

Fairview Equity Partners Monthly Investment Report October 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 October 2010	1 month	3 months	1 year	2 years p.a. #	Since inception p.a. #
Fairview Emerging Companies Fund*	4.43%	18.61%	29.76%	42.77%	32.80%
S&P/ASX Small Ordinaries Accumulation Index	3.31%	14.71%	11.47%	24.79%	14.33%
Excess Return*	1.12%	3.90%	18.29%	17.98%	18.47%
Net Fund Return (after fees & expenses)	4.22%	17.63%	25.42%	38.31%	28.27%

* Returns shown are gross at a manager level (pre fees)

Returns over 1 year are annualised. Fund inception 8 October 2008

The benchmark continued its strong run rising another 3.3% in October driven primarily by rising commodity prices and an accompanying increase in resource stocks. It is worth re-emphasising that the fund is strongly placed to take advantage of the continuing commodities boom with around 60% of the portfolio in mining related sectors. Once again it was pleasing to beat not only the benchmark, but be positioned near the top of the peer tables for the month of October.

Market Outlook

As alluded to above, the fortunes of the smaller companies universe is becoming increasingly leveraged to the commodity cycle that is continuing to power ahead. This is being driven by a variety of positive macro factors that are unlikely to dissipate unless there is a major unforeseen negative left field event. As has been the case for several quarters now, we see little value in positioning the fund for a major market decline as we believe there is a higher likelihood of further upside. This is due to the favourable cyclical and structural tailwinds that the Australian economy should continue to enjoy.

The growth in Asian and other developing economies is a well documented driver for continued strength in commodities, and this is now being complimented by the USA's quantitative easing program that has negative implications for the US\$. Gold and other commodities are being keenly sought by investors as the most compelling real asset exposures given lingering concerns over many property sectors.

Performance Attribution

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

Positive contributors		Negative contributors	
Independence Group	Overweight	REA Group	Overweight
Mastermyne Group	Overweight	Mineral Resources	Overweight
PanAust	Overweight	McMillan Shakespeare	Overweight
Horizon Oil	Overweight	Karoo Gas	Nil holding
Kingsgate Consolidated	Nil holding	Discovery Metals	Overweight

Number of stock holdings at 31 October 2010:	49
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