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 November 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

60

Contacts

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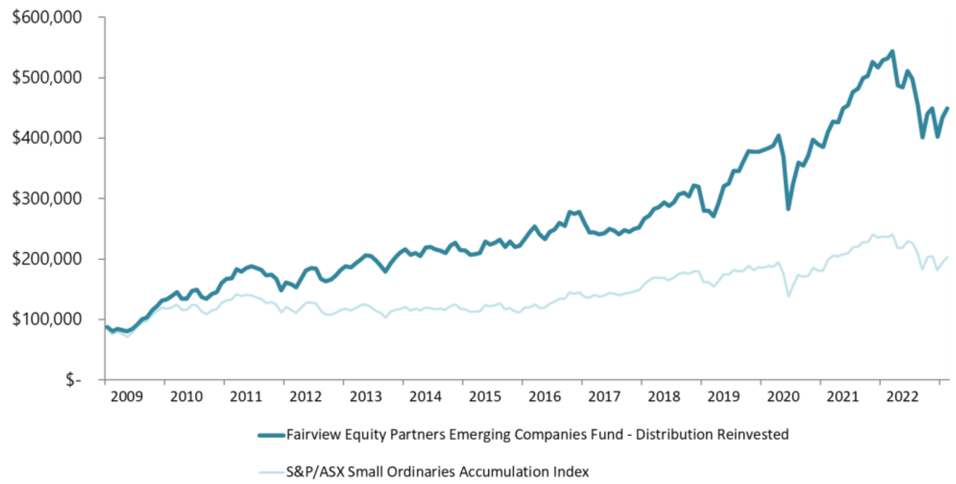
Net Performance

	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]	3.43	-0.05	-15.63	5.43	10.57	9.22	11.20
Benchmark[3]	4.92	-0.81	-14.03	2.57	4.36	5.87	5.15
Excess Return	-1.49	0.76	-1.60	2.86	6.21	3.35	6.05

[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



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Monthly Commentary – November 2022

The ASX Small Ordinaries Accumulation Index delivered a consecutive positive month for just the second time this calendar year, rising 4.92%, to be 11.38% higher so far this quarter. The Fairview Emerging Companies fund underperformed the benchmark in November by -1.49% but remains ahead over most other timeframes.

Once again, asset classes were influenced by US Federal Reserve comments that they could potentially slow rate hikes "as soon as December." This, along with another 'dovish' 25bp rise by the RBA saw bond yields track lower, aiding strong global equity market performance. The Hang Seng index rebounded sharply (+26%) after two weak months, when China announced support for their 'fragile' property sector. The $A bounced hard against the $US, up 5%, recording the biggest monthly gain in two years. Most commodity prices rose(excluding oil), prompting the Small Resources index to outperform the Industrials.

Gold shone

Amongst the top 20 best share price performers in the small cap sector during November, 80% of them were resource companies. The best $US gold price performance in 18 months (+4.7%) drove the sector higher with seven small cap gold companies up 20%+. Capricorn Metals, a key portfolio holding, was one of them, after announcing a solid Mt Gibson resource estimate. Another bid by BHP for OZ Minerals created buying demand across the copper sector. For a change, lithium exposures didn't feature due to a more tempered commodity price. Real estate was a strong performing small cap sector during the month given the bond yield compression, providing potential relief from further asset valuation risk.

Earnings downgrades were met harshly

Earning downgrades were the key cause for the worst small cap share price performers (after falling by more than 25%). City Chic Collective pointed to tricky trading conditions in both the US & Europe, with observers continuing to speculate on whether additional funding will be needed. Its share price has fallen 90% in 12 months. Bravura Solution announced a strategy re-set while Pact Group, continued its poor track record of earnings delivery. As you may recall, the former two companies had featured in the portfolio within the last few years but have not been held for some time.

A mixed season for Ag results

November also saw the reporting season for the agricultural sector with mixed results. The Elders' share price fell 6% with the announcement of the CEO's retirement within 12 months. (There were 20 ASX CEOs to announce their departure in the month.) Mr Allison's transformation of the business under his third eight-point plan was impressive and delivered good results for unitholders, but the position had been significantly reduced over the last year and is no longer held. Almonds is one of the few commodities to not see a price gain since COVID's onset, which hasn't helped Select Harvest, nor has the recent east coast flooding. In contrast, Nufarm delivered a sound result with the prospect for their Seeds business seemingly providing management with greater confidence in reaching their earnings targets.

Retail resilience but not for COVID beneficiaries

AGM updates were reasonable with the small cap aggregate earnings nudging only slightly lower. Notably, given the household savings ratio is now back to pre-COVID levels in Australia (and below in the US), retailers were generally pointing to resilient demand trends with most omni channel retailers again thankful for their physical store presence as traffic returns from the past years' spike in online sales. Revisiting some key COVID beneficiaries (Kogan, Redbubble, Marley Spoon), the average share price falls from their peaks is 90%, having lost an aggregate $4.5bn in market value.

Fund manager cash levels remain high

The debate on China's COVID reopening continues to attract considerable attention, as does the prospect of a ceasefire in the devastating Russia-Ukraine war. Regardless, despite goods inflation continuing to show further decline, service inflation isn't, which has materialised in the US S&P500 4Q EPS downgrading at twice the 10-year average since September. All this against a backdrop where global fund manager cash levels remain near their 20-year high. It presents for another interesting year ahead.

As this is the last monthly report this side of Christmas, we would like to thank you for your ongoing support and wish you and your families, a healthy and happy festive season, and a more 'normal' 2023. I know we said it this time last year and the year before, but we can all keep wishing.

Investment Team

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