Fairview Equity Partners
Quarterly Investment Report
December 2013

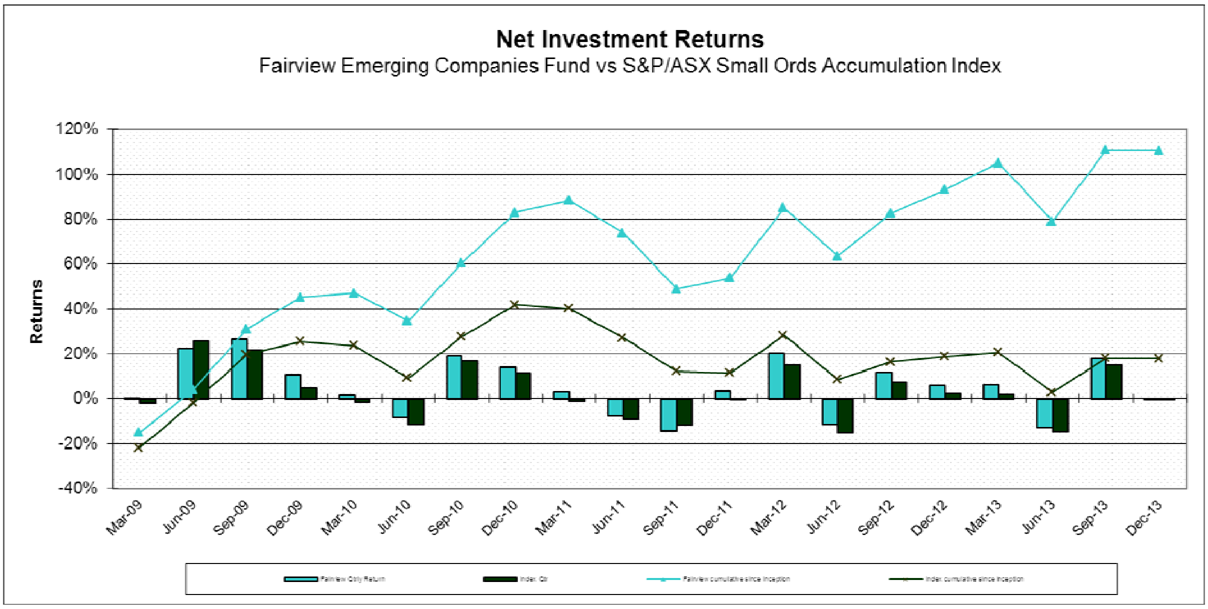
Emerging Companies Fund

Fairview Equity Partners is a smaller company Australian equities manager. The Fairview Equity Partners Emerging Companies Fund aims to provide long term capital growth and some income by investing primarily in a diverse portfolio of smaller companies listed, or expected to be listed, on the Australian Securities Exchange. The Fund aims to earn a return (after fees and expenses) which exceeds the S&P/ASX Small Ordinaries Accumulation Index (Benchmark).

Performance Return

Period ending 31 December 2013	1 Month	3 Months	1 Year	3 Years#	Since inception#
Fairview Emerging Companies Fund*	1.53%	0.13%	12.68%	8.74%	19.59%
S&P/ASX Small Ordinaries Accumulation Index	2.55%	-0.15%	-0.76%	-5.98%	3.20%
Excess Return*	**-1.02%**	**0.28%**	**13.45%**	**14.72%**	**16.39%**
Net Fund Return (after fees & expenses)	1.58%	0.14%	8.98%	4.79%	15.30%

** Returns shown are net of fees (including management and performance fees) but before tax*
 # Returns over 1 year are annualised. Fund incepted 8 October 2008



Return and Index for Quarter ending Dec 2008 not shown as only a part period, but included in cumulative return series.

Market Outlook

We remain optimistic about the prospects for the more cyclical non-mining industrial sectors. Primarily this is due to extremely low interest rates, stable employment and rising house prices. Domestically the data was also encouraging with leading housing related figures quite positive and retail sales also were better than expected. The AGM season continued during November with the mood being generally positive in terms of corporate earnings progress since the start of the year. The major exception to this continues to be the mining services sector where further significant earnings downgrades were made by many companies in this space.

Accordingly from an earnings perspective we believe the outlook is positive for most of the stocks in the smaller industrial sectors and we are continuing to ensure the portfolio has adequate exposure across the industrial universe. Conversely the mining services sector took another major step down during the quarter with a spate of significant profit warnings suggesting that operating conditions are still very challenging. We now only have 2 very modest exposures in this space.

