

Fairview Equity Partners Monthly Investment Report

28 February 2015



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 28 February 2015	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Since inception#
Fairview Emerging Companies Fund*	8.94%	10.52%	5.75%	11.76%	14.83%	17.69%
S&P/ASX Small Ordinaries Accumulation Index	8.43%	9.93%	3.11%	-1.01%	1.42%	3.43%
Excess Return*	0.51%	0.59%	2.64%	12.77%	13.41%	14.26%
Net Fund Return (after fees & expenses)	8.84%	10.19%	4.16%	8.14%	11.13%	13.83%

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

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

Past performance is not a reliable indicator of future performance.

Equity markets were up strongly in February as investors were generally pleased with the half year results being reported and a reasonable earnings outlook for the second half of the year.

Performance and Market Outlook

The month of February is dominated by the interim reporting season, and as usual it was a very informative period for news flow on smaller companies. However the dominant factor from the last few years remains critical, in that companies need strong stock specific attributes to drive earnings growth. This is because the domestic economy remains patchy and there are certainly no tailwinds coming from commodity prices.

The market is also prepared to pay very high multiples for those companies that can meet or exceed earnings expectations and severely punish those who don't. This is leading to interesting phenomena of large valuation discrepancies between these two groups often in similar industries. For example, in the Telco space iiNet is trading on 13.5X after a slightly disappointing result, whilst it's very similar peer M2 Group is trading on 17.0X after meeting expectations. The challenge for fund managers is to strike the balance between not chasing momentum too hard and being mindful of these valuation gaps.

Pleasingly, we are finding plenty of opportunities for new inclusions for the fund from companies that have come into our universe and there is also a solid pipeline of IPO candidates building again. This will allow us to continue to rejuvenate the fund and hopefully deliver some solid performance outcomes.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the month of February 2015.

Positive contributors		Negative contributors	
Mayne Pharma Group	Overweight	Ardent Leisure Group	Overweight
Sirtex Medical Limited	Overweight	Domino's Pizza Limited	Not Held
Japara Healthcare Limited	Overweight	REA Group Limited	Overweight
GBST Holdings Ltd	Overweight	Qube Holdings Limited	Not Held
Beacon Lighting Group	Overweight	Northern Star Resources	Not Held

Contributors

Sirtex Medical, Japara Healthcare and Beacon Lighting all delivered strong interim results. Mayne Pharma Group made a strategic and accretive acquisition of the Doryx brand and assets. GBST Holdings showed strong progress in its UK business during the first half of the year.

Detractors

Ardent Leisure Group posted disappointing interim results in its key gym division. REA Group's interim results met expectations but the market was possibly expecting more.

Number of stock holdings at end of February 2015:

62

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