

## Preliminary Performance Report – Emerging Companies Fund

Fairview Equity Partners is a new small cap Australian equities manager. Fairview commenced trading 9 October 2008 in the midst of high market volatility.

### Return since inception - part month return October 2008

Fairview Equity Partners Emerging Companies Fund *	-11.91%
S&P/ASX Small Ordinaries Accumulation Index	-15.34%
<b>Excess Return</b>	<b>+ 3.43%</b>

\* Returns are gross (pre fees)

### Commentary

October was a tumultuous month for small cap stocks, with the S&P/ASX Small Ordinaries declining 24.8%, having traded down as much as -31.7% on the prior month. This represents sizeable underperformance to the S&P/ASX 200 (-12.6%).

The Government and the RBA tried to restore confidence via a \$10bn stimulus package and a 100bp rate cut however fears around slowing global activity dominated the market, exacerbated by earnings warnings, margin calls & volatility.

Worst performing sectors were junior minors and REIT stocks. Junior miners suffered from a deterioration in the global growth outlook and early signs of demand-supply imbalances, resulting in declining commodity prices. Negative sentiment flowed through to the mining services sector, with fears around mine closures, project deferrals or delays. REITs suffered as the sector looked to raise capital to repair balance sheets further stretched by asset writedowns.

Defensive names performed strongly as did those associated with takeover proposals announced during the month including for Redflex, MYOB, and the flow on effect to Sunshine Gas (under scrip takeover by Queensland Gas Company - QGC) of a BG Group bid for QGC.

An additional feature of the month was cautious AGM commentary from a range of companies, with the impact of the rapid decline in the AUD (negative for importers) and slowing rates of economic activity causing broad based revisions.

Our fund was incepted during this challenging environment, currently comprising 38 names. The balanced nature of our portfolio is highlighted by some of the names which contributed to relative outperformance during the month (refer contributors below). Whilst several of these names are arguably more growth or cyclically biased we would characterise our overall portfolio as somewhat defensive in nature.

### Indicative Attribution

Indicative only as based on buy and hold methodology for the period, not taking into account trading activity. Key: (+) = overweight (-) = Underweight NB = non benchmark not held = 0% portfolio weight

Top Stock Contributors	Weight	Top Stock Detractors	Weight
Australian Worldwide Exploration	+	Sunland Group	+
Arrow Energy	+ (NB)	Sunshine Gas	- (not held)
Wotif.Com Holdings	+	Australian Infrastructure Fund	+
Centennial Coal Company	+	WDS	+ (NB)
Felix Resources	+	ABB Grain	- (not held)

### Number of stock holdings at 31 October:

38

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