Fairview Equity Partners Quarterly Combined Investment Report

30 June 2016

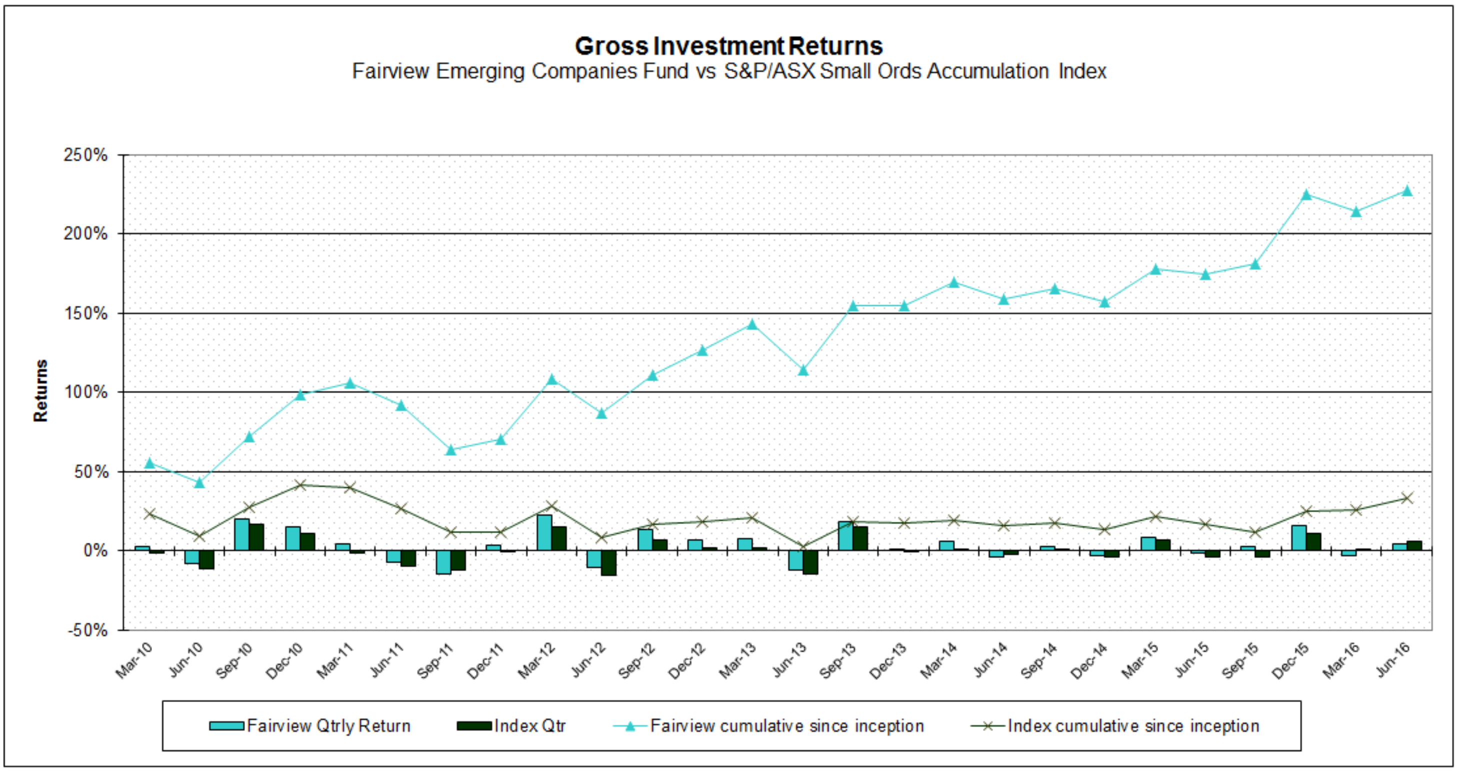
Fairview Emerging Companies Fund

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 30 June 2016	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Since inception#
Fairview Emerging Companies Fund*	-2.00%	4.17%	19.49%	15.20%	11.31%	16.60%
S&P/ASX Small Ordinaries Accumulation Index	-1.31%	5.85%	14.40%	9.13%	1.00%	3.82%
Excess Return*	**-0.69%**	**-1.68%**	**5.09%**	**6.07%**	**10.31%**	**12.78%**
Net Fund Return (after fees & expenses)	-2.11%	3.81%	15.69%	12.48%	7.94%	12.86%

** Returns shown are gross of fees at a manager level (pre fees).*
 # Returns over 1 year are annualised. Fund incepted 8 October 2008.
Past performance is not a reliable indicator of future performance.



Performance and Market Outlook

The Fairview Fund was up for the June quarter but underperformed the Small Ords due to the rally in small-cap resource stocks. Investors experienced a rollercoaster ride in global equities which saw the Fed retreat from its 'hawkish' stance following weaker than expected non-farm payroll data. This has seen investors wind back their expectations of Fed rate hikes and subsequently global equity markets rallied. However, the gains were short lived in the lead up to the UK referendum, and financial market volatility surged. The political uncertainty and associated market volatility following the Brexit decision saw a strong spike in the gold price.

