FAIRVIEW
EQUITY PARTNERS

February 2009 Monthly Investment Report

Fairview Equity Partners – Emerging Companies Fund

Fairview Equity Partners is a new small cap 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

Inception date 8 October 2008	Feb 09	3 mths	Since inception
Fairview Equity Partners Emerging Companies Fund *	-1.44%	1.39%	-17.12%
S&P/ASX Small Ordinaries Accumulation Index	-6.70%	-7.35%	-29.10%
Excess Return	**5.26%**	**8.74%**	**11.98%**

** Returns shown are gross (pre fees)*

The S&P/ASX Small Ordinaries Accumulation Index declined 6.70% during the month of February, bringing declines for the calendar year to date to 11.05%. The Fairview Equity Partners Emerging Companies Fund continued to solidly outperform this benchmark, declining by a more modest 1.44% for the month of February.

Market Review

The key activity in February is the release of many corporate interim and full year results and generally speaking smaller company results were in line with expectations. However, given that the decline in economic activity accelerated towards the end of the calendar year the outlooks have become increasingly cautious particularly from those companies exposed to both the domestic and global economic cycles.

From a Fairview perspective our process continues to target those companies that have strong business models that operate in favourable industry structures. Such features are particularly critical in the current environment and despite unfavourable macro conditions our preferred cyclical names with the above characteristics are still going from strength to strength. Indeed small cap resources actually out-performed industrials during the month (+2.6% Vs -10.8%) suggesting that simply trying to hide in defensive names was no substitute for robust stock selection. This was evidenced by the weak results and resulting share price performance from many allegedly defensive stocks that were found wanting.

The outlook still remains mixed for equity markets given the tough operating environment and continued capital raisings particularly at the large cap end. However valuations are extremely supportive in both relative and absolute measures and our sense is that it will only take a modest improvement in economic news flow to spark a decent market recovery. Our fund remains fully invested and appropriately balanced to benefit from any improvements.

Performance Attribution

Positive contributors	Mthly return	Position
Dominion Mining	38.9%	Overweight
Arrow Energy	25.4%	Overweight
Mermaid Marine	13.4%	Overweight
Mitchell Communications	11.5%	Overweight
Retail Food Group	16.2%	Overweight

Positive contributors to relative performance during February were once again dominated by active overweight positions, highlighting that performance is coming through effective stock selection. It should also be apparent from the above that this outperformance in a weaker market has not come about through a bias toward defensive names, nor through a high cash weighting.

Dominion Mining (DOM): DOM was once again a strong performer during the month, aided by the further strengthening USD gold price and a favourable exchange rate. Consistent with our investment thesis, DOM reported solid production of 109,000 oz for the 6 months to December at a cash cost of A$367 per oz which was better than market expectations.

Arrow Energy (AOE): Having spent the prior month on our negative contributors list, AOE once again contributed positively. During the month AOE signed a revised heads of agreement relating to the exclusive supply of gas to the proposed Gladstone LNG plant, whilst Golar LNG Limited has taken a 40% equity stake in the project and agreed to purchase the full LNG output from the plant.

Mermaid Marine (MRM): Mermaid released its interim result during the month which essentially showed operating conditions to be business as usual on the North West shelf. We remain attracted to Mermaid given its primary exposure to long term oil and gas production that is far more resilient than activity in other commodities.

Mitchell Communications (MCU): MCU posted a solid H.1 result during the month, aided by strong results in the-on line advertising segment (particularly strong search category growth) and a solid result in traditional media within a challenging environment. With the market having grown increasingly cautious toward the media sector generally this solid result and the reiteration of previous guidance for 10% full year earnings growth was sufficient for a modest rerating of the stock, albeit it is still trading at an attractive earnings multiple of ~6x.

Retail Food Group (RFG): RFG posted a solid H.1 result, modestly above previous guidance. Despite concerns around declining foot traffic and a more difficult retail sales environment, average weekly sales growth across its various franchises remained solid during the 6 months and have continued into the second half to date. RFG continues to use free cashflow generation to reduce debt levels. We remain attracted to the high free cash flow associated with the franchisor model and the low capital intensity of the continued outlet expansion and view that these attributes together with the solid growth profile are not being appropriately recognised by the market.

Negative Contributors	Mthly return	Position
Duet Group	-24.1%	Overweight
Centennial Coal	-38.2%	Overweight
JB Hi Fi	15.5%	Nil Holding
Paperlinx	56.8%	Nil Holding
Sino Gold	5.9%	Nil Holding

Duet (DUE): It appears to be Groundhog Day for this stock at the moment. Despite posting a solid operating result and reiterating its F.09 distribution guidance DUE was again sold off on concerns regarding its refinancing profile. Its Multinet business is in the process of refinancing a $135m medium term note facility (maturing July 2009), whilst the Dampier to Bunbury Pipeline has $480m of bank debt maturing October 2009 for which it has also commenced discussions. There has been a few instances in the market where inability to refinance has required equity issuance and/or a change in distribution profile and the market is clearly focussed upon this.

Centennial Coal (CEY): Centennial produced a very disappointing interim result driven primarily by unexpectedly lower realised coal prices because of its hedge book. This resulted in the company receiving pricing well below prevailing spot thermal coal prices that occurred during the half. However the company has given a firm commitment not to engage in such hedging going forward and this should allow the company's strong fundamentals to reassert themselves.

JB Hi Fi (JBH): JB Hi Fi posted a solid set of numbers for the 6 months to December 2008, with NPAT growth of 41% better than expected on strong comparable store sales growth of more than 11% and further improvements in EBIT margins during the period. The second half of the year was suggested to have seen a continuation of circa double digit comparable store growth which bodes well for nearer term earnings momentum for the stock.

Paperlinx (PPX): Paperlinx announced during the month that its lenders and note holders had provided waivers with respect to non-compliance with certain of its covenants during the half year to December. Perhaps explaining the first announcement, PPX subsequently announced that it had sold its Australian paper manufacturing business for in excess of $700m, significantly strengthening its balance sheet. With the market having been heavily focussed on the stretched nature of the PPX balance sheet, the stock rose strongly on the back of these announcements.

Sino Gold (SGX): As an unhedged gold producer selling into the spot market Sino continued to benefit from the strengthening gold price during the latest month. We continue to prefer to play this space primarily through locally based, low cost producers such as Dominion.

Number of stock holdings at 28 February:	43