Fairview Equity Partners
Quarterly Investment Report
March 2011

Emerging Companies Fund

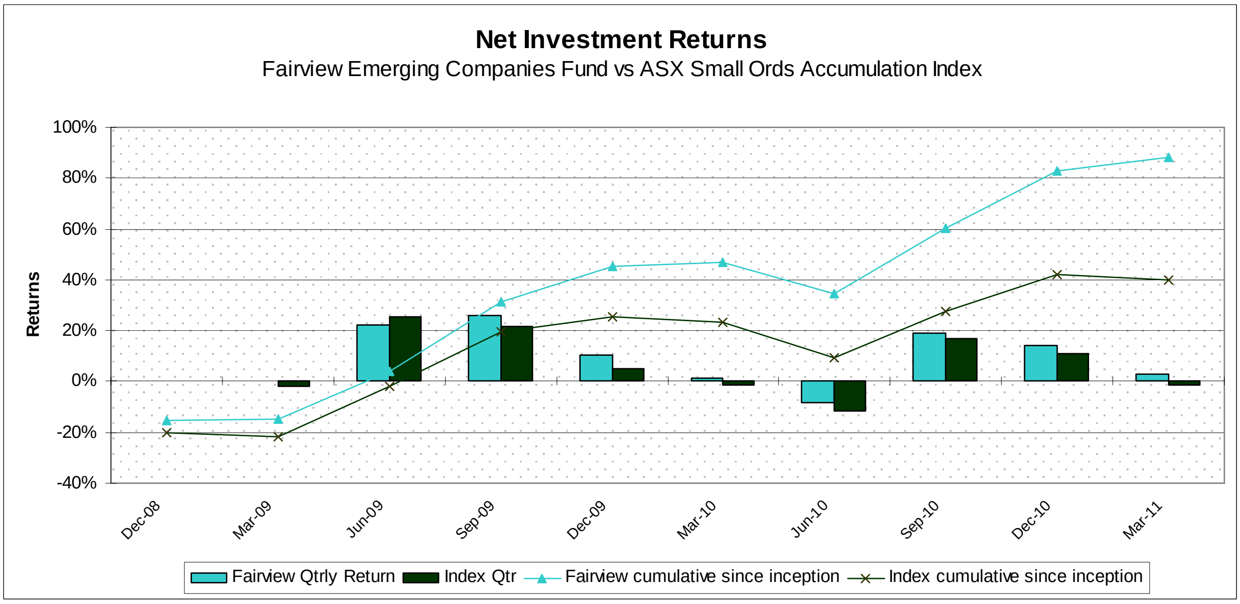
Fairview Equity Partners is a smaller company Australian equities manager. The Fairview Equity Partners Emerging Companies Fund seeks to provide capital growth and some income by outperforming the S&P/ASX Small Ordinaries Accumulation Index over the medium to long term.

Performance Return

Period ending 31 March 2011	3 mths	1 Year	2 Years (p.a) #	Since inception (p.a.)#
Fairview Emerging Companies Fund *	4.07%	32.83%	53.99%	33.98%
S&P/ASX Small Ordinaries Accumulation Index	-1.19%	13.49%	33.96%	14.62%
Excess Return *	**5.26%**	**19.34%**	**20.03%**	**19.36%**
Net Fund Return (after fees & expenses)	2.94%	28.10%	48.87%	29.14%

** Returns shown are gross at a manager level (pre fees)* *# Annualised. Fund incepted 8 October 2008*

The March 2011 quarter was slightly negative for the smaller companies benchmark following some major global disruptions and a modest reporting season. The Fairview Emerging Companies Fund outperformed in every month during the quarter and posted a strong quarter of out-performance. This ability to deliver meaningfully excess returns to benchmark provided investors with a reasonably positive total return outcome for the quarter.



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

Market Outlook

There was no shortage of global events during the quarter and in particular a string of natural disasters. Although the floods and earthquakes were quite spectacular and obviously tragic events, their economic impacts tend to be fairly muted. In our view they are unlikely to be very disruptive to the now well established pattern of Asian industrialisation. In fact when we look through history at events such as the September 11 terrorist attacks, they ended up proving largely irrelevant to medium term economic fundamentals. The outlook for uranium is still likely to remain positive given the continued absence of any other significant non carbon emitting energy solutions.

