

Fairview Equity Partners Monthly Investment Report October 2013 - Retail



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 October 2013	1 Month	3 Months	1 Year	3 Years p.a.	Since inception [#]
Fairview Emerging Companies Fund*	2.45%	11.55%	14.73%	8.93%	16.43%
S&P/ASX Small Ordinaries Accumulation Index	2.74%	7.48%	2.85%	-2.73%	3.89%
Excess Return*	-0.29%	4.07%	11.88%	11.66%	12.54%

* Returns shown are net of fees (including management and performance fees) but before tax.

Returns over 1 year are annualised. Fund inception 8 October 2008.

Past performance is not a reliable indicator of future performance.

During October the benchmark rose almost 3% with a fairly even contribution across most sectors.

Performance and Market Outlook

The AGM season kicked off in earnest during October and most companies use this forum to update the market on how the year has started. Overall we were reasonably pleased with the early 2014 progress of most of the fund's companies but as always there were a few exceptions. These include UXC which is still facing tough IT industry conditions, Maxitrans which saw weaker demand across most of its customer base and finally Cash Converters which is still suffering from regulatory changes.

The above mentioned companies can be broadly considered to be valued cyclicals that are leveraged to the domestic economy. We recognise that conditions are currently still tough but we are happy to hold them at modest weights to that the portfolio has adequate exposure to this thematic when conditions improve. Importantly we are finally starting to see some initial indications of a pickup in the building sector with both Reece (plumbing supplies) and GWA (plumbing and building supplies) citing improved customer activity. We will continue to examine opportunities to further increase our exposure to this sector.

The resources sector remains anaemic however with activity levels still declining in most commodities. We will remain modestly underweight this sector for the foreseeable future until there is clear evidence of an improvement in conditions.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the month of October 2013.

Positive contributors		Negative contributors	
REA Group	Overweight	Acrux Limited	Overweight
Mcmillan Shakespeare	Overweight	G8 Education Limited	Overweight
Freedom Foods	Overweight	Carsales.com	Overweight
Karoon Gas	Not held	Cash Converters	Overweight
Nearmap	Overweight	Maxitrans	Overweight

Number of stock holdings at 31 October 2013:	55
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Contacts

Fairview Equity Partners Pty Ltd
Level 17, 90 Collins Street
Melbourne 3000
www.fairviewequity.com.au
AFSL 329052

Client Services
Phone: 1300 738 355
Email: info@nabinvest.com.au

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