

March 2009 Quarterly 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

<i>Inception date 8 October 2008</i>	Mar 09	3 mths	Since inception
Fairview Equity Partners Emerging Companies Fund *	5.02%	1.09%	-12.96%
S&P/ASX Small Ordinaries Accumulation Index	10.21%	-1.96%	-21.85%
Excess Return	-5.19%	3.05%	8.89%

* Returns shown are gross (pre fees)

The S&P/ASX Small Ordinaries Accumulation Index rose a solid 10.2% during the month of March, bringing the movement for the quarter and calendar year to date to -2.0%. Whilst underperforming during the month of March, the Fairview Equity Partners Emerging Companies Fund solidly outperformed this benchmark over the quarter ending March, delivering a positive return of 1.1%.

Market Review

The March quarter saw a vast contrast in equity markets, with further large falls in January and February almost entirely offset by a strong rally in March. Looking back at the quarter, January saw further deterioration in key global and domestic economic news flow and there was little improvement moving in to February. Most listed companies reported half year results in February and whilst the results were generally in line with market expectations the outlooks became more challenging, particularly for those companies with more economically sensitive earnings. Cyclical companies broadly continued to underperform relative to more defensive names.

March however saw a dramatic change in sentiment and a substantial increase in investor appetite for economically leveraged exposures, with a corresponding switch out of more defensive companies. We would suggest this was driven by a combination of some slightly encouraging economic releases and an appreciation of the attractive valuations in certain market segments.

Portfolio Strategy and Market Outlook

From a Fairview perspective we continue to maintain a balanced approach to portfolio construction. However we have been systematically increasing our cyclical exposure during the quarter, after initially being more defensively positioned at the fund's inception in October last year when there were some fairly extreme events impacting global economies and equity markets.

Our long standing view is that portfolios should be suitably balanced, as relying on macro factors and overall market moves is far too unpredictable for stock selectors. Most participants appreciate that economic conditions remain challenging but equity valuations are extremely supportive and may easily decouple from shorter term economic news flow.

We believe that an improvement in equity markets is likely to be led by the higher beta stocks that have more long term valuation support than the more defensive names which are well known to all market participants and have minimal investment insights other than greater short term earnings visibility. Consistent also with this approach is to hold cash in the fund at low levels (1-2%).

Areas we have focussed upon include those domestic cyclicals which will benefit from an increasingly likely domestic housing recovery, oversold financials that irrationally trade on currently very low multiples despite cyclically low earnings, as well as maintaining positions that provide leverage to our preferred commodity exposures. We believe the market will increasingly look through near term earnings risk in some of the above sectors given the likely medium term earnings recovery as well as considerable valuation support.

We are however still cautious on companies that have weak structural attributes. These include:

- many contractors where mid cycle margins will be sustainably lower than recent boom cycle margins which were the result of high activity levels and a lack of competition;
- iron ore exposures due to the very weak fundamentals in both the supply and demand outlook; and
- companies with weak balance sheets that are now too speculative to appraise their fundamentals effectively – many property trusts and mining companies fall into this category.

Below we discuss the key contributors to performance over the quarter and it was pleasing to see many of our more cyclical names continuing to feature. March was somewhat of an exception, where there was a significant rally in many of the very high risk segments of the benchmark. This included many distressed property vehicles and other very highly geared companies. Our focus on higher quality companies with appropriate balance sheet metrics deliberately keeps the fund away from such names given they are now highly speculative and unlikely to provide longer term investment propositions.

Performance Attribution

Positive contributors	Qtrly return	Position over qtr
Dominion Mining	57.3%	Overweight
Mermaid Marine	21.5%	Overweight
Webjet	27.7%	Overweight
Independence Group	21.4%	Overweight
Clough	92.3%	Overweight

We highlight the largest positive contributors to relative performance during the March quarter. These are dominated by active overweight positions, highlighting that performance is coming through effective stock selection.

