

# Fairview Equity Partners Monthly Investment Report January 2013

## 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 January 2013	1 Month	3 Months	1 Year	3 Years p.a.	Since inception <sup>#</sup>
Fairview Emerging Companies Fund*	3.23%	6.70%	25.21%	18.53%	21.76%
S&P/ASX Small Ordinaries Accumulation Index	4.20%	4.95%	3.07%	2.14%	5.07%
<b>Excess Return*</b>	-0.97%	1.75%	22.14%	16.39%	16.69%
Net Fund Return (after fees & expenses)	3.15%	5.85%	18.87%	14.09%	17.33%

\* Returns shown are gross at a manager level (pre fees) # Annualised. Fund inception 8 October 2008  
Past performance cannot be used as an indicator of the future performance.

During January, the benchmark Small Ordinaries Accumulation Index rose 4.2%. After 15 successive months of outperformance, the Fund modestly under-performed in January and we will discuss the reasons for this below.

## Portfolio Strategy

It is worthwhile noting up front that during periods of low liquidity and news-flow (such as the month of January), performance in small caps can be more of a lottery as there can be large stock price moves for no obvious reasons on small volumes. When looking at January, our industrial stocks performed solidly but our mining names under-performed the resources sector that was in itself an under-performing sector. Other than the dissipating takeover of Discovery Metals, there was little stock specific information on most of our stocks. The gold sector was very weak due to a declining gold price but we are market weight this sector. Given the poor run for many periods of resources versus industrials, we would not be surprised to see a significant performance reversal particularly given the recent rebound in most commodity prices (gold excluded).

## Market Outlook

Moving onto the outlook, it is fair to say that there has been a modest improvement in both fundamentals and sentiment. Global improved conditions are now being complimented by the emerging signs of a pick-up in the domestic economy. Accommodative monetary policy appears to have finally resulted in a pick-up in the construction sector although it is very early days. There was also a noticeable reduction in January profit warnings and low bond yields appear also to be driving a return of flows into shares. It is thus with some cautious optimism that investors can anticipate reasonable equity market performance over coming periods.

We also recognise that many of the cyclical sectors are now opening up as interesting investment propositions and we are positioning the fund accordingly. Mining activity is stabilising and allowing the better mining services companies to perform solidly. We retain a reasonable weight in this sector. We also now have a host of non-mining related cyclical industrials that are finally seeing more helpful economic conditions. As always, we eagerly anticipate the pending reporting season that provides a wealth of new information on both existing and potential new investments.

## Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the month of January 2013.

Positive contributors		Negative contributors	
carsales.com Ltd.	Overweight	Atlas Iron Ltd.	Overweight
Silver Lake Resources Ltd.	Not Held	Drillsearch Energy Ltd.	Overweight
REA Group Ltd.	Overweight	Discovery Metals Ltd.	Overweight
Resolute Mining Ltd.	Not Held	Linc Energy Ltd.	Not Held
Mayne Pharma Group Ltd.	Overweight	PanAust Ltd.	Overweight

<b>Number of stock holdings at 31 January 2013:</b>	<b>50</b>
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