

# Fairview Equity Partners Emerging Companies Fund

31 December 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

+0.30% / -0.30%

## Number of Stocks

56

## Contacts

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## Net Performance

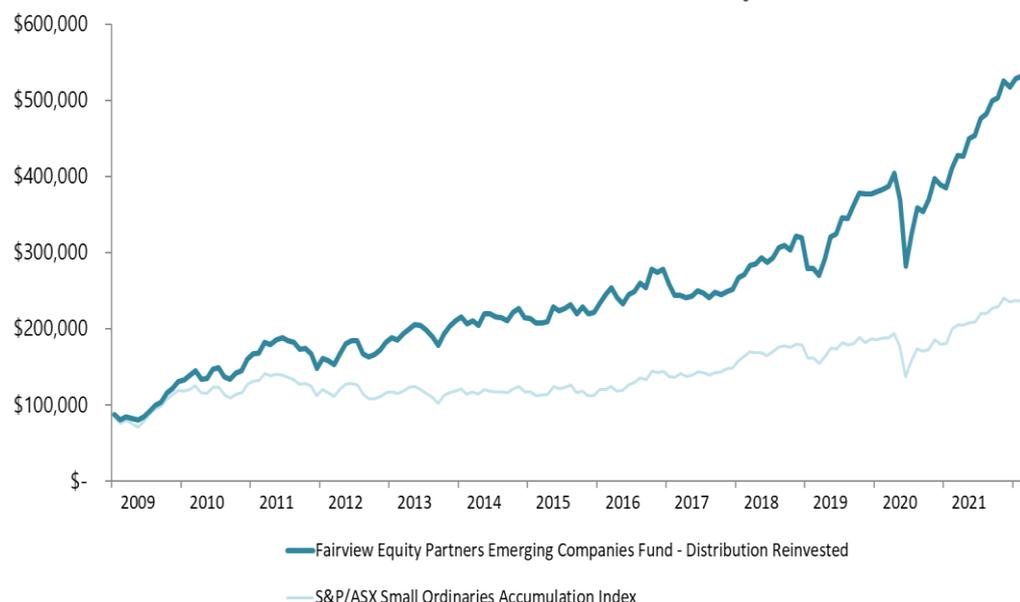
|                                | 1 month | 3 months | 1 year | 3 years | 5 years | 10 years | Since inception' |
|--------------------------------|---------|----------|--------|---------|---------|----------|------------------|
|                                | %       | %        | %      | % p.a.  | % p.a.  | % p.a.   | % p.a.           |
| <b>Fund Return<sup>a</sup></b> | 2.15    | 5.08     | 27.15  | 26.14   | 17.38   | 13.46    | 13.65            |
| <b>Benchmark<sup>b</sup></b>   | 1.41    | 2.03     | 16.90  | 15.71   | 11.17   | 7.98     | 6.85             |
| <b>Excess Return</b>           | 0.74    | 3.05     | 10.25  | 10.43   | 6.21    | 5.48     | 6.80             |

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

<sup>b</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.

\* It has come to our attention that our September, October, and November reports incorrectly quoted the Fund and Benchmark returns reflected in the performance table. These reports have been updated and reissued and current performance table is correct.

## Growth of \$100,000 since inception



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## Monthly Commentary – December 2021

### A strong end to a strong year

The Fairview Emerging Companies Fund ended the year well, delivering an absolute return of 2.2% in December, which was 0.7% above the benchmark. The December quarter outperformance was 3.1%.

Over the year the Fund delivered an absolute gain of 27.2%, which was 10.3% higher than the ASX Small Ordinaries Total Return Index. Pleasingly, the Fund outperformed in almost all months and was able to continue a track record of drawdown protection in the two months the market's return was negative. In summary, we consider it a solid year for unitholders, and continue to seek a market where the fundamentals matter more than the macro.

### Equity markets withstood an array of challenges

Overall, the benchmark recorded its third best year in the last decade (only surpassed in 2017 and 2019, both 20%+) and 10th best year since the index's inception in 1998. A remarkable achievement given all the competing forces of the COVID variants, infections, inflation and the prospect for rising interest rates, as well as the extraordinary capital shift from governments to households stimulating demand and straining an already shaky supply chain. The grounding of the enormous Ever Given vessel in the Suez Canal certainly didn't help and nor did a drought in Taiwan, curbing semiconductor chip production even further in an already tight market. While the Australian sharemarket delivered superior gains to Asia (e.g. Hang Sang -15%), the US and European equity markets were stronger. Interestingly, while the NASDAQ rose 21% during 2021, the S&P ASX 200 information technology sector was the weakest of all Australian sector groups and the only negative performer, falling 2%.

### Pre-revenue companies flourished

The top five best small cap performers in 2021 (Novonix, Liontown Resources, Imugene, Vulcan Energy and Paladin Energy) were all largely pre-revenue – a phenomenon we can't ever recall seeing. Lithium and 'green' energy-related stocks flourished. On the flipside, we saw a spate of mostly former market darlings (Nuix, Marley Spoon, Polynovo, Appen) see their share prices fall 50%+. Thankfully, the Fund did not own any of these detractors.

### As did investment banks

Also evident across the equity markets was a spate of investment bank activity. IPOs and M&A were running at levels not seen for a number of years. At Fairview, we remained disciplined. In the last 12 months, we invested in one IPO, which pleasingly has returned 50% to unitholders. Overall, the performance of IPOs was patchy. Many of the opportunities seemed to have their valuation and/or earnings sensitive to historically low interest rates. As always, caveat emptor.

### Margins the initial focus but what's Omicron doing to demand?

With household savings rates sitting around 20%, demand seemed good, but the recent spike in Omicron cases, looks to have curbed some impetus for buyer mobility. Will Omicron's spread be nearly done by the reporting season when company management provide their outlook statements? Higher costs are expected and was a major cause for the December profit warnings from Bega Cheese, newly listed undie seller, StepOne and online book retailer, Booktopia. In a backdrop of an already tight labour market and the various other factors at play, margins will remain a keen focus.

### This stat surprised

Finally, while we don't and can't forecast market returns, we note an interesting observation that since 1954, the US S&P500 has delivered an annual return of 25%+ on 15 occasions (also achieved in 2021), with 86% of the time delivering a positive return in the subsequent year of about 13%. What this doesn't show is the index's compositional changes, with the US market more highly sensitive to the technology sector than historically (29% vs 8% in 1974). As equity markets have started the year weaker, we'll watch with interest. One thing seems certain, continued market volatility.

## Investment Team



Michael Glenane

**Portfolio Manager**

BE, MBA

30+ years investment management experience



Tim Hall

**Portfolio Manager**

BComm

24+ years investment management experience



Leo Barry

**Portfolio Manager**

BSA, MBA

14+ 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](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 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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