

Fairview Equity Partners Monthly Investment Report August 2011

Emerging Companies Fund

Fairview Equity Partners is a smaller company Australian equities manager. The Fairview Equity Partners Emerging Companies Fund seeks to provide capital growth and some income by outperforming the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term.

Performance Return

Period ending 31 August 2011	1 Month	3 Months	1 Year	2 Years #	Since inception #
Fairview Emerging Companies Fund*	-3.68	-8.01	19.54	21.40	23.70
S&P/ASX Small Ordinaries Accumulation Index	-2.69	-6.34	7.24	4.95	8.14
Excess Return*	-0.99	-1.67	12.29	16.45	15.56
Net Fund Return (after fees & expenses)	-3.68	-8.08	15.50	17.13	19.56

Returns shown are gross at a manager level (pre fees)
Annualised. Fund inception 8 October 2008

The final August monthly performance from the Small Ordinaries Accumulation Index was remarkably benign considering that at one stage during the month the index was down 17%. The Fund underperformed the benchmark by 1% primarily due to it being more exposed in certain mining sectors.

Market Outlook

Reporting season was particularly timely this year as it provided the opportunity for fundamentals to re-assert themselves. This was particularly the case in the resources and mining services sector where there were strong current conditions confirmed but also more critically, the extremely robust outlook. It is important to note that most of the really big projects are still yet to commence and they will under-write high activity levels for many years in the mining services sector.

We don't see any value in adding to the plethora of commentary concerning global uncertainties other than to reiterate that Asian demand for our commodities remains the key driver of Australian economic activity and subsequently, the mining dominated Australian Small Ordinaries Index. Providing there is no major contagion in European and US financial systems, the subdued economic performance of those economies are unlikely to materially impact our mining sector. The implications for portfolio construction is that we do not believe it is advisable to be overly defensive in sector selection as the more globally leveraged sectors are best positioned to out-perform when markets eventually recover from their presently very depressed levels.

We do however remain negative and under-weight domestic cyclicals where the environment continues to be weak. Commentary from such companies during reporting season was not encouraging and very recently Alesco, a strong proxy for this sector, made a substantial profit downgrade citing further poor trading conditions.

We will continue to await tangible evidence of a pick up in the non-mining domestic economy before contemplating investments in this space.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the month of August 2011.

Positive contributors		Negative contributors	
Saracen Mineral Holdings	Overweight	Alchemia Limited	Overweight
	Overweight	Sundance Energy	Overweight
Regis Resources Ltd		Australia Limited	
Rea Group Ltd	Overweight	Maca Ltd	Overweight
Norton Gold Fields Ltd	Overweight	Aditya Birla Minerals	Overweight
Texon Petroleum Ltd	Overweight	Perseus Mining Ltd	Not Held

Number of stock holdings at 31 August 2011:	49
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