

Performance Report – Emerging Companies Fund

Fairview Equity Partners is a new 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 after fees.

Performance Return

Inception date 8 October 2008	Nov 08	Since inception
Fairview Equity Partners Emerging Companies Fund *	-7.21%	-18.26%
S&P/ASX Small Ordinaries Accumulation Index	-9.61%	-23.47%
Excess Return	+2.40%	+ 5.21%

^{*} Returns are gross (pre fees)

The S&P/ASX Small Ordinaries Accumulation Index declined 9.6% during the month of November. On a 12 month rolling basis, this brings the cumulative decline to 56.1%. The Fairview Equity Partners Emerging Companies Fund outperformed this benchmark during November, declining a lesser 7.2%.

Market Review

November was yet another challenging month for equities markets, with most major indices continuing their downward slide and posting new multi year lows. While central banks and governments seek to aggressively stimulate the economies with fiscal and monetary policy, most key economic indicators continued to deteriorate toward recessionary levels. Domestically, the RBA reduced cash rates by a further 75 basis points, highlighting its concerns for the economy.

Market highlights (lowlights) included the balance of AGM presentations, where commentary around the current operating environment and earnings outlook was cautious. Company balance sheets remain a key focus for the market, with the more highly geared companies sold down and a number of companies raising equity to repair balance sheets and appease market concerns.

Small resources traded lower, also under performing large cap resource stocks, with falling commodity prices in response to further moderation in the demand outlook further exacerbated by concerns around the operating leverage within the smaller miners. Within this weaker broader segment, gold stocks traded higher reflecting a ~10% rise in USD spot prices during the month.

Performance Attribution

Positive contributors	Mthly return	Position
Dominion Mining	20.6%	Overweight
Mitchell Communication Group	20.5%	Overweight
Iluka Resources	22.2%	Overweight
Redflex Holdings	15.1%	Overweight
Wotif.com Holdings	-1.4%	Overweight

Pleasingly, the largest positive contributors to relative performance during the month of November were all overweight positions in the fund, whilst their varied nature also validates our approach of holding a diversified range of strong stock specific stories and those which exhibit characteristics which can enable them to deliver somewhat independently of the economic environment.

Dominion (DOM): As a low cost, domestic gold producer with a net cash position Dominion is well positioned within the current environment, and has benefited more recently from the rising gold price.

Mitchell Communications (MCU): During this latest month MCU eased market concerns over its immediate earnings outlook through reiterating previous earnings guidance at its AGM, with the on line and diversified marketing businesses continuing to enjoy solid growth.



Iluka (ILU): ILU continues to benefits from its strong position in the mineral sands market which is structurally in short supply and as such is one of the few segments to be enjoying rising commodity price, whilst further benefiting from the falling AUD. These factors resulted in an earnings upgrade during October.

Redflex (RDF): As well as benefiting from strong levels of structural growth within the US red light and speed camera market, and a declining AUD, the establishment of a data room for interested private equity acquirers has seen Redflex continue to outperform the broader market.

Wotif (WTF): Within a softening broader economic environment, WTF continues to see solid growth in bookings and slight rises in average room rates. The progressive expansion of the available booking window toward 365 days (current 28 days) is likely to underwrite further solid near term growth.

Negative Contributors	Mthly return	Position
Felix Resources	-53.6%	Overweight
Centennial Coal	-25.4%	Overweight
AWB	32.3%	Nil Holding
Duet Group	-21.0%	Overweight
Resmed	8.7%	Nil Holding

Felix (FLX) and Centennial (CEY): FLX and CEY were both sold off heavily during the month due to a substantial decline in spot coal prices. We remain attracted to CEY given the majority of its earnings are secured via long term contracts with NSW power stations. FLX is our preferred exposure to coal exports given its diversity of production and favourable access to export infrastructure.

AWB: AWB benefited during the month from reporting an earnings result for the period to September 2008 which was above expectations, whilst the revelation toward month end of merger discussions with ABB, which would see extraction of significant synergies, was a catalyst for further share price strength.

Duet (DUE): DUE was sold off on concerns that it would be required to raise equity to fund its Dampier to Bunbury Pipeline expansion. The company later refuted this claim, whilst also reiterating its guidance for a 28.25ϕ distribution for F.09, putting the stock on a ~15% prospective yield at end November.

Resmed (RMD): RMD performed strongly during the month of November as the market focussed on both its defensive characteristics as well as the strong translation benefits from a lower AUD. The fund has nil exposure to RMD, viewing its current market rating as excessive.

Number of stock holdings at 30 November:

38

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