

Fairview Equity Partners

Monthly Institutional Investment Report

July 2011

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 July 2011	1 Month	3 Months	1 Year	2 Years	Since inception [#]
Fairview Emerging Companies Fund*	0.21	-5.45	26.99	27.23	26.17
S&P/ASX Small Ordinaries Accumulation Index	1.40	-5.58	12.19	9.72	9.46
Excess Return*	-1.19	0.13	14.80	17.50	16.72

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

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

The Small Ordinaries Accumulation Index rose 1.4% which was a welcome respite after the sell off during the June quarter. The Fund modestly under-performed the benchmark as it returned a lower figure of +0.21%. The major stock issue (as shown below) was with Gujarat Coal due to a substantial potential impact from the proposed carbon tax.

Market Outlook

From a fundamental perspective, markets have trended quickly to multiples last seen during the GFC. This is despite the risk environment being materially better. Key differentiators include companies with replenished balance sheets, much higher levels of merger and acquisition activity and a significantly stronger investment pipeline. Whilst we know sentiment can, in the short term, see a market overshoot on the downside relative to fundamental value, ultimately earnings growth and valuation parameters will be reflected in share prices.

At Fairview we remain focussed upon uncovering investment opportunities. As a core investor we continue to ensure that we have a broadly balanced portfolio of opportunities across a range of sectors and with a variety of risk return profiles. To this end our performance will continue to be driven by stock selection rather than less predictable macro, sector or style dynamics.

We retain a solid overweight position in the mining services sector, remaining very confident in the strong pipeline of project expansion and investment in the resource sector over the coming one to three years. Selected commodity prices and demand/supply dynamics remain favourable, whilst strong recent profitability and accommodative capital markets have enabled the necessary funding packages to be put in place to ensure strong activity levels. The timing around certain project approvals or commencements remains in an otherwise exceptionally positive environment for the services sector. These strong fundamentals are likely to be reinforced during the pending reporting season and are further validated by our recent trip to the diggers and dealers mining forum which confirmed exceptionally high levels of mining activity.

Our company contact program has remained extensive and diligent in the months leading up to the upcoming reporting season and we remain confident that we are not facing material earnings risk for the majority of stocks within our portfolio. Markets eventually reflect fundamentals and recover from panic selling events and the Fairview fund is certainly well positioned to participate in such a recovery.

Performance Attribution

We highlight below the largest positive and negative relative performance contributors during the month of July 2011.

Positive contributors		Negative contributors	
Regis Resources Limited	Overweight	Gujarat Nre Coking Coal Ltd	Overweight
Discovery Metal Limited	Overweight	Decmil Group Limited	Overweight
Norton Gold Fields Ltd	Overweight	Sundance Resources Ltd/Australia	Underweight
Mastermyne Group Ltd	Overweight	Ausenco Limited	Overweight
Saracen Mineral Holdings Limited	Overweight	Aston Resources Ltd	Underweight

Number of stock holdings at 31 July 2011:	49
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