FAIRVIEW EQUITY PARTNERS

July 2009 Investment Report

Fairview Equity Partners – Emerging Companies Fund

Fairview Equity Partners is a small cap 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 July 2009	1 mth	3 mths	6 mths	Since inception #
Fairview Emerging Companies Fund *	11.70%	26.72%	41.20%	18.74%
S&P/ASX Small Ordinaries Accumulation Index	9.02%	20.71%	40.89%	7.08%
Excess Return *	**2.68%**	**6.01%**	**0.31%**	**11.66%**
Net Fund Return (after fees)	11.36%	26.38%	40.80%	15.72%

** Returns shown are the gross returns of the manager (pre fees)*
 # Fund incepted 8 October 2008

The S&P/ASX Small Ordinaries Accumulation Index continued its strong trajectory, rising 9.0% during the month of July. Calendar year to date this brings benchmark returns to an impressive +34.3% and an even stronger +61.4% from the March 2009 lows. Within this environment it is pleasing to be solidly outperforming and delivering strong absolute gains to investors.

Market Outlook

The market continued to perform strongly during the month of July, with more encouraging economic data and forward indicators around such measures as consumer and business confidence, housing starts, and unemployment. This has given more confidence that the earnings cycle for the majority of companies has most likely troughed, whilst we have seen some early stage upward revisions to overly cautious forward estimates across certain segments.

We have noted previously that the strong outperformance of the smaller companies universe relative to its larger cap peers is in no small part attributable to the compositional differences, whereby the smaller companies benchmark is comprised of fewer defensive stocks, a greater proportion of companies more directly or significantly leveraged to economic conditions, and more direct resources exposures. Given our more positive forward outlook we remain confident that this will continue to work in favour of smaller companies investors.

Portfolio Strategy

Although our core approach ensures that there are no excessive style biases in the fund we do however view the present environment as one that warrants more aggressive tilting to the more economically leveraged stocks that perform more strongly than defensive names as markets recover. The more cyclical companies are not only starting to receive positive earnings revisions but re-ratings as well from previously depressed levels.

Accordingly the fund is over-weight most of the domestic cyclical sectors including media, retail, residential housing and financials. From a more global perspective we also have healthy exposures in our preferred resources sectors including, copper, coal, oil and gas. Conversely we are underweight the more defensive sectors including healthcare, infrastructure and property. Property interestingly is fast recovering its previously defensive attributes after a spate of capital raisings and restructures that have repaired many REIT balance sheets. The trusts that have been unable to do this remain extremely high risk and speculative investment propositions.

We mentioned in previous commentary that there are a number of attractively priced smaller companies at present and it was certainly pleasing to note the strong performance of many of these. The good news is that there are still ample opportunities that we continue to evaluate and add to the fund where warranted.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors during July.

Positive contributors		Negative contributors	
Mitchell Communications	Overweight	Webjet	Overweight
Felix Resources	Overweight	Pacific Brands	Nil Holding
McPherson's	Overweight	Ramsay Healthcare	Overweight
Sedgman	Overweight	SAI Global	Overweight
CSG	Overweight	Riversdale Mining	Nil Holding

Number of stock holdings at 31 July:	52