

## GANES FOCUSED VALUE FUND – JUNE 2019

### Unit Prices\*

	30.06.19	30.06.18	30.06.17	30.06.16	30.06.15	30.06.14	30.06.13	30.06.12	30.06.11
Entry Price (\$)	\$3.3145	\$3.4596	\$2.8741	\$2.6379	\$2.5890	\$2.5716	\$2.4721	\$2.0377	\$2.0438
<b>Unit Price (\$)</b>	<b>\$3.3029</b>	<b>\$3.4476</b>	<b>\$2.8641</b>	<b>\$2.6287</b>	<b>\$2.5800</b>	<b>\$2.5626</b>	<b>\$2.4635</b>	<b>\$2.0306</b>	<b>\$2.0366</b>
Exit Price (\$)	\$3.2913	\$3.4355	\$2.8541	\$2.6195	\$2.5709	\$2.5537	\$2.4549	\$2.0235	\$2.0295
<b>Distribution (cents per unit)</b>	<b>11.8284</b>	<b>21.2855</b>	<b>6.3040</b>	<b>8.8129</b>	<b>8.0993</b>	<b>4.0178</b>	<b>4.5014</b>	<b>4.8340</b>	<b>6.7378</b>

\* 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	8.5%	8.0%	0.5%
6 months	15.9%	19.8%	-4.0%
1 Year	2.5%	11.4%	-8.9%
2 Years (p.a. compound)	12.4%	12.3%	0.1%
3 Years (p.a. compound)	12.4%	12.8%	-0.4%
5 Years (p.a. compound)	8.9%	8.9%	0.0%
7 Years (p.a. compound)	10.4%	11.8%	-1.4%
10 Years (p.a. compound)	11.7%	9.9%	1.8%
Inception (p.a. compound)	11.5%	9.4%	2.2%
<b>Value of \$10,000 invested at inception (14/10/2002)</b>	<b>\$62,210</b>	<b>\$45,912</b>	

### Portfolio Allocation

Top ten	67.8%
Other shares	24.6%
Cash	7.6%

### Largest Ten Holdings

PWR Holdings (PWH)
Reece Australia (REH)
MFF Capital Fund (MFF)
Gentrack (GTK)
Nearmap (NEA)
Smartgroup (SIQ)
ARB Corporation (ARB)
Cochlear (COH)
Dicker Data (DDR)
Beacon Lighting (BLX)

\* 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 2019 Financial Year

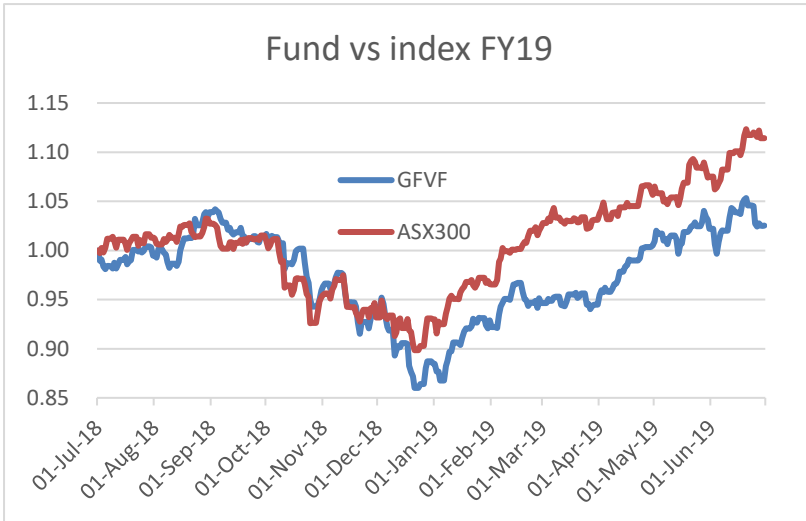
The Fund recorded its 10<sup>th</sup> consecutive positive year of positive returns, albeit a modest 2.5%, and well behind the broader market return of 11.4% which benefited from strong returns amongst the banks and large miners. In fact, the last six months has seen the market rise nearly 20% which was very unexpected at the beginning of 2019. However, small companies have generally trailed the market as have many active fund managers, and hence as have we.

