



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 May 2023



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

56

Contacts

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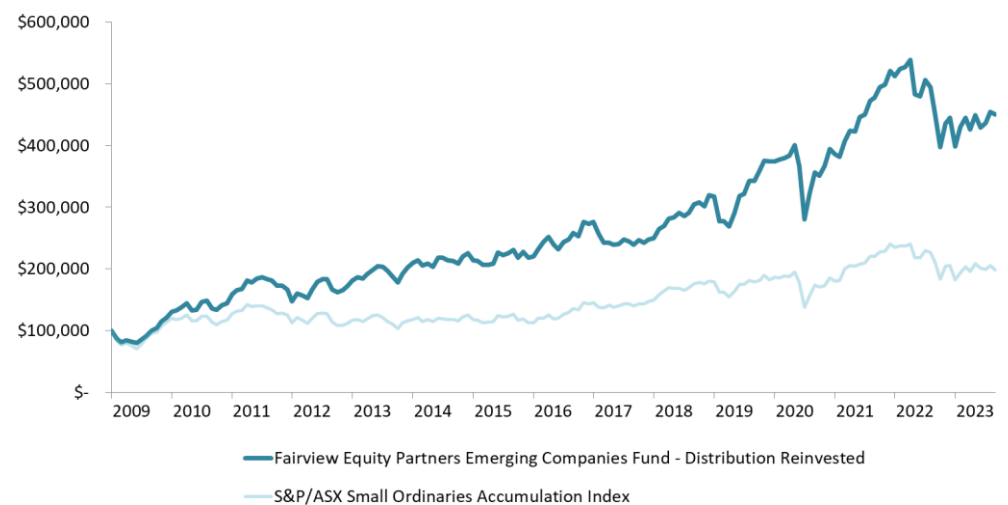
Net Performance

	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	-0.99	4.81	-0.24	8.09	8.15	9.13	10.86
Benchmark³	-3.26	-1.29	-5.77	4.46	2.46	6.01	4.81
Excess Return	2.27	6.10	5.53	3.63	5.69	3.12	6.05

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 – May 2023

The ASX Small Ordinaries Accumulation index unwound its April gain to fall 3.3% in May. It was the tenth worst May performance in the index's 33-year history. While the Fairview Emerging Companies Fund exceeded the benchmark by 2.3%, it wasn't enough to deliver a positive absolute return for unitholders. Over the last 3 months the fund has outperformed the index by 6.1%.

The big nations wobble

Macro concerns influenced markets with high inflation and rising interest rates a factor. China's post-COVID economic revival is spluttering in a global backlog of consumer inventory (excluding cars) with Chinese youth (age 16-24 year olds) unemployment tracking at 20%, four times the national rate. The US Government bumped up against their debt limit for the 19th time since 2003 and the prospect of a default added weight to a risk off sentiment. It's a little odd given the track record of a default is low, and they've raised the ceiling over fourfold to \$31 trillion in 20 years.

Technology shines

All this amounted to a capital rotation away from cyclical to defensive sectors and Technology. The small cap tech sector was the best performer rising 5.7% while the NASDAQ was equally strong, extending its lead to be up nearly 25% so far in 2023. NASDAQ-listed Nvidia, a 95% market share leader in chips for machine learning, shone another light (after ChatGPT) on the emergence of AI (Artificial Intelligence) when it reported "surging demand" and gained more than the total ASX Small Ordinaries market cap in a day. Undoubtedly, AI is following in the path of other technological developments (eg. digitisation, cloud computing, SaaS), and while there are few obvious first order small cap ASX beneficiaries, there certainly will be companies that benefit, if for no other reason, than to enhance labour productivity in a world where certain economies are struggling with labour availability. Technology is currently an overweight position in the fund.

Resources challenged

The ASX Small Resources index underperformed its industrial peer by 5.3% in May. Commodity prices were generally weak. Having posted a 130% gain in CY22, the Newcastle thermal coal price is among the worst performers so far this year (down 60%). Both lithium and uranium have seen recent pricing improvements while the gold price was unable to hold early month gains once the US debt ceiling was raised and certainty was restored. Further gold supply will be constrained as junior explorers' ability to raise capital for drilling is currently restricted.

Soggy media, but travel's OK

The Macquarie Australia Conference occurred at the start of the month with around 60 ASX-listed small cap companies participating. The most disappointing announcements came from the media sector with free-to-air television (Seven West Media, Nine Entertainment) and outdoor advertising (Ooh! Media) both suffering from a tightening in spend. The fund holds no exposure to this sector. Travel stocks continued to demonstrate resilient demand levels, albeit for the corporate sector, not yet to a pre-COVID level. While certain cost pressures are softening, especially in international freight, wages, rent and energy remain a pressure on margins.

Ag names were a mixed harvest

Additional news flow came with ten small cap companies reporting their financials during the month. It was a mixed bag for agricultural companies, with Graincorp and Nufarm posting solid results, while weakness was seen in Elders, Select Harvest and United Malt Group. Among the other companies to deliver sound performances were OFX Group, FleetPartners, CSR and Webjet.

A hard landing for Retail?

The Reserve Bank of Australia's efforts to curtail inflation, with twelve interest rate rises in the last year, along with the re-setting of residential mortgages and other additional cost pressures, is finally starting to have an impact on personal consumption. For context, a \$500k loan has seen repayments increase \$16K in the last 12 months. Undoubtedly company price rises have masked underlying demand but it's now being revealed. Profit warnings were announced by several retailers including Universal Stores, City Chic Collective, Adairs, Best & Less Group and Dusk Group (it's now at half its IPO price). While the fund held a small position in Universal Stores, currently the fund has minimal exposure to the sector. Furthermore, the recent lift to the nation's minimum wage will only add extra cost pressures for not just retailers, but also hospitality, healthcare and certain other support services.

While the US market delivered a better-than-expected Q1 earnings season with cost cutting and productivity initiatives evident, we remain watchful during June with several ASX small cap companies likely to provide trading updates. The team continues to find investment opportunities whose internal developments should remain unaffected by the broader economic environment.

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.

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