

Fairview Equity Partners Emerging Companies Fund

30 June 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

54

Contacts

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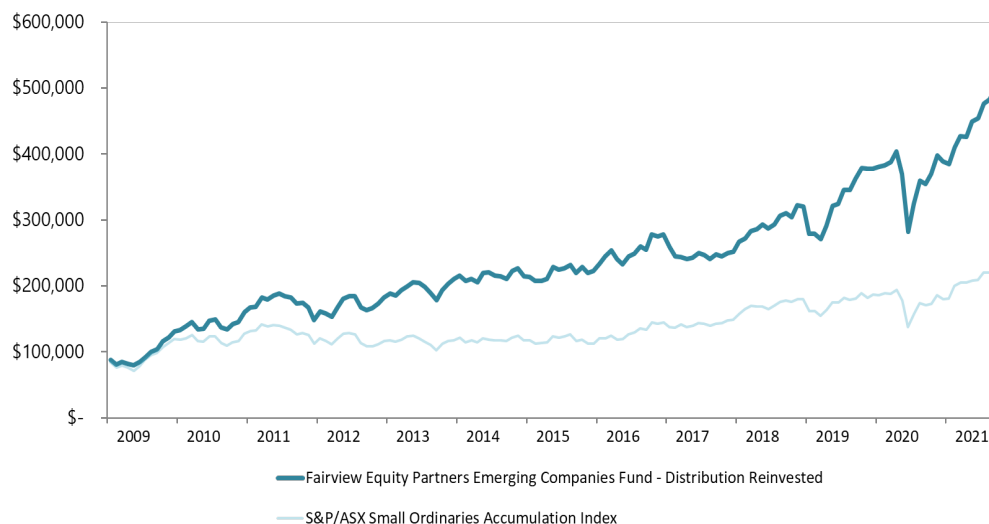
Net Performance

	1 month	3 months	1 year	3 years	5 years	10 years	Since inception ¹
	%	%	%	% p.a.	% p.a.	% p.a.	% p.a.
Fund Return²	3.44	9.81	40.72	17.17	14.41	11.13	13.46
Benchmark³	3.08	8.50	33.23	8.60	11.24	5.99	6.67
Excess Return	0.36	1.31	7.49	8.57	3.17	5.14	6.79

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

³Benchmark: 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 – June 2021

A big end to a big year

The Fairview Emerging Companies Fund outperformed the benchmark by 0.4% during the month and 7.5% over the financial year. A slightly higher level than the average annual alpha generated over the Fund's 12+ year history.

The ASX Small Ordinaries Total Return Index experienced a buoyant month in June, rising 3.1%. This marked the biggest monthly performance for a June period in 12 years. It also capped off a very strong year which saw the small caps record a 33% gain over the 12-month period, beating their large cap peers by 5%. Overall, FY21 was the second-best year for the Small Ordinaries Total Return Index in the indices' history (since March 1997), second only to 2007. This is hardly surprising given the pandemic's impact on markets leading into the 2021 financial year and the subsequent recovery phase.

M&A lights up the tech sector

The world's acquisitive appetite lit a torch under the technology sector at the start of the month. Hansen Technologies and Altium (an ASX100 company) both received bids on the same day. Hansen accepted the private equity buyer's 33% price premium while Altium balked at the offer price. IRESS was also speculated to be in play with a buyer lurking, but nothing's eventuated yet. The Fund had no exposure to these names. Despite more hawkish comments from a US Federal Reserve member towards the prospect of lingering inflation, the US economic data surprise index lost momentum and the increasing spread of the COVID delta variant tempered economic recovery expectations. This pushed the the US government 10-year yield to a four-month low. Given a lower risk-free rate implies a higher company cashflow valuation, all else being equal, this drove substantial outperformance of growth vs value stocks in June. Information technology ended the month as the third best sector performer (+5%), behind the smallest index weight in energy, and healthcare.

Resources took a breather

Resources were the worst performing sector, underperforming industrials by 5% over the month as investors reduced their cyclical exposures. China's attempt at jaw boning commodity markets continued with an attempt on copper this time. Interestingly, China's iron ore import volumes hit a 10-year high in May and the iron ore price is 3% higher since their May attempt at curbing the price. Alas, with the exception of a flat gold price, commodity price strength has been a feature across the year – nickel and copper up 40-50% while the iron ore and coal prices have doubled. The Fund's three biggest detractors during the month were resource companies.

A peek into Reporting Season

Sector earnings revisions during May and June (usually a profit warnings period) have been a very positive lead into the forthcoming reporting season. Indicative of the government stimulated economies and cashed-up households, compared to the prior four-year average of 1.6x meaningful (+/-2%) ASX Small Industrial company EPS downgrade to upgrade ratio, this year has seen a reversal with 1.2x company EPS upgrade for every downgrade.

But without question recent lockdowns will crimp some companies FY21, and possibly FY22, upside earnings riskpotential. Retailers and mobility-dependent industries such as travel will be affected. Additionally, it is expected to curb the confidence of boards and management teams to provide definitive outlook statements and guidance (most will wait until at least their AGMs). Other areas of interest will be margins, pricing power, labour availability, supply chain issues as well as how the market treats companies who struggle to match their lofty pandemic-induced sales levels. Given balance sheet strength, capital management could be a highlight.

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 are 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 own particular 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 part of the IOOF group of companies (comprising IOOF Holdings Ltd ABN 49 100 103 722 and its related bodies corporate) ('IOOF Group'). The capital value, payment of income and performance of the Fund are not guaranteed. An investment in the Fund is subject to investment risk, including possible delays in repayment and loss of income and principal invested.

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