Not unusually, there was very little portfolio activity during the quarter with only the sale of Trade Me following a takeover bid and the deployment of these funds into adding to our MFF Capital holding.

**Trade Me** had been held for a number of years and has proven a very satisfactory investment with the final sale price almost double our purchase price in 2014 and 2015. The capital gains realised on this sale form a large portion of the capital gains in this year's distribution.

**MFF Capital** recorded a total return of 10% for the year but its underlying asset backing rose 17.8% over the same period as its main holdings of Mastercard and Visa produced strong returns during the year. At current prices it still sells for less than the pre-tax asset value and MFF with its diversified portfolio of international companies remains a core holding in the fund.

Financial Year	Ganes Return	ASX300 Return	Difference
2004	33.2%	21.7%	11.5%
2005	15.5%	26.0%	-10.5%
2006	34.8%	24.0%	10.8%
2007	45.0%	29.2%	15.8%
2008	-27.6%	-13.7%	-13.9%
2009	-14.1%	-20.3%	6.2%
2010	24.5%	13.1%	11.4%
2011	17.8%	11.9%	5.9%
2012	2.9%	-7.0%	9.9%
2013	23.7%	21.9%	1.8%
2014	5.6%	17.3%	-11.7%
2015	2.6%	5.6%	-3.0%
2016	4.8%	0.9%	3.9%
2017	12.5%	13.8%	-1.3%
2018	23.2%	13.2%	+10.0%
2019	2.5%	11.4%	-8.9%



Readers might note that **Dicker Data** makes its first appearance in the top 10 holdings in this update. We have owned Dicker Data since mid 2017 and its increased weighting in the portfolio is on the back of a share price that has risen very strongly this year, or more accurately it has doubled since January. We have no idea why the change in sentiment towards the shares but it certainly helps when the company continues to report record sales and profits.

Dicker Data is a distributor of hardware and software for a wide variety of suppliers such as Microsoft, Samsung and

Hewlett-Packard. The company was founded by David Dicker in 1978, who remains a large shareholder and CEO today, and was listed in 2011 at just 20c per share (today the share price is \$7.00).

Unlike most other businesses within the portfolio this is a business with high turnover and thin profit margins. However, it does share the traits of a founder who maintains a major stake still running the company and pays himself modestly – in fact his take home pay for the past few years has been \$0 each year. Since listing in 2011 profits have grown from \$6million to \$32million while sales have increased from \$385 million to \$1.5 billion this year.

As can be seen in the adjacent table a number of our large holdings experienced significant falls during the year detracting from Fund performance. This is in stark contrast to the strong returns that some of these same companies posted in FY18 when the fund produced a 23% return.

For example, ARB and Reece both generated returns of more than 40% last year and this year both have fallen nearly 20% while the underlying businesses have reported quite satisfactory results. Such is the nature of sharemarkets and why we concentrate on the underlying performance of the businesses rather than price gyrations that tend to react more to short term market sentiment than anything else. Our focus remains on how the businesses are performing and the likely profits they will report than whether we think the price will go up or down.

Top 10 stocks as at June 2019			
	% of portfolio (June 2019)	Total Return FY18	Total Return FY19
PWR Holdings	11.3%	18%	55%
Reece	9.0%	55%	-21%
MFF Capital	8.6%	39%	10%
Gentrack	7.5%	44%	-6%
Nearmap*	7.0%	88%	233%
Smartgroup	6.9%	68%	-23%
ARB	5.8%	48%	-19%
Cochlear	5.0%	31%	5%
Dicker Data*	3.7%	30%	93%
Beacon	3.2%	21%	-28%

\*In the portfolio but not a top 10 holding at 30 June

Over the long term, if investors are patient, the share price will reflect the underlying business performance rather than today's news headlines. We have often cited the business performance of Reece and ARB Corporation as good examples of this but Dicker Data is also another example.

A distribution of 8.17c has been paid to unitholders on the register at June 30. Thank you for your ongoing support of the fund.

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