

Fairview Equity Partners

Monthly Retail Investment Report

January 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 January 2011	1 month	3 months	1 year	2 years p.a. #	Since inception p.a. #
Fairview Emerging Companies Fund*	-1.98%	7.32%	33.66%	47.74%	28.71%
S&P/ASX Small Ordinaries Accumulation Index	-2.18%	5.29%	19.46%	35.16%	15.21%
Net Excess Return*	0.20%	2.03%	14.20%	12.58%	13.50%

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

Recent fortunes were reversed in January 2011 as the Small Industrials (up 0.4%) outperformed the Small Resources (down 5.2%), with the overall Small Ordinaries Accumulation Index being down 2.2%. The Fund modestly out-performed this decrease and has now out-performed the benchmark in 22 out of 28 months since inception (in net terms).

Market Outlook

January as per normal was very quiet on the corporate front with most companies in an information black out period prior to releasing their interim results in February. There were a few minor profit updates during the month and they tended to be neutral to positive. In particular there were some very encouraging retail company announcements from companies such as Kathmandu and Breville Group. It would appear that retail sales have been fairly strong since Christmas after a pretty subdued period prior to that. The other major event during January was the severe flooding in Queensland. However we only envisage this having a short term impact on a very small percentage of companies held in the fund, with the potential for enhanced medium term activity levels associated with flood recovery.

Overall we maintain our positive resources bias particularly on the services side given the continuing favourable outlook for big mining projects. The resources story will be further enhanced should the emerging positive data points coming out of Europe and the US turn into a more sustained recovery. The domestic non-mining economy continues to face muted activity levels due to continuing weakness in construction spending. We will not be considering any major changes now until during and after the February interim reporting season.

Performance Attribution

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

Positive contributors		Negative contributors	
Aurora Oil & Gas	Overweight	Regis Resources	Overweight
Maca	Overweight	Saracen Minerals	Overweight
Breville Group	Overweight	Discovery Metals	Overweight
Forge Group	Overweight	Independence Group	Overweight
Euroz	Overweight	Graincorp	Nil Holding

Number of stock holdings at 31 January 2011:	53
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