



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 July 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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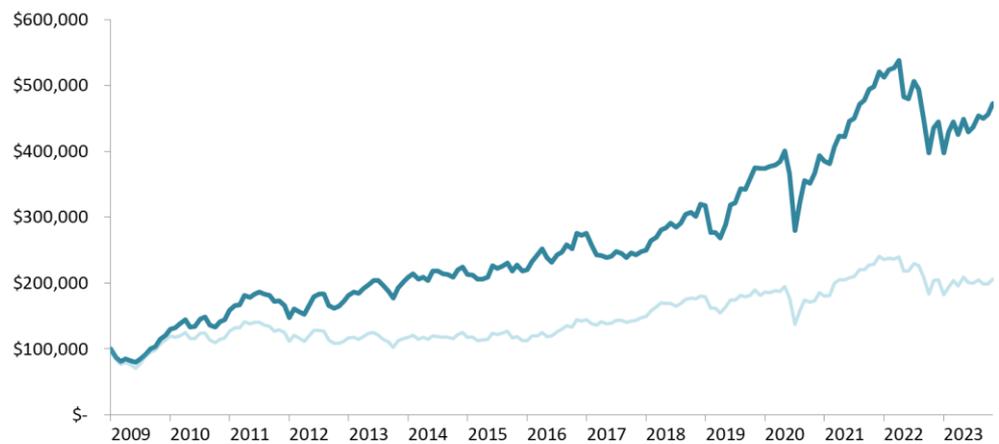
Net Performance

	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	3.39	3.91	8.36	8.77	9.38	9.40	11.10
Benchmark³	3.54	0.20	0.77	5.89	3.18	6.18	5.01
Excess Return	-0.15	3.71	7.59	2.88	6.20	3.22	6.09

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



— Fairview Equity Partners Emerging Companies Fund - Distribution Reinvested
— S&P/ASX Small Ordinaries Accumulation Index



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Monthly Commentary – July 2023

The Fairview Emerging Companies Fund recorded a 3.39% gain during July, finishing flat with the ASX Small Ordinaries Accumulation Index.

Inflation coming down but market volatility went up

July continued its historical record as being a strong month for the small cap index to deliver the 2nd best July performance in the last seven years. However, it was a tale of two halves with the first half of the month delivering all of the month's return. Volatility was elevated, with July seeing as many +/- >1% trading days for the small cap index as the previous three months. Macroeconomic data and central bank interest rate decision making was the cause for the upturn in volatility. Conflicting US employment data saw the US Treasury 10-year bond yield finish flat (after dropping 40bps intra month), whereas domestically the Reserve Bank of Australia (RBA) left interest rates unchanged for the second time since April (at the time of writing the market is currently pricing a 0% chance for a September rate rise, while it's a 17% chance for the US). While inflation remains elevated compared to pre-COVID levels, since Australia's annual CPI peaked in December 2022 at 7.8% it's continued to trend downwards. This saw a rotation from defensive stocks into 'risk on' loss-making, as well as cyclical, companies.

Everyone's asking . . . what's next for China?

This downward inflation trend has been consistent in many countries but not China, which claims no inflation. The Chinese post-COVID economic recovery hasn't met expectations, with barely any growth in the last three months. Following their July Politburo meeting, expectation is rising that the Chinese Government will take action to stimulate the economy. Interestingly, despite the ASX Small Resources surging to be up over 6% mid-month, it finished flat and underperformed the industrials peer by nearly 5%.

Smalls outperform big caps

More broadly Aussie small caps outperformed their ASX100 peers, while in offshore markets the NASDAQ continued its recent strength (+4%) to be 17.5% higher over the last three months, with the US small cap index (Russell 2000) delivering two strong consecutive months (+14% over that period) as investors regain more confidence in the stability of the US regional banking system (as an aside they carry 70% of the US commercial real estate debt).

Resources struggled

Starting on the negative side of the ledger, the ten worst performing stocks in the small cap index were resource companies. The fund held no exposure to these companies. Half of the companies (Deep Yellow, Talga Group, Lake Resources, Sayona Mining, Loneer) were pre revenue, while half were exposed to lithium. The worst performing lithium company was Core Lithium, who reduced FY24 production guidance by 20% and FY25 guidance by 50%, due to materially lower recoveries than outlined in the feasibility study. Another lithium company, Patriot Battery Metals (PMT), received the first 'short report' in the small cap space for quite some time. As a reminder a short report is essentially a 'research report' published by a hedge fund that has sold shares in the company in the hope their published document will create further downward pressure on the target company's share price, thus magnifying the hedge fund's profits. PMT's share price fell 13% over the month but after month's end, the company countered the report with a solid maiden resource estimate and attracted strategic interest (via US giant Albemarle) for its Quebec-based hard rock lithium deposit. Resource quarterly updates were also a feature of the month with overall gold sector production guidance shrinking and costs rising. We were pleased with the operational execution of the fund's gold companies and their relative share price performances.

Risk-on for the stronger performers

A key feature among the stronger small cap share price performers for July was that many of them had endured severe share price falls earlier on in the year (Siteminder, Kogan, Tyro Payments and Baby Bunting). Another attribute highlighting the risk-on investor appetite was that the average FY24 PE ratio for these top ten performing stocks is 60x. Costa Group (CGC) was the only company on the list to be the target of M&A when one of its IPO vendors, private equiteers Paine Schwarz Partners, lobbed a \$3.50 bid (vs the \$2.05 IPO price). In recent years, the vagaries of agriculture have caused several negative earnings surprises for CGC. Another sector that was particularly buoyant, playing into the appetite for cyclical stocks, was the consumer discretionary sector, with the share prices of all small cap retailers appreciating (which hasn't happened for a year). This came despite the backdrop of June retail sales being the slowest monthly pace of year-on-year growth since September 2021, with retail sales volumes (excl. eating out & takeaway) over 2% lower than the same time last year. Consumer sentiment remains muted.

Next comes the reporting season

We now enter the critical domestic reporting season to gauge how companies are managing a dampening in consumer spending and persistent cost inflation (especially rents, energy and wages). Hopefully companies have coped as well as their US peers. The most recent US Q2 earnings showed an earnings beat rate above the 5-year average with margin resiliency a highlight, despite post-COVID cost pressures.

Investment Team



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Portfolio Manager

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31+ years investment management experience



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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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