



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 2022



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

www.mlcam.com.au
fairviewequity.com.au
Email: client.services@mlcam.com.au
Client Services: 1300 738 355

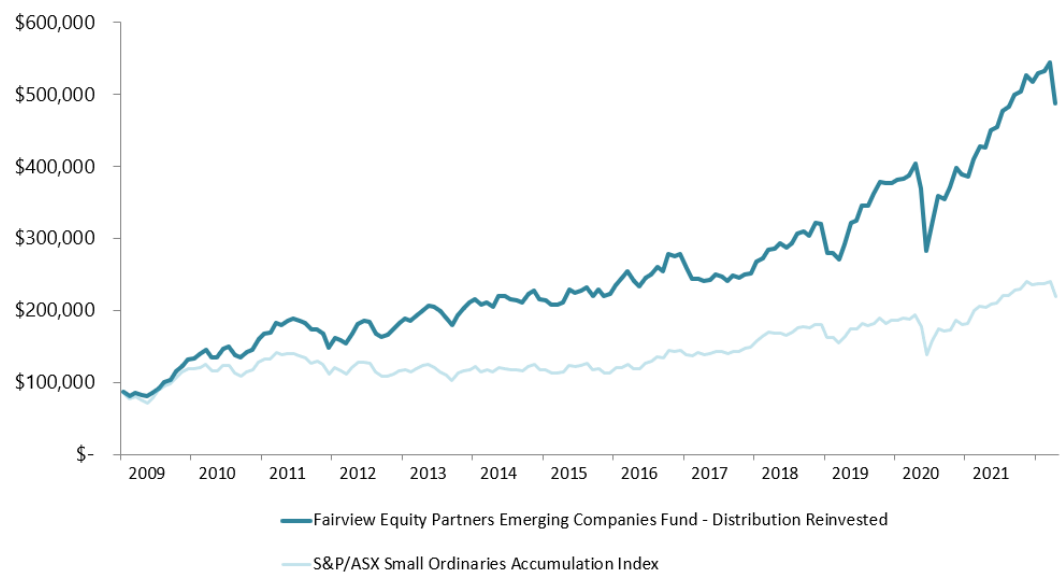
Net Performance

	1 month %	3 months %	1 year %	3 years % p.a.	5 years % p.a.	10 years % p.a.	Since inception' % p.a.
Fund Return^a	-10.39	-7.95	14.25	18.64	15.14	11.26	12.63
Benchmark^a	-9.00	-7.99	6.65	10.13	9.64	6.17	6.05
Excess Return	-1.39	0.04	7.60	8.51	5.50	5.09	6.58

^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



MONEY MANAGEMENT
**FUND MANAGER
OF THE YEAR 2020**

AUSTRALIA'S FIRST INDEPENDENT AND WHOLE OF MARKET AWARDS

WINNER
Australian Small/Mid Cap Equities



Monthly Commentary – January 2021

A tough start to the new year

It was a tough start to the year with the Small Ordinaries Accumulation Index posting its worst January performance since the GFC, and the second worst on record, to finish down 9.0%. A correction of this magnitude has occurred once every two years on average over the last 31 years, or much less if you exclude the GFC. The Fairview Emerging Companies fund was not immune, slipping 1.4% below the benchmark. Alas, while we had reduced risk in the portfolio for such an event, this was not enough.

Technology gets whacked

The US Federal Reserve's signalling for an earlier start to the quantitative tightening cycle spooked the market. A rise in the US interest rate could now come as soon as next month with some anticipating as many as five interest rate hikes in 2022. It is not only the US, according to Bloomberg, the G7 central banks are anticipated to add just \$US330bn to their balance sheets in 2022, a sharp decline from the \$US8trn added during the last two years to support their economies. The RBA Governor has conceded an interest rate rise in Australia is now a possibility in 2022, but household indebtedness (debt to income) could provide a cap. The rate the current household savings pot is spent will be influential.

The greatest impact was felt on those stocks most sensitive to rising real yields. The NASDAQ delivered its worst month in three years, falling 9%. While closer to home, the ASX small cap technology sector fell 7% and the small cap healthcare sector was the worst performer, down 14%. On the flip side, a few stock market indices delivered a positive return – namely the Hang Seng (-18% over the last 12 months) and the UK's FTSE.

