

# Fairview Equity Partners Monthly Combined Investment Report



31 May 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 31 May 2015	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Since inception#
Fairview Emerging Companies Fund*	2.42%	1.83%	9.53%	14.94%	14.69%	17.29%
S&P/ASX Small Ordinaries Accumulation Index	2.35%	2.03%	7.69%	3.55%	2.22%	3.61%
<b>Excess Return*</b>	<b>0.07%</b>	<b>-0.20%</b>	<b>1.84%</b>	<b>11.39%</b>	<b>12.47%</b>	<b>13.67%</b>
<b>Net Fund Return ( after fees &amp; expenses)</b>	<b>2.31%</b>	<b>1.55%</b>	<b>8.36%</b>	<b>11.56%</b>	<b>11.13%</b>	<b>13.53%</b>

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

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

Past performance is not a reliable indicator of future performance.

The Small Ordinaries Index was boosted by a solid performance across most industrial sectors during the month of May with the information technology sector posting the strongest returns

## Performance and Market Outlook

Small-cap Industrials out-performed large-cap Industrials by almost 2.5% and these two segments are now trading on the same multiple of around 17x next year's earnings. This multiple is around 20% above the historical 10 year average forward PE multiple for small-cap Industrials.

On the above metrics it is difficult to suggest that the market overall is cheap, however, risks appear to be fairly modest as well. Clearly, cash rates remain supportive for all real assets classes, corporate balance sheets are still conservatively geared, and commodity prices appear to have stabilised. Another element of support for resources was the first wave of M&A activity with takeovers announced for Sirius Resources and some corporate activity on the register of Gold Road Resources.

Not surprisingly given overall market valuations, IPO activity continues to be reasonable with Adairs, Greenstone and Murray Goulbourn being three of the more obvious candidates. We are positive on the Adairs story – this company is a leading specialty retailer of home textiles and home wares with a solid vertically integrated model. Murray Goulbourn we are cautious on given its debt levels and reliance on dairy commodity prices.

Finally May was also an extremely busy period for conferences and company visits and not only are we up to date with the companies the fund owns but there are also many prospective investments now under consideration.

## Performance Attribution

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

Positive contributors		Negative contributors	
Sirius Resources NL	Overweight	REA Group Ltd	Overweight
Sirtex Medical Limited	Overweight	Magellan Financial Group Ltd	Overweight
Beacon Lighting Group Ltd.	Not Held	Independence Group NL	Overweight
Select Harvests Limited	Overweight	Duluxgroup Limited	Overweight
Mantra Group Ltd.	Overweight	Charter Hall Group	Overweight

## Contributors

The month ending 31 May 2015 has seen a number of varying contributors to performance. Stocks of note included, Sirius Resources who received a takeover offer from Independence Group. Sirtex Medical Limited released some promising clinical trial data. Beacon Lighting Group Ltd benefited from a strong trading environment in housing stocks. Select Harvests Limited continues to strengthen as almond prices have increased due to the Californian drought. Finally, Mantra Group Ltd modestly upgraded guidance during the month.

## Detractors

The stocks that had a negative impact on performance over the month ending include REA Group Ltd who released some disappointing quarterly numbers. Magellan Financial Group Ltd had a slight drop off in retail inflows during the month. Independence Group NL was weaker after its takeover offer of Sirius. Duluxgroup Limited's interim result was a fraction soft and Charter Hall Group was sold off in line with the broader property sector.

Number of stock holdings at end of May 2015:

65

## Contacts – Fund Manager

Fairview Equity Partners Pty Ltd AFSL 329052

Level 17, 90 Collins Street

Melbourne VIC 3000

Phone: 03 9929 9441 Fax: 03 9650 6199

[www.fairviewequity.com.au](http://www.fairviewequity.com.au)

## Contacts - Reporting

Client Services

Email: [info@nabam.com.au](mailto:info@nabam.com.au)

Phone: 1300 738 355

## Important Legal Notice:

Antares Capital Partners Ltd ABN 85 066 081 114, AFSL 234483 ('ACP'), is the Responsible Entity of, and the issuer of units in, the Fairview Equity Partners Emerging Companies Fund (the 'Fund'). An investor should consider the current Product Disclosure Statement ('PDS') and the Product Guide 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 and Product Guide are available from [www.nabam.com.au](http://www.nabam.com.au) or by calling the Client Services Team on 1300 738 355. This report has been prepared in good faith, where applicable, using information from sources believed to be reliable and accurate as at the time of preparation. However, no representation or warranty (express or implied) is given as to its accuracy, reliability or completeness (which may change without notice). 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 recommend investors obtain financial advice specific to their situation. Past performance is not indicative of future performance. Any projection or other forward looking statement ('Projection') in this report is provided for information purposes only. No representation is made as to the accuracy or reasonableness of any such Projection or that it will be met. Actual events may vary materially. Any opinions expressed by ACP constitutes ACP's judgment at the time of writing and may change without notice. An investment in the Fund is not a deposit with or liability of National Australia Bank Limited ('NAB') or any other member of the NAB Group of Companies ('National Australia Group') and is subject to investment risk, including possible delays in repayment and loss of income and capital invested. Neither ACP nor any other member of the National Australia Group guarantees the repayment of your capital, payment of income or the performance of your investment. NAB does not provide a guarantee or assurance in respect of the obligations of ACP, the Fund or Fairview Equity Partners Pty Ltd.