Dominion Mining (DOM): DOM has been a consistently strong performer during the March quarter. During the period DOM reported better than expected production and cash cost metrics for the 6 months to December. Whilst currently benefitting from a strong USD gold price and favourable exchange rate we contend that as a low cost, domestic gold producer with a net cash position Dominion is well positioned through the cycle.

Mermaid Marine (MRM): Mermaid released its interim result during February which essentially showed operating conditions to be business as usual on the North West shelf. More recently, speculation continues to favour the significant Gorgon project on the North West shelf receiving the go ahead from Chevron, which would likely to be of material benefit to MRM. 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.

Webjet (WEB): Following a business update in early January the company reported a strong half year result which highlighted NPAT growth of 29% on the back of a fixed cost leverage to a 19% rise in transaction volumes. Whilst conditions within and sentiment toward the broader travel industry remain mixed, we continue to be attracted to the WEB transaction based business model which is increasing its share of the market and remains well positioned to benefit from current fare discounting and the increased propensity for domestic based travel.

Independence Group (IGO): IGO featured strongly as a relative contributor during the period. As an Australian based low cash cost producer with a net cash position, Independence Group remains a preferred nickel exposure. Having said that, it was in fact its 30% ownership of the Tropicana Gold project (rising gold price, announced increase in resource estimate) which drove increased interest in the stock over the period.

Clough (CLO): Operationally the result reported by CLO for the 6 months to December was solid, whilst recent contract announcements also reflect positively upon the outlook. However, it was the sale of its non core 82% stake in PT Petrosea for US\$84m, and the subsequent strategic refocus upon the oil and gas sector, which has buoyed the share price more recently.

Negative Contributors	Qtrly return	Position over qtr
PanAust	235.3%	Overweight/Nil
JB Hi-Fi	15.4%	Nil / Underweight
ResMed	-1.1%	Nil/ Underweight
Centennial Coal	-37.5%	Overweight
Arana Therapeutics	75.2%	Nil Holding

PanAust (PNA): We acquired a modest interest in PanAust during the early part of the quarter, in an effort to increase our copper exposure. However, we made an untimely exit from the stock as it became clear that, contrary to indications at the time, capital raised from the market would be directed toward further exploration activities rather than to strengthen its balance sheet. Strong share price performance subsequent to this time has detracted from our relative performance.

JB Hi-Fi (JBH): During February JBH reported NPAT growth of 41% for the 6 months to December, better than expected on strong comparable store sales growth of more than 11%, and further improvements in EBIT margins. The second half of the year to date 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. We initiated a position in JBH during the latter part of this quarter, taking the opportunity to switch some of our holding in The Reject Shop (TRS) which has been a strong performer for the fund.

ResMed (RMD): RMD rallied strongly in January on the back of broker reports that mask and generator price discounting had eased and new product launches in the quarter had been well received by the market. The stock has also been assisted for the majority of this period by the depreciating Australian dollar versus the greenback. Whilst the stock has given up a considerable part of these gains during the subsequent months, as we had reduced our underweight exposure to the stock we failed to fully benefit from this retracement.

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.

Arana Therapeutics (AAH): On 27 February Cephalon Inc announced that it intended to make a cash takeover bid for AAH at a minimum price of \$1.40 and had acquired a 19.9% interest from the two largest shareholders of AAH. With independent directors also unanimously supportive of the bid the stock quickly rerated from its price immediately prior to the bid of 80¢.

Major Stock Additions

Henderson Group (HGG): We initiated a position in HGG during the early part of the quarter, and have increased this exposure subsequently. HGG is a diversified investment manager with a demonstrable track record in effectively managing its cost base. The recent acquisition of the New Star business is highly accretive and will strategically improve its position within retail markets. We are confident that the operating outlook and share price performance of HGG will be strongly leveraged to improved investment markets, with markets typically leading the real economy.

