Fairview Equity Partners
Quarterly Investment Report
June 2012

Emerging Companies Fund

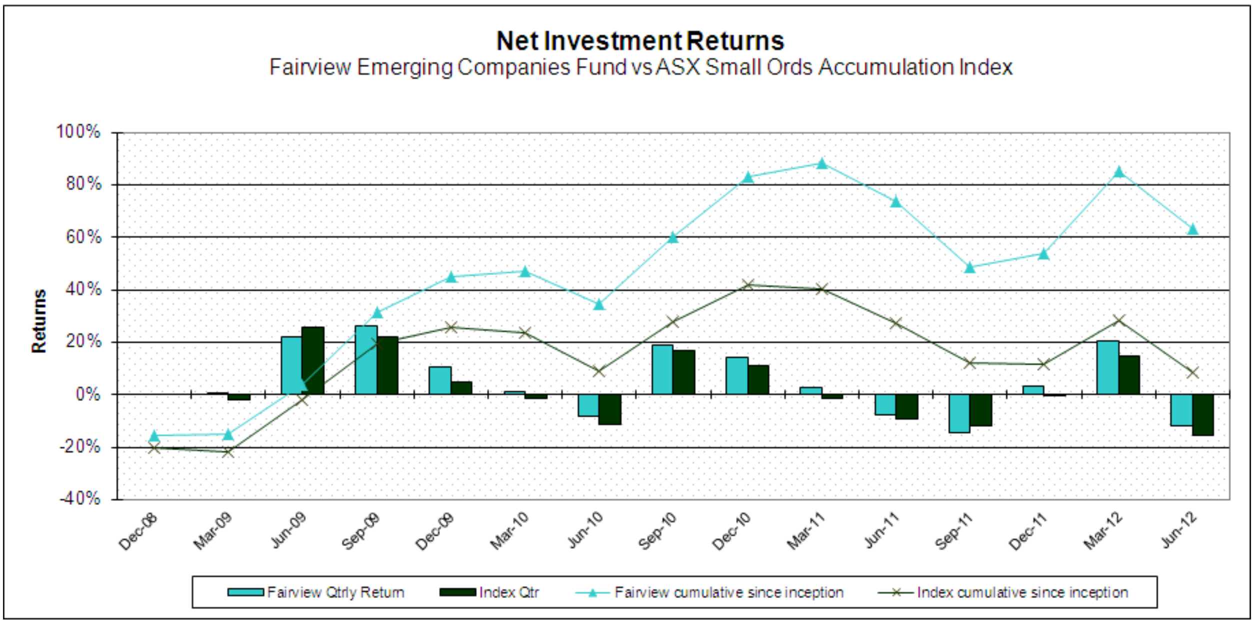
Fairview Equity Partners is a smaller company Australian equities manager. The Fairview Equity Partners Emerging Companies Fund seeks to provide capital growth and some income by outperforming the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term.

Performance Return

Period ending 30 Jun 2012	1 Month	3 Months	1 Year	3 Years#	Since inception#
Fairview Emerging Companies Fund*	-1.73%	-10.51%	-2.68%	20.63%	18.22%
S&P/ASX Small Ordinaries Accumulation Index	-4.78%	-15.30%	-14.61%	3.39%	2.22%
Excess Return*	**3.05%**	**4.79%**	**11.93%**	**17.24%**	**16.00%**
Net Fund Return (after fees & expenses)	-2.24%	-11.58%	-5.88%	16.32%	14.11%

** Returns shown are gross at a manager level (pre fees) for the Fund*
 # Annualised. Fund incepted 8 October 2008

The June quarter was a very weak quarter for the Fund's benchmark with the S&P Small Ordinaries Accumulation Index down 15.3%. This was primarily driven by the resources component of the benchmark with the Small Resources sector down 27%. The Fund delivered another strong period of relative out-performance which modestly cushioned the blow for investors. It is worth noting that over the last year the small resources component of the benchmark has massively underperformed the small industrials in excess of 30%. The fund has maintained resource positions around index weight over this period and it has accordingly done well to perform quite favourably to many of the small cap peer fund managers who do not tend to invest in resources. Apart from this historical perspective, it is also an important differentiator for the Fairview Fund's future performance prospects should there be a recovery in the resources sector.



Return and Index for Quarter ending Dec 2008 not shown as only a part period, but included in cumulative return series.

