Fairview Equity Partners
Quarterly Investment Report
September 2013

FAIRVIEW
EQUITY PARTNERS

Emerging Companies Fund

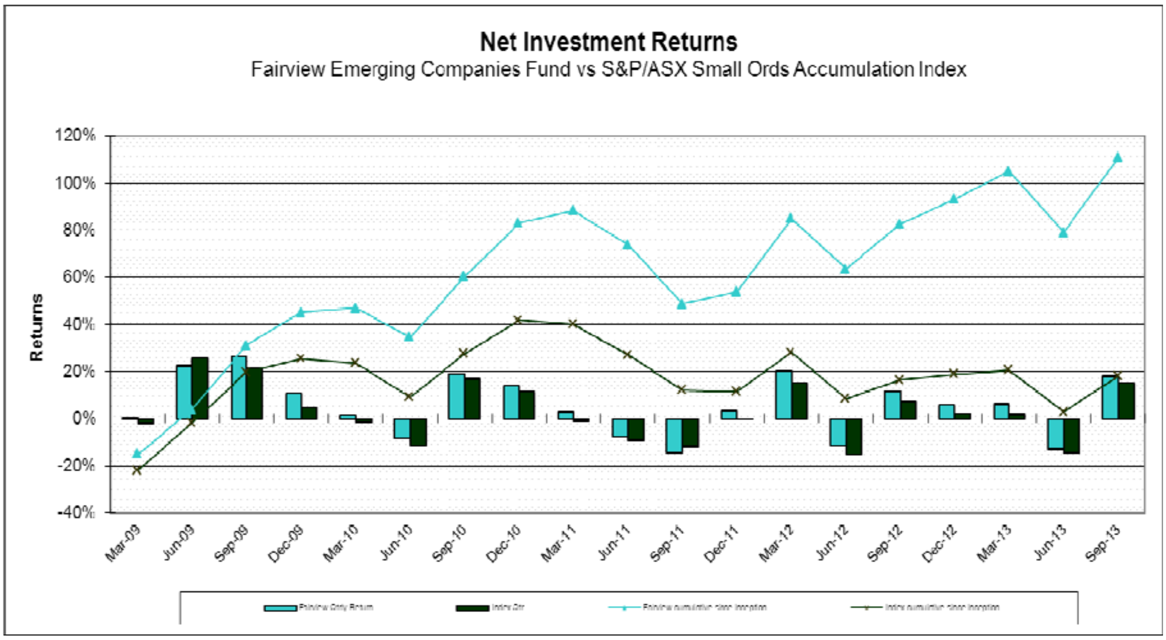
Fairview Equity Partners is a smaller company Australian equities manager. The Fairview Equity Partners Emerging Companies Fund aims to provide long term capital growth and some income by investing primarily in a diverse portfolio of smaller companies listed, or expected to be listed, on the Australian Securities Exchange. The Fund aims to earn a return (after fees and expenses) which exceeds the S&P/ASX Small Ordinaries Accumulation Index (Benchmark).

Performance Return

Period ending 30 September 2013	1 Month	3 Months	1 Year	3 Years#	Since inception#
Fairview Emerging Companies Fund*	4.23%	18.85%	20.56%	14.01%	20.66%
S&P/ASX Small Ordinaries Accumulation Index	1.69%	14.89%	1.42%	-2.55%	3.39%
Excess Return*	**2.54%**	**3.97%**	**19.14%**	**16.56%**	**17.27%**
Net Fund Return (after fees & expenses)	3.62%	17.84%	15.41%	9.55%	16.17%

** Returns shown are net of fees (including management and performance fees) but before tax*
 # Returns over 1 year are annualised. Fund incepted 8 October 2008

The smaller companies universe rebounded strongly over the September quarter with the index up almost 15%. Combined with the out-performance of the Fairview fund as shown above investors were rewarded with very positive absolute returns for the September quarter.



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

Market Outlook

Small industrials are trading on around 15x this year's forecasted earnings which represent a fairly full valuation metric in the context of where they have historically been. Many of the perceived quality industrials are trading substantially above this metric and accordingly we are struggling to find valuation appeal in many of those companies.

Investors are becoming increasingly more optimistic about the prospects for the more cyclical non-mining industrial sectors and we would tentatively agree with that sentiment. Although we are yet to see this translated to company earnings the prospects are encouraging for 2014 and beyond. Primarily this is due to extremely low interest rates, stable employment and rising house prices. Eventually this should translate to rising consumer and business confidence particularly once consumers become more secure in their jobs and the post GFC deleveraging process starts to abate.

The mining sector now looks like settling down at more mid-cycle type levels which is by no means a disaster for the more cost effective mining operators. Further to this there is adequate work levels for the better performers in the services sector albeit at generally lower margins.

Portfolio Strategy

The smaller companies universe is fairly evenly poised in terms of sectoral considerations. The appeal of the more defensive industrials has started to wane given a combination of expensive valuations and the potential for an improvement in the earnings of the more cyclical sectors. We have taken the position that a neutral setting in respect of the above sectors is appropriate at this time given a lack of conviction in their relative prospects.

Pleasingly we are continuing to unearth an ongoing stream of attractive new investment opportunities in business models that are coming to fruition. This is evidenced in many of the new additions shown below and there are several other names presently under consideration.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the quarter of September 2013.

Positive contributors		Negative contributors	
REA Group Ltd	Overweight	Mcmillan Shakespeare Ltd	Overweight
Independence Group NL	Overweight	Ramsay Health Care Ltd	Overweight
Mayne Pharma Group Limited	Overweight	Charter Hall Group	Overweight
G8 Education Limited	Overweight	Amcom Telecommunications Ltd	Overweight
MACA Limited	Overweight	Red Fork Energy Ltd	Overweight

Major Stock Additions

There were nine new positions initiated in the fund and we discuss of few of these below.

Breville Group (BRG)
Is a company we have owned previously and are comfortable once again that their growth in the US will recommence.

IOOF Holdings (IFL)
IOOF is playing a leading role in the consolidation of wealth management firms and this process is proving to be highly accretive to them.

Seven West Media (SWM)
An extremely attractive valuation combined with some encouraging prospects for free to air advertising spend were sufficient for us to initiate a position in this company.

Major Stock Disposals

Clough Limited (CLO)
We sold our position following the takeover offer from its major shareholder that we regarded as a fair price for the company.

Automotive Holdings (AHE)
We exited our position following a lacklustre 2013 earnings performance and a lack of valuation appeal.

Endeavour Mining (EVR)
We believe the economics of this company's major projects have become too marginal given the decline in the gold price and a higher than expected mining cost profile.

Top Ten Holdings

We highlight below our top ten holdings within the portfolio, in alphabetical order (by month end weight):

REA Group Ltd	Seven West Media Limited
Super Retail Group Limited	Mcmillan Shakespeare Limited
G8 Education Limited	Carsales.Com Limited
Ainsworth Game Technology Limited	Flight Centre Limited
Flexigroup Limited	Charter Hall Group

Number of stock holdings at 30 September 2013:	**56**

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