

Fairview Equity Partners Emerging Companies Fund

30 September 2018



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

50

Contacts

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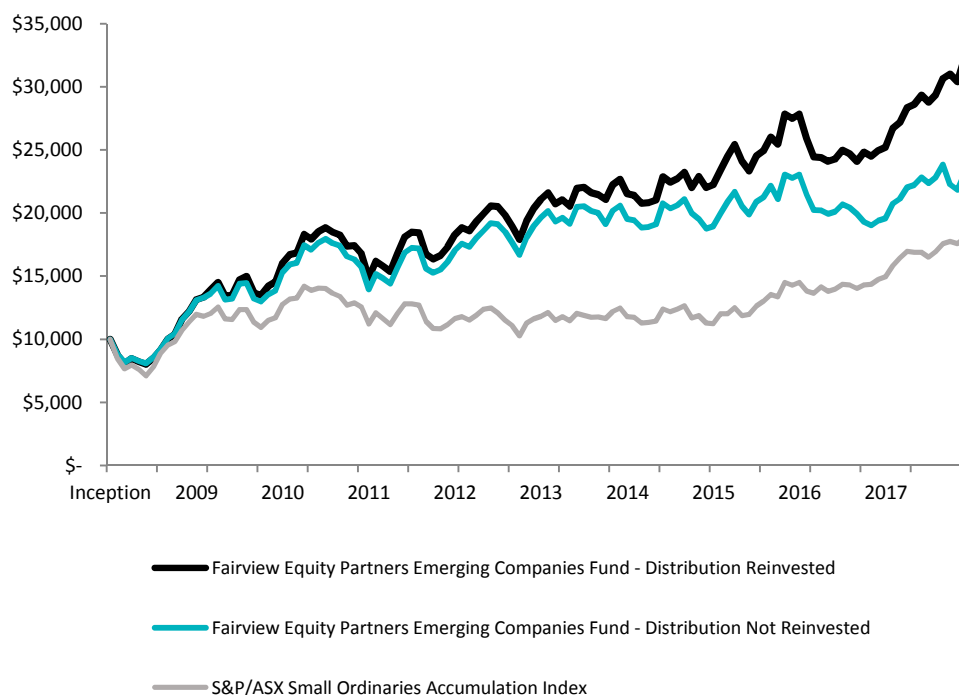
Net Performance

Period	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	Since inception' % p.a.
Fund Return²	-0.70	3.14	27.00	12.90	8.70	12.36
Benchmark³	-0.35	1.10	20.32	16.97	8.75	6.04
Excess Return	-0.35	2.04	6.68	-4.07	-0.05	6.32

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

³Benchmark: 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 \$10,000 since inception



Performance and Market Outlook

Over the last quarter the fund has outperformed the Small Ordinaries Accumulation Index by 2.04%, delivering a total 3.14% gain. During this period the ASX100 has been flat.

After a strong performance in August, the Small Ordinaries Accumulation Index took a breather in September, falling 0.4%, with the fund slightly behind the benchmark.

Since the start of the calendar year the fund has delivered 7.1% alpha.

Resources rebound

September was a month of two halves given the behaviour of the Small Cap Resources. In the first two weeks of September, the Small Resources Index fell 2.8% but snapped back sharply in the last two weeks gaining 2.3%. This left the Small Resources down -0.1% versus the Small Industrials 0.4% weaker. Mid-month the US Government's announced another round of tariffs targeting ~\$US200bn of China goods which turned investors' attention to China's economic strategy and stimulus efforts. Over the quarter, base metal prices have been particularly soft (nickel down 16%), so it was pleasing to see copper rise for the first time in 4 months.

The US\$ takes the lead

Staying on the macro, the \$A took another step down toward 2 year lows (-7% in the qtr) with the US raising interest rates 25bps for the 8th time since December 2016 (3 times in CY18). Typically, we find some investors associate ASX-listed Small Cap companies with domestic economic demand, but there are many companies in our investable universe, and portfolio, that should benefit from their US\$-denominated earnings. The gap between the US and Australian Government 10 yr bond yield is now at levels not seen this millennium - the last time, the \$A vs US\$ was ~60c. It is worth noting strength in the US economy may inadvertently contribute to increasing pockets of inflation in the Australian economy (higher consumer inputs such as petrol as well as rising bank wholesale borrowing rates).

All unit holders are reminded our investment process remains unchanged from a bottom up stock selection process. However, we remain ever mindful of the dynamic external economic and political environment that has the potential to influence the profit outlook of our investee companies.

Healthy, and not so healthy, Healthcare

Turning our focus domestically, Healthcare was a predominant theme in the Small Caps during September. There was a blend of Healthcare names amongst the better performers, while Aged Care stocks were hurt by the announcement of a Royal Commission into the sector. Given the pain endured by the Financials during their Royal Commission, this was unwelcome. The share prices of Japara, Regis and Estia all fell more than 15%, placing them amongst the key laggards. The fund holds no exposure to the Aged Care sector due to such regulatory risk.

On the positive side of the ledger, Clinuvel (CUV), +50%, was the best Small Cap performer over the month, and quarter. This profitable and cashflow positive company provides relief to an unfortunate European cohort suffering severe skin discomfort caused by sunlight, but is advancing its FDA approval. CUV is a key example of the joys of Small Cap investing, offering a sizeable market value with no sell-side research coverage. CUV was added to the portfolio during the quarter with one Fairview team member having monitored the company's progress for 17 years. Mesoblast (MSB), +31%, reached another Phase 3 trial milestone announcing 180 day survival outcomes for its morbidity product, while a long term portfolio position, Pro Medicus (PME), +23%, continued recent strong share price gains following management meetings with investors.

Small Cap companies that reported their July year-end financial results in September were largely in line (ex Nufarm), but Myer did have a healthy share price bounce (+14%).

Having worked through a long tail of company result meetings in September we now turn our attention to a month of travel, visiting an exciting list of portfolio candidates as well as a large selection of broker –sponsored Conferences. Some companies will also start hosting their AGMs during the back half of October, so we watch with keen interest for their trading updates. No doubt, the Q4 IPO rush will also begin in earnest, but we will remain selective, imposing higher hurdles rates on IPO candidates than existing portfolio holdings.

Investment Team



Michael Glenane

Executive Director/Portfolio Manager
BE, MBA
Over 25 years' Investment Management experience



Leigh Cronin

Executive Director/Portfolio Manager
BBus, ACA, GDipAppFin, F Fin
Over 20 years' Investment Management experience



Leo Barry

Senior Investment Manager
BSA, MBA
Over 11 years' Investment Management experience



Tim Hall

Senior Investment Manager
BComm
Over 18 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 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.