

Fairview Equity Partners

Monthly Investment Report

May 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 May 2013	1 Month	3 Months	1 Year	3 Years p.a.	Since inception [#]
Fairview Emerging Companies Fund*	-4.66%	-6.79%	18.82%	15.80%	19.15%
S&P/ASX Small Ordinaries Accumulation Index	-3.82%	-11.34%	-2.91%	-0.81%	2.21%
Excess Return*	-0.84%	4.55%	21.73%	16.61%	16.94%
Net Fund Return (after fees & expenses)	-4.56%	-7.99%	13.15%	11.37%	14.73%

* Returns shown are gross at a manager level (pre fees) # Annualised. Fund inception 8 October 2008
Past performance is not a reliable indicator of the future performance.

During May, the benchmark Small Ordinaries Accumulation Index fell 3.8%. The Fund performed worse than this and smaller companies are now starting to show reasonable value following a few months of negative returns.

Portfolio Strategy

The fall in the smaller cap component of the market was fairly broad based with industrials falling by a similar amount to resources. Interestingly, many of the more highly rated industrials were sharply sold off as premiums for such companies had risen to historic highs. Finally, we saw further negative earnings updates from many of the more cyclical domestic sectors. Given the above comments, it is presently challenging to find any compelling sectoral themes for equity investments. Mining services companies continue to report a decline in client activity whilst domestic economic activity continues to remain subdued. Further to this, retail activity appeared to have fallen away significantly post Easter.

Fairview underperformed the benchmark mainly due to some extreme volatility during the month, which as we have seen before, can make monthly performance more of a lottery. We remain fairly comfortable with the fundamentals of most our positions with our usual focus on ensuring negative earnings risk is minimised.

Market Outlook

Given the above comments, we are particularly focused on companies that are attractively priced and can grow their earnings independently of economic conditions. Such investments already represent the majority of the fund and we are actively working through a list of further opportunities that display these qualities.

Performance Attribution

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

Positive contributors		Negative contributors	
McMillan Shakespeare Ltd.	Overweight	Super Retail Group Ltd.	Overweight
Ramsay Health Care Ltd.	Overweight	Red Fork Energy Ltd.	Overweight
Flexigroup Ltd.	Overweight	MACA Ltd.	Overweight
Transfield Services Ltd.	Not Held	Henderson Group plc.	Not Held
Fleetwood Corporation Ltd.	Not Held	Karoon Gas Australia Ltd.	Not Held

Number of stock holdings at 31 May 2013:	51
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