Fairview Equity Partners Emerging Companies Fund

31 August 2021

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

+0.25% / -0.25%

Number of Stocks

55

Contacts

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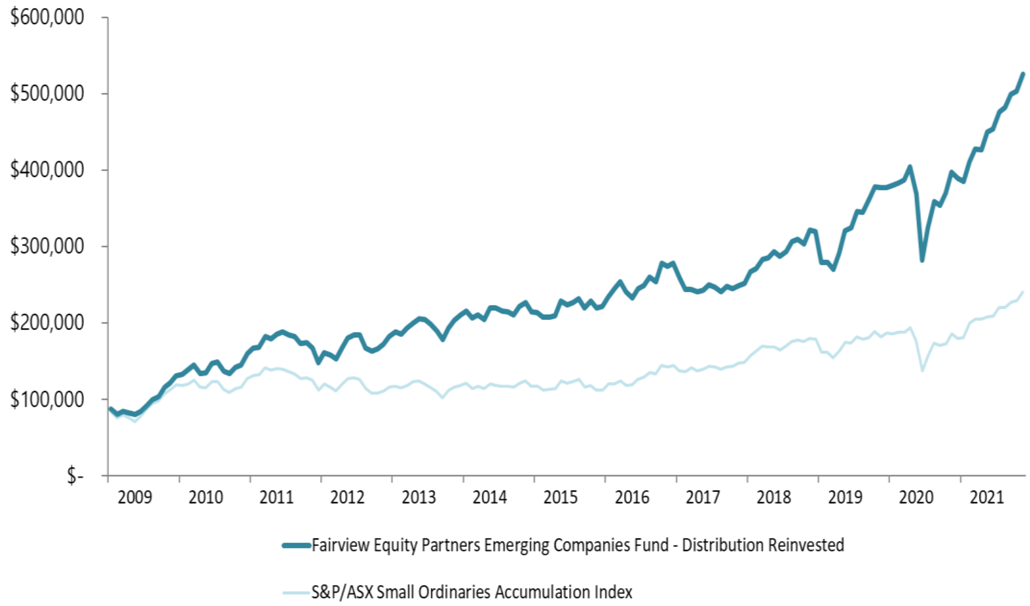
Net Performance

	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]	4.41	8.96	32.14	17.72	13.84	12.10	13.73
Benchmark[3]	4.98	8.95	29.51	10.09	10.99	6.72	7.04
Excess Return	-0.57	0.01	2.63	7.63	2.85	5.38	6.69

[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



MONEY MANAGEMENT
FUND MANAGER OF THE YEAR 2020
AUSTRALIA'S FIRST INDEPENDENT AND WHOLE OF MARKET AWARDS
WINNER
Australian Small/Mid Cap Equities

2019 Finalist
THE AUSTRALIAN FUND MANAGER AWARDS

Monthly Commentary – August 2021

Iron ore hammered

August was a great month for unitholders on an absolute basis. Alas, we finished slightly behind the benchmark due to our lithium sector weight in the fund. Looking offshore, the biggest news of relevance was the plummeting iron ore price, down 25% in the month. Generally offshore equity markets were mixed to slightly up, continuing the trend of a very strong calendar 2021 year-to-date.

Reporting season

Equity markets in Australia were dominated by August reporting season. The ASX S&P Small Industrials Index was the best performer, beating the large caps and small resources indices. The technology sector was the standout in the Small Ordinaries Index. It surpassed its nearest sectoral competitor by 10%. Companies reported many more beats than misses to consensus forecasts, specifically at a ratio of 2.33 to 1, which, according to UBS, is the second-best ratio on record. However only 16% of companies provided hard number guidance, reflecting the uncertain outlook. Despite the 5% rally in the month, FY22 EPS expectations for ASX200 industrials stocks reporting in August were trimmed by 1.3%.

