

Fairview Equity Partners Monthly Investment Report January 2012

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 2012	1 Month	3 Months	1 Year	3 Years #	Since inception #
Fairview Emerging Companies Fund*	9.58%	4.52%	-3.94%	30.50%	20.75%
S&P/ASX Small Ordinaries Accumulation Index	7.75%	-0.71%	-13.46%	16.49%	5.68%
Excess Return*	1.83%	5.23%	9.52%	14.01%	15.07%
Net Fund Return (after fees & expenses)	9.06%	3.59%	-6.52%	26.82%	16.88%

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

January was a very positive month for both the fund and the benchmark. The Small Ordinaries Accumulation Index rose by 7.8% while the fund strongly out-performed this by increasing 9.6% (gross of fees) and 9.1% (net of fees).

The fund has now delivered a gross cumulative return of 86.8% compared with the benchmark of 20.1% since its inception just over 3 years ago in October 2008. The fund is at the top of the peer group fund manager performance table. We would suggest this time period is the most appropriate period to judge our performance track record as it captured a variety of market conditions rather than certain arbitrarily favourable periods. There is also no particular reliance on exceptional performance in early periods with a very consistent pattern of quarterly out-performance the whole way through, including the most recent quarter. The fund has out-performed in 11 out of the 13 quarters since inception (both gross and net of fees).

Market Outlook

Whilst we recognise that a month's performance is a very short term data point, it helps to validate both our core investment approach and maintains a healthy level of risk in the fund. We note that many peer managers appear to be exceedingly risk adverse with their portfolio positioning that has delivered some substantial under-performance during January. We do acknowledge ongoing uncertainty in the obvious economically challenged regions of the world but such risks appear to be substantially priced in to riskier smaller cap valuations.

Our view remains that calling short term market direction is more challenging than normal given the above dynamics. A violent rally is possible on small improvements in Europe given how depressed valuations are. However, there also remains the prospect of another leg down should another major shock be delivered. We would suggest that although there is little short term visibility, the longer term prospects are attractive and we will remain well positioned to benefit from improving markets through an appropriately balanced portfolio. This balanced approach will assist in stock selection continuing to be the key driver of fund performance. We are confident in our ability in this factor to consistently add value.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the month of January 2012.

Positive contributors		Negative contributors	
Beadell Resources	Overweight	Aurora Oil & Gas	Overweight
Regis Resources	Overweight	Red Fork Energy	Overweight
Flight Centre	Overweight	Kingsgate Consolidated	Not held
AcruX	Overweight	Gloucester Coal	Overweight
Drillsearch Energy	Overweight	Beach Energy	Not held

Number of stock holdings at 31 January 2012:	45
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Contacts

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