

Fairview Equity Partners Quarterly Combined Investment Report

30 September 2015

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	1 Month	3 Months	1 Year	3 Years p.a.	5 Years p.a.	Since inception#
30 September 2015						
Fairview Emerging Companies Fund*	1.47%	2.55%	6.06%	10.00%	10.35%	15.97%
S&P/ASX Small Ordinaries Accumulation Index	-0.53%	-3.90%	-4.90%	-1.22%	-2.54%	1.66%
Excess Return*	2.00%	6.45%	10.96%	11.22%	12.89%	14.31%
Net Fund Return (after fees & expenses)	1.04%	1.02%	3.34%	6.77%	6.76%	12.13%

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

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

Past performance is not a reliable indicator of future performance.

The fund out-performed the benchmark during the month of September.

Performance and Market Outlook

The September quarter was weaker for the smaller cap market (as shown above) but the fund's strong out-performance delivered a positive outcome for investors. This was a reasonable overall result under the circumstances and it continues to demonstrate that good stock selection can go a long way to add substantial value over and above what the market delivers. It is worth noting also that the larger cap part of the market was down over 7% with similar results delivered by comparable global equity markets.

Resources were savaged during the quarter falling by around 25% with commodity prices generally under pressure. Not surprisingly, the funds weakest performers were mining stocks with Drillsearch, Sundance and Independence Group being the worst contributors. The major exception to this was Regis Resources that strongly out-performed due to an impressive full year result. Individual stock performance was extremely volatile during the quarter with many price moves being determined by the quality of reporting season results. Stand out results for companies in the fund were APN Outdoor, Aconex and Mantra Group. We are currently witnessing strong corporate activity with the fund's holdings in Veda Group and inet.

We are now more optimistic on the performance prospects for the smaller equities market. Valuations now are quite reasonable with the small industrials on 14.5x FY16 which sits near the long term average for the sector. IPO activity is vibrant and of sound quality – as witnessed by our recent participation in several IPO's. Also interest rates and gearing levels are low which is fuelling corporate activity and company expansion initiatives. Finally there are numerous good quality growth candidates available for investment consideration.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the quarter of September 2015.

Positive contributors		Negative contributors	
APN Outdoor Group Ltd	Overweight	Independence Group NL	Overweight
Mantra Group Ltd.	Overweight	Dick Smith Holdings Ltd	Not Held
IPH Ltd	Overweight	Sundance Energy Australia Limited	Overweight
Veda Group Limited	Overweight	Sirius Resources NL	Not Held
Aconex Ltd.	Overweight	Infomedia Ltd	Overweight

Contributors

Key successes for the fund were APN Outdoor Group Ltd who produced a very strong result with large upgrades as a result and Aconex who produced a strong full year result, reporting some good new client wins. IPH Ltd also reported a solid result and has made a couple of accretive acquisitions. Veda Group Limited received a takeover offer from an offshore player and Mantra Group Ltd reported a strong full year result with a healthy pipeline of acquisitions in the mix.

Detractors

Dick Smith Holdings Ltd reported a disappointing full year result with weak cash flow conversion, as such was sold off. Infomedia Ltd experienced boardroom uncertainty coupled with a poor full year result leading to weakness in the share price. Independence Group NL and Sirius Resources NL were sold off as per other resource companies due to weakness in commodity prices. Sundance Energy Australia Limited suffered from very weak oil prices during the quarter.

Number of stock holdings as of 30 Sep 2015

60

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