Fairview Equity Partners
Quarterly Investment Report
December 2010

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.

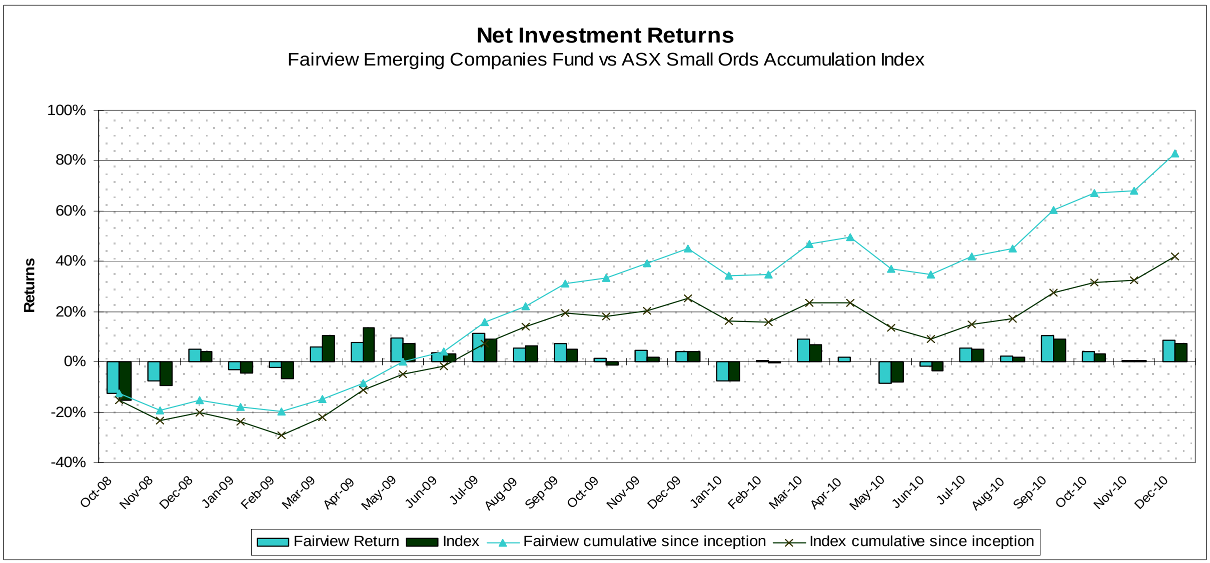
Performance Return

Period ending 31 December 2010	3 mths	1 Year (p.a)	2 Years (p.a) #	Since inception #
Fairview Emerging Companies Fund *	15.34%	30.67%	51.77%	35.93%
S&P/ASX Small Ordinaries Accumulation Index	11.20%	13.05%	33.43%	16.99%
Excess Return *	**4.14%**	**17.62%**	**18.34%**	**18.94%**
Net Fund Return (after fees & expenses)	14.10%	26.10%	47.04%	31.12%

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

The December 2010 quarter saw a strong close to the calendar year for the smaller companies benchmark, with gains in each of these months and particular strength during December. The Fairview Emerging Companies Fund outperformed in every month during the quarter and posted a solid overall quarter of out-performance. This result was delivered through a combination of strong individual stock selection across both industrial and resource segments of the market.

Across the calendar year the S&P/ASX Smaller Companies Accumulation Index rose a respectable 13.1%; respectable in the context of a significant 57.4% rise in the prior year, and relative to the more modest +1.6% for the comparable S&P/ASX 200 benchmark. Within the smaller companies benchmark it was certainly the resources sector which provided the stronger returns, rising +30.7% versus a modest +2.2% gain for the small industrials. Under our core approach we have remained appropriately represented across this segment throughout the period, with strong stock selection further aiding returns.



Market Outlook

We have been consistent in highlighting the attractive prospects for the smaller companies benchmark in recent quarters, with macro / global risks manageable and underlying company fundamentals and outlook prospects robust. Whilst recent equity market gains have moderated the valuation upside, we note that such metrics still remain below longer term average levels despite an improving outlook.

Whilst not unanimously so, or at a uniform pace, the global economic outlook is one of further improvement. The benefit of significantly higher commodity prices will continue to flow into resource company profitability, whilst sizeable new project and expansion activity supports an incredibly robust outlook for the related mining construction and servicing sectors.

