

Fairview Equity Partners Quarterly Investment Report March 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.

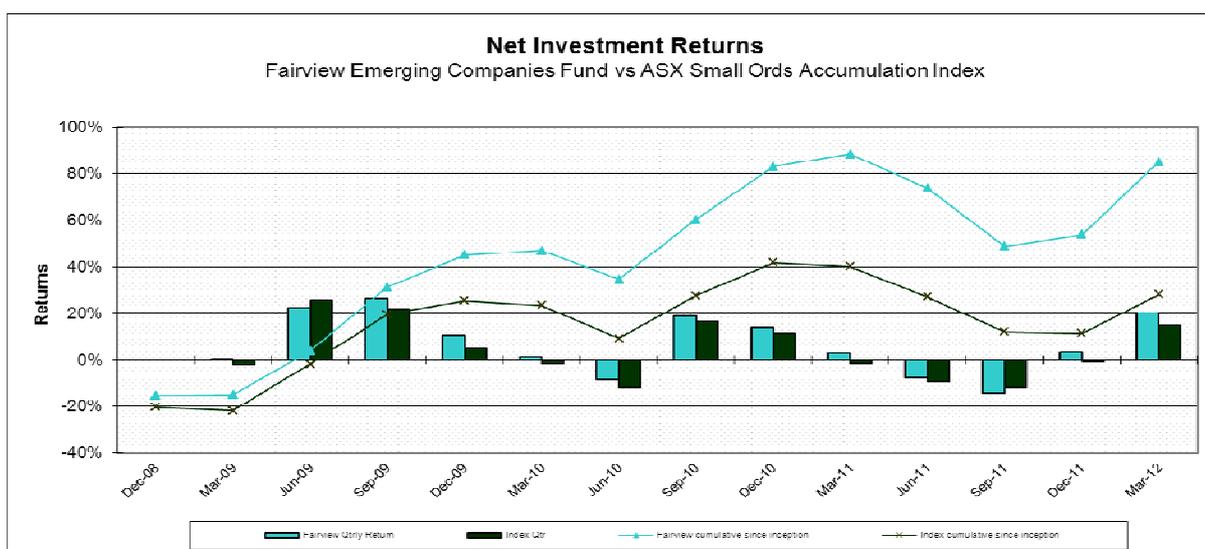
Performance Return

Period ending 31 Mar 2012	1 Month	3 Months	1 Year	3 Years [#]	Since inception [#]
Fairview Emerging Companies Fund*	2.81	22.34	1.09	33.80	23.53
S&P/ASX Small Ordinaries Accumulation Index	0.19	14.98	-8.57	17.92	7.39
Excess Return*	2.62	7.36	9.66	15.88	16.14
Net Fund Return (after fees & expenses)	2.24	20.31	-1.80	29.57	19.35

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

Annualised. Fund inception 8 October 2008

The Small Ordinaries Accumulation Index posted a very strong increase over the March quarter. The Fund was able to do materially better than this and provide investors with an extremely positive absolute number that was very welcomed after a tough 2011 calendar year. In fact, it was one of the strongest absolute and relative results that the fund has delivered since inception.



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

Market Outlook

Over the past quarter, investor sentiment and in particular risk appetite, appears to have significantly improved driven by diminishing European sovereign risk and the ongoing US economic recovery. We have consistently suggested that a decent rally in equity markets was on the cards should global risks and sentiment improve. Despite the rally in March, it is important to note that the last half of 2011 was very weak and the small cap universe is still on a very attractive rating of only 10x for the 2013 year. This combined with the prospect of falling interest rates should result in equity markets being well supported through the 2012 calendar year.

Portfolio Strategy

The most pleasing aspect of the February interim reporting season was the plethora of potential new investment ideas thrown up. This was driven by both improving economic conditions and several interesting stock specific stories coming to our attention. Accordingly, we have been able to make and contemplate some new stock positions that helps ensure that the portfolio is suitably refreshed. Investors can refer to the new stock additions below but there are also several more being actively considered after the end of this quarter.

New ideas are always critical but we are particularly keen to start considering an increased weighting from Industrial companies that are not in the mining services sector. Whilst we still have a large active position in mining services, we recognise that it has served us well and become a very crowded trade amongst our peer group. This makes it somewhat more vulnerable to an aggressive sell off should commodity prices and activity levels come under pressure.

Commentary from most non-mining domestic cyclicals is still very anaemic as is the continued economic data related to those sectors. Accordingly, we are still fairly reticent to move aggressively into those sectors. We are still underweight the more defensive stocks and sectors, particularly those that lack valuation support as we believe they will continue to under-perform as the market recovers.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors and their average positions during the quarter of March 2012.

Positive contributors		Negative contributors	
Ausenco Ltd.	Overweight	Saracen Mineral Ltd.	Sold in quarter
Drillsearch Energy Ltd.	Overweight	Challenger Ltd.	Sold in quarter
Forge Group Ltd.	Overweight	NRW Holdings Ltd.	Not Held
Breville Group Ltd.	Overweight	Gloucester Coal Ltd.	Sold in quarter
Flight Centre Ltd.	Overweight	Aristocrat Leisure Ltd.	Not Held

Major Stock Additions

PMI Corporation (PVM)

PMI Corporation (PVM) is a Ghanaian based, high grade, open pit gold mine developer. We believed the discount it trades on to both the overall gold sector and its West African peers is excessive and it was added to the fund during March.

Cardno (CDD)

We have followed Cardno for several years now and have been previously sceptical about their ability to integrate and retain the earnings of the numerous acquisitions they have made. However

they have proven us wrong with their more de-centralised model with a now strong track record of post-acquisition performance. We are also attracted to their growing environmental business which is thematically an area of strong future growth.

Virgin Australia (VAH)

We commenced a position in Virgin as we believed the airline is on the cusp of finally realising its earnings potential. Through more rational capacity management and a growing emphasis on higher yields we believe that a substantial pick up in profitability is likely and the resultant valuation is also very supportive.

Major Stock Disposals

Gloucester Coal (GCL)

We sold our position as we believed the merger terms are value destructive for GCL minority shareholders given the ultimate value of the merged entity.

Thorn Group (TGA)

Our thesis on owning this company has weakened in two major respects. Firstly, the core Radio Rentals business appears to have gone ex growth more quickly than anticipated due to a maturation in technology products. Secondly, their acquisition of National Credit Management is not meeting expectations.

Challenger (CGF)

We sold out of our position following a weaker than expected interim result. Although the company is doing better than anticipated on new annuity sales, this is being more than offset by higher levels of run off and lower levels of investment earnings.

Top Ten Holdings

We highlight below our top ten holdings within the portfolio, order by quarter end weight from top left to bottom right:

Regis Resources Ltd.	Mineral Resources Ltd.
Flight Centre Ltd.	Rea Group Ltd.
Australian Infrastructure Fund	Super Retail Group Ltd.
McMillan Shakespeare Ltd.	Acrux Ltd.
carsales.com.au Ltd.	Aurora Oil & Gas Ltd.

Number of stock holdings at 31 March 2012:	46
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