

# Fairview Equity Partners Emerging Companies Fund

31 March 2019



Quarter 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

53

## Contacts

nabam.com.au  
fairviewequity.com.au  
Email: info@nabam.com.au  
Client Services: 1300 738 355

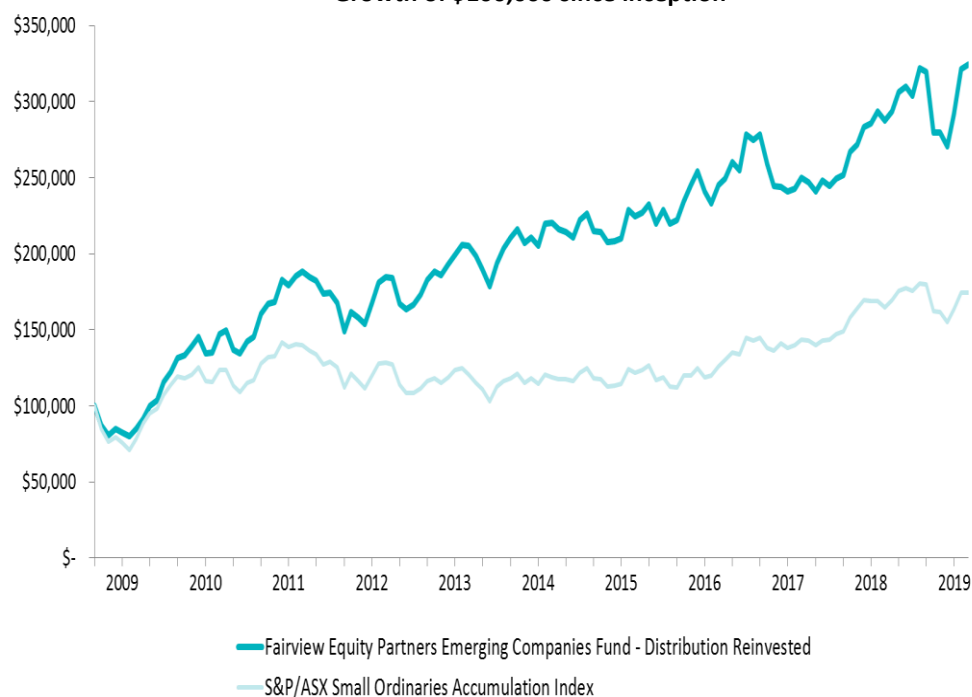
## Net Performance

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>	1.06	19.88	12.86	9.80	8.07	14.34	11.90
<b>Benchmark<sup>3</sup></b>	-0.12	12.59	5.78	11.41	7.97	8.36	5.46
<b>Excess Return</b>	<b>1.18</b>	<b>7.29</b>	<b>7.08</b>	<b>-1.61</b>	<b>0.10</b>	<b>5.98</b>	<b>6.44</b>

<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

We are pleased to report that the Fairview Emerging Companies Fund outperformed the Small Ordinaries Accumulation index by a net 118 basis points (1.18%) in March. Small Industrials were up 0.4%, whilst Small Resources were down 2.0%, underperforming the S&P/ASX100 Resources by -4.5%. Interestingly no negative news on the US China trade front was generally favourably looked upon by investors. Declining global bond yields were an important discussion point during the month. Domestic politics was the other focus during March. The Federal Budget was, in the main, pre announced and equity market reaction was a muted positive. Over the quarter, all equity markets rebounded strongly with the Small Ordinaries outperforming the ASX100 by 250bpts and iron ore and the oil price delivering strong gains (both up 20%+).

### Bellamy's up on hope

Among the top performers in the ASX Small Ordinaries index during March was Bellamy's (+36%) which rose on optimism that it will secure its Chinese accreditation. We do not own this stock as it appears to us that forecasts are simply too high. The worst performer in the month was Eclipx (-68%) enduring the confluence of an earnings downgrade as well as the withdrawal of McMillan Shakespeare's bid. Wagners (-32%) fell on the announcement that it had elected to suspend the supply of cement products to Boral following a contract dispute. At the end of the month it is now trading 16% below its IPO issue price.

### Social media in the cross hairs

One issue that slipped under the radar and needs more attention was proposed legislation by the Morrison Government targeting social media executives. Australian Attorney-General Christian Porter was quoted 'the Criminal Code Amendment Bill (2019) will include new offences with penalties of up 10% of a company's annual turnover and potential prison sentences for executives of social media companies who fail to act to remove abhorrent material from their websites'.<sup>[1]</sup>

### No immediate solution

Any proposed legislation will be supported by the Labour party. If enacted Australia will lead the world and could prompt other countries to follow suit. We believe such laws would be the last thing that global tech giants will want to happen. We can safely assume that the average social media executive would not thrive in jail. Minister for Communications, Mitch Fifield said that "social media companies, like Facebook, met with the Prime Minister, the Attorney-General, myself and Minister Dutton earlier this week did not present any immediate solutions to the issues arising ..."<sup>[1]</sup> In truth Artificial Intelligence is not yet up to the task that government is demanding but one day will be. A recent conversation Fairview had with a technology leading light suggested that with high gross margins and enormous cash flows the social media companies' only real response is to invest, quickly..... enter Appen.

#### Reference

1. Prime Ministry of Australia 30 March 2019 *Tough new laws to protect Australians from live-streaming of violent crimes*, media release, accessed 8 April 2019, <<https://www.pm.gov.au/media/tough-new-laws-protect-australians-live-streaming-violent-crimes>>

### Top Three Contributors

Security Name	Sector	Value Added (%)
Jumbo Interactive	Consumer Discretionary	0.5
Charter Hall Group	Real Estate	0.4
St. Barbara	Materials	0.3

**Jumbo Interactive (JIN)** has doubled this calendar year. The market is starting to appreciate the leverage from multiple jackpots. Out of all the stocks in our portfolio we consider Jumbo has the greatest probability of a capital return to shareholders in the short term.

**Charter Hall (CHC)** a very long term Fairview portfolio holding benefited from cap rate compression and a lack of quality REIT exposures in the Small Ords.

**St. Barbara (SBM)** which we do not own provided its investors with a very poorly received mass extraction feasibility study for its Gwalia mine on the 22<sup>nd</sup> of March. It was off almost 30% that day.

### Top Three Detractors

Security Name	Sector	Value Added (%)
Eclipx Group	Financials	-0.3
Wisetech Global	Information Technology	-0.2
IMF Bentham	Financials	-0.2

**Eclipx Group (ECX)** shareholders, a small position in the fund, suffered the double indignity of McMillan Shakespeare (a much larger position in the Fairview fund) wisely withdrawing its takeover offer and a profit warning.

**Wisetech Global (WTC)** is not owned by Fairview unit holders. Wisetech purchased Containerchain and updated revenue guidance. Interestingly the stock rose as earnings expectations fell.

**IMF Bentham (IMF)** was down 11% in the month, we consider our thesis is intact.

## 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.