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 January 2024

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

55

Contacts

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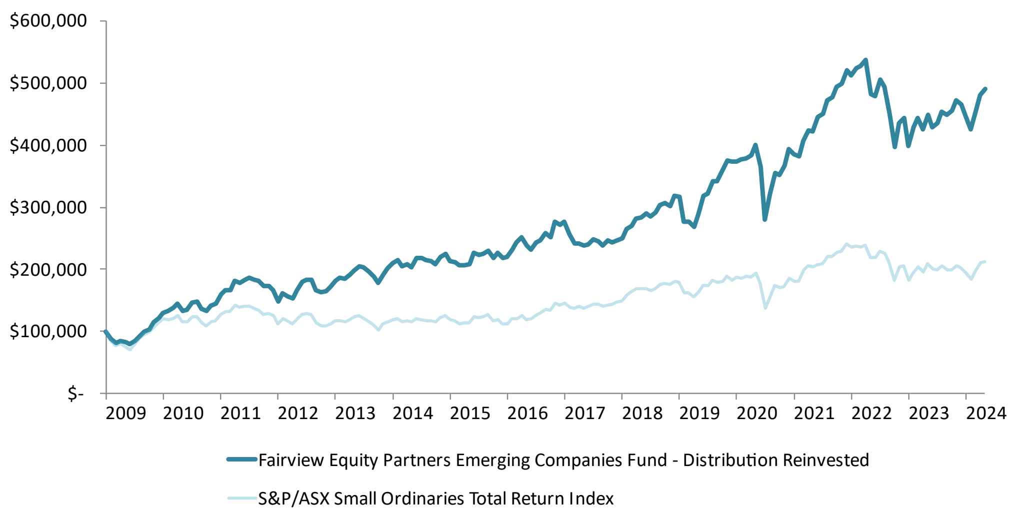
Net Performance

	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]	2.21	15.32	9.42	5.15	11.17	9.20	10.94
Benchmark[3]	0.90	15.80	2.10	1.33	5.44	6.40	5.06
Excess Return	1.31	-0.48	7.32	3.82	5.73	2.80	5.88

[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 – January 2024

The ASX Small Ordinaries Total Return Index started the new year well, rising 0.90%. A sound outcome given the exceptional finish to 2023 which saw the small cap market up 14.78% in the last two months.
While the fund struggled to keep pace in December, over the last twelve months, it's delivered a return that is 7.32% higher than the benchmark.

During January the Fairview Emerging Companies fund gained 2.21%, which was 1.31% above the benchmark.

Big caps reaching new highs but not yet the small caps
Global equity markets were broadly strong in January. An exception was the US small cap sector (Russell 2000) which declined 4% after bouncing hard (+12%) in December. Like Australia, the US small cap market has recently underperformed its larger peer (by 7% in CY23). Coincidentally, and despite the compositional differences, while the larger end of the equity markets have reached new highs, both the Australian and US small cap markets are around 20% below their late 2021 share market peaks.

Inflation trying to go down
The month saw a rotation towards value and quality with some of the late 2023 surge in growth stocks unwinding. The Red Sea shipping attacks reignited supply issue concerns, contributing to renewed prospects for global inflation stickiness. Domestic inflation for December came in below the Reserve Bank of Australia's expectations (4.1% vs 4.5%) reinforcing the belief that interest rate cuts will happen (albeit maybe later than experts initially thought). Volatile domestic retail trade data (in part due to Black Friday sales bringing forward activity) doesn't necessarily support some of the Retailer company updates, which have so far been positive.

Uranium cycle continues…
The uranium sector was a standout during the month. All four small cap uranium-exposed companies (Paladin Energy, Boss Energy, Deep Yellow & Silex Systems) featured amongst the top seven best small company share price performers. Aiding this were comments from the US Department of Energy of their intention to create a more nationalistic uranium supply chain (read less dependence on Russian states) as well as continued pricing appreciation (+10% in January) with further news of supply constraints amongst miners. In summary, the uranium price has risen from a low of ~$US18/lb in 2016 to push through $100/lb, the first time in 16 years. Some pundits are suggesting it could double from here. Unitholders have benefitted from this thematic.

while lithium languishes
In contrast, there's no respite for the lithium sector with the average return of the nine remaining small cap companies seeing an average 30% share price fall during the month. Since the December 2022 peak in commodity pricing, the small cap exposure to lithium has plummeted from a peak of ~6% (Liontown Resources included) to around 1% today. Over that time the combined market value of the remaining small cap lithium names has fallen 70% (despite some fresh equity raised along the way).

Trading updates
With analysts returning to their desks after a well-earned summer break and a number of companies providing trading updates during the month, the net result was a 2% fall in the 1-year forward Small Ordinaries EPS estimate. This masks the 1% lift for Industrial companies and a softer result for Resources, in a month which saw some mixed quarterly reports and commodity price moves. Among the industrials, Megaport (was better than feared), Data#3 (increased 1H guidance), SuperRetail Group (sales and gross profit margins offsetting operating expenses inflation) and Select Harvest (good production and pricing) all provided

positive updates while APM (FY24 EPS -30%), Nanosonics (sluggish unit sales) and Costa Group (under takeover) announced sluggish outcomes compared to expectations.

Reporting season

Attention now turns to the February reporting season. As a guide, the Q4 US reporting season has just ticked over halfway with key themes including a soft (not hard) economic landing, consumer resiliency, and AI proliferation supporting solid capital expenditure growth, with indications of cost pressures easing (especially shipping and staff cuts) aiding margin improvement. Given some recent company share price movements amongst the small cap names (in part from repositioning and adjusting sector underweight exposures), we question how much of the positivity has already been factored in. Will this make the imminent earnings season any more volatile? The early read is positive news is still taken very favourably.

Investment Team

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Portfolio Manager
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31+ years investment management experience

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