On the domestic front, near term political uncertainty remains and the lack of a definitive outcome from the Federal election is likely to prolong political paralysis. Regardless of the outcome, such a divided electorate is likely to hamper the mandate of the Prime Minister and will likely undermine confidence within the market. Despite the increased volatility and uncertainty, we continue to believe there are a number of compelling investment opportunities for those that know where to look.

As we have previously mentioned, we still expect the divergence in investor returns between large listed companies versus their small cap peers to continue. With earnings growth all the more attractive within this uncertain and somewhat benign growth environment we still see tremendous opportunities in our investable universe. Based on consensus estimates the ASX100 currently trades on 16.2x price to earnings in FY17, in line with the Small Industrials. This is despite a much more benign ASX100 growth outlook, with FY17 earnings per share growth expectations of 5.6% as against 14.6% for the Small Industrials. This is one of the reasons why we feel small cap outperformance will continue into FY17. We are drawn to attractive niche businesses which have multiple growth options available and are less susceptible to underlying economic weakness.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the June quarter.

Positive contributors		Negative contributors	
Mayne Pharma Group Limited	Overweight	SurfStitch Group Ltd	Overweight
Regis Resources Limited	Overweight	Mantra Group Ltd.	Overweight
Blackmores Limited	Not held	Northern Star Resources Ltd	Not held
Burson Group Ltd	Overweight	Evolution Mining Limited	Not held
Vita Group Limited.	Overweight	Beacon Lighting Group Ltd	Overweight

Contributors

Mayne Pharma Group Limited: In June MYX announced a transformational deal to acquire a large portfolio of drug assets from Teva for US$652m. The deal is highly accretive and provides scale and capabilities to the already established US division. We remain very confident on the prospects for the business and feel the market is still underestimating the magnitude of the sales opportunity of the product portfolio. The company also upgraded guidance for the FY16 result.

Regis Resources Limited: Regis is a major beneficiary of a strengthening AUD gold price due to its strong production profile and industry leading All In Sustaining Cost base. We still see upside risk due to their current exploration schedule which may see further mine life expansion at key satellite assets in Rosemont and Banyego.

Blackmores Limited: We have chosen not to invest in Blackmores Limited because we prefer Chinese consumer exposed names such as Bellamy's Australia Ltd. and BWX Ltd.

Burson Group Ltd: The newly named Bapcor has had a superb 12 months and the June quarter was no different. They operate in a very resilient category & we expect solid like-for-like sales growth to continue. Burson Group Ltd has a strong store rollout pipeline and will continue to look at strategic M&A opportunities.

Vita Group Limited: We believe the earnings outlook continues to be underpinned by ongoing optimisation of its retail store network and the investment in Small and Medium Business and Enterprise channels.

Detractors

SurfStitch Group Ltd: Despite reducing our exposure significantly post management stepping away from guidance in March & the CEO's departure this was still not enough to eliminate our downside exposure. The risks around recent acquisitions have been called into question and the US trading environment has turned for the worse. One reason to stay was a potential bid for the company which did not eventuate. We have now exited the position.

Mantra Group Ltd: The company had a difficult June quarter mainly centred around an offshore acquisition and subsequent capital raising. We viewed the Hawaiian acquisition as expensive compared to recent transactions. We feel that, post the price to earnings de-rating, the stock has found support with international visitation data supporting our thesis on the name.

Northern Star Resources Ltd / Evolution Mining Limited: We have not held these stocks because we prefer Regis Resources Limited's lower debt levels, strong organic production profile, strong cash-flow and upside exploration risk.

Beacon Lighting Group Ltd: The company provided a trading update in May which disappointed the market. This was due to increased competition, discounting and weak consumer confidence. We continue to monitor our investment given these current headwinds in place.

Number of stock holdings as of 30 Jun 2016	**56**

Major Stock Additions

Monash IVF Group Ltd: We are attracted to MVF with the rebound in industry growth, market share gains and value-accretive acquisitions. We are of the view that these themes will continue.

Shaver Shop Group Ltd: Strong niche brand name, sound store rollout pipeline, likely progressive acquisition of existing franchisee stores and exclusive access to top tier product ranges providing a strong competitive position.

Bellamy's Australia Ltd: At a time when the stock was solidly de-rating we obtained sufficient increased comfort around organic supply arrangements, which had previously impacted the ability to satisfy demand. The Fonterra deal mitigates single manufacturer risk, whilst we also believe BAL will continue to gain market share in Australia and China.

Major Stock Disposals

Ardent Leisure Group: The Main Event business, which was a key tenet of our investment case, has seen a moderation in like-for-like growth whilst increased competition is also impacting margins.

Greencross Limited: Within a competitive retail environment we are cautious around downside risk to margins, whilst we see the balance sheet as currently fully leveraged.

Duluxgroup Limited: The investment thesis has essentially played out, whilst we also have some concerns about the level of discounting from Masters Stores who carry a competing brand to Dulux.

Vitaco Holdings Ltd: Growth rates across several lines have been slower than initially expected, whilst contract losses will impact FY17 prospects.

SurfStitch Group Ltd. A calamity of events, with multiple acquisitions and a seeming shift in strategy preceding a profit downgrade, the surprise CEO exit, and further signs of deteriorating profitability.

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