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

30 June 2022

FAIRVIEW EQUITY PARTNERS

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

47

Contacts

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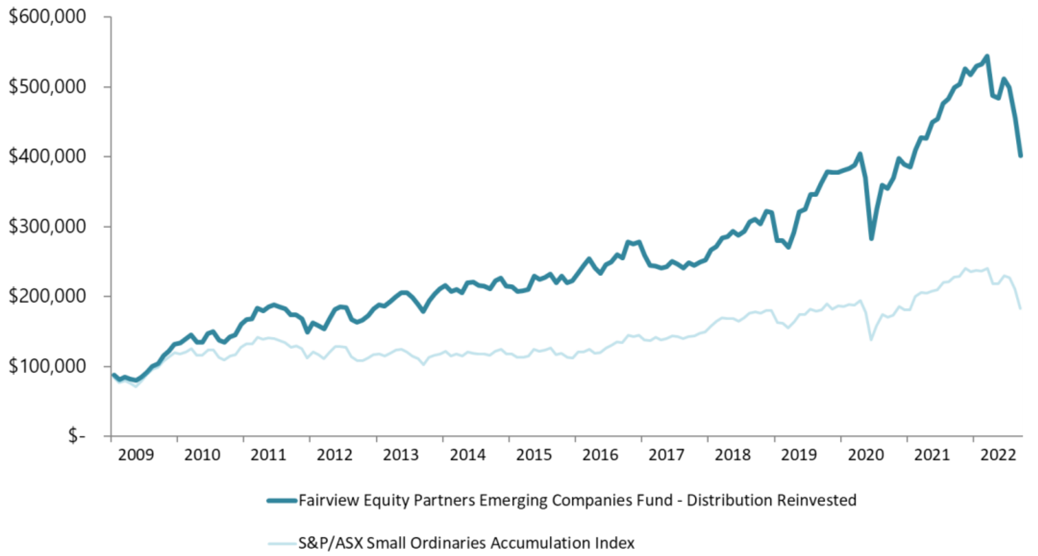
Net Performance

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception[1] % p.a.
Fund Return[2]	-11.86	-21.50	-19.59	3.46	10.08	9.39	10.65
Benchmark[3]	-13.09	-20.39	-19.52	0.38	5.07	5.37	4.50
Excess Return	1.23	-1.11	-0.07	3.08	5.01	4.02	6.15

[1]Fund inception date: 8 October 2008. [2]Net returns are calculated after deducting management fees and are pre-tax. [3]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



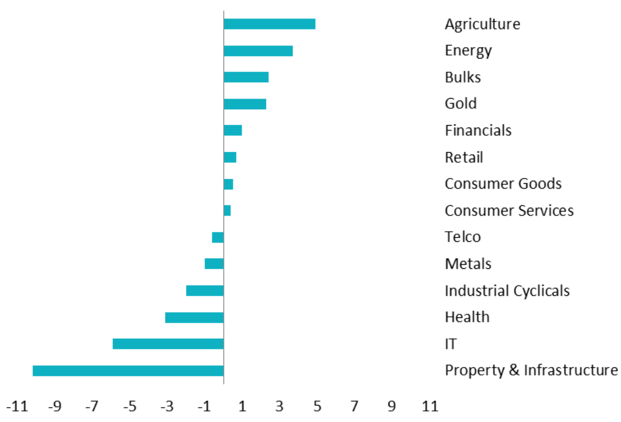
Top Five Holdings[4]

Capricorn Metals
Karoon Energy
Nufarm
Steadfast Group
Viva Energy Group

[4]Listed in alphabetical order

2019 Finalist
THE AUSTRALIAN FUND MANAGER AWARDS

Active Sector Weights (%)[5]



[5]Data Source: Fairview Equity Partners Pty Ltd

Monthly Commentary – June 2022

US Equities finished June with the S&P500 down -8.4%, representing the worst first half since 1970. All sectors finished the month lower, with Energy (-17%) and Materials (-14%) the laggards. The ASX 200 finished the month down -8.9%. The decline brings the index to a -10.2% loss for the financial year, just the third time this past decade that Australian investors have incurred a negative return. June was not a great time to be a small caps investor, with losses magnified vs large caps.

Inflation and labour supply

We think the direction of inflation is currently **the** key issue for capital markets. Simply put, equities do well when inflation declines. It seems that the focus of the media is always on food and energy prices. These are important, but they are not the critical factor for inflation. Western democracies are services dominated economies. Hence wage growth is the most important factor we monitor to see where real inflation is heading. A recent powerful upwards driver to wage growth, especially in Australia, is that the economy is still pump primed. This is due to the tail end of the massive government stimulus and full employment, with widespread labour shortages. A lack of migration for two years has ensured this.

5% absent

Another factor is workforce absenteeism; virus driven illness is curdling business productivity, especially so in winter. Recent anecdotes suggest up to 5% of the workforce is unavailable on any given day. Our country is short staffed. Also 1.3m people, approximately 10% of the work force has changed jobs over the past 12 months, generally, for higher wages. This is highly inflationary.

Bond market

The two remedies to high wage inflation are either a recession or massive increases in immigration. We do not know if Australia is heading into a recession but from history, we suggest that unitholders look to the bond market for guidance. This market historically been more accurate in calling the economy's future direction than the stock market, which relies on bottom-up earnings estimates from analysts. These estimates lag the actual prevailing economic conditions. The bond market is signaling the probability of a recession is increasing.

Another key event coming up is recently announced Federal Government's jobs and skills summit. Whilst it will be a talk fest, it might just galvanize government action. One obvious measure to come out of this summit would be committing resources to clear the visa backlog. This begs the question 'where will these new workers live?'. Could migration drive a possible well-timed boost to housing demand?

Where are we positioned?

No doubt the last six months have been tough and stock selection mistakes have been made by the team at Fairview. In such incredibly volatile times mistakes are inevitable with the important factor recognizing that if the thesis is invalid, you act. We are still overweight agriculture stocks and still own mining commodities. They could suffer in the short term due to rising costs and recession fears but they are a store of value that is often independent of the US government. We are heavily underweight the REIT sector, there is more cap rate pain to be served up here.

The PE ratio derate

We are not sure if the great PER derate is over yet. This derate is not a linear relationship. There is a very stark share price reaction difference between inflation going from say 8% to 10% vs the current rapid 8% from 2% a year ago. It is also very difficult to time markets which is why Fairview is always fully invested. Hence, we have started to modestly introduce high quality tech companies back into the Fund. Whilst Fairview is a core stock picker and happy to own stocks across the PE spectrum from deep value to high growth, it is always easier to buy quality as these companies generally have admirable investment traits and consequently investment theses are easier to write up and present to the team. We recognize this timing appears counterintuitive, but market routs are often the best time to buy quality.

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 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.