

Fairview Equity Partners Emerging Companies Fund

31 January 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

50

Contacts

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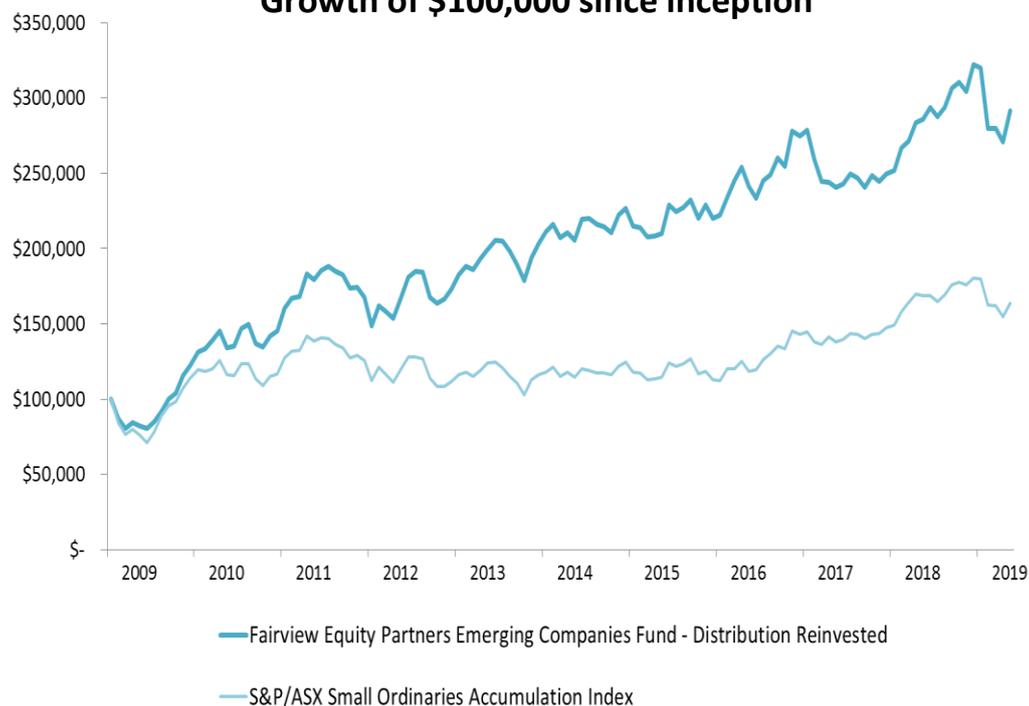
Net Performance

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	7.72	4.38	2.03	6.58	7.28	13.51	10.94
Benchmark³	5.56	0.78	-3.06	11.34	7.37	7.97	4.89
Excess Return	2.16	3.60	5.09	-4.76	-0.09	5.54	6.05

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 start to 2019

Fairview strongly outperformed the index in January - a result right at the top end of our peer group. It continues the recent strong fund outperformance and is a pleasing start to 2019 after the tough equity markets at the end of 2018. The fund's net absolute return for January was 7.8%.

Big bounce in the US and Asia

Market commentators seem more positive now than at the end of December where doom and gloom prevailed. The single biggest macro (and equity market) driver during the month was the US Federal Reserve's dovish comments regarding further rate rises (thwarting the recent bond rally). On the other side of the Pacific Ocean, the Chinese Government eased liquidity into the system by reducing People's Bank of China's required reserve ratios. Amongst the stronger overseas markets were the US (NASDAQ and US Small Caps both up ~10%), while the Hong Kong and Korean markets weren't far behind. Domestically, after a tough last quarter to 2018, it was the first month in four, the Small Ordinaries Index (+5.6%) outperformed the ASX100 Index (+ 3.7%).

Resource capital discipline

Not since April 2018 had the ASX Small Resources index outperformed the Small Industrials in an upmarket. The price of nickel, iron ore and oil all rose >15% for different reasons. At Fairview we remain comfortable holding resource stocks as they are a significant part (~25%) of the ASX Small Ordinaries index. A priority for us when investing in the Resources sector is, understanding company capital management intentions. Previous commodity price upturns have resulted in shareholder capital being wasted in sub optimal project spend, as well as ambitious M&A at elevated prices. We believe companies exhibiting desirable capital discipline include Regis Resources, Whitehaven Coal and OZ Minerals, which currently represent about 9% of the fund's value.

Volatility

As we enter the February reporting season, we observe in the current US Q4 earnings season a *low expectations* bar with many companies delivering better-than-feared results. At the time of writing, 2/3rds of the US S&P500 companies have published results with ~70% beating expectations (slightly lower level than recent times), driving sound share price reactions. Noteworthy is that US companies generating >50% of sales inside US have reported nearly twice the EPS growth rates of more domestically focussed firms (we don't think the same can be said for many Australian businesses). Similar to recent Australian reporting seasons, we anticipate high volatility at an individual stock level. We also believe there's the possibility for a junk rally where companies with heavily depressed share prices report financial results that aren't worse than expected and so get rewarded. We have taken steps in the portfolio to protect our unit holders. Finally, if better equity market conditions continue, we expect the door to more ECM activity may reopen.

Top Three Contributors

Security Name	Sector	Value Added (%)
Nearmap	Industrials	0.51
Costa Group Holdings	Consumer Staples	0.44
Appen	Information Technology	0.35

Nearmap (NEA): The top performer in the Small Ordinaries Index in January was Nearmap, up 41%. Strong contract value growth in key markets was a feature of December quarterly update. We have now held this stock for almost six years.

Costa Group (CGC), which we exited in October 2018, announced a profit downgrade that shocked the market with the share price falling 38% on the day of the announcement. We regard management highly and wait for a possible re-entry point.

Appen (APX): Share price momentum continued following the company’s mid-November market update which prompted a large earnings upgrade. There was no company newsflow in January.

Top Three Detractors

Security Name	Sector	Value Added (%)
Beach Energy	Energy	-0.40
IMF Bentham	Financials	-0.22
Steadfast Group	Financials	-0.20

Beach Energy (BPT), which we do not hold, is one of the biggest index weights in the Small Cap market. For our oil exposure, we prefer Australis instead. Notably, during the month Australis announced flow rates well above the market’s expectations.

IMF Bentham (IMF), once again demonstrated its low correlation to market moves by underperforming in a strong market. On the last day of the month, IMF announced an upsizing of its Rest of World fund which is encouraging news for investors.

Steadfast (SDF): The share price was pressured during January due to investor concern about the possibility of commission fees being abolished as a recommended submission to the royal commission. This didn’t materialise in the final Haynes Report and the share price strongly rebounded in February.

Investment Team



Michael Glenane

Portfolio Manager

BE, MBA

24 years' Investment Management experience



Leigh Cronin

Portfolio Manager – Departing March 2019

BBus, ACA, GDipAppFin, F Fin

19 years' Investment Management experience



Leo Barry

Portfolio Manager

BSA, MBA

9 years' Investment Management experience



Tim Hall

Portfolio 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.