

Fairview Equity Partners Monthly Investment Report October 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 October 2012	1 Month	3 Months	1 Year	3 Years p.a.	Since inception [#]
Fairview Emerging Companies Fund*	3.75%	14.81%	22.65%	16.59%	21.30%
S&P/ASX Small Ordinaries Accumulation Index	1.31%	8.85%	-2.49%	-0.08%	4.14%
Excess Return*	2.44%	5.96%	25.14%	16.67%	17.16%
Net Fund Return (after fees & expenses)	3.06%	13.16%	16.33%	12.21%	16.85%

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

Annualised. Fund inception 8 October 2008

During October, the benchmark Small Ordinaries Accumulation Index rose 1.3% with the Fund outperforming by 2.4% on a gross basis and 1.8% on a net basis. Resources modestly under-performed industrials as commodity prices continued to remain under pressure.

Market Outlook

October was a quiet month for both stock specific news flow and broader macro events. Many market commentators appeared to have turned more bullish recently due to a stabilisation in the key global economies and the following positives: firstly, policy makers are remaining very accommodative; secondly, valuations are cheap; and finally, bonds and cash are now at very low yields.

After a big month of travel and corporate contact, our observations would be that most companies are in reasonable shape although as per usual investors need to be focussed on company and sector specifics. Mining services companies continue to perform well with still robust activity levels in most commodities. The major exception to this is coal which is now starting to see widespread project deferrals and cancellations. Domestic cyclicals are still facing significant economic headwinds with IT services in particular having a very weak start to the year.

We are still focussed on industrial companies that have strong company specific earnings drivers and there are still plenty of new names that we are considering for the Fund. As is evidenced by the above performance numbers, if we can continue to deliver healthy levels of excess returns then this can provide investors with a reasonable return in the event that markets stay flat.

Performance Attribution

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

Positive contributors		Negative contributors	
Discovery Metals Ltd.	Overweight	Regis Resources Ltd.	Overweight
FlexiGroup Ltd.	Overweight	Mineral Deposits Ltd.	Overweight
Super Retail Group Ltd.	Overweight	SMS Management & Technology Ltd.	Overweight
Flight Centre Ltd.	Overweight	UXC Ltd.	Overweight
REA Group Ltd.	Overweight	Decmil Group Ltd.	Overweight

Number of stock holdings at 31 October 2012:	48
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