

# Fairview Equity Partners Monthly Investment Report November 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<br>31 November 2012                 | 1<br>Month | 3<br>Months | 1<br>Year | 3 Years p.a. | Since inception <sup>#</sup> |
|---|------------|-------------|-----------|--------------|------------------------------|
| Fairview Emerging<br>Companies Fund*              | -0.94%     | 8.81%       | 24.29%    | 14.33%       | 20.57%                       |
| S&P/ASX Small<br>Ordinaries<br>Accumulation Index | -2.43%     | 3.16%       | -1.20%    | -1.48%       | 3.44%                        |
| <b>Excess Return*</b>                             | 1.49%      | 5.65%       | 25.49%    | 15.81%       | 17.13%                       |
| Net Fund Return<br>(after fees & expenses)        | -1.23%     | 7.48%       | 17.64%    | 10.14%       | 16.14%                       |

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

# Annualised. Fund inception 8 October 2008

During November, the benchmark Small Ordinaries Accumulation Index decreased by 2.4% with the Fund out-performing by 1.5% on a gross basis and 1.2% on a net basis. Resources again underperformed industrials and the mining services sector was also very weak as discussed further below.

## Market Outlook

Mining-focused sectors underperformed substantially due to concerns around a pullback in spending by major iron ore operators, with Fortescue Metals (FMG) suspending contracts and Rio Tinto (RIO) announcing a cost saving target of US\$5bn. This dynamic was reflected in the top ten underperforming stocks of the Small Industrials this month. NRW Holdings (-35%), Cardno (-25%), Emeco (-25%), Ausdrill (-24%), Ausenco (-19%) and MacMahon (-15%) all featured with the first four releasing downgrades to earnings guidance. This followed downgrades by Sedgman and Bradken last month.

The Fund is now modestly underweight this sector with a strong preference for production orientated companies although even this component is not bullet proof as projects are being scaled back and margins being put under pressure. Obviously, a rebound in commodity prices is needed to lift mining activity and confidence again. Presently, though conditions remain challenging and it will also take the major mining companies a decent amount of time to begin expanding again.

## Portfolio Strategy

Domestic cyclicals remain topical in the small cap space with aggressive RBA interest rate reductions being made to try and stimulate the economy. Obviously, though this is in response to persistently weak economic activity and we are yet to see any definitive signs of improvement in the more cyclical

sectors. We currently have a modest exposure to these sectors and continue to be more attracted to companies that have strong company specific earnings drivers regardless of economic conditions.

## Performance Attribution

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

| Positive contributors   |            | Negative contributors |            |
|-------------------------|------------|-----------------------|------------|
| Ramsay Health Care Ltd. | Overweight | Ausdrill Ltd.         | Overweight |
| Beadell Resources Ltd.  | Overweight | Mineral Deposits Ltd. | Overweight |
| Mayne Pharma Group Ltd. | Overweight | Cardno Ltd.           | Overweight |
| Independence Group NL   | Overweight | AcruX Ltd.            | Overweight |
| UXC Ltd.                | Overweight | Mastermyne Group Ltd. | Overweight |

|  |           |
|--|-----------|
| <b>Number of stock holdings at 30 November 2012:</b> | <b>48</b> |
|--|-----------|

## Contacts

Fairview Equity Partners Pty Ltd  
 Level 17, 90 Collins Street,  
 Melbourne VIC 3000  
 Phone: 03 9929 9441  
 Fax: 03 9650 6199  
[www.fairviewequity.com.au](http://www.fairviewequity.com.au)  
 AFSL 329052

nabInvest Investor Services  
 Phone: 1300 738 355  
 Email: [info@nabinvest.com.au](mailto:info@nabinvest.com.au)

### Important Legal Notice:

nabInvest Managed Investments Limited ABN 61 083 784 463, AFSL 312122 ("NMIL"), is the Responsible Entity of, and the issuer of units in, the Fairview Equity Partners Emerging Companies Fund (the "Fund"). An investor should consider the Product Disclosure Statement ("PDS") and Product Guide for the Fund both issued 22 June 2012 in deciding whether to acquire, or continue to hold, units in the Fund and consider whether units in the Fund is an appropriate investment for the investor, and the risks of any investment. The PDS and Product Guide are available by calling the Investor Services Team on 1300 738 355 or download from [www.nabinvest.com.au](http://www.nabinvest.com.au). This report has been prepared in good faith, where applicable, using information from sources believed to be reliable and accurate as at the time of preparation. However, no representation or warranty (express or implied) is given as to its accuracy, reliability or completeness (which may change without notice). This report does not take account of an investor's particular objectives, financial situation or needs. Investors should therefore, before acting on information in this report, consider its appropriateness, having regard to the investor's particular own objectives, financial situation or needs. We recommend investors obtain financial advice specific to their situation. Past performance is not indicative of future performance. Any projection or other forward looking statement ("Projection") in this report is provided for information purposes only. No representation is made as to the accuracy or reasonableness of any such Projection or that it will be met. Actual events may vary materially. Any opinions expressed by NMIL constitutes NMIL's judgment at the time of writing and may change without notice. An investment in the Fund is not a deposit with or liability of National Australia Bank Limited ("NAB") or any other member of the NAB group of companies ("National Australia Group") and is subject to investment risk, including possible delays in repayment and loss of income and capital invested. Neither NMIL nor any other member of the National Australia Group guarantees the repayment of your capital, payment of income or the performance of your investment. NAB does not provide a guarantee or assurance in respect of the obligations of NMIL, the Fund or Fairview Equity Partners Pty Ltd.