

# Fairview Equity Partners Monthly Combined Investment Report



30 November 2015

## Emerging Companies Fund

Fairview Equity Partners is a smaller company Australian equities manager. The Fairview Equity Partners Emerging Companies Fund seeks to provide capital growth and some income by outperforming the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term.

## Performance Return

Period ending	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Since inception#
30 November 2015						
Fairview Emerging Companies Fund*	5.53%	12.85%	22.02%	12.93%	11.50%	17.30%
S&P/ASX Small Ordinaries Accumulation Index	0.02%	6.56%	6.50%	1.47%	-1.93%	2.61%
<b>Excess Return*</b>	<b>5.51%</b>	<b>6.29%</b>	<b>15.52%</b>	<b>11.46%</b>	<b>13.43%</b>	<b>14.69%</b>
Net Fund Return ( after fees & expenses)	4.66%	11.33%	17.99%	9.63%	7.80%	13.36%

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

# Returns over 1 year are annualised. Fund incepted 8 October 2008.

Past performance is not a reliable indicator of future performance.

The fund exceeded the benchmark during the month of November.

## Performance and Market Outlook

The Small Ords index was flat in November but outperformed the S&P/ASX100 by +0.8%. The Small Industrials index and the Small Resources index outperformed their respective S&P/ASX100 sub-indices by +0.7% and +0.2%. Defensive sectors outperformed resources led sectors. Utilities was the best performer (+11.4%), followed by Telcos (+8.1%) and Consumer Staples (+7.1%). Energy and Materials were the biggest underperformers down -13.6% and -8.1%, respectively, which reversed last months' outperformance for both sectors. The worst performers in the month were largely due to weak trading updates and guidance downgrades. DSH (-62%) announced a A\$60m inventory impairment and said it was unable to reaffirm guidance due to disappointing sales in October and November. MSB (-50%) had a disappointing float on the NASDAQ with an offer price well below initial expectations. BKN (-49%) announced that FY16 revenue is expected to be below FY15 but that cash overheads will reduce.

There was a very solid range of stocks that contributed to the fund's performance during the month but the following are worthy of special mention. SG Fleet was re-rated strongly post the highly earnings accretive acquisition of a peer fleet leasing business (NLC) Mayne Pharma was up over 25% due to a very strong start to the year as outlined at their AGM. Both of our outdoor media companies (APO and OML) both reported robust operating conditions with profit upgrades coming from both companies. Finally Surfstich a relatively new addition to the fund reported both a solid start to the year as well as another acquisition that looks reasonably accretive to the company's earnings.

As alluded to in the previous monthly report we are now more positive on the outlook for the small cap sector. Valuations are broadly more attractive, operating conditions are satisfactory and there is a large pipeline of potential new investments coming from both the IPO market and existing emerging opportunities.

## Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the month of November 2015.

Positive contributors		Negative contributors	
Magellan Financial Group Ltd	Overweight	Ardent Leisure Group	Overweight
SG Fleet Group Ltd.	Overweight	SpeedCast International Ltd	Overweight
G8 Education Limited	Overweight	Vitaco Holdings Ltd.	Overweight
Mayne Pharma Group Limited	Overweight	Lynas Corporation Limited	Not Held
APN Outdoor Group Ltd	Overweight	Bellamy's Australia Ltd.	Not Held

## Contributors

Key successes for the fund include Magellan Financial Group Ltd which reported strong FUM growth over the month and SG Fleet Group Ltd which made a large and highly accretive acquisition. As revealed in their AGM update, Mayne Pharma Group Limited has had a positive start to the year across the company's product group, whilst G8 Education Limited made some corporate governance improvements with a new auditor and a new chairman. APN Outdoor Group Ltd continues to benefit from buoyant conditions for outdoor advertising.

## Detractors

Ardent Leisure Group was adversely affected by a confusing update given at its recent AGM, providing little detail on the trading conditions for its key divisions. Similarly, SpeedCast International Ltd. had provided little new information with the stock consolidating after a strong run.

Number of stock holdings as of 30 Nov 2015

64

## Contacts

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