CONCISE
ASSET MANAGEMENT

"Building a path to your financial future".

December

2013

Net Performance (After Fees)	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	*Since inception (Annualised)
Concise Mid Cap Fund Return (%)	2.55	4.25	17.27	16.21	12.88	3.25	3.08
Mid Cap Masters Index (%)	2.67	2.08	14.20	10.46	11.07	0.53	(-1.21)
Active Performance (%)	(-0.12)	2.17	3.07	5.75	1.81	2.72	4.29

Market Performance

In December the S&P/ASX 200 Index gained 0.8% while the calendar year return of 20.2% was driven by Industrials (+26.8%) offsetting Resources weakness (-0.1%). For the month, the best performing sector returns were Telecommunication Services (+4.3%), Energy (+3.3%) and Materials (+2.3%), while the underperforming sectors were Property (-3.1%), Financials ex-Property (-1.0%) and Utilities (0.0%). The Consumer Discretionary sector was the standout performer over the calendar year (+36.3%) on the back of rising consumer sentiment and the expectation that household consumption will pick up. The weakest sector over 2013 was Materials (-3.7%), led by softer base metal and bulk commodity prices.

In December the US Federal Reserve announced it would trim its monthly asset purchases by $10bn. Language from the Fed suggested that the US cash rate will remain near zero for a while yet and stock markets rallied on this news. The Australian dollar fell against most major currencies during the month and local unemployment data was better than expected. However, the S&P/ASX 200 generally underperformed relative to major international stock markets.

On the domestic front, the RBA left official cash rates on hold at 2.50% and noted the Australian dollar is still uncomfortably high. The government released its Mid Year Economic and Fiscal Outlook which revealed higher expected deficits (FY14 deficit revised up from $30bn to $47bn and FY15 deficit revised from $24bn to $34bn).

In company news during the month, TPG Telecom (TPM) rose 28.8% on the back of announcing it will increase its portfolio of fibre infrastructure assets by acquiring AAPT. Dick Smith Holdings (DSH), a consumer electronics retailer, debuted on the Australian Stock Exchange following its Initial Public Offering. Wotif.com (WTF) announced guidance for 1H14 profit of between $21.9m and $22.6m, well below expectations, due to increased costs and competitive market conditions. AWE Limited (AWE) advised that its board considered and rejected a non-binding and conditional scrip based takeover proposal from Senex Energy (SXY). Subsequently, SXY withdrew its proposal.

During the month Ramsay Healthcare (RHC) formalised its interest in acquiring French psychiatric hospital group Medipsy for €149.4m. The acquisition represents an example of RHC's French expansion strategy which was highlighted at the time of the 2010 acquisition of its French beach head called Proclif. Medipsy adds a further 30 hospitals and 2,600 beds to RHC's French operations and nearly doubles revenue from this region.

Whitehaven Coal (WHC) announced an amendment to covenants for its $1.2bn corporate debt facility which will be used to develop the Maules Creek coal mine. WHC also announced environmental approval for the project has been upheld. We recently met with WHC management and remain comfortable WHC can deliver first coal sales in first quarter of 2015.

Navitas (NVT) released its University Programs student enrolment numbers for the third semester of 2013. Total enrolments for the northern hemisphere grew by 25%, following 14% growth in the second semester of 2013, while southern hemisphere total third semester enrolments increased by 8%, versus 2% growth in the second semester. Combined, this represented semester 3 total enrolment growth of 13% on the prior corresponding period.

Attribution Analysis for the month ended Dec 2013

Top 5	Bottom 5
Ramsay Healthcare	Transfield Services
Whitehaven Coal	Nufarm
Bendigo & Adelaide Bank	Fletcher Building
Sims Metal Management	Super Retail Group
AWE	Adelaide Brighton

Fund Performance

The Concise Mid Cap strategy returned 2.55% in the month of December, in line with the benchmark return of 2.67%. For the calendar year the strategy returned 16.21% outperforming the benchmark return of 10.46%. Major contributors to the funds performance in December were; Whitehaven Coal (WHC), Ramsay Health Care (RHC), AWE Limited (AWE) and Atlas Iron (AGO). Key detractors were Transfield Services Limited (TSE), Nufarm Limited (NUF), Fletcher Building (FBU) and Primary Health Care (PRY).

Outlook

The ASX 200 gained 20.2% in 2013 as economic conditions and accommodative cost of capital remained supportive of equity markets. Market turnover was down 10.8% to $171 billion being $90 billion below the 2009 high of $280 billion suggesting investors remain cautious. The disparity in performance between Industrials and Resources was severe with the ASX 200 Industrials gaining 26.8% while the ASX 200 Resources declined 0.1%.

The strategy remains overweight domestic cyclical companies, selective resource companies and US earnings where companies will benefit from an improving US economy. As explained in previous reports we favour domestic cyclical companies that will benefit from supportive monetary policy, operate with low costs and have strong market share positions. We favour resource companies operating within Australia with producing assets, bottom quartile cash costs and strong balance sheets while we remain of the view that the US will continue to grow throughout 2014 driven by an improving US consumer.

We continue to search for undervalued companies trading at a discount to their inherent value. During 2013 we took advantage of the mispricing opportunity in Iron Ore stocks when iron ore prices were forecast to decline as low as US$80/t on the back of a weakening Chinese economy and an over supply from Australian producers. This led to iron ore companies being sold off aggressively in anticipation of weaker iron ore prices in the near term. While the iron ore price fell to a low of US$110/t in late May, share prices were reflecting an iron price of US$80/t in perpetuity. Accordingly, after analysing the relevant data we came to the conclusion that investing in Atlas Iron and Arrium offered a significant margin of safety. Over the last 6 months Atlas Iron and Arrium Ltd have been two of our better performing investments.

The investment teams focus for 2014 is to build upon the last 6 years of analysing mid cap companies. We will continue to travel extensively throughout Australia and overseas to build upon our knowledge base. When meeting with management the investment teams focus will be on a company's ability to generate free cash flow after payment of interest, tax and maintenance capex. This free cash flow is available to management for reinvesting into growth projects or assets. We are then able to determine a company's inherent value and look to take advantage of any mispricing opportunities.

*The Mid Cap Masters Index is a price and accumulation price, free float adjusted index calculated daily for Concise on behalf of S&P. The constituent universe of index is the S&P/ASX 200 excluding the S&P/ASX 50. * The CMCF commended on the 16th of April 2008. The since inception figure is annulaised.

Concise Asset Management
AFSL 320497
T | 03 9642 8968

L11, South Tower
459 Collins Street
MELBOURNE VIC 3000

E | info@conciseam.com.au
W | www.conciseam.com.au