

# Fairview Equity Partners

## Monthly Investment Report

### July 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 31 July 2012	1 Month	3 Months	1 Year	3 Years p.a.	Since inception <sup>#</sup>
Fairview Emerging Companies Fund*	2.30%	-8.52%	-0.64%	17.14%	18.49%
S&P/ASX Small Ordinaries Accumulation Index	-0.19%	-14.67%	-15.94%	0.39%	2.13%
<b>Excess Return*</b>	2.49%	6.15%	15.30%	16.75%	16.36%
Net Fund Return (after fees & expenses)	1.74%	-9.74%	-4.48%	12.85%	14.29%

\* Returns shown are gross at a manager level (pre fees)

# Annualised. Fund inception 8 October 2008

During July, the benchmark S&P/ASX Small Ordinaries Accumulation Index fell 0.2% with the Fund strongly out-performing by 2.5% on a gross basis. Once again we saw the more defensive sectors out-perform the cyclical sectors with resources once again being heavily sold off.

#### Market Outlook

We are still pretty much in “batten down the hatches” mode as we continue to observe weak Chinese commodity demand and the resultant ongoing softness in commodity prices. Accordingly the Fund is still in a fairly defensive setting, although as can be seen from the above monthly return, we are still able to deliver positive absolute numbers in the present environment. In fact over the last two months the Fund has delivered a modestly positive return (pre fees) despite the benchmark being down almost 5%.

We are now on the cusp of another reporting season which provides us with a comprehensive update of most of our investee companies as well as potential new investment opportunities. With regard to companies we own, our strong program of company contact helps ensure negative surprises are kept to a minimum and our focus will primarily be on the quality of results and outlook comments.

We are still concentrating on adding industrials with strong stock specific attractions that are not reliant on buoyant economic conditions to grow their earnings. Pleasingly we are finding the current environment highly prospective for new stock ideas and we are actively considering and adding many of these as new investments. Finally it is worth noting that the more defensive sectors are trading on historically large multiples as investors shy away from riskier sectors. This reinforces the need for appropriate portfolio balance and modest exposures to more cyclical sectors that are likely to perform strongly should markets improve.

#### Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the month of July 2012.

Positive contributors		Negative contributors	
Regis Resources Ltd.	Overweight	Atlas Iron Ltd.	Overweight
Flight Centre Ltd.	Overweight	Acrux Ltd.	Overweight
Australian Infrastructure Fund	Overweight	Billabong International Ltd.	Not held
Aristocrat Leisure Ltd.	Not held	PanAust Ltd.	Overweight
Amcom Telecommunications Ltd.	Overweight	Independence Group NL	Overweight

<b>Number of stock holdings at 31 July 2012:</b>	<b>46</b>
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## Contacts

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