GWA International (GWT): Our recently initiated position in GWT complements our exposures to Crane Group and to a lesser extent Adelaide Brighton in capturing leverage to an eventual improvement in the residential housing cycle within Australia. GWT is a low cost domestic manufacturer which has benefitted from successfully restructuring its operations, which at current exchange rates places it at a competitive advantage to importers.

St Barbara (SBM): Whilst Dominion remains our core exposure within the gold sector we initiated a position in St Barbara during the period. We view that the recent change in management and refocus of the organisation, combined with the improved balance sheet following the February share placement, augurs well, whilst initial high grades extracted from Gwalia Deeps provides the potential for sizeable upside.

Pipe Networks (PWK): We participated in the recent placement undertaken to secure additional funding for the PPC-1 Sydney-Guam undersea cable. In conjunction with the December announcement formalising key arrangements around funding requirements and payment terms this was a further de-risking event for this project, which represents a sizeable growth option for PWK. The core domestic dark fibre and data centre operations continue to report solid growth in line with expectations, the former highlighting its leverage to increased utilisation of its existing network.

Major Stock Disposals

Sonic Healthcare (SHL): We have progressively exited our position in SHL during the March quarter. Firstly, Sonic posted a somewhat disappointing half year result in February, below market expectations. Secondly, we have become increasingly cautious toward the domestic pathology market ahead of the upcoming Federal Budget, concerned about the prospect of less favourable participant terms. Finally, proceeds of the November capital raising were intended for accretive in-market acquisitions, however it would appear that there is limited likelihood of this nearer term.

Sigma Pharmaceuticals (SIP): Our thesis for SIP was based around the defensiveness of earnings associated with pharmaceutical wholesaling, aided by an apparent reduction in the level of generic discounting. Our thesis was invalidated as we learnt of a re-ignition of generic discounting and a forced extension of pharmacist trading terms (to the detriment of SIP) as alternate forms of finance were removed as part of a tightening of overall credit markets.

Avoca Resources (AVO): We exited our modest position in AVO after disappointments with respect to both expense and capital costs, whilst reported grades were also cause for concern relative to earlier expectations. We have more recently diversified our DOM exposure via SBM.

Wotif.com Holdings (WTF): We took the opportunity to reduce our active position in WTF during the period as the stock continued to outperform. We still remain attracted to the WTF business model and it continues to represent an active position in the fund. WTF continues to report solid earnings growth as it increasingly dominates the on-line hotel booking space and expands the margins of its acquired businesses. We are confident that the expansion of the available booking window from 28 days to 365 days will further aid transaction volume growth and margin expansion.

Number of stock holdings at 31 March:

51

Important Legal Notice:

Antares Managed Investments Limited ABN 61 083 784 463, AFSL 312122 ("AMIL"), is the Responsible Entity of, and the issuer of units in, the Fairview Equity Partners Emerging Companies Fund (the "Fund"). The Product Disclosure Statement for the Fund (PDS) is available by calling the Investor Services Team on 1300 738 355 or visit www.antarescapital.com.au. You should consider the PDS in deciding whether to acquire, or continue to hold, units in the Fund and consider whether the Fund is an appropriate investment for you, and the risks of any investment. This report does not take account of your objectives, financial situation and needs. You should therefore, before acting on information in this report, consider its appropriateness, having regard to your objectives, financial situation or needs. We recommend you consult a financial adviser. Any projection or other forward looking statement ("Projection") in this report is provided for information purposes only. No representation is made as to the accuracy or reasonableness of any such Projection or that it will be met. Actual events may vary materially. Performance figures in this report are shown gross – taxes and fees, which may include entry/exit, management and performance fees, will be applicable to investors and should be taken into consideration. An investment in the Fund is not a deposit with or liability of NAB or any other member of the NAB group of companies (NAB Group) and is subject to investment risk, including possible delays in repayment and loss of income and capital invested. Neither AMIL nor any other member of the NAB Group guarantees the repayment of your capital, payment of income or the performance of your investment. NAB does not provide a guarantee or assurance in respect of the obligations of AMIL, Fairview Equity Partners Pty Ltd or the Fund.