We did also see a sell off in commodities during January which was somewhat understandable given the strong run they had in the December month. Given the exceptional margins available to miners in present spot pricing, there has been a significant increase in both production and exploration activities to maximise volumes. However there is a long lead time before significant extra volumes can be brought to market and thus we do not envisage any surpluses for at least the next few years.

Finally there has been some escalated unrest in several Middle Eastern countries. The key impact here has been on the oil price although equity markets are certainly used to ongoing political disturbances in that part of the world. We have a number of stocks in the fund that will benefit from stronger oil prices and typically bullish energy markets are associated with stronger global economic growth and accordingly we are not unduly concerned about this factor.

Overall we remain positive on the macro outlook, particularly if the US and European economies can start to recover. On the domestic front non-mining cyclical industrials are still battling weak activity levels with the much anticipated lift in construction spend still yet to occur. Despite favourable employment levels retail conditions remain weak. We are still cautious on holding too many positions in this space and will wait until there are more tangible signs of a turnaround.

Valuations are still extremely attractive for many industrial companies and the fund is trading on only 10.5x 2012 earnings which is attractive by historic standards. Accordingly there are a number of potentially attractive investments that we are considering for investment.

Portfolio Strategy

There have been no major changes to the composition of the fund since the last quarterly report. We have reduced some of our metals positions following strong runs in copper and nickel whilst reducing our oil and gas under-weight given more positive fundamentals in energy markets.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the March 2011 quarter.

Positive contributors		Negative contributors	
Forge Group	Overweight	Independence Group	Overweight
Decmil Group	Overweight	Gujarat Coking Coal	Overweight
Atlas Iron	Overweight	Miclyn Express Offshore	Overweight
Breville Group	Overweight	Monadelphous Group	Nil Holding
Beadell Resources	Overweight	Mirabela Nickel	Overweight

Major Stock Additions

Thorn Group (TGA): We bought into TGA in early February following an extensive series of management meetings. We are attracted to the stable business model and strongly growing earnings profile of the company. The valuation was also very accommodating given its below market multiple.

Kathmandu Holdings (KMD): We commenced a position in KMD post a positive trading update from the company in mid January. KMD were able to demonstrate a substantial improvement in sales and margins that resulted in a very attractive valuation. We were also keen to add a more economically leveraged discretionary retailer.

Aurora Oil & Gas (AUT): We added to our holding in Aurora during the quarter. This company announced some impressive 60 day flow rates for its wells in the Eagle Ford Shale fields in Texas in the United States. It is on track to deliver its well targets for calendar 2011.

Texon Petroleum (TXN): We also established a position in Texon, initially on market but we also increased our weighting through an institutional placement. Texon is an earlier stage heavily discounted Eagle Ford Shale play when compared to Aurora. It is also under-researched. We expect further significant share price upside from catalysts in Texon's well program for 2011 both in its Eagle Ford and Olmos prospects.

Major Stock Disposals

Miclyn Express Offshore (MIO): We sold out our position following further discussions with management after their late December trading update. The company is now unlikely to make its prospectus earnings targets, which is unacceptable in our view given positive trading conditions and suggests that management forecasts cannot be relied upon given prospectus numbers should be extremely conservative.

Peet (PPC): We exited our position in Peet in order to facilitate a switch into Cedar Woods Properties (CWP), as we believe there is more upside to both the earnings prospects and land bank valuation for CWP.

Whitehaven Coal (WHC): Potential corporate activity saw WHC reach our valuation target. Accordingly we decided to switch our position into Gujarat Coal where there was a large placement undertaken during the quarter which should vastly improve the company's liquidity. Given the company's high exposure to hard coking coal and a large discount to valuation, we decided to commence a position.

Top Ten Holdings

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

Adelaide Brighton	McMillan Shakespeare
Campbell Brothers	Mineral Resources
Decmil	REA Group
Gloucester Coal	Regis Resources
Independence Group	SAI Global

Number of stock holdings at 31 March 2011:	50

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