

Fairview Equity Partners Emerging Companies Fund

30 November 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

57

Contacts

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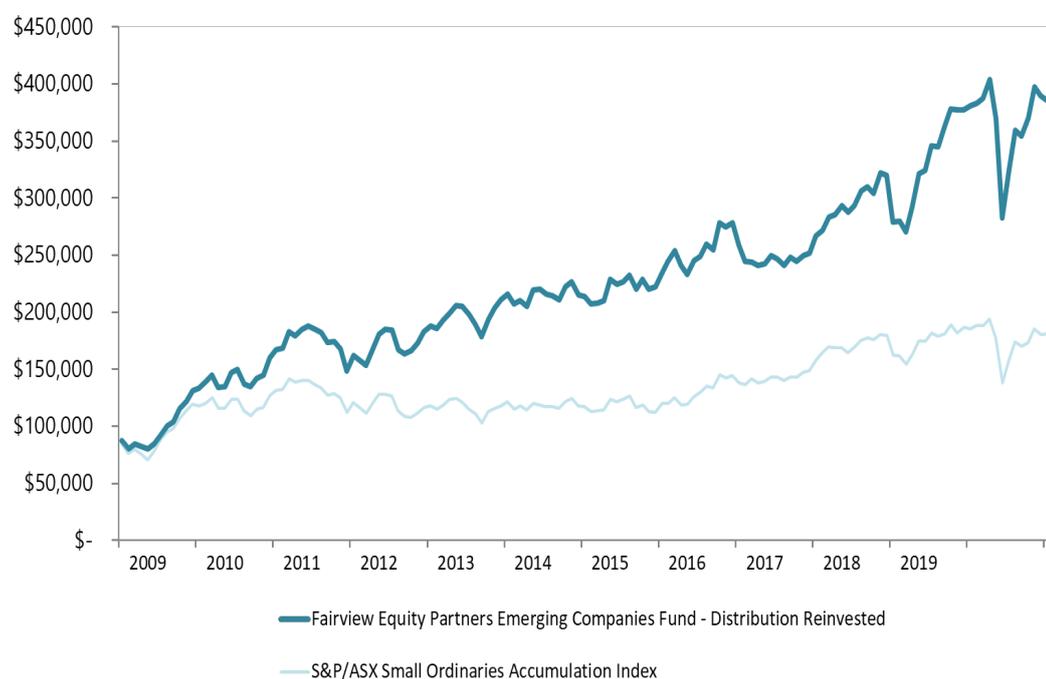
Net Performance

	1 month	3 months	1 year	3 years	5 years	10 years	Since inception'
	%	%	%	% p.a.	% p.a.	% p.a.	% p.a.
Fund Return*	6.55	3.19	7.13	14.75	10.87	9.32	12.33
Benchmark*	10.27	7.66	5.98	6.73	10.71	4.20	5.87
Excess Return	-3.72	-4.47	1.15	8.02	0.16	5.12	6.46

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

*Benchmark: 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 – November 2020

The Fairview Equity Partners Emerging Companies Fund delivered a 6.6% return in November and underperformed the benchmark which posted a 10.3% return. It is not where we wanted to be for unitholders, but we will continue to stick to our well-defined investment process.

Just the sixth time in 30 years

Every month feels extraordinary at the moment. Since the December 1990 inception of the ASX Small Ordinaries Total Return Index, it was just the sixth time the Index rose at least 10% in a month. It happened in December 1993, twice during the GFC recovery (March and April 2009) and three times in 2020 (April, May and November). While in the record books, there has been nine times the Index has delivered a negative monthly performance of at least 10%. But overall, the median monthly performance has been 1.1% over the 30-year period.

Extreme rotation

Positive efficacy data from a vaccine trifecta (Pfizer, Moderna, AstraZeneca) during November and possible distribution towards year end (~40M doses), were unquestionably the cause for optimism. This sparked a switch from COVID beneficiaries to those companies that will most benefit from a recovery in human mobility. The removal of US election uncertainty, a possible Republican senate to curb tax/regulatory change, and the prospect for extra US stimulus, further aided momentum.

The aggressive, and at times indiscriminate, rotation towards cyclical/value stocks meant it was challenging for the Fund to keep up. In the US, 'value' stocks outperformed 'growth' stocks by 350bps. While the portfolio has exposure to 'recovery' names, such as IDP Education, Corporate Travel Management, and Omni Bridgeway, among others, it clearly did not have enough in November.

Quality value

As a reminder, the Fund has a reasonable representation of value stocks. But we have an aversion to structurally challenged, levered value stocks which were also sought by investors. It seemed the market adopted a buy any COVID recovery stock attitude, regardless of quality. Global shopping centre operator, Unibail-Rodamco-Westfield (>10x net debt/EBITDA) was the best 'small cap' performer in the month, up 73%. Some companies' enterprise values are higher than pre-COVID values with no structural change to their market position. Suffice to say, our investment strategy is suited to more 'normal' bottom-up stock picking market conditions. We hope they come in 2021.

Lithium stole gold's luster

The Small Industrials and Small Resources Indices performed similarly (both ~10%), but that belies the pressure the gold sector faced. The AUD gold price fell 10% during the month (-5% in USD) in a risk-on environment. In contrast, battery material-exposed stocks (lithium, nickel, copper) performed strongly. This polarity in performance is depicted in six of the ten worst performers being gold-related (incl. Codan, a gold metal detection business), while four of the best performers were lithium names (Pilbara Minerals, Orocobre, Galaxy Resources and Ioneer). The Fund holds several companies with exposure to the prospect for a re-acceleration of government-stimulated electric vehicle demand. Alongside battery minerals, financials (Virgin UK, Genworth and IOOF) were strong while stay-at-home companies (Kogan, Breville) and the auto names (ARB Corporation, Bapcor, Super Retail, GUD) were weak.

Outbound M&A

As mentioned in a prior report, we like to see portfolio holdings capitalize on their strong competitive and financial position to gain advantage, especially during difficult times. For years, fast fashion jewellery seller, Lovisa, has struggled with gaining store locations in certain key markets due to its low profile and a fragmented landlord environment (unlike Australia). In November it overcame this barrier in Europe (~84 stores) through the clever acquisition of Beeline GmbH. Overall, we were pleased with the AGM updates and earning releases from our portfolio holdings but remain watchful of the growing Australia-China tension.

Given this is the last monthly report this side of Christmas, we would like to thank you for your ongoing support and wish you a safe, healthy and 'social' festive season, and a more 'normal' 2021. We look forward to seeing you.

Investment Team



Michael Glenane

Portfolio Manager

BE, MBA

29+ years investment management experience



Tim Hall

Portfolio Manager

BComm

23+ 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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