April 2010 Investment Report

Fairview Equity Partners – 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 April 2010	1 mth	3 mths	12 mths	Since inception #
Fairview Emerging Companies Fund *	2.08%	12.88%	69.17%	34.41%
S&P/ASX Small Ordinaries Accumulation Index	0.02%	6.35%	39.26%	14.53%
Excess Return *	**2.06%**	**6.53%**	**29.91%**	**19.88%**
Net Fund Return (after fees & expenses)	1.85%	11.60%	63.49%	29.56%

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

Following a positive start to the month, risk aversion returned to the market on renewed concerns around the potential for China to actively slow its economic growth, and the re-emergence of sovereign debt risks following the downgrading of Greece's bonds to junk status. This somewhat overshadowed a broadly stronger than expected Q.1 reporting period for US companies. The S&P/ASX Small Ordinaries Accumulation Index closed the month +0.02%. Our Fund again outperformed strongly, and has now outperformed its benchmark in gross terms sixteen of nineteen months since its October 2008 inception, across a variety of investment market conditions.

Market Outlook

Whilst the market continues to have its attention periodically diverted by more macro issues such as sovereign debt concerns, and the potential for China to actively slow its current growth profile, investor focus continues to broadly shift to more stock specific themes. This compares to certain periods of calendar 2009 where boats of all states of seaworthiness were at various stages floated by a rising tide. Whilst we will endeavour to successfully pick these macro and emerging industry trends, we view that as an experienced and well resourced team of investors with a strong and disciplined process, with an overarching emphasis on company contact, and with a strong risk control framework, it is these 'stock pickers' markets where we are most likely to excel.

During the month of April we had in excess of 60 contacts with management of various companies, across our current portfolio as well as potential investee companies, delivering insight into stock specific opportunities as well as enabling a broader perspective of the current environment.

It shouldn't surprise the reader that companies exposed to the oil & gas, coal, and iron ore markets are experiencing strong activity levels. Tender pipelines are similarly accelerating, albeit with project financing still seeing some commencement delays. Retailers are experiencing tougher trading patterns, in part as they cycle a prior period buoyed by government stimulus payments but also as successive interest rate rises begin to take effect on consumption patterns. Apparel retailers appear to be finding it toughest, and face further pressures around discounting within a competitive environment and as players look to clear stock. From a profitability perspective this effect is somewhat lessened by the favourable impact of the higher exchange rate. It would appear as though those companies exposed to the housing activity cycle are beginning to see some pickup in trading conditions, albeit from a lower than expected base and with some month to month volatility. The commercial construction sector continues to remain more subdued, whilst civil and infrastructure based activity levels are yet to materially accelerate. Media advertising has accelerated strongly in recent months, with forward visibility similarly improving. Finally, and perhaps more broadly, those companies exposed to the business investment cycle such as IT services companies are beginning to see an encourage pickup in activity levels.

So where does that leave us? As we have been saying consistently for some time, we believe that we are at the early stages of a broader economic recovery, and at the early stages of an earnings upgrade cycle. From a starting point of an attractively priced broader market for smaller companies (circa 11x F.11 versus 14-15x historical average), this positive earnings growth and earnings revision cycle augurs well for continues appreciation in share prices. From a stock specific perspective we will continue to diligently utilise high levels of company and industry contact and a strong research framework to uncover and exploit the most compelling opportunities.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the month of April 2010.

Positive contributors		Negative contributors	
Medusa Mining	Overweight	Thinksmart	Overweight
Infigen Energy	Nil Holding	MacArthur Coal	Nil Holding
Mineral Resources	Overweight	Adelaide Brighton	Nil Holding
Discovery Metals	Overweight	White Energy Company	Nil Holding
Retail Food Group	Overweight	Eldorado Gold	Nil Holding

Number of stock holdings at 30 April:	51