

November 2009 Institutional Investment Report

Fairview Equity Partners – Emerging Companies Fund

Fairview Equity Partners is a small cap 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 2009	1 mth	3 mths	12 mths	Since inception #
Fairview Emerging Companies Fund *	5.03%	15.64%	77.71%	38.57%
S&P/ASX Small Ordinaries Accumulation Index	1.77%	5.64%	57.22%	17.54%
Excess Return *	3.26%	10.00%	20.49%	21.03%

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

Annualised. Fund inception 8 October 2008

The S&P/ASX Small Ordinaries Accumulation Index reversed its prior month decline to post a 1.8% gain during November. Calendar year to date the benchmark is +50.9%. Our Fund again exceeded the benchmark return during the month of November and has posted pleasing levels of excess returns for investors across all time periods since inception.

Market Outlook

We have continued to suggest over recent months that we view that we are within the early stages of an earnings recovery phase for domestic smaller companies. The recent AGM season saw more encouraging commentary from a broad range of companies around first quarter 2010 trading conditions and increased confidence in the immediate outlook. This public commentary is further supported by direct feedback through our extensive company visitation program. The economic data during November remained positive, although this trend is now consensus with market less reactive to such news flow. Both the RBA and Treasury upgraded their growth forecasts, the RBA increased the cash rate by a further 25 b.p. to 3.5%, and employment data remained strong, whilst housing starts and finance data continued to indicate that recovery in this sector remains intact.

Whilst we retain some caution around medium term issues accompanying measures ultimately required to reduce public debt burdens associated with the necessary stimulus measures (eg. higher taxes, reduced government spending) these will not be a barrier to improved corporate earnings over the coming 12-24 months. In our view this positive earnings momentum will continue to support further share price appreciation.

Although at a broad level the more significant PER rerating for the market (from exceptionally low levels) has likely passed, we note that current ratings have merely tracked back toward more normalised levels. However this is based around a 2010 year which is certainly below mid cycle. As the market progressively shifts its focus to fiscal 2011, and indeed in many cases these earnings are progressively upgraded, in our view this provides for further solid share price appreciation over the coming 12-18 months.

Portfolio Strategy

The portfolio remains strongly positioned in the more cyclical sectors of the market including IT services, media, financials and resources as well as related services companies. We have reduced our aggregate positions in retail as valuations for several companies within this sector have become increasingly unattractive. We are substantially underweight property trusts and infrastructure as the considerable recapitalisations that have occurred in those sectors have reduced most of the valuation upside that may have existed.

As economic and financial market conditions continue to stabilise investment returns are increasingly being generated by effective stock selection, as opposed to the sectoral or more macro / thematic level. These are conditions which favour well resourced and experienced investment teams. We continue to spend a large proportion of our efforts on extensive company contact and detailed company analysis as we seek to uncover under appreciated companies and pricing inefficiencies.

Volatility has reduced substantially from the elevated levels of earlier this year and this has allowed us to reduce turnover closer to our expected level. Essentially investment conditions are normalising and we anticipate holding many of our positions for substantially longer than the experiences of the first 9 months of this calendar year.

Performance Attribution

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

Positive contributors		Negative contributors	
Aquila Resources	Overweight	Adelaide Brighton	Overweight
Medusa Mining	Overweight	Mount Gibson Iron	Nil Weighting
Thinksmart	Overweight	Mitchell Communications	Overweight
ING Industrial Fund	Nil Weighting	Lynas Corporation	Nil Weighting
Horizon Oil	Overweight	Webjet	Overweight

Number of stock holdings at 30 November:	49
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Important Legal Notice:

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