



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 October 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

57

Contacts

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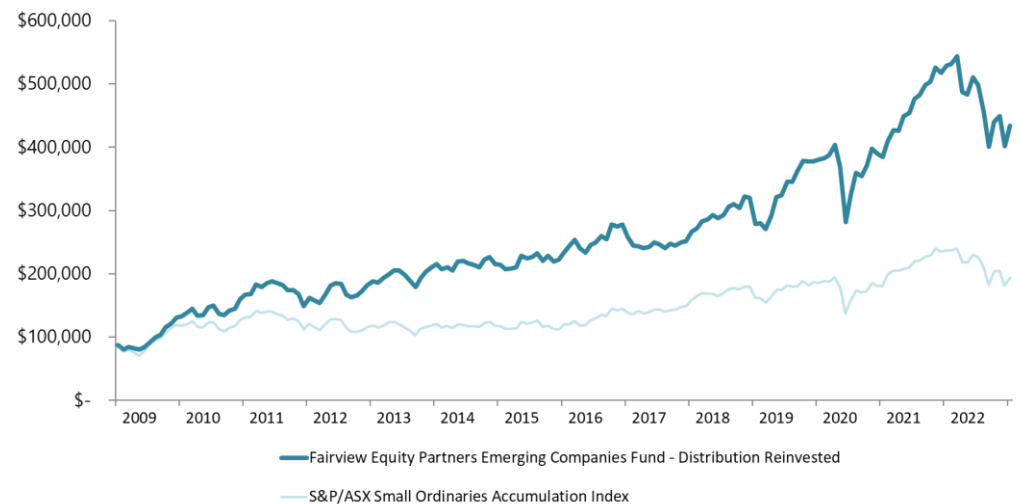
Net Performance

	1 month	3 months	1 year	3 years	5 years	10 years	Since inception ¹
	%	%	%	% p.a.	% p.a.	% p.a.	% p.a.
Fund Return²	7.98	-1.32	-17.97	4.47	10.21	8.71	11.01
Benchmark³	6.46	-4.92	-18.31	1.46	4.16	5.10	4.83
Excess Return	1.52	3.60	0.34	3.01	6.05	3.61	6.18

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

³Benchmark: 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 – October 2022

The Fairview Emerging Companies Fund rose 7.98% during October which was 1.52% above the ASX Small Ordinaries Accumulation index.

Along with nearly all global equity markets, the small cap benchmark roared back to life after a weak September (-11%) to record its sixth best October in history.

A central bank pivot?

Aiding the buoyancy in equity markets during the month was the surprise by the Reserve Bank of Australia to raise rates at a lower level (25bps) than expected. This was interpreted that other central bankers could soon follow in a 'pivot' towards lower rate rises, marking the peak of this current round of monetary tightening. US Federal Reserve Chairman Jerome Powell reiterated their steadfast resolve to reduce inflation to below 2%. Notably, some market participants continue to interpret certain soft economic data (i.e. earnings risk) as a positive sign the rising rate cycle will finish sometime in CY23. At the time of writing, most economists expect the Australian cash rate to peak around 3.6% in Australia (75bps higher than the current level) sometime in 2023. The UK Prime Minister Lizz Truss's resignation after just 44 days in office was also taken as a positive sign her potentially inflationary fiscal measures would be scaled back. US corporate earnings announced during the period also proved resilient, albeit certain components of FANMAG (Facebook, Amazon, Netflix, Microsoft, Apple, Google) were weak towards month end, signaling tempered advertising and cloud usage demand. We're comfortable these factors aren't drivers for the Fund's technology holdings.

China COVID lockdowns suppress commodity prices

Elsewhere, China didn't celebrate President Xi's extended reign at its October National Party Congress as hoped, with COVID lockdowns continuing to plague the population and their economic growth. The Hang Seng index fell 15% in October, after dropping 14% in September. With exception to the oil price, key commodity prices were all weak with the iron ore price falling another 6% to be down 14% for the last three months. The ASX Small Resources index trailed the Industrials by 3.6%. Thankfully, the Fund derived sound outperformance from its resources exposure.

'Risk on' in October

Denoting the risk-on attitude during the month, six of the small cap sector's top ten best share price performers aren't expected to be profitable this financial year. Featuring among this list were clean energy (Novonix, Syrah, Liontown Resources, Core Lithium), technology (Life 360, Hub24) and Healthcare (Polynovo, Telix Pharmaceuticals). There were four index stocks whose share prices fell 30%+ including: i) EML Payments; ii) Aurelia Metals; iii) St Barbara, and iv) Codan, all due to disappointing company specific news flow. The Fund held a small weight in Codan who announced a bigger than expected drop in African metal detection sales.

Tech M&A continues . . .

The combination of depressed company valuations and a low \$A (-12% CYTD) continues to attract the eye of suitors for ASX-listed technology companies. During the month another four companies received bidder interest including: Nitro Software, Pushpay, Elmo Software and Bigtincan. Collectively, since last October, their US\$ based market values had dropped by 55%. As previously mentioned, we liked Nitro Software's potential and market positioning, however our disciplined approach to trading liquidity prevented an investment.

While AGM updates have been mostly positive

Finally, with AGM season commencing in October and many companies providing trading updates, comparing to the previous comparable period is tricky given certain Australian states experienced COVID-lockdowns last

year. In the July-Sept 2021 period, Melbourne alone, remained locked down for 84 days (we remember!). Despite the high 7.3% annual CPI print recorded for September, the key takeaway was the continued resiliency of the Australian consumer (as seen in the positive updates from Super Retail, Premier Investments and Adairs). Possibly an outcome of higher cash rates on savings and a fixed mortgage providing a spending buffer. That said, the household saving rate continues to fall – perhaps a dash into Christmas and then frugality. Unfortunately for Baby Bunting, while revenue performance was sound, its dominant market position hasn't translated to pricing strength, and the company experienced industry discounting. This prompted a severe share price fall and compression in its PE multiple recently from a peak of 30x to 13x. Collectively, of the 28 small cap industrial companies to hold AGMs, there's been negligible movement in the overall earnings expectations.

November sees a ramp up in the number of companies hosting AGMs as well as broker-sponsored conferences, so no doubt it should prove to be another interesting month. Adding to the interest, will be further 3Q US corporate earnings releases, the US CPI print, and the mid-term US elections, of which has historically proven to be a catalyst for an equity market rally, especially if there's a gridlock to political decision-making. But as we know, due to the vast array of variables present in the world currently, history is no guarantee of the future.

Investment Team



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Portfolio Manager

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30+ years investment management experience



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Portfolio Manager

BComm

24+ years investment management experience



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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 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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