

GANES FOCUSED VALUE FUND – MARCH 2013

Unit Prices*

	31.03.13	30.06.12	30.06.11	30.06.10	30.06.09	30.06.08	30.06.07	30.06.06	30.06.05
Entry Price (\$)	\$2.4153	\$2.0377	\$2.0438	\$1.8024	\$1.5322	\$1.8130	\$2.6617	\$2.0250	\$1.5889
Unit Price (\$)	\$2.4068	\$2.0306	\$2.0366	\$1.7961	\$1.5268	\$1.8067	\$2.6525	\$2.0179	\$1.5833
Exit Price (\$)	\$2.3984	\$2.0235	\$2.0295	\$1.7898	\$1.5215	\$1.8003	\$2.6432	\$2.0108	\$1.5778
Distribution (cents per unit)	2.8179	4.8340	6.7378	5.8396	6.6702	11.6800	18.1078	15.3199	9.5934

* Unit prices are quoted pre-distribution. The total distribution paid during the financial year to-date is shown.

Past Performance*

	Ganes Focused Value Fund	ASX300 Accumulation Index	Margin
3 months	7.8%	8.0%	-0.2%
6 months	12.3%	15.4%	-3.1%
1 Year	18.0%	19.1%	-1.1%
2 Years (p.a. compound)	9.4%	5.7%	3.7%
3 Years (p.a. compound)	11.4%	5.0%	6.4%
5 Years (p.a. compound)	7.1%	2.9%	4.2%
7 Years (p.a. compound)	7.8%	3.9%	3.9%
10 Years (p.a. compound)	14.0%	10.2%	3.8%
Value of \$10,000 invested at inception (14/10/2002)	\$37,642	\$26,338	

Portfolio Allocation

Top ten	43.3%
Other shares	14.5%
Cash	42.2%

Largest Five Holdings

Flight Centre (FLT)
Austbrokers (AUB)
Woolworths (WOW)
ARB Corporation (ARP)
Spark Infrastructure (SKI)

* Fund performance is net of all fees and expenses, and assumes reinvestment of distributions. Investments can rise and fall in value. Past performance is not necessarily indicative of future performance. The fund currently invests substantially in smaller companies that may involve unique risks. The Product Disclosure Statement details the risks associated with an investment in the fund and is essential reading for investors.

The Fund has enjoyed a strong return for the quarter of 7.8%, slightly behind the market return of 8.0%. This is a pleasing return in absolute terms, but also in relative terms. Our experience in running the Fund for the last decade is that the Fund has tended to under-perform in strong markets, like this one. To under-perform by just 0.2% while holding more than 40% cash has exceeded our expectations.

The focus of our attention during the quarter has been reporting season where the majority of listed companies report their half-year results, and a smaller number report full year results. Overall, it appears that listed companies met market expectations, though these expectations were modest and had been pegged back over the months leading up to the February announcements. The less than stellar profit reports appear to have largely been overlooked by an exuberant market with the market up 5.3% in February following 5.0% in January.

Amongst our largest holdings good or satisfactory profit reports were received from ARB, Flight Centre, Austbrokers, Woolworths, Spark Infrastructure, McMillan Shakespeare, Coca-Cola Amatil and Treasury Group. While weaker results were reported by Cochlear and Computershare.

One of our larger and longest held holdings, ARB Corporation, reported a 10% increase in revenue to \$145m and a 14.5% increase in profits to \$20.9m. This was another solid result from the company which we have come to expect, after holding the stock since first purchasing it for the Fund ten years ago. The tailwind of strong new car sales here in Australia and the Thailand manufacturing expansion continue to drive growth. So far, the slowdown in the resources sector appears to have not had much, if any, impact. The company maintains a pristine balance sheet with no debt, strong cashflow and \$32m in the bank. Management notes that demand for 4WD remain strong and is expecting to “achieve reasonable growth” over prior year.

Outside the largest Fund holdings, underlying business performance was patchy with several good or satisfactory results (eg. Invocare, Mortgage Choice) and some not so good results (eg. Sonic Healthcare, Ansell, Blackmores).

Overall, across the portfolio fundamentals remain sound with high profitability, sound balance sheets and strong cashflow. However, with very strong returns over the last 12 months, valuations are not particularly attractive. Strong positive share price movements in the case of ARB Corporation and McMillan Shakespeare have seen us trim these positions, while business deterioration saw us exit Cabcharge, Blackmores and Ansell.

IMPORTANT INFORMATION: This update does not take into account any individual's investment objectives, particular needs or financial situation. It is general information only and should not be considered to be investment advice and should not be viewed or relied on as an investment recommendation. Ganes Capital Management Ltd (ACN 102319675) (AFSL 291363) is the Responsible Entity for the Ganes Focused Value Fund (ARSN 117119712). Decisions to invest should only be made after considering the information contained within the current Product Disclosure Statement (PDS). Initial application for units can only be made on an application form attached to the current PDS.