

# Fairview Equity Partners

## Monthly Institutional Investment Report

### April 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 30 April 2011	1 Month	3 Months	1 Year	2 Years	Since inception <sup>#</sup>
Fairview Emerging Companies Fund*	-1.49%	4.51%	28.19%	47.30%	31.95%
S&P/ASX Small Ordinaries Accumulation Index	-2.61%	-1.63%	10.50%	24.07%	12.94%
<b>Excess Return*</b>	<b>1.13%</b>	<b>6.14%</b>	<b>17.69%</b>	<b>23.23%</b>	<b>19.01%</b>

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

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

The Small Ordinaries Accumulation Index fell 2.6% during the month with resources causing most of the damage falling 4.8% due to commodity prices softening towards the end of the month. The Fund solidly out-performed the benchmark again falling by a much lower 1.5%. Gross excess returns have now been delivered in 27 out of 31 months since the fund's inception. Given our substantial resources positioning, the result above was satisfactory as it demonstrates the fund's continued ability to perform regardless of the performance differentials between industrials and resources. This is due to the ongoing focus on sector risk controls and ensuring that stock selection is the primary driver of fund performance.

#### Market Outlook

April was very subdued in terms of corporate news flow with most companies waiting until May before making updates to the market. Through our ongoing and rigorous program of company contact, we are confident that the majority of our industrial investments are in good shape leading up to the end of the financial year. Most of our resources companies delivered quarterly reports during the month with no major surprises, although adverse weather is still impacting coal production out of Queensland. There was also some weaker Japanese demand for steel making materials due to the ongoing production constraints caused by the earthquakes earlier in the year.

On the macro front, the dominant theme is the rampant \$AUD and what potential impacts this has on smaller industrials. Resources are generally insulated by stronger commodity prices that positively correlate to a rising \$AUD. Overall, we are fairly comfortable with the fund's currency sensitivities with more of our stocks benefitting than being adversely impacted. Firstly, this is because we own no domestic exporters but quite a range of importers. Companies with adverse translation impacts like Breville and Cochlear have robust company specific drivers that should provide for reasonable

earnings performance regardless of currency headwinds. The domestic cyclical environment still remains subdued with both weak consumer and commercial activity continuing to impact.

## Performance Attribution

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

Positive contributors		Negative contributors	
Aditya Birla Minerals	Overweight	Decmil Group	Overweight
Regis Resources	Overweight	Forge Group	Overweight
Amcom Telecommunication	Overweight	Medusa Mining	Underweight
REA Group	Overweight	Texon Petroleum	Overweight
Slater and Gordon	Overweight	Mesoblast	Underweight

<b>Number of stock holdings at 30 April 2011:</b>	<b>51</b>
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