

# Fairview Equity Partners Emerging Companies Fund

30 April 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

54

### Contacts

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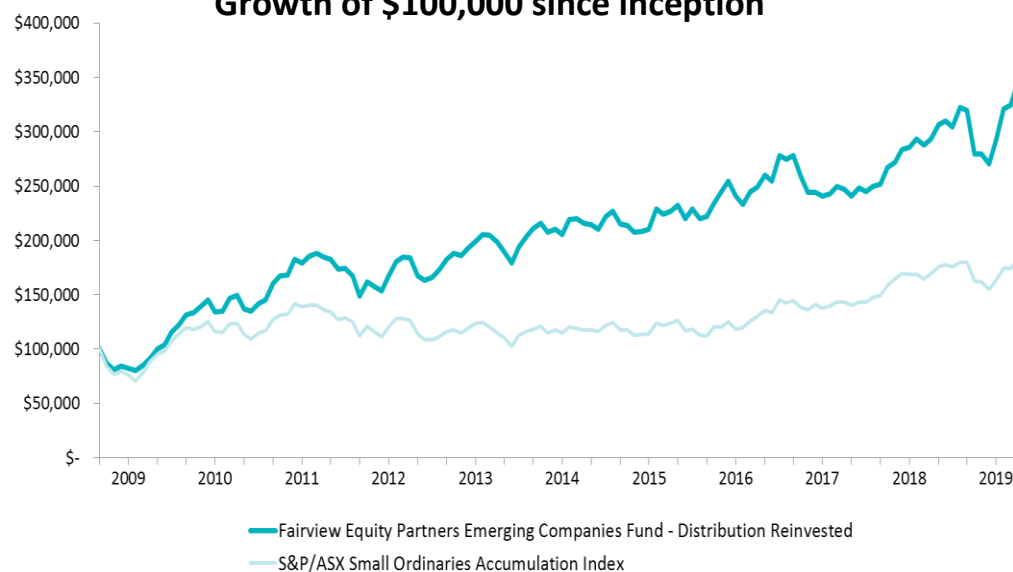
## Net Performance

Period	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception <sup>1</sup> % p.a.
<b>Fund Return<sup>2</sup></b>	6.51	18.53	17.78	11.52	9.87	14.21	12.46
<b>Benchmark<sup>3</sup></b>	4.11	11.04	7.18	11.79	9.11	7.43	5.81
<b>Excess Return</b>	2.40	7.49	10.60	-0.27	0.76	6.78	6.65

<sup>1</sup>Fund inception date: 8 October 2008. <sup>2</sup>Net returns are calculated after deducting management fees and are pre-tax.

<sup>3</sup>Benchmark: 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

### Outperformance now at 11% for the past year

In the best April ASX Small Ordinaries performances seen in a decade, the fund continued its strong performance beating the index by 2.4% for a total 6.5% absolute gain. This marks the 6th consecutive month of outperformance and an 80% strike rate of monthly outperformance (split almost equally in upmarkets vs downmarkets) in the last 17 months. Over the last year, unitholders have enjoyed a 17.8% absolute gain, which is 10.6% higher than the benchmark.

### Inflating trade talks

Globally, nearly all key equity markets enjoyed the prospect of benign inflation and lower interest rates during the month. Adding to the chorus of central banks stepping away from a tightening monetary policy bias were Japan, Sweden, Turkey and Canada. Mutterings of progress in the US/China trade talks continued to filter through various channels in April, but the market sits fingers-crossed for what's to come (more on this below). Noteworthy was the relative softness in China's Shanghai index, but not unexpected given that index had outperformed US S&P 500 Index by 10% over the preceding March quarter.

### Soft resources

Healthy levels of fixed asset investment by the Chinese Government, along with \$A weakness (flat year-to-date), were not enough to suppress the severe underperformance (-10%) of the ASX Small Resources vs Industrials to levels not seen for over 3 years. Overall, the March quarterly updates by the Small Cap miners were devoid of production upgrades – a common phenomenon across the broader Resources landscape due to the capital management over CAPEX mantra. Iron ore and oil continued their stunning prices gains, both up 30%+ so far this year, with the coal price the key laggard, and the gold price flat.

