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 2023

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

55

Contacts

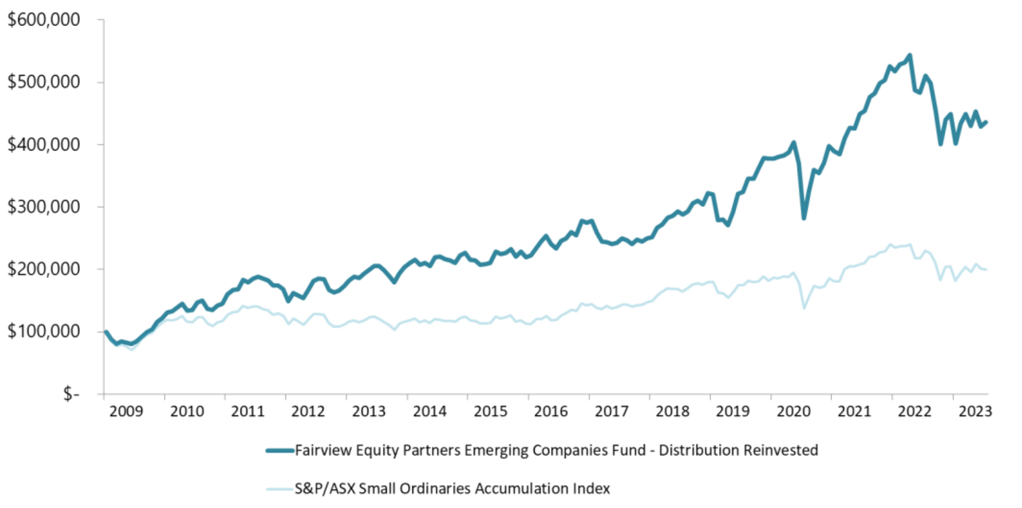
www.mlcam.com.au
fairviewequity.com.au
Email: client.services@mlcam.com.au
Client Services: 1300 738 355

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]	1.63	2.43	-13.85	15.93	8.86	7.92	10.76
Benchmark[3]	-0.72	1.88	-13.19	13.15	3.89	5.16	4.91
Excess Return	2.35	0.55	-0.66	2.78	4.97	2.76	5.85

[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



MONEY | MANAGEMENT
FUND MANAGER OF THE YEAR 2020
AUSTRALIA'S FIRST INDEPENDENT AND WHOLE OF MARKET AWARDS
WINNER
Australian Small/Mid Cap Equities

Monthly Commentary – March 2023

The Fairview Emerging Companies Fund rose 1.63% during March exceeding the ASX Small Ordinaries Accumulation index by 2.35%.

The benchmark was down more than 5% intra month but recovered well in the last 2 weeks to finish 0.7% lower. While the small cap index recorded an electric start to the March quarter, with January up over 6%, it lost momentum in February and March to finish the period 1.9% higher. This compares to the ASX100 Accumulation index which rose 3.5% over the three months.

The financial system wobbles…

Causing elevated asset class volatility around the world was the demise of several financial institutions (Credit Suisse, Silicon Valley Bank, Signature Bank and First Republic Bank) for a variety of reasons, but certainly higher funding costs didn't help them. Concern of a tightening in global financial liquidity was eased when the US and Swiss Governments took preventative measures. But it was enough of a wobble for investors to believe peak interest rates were nearing. Bond yields dropped sharply with the 10 year yield for Australian and US treasuries dropping ~50bps.

Gold shines…

Falling bond yields, the prospect for a falling US dollar in a peaking rate backdrop, and financial market instability was a healthy trifecta for the US$ gold price to record its best monthly gain (+8%) in 2 years, towards all-time highs of $US2,000oz. While the portfolio provides investors with exposure to gold, it's not an active position. Overall, the 16 small cap gold companies comprise 8% of the index.

…so does M&A activity

Also, aiding the relative outperformance of the Small Resources index vs the Industrials in March (a reversal of February) was M&A. In fact, M&A from both private equity and trade buyers accounted for four of the top 10 best small cap share price performers - Invocare (IVC: Australia's largest funeral home operator), Estia Health (EHE: top 4 Australian aged care provider), United Malt Group (UMG: large global malt producer) and Liontown Resources (LTR: WA hard rock lithium developer). The average takeover premium for the industrial companies was 36% (vs the prior 20 day average), which while consistent with the 15 year ASX average, was meek compared to Liontown's 63% bid premium. Notably, lithium has been among the weakest commodity price so far in 2023 with the PLATTs spodumene price 45% lower since its peak, due to reports of surplus batteries from a reduction in China's electric vehicle incentives/demand. While inbound M&A doesn't usually feature in the fund, we did have a small active weight in Liontown, for amongst several reasons, its potential strategic value.

Rounding out the small sector's M&A activity during March was the bold move by Australian Clinical Laboratories (ACL) to propose a 'merger' of its larger rival, Healius (HLS), to realise a large bucket of potential synergies (nearly $100m). Larger Healius shareholders have subsequently vocalized their opposition to the proposal. Another potential barrier could be clearance from the ACCC (the competition watchdog).

Weebit fell a wee bit

Key share price laggards included Polynovo (PNV) and Weebit Nano (WBT) with their share prices down ~30%. It was a particularly busy month for Weebit Nano who took the opportunity of a bump in index buying after inclusion into the Small Ordinaries index to raise equity. Weebit Nano's share price had rocketed from $2 to $8.75 to reach a $1.5bn equity value (about the size of Graincorp), despite no revenues, but has since fallen below the issue price to a market cap below $1bn. At the peak another semiconductor developer, Brainchip, reached a $2.5bn market cap but has since lost 2/3rds of its value, as investor momentum dissipated. It can be a tricky industry to understand the winners. Thankfully, the fund held no exposure to any of the bottom 10 detractors.

1Q earnings downgrades in line with the US

According to FactSet, there's been a consistent level of EPS downgrades for the Small Ordinaries and the US S&P500 index over the last quarter of approximately 6%. With the US 1Q earnings season about to start, the market anticipates a 6% year-on-year contraction following a 5% fall in Q4. While pundits expect consumer discretionary and industrials to be among the better 1Q US performers, it's the technology sector that's been strong in the 1Q with the NASDAQ up 17%. However, one sector worth watching is commercial property; despite trading at a discount to NTA, is it enough given there's been so few domestic transactions to appropriately benchmark current book valuations. The fund is currently underweight the space.

Investment Team

Michael Glenane

Portfolio Manager
BE, MBA
31+ years investment management experience

Tim Hall

Portfolio Manager
BComm
25+ years investment management experience

Leo Barry

Portfolio Manager
BSA, MBA
16+ 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.