



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 March 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

57

Contacts

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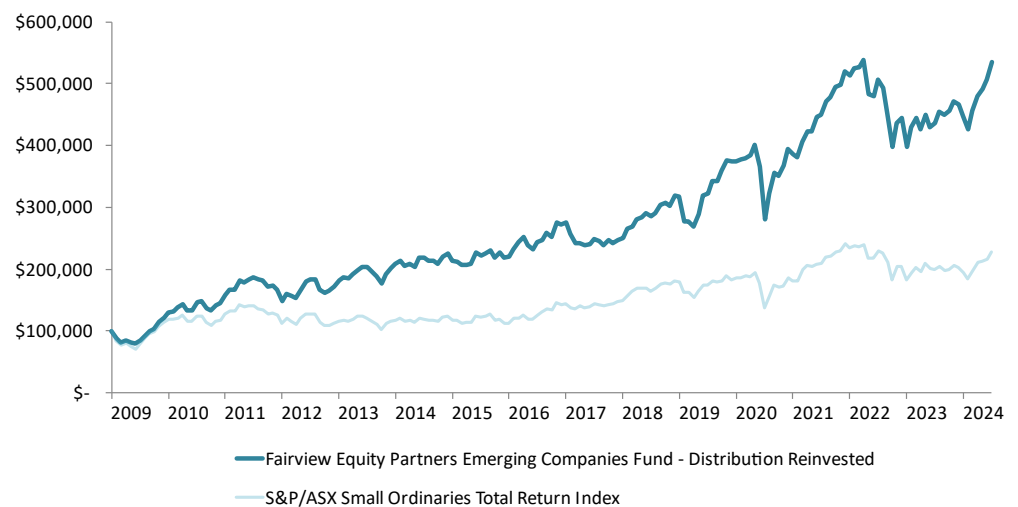
Net Performance

	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	5.58	11.40	22.70	5.93	10.70	9.37	11.43
Benchmark^a	4.79	7.55	13.83	2.72	5.43	6.69	5.44
Excess Return	0.79	3.85	8.87	3.21	5.27	2.68	5.99

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

^aBenchmark: 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 – March 2024

In March, the Fairview Emerging Companies Fund delivered an absolute return of 5.58% to unitholders, which was 0.79% above the ASX Small Ordinaries Total Return Index. Over the first quarter of 2024 the return was 11.40% which is 3.85% above the benchmark.

It's the best start to a year for Australian small caps in five years (since pre-Covid). Pleasingly Australian small caps have outperformed their larger cap peers by 1.8% over the last two consecutive months but are still well below the larger index since the start of CY22.

A central bank cuts

Switzerland is the first major central bank to cut interest rates globally. The unexpected cut (by 25bps to 1.5%) was the first time the bank has dropped rates in nine years. Meanwhile, the Reserve Bank of Australia and US Federal Reserve both kept interest rates on hold. The following pictorial highlights how US rate cut expectations have changed since December 2023 when markets were pricing in seven rate cuts by December 2024, compared to the current three rate cuts that are predicted. Will this go lower?



Australia's economy continues to show resiliency with employment, and the February CPI not moving from the levels seen in December and January. February's retail sales rose 0.3% demonstrating the 'Taylor Swift' effect in NSW and Victoria. Spending per capita is 1.4% lower than the same time last year, with domestic income tax cuts taking effect from 1 July 2024.

The gold price hits new highs

The gold price was strong through March and indeed, the first quarter of the year. It was just the third month in four years the price gained at least 7%. Investors seemed to give credence to future interest rate cuts. The average share price gain of the sixteen small cap gold stocks was 17%, reflecting some catch up between the equities' under performance versus the commodity price. Also reversing a recent trend, the Small Resources Index beat its Small Industrials peer, finishing 6% higher. Uranium recorded its second month of price falls on thin volumes as anecdotally, utility customers sit on their hands. Over the quarter, the best performing commodity was the oil price (+13%) amidst geopolitical tensions.

Life360 shares some advertising news

For the industrial small caps, the month got off to a cracking start with family location sharing app, Life360 announcing their first quarter results and the commencement of advertising to their unpaid user base after beta testing showed promising results. The share price catapulted 40% on the day and finished the month amongst the best performers, up 60%. Two other industrial companies saw their share price gain 50%+. Biotech company Mesoblast rose after they announced the FDA had declared their clinical data was sufficient to progress to the next stage. According to FactSet, Mesoblast has raised \$1.3bn over the last twenty years which compares to its current \$560m market cap. Digital payment provider Zip Co rose, with positive analyst reports suggesting a stronger capital position and improved earnings momentum. Neither of the latter two are owned in the fund.

M&A continues to feature and is the IPO door opening?

M&A activity continued, with the transactions (>\$100m) announced over the last 6 months tracking 50%+ higher than the 11-year median. Aussie Broadband, last month's bidder for Superloop (SLC), announced it had lost a lucrative contract to its target and was in contravention of SLC's constitution cap of a 12% maximum shareholding (under Singapore laws). Its share price fell to 6-month lows. Elsewhere, MMA Offshore announced interest at a 10% share price premium, while the private equity bidder for government-funded employment assistance company, APM, has walked. The door could be easing open for the IPO markets with US-listed social media company Reddit's share price delivering a 48% one day gain and remains 70% higher at the time of writing.

Small cap valuation compares favourably

According to FactSet, the Small Ordinaries Index trades on a 20% price to earnings (PE) discount to the ASX100 (ex-Banks) in FY24 and FY25. The fund's industrial portfolio trades at a 5% weighted PE discount to the market while presenting superior growth, returns and capital position.

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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