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 June 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

54

Contacts

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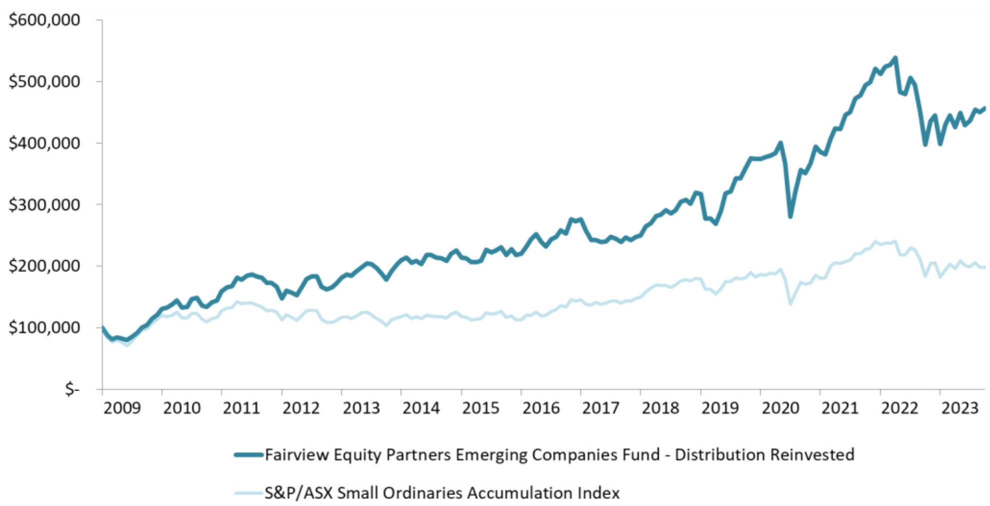
Net Performance

	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]	1.51	4.68	14.90	9.13	8.22	9.91	10.91
Benchmark[3]	0.03	-0.54	8.45	5.16	2.25	6.81	4.79
Excess Return	1.48	5.22	6.45	3.97	5.97	3.10	6.12

[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 – June 2023

The ASX Small Ordinaries Accumulation Index finished flat in June, while the Fairview Emerging Companies fund exceeded the benchmark by 1.48%. Over the 2023 financial year, the fund recorded a 14.90% gain and outperformed the index by 6.45%.

A positive return for Small Caps
FY23 was a welcome return to the positive for small caps after a tricky FY22. Looking into the history books, FY23 was an average year for the ASX Small Ordinaries Accumulation Index, delivering a return bang on the 33 ½ year financial year average of 8.4% (but above the median of 7.7%).

The ASX Small Industrials Accumulation Index recorded a 9.5% gain during the 12-month period versus the Resources Index at 6%; this was in part a reversal of the Industrials' FY22 performance. Notably, since the COVID low (23 March 2020), the ASX Small Resources Accumulation Index has greatly outperformed the Industrials equivalent, due to the strong price gains from old and new energy-based commodities; lithium spodumene (+10x), oil (+2x) coal (+140%) and nickel (+80%).

On a sectoral basis over the last year, Healthcare and Industrials were the best performers. Interestingly, the outperformance of profitable vs loss making technology companies has been stark over FY23 with the S&P ASX100 Technology sector up 40% (Wisetech +110%) vs the small cap tech sector's 5% gain. Regardless, the fund generated solid unitholder returns from the sector during the 12 month period.

Featuring amongst the top 10 best share price performers over the year were Biotech (Neuren Pharmaceuticals, Telix Pharmaceuticals), Lithium (Liontown Resources, Leo Lithium), as well as two gold names and a few technology companies. In contrast, the laggards included an eclectic array of sector exposures ranging from baby wear retailing to resource developers and casinos.

Overall, the fund's strike rate was pleasing, with several of the top 10 best performers held in the fund and none of the key laggards.

Another RBA rate rise…
Turning to June, despite a peaking in the April Consumer Price Index, the Reserve Bank of Australia surprised the market with a further 25bpt rate rise (increasing the cash rate over FY23 by 3.25% to 4.1%). Against a rise in 10-year Government bond yields (AUS/US), 'long duration' growth stocks performed in line with value stocks, consistent with their overall 2023 financial year performance.

M&A relief for some…
M&A activity continued within the sector. Across FY23 there were 24 smaller caps that received bids (>$250m transaction size) with four (Nearmap, ELMO Software, Norwest Energy & MACA) completing during the period. In June, drilling company DDH received a bid from Perenti at an 8% price discount to its March 2021 listing price. Elsewhere, Pointsbet, an online sports betting company, was the best small cap share price performer in the month after announcing a competing bid for its US business, before the initial bidder increased its consideration by 50% to $A333m. Denoting the company's capital intensity, in FY21 and FY22 alone, the company spent $A400m on marketing to acquire customers in both the US and Australia. The fund experienced no inbound M&A during the month.

Stock specific drivers for the leaders and laggards

Paladin Energy's share price rebounded after last month's speculation the Namibian Government would introduce new taxes on mining companies, dissipated. It's rare the Australian Taxation Office provides positive surprises, but it did when it agreed to monetise $50m of tax losses into a capital payment for Service Stream, helpfully deleveraging its balance sheet. Among the laggards were Lake Resources, Bowen Coal and Weebit Nano.

Traditionally, June is an active month for trading updates from companies. There were several negative trading updates including Adairs, Baby Bunting, Bega Cheese and MAAS Group. Overall, the ratio of meaningful (+/-2%) EPS upgrades to downgrades was better than June 2022 but slightly below the ten-year average. On a sector basis, Healthcare saw solid analyst earnings upgrades while Consumer Discretionary and Real Estate saw the biggest number of net downgrades.

The IPO market is already more active in FY24

Finally, much has been written about a benign ASX IPO environment in recent times. In contrast to FY21 which saw 18 IPOs raise $100m+ with a market cap >$250m, there were none in FY23 (the lowest level in at least a decade). As a quick sanity check, since January 2019 there have been 36 companies list on the ASX with market caps >$250m, but just 20% of them have outperformed the ASX Small Ordinaries Index. Sadly for investors, 10 companies have torched 50%+ of IPO investor money (CleanSpace, Doctor Care Anywhere, Keypath Education, Adore Beauty and Nuix among the worst). While the team remains highly selective of primary offerings, we hope the next vintage of IPOs finds an appropriate balance of rewarding existing/outgoing shareholders while enabling incoming investors to generate an attractive return. The IPO drought-breaker of chemical distributor, Redox, will be closely watched.

Investment Team

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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