Fairview Equity Partners Emerging Companies Fund

31 July 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

58

Contacts

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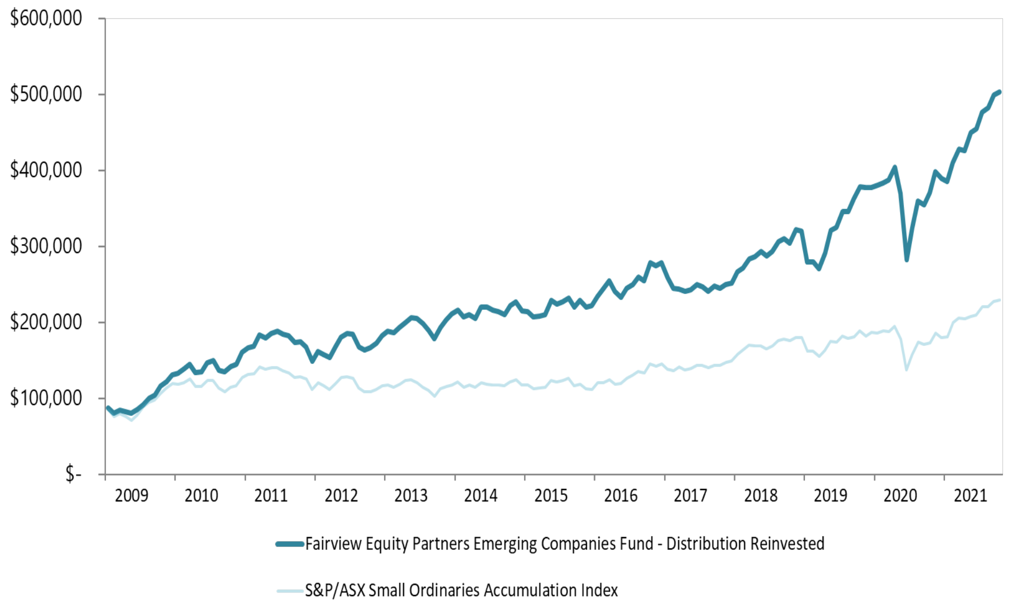
Net Performance

	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]	0.88	5.68	35.97	18.30	12.58	11.20	13.45
Benchmark[3]	0.68	4.06	32.30	9.22	9.57	5.92	6.68
Excess Return	0.20	1.62	3.67	9.08	3.01	5.28	6.77

[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 – July 2021

Outperformance and market strength continues

The Fairview Emerging Companies Fund rose 0.9% during the month, outperforming the Small Ordinaries Total Return Index by 0.2%.

The benchmark continued its impressive run, stringing together gains in the last six months consecutively to be up 11.8% over the period. It is surpassed by the ASX100 which has now delivered ten consecutive positive monthly returns.

Australia shines

Regionally, Australia was the best performing market. China's Shanghai Index (-10%) and the Hang Seng Index (-6%) both fell due to China's regulatory crackdown on the technology sector and the need for government control over the country's data. However, a possibly bigger surprise by the Chinese government during the month was the cut to the amount of liquidity their banks need to hold (known as the reserve requirement ratio), allowing a lower credit cost and possibly, more liquidity into its economy. This was in sharp contrast to the recent announcements of credit tightening, and possibly a precursor to what has subsequently been revealed – rising COVID Delta strain infections.

The $A drops

Also noteworthy was the recent slide in the Australian dollar. Over the last two months the $A has fallen 5% versus the US dollar to reach the lowest level since December 2020, and a 12-month low, when compared to the British pound. Chief financial officers will be keenly watching the $A direction in the context of import prices (think retailers) as well as the translation of overseas earnings (exports).

De-carbonisation underpins resources

Battery minerals continued to be a key theme for investors with three lithium companies (Galaxy Resources, Orecobre and Pilbara Minerals) all delivering >20% share price gains during the month. All appeared in the top ten best index performers. While lithium and the mention of electric vehicles attracted little attention at the Diggers and Dealers Conference two years ago, it was very prominent at this year's event. For context, the lithium spodumene price has doubled since its lows and gained a further 10% in July. Coinciding with a bounce back in resources this month, mining service companies (Perenti, MACA and NRW) were strong for the first time in a while, despite the labour cost inflation and productivity headwinds being faced by the sector. A common theme amongst the key laggards was cost. While Marley Spoon spooked the market with lower gross profit margin guidance, both Medical Developments and HUB24 were lower due to analysts expecting cost reinvestment. This is a relatively common theme following a year which saw many companies enjoy high revenues and suppressed costs. M&A activity continued, but most was at the bigger or smaller end of the ASX, and no portfolio holdings were targets. Alas, Capricorn Metal made an astute acquisition of a WA-based gold deposit towards the period end.

Delta means no earnings guidance

The virulent COVID Delta strain is causing growing alarm. At the time of writing, Victoria has entered its sixth lockdown and NSW daily cases are reaching new high levels. China is imposing travel and movement restrictions across 16 provinces (including Beijing and Shanghai) as reportedly a 'few hundred' of COVID cases have emerged. While none of this will provide companies the fortitude to give forward looking guidance, it is pleasing to see Boris Johnson's UK social experiment so far seems to be working with hospitalisations and deaths well below the February peak levels. The UK's full vaccination rate is 3x Australia's current level and about 1.7x, the lowest vaccinated state of America, Alabama.

It is still early days in this reporting season, but so far, it is shaping to be consistent with expectations, where trading updates will be critical to share price reactions.

Investment Team

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Portfolio Manager
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29+ years investment management experience

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