



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

30 September 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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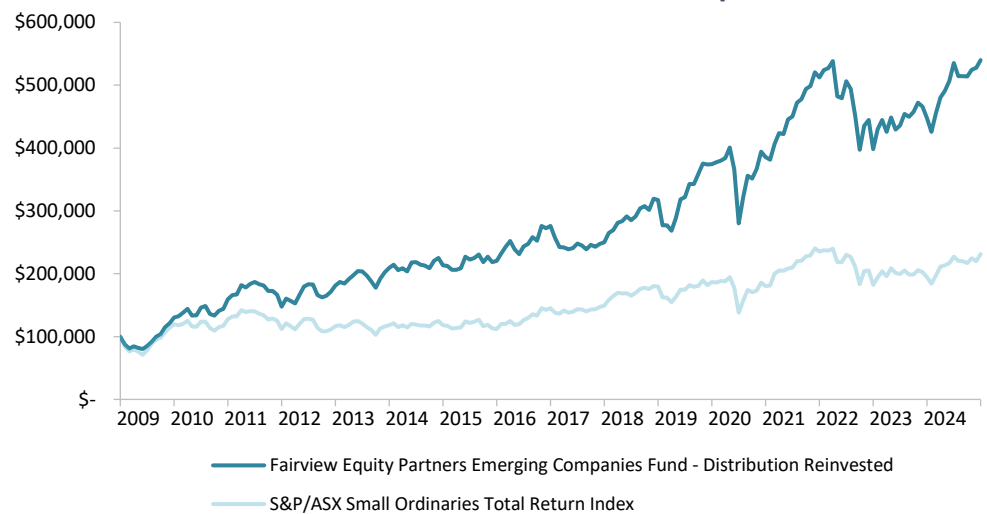
Net Performance

	1 month	3 months	1 year	3 years	5 years	10 years	Since inception'
	%	%	%	% p.a.	% p.a.	% p.a.	% p.a.
Fund Return*	2.30	5.01	20.63	1.76	7.61	9.72	11.11
Benchmark*	5.06	6.53	18.79	-0.57	4.38	6.96	5.38
Excess Return	-2.76	-1.52	1.84	2.33	3.23	2.76	5.73

*Fund inception date: 8 October 2008. *Net returns are calculated after deducting management fees and are pre-tax.

*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



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Monthly Commentary – September 2024

The Fairview Emerging Companies Fund recorded a 2.30% absolute return in September which was -2.76% behind the benchmark. Over the quarter the fund was -1.52% versus the index.

Some spark in the small caps

On the back of a 2.0% drop in the ASX Small Ordinaries Total Return Index in August, it staged a strong comeback in September to deliver its best month for the year, up 5.1%, and the 4th best September month performance in the index's 34-year history. This strength resulted in a 2.2% higher return than the ASX100 Index; the best relative outperformance in 2024.

There's still some catch-up needed if the small caps are to regain their three-year underperformance. Notably since the market peak in November 2021, the ASX Small Ordinaries Total Return Index has underperformed the ASX100 Total Return Index by ~30% (versus ~20% for the US small caps vs their big cap peers). Over the September quarter, the Small Ordinaries Index was up 6.5%.

Coinciding with the 1st US rate cut

Consistent with market expectations, the US Federal Reserve cut interest rates during the month, but for some, the magnitude of 0.50% was a surprise. It was their first US interest rate cut since the pandemic in March 2020 (when it reached 0.05%) and follows eleven interest rate hikes starting in March 2022. The initial reaction was cautious around the prospect for a US recession, but this concern has since lessened with resilient economic data. Subsequently, in the last week of the month, the Chinese Government announced its biggest monetary policy stimulus since the pandemic to arrest stagflation. However, experts believe this is inadequate to meet their stated 5% GDP growth rate target, so many expect it to be followed by a fiscal policy lever. Resource companies staged a rally with a market-wide sector underweight position being covered.

For the only time this year, all small cap economic sectors ended the month higher. Alongside Resources, other cyclical strength was evident in the Financials, while defensive sectors such as Consumer Staples and Communication Services were not as strong.

Star Group loses its shine

The risk-on investor appetite was evident amongst the better small cap share price performers. Pre-revenue company BrainChip was amongst the top five, and often seems to be a barometer of the level of risk that investors are willing to stomach. In contrast, its peer, Weebit Nano was among the key index laggards. Neither are portfolio holdings. Star Group Entertainment got the gong for the biggest share price loss. The stock resumed ASX trading after a month in suspension and saw its share price fall 44% on the day, due to earnings and balance sheet issues. It's not held in the fund with more challenges still to resolve.

Stock specific issues caused a bumpy ride for the fund

Having delivered a strong month of fund outperformance during the August reporting period, September was more sobering for the fund. Interestingly, it wasn't so much of an unwind of prior month stronger performers, which can occur, but several 'uncommon' stock specific issues. These included: i) an ABC Four Corners investigative report into strata property insurance affecting longstanding holding, Steadfast Insurance; ii) a legal case to which most industry experts had dismissed but went against another company (Light & Wonder), unfortunately a few days before we were due to drop the portfolio weight as it entered the ASX100 Index; iii) REA Group (realestate.com.au) making several bids for its UK peer, Rightmove, which in the process saw their share price fall 13%; and iv) an uncharacteristically disappointing result by retailer, Premier Investments. These events prompted action, with adjustment to some portfolio weights.

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



Ben Chan

Portfolio Manager

BComm, BEng (Hons), CFA

20+ years investment management experience

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