

Fairview Equity Partners Emerging Companies Fund

31 August 2020



Monthly 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 Total Return 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

+0.25% / -0.25%

Number of Stocks

54

Contacts

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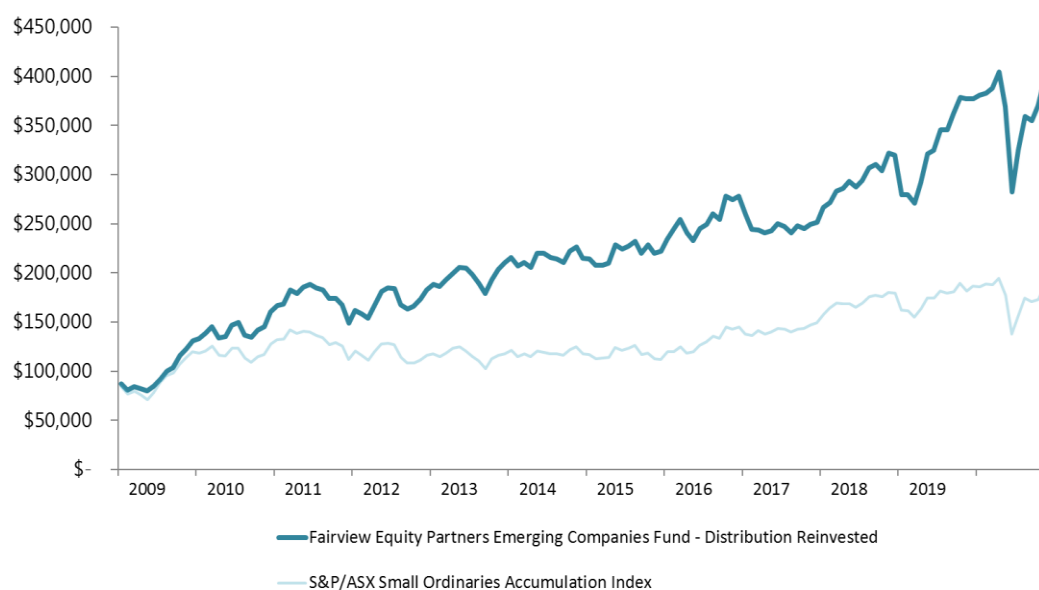
Net Performance

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception' % p.a.
Fund Return^a	7.43	10.69	5.41	16.80	12.57	10.60	12.31
Benchmark^a	7.24	6.61	2.07	8.02	10.48	4.73	5.34
Excess Return	0.19	4.07	3.35	8.79	2.09	5.87	6.97

^aFund inception date: 8 October 2008. ^aNet returns are calculated after deducting management fees and are pre-tax.

^aBenchmark: S&P/ASX Small Ordinaries Total Return 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



Monthly Commentary – August 2020

August boomed

In a remarkably strong month for equity markets, the Fairview Equity Partners Emerging Companies Fund delivered an absolute 7.43% gain, which was 0.19% ahead of the ASX Small Ordinaries Total Return Index. It was a pleasing performance given the previous month (3% alpha) already saw many portfolio holdings provide their earnings updates.

Industrials rebounded

Vaccine optimism, resilient corporate earnings and the US Federal Reserve's 'lower for longer' interest rate tone supported a 'risk-on' attitude to global asset classes. This negatively affected the USD and the gold price's recent momentum. It was only the second month this year the AUD gold price has fallen. Mining stocks took a breather with the ASX Small Industrials (+9.6%) outperforming the ASX Small Resources (-1.5%) by 11%. The Materials sector was the only Small Cap sector to fall, albeit Mineral Resources was a good portfolio contributor (share price +13%).

Online consumption soared...

On the flipside, consistent trends to the recent US earnings season were witnessed here. Online consumption was rewarded in Consumer Discretionary (+16%), Technology (+7%) and Telecommunications (+8%). A greater skew to Retail aided the Small Caps outperformance of the ASX100 Index by 2.5%.

with accelerated adoption...

As evidence of the accelerated disruption thematic, one company suggested US online retail penetration saw ten years of adoption within a three-month period. Overall, COVID sensitive sectors (Media, Retail, Travel, International Student Education) featured in the top ten best Small Cap share price movers in August. For retailers, with demand, staff and rent costs all influenced to some degree by fiscal stimulus in a backdrop of a rising savings rate, understanding where real earnings might be in the next few months requires a degree of wizardry. The Fund's key retailer exposure generally relied very little on JobKeeper. Providing some comfort to importers was the AUD strength, as it hit a two year high against the USD. In many cases, share price reactions were unpredictable and wild. This was in part a reflection of varied investor timeframes and a steep rise in asset write-downs, which should aid forthcoming profits. Cost and capital discipline was rewarded, while cashflow strength was a highlight. Underlying earnings was very much underlined.

but little earnings guidance...

Overall, economic uncertainty and volatile trading patterns resulted in a lack of FY21 earnings guidance with a preference for commentary on current operating conditions, in select cases. The ratio of meaningful (+/-2%) earnings upgrades to downgrades across the Small Caps matched last year, while our portfolio delivered a markedly better strike rate. The market is now looking (possibly optimistically) for FY21 earnings growth from the Small Ordinaries to be double the ASX100 at a comparable valuation multiple.

so, we wait until the AGM season.

All this leads to a fascinating Annual General Meeting season. The extent of earnings projections will be influenced by Australian state lockdowns, a significant step down in fiscal stimulus after September (UBS estimates from \$110bn in Q3 to \$37bn in Q4) and the Federal Government's October 6th budget. In the meantime, a buoyant August share market performance has the investment banks primed with a healthy IPO pipeline. We will remain vigilant while continuing to observe the machinations of the US election and vaccine announcements with a keen eye. Hang in there Victoria.

Investment Team



Michael Glenane

Portfolio Manager

BE, MBA

28+ years investment management experience



Tim Hall

Portfolio Manager

BComm

22+ years investment management experience



Leo Barry

Portfolio Manager

BSA, MBA

13+ 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 mlcam.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.

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