

Fairview Equity Partners Emerging Companies Fund

28 February 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

56

Contacts

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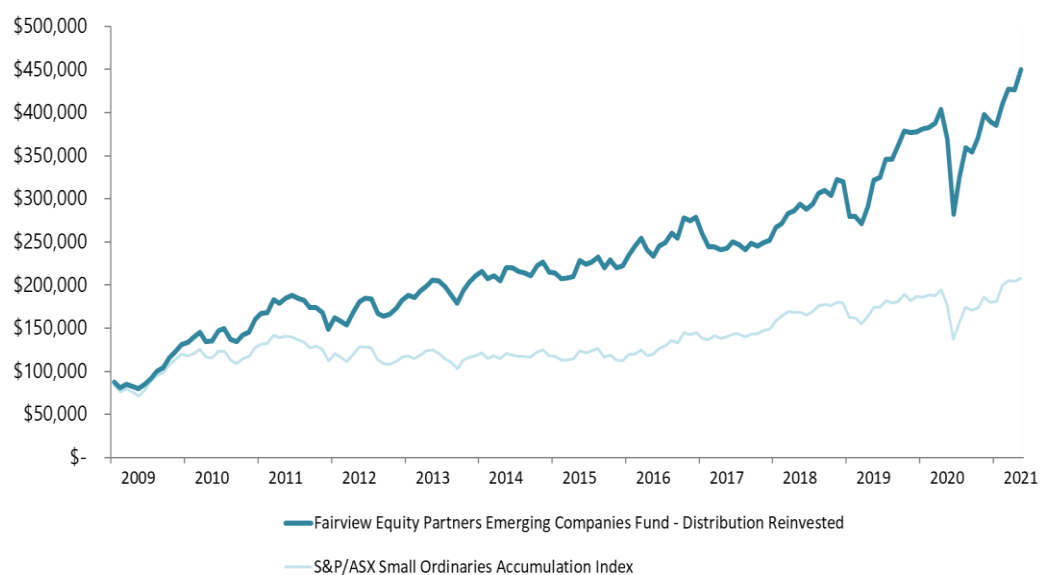
Net Performance

	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	5.44	9.54	21.63	15.28	14.03	9.27	12.89
Benchmark^b	1.55	4.08	17.18	7.21	11.70	4.00	6.09
Excess Return	3.89	5.46	4.45	8.07	2.33	5.27	6.80

^aFund inception date: 8 October 2008. ^aNet returns are calculated after deducting management fees and are pre-tax.

^bBenchmark: 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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OF THE YEAR 2020**

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Australian Small/Mid Cap Equities



Monthly Commentary – February 2021

The Fairview Equity Partners Emerging Companies Fund returned 5.44% for the month of February, outperforming the benchmark by 3.89%. Fairview unit holders hopefully enjoyed February with a return to some sort of normalcy that Australians have become used to, i.e. a lockdown in Victoria and relative freedom for the rest of the country. Offshore the US S&P500 provided a 2.61% return whilst the tech heavy NASDAQ was up 0.93% for the month. The domestic reporting season and rising bond yields were two key themes for the month, not much else seemed to be in focus.

Reporting season – a big earnings tick

With cautious analyst estimates going into reporting season, there were a record number of positive surprises. These surprises were on many levels; revenues, earnings, guidance and dividends. The surprise / disappoint ratio was 3.3x and is at a two-decade high. Consequently, there were a raft of earnings forecast upgrades. UBS estimates that FY21 EPS will be upgraded 5% for the Australian market in aggregate and is now at parity with pre-COVID FY19 earnings.

But bond yields dominate

The Australian equity market EPS returning to pre-COVID estimates is a great result compared to what we thought might happen a year ago and a testament to the Federal Government's handling of the crisis in closing international borders early. All of this was overshadowed by yield uplifts in the US bond market. From February 10th, 10-year US Treasury yields moved from 1.13% to as high as 1.61%, a rise of 48bps in two weeks. This is not much of a move in basis points compared to previous decades when absolute rates were much higher. However, on a percentage basis, an increase of 42% was significant. The key reason was fear of inflation returning. It will now be up to the Federal Reserve to prove its commitment to keeping the short end yields stable in the US bond market. This will be challenged by the wash up of \$1.9 trillion of stimulus cheques and a rapidly recovering economy.

Savings rate the upside

As we discussed last month, Australian domestic household savings rates are very high, close to 20% vs the recent norm of 3%, a phenomenon also playing out in the US. Hence, there is a wall of cash waiting to be spent both domestically and, in the US, which we believe it will be spent. We see this as a key upside to certain listed sectors which we have been reweighting our portfolio towards over the past six months.

One of two questions answered

One big question as to when the listed Australian market will recover to pre-COVID levels earnings has sort of been answered in February. The question now to be decided is 'what multiple will these stocks trade at?' We think the wide dispersion between stocks will narrow. Hence, we are cautious of ultra-high PE ratio stocks. We still hold some, just not as many or to the same portfolio weight as in calendar year 2019 when they blitzed the field. We consider these types of stocks are vulnerable to rising bond yield movements. They are also vulnerable to increases in various government corporate tax rates. Stimulus must be paid for.... eventually. This tax to pay for stimulus phenomenon has already started in the UK but the main game is the USA's stimulus package.

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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