

Fairview Equity Partners Quarterly Investment Report March 2013

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.

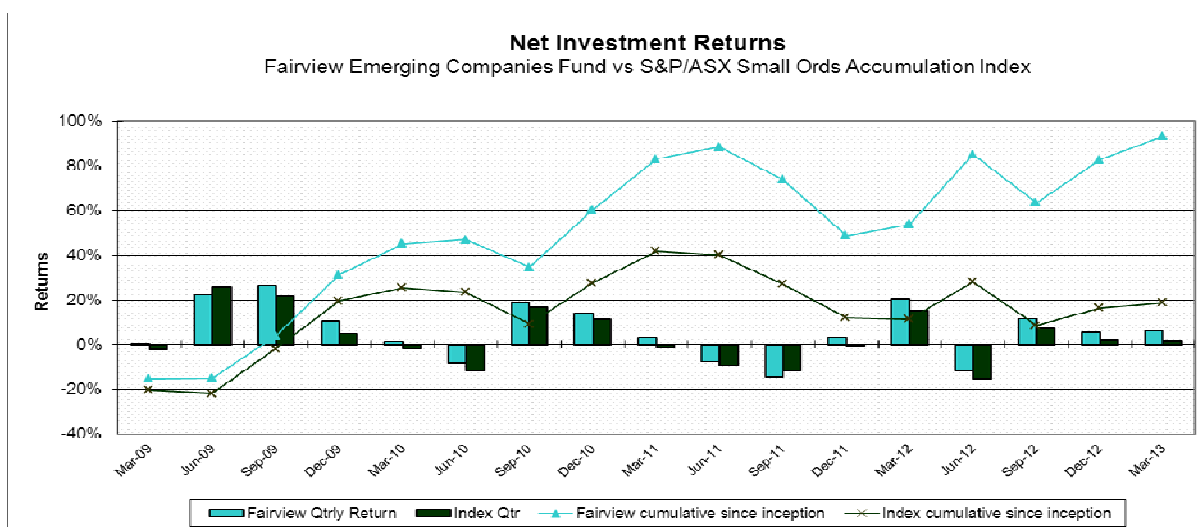
Performance Return

Period ending 31 Mar 2013	1 Month	3 Months	1 Year	3 Years [#]	Since inception [#]
Fairview Emerging Companies Fund*	0.58%	7.48%	16.76%	16.17%	21.99%
S&P/ASX Small Ordinaries Accumulation Index	-3.33%	1.61%	-5.82%	-0.77%	4.29%
Excess Return*	3.91%	5.87%	22.58%	16.94%	17.70%
Net Fund Return (after fees & expenses)	-0.30%	6.16%	10.90%	11.73%	17.41%

* Returns shown are gross at a manager level (pre fees) for the Fund

Annualised. Fund inception 8 October 2008

The March quarter was a strongly positive quarter in both relative and absolute terms. The benchmark Small Ordinaries Accumulation Index increased 1.6% during the quarter with the Fund out-performing by 5.9% on a gross basis and 4.6% on a net basis. Once again, the alpha or excess returns above the benchmark have provided the bulk of the absolute returns to investors.



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

Market Outlook

Reporting season on aggregate saw results reported largely in line with expectations and there continues to be little evidence of a material pick-up in activity in the more cyclical sectors. Mining services were a mixed bag but there was clear commentary that the investment and construction spend has either peaked or is about to.

Investment fundamentals for the Small Industrial segment of the smaller universe are now somewhat 'stretched' given a 12 months forward PER of ~15x. Although industrials generally are now lacking obvious valuation support, this is mitigated by improving economic conditions, historically low interest rates and a reduction in the previously elevated levels of risk aversion.

A potential area of support for the smaller companies universe could come from the resources sector which has under-performed the smaller industrials by around 50% over the last year.

Portfolio Strategy

There has been very little change to the structure of the Fund with fairly neutral positions maintained across individual mining commodities and the overall resources / industrials mix. We have begun recently alluding to the increasingly stretched valuations and ratings now on offer for most industrial sectors. This has occurred due to increased industrial share prices being driven up without much in the way of EPS upgrades.

We are keen to maintain our resource positions both for adequate portfolio balance and recognition of the reduced valuation support for industrials. The timing of a potential resource rally remains unpredictable and we continue to have exposures to most of the major commodities.

Reporting season presented us with the opportunity to meet with several new investment propositions and there has been a solid company visitation program over recent weeks as well. Pleasingly, we are also finally seeing the emergence of some quality IPO's for consideration and we are overall excited about the new stock prospects for the Fund.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors and their average positions during the quarter of March 2013.

Positive contributors		Negative contributors	
REA Group Ltd.	Overweight	Atlas Iron Ltd.	Overweight
Codan Ltd.	Overweight	PanAust Ltd.	Overweight
Mayne Pharma Group.	Overweight	Discovery Metals Ltd.	Overweight
carsales.com Ltd.	Overweight	Drillsearch Energy Ltd.	Overweight
MACA Ltd.	Overweight	Regis Resources Ltd.	Overweight

Major Stock Additions

Select Harvests Ltd (SHV)

Select Harvests is a producer and distributor of almonds and almond products. We are positive on the ability of the company to increase production from its existing orchards as well as make further acquisitions. Finally, we anticipate that the global almond price should continue to increase given favourable supply and demand features.

Major Stock Disposals

Breville Group Ltd (BRG)

We exited our holding due to the loss of a major distribution contract that materially weakened the earnings outlook for the company.

Virgin Australia Holdings Ltd (VAH)

Due to industry capacity increases beyond our expectations, Virgin is not getting the yield improvements necessary to improve its earnings and validate our thesis.

Discovery Metals Ltd (DML)

We sold out of this company due to a substantial blow out in production costs and weaker than expected grades.

Gujarat NRE Coking Coal Ltd (GNM)

We exited our position into the on market takeover made for this company.

Top Ten Holdings

We highlight below our top ten holdings within the portfolio as at period end, in alphabetical order, from top left to bottom right:

carsales.com Ltd.	Independence Group NL.
Codan Ltd.	McMillan Shakespeare Ltd.
Drillsearch Energy Ltd.	Ramsay Health Care Ltd.
FlexiGroup Ltd.	REA Group Ltd.
G8 Education Ltd.	Super Retail Ltd.

Number of stock holdings at 31 March 2013:	48
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