



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 October 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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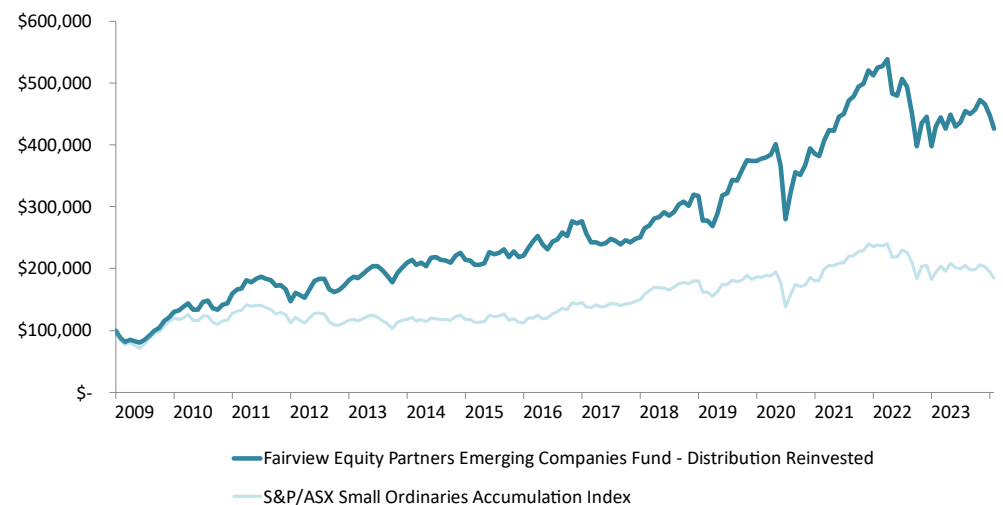
Net Performance

	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	-4.85	-9.80	-0.94	3.72	8.97	7.11	10.08
Benchmark³	-5.45	-10.45	-5.10	0.52	2.55	4.26	4.13
Excess Return	0.60	0.65	4.16	3.20	6.42	2.85	5.95

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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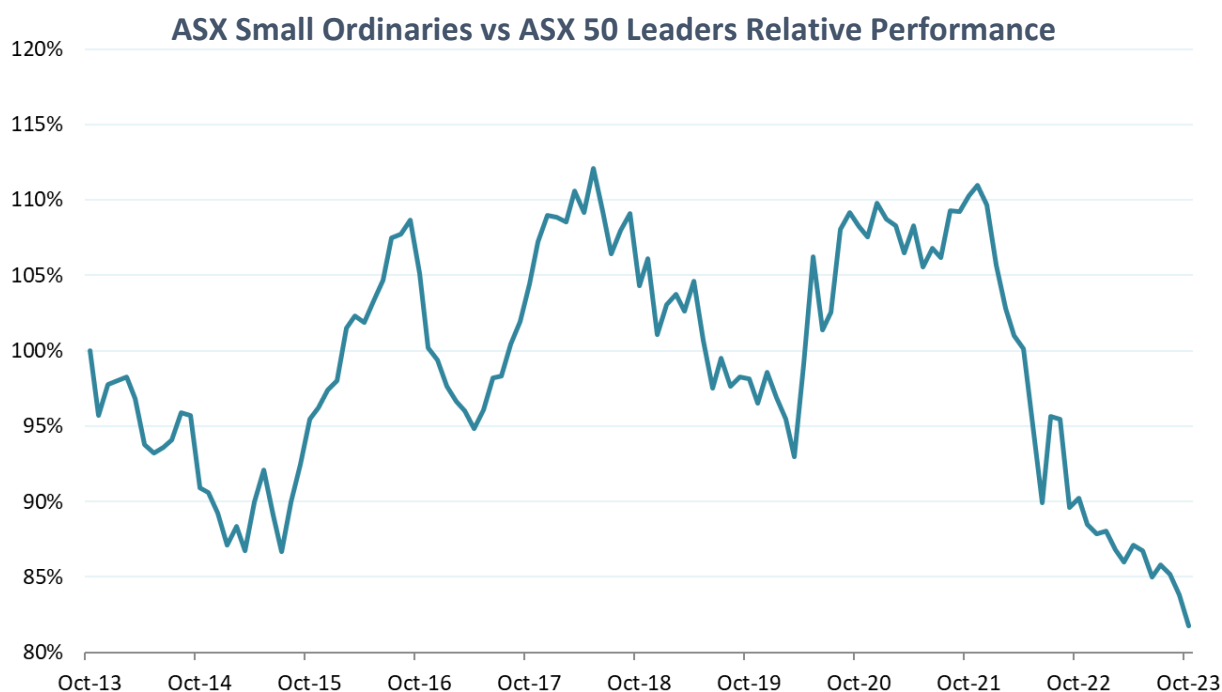
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Monthly Commentary – October 2023

In a disappointing absolute month for unit holders our fund returned -4.85%, albeit outperforming the ASX S&P Small Ordinaries Accumulation Index, which was down -5.45%. Offshore the S&P500 index dropped -2.2% in October. The Dow Jones was down -1.4% and the NASDAQ gauge slid -2.8%. Resource stocks outperformed industrials, driven by the gold sector. The gold price was the standout performer in the month, up 7.3% in US dollars.

Interesting chart

Our fund, which we are very proud of, has just completed its 15th year since its inception in October 2008. Extreme volatility and low liquidity ensured our fund had an ‘interesting’ start. Once again it is an interesting time to be a small cap fund manager. The chart below shows the relative performance of the ASX S&P Small Ordinaries Accumulation Index vs the ASX S&P 50 Leaders Accumulation Index over the past 10 years. Over the past two years, the small cap index has underperformed significantly.



To me, charts are a record of history versus being a predictive tool. We cannot use the chart above to say the Small Ordinaries will bounce back now, we just don't know. But over the journey we have come to some conclusions regarding the Small Ordinaries Index. It has

- A much lower reliance on financials, i.e. the big banks and more cyclical exposure.
- Generally higher EPS growth, as these companies are at an earlier stage of their life cycle.
- Less trading liquidity, which often results in a lower PE vs the big boys. It pays to limit small cap fund capacity or suffer serious liquidity risk.
- A lot less sell side analyst coverage. There is slightly less than half the number of analysts on any small cap vs large caps. Typically small cap sell side analysts cover a lot more stocks and due to time constraints and an increasing compliance load, there are a lot of out of date earnings forecasts.
- Higher true alpha. Recent Mercer stats (the 10 years to 30 June 2023) show that the median small cap manager's net annual alpha has been 4 times that of the median large cap manager.

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 MLC Investments Limited ABN 30 002 641 661, AFSL 230705 ('MLCI'), the responsible entity of, and the issuer of units in, the Fairview Equity Partners Emerging Companies Fund, ARSN 133 197 501 (the 'Fund'). MLCI 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. MLCI is part of the Insignia Group of companies (comprising Insignia Financial Limited ABN 49 100 103 722 and its related bodies corporate) ('Insignia Financial 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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