



MONEY MANAGEMENT
**FUND MANAGER
OF THE YEAR 2020**

AUSTRALIA'S FIRST INDEPENDENT AND WHOLE OF MARKET AWARDS

WINNER
Australian Small/Mid Cap Equities

Fairview Equity Partners Emerging Companies Fund

31 March 2022



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

54

Contacts

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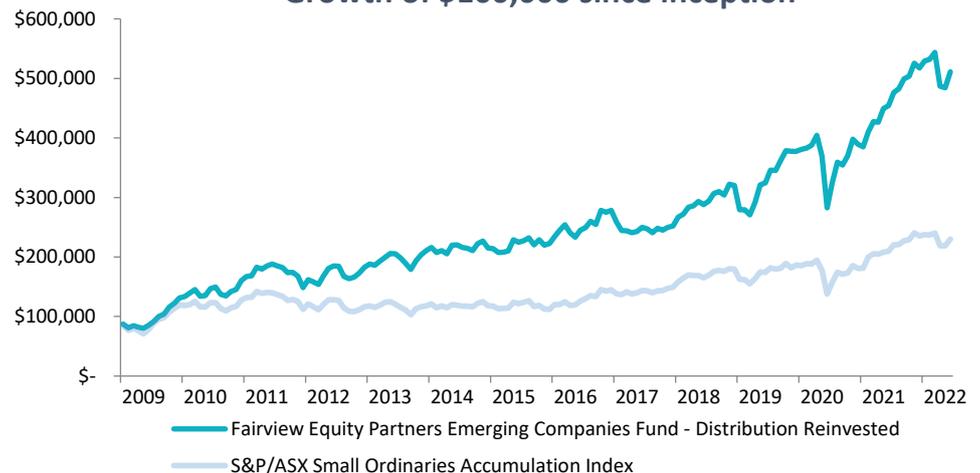
Net Performance

	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	5.61	-5.97	12.48	16.33	15.39	10.70	12.87
Benchmark^a	5.26	-4.22	9.68	9.64	9.90	6.02	6.37
Excess Return	0.35	-1.75	2.80	6.69	5.49	4.68	6.50

^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

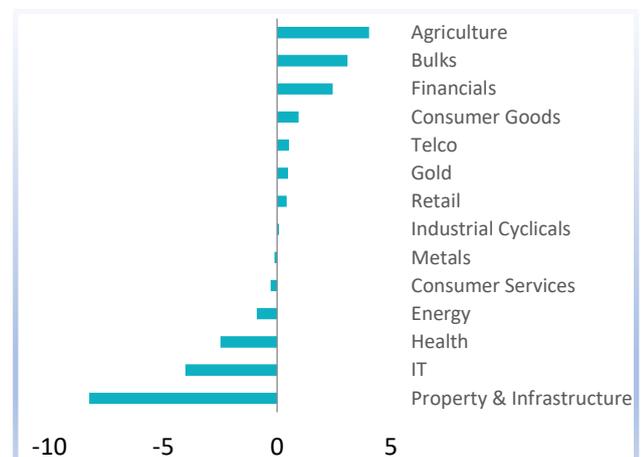


Top Five Holdings⁴

Capricorn Metals
Credit Corp Group
Eclixp Group
Karoon Energy
Nufarm

⁴Listed in alphabetical order

Active Sector Weights (%)⁵



⁵Data Source: Fairview Equity Partners Pty Ltd



Monthly Commentary – March 2022

Outperformance in March

The Small Ordinaries Accumulation Index finished the quarter well, posting its best monthly gain for nearly 18 months. Despite this, the index was still down 4.2% for the quarter, unable to fully recoup January's 9% market fall. The Fairview Emerging Companies Fund delivered a 5.6% return in March, which was 0.4% ahead of the benchmark.

Another busy macro month

Yet again, external events were dynamic. During March the US Federal Reserve lifted rates for the first time since 2018. A 50bps US rate rise is now expected in May, with the central bank forecasting the rate to climb from 0.5% to 2.75% by 2023. Later in the month, the 2-year US government bond yield rose above 10-year bond yield (as they say, *it inverted*) for the first time in over a decade. Some now speculate the Federal Reserve's desired 'soft landing' may be harder than planned. The Federal Reserve Chair Jerome Powell, said the "economy is very strong and well positioned to handle tighter monetary policy." Time will tell. Meanwhile, China's COVID lockdowns raise the prospect for further near-term supply chain challenges (fueling further cost inflation). Many ponder what levers they will use to reach the 5.5% GDP growth target. The NASDAQ entered bear market territory mid-month (down 23% from the November high) but some softer US economic data encouraged investors to rotate capital away from cyclical stocks, and it delivered the same return (+3.4%) as the broader S&P500 index. Domestically, the Federal Government released a budget which predictably was for election votes. A 'sugar hit' benefitted the share prices of several domestic retailers.

Lithium stocks soar

Of the top ten best index performers, lithium companies dominated filling seven places. Not one of the current nine small cap lithium companies (three were added to the index in the month) are revenue generative, yet their aggregate market value has grown six-fold over the last year. Why? If you remove the \$1bn+ collectively raised by these companies over that period, their share prices have essentially tracked the phenomenal lithium price strength. While the Fund has been highly selective in its lithium exposure, unitholders have still benefitted from the electrification thematic.

Where to for Energy?

Energy was the strongest sector, aided by the oil price which rose a further 5% in March to be up 33% over the quarter. That hides the intra-month volatility from the on-again, off-again Russia/Ukraine peace talks, which increasingly looked improbable as time passed. One market pundit believes a potential cyber-attack on US energy transmission infrastructure by a Russian-aligned actor could cause the price to spike a further 25%. It's an interesting theory. Undeniably, underinvestment in traditional energy has become a key focus for the world as increasingly Russia's energy is denounced.

M&A continues to roll

While the IPO market has tightened, M&A activity continues in the equity markets. The biggest target was the best industrial performer, while a bidder in a separate transaction, was the key benchmark laggard. Uniti Wireless delivered the best small cap share price gain (+44%) with two bidders expressing interest and one party commencing exclusive due diligence which completes shortly. The Fund has a position, so is hopeful of further bidding tension. In contrast, the much-anticipated *Buy Now Pay Later* industry consolidation continues with Zip Co raising \$200m to purchase Sezzle. However, the share price fell 20% below the placement price. The majority of the other small cap laggards were loss-making companies (incl. Siteminder, Brainchip, Telix Pharmaceuticals, Dubber Corp). Interestingly, Brainchip, a self-learning semiconductor chip developer, whose share price catapulted fourfold in three weeks during January has since lost \$3.5bn in market value (that's the size of Ansell) to \$1.7bn. The Fund carried no exposure to the month's biggest share price decliners.

During March the team experienced something rarely achieved in the last two years – interstate travel - to take opportunity of the changing times and seek new investment ideas. It was exciting. A new company has already been added to the portfolio and several others are currently advancing through our rigorous investment process.

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

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