

Fairview Equity Partners Monthly Investment Report August 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 August 2012	1 Month	3 Months	1 Year	3 Years p.a.	Since inception [#]
Fairview Emerging Companies Fund*	4.53%	5.08%	7.82%	16.68%	19.40%
S&P/ASX Small Ordinaries Accumulation Index	2.95%	-2.16%	-11.08%	-0.69%	2.84%
Excess Return*	1.58%	7.24%	18.90%	17.37%	16.56%
Net Fund Return (after fees & expenses)	3.98%	3.41%	3.12%	12.25%	15.11%

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

Annualised. Fund inception 8 October 2008

During August, the benchmark Small Ordinaries Accumulation Index rose 2.9% with the fund out-performing by 1.6% on a gross basis and 1.0% on a net basis. Resources under-performed industrials again as commodity prices continued to weaken.

Market Outlook

Although the benchmark posted a solid rise during the month, the spectacular collapse in the iron ore price towards the end of the month tempered the equation. Iron ore and lower quality coal prices have now fallen to levels where many domestic projects are no longer viable and we are now starting to see cancellations and deferrals. In turn, this will start to negatively impact the order books for many of the related services firms.

We have been fairly cautious on the resources outlook for some time and this was reflected in the portfolio's construction. Excluding the more defensive energy and gold sectors, our resources weight is less than 10% of the fund's total value. Further to that, we completely exited our remnant position in Mineral Resources (MIN) during the month as we believe all their iron projects are no longer viable at current iron ore prices. Finally, most of our resource companies are low cost producers and the majority of our mining services exposures are production orientated companies.

We will continue to hold these defensive exposures to ensure the portfolio retains some leverage to a possible (and very unpredictable) rebound in the resources sector.

Overall, the recent reporting season was fairly positive for industrial companies and we were extremely pleased with the progress from companies we own in the fund. As has been indicated previously, we are heavily focused on finding solid stock specific stories given the absence of any compelling sector themes. Our work here was rewarded as generally strong results provided for a nicely positive month of performance.

Performance Attribution

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

Positive contributors		Negative contributors	
Drillsearch Energy Ltd.	Overweight	Discovery Metals Ltd.	Overweight
Beadell Resources Ltd.	Overweight	Atlas Iron Ltd.	Overweight
REA Group Ltd.	Overweight	Ausdrill Ltd.	Overweight
Australian Infrastructure Fund.	Overweight	Acrux Ltd.	Overweight
Carsales.com.au Ltd.	Overweight	Red Fork Energy Ltd.	Overweight

Number of stock holdings at 31 August 2012:	47
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