

# Fairview Equity Partners

## Monthly combined Investment Report



30 November 2014

### 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 30 November 2014	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Since inception#
Fairview Emerging Companies Fund*	-2.95%	-8.20%	2.00%	13.62%	12.02%	16.55%
S&P/ASX Small Ordinaries Accumulation Index	-3.81%	-9.57%	-1.82%	-1.04%	-1.27%	1.99%
<b>Excess Return*</b>	<b>0.86%</b>	<b>1.37%</b>	<b>3.82%</b>	<b>14.66%</b>	<b>13.29%</b>	<b>14.56%</b>
Net Fund Return ( after fees & expenses)	-3.02%	-8.42%	0.17%	9.52%	8.33%	12.63%

\* Returns shown are gross at a manager level (pre fees).  
 # Returns over 1 year are annualised. Fund incepted 8 October 2008.  
 Past performance is not a reliable indicator of future performance.

November was a weak month for small cap equities with the resources component again being heavily sold off and falling 12% over the month. Iron ore stocks in particular have been obliterated in conjunction with the fall in the iron ore price and the majority of them are no longer cash flow positive at current iron ore prices.

### Performance and Market Outlook

As alluded to above, commodity prices were very weak during the month and the other major sector that was under pressure was oil. This caused Drillsearch and Sundance to be material under-performers along with any other stocks with a resources bent.

Despite the headwinds coming from the mining sector, retailers appear to be achieving reasonable results and the housing recovery is now in full swing. We recently observed positive results from Dulux and Reece Australia that confirmed solid housing activity whilst there are a plethora of retailers who are enjoying a positive start to the key Christmas trading period. Other cyclical sectors, however continue to languish and some of our worst performers have come from those stocks more exposed to general domestic economic activity.

The pre-Christmas IPO window is now drawing to a close and we ended up participating in Godfreys, Acconex, Lovissa and IPH Limited. The first three are yet to list whilst IPH debuted very strongly when is listed during the month. We decided to pass on Medibank Private as the final pricing was above what we considered to be fair value.

## Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the month of November 2014.

Positive contributors		Negative contributors	
Duluxgroup	Overweight	Sundance Energy	Overweight
Cardno	Not Held	Drillsearch Energy	Overweight
UGL	Not Held	G8 Education	Overweight
Freedom Foods Group	Overweight	Flexigroup	Overweight
Magellan Financial Group	Overweight	MACA	Overweight

## Contributors

Duluxgroup has delivered solid full year results which have been well received by the market. Freedom Foods announced new agreements with a large Chinese dairy customer. Magellan Financial Group continue to grow funds under management strongly.

## Detractors

Very weak oil prices impacted both Sundance and Drillsearch. G8 Education suffered as a result of investors concern over potential regulatory changes. Flexigroup delivered a modest profit downgrade at their AGM whilst MACA was down in line with mining services stocks after heavy sell-offs during the quarter.

<b>Number of stock holdings at end of November 2014:</b>	<b>61</b>
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## Contacts – Fund Manager

Fairview Equity Partners Pty Ltd AFSL 329052  
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)

## Contacts - Reporting

Client Services  
Email: [info@nabam.com.au](mailto:info@nabam.com.au)  
Phone: 1300 738 355

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