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 May 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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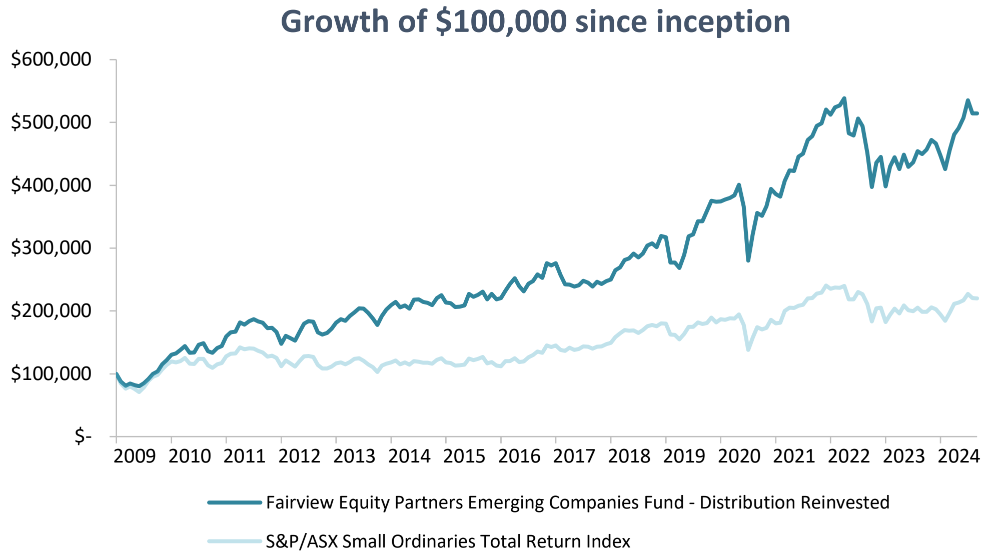
Net Performance

	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]	-0.05	1.45	14.33	2.47	8.46	9.23	11.02
Benchmark[3]	-0.05	1.53	10.92	-0.08	4.18	6.48	5.17
Excess Return	0.00	-0.08	3.41	2.55	4.28	2.75	5.85

[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.



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Monthly Commentary – May 2024

US equities rose +4.80% over the month of May. An increase in unemployment and a tame CPI print provided investors with optimism on Federal Reserve rate cuts. Some commentators were stressing the imminence of such cuts to come, they are still waiting. Information Technology (+9.95%) was the top gaining sector in the US, helped by both interest rate sentiment and Nvidia's stellar result, while Energy (-0.97%) was the only sector to end the month in the red.

Back in Australia

In contrast, domestic inflationary pressures are proving more stubborn, with the ASX S&P Small Ordinaries Index flat over the month of May. As also witnessed in April, Materials markedly outperformed Industrials sectors, primarily due to gold being such a large weight in the Materials sector. In an echo of April, Energy (+4.83%) was the 2nd best sector, behind Healthcare (+6.43%). We would have expected underperformance on the back of the oil price (WTI -6%). The third best performing subsector was the REITs (+2.23%). This sector always shines on the hint of rate cuts.

1970s reruns

Those of us who remember the 1970s lived in a multi superpower world that endured high inflation, combined with energy shortages. Last month we discussed a steepening inverse equity yield / bond yield relationship. Recently it has reverted to 20th century norms. Learned commentators, far cleverer than us, consider the root cause of this reversion is high inflation. This is one of the key similarities between now and the 1970s stock market environment.

There are others

In the continuation of our retro step back to the 1970s we look this time at the energy market. Like then, there is now war in the Middle East, combined with high oil prices and over-dependence on shipping routes through the Arabian Sea. There is one massive difference, shale. This US based industry has shifted the vulnerability to potential oil market disruption from the now self-sufficient USA to China.

Where it gets interesting is that we are in a US election year. Each of the two major parties has a vastly different policy on energy. The Democrats are full tilt at the energy transition whilst the Trump led Republicans are focused on energy independence. This will involve drilling incentives as well as going back to fracking on Federal land and limiting energy dealings with nations such as Venezuela. One will have a cost of living advantage over the other and could drop inflation quickly.

So where does that leave Fairview unitholders? One thing we will not do is bet on the US election via excessively large stock tilts. Through portfolio positioning we aim to have a balance of stocks that benefit from either party in power.

Investment Team

Michael Glenane

Portfolio Manager
BE, MBA
32+ years investment management experience

Tim Hall

Portfolio Manager
BComm
26+ years investment management experience

Leo Barry

Portfolio Manager
BSA, MBA
16+ years investment management experience