

Fairview Equity Partners Monthly Investment Report April 2014



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 April 2014	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Since inception [#]
Fairview Emerging Companies Fund*	-1.83%	6.48%	11.99%	9.26%	23.12%	19.17%
S&P/ASX Small Ordinaries Accumulation Index	-1.24%	2.46%	2.06%	-4.89%	5.78%	2.94%
Excess Return*	-0.59%	4.01%	9.93%	14.15%	17.34%	16.23%
Net Fund Return (after fees & expenses)	-1.92%	5.23%	8.92%	5.33%	18.73%	14.87%

* 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.

The fund modestly under-performed the benchmark during the month of April after a period of strong performance in the previous quarters.

Performance and Market Outlook

April was a very quiet period in terms of corporate news flow and the dominant thematic during the month was the substantial sell off in technology companies and the modest weakness in higher P/E stocks. We had been flagging for some time our concern on many of the valuations being ascribed to high growth stories and accordingly the correction in such stocks that occurred during April was not a major surprise. It is also worth observing that the massive increases seen across many technology sectors were not necessarily accompanied by any major changes to company fundamentals with many of these stocks remaining concept plays and a long way off putting any major runs on the board.

Our policy on these sectors is to have only a very small proportion of the fund invested in these more embryonic business models and only when they are already demonstrating reasonable cash flows and we have sufficient visibility and confidence in the potential ramp up in earnings. Presently we have less than 2% of the fund spread across 6 companies that would fall into this category.

In terms of outlook the smaller companies rating remains at elevated levels compared to the last 20 years and prices now will require improved earnings to progress further from here.

The challenge for the Fairview team is to continue to identify and invest in those companies that display such qualities. In our view fund out-performance will continue to be a significant driver of absolute returns given these current market valuations

Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the month of April 2014.

Positive contributors		Negative contributors	
Ainsworth	Overweight	G8 Education	Overweight
Prana Ltd	Not Held	iBuy Group	Overweight
Independence Group	Overweight	Mayne Pharma Group	Overweight
Flexigroup	Overweight	Nearmap	Overweight
TPG Telecom Limited	Not Held	Fairfax Media	Not Held

Number of stock holdings at 30 April 2014:

60

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