



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 August 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

55

Contacts

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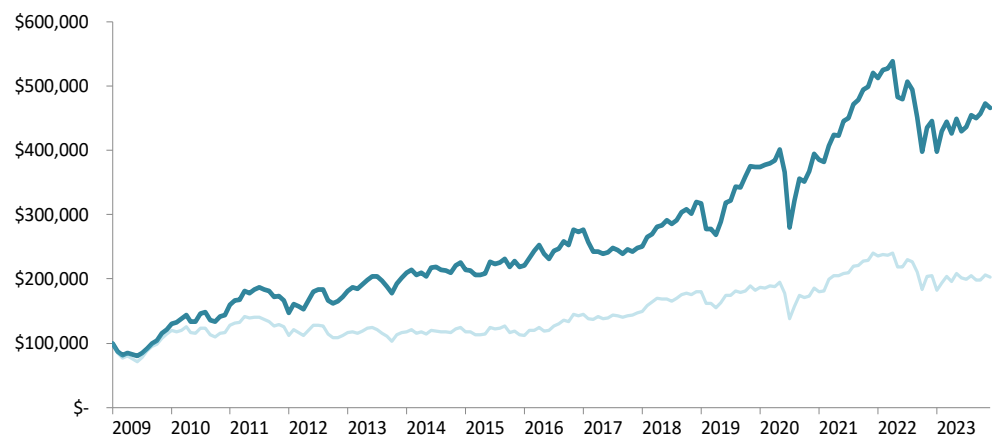
Net Performance

	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	-1.23	3.66	4.81	5.77	7.85	8.73	10.94
Benchmark²	-1.31	2.22	-1.12	3.00	2.40	5.74	4.88
Excess Return	0.08	1.44	5.93	2.77	5.45	2.99	6.06

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 – August 2023

The Fairview Emerging Companies Fund slightly exceeded the benchmark in August to finish -1.23% lower.

Soft equity markets

The ASX Small Ordinaries Accumulation Index ended the month down -1.3% but was 3.6% lower mid-month. More on the month's volatility later. It was the first time in four years the small cap index has delivered a negative return in August. Traditionally August is a strong month, with a median return of 1.7% for the index since 1991. Small caps slightly underperformed the ASX100. So far this calendar year the large caps have outperformed the small caps by 2.2%, and by 20% since the start of CY22. We're due a reversal of this trend, but timing's often tricky.

Energy stocks were strong

Small resources had a better relative performance compared to its industrial peers for the first time in the last three months but has still underperformed by 5.7% over the same period. Energy was the best performing small cap sector (+4.6%) with oil, coal and uranium (18-month high) commodity prices all strong. Threat of industrial action in WA potentially affecting the global gas market was supportive. Weighing on the broader commodities sector was Chinese news of economic softness, the prospect of further property developer collapses and tepid consumer spending. Copper and nickel prices were the hardest hit while the Hang Seng Index fell 8.5% (now ~40% below its Feb 21 peak).

Inflation not as bad but...still a few headwinds

Peak inflation continues to appear further in the rear-view mirror with the Australian Consumer Price Index (CPI) slowing to its lowest level in 18 months to 4.9% (having peaked at 8.4% in December) with similar trends felt in other markets (US inflation now at 3.2%). Sticky services inflation was evident during management discussions throughout the August reporting season. Most suggested that while peak labour inflation has passed (unless you're exposed to the minimum wage increases), it's still evident and staff availability remains an issue (after a moment's easing when borders re-opened). Despite this, earnings season was largely better than feared with great cost resiliency exhibited and pricing growth helping the revenue line. The A\$ fell ~4% against the US\$ to a 10-month low, causing an inflationary headache for importers (think retailers) but is favourable for offshore earners, provided the exchange rate remains low. The RBA paused at a cash rate of 4.1% in August and early September for the fourth time in the last six meetings, while commentary from the US Federal Reserve meeting has some suggesting the probability of further rate hikes has lessened, with some pundits now speculating on when interest rate cuts may occur.

Elevated daily share price volatility

Volatile is the most used term to describe the reporting season. According to JP Morgan, while the month's volatility was average, the daily volatility of share price movements was the second highest in the last 15 years. The average share price movement for the Information Technology sector on the day of an announcement was +/-15%. There appear to be several reasons for this: i) portfolio repositioning; ii) a large fund transition meaning an intermediary is employed to dispose of a portfolio; iii) the entry of more global hedge funds into Australia; iv) trading liquidity within the small cap space was 20% lower than the prior 5-year average.

Consumer stocks shone

Consumer Discretionary was the second best performing small cap sector in August. Given the broad hawkish view on the Australian consumer, it didn't take much to attract a capital rotation to the sector, with retailers generally exhibiting better than expected results. Noteworthy is that the fixed to variable mortgage cliff may

have only impacted the final quarter's trade. Quite telling was a slide in Commonwealth Bank's presentation highlighting the bifurcation of spending between the younger and older demographics – it showed in the last 4 weeks until 23 July 2023, year-on-year spending was slightly negative for the under 34-year-olds and at positive 5% for the over 55 years. The minimum wage rose 5.75% from 1 July 2023, and may only be partly captured in these figures.

What about interest costs?

In contrast, the Real Estate sector was the worst performing sector (-4%), vindicating an underweight portfolio exposure. If you group the P&Ls of 20 small cap real estate companies that reported their results, what's interesting is that the aggregate net earnings was 2% higher than expected but pre-tax profit was 2% below. Digging deeper it shows interest costs came in 5% higher than expected but were offset by other line items. Interest costs estimates for FY24 have moved 4% lower, possibly in part due to higher hedging.

Overall, most portfolio companies delivered what we'd expected. While we always expect some surprises (hopefully with a positive skew) there were a few results, that despite regular company contact, baffled us – even a company who pre-blackout had stated their business was performing “extremely strongly” did not meet consensus earnings expectations. Accordingly, there have been some subsequent portfolio refinements and several prospective inclusions for the fund.

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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