Whilst the recent tragic floods in Queensland will no doubt have a negative on the overall GDP growth for the economy (particularly H.1 2011), and there will be some profit downgrades for F.11 for companies with direct exposure, we encourage investors to view the broader impact of these as temporary in nature. At this stage we would not expect material diminution in long term valuations and would intuitively view any significant price weakness as a buying opportunity. As an aside, we have very few companies with direct exposure to these events.

We obviously continue to seek to deliver returns well in excess of that from the broader market, through strong stock selection and an appropriate risk control framework. We contend that the smaller companies segment continues to offer numerous under researched and/or misunderstood companies, or simply those which given their early stage of growth or development otherwise offer strong prospects for share price gains.

Portfolio Strategy

Prior to the interim reporting season that commences in February, corporate news flow tends to be fairly muted and this year has been no exception. Accordingly we do not anticipate any major changes to portfolio composition until potentially later in February when results come to hand. A key area of interest is the domestic non mining related economy where we will be watching closely to see if there is any pick up in activity. Retail in particular had a very tough Christmas trading period and there are likely to be some material downgrades from stocks in that sector.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the December 2010 quarter.

Positive contributors		Negative contributors	
Regis Resources	Overweight	Sundance Resources	Nil Holding
Independence Group	Overweight	CSG	Overweight
Gloucester Coal	Overweight	Tower Australia	Nil Holding
Mastermyne	Overweight	Super Retail Group	Overweight
Imdex	Overweight	Atlas Iron	Overweight

Major Stock Additions

Mirabela Nickel (MBN): We re-entered Mirabela Nickel during December. We consider a troubled ramp up is now more than offset by production growth and Ni price leverage. MBN has strong valuation upside, currently trading at a 49% discount to NPV. Our catalyst for re-entry was Ni recovery at Santa Rita in October and November improving to 61%.

Jabiru Metals (JML): We initiated a position in JML, a low cost zinc producer with additional copper and silver exposure. We see solid valuation upside relative to current pricing which conservatively assumes a relatively short mine life for the existing Jaguar operations and heavily risk weights the potential Stockman project which could add significantly to mine life and NPV.

Aurora Oil & Gas (AUT): AUT is a liquids-rich shale gas producer, focused upon the highly prospective Eagle Ford Shale in on-shore Texas. We initiated a position via a discounted capital raising accompanying a significantly accretive acquisition of additional acreage. AUT is well funded and partnered with a well credentialed operator. Full field development across its net 15,600 acres in converting ~84m barrels oil equivalent offers sizeable upside from current prices.

Maca (MLD): We increased our exposure to WA based mining services operators through the IPO of MACA (Mining and Civil Australia). MACA services mid tier iron ore, gold and base metal miners with 98% of FY11 revenues already contracted, as well as 60% of FY12. Organic growth will be provided by increased volumes from existing customers. This should lead to prospectus FY11 being beaten, with volumes tracking above prospectus to date. MLD was a competitively priced IPO at 6.5x FY11 and is up 70% on its listing price.

Major Stock Disposals

Andean Resources (AND): Andean was subject to takeover by Goldcorp via a scheme of arrangement early in the quarter and we exited. Otherwise we would possibly still be happily holding what is the most prospective and exciting gold discovery in recent times in our portfolio. We switched some of the Andean proceeds into Regis and Saracen, a decision that has been a net positive contributor to performance.

Matrix Composites & Engineering (MCE): Following sustained strong performance from MCE and nearer term price objectives being met we exited our position during the quarter. Whilst the existing order book and increased production capacity will ensure strong F.11 earnings we have become more circumspect about the achievability of forecast earnings growth over the F.12 year, with a lull in rig build appearing likely to impact broader demand for riser buoyancy units.

M2 Telecommunications (MTU): With our original investment thesis having essentially played out and price objectives met we exited our position in MTU. Whilst further earnings upside may exist through finalisation of the ACCC draft recommendation around fixed line wholesale rates we feel that such has been largely captured within the solid re rating for the stock.

Mount Gibson Iron (MGX): We exited Mount Gibson due to substantial corporate governance concerns. We are attracted to the company's three iron ore projects' inherent leverage and highly rate Mount Gibson senior management. However we were sufficiently concerned that a minority of independent directors is suboptimal in regards to preservation of our investors' capital that we decided to sell our entire holding.

Top Ten Holdings

We highlight below our top ten holdings within the portfolio, in alphabetical order (by month end weight):

Atlas Iron	PanAust
Independence Group	REA Group
McMillan Shakespeare	Regis Resources
Mineral Resources	SAI Global
Mirabela Nickel	Whitehaven Coal

Number of stock holdings at 31 December 2010:	**52**

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