

# Fairview Equity Partners Monthly Investment Report August 2010

## 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 August 2010	1 Month	3 Months	1 Year	Since inception <sup>#</sup>
Fairview Emerging Companies Fund*	2.33%	6.55%	23.26%	25.96%
S&P/ASX Small Ordinaries Accumulation Index	1.80%	3.11%	2.69%	8.62%
<b>Excess Return*</b>	<b>0.53%</b>	<b>3.44%</b>	<b>20.57%</b>	<b>17.34%</b>
Net Fund Return (after fees & expenses)	2.24%	6.00%	18.76%	21.76%

\* Returns shown are gross at a manager level (pre fees)  
# Annualised. Fund inception 8 October 2008

The benchmark traded up in August as investors took comfort in what was generally a fairly positive reporting season. Overall the proportion of companies reporting results above or in line with market expectations far out-weighted the number of companies that disappointed. Outlook comments remained cautious but there is certainly growing optimism amongst the majority of smaller companies. We were pleased with the results reported from the vast majority of the stocks in the fund and this translated into another solid month of out-performance.

## Market Outlook

There is very little change to our outlook or portfolio composition from previous months. There has also been very little change to the list of economic issues that are occupying investor's thoughts. We continue to believe that macro risks are fairly constant and modestly over-rated as opposed to sentiment that is very volatile and difficult to predict. Sentiment has turned more positive in recent weeks for no apparent reason other than perhaps a renewed stimulatory approach from the US central bank. Many commentators continue to obsess about guessing what the Chinese economy might do. Our view is that the Australian economy simply requires modest medium to longer term Chinese growth (and other Asian economies) to continue moving forward as opposed to dramatically surprising on the upside or downside with spurious short term data points.

Reporting season went pretty much as expected and provides a solid base for the year ahead. Valuations remain extremely attractive and there are some sectors providing considerable excitement in terms of their medium term prospects. In particular the outlook for many mining services stocks is extremely promising given the massive amount of projects being slated over the next few years. Accordingly we are strongly positioned in many names in this sector.

## Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the month of August 2010.

Positive contributors		Negative contributors	
Andean Resources	Overweight	Think Smart	Overweight
Matrix	Overweight	AWB	Nil Holding
Cudeco	Nil Holding	Lynas Corporation	Nil Holding
Forge Group	Overweight	Ten Network	Overweight
McMillan Shakespeare	Overweight	Perseus Mining	Nil Holding

<b>Number of stock holdings at 31 August 2010:</b>	<b>50</b>
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## Contacts

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