

Fairview Equity Partners Monthly Investment Report May 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 May 2012	1 Month	3 Months	1 Year	3 Years #	Since inception #
Fairview Emerging Companies Fund*	-9.00%	-6.38%	-5.62%	22.85%	19.24%
S&P/ASX Small Ordinaries Accumulation Index	-10.22%	-10.88%	-14.88%	6.15%	3.66%
Excess Return*	1.22%	4.50%	9.26%	16.70%	15.58%
Net Fund Return (after fees & expenses)	-9.25%	-7.53%	-8.34%	18.66%	15.17%

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

During May, the benchmark Small Ordinaries Accumulation Index fell 10.2% with the fund out-performing by 1.2% on a gross basis and 1.0% on a net basis. This substantial decline was primarily driven by the resources sectors with the small resources sector off by 16%.

Market Outlook

The key issue dominating investor attention is the outlook for resources and mining related sectors. Clearly as always, this involves making a macro call on world economies. Historically and consistent to our philosophy, we ensure that the portfolio's performance is not unduly influenced by top down calls. We do not advocate totally abandoning the resource sector given the usual macro ambiguities but we have tempered our view somewhat as is further discussed below.

Previously, we had a reasonably positive bias towards mining services but the events of recent weeks have tempered our view on the resource sector and the negative developments in China are of particular concern. A sustained reduction in Chinese demand for commodities will lead to weaker commodity prices. Ultimately, this will lead to reduced mineral exploration activity and a reduction in new projects especially after the very strong period of news flow we have recently experienced. Accordingly, we were happy to modestly reduce some of our positions in the mining services sector to a more neutral setting.

We are happy to maintain positions in the more defensive resources segments like energy and gold as well as mining services companies leveraged to production. These segments are likely to have more stable earnings than the base metals that are bearing the brunt of the current sell off. We also remind investors that activity levels remain robust at present particularly in the oil and gas sector. Finally, given their very attractive valuations, these are the sectors that will bounce hardest should markets stage a recovery and

we are actively considering many of these as new investments.

Performance Attribution

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

Positive contributors		Negative contributors	
Acrux Ltd	Overweight	Whitehaven Coal	Overweight
McMillan Shakespeare	Overweight	Atlas Iron Ltd	Overweight
Australian Infrastructure Fund Ltd	Overweight	Red Fork Energy Ltd	Overweight
Rea Group Ltd	Overweight	Hastings Diversified	Not Held
Ord F/Pd	Overweight	Utilities Fund	Not Held
Aquila Resources Ltd	Not Held	Forge Group Ltd	Overweight

Number of stock holdings at 31 May 2012:	49
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