Of the top 10 key detractors across the Small Ordinaries Index during the month, seven were Resources-related with lithium companies (Pilbara Minerals, Galaxy Resources and Altura Mining) featuring prominently due to commodity price weakness mentioned in the April updates.

### M&A bravado

Following a poor March performance, the share price of Eclix (+59%) rebounded strongly, presenting an opportunity to exit our position. Other strong performers, Kogan (+60%) and Megaport (+40%), both provided solid trading updates. Overall, Healthcare (+8%) was the strongest Small Cap sector followed closely by Technology. Taking advantage of its superior operational performance (reflected in its relative valuation), Bravura (BVS) launched a bid mid-month for GBST. Given the potentially attractive earnings accretion, BVS's resultant share price performance has lifted the cash/scrip offer by 10%. There's no certainty to the bid proceeding but in our view BVS is the most synergistic and likely buyer. It's worth reminding unitholders we continue to be vigilant on harvesting profits across our Technology exposure.

### Corporate fence sitting until post-election

With a good portion of the financial year passed, April is always an important barometer on how the domestic economy is performing and often provides a spate of trading updates. This year was no different, albeit the culmination of the Australian Federal Election and the combined Easter/ANZAC Day holiday period has blurred operational trends this year for management teams. Gauging by the omission of trading statements at recent investor conferences, we feel they've been pushed into May and possibly later. That said, the ratio of meaningful analyst earnings downgrades (+/-3%) to upgrades is currently running ahead of the same time last year. Notably, the prospect for wage inflation under a Labour Government has elevated company concerns and hastened a variety of pre-election wage negotiations. As a guide for our US-exposed companies, the US Q1 earning season has been 'better than feared' as the economy ably navigated several headwinds, such as adverse weather conditions and an extended government shutdown, to deliver a healthier EPS beat rate (versus analyst expectations) than the 5 year average (based on 80% of the S&P500 companies). In a backdrop of recent benign market volatility, the short term focus for market participants remains on the direction of global monetary policy as well as the outcome of this month's Australian Federal Election and, at the time of writing, Trump's posturing over increasing tariffs ahead of the imminent US/China trade meeting.

## Top Three Contributors

Security Name	Sector	Value Added (%)
Jumbo Interactive	Consumer Discretionary	0.59
Nearmap	Industrials	0.40
Pro Medicus	Health Care	0.37

**Jumbo Interactive (JIN):** enjoyed strong share price gains due to the healthy sequence of large lottery jackpots providing greater possibility of FY19 earnings upgrades combined with a positive analyst initiation report by a large investment bank.

**Pro Medicus (PME):** continued its momentum of signing large reputable US Hospital contracts for its industry leading radiology imaging software, Visage. The strike rate of tendering success in the US is exemplary and the pipeline of opportunities remains healthy. At a recent investor conference, management re-emphasised operational earnings leverage of the business due to a largely fixed cost base.

**Nearmap (NEA):** The impressive share price run continued during April after analysts' earnings upgrades and broadening of investor awareness. In early May management confirmed robust operating trends have continued with solid ongoing growth in their annualised contracted value.

## Top Three Detractors

Security Name	Sector	Value Added (%)
Oz Minerals	Materials	-0.30
Charter Hall	Real Estate	-0.24
Regis Resources	Materials	-0.24

**Oz Minerals (OZL):** Despite the company reiterating their FY19 copper production guidance and reaffirming Carapateena's commissioning target remains on track for the fourth quarter of this financial year, the share price drifted lower toward the end of the month. OZL presents a healthy pipeline of opportunities so we await continuation of news flow and more importantly, management discipline.

**Charter Hall (CHC):** The property fund manager has delivered stellar share price performance this calendar year (up 30%), but it drifted toward month end as some investors were possibly disappointed an earnings upgrade at a market update did not eventuate.

**Regis Resources (RRL):** While the pre-feasibility Study for their Rosemount Underground venture appears sound, following the March quarterly release, consensus FY19 earnings were revised slightly lower and slippage in their NSW project (McPhillamys) was noted.

## 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](http://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.