Looking through lockdowns

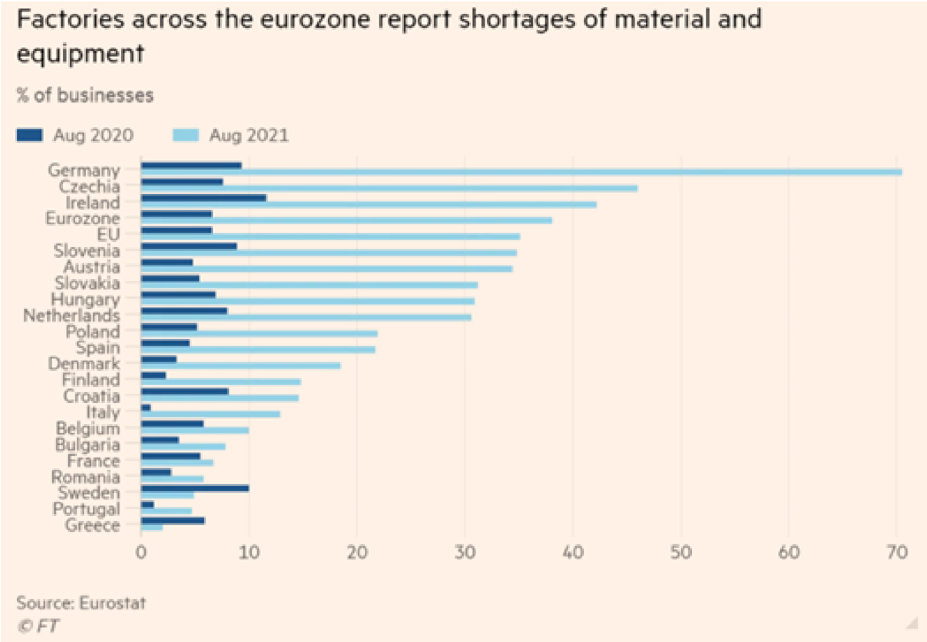
We believe investors are currently prepared to look through another 'transitional year' for the Australian economy and corporate earnings in FY22. Annual general meeting season will again prove critical in setting the tone for markets coming up to Christmas. The following are some of the issues the market will debate for the balance of the year.

Spending spree – good or services?

With half the Australian population in lockdown, household savings rates are very high. People are itching to spend to feel normal again. Australian mobility seems likely to improve led by New South Wales.

Lack of goods will shift the spend to services

The following table from Eurostat shows that Europe factory production is being hit hard, especially Germany, the continent's high-end manufacturing powerhouse.



Whilst Europe in not an important trading partner with Australia vs China, it does share a high reliance on China for intermediate inputs. Like the rest of the world, Europe relies on Chinese mega shipping ports remaining open. We consider the developed world is captive to China controlling the Delta variant within its borders. With far stricter state powers and rigid enforcement, China has shown it acts fast in locking down regions. There will almost certainly be more Delta outbreaks in China. If they spread, globally diverse supply chains will be stretched and will drive input costs higher. Previous port closures are already impacting costs, the August Chinese Producer Price Index (PPI) rose 9.5% on pcp, a 13 year high. With clogged shipping logistics many more shop shelves than normal will be empty this year (so buy your Christmas presents early).

It’s a booze up!

The UK is a live example of what might occur when Australian lockdowns ease. The UK’s Freedom Day was 2 months ago, and the current death rate is well below health expert’s warnings at the time. Very recent Barclaycard data shows growth in total services spend has now been positive since April '21 and has accelerated relative to 2019. Drivers of the growth included an acceleration in pubs & bars (+43% on Aug '19), eating & drinking (+44% on Aug '19) and entertainment (24% on Aug '19). The restaurant sector also experienced its first growth since Feb '20 (+0.1% vs Aug '19).

Obviously inflationary

We are now witnessing labor shortages, supply chain disruptions and cashed up consumers. All three issues are obviously inflationary. The market is not concerned about the steeping of the yield curve ……yet. We will also discuss virus mutation impacts on markets in more detail next month.

Investment Team

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29+ years investment management experience

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