Fairview Equity Partners
Monthly Net Investment Report

30 November 2017

FAIRVIEW EQUITY PARTNERS

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 30 November 2017	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Since inception#
Fairview Emerging Companies Fund*	1.74%	8.82%	11.12%	9.37%	7.87%	11.55%
S&P/ASX Small Ordinaries Accumulation Index	3.91%	11.60%	20.50%	13.36%	7.40%	5.59%
Excess Return*	**-2.17%**	**-2.78%**	**-9.38%**	**-3.99%**	**0.47%**	**5.96%**

** Returns shown are net of fees at a manager level (pre tax).*
 # Returns over 1 year are annualised. Fund inception 8 October 2008.
Past performance is not a reliable indicator of future performance.

Performance and Market Outlook

Global Equities posted a mixed month. Without the US market's positive contribution, the MSCI World Index would have delivered a slightly negative result. Aiding the US stockmarket's strength was another strong earnings period, falling US dollar and improved optimism for tax reform. For the first time in a decade the Bank of England raised rates (+0.25%), and for the first time since 2000, the Australian vs US bond yield inverted, signalling the divergence in central bank policies and potentially aiding Australian-based US$ earners. Over the last quarter the $A has fallen 8% against the GBP and is 5% lower to the USD and EUR. Domestically, the S&P/ASX 200 consolidated last month's strong performance with another +0.9% gain.

For the 7th straight month the Small Ordinaries Accumulation Index exceeded the performance of its larger peers delivering a 3.9% return. A call for an Australian banking enquiry was a drag on the S&P/ASX 100 (+1.3%). Yet again, despite another strong month the Small Industrials (+3.0%) trailed the Small Resources (+7.9%), with the strength in lithium stocks and the iron ore price a feature, while base metal prices were softer. Oil price momentum continued, up 35% since the June low, and 8% since the start of CY17.

The month's strongest performers in the Small Ords all delivered 30-35% returns with no consistent theme - Elders (ELD) was one of several agriculture-exposed stocks to report, delivering a solid earnings update and resumed paying dividends (including a special dividend), Appen (APX) announced a highly accretive US-based acquisition, and Impedimed (IPD) rebounded after a weak October in anticipation of forthcoming positive newsflow. In the buoyant Energy Sector, AWE (AWE) received a takeover bid on the last day of the month with the Chinese bidder withdrawing 5 days later, while Pilbara Minerals (PLS) continued to advance offtake opportunities for its lithium product. Earnings downgrades were a key feature for 3 of the 5 worst Index performers - Monash IVF (MVF), -23%, is suffering from the departure of a high-volume clinician with 1H18 earnings now forecast to be 20% below pcp; underperforming civil contracts hurt MACA (MLD), -20%, while Webjet (WEB), -18% pointed to several unexpected costs impacting its FY18 profit. Nanosonics (NAN) and Corporate Travel Management (CTD) both fell 15% - an analyst recommendation change pressured NAN while the CTD CEO's share sale punctured stock sentiment. With the post AGM trading window open, Director selling was again a feature for November, although share price reactions seemed more harshly dealt with this year.

Following the AGM season, analyst earnings revisions were skewed heavily toward the negative with nearly twice the level of downgrades to upgrades. Unsurprisingly, consumer-facing businesses were the most prominent on the list with little indication this will change in the immediate term given the confluence of the sector's cyclical and structural challenges - a reason for our sector underweight position. Overall, while the ratio of the fund's earnings upgrades to downgrades was very pleasing, the effect wasn't, with the one downgrade having a disproportionate impact on the fund, pushing us behind the benchmark. Internally this is immensely frustrating given the level of active idea generation and signs of recently improving investment performance. Year to date, the fund has delivered a double digit return and we believe the portfolio is well positioned with a diverse blend of companies possessing strong qualitative attributes and earnings outlooks stronger than the broader market.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the month of November 2017.

Positive Contributors		Negative Contributors	
Credit Corp	Overweight	Webjet	Overweight
McMillan Shakespeare	Overweight	Corporate Travel	Overweight
Ausdrill	Overweight	BWX	Overweight
Speedcast	Overweight	Mayne Pharma	Overweight
A2 Milk	Nil holding	RCR Tomlinson	Overweight

Contributors

Credit Corp (CCP) continued its history of upgrading earnings at the AGM while also pleasing investors with increased debt ledger purchase intentions. Acceleration in their US operations is very positive for the company's medium term outlook.

McMillan Shakespeare (MMS): While characteristically not providing explicit earnings guidance at the AGM, commentary suggested positive FY18 trading conditions.

Ausdrill (ASL) announced a number of contract extensions, giving the market additional earnings comfort.

Speedcast (SDA): With a backdrop of an increasing oil price to aid growth in their Energy division, the company provided comfort on the achievement of FY17 guidance and acquisition synergies. Additional contract wins was another sign of positive operational momentum.

A2 Milk (A2M) earnings upgrade was not adequate to maintain its recent strong share price trajectory as it migrates into the S&P/ASX 100 Index during December.

Detractors

Webjet (WEB) disappointed the market with FY18 earnings guidance at its AGM requiring a 10% downgrade to consensus estimates, due to a range of ongoing and one-off costs. Underlying operating trends appear unchanged and management's recent tendency has been toward setting conservative profit expectations. WEB is one of few S&P/ASX200 companies the market currently anticipates can nearly double earnings over the next 3 years.

Corporate Travel (CTD): The market reacted poorly to the CEO's divestment of 5% of his holding in the company.

BWX (BWX): Following strong share price appreciation in October after another US acquisition, the market consolidated some of the recent gains.

Mayne Pharma (MYX): Strength in the speciality Pharma division has been a shining light in a business enduring extreme US Generics market pressure, but weak script data early in the month invalidated our investment thesis and prompted us to exit our holding prior to month end. The subsequent AGM update confirmed our thinking and resulted in the market reducing FY18 earnings expectations by 16%. We'll continue to monitor.

RCR Tomlinson (RCR) continued recent order book strength adding another $400m+ Solar contracts, but the market disliked the CEO stock selling and broker suggestion that FY18 earnings will be second half weighted.

Top Ten Holdings

We highlight below our top ten holdings within the portfolio, in alphabetical order, as at 30 November 2017

Ausdrill	IDP Education
BWX	McMillan Shakespeare
Corporate Travel Management	Mineral Resources
Costa Group Holding	Regis Resources
Credit Corp Group	Webjet

Number of stock holdings as of 30 November 2017	**55**

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