

Fairview Equity Partners Monthly Investment Report

31 January 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 31 January 2015	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Since inception#
Fairview Emerging Companies Fund*	1.13%	-1.54%	4.42%	11.64%	13.10%	16.34%
S&P/ASX Small Ordinaries Accumulation Index	0.91%	-2.49%	-0.18%	-1.60%	-0.30%	2.16%
Excess Return*	0.22%	0.95%	4.60%	13.24%	13.40%	14.18%
Net Fund Return (after fees & expenses)	1.02%	-1.82	2.39%	7.83%	9.39%	12.49%

* 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.

Finally after many periods of underperformance, the small resources sector outperformed the industrial component with industrials almost flat and the small resources up 4%. Gold stocks in particular were strong but oil stock prices continued to fall on the back of the falling oil price.

Performance and Market Outlook

January is always a quiet month for corporate news flow and this one was no exception. Most companies are in 'black out' phase prior to the February reporting season, and management also tend to be unavailable during this month.

One interesting development was the cancellation of M&A activity in certain stocks and in particular Bradken. Bradken is a mining services company and appears to be cheap on its historical earnings base, however the proposed takeover fell over. This was due to reluctance from the banks to finance the transaction, tightening of finance is likely to be replicated elsewhere and investors accordingly should be very wary of relying on takeovers in this sector.

A common query from investors after the commodities rout, is whether there is any need to be in several resource sectors. The fund firmly maintains that there is a couple of long standing reasons. Firstly, commodity prices have the potential to rebound aggressively should the fundamentals pick up and secondly the mining sector is still a material part of the smaller universe. It is an area where quality operators can be found. Independence Group is an excellent example of this and it has in fact been a strong relative out performer in the fund in recent periods despite the weakness in commodity prices.

We are certainly sympathetic to our investors regarding the impact of fall in resources stocks on the fund's performance. However as stated previously our core approach and reluctance to take big positions based on uncertain macro factors means that we will always have some resource exposures. Whilst this has not helped in recent periods it will reverse should this sector recover.

Performance Attribution

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

Positive contributors		Negative contributors	
Magellan Financial Group	Overweight	Platinum Asset Management	Not held
Bradken Limited	Not held	Liquefied Natural Gas Limited	Not held
REA Group Ltd	Overweight	Infomedia Ltd	Overweight
Resmed Inc	Overweight	Super Retail Group Ltd	Not held
Independence Group	Overweight	SG Fleet Group Ltd	Overweight

Contributors

Magellan Financial Group still continues to grow funds under management strongly. Bradken was not held. With REA Group's strong interim result being anticipated has led to positive reinforcement by the market. Resmed has announced solid quarterly sales results. Independence Group has released excellent production results and is on target to meet its production guidance

Detractors

Platinum Asset Management, Liquefied Natural Gas and Super Retail Group were not held. Infomedia lost a major contract that will have a negative impact on earnings. SG Fleet experienced a modest share price retraction following a strong period of out-performance.

Number of stock holdings at end of January 2015:

62

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