'Risk on' swings quickly to 'risk off'

After a period of falling interest rates and phenomenal monetary stimulus which encouraged a 'risk on' attitude to investing, January saw the pendulum swing towards a 'risk off' sentiment. Among the key laggards were high beta companies such as i) fund managers (Australian Ethical Investments and Pinnacle Investment Management); ii) loss-making companies (such as Dubber Corporation and Pointsbet); and iii) high valuation businesses such as world leading medical imaging software company, ProMedicus. Share prices of the worst ten laggards fell 30%+, while Redbubble and Dubber's prices have halved over the last two months. Thankfully, the Fund had negligible exposure to these detractors.

In contrast, the oil price continued its recent rally (now up 30% in two months) with three energy stocks (Beach, Karoon and Cooper) amongst the ten best small cap performers. As the world transitions its energy streams, prolonged under-investment in traditional energy sources is being felt in higher prices. Value stocks delivered a spectacular outperformance vs growth in January to a level in the US market not seen in the last twenty years. At Fairview, we are agnostic to whether a company is considered value or growth, but value alone is not an adequate investment thesis for us.

Omicron induced some earnings downgrades

At the time of writing, the US 4Q earning season is in full swing with just over half having reported, with above average earnings beat rate. Overall, solid demand has offset pressures from the much-written supply chain difficulties, input cost rises and staffing issues. Whilst January is typically a fairly quiet month for ASX corporate news flow, earnings downgrades continued. Retailers (Adairs, Kogan, RedBubble, Accent), travel (Flight Centre, Corporate Travel), media (Ooh Media, Southern Cross Media) and technology (Nuix, Dubber, Megaport, Sezzle) were the key sectors that experienced meaningful (+/- 2%) analyst earnings downgrades. It is hard to gauge the market mood during the forthcoming reporting season at this stage, but it was interesting to observe the Adairs' share price fall over 20% for a 9% earnings revision.

The Great CEO Resignation

For mining companies in their recent quarterly updates, a common feature was the difficulty of optimising production in a backdrop of Omicron and border restrictions on their labour needs. The challenges for CEOs were reinforced with several looking to relocate away from their Perth head offices. Furthermore, while much has been written about the “Great Resignation”, it is interesting to see ASX small cap CEO churn 20% higher in 2021 than the five-year average.

With 21% of ASX small cap companies’ loss making, and another 7% trading on a PE greater than 50x, arriving at a market valuation multiple can be tricky, but given the correction it is worth noting that according to JP Morgan, the Small Ordinaries Index is currently trading on a one year forward PE of 15.6x, a 6% discount to the five-year average.

Investment Team



Michael Glenane

Portfolio Manager

BE, MBA

30+ years investment management experience



Tim Hall

Portfolio Manager

BComm

24+ years investment management experience



Leo Barry

Portfolio Manager

BSA, MBA

14+ years investment management experience

This report is issued by Antares Capital Partners Ltd ABN 85 066 081 114, AFSL 234483 ('ACP'), the responsible entity of, and the issuer of units in, the Fairview Equity Partners Emerging Companies Fund, ARSN 133 197 501 (the 'Fund'). ACP 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. ACP is part of the IOOF group of companies (comprising IOOF Holdings Ltd ABN 49 100 103 722 and its related bodies corporate) ('IOOF 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.

References to Money Management's Fund Manager of the Year awards and use of logo: © 2020 FE Money Management. all rights reserved. The information, data, analyses, and opinions contained herein (1) include the proprietary information of FE Money Management (2) may not be copied or redistributed (3) do not constitute investment advice offered by FE Money Management (4) are provided solely for informational purposes and therefore are not an offer to buy or sell a security (5) are not warranted to be correct, complete, or accurate. FE Money Management shall not be responsible for any trading decisions, damages, or other losses resulting from, or related to, this information, data, analyses, or opinions or their use. FE Money Management does not guarantee that a fund will perform in line with its Fund Manager of the Year award as it reflects past performance only. Likewise, the Fund Manager of the Year award should not be any sort of guarantee or assessment of the creditworthiness of a fund or of its underlying securities and should not be used as the sole basis for making any investment decision.