

Fairview Equity Partners Emerging Companies Fund

31 August 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

+0.30% / -0.30%

Number of Stocks

56

Contacts

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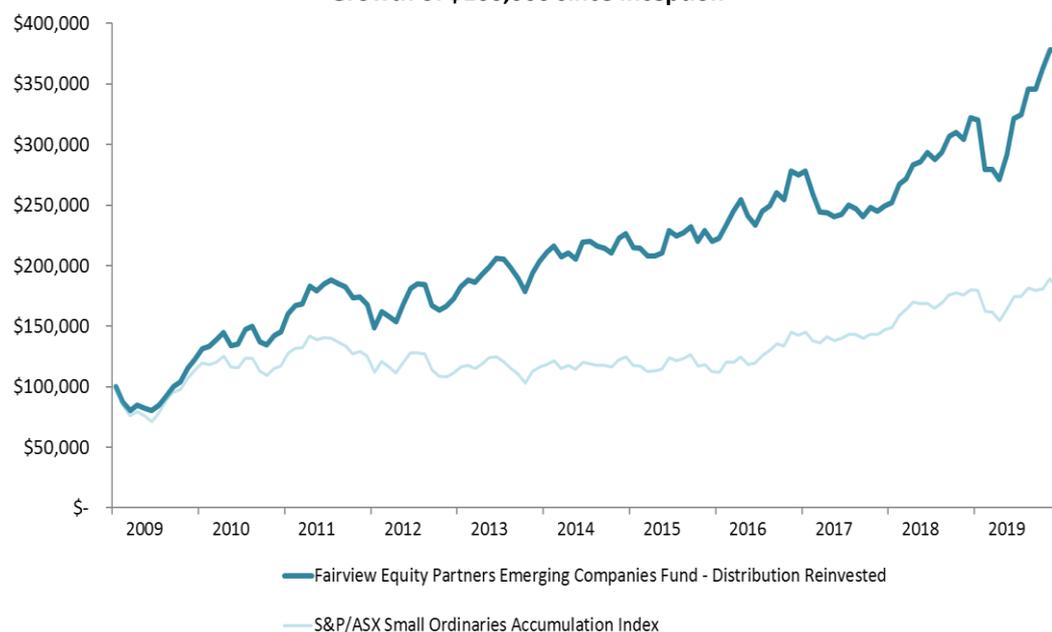
Net Performance

Period	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception' % p.a.
Fund Return^a	-0.31	9.21	17.11	11.14	10.73	11.92	12.96
Benchmark^a	-3.85	1.41	0.95	8.42	7.83	4.79	5.65
Excess Return	3.54	7.80	16.16	2.72	2.90	7.13	7.31

^aFund inception date: 8 October 2008. ^aNet returns are calculated after deducting management fees and are pre-tax.

^aBenchmark: 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

Outlook the key

Another volatile reporting season has concluded. Most commentators consider it was a rather negative season with JP Morgan labelling it the worst reporting season since February 2009 in terms of EPS revisions. As a counter point to JP Morgan, UBS has calculated the small industrials PE discount to large cap industrials is at its deepest since 2013. We lean more to the UBS view and consider this was a season during which outlook statements mattered more than the numbers reported. The dominance of outlook statements was due to a lot of confusion during the month from sell side analysts as a result of changes in accounting standards. The other key aspect to us was how much the market was testing the resilience of business models during the month. Revenue growth, especially organic revenue growth was rewarded.

Deserted

In stock specific news, three companies presented results that caused fund managers to question the viability of their strategies. Speedcast (-59% for the month) seems to change its gearing metrics too frequently and investors deserted it. Amaysim (-35%) was caught in a grinding mobile phone plan price war which has no clear reason to stop. Bellamys (-26%) printed a large revenue decline in spite of a doubling of marketing spend in China. We do not hold these companies in the portfolio.

Discipline and conviction

Fairview strongly outperformed in August 2019. Two factors underlie this outcome; the first was a disciplined approach to reducing active weight in stocks at risk of disappointing in the weeks prior to reporting season. The second factor was our conviction in companies that show repeatable growth in an era of rapid business model disruption. Our process continues to be founded upon stock selection to generate alpha for our unit holders.

What now

We expect a raft of equity raisings this month. The recent surge in the nickel price and a strong gold price suggests quite a few resource companies will raise. REITS also have had their hand out most of 2019. Both groups will most likely use these proceeds for M&A rather than capex. If September is a positive month for key equity market indices then the IPO window could open fast. We are leery of most IPOs with our take up rate declining in recent years. In truth, not many get through the Fairview process and those that do are so well bid by the market that IPO allocations are meagre. Often there are better ways to invest our time.

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.