

# Fairview Equity Partners Emerging Companies Fund

30 April 2021



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

59

## Contacts

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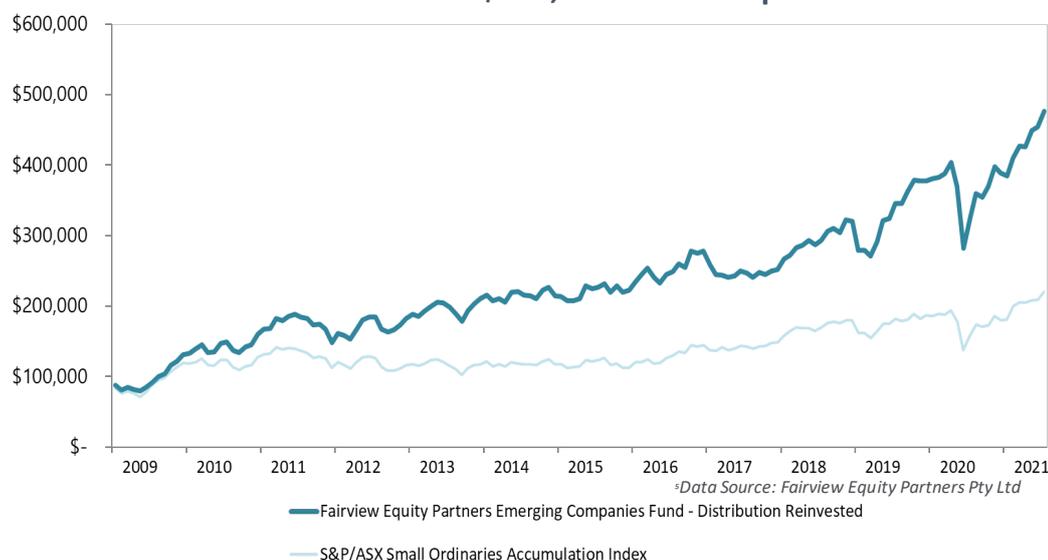
## Net Performance

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception <sup>1</sup> % p.a.
<b>Fund Return<sup>2</sup></b>	4.82	11.72	46.63	17.51	13.82	9.93	13.23
<b>Benchmark<sup>3</sup></b>	4.98	7.44	39.78	9.10	11.10	4.89	6.48
<b>Excess Return</b>	-0.16	4.28	6.85	8.41	2.72	5.04	6.75

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

<sup>3</sup>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



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## Monthly Commentary – April 2021

### Strength in Smalls Caps

Equity markets raced out of the blocks in April with the ASX Small Ordinaries Index peaking at an intra-month 6.5% gain before ending 5.0% higher for the month. It was the third best April performance for the Index in the last 19 years. The Fairview Equity Partners Emerging Companies Fund returned 4.8% net of fees in the month, slightly underperforming the index by 0.2%. The Fund is 4.3% ahead of the Index over the last quarter.

### Technology & resources rebounded

Vaccine delays over blood clotting concerns, a global surge in COVID cases and the central banks' vocal attempt to flatten the bond yield curve, prompted a rotation towards secular growth. The NASDAQ delivered its best month this year, up 5.4%. Domestically, while the small cap technology sector was strong, so too was the resources sector. The ASX Small Resources Index outperformed the ASX Small Industrials Index by 5.6%, reversing the trend in the prior month. The gold price recorded its first monthly gain in 2021 (up 3%), reaching a 2-month high in US dollar terms, as investors potentially saw it as an inflation hedge.

### M&A cycle continues

M&A was a defining feature amongst the better small Cap performers during the month. This year there's been seven bids for companies valued at >\$300m. A 'merger' between Orocobre and Galaxy Resources to potentially create the world's fifth largest lithium company was supported by investors, pushing each company's share price 30% higher. Shoe retailer, Accent Group made an opportunistic foray into the youth apparel via its acquisition of Glue Stores. Given its relatively small store footprint, Glue provides the acquirer another growth avenue. Among the key laggards were two coal stocks. Both Coronado Global Resources and Whitehaven Coal delivered disappointing quarterly updates. The former highlighted a financial liquidity squeeze and subsequent to month-end, was undertaking a \$600m raising.

### IPOs are hot...and not

The largest industrial detractor, which thankfully we did not own, was Nuix, an intelligence software business that joined the ASX in December and in the subsequent few months has delivered a poor result and confirmed the market's recent fears that prospectus forecasts would not be met. The share price is ~30% lower than the IPO price. It's not an ideal backdrop for a buoyant IPO pipeline, given it was the largest non-infrastructure small cap IPO in the last six months (raising ~\$1bn). Another large IPO, Adore Beauty (also not owned) has seen its share price nearly halve. Looking to join the ASX is a pub operator with EBITDA presented before rent, it's certainly a creative representation of the cashflow investors should expect. We continue to remain very selective placing a higher hurdle rate on IPO candidates than portfolio holdings, for a number of reasons, including valuation, the vendor information advantage and their motivation for selling.

### A high hurdle for COVID beneficiaries

An investor rotation from COVID beneficiaries (e.g. Kogan, Adore Beauty and RedBubble) was apparent during the month. Several companies provided solid but slowing sales growth and flagged a cap on earnings leverage, as they look to reinvest into their systems and marketing efforts. Pleasingly the Fund carried no exposure to this thematic, having exited a position in the artist marketplace, Redbubble, prior to the company's quarterly update.

### Input cost inflation

US company earnings continues to be strong. At the time of writing 75% of S&P 500 companies have reported their Q1 results, with 87% beating consensus earnings expectations and the average beat being a lofty 23%. Key takeaways have been the continued reopening momentum as well as inflationary pressures. Management teams are focused on supply chain constraints (especially the semiconductor demand/supply imbalance), higher raw materials (commodity prices) and freight costs, due to a lingering shipping container shortage. Staff unavailability in certain sectors is also a factor. The same themes, along with economic resilience following the end of JobKeeper, have also been evident in Australian company communications at the recent broker-sponsored conferences we've attended.

While not professing to be economists, we're in the Janet Yellen camp, who mentioned the inflation genie may have escaped the bottle, as we're yet to hear a company mention stable input costs or that their pricing isn't going higher.

## 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](http://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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