



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 August 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

52

## Contacts

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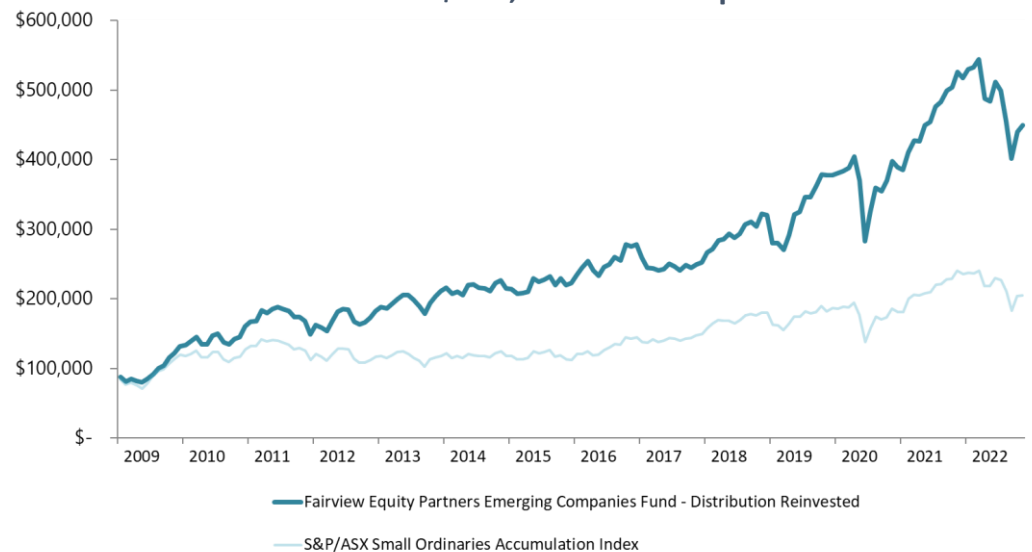
## Net Performance

	1 month	3 months	1 year	3 years	5 years	10 years	Since inception <sup>1</sup>
	%	%	%	% p.a.	% p.a.	% p.a.	% p.a.
<b>Fund Return<sup>2</sup></b>	2.11	-1.33	-14.53	5.98	12.47	10.01	11.42
<b>Benchmark<sup>3</sup></b>	0.58	-2.59	-14.66	4.10	6.85	6.29	5.31
<b>Excess Return</b>	1.53	1.26	0.13	1.88	5.62	3.72	6.11

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

<sup>3</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.

## Growth of \$100,000 since inception



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## Monthly Commentary – August 2022

The Fairview Emerging Companies fund outperformed the benchmark by 1.53% during the month.

### Month of two halves

The ASX Small Ordinaries Accumulation Index rallied 2% in the final two days to finish up 0.6%. It was another volatile month with the market up over 4% during the earlier half and down 1.5% towards the latter stages. Driving the initial market movement were hedge funds covering their short positions, a return of retail investor interest ‘meme stocks’ (those heavily marketed on social media channels) and a broader capital reallocation towards stocks with higher beta (more leveraged to share market movements.) That changed when the market became skittish about what the US Federal Reserve would say about interest rate movements at their meeting (on 25-27 August). Comments the Fed would continue their tightening policy until inflation returned to their target, spooked investors. In our minds, the Fed’s comments were consistent with expectations, and the equity markets just gave up some of the month’s earlier exuberance.

### Lithium spikes

While there are no revenue generative lithium companies in the small cap sector currently, it doesn’t stop their share prices moving with the commodity price. The lithium spodumene price rose 5% and drove four of the eight small cap lithium stocks (Sayona Mining, Lake Resources, Leo Lithium and Liontown Resources) into the top 10 best index performers.

### M&A returns

M&A was yet again a feature, and predictably, with technology valuations down from the June sell-off, US private equity came knocking. Aerial imagery global leader, Nearmap (NEA), had exhibited a strong operating rhythm for some time but its share price had been constrained by concerns over a legal case, along with the broader sector weakness. The \$2.10 bid was a 40% premium to the previous day’s closing price but still 50% lower than its 2019 share price high. It’s rare for a share price to trade at the bid price so either, investors anticipate bidding tension or are using it as a proxy for cash. Having not owned the stock for several years, we’d bought a position in July. Nitro Software (NTO), a smaller Adobe/DocuSign competitor, which we’d liked as a business, just not the trading liquidity, received a bid, as did mining services provider, MACA (MLD). Link Group (LNK) also received another bid from Dye & Durham. Among other strong index performers was Lovisa (LOV), a global fashion jewellery retailer, who delivered a strong result and is benefitting from a post-COVID retail recovery as well as an active store rollout program. Lovisa is held in the fund.

### Retail shares bounced but some still lagged

While consumer discretionary was the third strongest performing sector (behind energy & materials) in August, several retailers featured among the index laggards for different reasons: RedBubble (share price fell 40%, due to cost investment), City Chic (-30%, continued inventory growth) and Kogan (-25%, sales moderation forcing cost cutting). Reflecting a more measured risk appetite amongst investors, material technology incubator, PPK’s share price has fallen from \$22 a year ago to \$1.50 (with its market cap shrinking \$1.8bn). None of these companies were portfolio holdings.

### A resilient earning season

Overall, the earnings season was strong with the RBA interest rate rise that started in May not having a dramatic impact in the final two months of the FY22 results. During August, the ratio of meaningful (+/-2%) EPS downgrades to upgrades within the ASX Small Industrials was consistent with last year’s strong reporting season. Notably, July’s downward earnings revisions were no more severe than recent years. Despite growing

inventory levels subduing cashflow, there were several companies that announced positive capital management surprises (e.g. Omni Bridgeway, Jumbo Interactive, Viva Energy), which investors rewarded.

### **When will interest rates bite?**

A focus during management meetings, as much as anything, was to get a gauge on the margin headwinds businesses were facing but it seemed while overall, the prospect for near term margin growth is limited, they are managing cost pressures admirably through price rises (although time will tell). Higher borrowing costs should start to show. Labour availability remains a key headwind, alas some businesses are in fact, slowing hiring. (e.g. profitless companies). Demand has so far proven relatively resilient, albeit due to the COVID lockdowns that occurred during last year, comparison of current trading is ambiguous. The impact from interest rate rises will be more revealing this half, with an eye on AGM updates.

## 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 Insignia Group of companies (comprising Insignia Financial Limited ABN 49 100 103 722 and its related bodies corporate) ('Insignia 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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