Fairview Equity Partners Quarterly Combined Investment Report

30 June 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 30 June 2015	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Since inception#
Fairview Emerging Companies Fund*	-4.93%	-1.40%	5.91%	13.68%	13.86%	16.17%
S&P/ASX Small Ordinaries Accumulation Index	-7.77%	-4.04%	0.44%	2.46%	1.35%	2.51%
Excess Return*	**2.84%**	**2.64%**	**5.47%**	**11.22%**	**12.51%**	**13.84%**
Net Fund Return (after fees & expenses)	-5.26%	-1.93%	4.49%	10.41%	10.34%	12.45%

** 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.

The fund outperformed the benchmark during the month and quarter ended June.

Performance and Market Outlook

The June quarter was weaker for equity markets although the fund’s outperformance cushioned this for investors with a relatively small absolute fall recorded. The concerns over Greece’s economy and debt challenges impacted world stock markets towards the end of June. It could also be argued that equities were due for a correction following strong increases in the previous periods. The silver lining here is that the small industrials is now much closer to the historical 10 year average and that valuations are accordingly starting to look more reasonable.

The best performers were buoyed by corporate activity. KMD (+32%) saw Briscoe Group (BGR NZ) take a 19.9% stake in the company before lodging a takeover comprising both cash and scrip. SKE (+25%) agreed to a merger with Programmed Maintenance Services (PRG AU), conditional on court and shareholder approval. BAP (+22%) announced that it had agreed to acquire Metcash's auto business. The worst performers were weighed down by guidance downgrades. BKN (-27%) announced that Sigdo Koppers and CHAMP Private Equity had agreed to invest ~A$70m, with the proceeds principally being used to pay down debt. VRT (-24%) fell sharply following the release of downgraded NPAT guidance. NEC (-21%) also fell following the release of downgraded FY15 EBITDA guidance.

There is now a bit of a lull on the news flow for smaller equities as most companies are in a black out prior to reporting season. We have however been in constant contact with our investee companies and we are confident that most are well placed on the earnings front for the 2015 financial year. As always August will be a critical month for meeting company management and reviewing our investment cases as well as re-assessing new opportunities.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the quarter of June 2015.

Positive contributors		Negative contributors	
Select Harvests Limited	Overweight	REA Group Ltd	Overweight
Aconex Ltd	Overweight	Capitol Health Limited	Overweight
Sirtex Medical Limited.	Overweight	Liquefied Natural Gas Limited	Not Held
Slater & Gordon Ltd	Not Held	Greencross Limited	Overweight
Lovisa Holdings Ltd	Overweight	ResMed Inc.	Overweight

Contributors

Key successes for the fund were Aconex which upgraded its earnings guidance during the quarter, Select Harvests which also upgraded due to a stronger almond price and Sirtex Medical which provided some encouraging data on first line use of SIR-Spheres in liver cancer.

Detractors

Greencross fell after a negative earnings update whilst resource names such as Regis and Independence Group were weaker in line with a broader decline in mining stocks.

Number of stock holdings at end of June 2015:	**66**

Major Stock Additions

Domino Pizza Enterprises (DMP)

We bought into this high growth story as we are confident that all its growth initiatives are performing well and that it is well placed to make another accretive acquisition.

Elders (ELD)

This company has a new management team that should be able to substantially lift earnings through some low risk improvement intiatives. Early progress as demonstrated by its recent interim results is very encouraging.

Speedcast International (SDA)

This company provides broadband for both maritime and remote energy operators. They are both consolidating the sector and displaying strong organic growth.

Major Stock Disposals

Ingenia Communities Group (INA)

We exited our position as the company has consistently failed to achieve its settlements targets.

Tassal Group (TGR)

Thesis has largely played out and we are also concerned about increasing imports putting pressure on the domestic market.

Flight Centre (FLT)

Remnant position sold near the start of the quarter as we believe the core domestic business is struggling to grow in a tougher leisure market.

Bigair Group (BGL)

The company has struggled in recent periods to achieve organic growth and integrate its acquisitions satisfactorily.

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