

Fairview Equity Partners Emerging Companies Fund

31 October 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

58

Contacts

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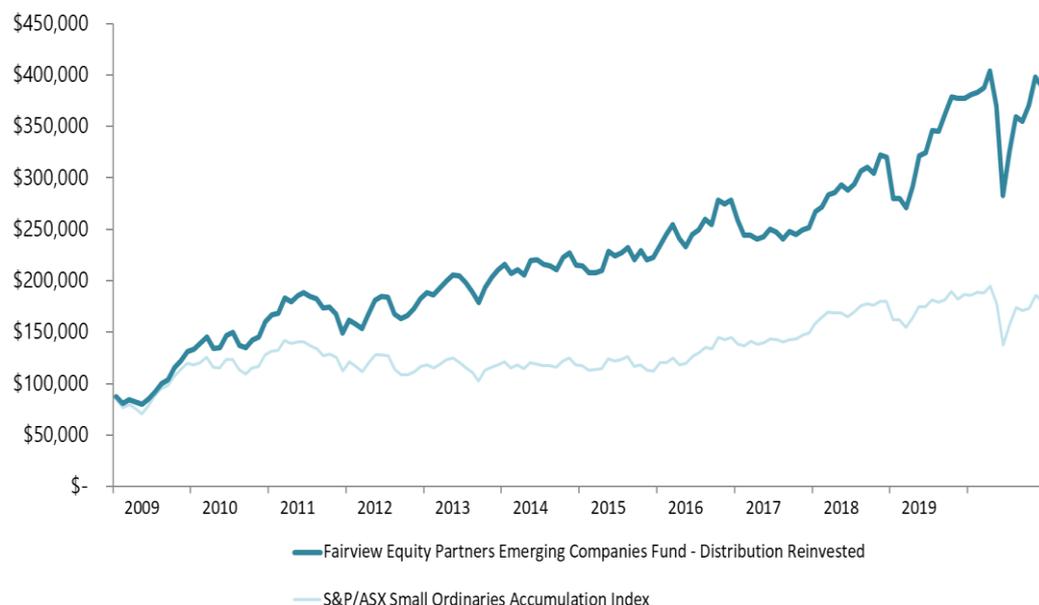
Net Performance

	1 month	3 months	1 year	3 years	5 years	10 years	Since inception'
	%	%	%	% p.a.	% p.a.	% p.a.	% p.a.
Fund Return^a	-1.07	4.04	1.17	13.00	10.48	8.71	11.83
Benchmark^a	0.46	4.69	-2.40	4.63	8.57	3.24	5.05
Excess Return	-1.53	-0.65	3.57	8.37	1.91	5.47	6.78

^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 – October 2020

A month of two halves

In an ‘another’ extraordinary month the Fairview Equity Partners Emerging Companies Fund finished down 1.07% and 1.53% below the benchmark in October 2020. While it is something we clearly seek to avoid, it was only the third time in the last two years the Fund underperformed by more than 1%. Unfortunately, despite our best endeavours, it does happen.

October delivered a tale of two halves with the ASX Small Ordinaries Index up nearly 6.5% by mid-month only to give up most of that momentum, to finish the month up 0.5%. Driving the equity markets higher were a combination of US fiscal stimulus optimism and a strong US earnings season. However, rising COVID infection rates and dwindling hope for a pre-US election stimulus, undid a lot of the gains.

AGM updates start

First quarter trading updates were mostly positive, especially amongst the domestic retailers (e.g. Super Retail, Nick Scali, Temple & Webster), but share price reactions were not. Understandably, management teams remained cautious to ‘*crystal-ball*’ the future, preferring to avoid talking about full year earnings guidance. McPhersons Limited, a portfolio holding, was an exception to this trend. It reported an excellent start to the year with 20-30% first half earnings growth, but then guided the market to more muted full year growth. The share price fell 7% on the day. The ratio of meaningful (+2%) EPS upgrades vs downgrades for our portfolio companies during the month was pleasing.

IPO season in full swing

IPO company quality generally fades as the vintage matures, but in this season, it has been unique (like most things this year). We have seen a flurry of companies whose lifecycles have accelerated due to altered consumption patterns. Given the infancy of some businesses, determining structural or cyclical drivers has been tricky. Most have been too small and do not meet our strict liquidity criteria (average \$75m raised by each of the 12 companies). For now, we will wait and watch as they adapt to life as publicly listed companies – history suggests there will be disappointments. Like overseas markets, mergers and acquisitions have also kept the investment bankers active, but mostly at the bigger end of town (Hub24 was among the most active small caps).

US election nearly over

Finally, to a topic that could be with us for a while longer than we had hoped – the US election. At the time of writing, the likely outcome is for Joe Biden to become the 46th US President but the Democrat powers will be somewhat handicapped by the prospect of a divided congress (known in January). This presents equity markets with a ‘goldilocks’ situation with additional, albeit restrained fiscal spending, the prospect for lower inflation for longer, lower technology sector regulation and reduced chances of a return to high corporate taxes. Jefferies, an American investment bank, notes since 1989 the average S&P500 Index gain has been 34% in periods of a divided government with a Democratic President (vs 23% under unified governments).

Business investment will be key

Meanwhile, we look forward to more news of a potential COVID vaccine (more stumbles in October by J&J and Eli Lilly), which will be very welcome in all corners of the globe, but especially the Northern Hemisphere where cases continue to skyrocket (40% more cases in October vs September). Thankfully, it appears Australia has a clearer health path. Business investment decisions will be interesting to observe, as will global currency movements, especially after the RBA’s 18th interest rate cut in a row (it was the 10-year anniversary since the last rate rise). For many companies, it is still a wait and see approach.

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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