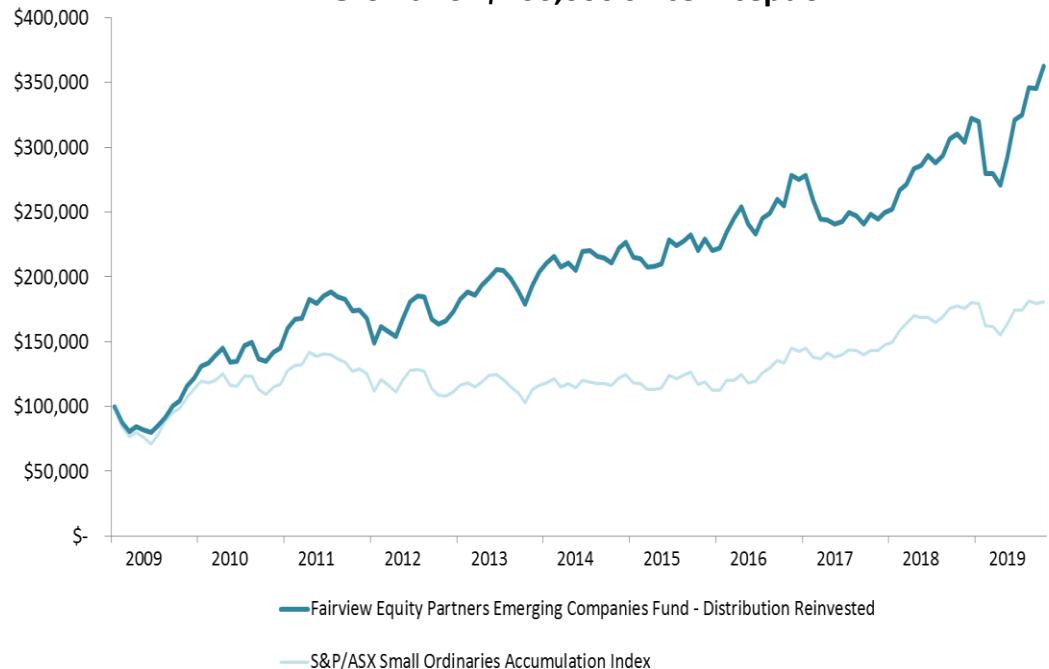
Net Performance

Period	1 month	3 months	1 year	3 years	5 years	10 years	Since inception ¹
	%	%	%	% p.a.	% p.a.	% p.a.	% p.a.
Fund Return²	4.88	11.61	16.82	12.48	11.46	13.31	12.75
Benchmark³	0.92	3.75	1.92	10.67	9.26	6.31	5.69
Excess Return	3.96	7.86	14.90	1.81	2.20	7.00	7.06

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

Strong calendar year performance continued in June

It was a buoyant end to the 2019 financial year for the Fairview Emerging Companies fund, exceeding the ASX Small Ordinaries index by 4.0% in June for a total absolute 4.9% gain. This marks the fund's 8th consecutive month of outperformance and brings the 12 month outperformance to 14.9%, with a unitholder's absolute return at 16.8%.

FY2019 - a tale of two halves for equity markets

The 2019 financial year for global equity markets has been memorable for many reasons (Trade Wars, Brexit, surprise Liberal Federal election victory) but chiefly for its polarised performance across the half year periods. During the first 6 months of the financial year the ASX Small Ordinaries fell 14% (-10% in October) but delivered a 15% gain in the 2nd half, to finish 1% down overall. Compositionally the Small Industrials (+6%) was considerably stronger than the Small Resources (-13%).

Such is the strength of the last six months, there are several global equity indices which have delivered the best start to a calendar year for at least 18 years – the ASX100 is one of them. Surprisingly, despite Brexit's impact on the UK economy, the FTSE100 is another.

Falling interest rates +...

The month of June could be characterised by interest rates and earnings downgrades. On the positive, the Reserve Bank of Australia's first interest rate cut in nearly three years (and the likelihood another would follow, which has since happened in July) propelled rate sensitive stocks (including some lower quality, higher indebted businesses) as well as those companies delivering sustainable earnings growth. The two best performing small cap sectors were Healthcare (+6.8%) and Information Technology (+5.8%). A higher gold price (up 8% to a record high \$A2000/oz) encouraged investor appetite for gold and gold-related mining services. Silver Lake Resources (SLR) was the best performer in the index due to a spectacular high grade discovery within proximity to their existing infrastructure. SLR was added to the portfolio in February and has contributed nicely for unitholders. But not all gold companies were so fortunate - Dacian Gold's share price fell 66% due to the anguish of production cuts and higher costs.

... + Rising downgrades =

Across the small cap sector there were 30 earnings downgrades exceeding 3% (vs 27 in the prior corresponding period). ARQ Group's share price fell 59% after it shocked the market with a 20% EBITDA downgrade due to internal and external issues within their Enterprise digital solutions business. The Fund had no exposure to ARQ. After being a detractor for the fund during May, Vocus Telecommunication's 2nd bidder, AGL walked away from its bid and the share price dropped ~30%. We've never seen 4 bidders walk from an asset before in such quick succession (over a 2 year period), but with the combination of a lower \$A, elusive earnings growth and a reduced cost of debt, we expect to see more cashed up suitors (especially international) hunting assets across the broader equity market.

Finally, the post Federal election consumer sentiment cannonball quickly dropped to the ground culminating with several consumer facing companies pointing to headwinds. Adairs (share price fell 32%) and GTN (-23%) were the most notable smaller cap companies affected, but others included Sealink Travel, Caltex and Star Entertainment. Despite commentary of an electric post-election rebound in car sales, disappointment eventuated yet again for the sector. A high profile retailer called for the Federal Government's opposition party to pass the proposed personal tax cuts.

...A fiscal response?

Observers will be closely monitoring whether the just approved income tax cuts and historically low interest rates will be adequate to stimulate the domestic consumer. With building construction activity slowing, we believe the need for Federal Government fiscal stimulus is apparent (the same can be said globally). July presents a window before the August reporting season for investment banks to present a flurry of IPO opportunities, but so far the attention has been on secondary market REIT raisings (\$1.7bn raised across the sector in June, \$3.7bn 2019YTD), which has experienced the largest year of capital raised since the 2009 emergency GFC recapitalisations. IPO opportunities priced on an earnings multiple have been scarce. The team will remain discerning.

Finally, for unitholders it's worth highlighting equity market volatility and active portfolio management has resulted in the realisation of abnormally large capital gains for this financial year.

Investment Team



Michael Glenane

Portfolio Manager

BE, MBA

27+ years' Investment Management experience



Tim Hall

Portfolio Manager

BComm

19+ years' Investment Management experience



Leo Barry

Portfolio Manager

BSA, MBA

11+ 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.