The other topical development in this current quarter has been the spate of IPO's coming to the market particularly in the small cap space. Our stance has been to not participate in the majority of these due to a variety of concerns around valuations and business quality. Brokers are exceptional at marketing IPO's and many of them are turning out to be over-priced cobbled together businesses that typically lack a track record.

Portfolio Strategy

We have continued to increase our cyclical exposures as well as our relentless quest to find stocks that are undiscovered and thus likely to be on more attractive multiples.

Pleasingly we are continuing to unearth an ongoing stream of attractive new investment opportunities in undiscovered companies and also some stocks that have gone off the institutional radar. This is evidenced in many of the new additions added to the fund during the quarter.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the quarter of December 2013.

Positive contributors		Negative contributors	
Greencross Limited	Overweight	Codan Limited	Overweight
Ramsay Health Care Ltd	Overweight	Acrux Limited	Overweight
Mayne Pharma Group Ltd	Overweight	Independence Group NL	Overweight
Forge Group Ltd	Not Held	Carsales.Com Limited	Overweight
Wotif.Com Holdings Ltd	Not Held	TPG Telecom Limited	Not Held

Greencross finished the quarter strongly after initial market hesitation regarding its proposed merger with Petbarn. A lack of initial merger detail was the prime culprit. In light of its outperformance we have adjusted our position. Ramsay was a clear beneficiary of a coalition victory in the recent Federal election, private health operators should benefit from the outsourcing of public work and a recent series of site visits confirmed our thesis is still valid. Mayne Pharma's recent AGM reported strong sales growth; increased broker coverage also assisted wider investor knowledge. We are still very bullish on the company's Australian oral opioid prospects. We held Forge group until a year ago, it was a great performer for us alas the downturn in the cycle as well as a recent massive project over run has savaged the company's finances. We wait on the side lines for surety that the Diamantina West project is not a company killer. Wotif is now suffering from past years of underinvestment in both marketing as well as technology. There seems to be no short term solution, a further PER de-rating could be severe.

TPG was not held in the portfolio. We were surprised by Regis's underperformance in the quarter; glimmers of production improvement at Garden Well will need to be consistent over the next couple of quarters for the stock to lift. Car sales AGM commentary was subdued, bought about by the previous government's rapid fire decision and consequent shocking execution regarding salary sacrifice. We consider this a short term problem as the industry is already recovering. Independence group, de-rated with the rest of the metals sector, a small initial miss at Tropicana gold production as well as the departure of the MD due to ill health. We still think it's cheap and owns 30% of the highest quality listed gold project in Australia. Acrux suffered as the US topical delivery testosterone market continues to leak market share to cheaper injection products. Codan, simply put we got this one wrong. The metal detector supply chain was much more vulnerable to country specific shocks than we imagined. Sales volatility was extreme so we exited.

Major Stock Additions

Mount Gibson Iron (MGX)

We switched to MGX due to its attractive pricing versus the peer group and its more consistent production rates being achieved now.

Vocation (VET)

One of the few initial public offerings we chose to participate in and we are encouraged by the growth prospects of this company in the burgeoning vocational training industry.

Dulux (DLX)

Post its recent full year result we believe the company is now well placed to benefit from an improvement in housing related construction activity.

Major Stock Disposals

Atlas Iron (AGO)

We switched out of Atlas as we have less conviction now around their ability to find an infrastructure solution necessary to increase its exports.

Cash Converters (CCV)

The company is persistently under-performing on all its key business metrics and we are thus no longer confident in our investment thesis.

Codan (CDA)

Codan issued a further profit warning during the period. Volatility in operating results remains high, and transparency in the rate of improvement low. With our patience tested we exited our residual position.

Acrux (ACR)

We exited our position during the quarter. The growth rate of the testosterone replacement therapy market in the US has slowed considerably, whilst we remain concerned about the increased share being taken by alternative injectable therapies.

Top Ten Holdings

We highlight below our top ten holdings within the portfolio, in alphabetical order (by month end weight):

Ainsworth Game Technology	IOOF Holdings
Duluxgroup	Mcmillan Shakespeare
Flexigroup	REA Group
Flight Centre Travel Group	Seven West Media
G8 Education	Super Retail Group

Number of stock holdings at 31 December 2013:	**57**

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