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Ganes Focused Value Fund *ARSN 117 119 712*
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GANES FOCUSED VALUE FUND – SEPTEMBER 2013

Unit Prices*

	30.09.13	30.06.13	30.06.12	30.06.11	30.06.10	30.06.09	30.06.08	30.06.07	30.06.06
Entry Price ($)	$2.5564	$2.4721	$2.0377	$2.0438	$1.8024	$1.5322	$1.8130	$2.6617	$2.0250
Unit Price ($)	**$2.5474**	**$2.4635**	**$2.0306**	**$2.0366**	**$1.7961**	**$1.5268**	**$1.8067**	**$2.6525**	**$2.0179**
Exit Price ($)	$2.5385	$2.4549	$2.0235	$2.0295	$1.7898	$1.5215	$1.8003	$2.6432	$2.0108
Distribution (cents per unit)		**4.5014**	**4.8340**	**6.7378**	**5.8396**	**6.6702**	**11.6800**	**18.1078**	**15.3199**

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

Past Performance*

	Ganes Focused Value Fund	ASX300 Accumulation Index	Margin
3 months	**4.1%**	**10.3%**	**-6.2%**
6 months	6.6%	7.2%	-0.6%
1 Year	**19.6%**	**23.6%**	**-4.0%**
2 Years (p.a. compound)	17.9%	19.0%	-1.1%
3 Years (p.a. compound)	**11.0%**	**8.9%**	**2.1%**
5 Years (p.a. compound)	11.3%	7.1%	4.2%
7 Years (p.a. compound)	**6.8%**	**4.6%**	**2.3%**
10 Years (p.a. compound)	12.4%	9.7%	2.7%
Value of $10,000 invested at inception (14/10/2002)	**$40,119**	**$28,223**	

Portfolio Allocation

Top ten	42.7%
Other shares	8.9%
Cash	48.4%

Largest Five Holdings

Flight Centre (FLT)
Austbrokers (AUB)
Woolworths (WOW)
Treasury Group (TRG)
ARB Corporation (ARP)

* 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 September quarter has produced three successive positive months for both the Fund and the market, though Fund performance has lagged the market, arguably due to the high cash weighting in the Fund. Over the last year, the fund has produced a 19.6% return and has outperformed the market over 3, 5, 7 and 10 years after fees. Unfortunately, quality plus value is in short supply in the current market. and we continue to find things to sell rather than buy. Our preference has always been to fill the portfolio with high quality businesses, characterised by growing and low volatility revenue, attractive profit margins, high return on capital, minimal or no debt, strong cash flow and management with a track record of delivering for shareholders. Certainly, companies like this exist and we own a number of them, but they are currently highly priced.

Dominos ticks the box as a high quality business, one that we have previously owned, and that we would be happy to own again at the right price. In the 2013 financial year the company earned a net profit of 43.4 cents per share. At the current price of $13.88 the business trades on a nose-bleed multiple of 32 times earnings, 9.5 times book value and a skinny 2.2% dividend yield. The current price appears to assume strong growth a long way into the future. It's possible that this is achieved, but history is littered with the disappointed shareholders of formerly fast growing companies brought to heal by inexorable competitive forces.

The highlight of the quarter was company reporting season where many companies in the portfolio presented their full or half year financial and operational results to the market. Overall, companies in the portfolio delivered positive results.

The largest holding in the Fund, Flight Centre, produced a record result with total transaction volume growing 7.7% to $14.3bn, revenue up 8.7% to $2bn and after tax profit up 20% to $240m. All ten countries operated by the business were profitable during the year and management continue to seek out growth opportunities. The balance sheet is strong with company cash in excess of a small amount of debt. The second largest holding, insurance broker Austbrokers, produced 17% growth in profit well ahead of the 5-10% growth guidance provided by management at the start of the year. The company has a track record of under-promising and over-delivering.

Less favourable results were reported by Cochlear and Coca-Cola Amatil. For Cochlear, sales stalled as the clinical market awaited the release of the Nucleus 6. This release should revive growth in FY14 and beyond. While competitive pressures are evident the dominant market share, large unmet clinical demand underpin and high R&D spend should see COH grow sales into the future. Reporting their first half results, Coca-Cola continues to feel the brunt of trading conditions in the supermarket channel and competition from other suppliers, which saw revenue down 3.2% and EBIT down 6.9%.

During the quarter there were partial sales of ARB Corporation, McMillan Shakespeare, Invocare and Mortgage Choice. Peters Macgregor left the portfolio following its delisting.

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.