



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

29 February 2024



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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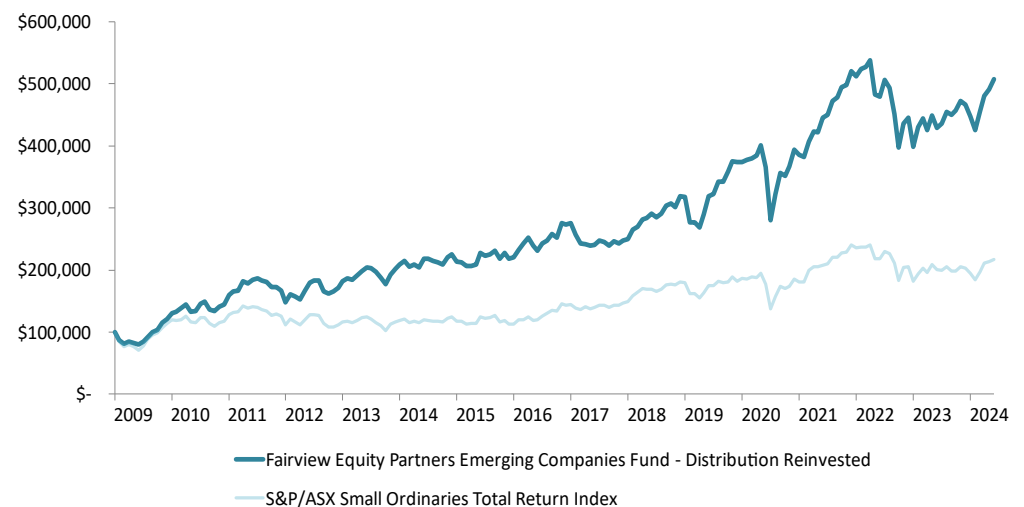
Net Performance

	1 month	3 months	1 year	3 years	5 years	10 years	Since inception'
	%	%	%	% p.a.	% p.a.	% p.a.	% p.a.
Fund Return^a	3.23	11.28	18.12	4.40	9.74	8.81	11.10
Benchmark^a	1.72	10.05	7.84	1.39	4.42	6.07	5.15
Excess Return	1.51	1.23	10.28	3.01	5.32	2.74	5.95

^aFund inception date: 8 October 2008. ^aNet returns are calculated after deducting management fees and are pre-tax.

^bBenchmark: 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 – February 2024

The ASX Small Ordinaries Total Return Index continued its recent momentum by stringing together its fourth consecutive positive month, ending February 1.72% higher. Thanks to a late surge, this return was above the historical average index performance for the month of February.

The Fairview Emerging Companies Fund outperformed the benchmark by 1.51% in the month.

Small resources languish

Small caps marginally outperformed the big caps in both Australia and the US while globally, Asian equity markets were the strongest performers (reversing January's weakness). Again, small resources were weak, underperforming their industrial peers by 8%, which is the biggest margin since August 2020. On a rolling quarter basis, small cap resources have trailed industrials by 18% which is the worst in nearly a decade. Notably, industrial company earnings have been more resilient. While the oil price hit a three-month high, generally February saw softness in commodity pricing including gold, uranium, copper, iron ore and lithium. It's hard to pinpoint the catalyst to reverse this trend but a rate cut should help sentiment, while in early March all eyes will be on China's Congress Conference to see whether they surprise with an infrastructure stimulus package.

Interest rate cuts get pushed out

Early month comments by Federal Reserve Chairman Jerome Powell, along with various data points emphasising continued US economic resiliency, prompted economists to push out their expectations for a rate cut from March until June. This was witnessed in rising 10-year bond yields (+12bps in Australia, +29bps in the US) but didn't dampen enthusiasm for certain growth stock valuations. The January Australian Consumer Price Index came in lower than expected at 3.4% year-on-year (consensus at 3.6%) with various data hinting that capacity is emerging in the economy. Since month end, it was reported that job cuts announced in the US are at their highest level since the GFC – interest rates are having an impact.

An exciting month

Within the domestic small cap reporting season there was something for everyone – takeovers (CSR, APM Human Services, Superloop), a short report from a US hedge fund targeting Acadia Pharmaceuticals (Neuren Pharmaceuticals' US partner), earnings surprises (positive and negative), some unexplainable share price movements and a curious capital raising. Generally, cyclical stocks that met expectations saw positive disproportionate share price reactions, a potential outcome of portfolio repositioning. The ratio of meaningful small cap industrial EPS upgrades/downgrades (+/- 2%) was consistent with the ten-year average. Overall, according to FactSet, the Small Ordinaries Index saw a negligible change to EPS expectations.

Volatility spiked per expectations

Share price volatility was elevated. Statistically it was the most volatile reporting season in the last eight. If you look at the price moves of companies on the day of their earnings releases, there were 25% more movements greater than +/- 5% than in the last eight reporting periods. Why? Hard to be precise but small cap sector trading values were slightly lower than the five-year average, while quant fund activity, portfolio positioning and increasing inconsistency between the sources of earnings consensus may have all contributed.

Better than feared earnings season

Amongst other reporting themes were pricing offset volume softness, positive gross profit margins were aided by China factory cost deflation and operating costs are starting to experience a less intense inflationary environment. There were few capital management surprises given, possibly indicating boards and

management teams taking a wait-and-see approach to the outlook. Overall, we'd characterise the February earnings season as largely better than feared but, as expected, highly volatile. On a portfolio basis, there were some spectacular outcomes and some frustrations, but generally we remain satisfied with our holdings.

We look forward to discussing other observations and recent portfolio actions further with you during our March webinar.

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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