Market Outlook

After the optimism in the March quarter, equity markets took a steep turn down reflecting more subdued news flow from the world's key economic regions. We continued to note the ongoing challenges in Europe and the US but it was the weakness in the hard (and more reliable) Chinese data that was of particular concern. We assert that the aggregated official Chinese government data is absurdly unreliable for a number of reasons and that it is merely concocted to suit the prevailing policy requirements. However, statistics relating to electricity consumption, freight movements and commodity inventory build are far more reliable and these have been quite soft in recent periods. Finally, the key data point that is very difficult to question is commodity prices and these have fallen substantially.

We therefore suggest there is greater caution warranted over the outlook for China and the resultant impact this has on demand for Australian produced commodities. Quite simply should commodity prices continue to fall then we can expect a substantially negative impact on future activity levels in the mining sector. We have re-positioned the fund accordingly to allow for this possibility and our positions in the resources sector are more production orientated.

Having said all that, investors need to be mindful that China will still require Australian commodities at elevated levels for several years to come, but what is inherently unclear, is the more precise volumes of demand and any potential Chinese policy changes. Thus, it is important to maintain some leveraged mining positions especially given this is the sector that will strongly out-perform should markets recover. We would further suggest that markets have a tendency to bounce when sentiment is poor and it will not take that much of a spark to ignite them given the currently very supportive valuations. Essentially we can expect plenty more of the now customary volatility regardless of fundamentals that are generally more stable.

Portfolio Strategy

As alluded to in the previous quarterly, we were excited about many of the attractively priced potential industrial stock opportunities that had come to the attention of the Fairview team. Most of these stocks possessed strong stock specific earnings growth drivers with minimal research coverage and the prospects of providing strong returns over the medium term. Accordingly, we have been busy firming up our view on these opportunities and selectively adding them to the fund (with many of the new names discussed below).

In the section above, we discussed how challenging the current macro-economic factors are for investors to come to grips with. We don't believe it is advisable in the shorter term to be making big calls on macro trends and what markets might do. Rather we think portfolios should be constructed to allow for both negative and positive developments with stock selection being the key driver of performance. As a result we are fairly neutrally positioned across most of the major benchmark sectors.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors and their average positions during the quarter of June 2012.

Positive contributors		Negative contributors	
McMillan Shakespeare	Overweight	Forge Group Ltd.	Overweight
Carsales.com.au Ltd.	Overweight	Seymour Whyte Ltd.	Sold in quarter
Aust Infrastructure Fund	Overweight	SP Ausnet Ltd.	Not Held
Acrux Ltd.	Overweight	Atlas Iron Ltd.	Overweight
Regis Resources Ltd.	Overweight	Red Fork Energy Ltd.	Overweight

Major Stock Additions

Greencross Limited (GXL)

Greencross (GXL) is an Australian based veterinary services business that is rolling out vet practices in a measured and conservative fashion. It is an industry suited to the benefits of increased corporate involvement with considerable scale and succession benefits. The company is attractively priced and has many years of growth ahead of it.

SMS Management & Technology Limited (SMX)

SMS Management and Technology (SMX) is a predominantly Australian based consulting, technology and systems integration company. SMX has done very well in recent periods to grow its earnings in a tough IT industry environment. We purchased it on a historically very attractive multiple and we believe its earnings will continue to grow above its peers reflecting its quality management and ability to win market share.

Maxitrans Industries Limited (MXI)

Maxitrans Industries (MXI) has turned around considerably since the GFC when its earnings were decimated. Management have done well to diversify away from its reliance on East Coast freight to several other less cyclical industries. They are also in acquisition mode again and the strong order book also provides for robust organic growth. Given this outlook and a very attractive valuation, we were compelled to add it to the fund.

Major Stock Disposals

Sedgman Limited (SDM)

Sedgman (SDM) We exited this stock as the company derives most of its earnings from constructing new coal plants. Given where the thermal coal price has fallen, we believe a number of these new projects will be cancelled or deferred as they are now uneconomic.

Seymour Whyte Limited (SWL)

Seymour Whyte (SWL) Our thesis was substantially weakened courtesy of an unexpected release from the company suggesting that margins on some major projects would be substantially reduced. The excuses were unclear and unsatisfactory and we were unable to justify keeping our position.

Campbell Brothers Limited (CPB)

Campbell Brothers (CPB) This company has been a stellar performer for the fund but following such a run, it is now fully valued and it also faces the prospect of weaker end markets as demand for mineral test softens.

Top Ten Holdings

We highlight below our top ten holdings within the portfolio, ordered by quarter end weight from top left to bottom right:

McMillan Shakespeare Ltd	Acrux Ltd
Australian Infrastructure Fund	Super Retail Group Ltd
Carsales.com Ltd	REA Group Ltd
Flight Centre Ltd	Ausdrill Ltd
Regis Resources Ltd	Decmil Group Ltd

Number of stock holdings at 30 June 2012:	**48**

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