

Fairview Equity Partners Emerging Companies Fund

31 January 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 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

+0.25% / -0.25%

Number of Stocks

54

Contacts

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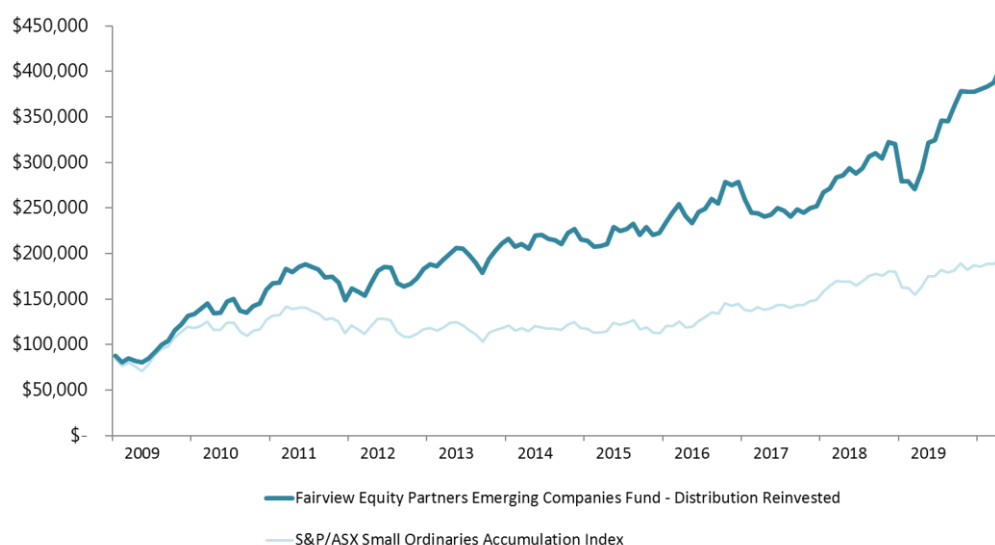
Net Performance

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception' % p.a.
Fund Return²	4.28	6.16	38.54	18.85	13.97	11.66	13.14
Benchmark³	3.38	4.69	18.84	12.12	11.19	5.29	6.05
Excess Return	0.90	1.47	19.70	6.72	2.78	6.37	7.09

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 \$100,000 since inception



Monthly Commentary – January 2020

Off and racing in 2020...

What a month around the world and equity markets! Despite the variety of extraneous events (not trade wars for once but US/Iranian tension, Australia's bushfires and the Novel Coronavirus outbreak) the Small Ordinaries Accumulation Index gained 3.4% over January. Interestingly, while the ASX100 (excluding dividends) continues to reach new highs, the ASX Small Ordinaries Index remains approximately 30% below its pre-GFC peak.

The Fund started the year well, outperforming the benchmark by around 1%.

...with a spike in share market volatility

The Australian equity market shot out of the starter's blocks in 2020, outperforming other global equities early in the month. The Hang Seng Index was particularly weak (-6%) while China's share market was already closed for the Chinese New Year, but subsequently suspended trading due to the coronavirus pandemic. Intra-month the ASX Small Cap Index was up 6% (rivaling the big bounce in January 2019), but gave up some of the gains in the last week. After benign share market volatility in the last quarter of 2019, volatility spiked during the end of January to a four-month high as investor risk appetite was shaken. As an active manager we appreciate the divergence between share prices, but usually under healthier circumstances.

So, what happens in China next?

One of the more subdued sectors from 2019 bounced at the start of January – lithium. The Chinese government deferred a round of electric vehicle subsidy cuts, however, momentum slowed when investors switched their focus to the industry supply and demand dynamics. For an economy already under strain from the US trade war, it will be fascinating to observe how the Chinese government keeps the economy chugging along at 6% growth. Will it be consumption and/or fixed investment led? For now, we consider the potential duration and impact from the coronavirus on both demand and supply for a wide range of industries. Regardless, it's a stark reminder how difficult it can be predicting equity market movements. We're happiest focussing on discovering well managed, under-priced smaller companies.

Australian dollar softens

While the Fund fared well from companies upgrading vs downgrading their earnings during the month, we didn't come through completely unscathed. As many unitholders would realise, Nearmap had been an excellent contributor to the Fund for the last three years. Having gradually reduced our position over calendar year 2019 to a minor holding, the recent disappointing trading update prompted us to exit our remnant position. We'll continue to monitor progress. For the continuing portfolio holdings with overseas operations, the worst monthly fall in the \$AUD for 3 ½ years could provide a welcome tailwind (decade low vs \$USD and EUR, 5-year low vs GBP).

Albeit early days into the domestic reporting season, we're encouraged by the portfolio companies that have released their results in a backdrop of a stronger than expected US reporting season.

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.