

July

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 (%)	3.34	(1.95)	(2.81)	11.63	1.11	1.92	0.88
Mid Cap Masters Index (%)	5.27	(3.35)	(3.14)	13.67	(0.06)	2.81	(-2.81)
Active Performance (%)	(1.93)	1.40	0.33	(2.04)	1.17	(0.89)	3.69

Market Performance

Global equity markets posted solid returns in July as investors were buoyed by the continued improvement in the US economy with 2Q13 GDP exceeding expectations. For the month the Dow Jones gained 4.0% while the S&P 500 & FTSE 100 increased 4.9% & 6.5% respectively. Commodity prices rallied during the month with the CRB Metals Index increasing 3.0%, gold was up 7.3% and oil gained 8.8% finishing the month at US\$105 a barrel. The Australian dollar continued to come under pressure finishing the month at US\$0.89 despite the Reserve Bank of Australia keeping the cash rate steady at 2.75%. The ASX 200 increased 5.2% for the month which was in line with its global peers. Looking at the various sector performances, materials was the clear stand out with a gain of 9.5%. Resource heavy weights BHP (+10.4%) and Rio Tinto (+9.8%) along with mid cap miners – Atlas Iron +9.4%, Sandfire Resources +6.8% and Western Areas +35% all posted strong returns. The Energy sector also performed well gaining 6.4% for the month while Property Trusts (-0.7%) and Consumer Staples (+1.1%) sectors lagged. The Small Cap Resource sector was the best performing sector for the month gaining 24%.

Corporate news for the month included; exploration driller Boart Longyear (-23%) downgrading its revenue and earnings outlook for the year along with announcing new terms on its bank facility. Australian and international travel group Flight Centre upgraded its underlying FY13 profit before tax guidance to \$338-\$342 million buoyed by growth in the leisure market. Australian waste group Transpacific Industries announced the sale of its Commercial Vehicles division to Penske Automotive Group for \$219 million. The proceeds will be used for working capital needs and debt reduction. Elsewhere, Pilbara iron ore producer Atlas Iron reported its 2013 June quarter production results with iron ore sales up 19% qoq despite unseasonal rainfall in the region. Newcastle coal producer Whitehaven Coal (-14%) was granted final approval from the NSW Government for its Maules Creek project. The company expects the project will produce 12.4Mtpa from 2014 onwards for a total capital cost of \$767 million.

Attribution Analysis for the month ended July 2013

Top 5	Bottom 5
Western Areas	Treasury Wines
Regis Resources	ALS
Macquarie Atlas Roads	Whitehaven Coal
Alacer Gold	Nufarm
Sims Metal Management	Metcash

Strategy Performance

The Concise Mid Cap Strategy posted a solid 3.34% return for the month while the benchmark gained 5.27%. The best performers were; Western Areas, Regis Resources, Macquarie Atlas Roads, Alacer Gold and Sims Metal Management. The poorer performers included; Treasury Wines, Whitehaven Coal, Nufarm and Metcash.

The strategy's exposure to resource companies was a contributor to the months return as holdings in Atlas Iron, Western Areas, Regis Resources, Sandfire Resources and Alacer Gold all posted solid gains. Our selective holding in these companies was built at a time when pessimism and share price momentum for mining related companies was at its worst. Our philosophy when investing is to identify companies who have the ability to generate growing cash flows. Our contention is that these cash flows can then be reinvested back into an asset base to grow future earnings. The companies mentioned earlier all generate cash flows, are operating in the bottom half of the cash cost curve and importantly are able to grow these cash flows over the medium term. Moreover, these companies are also reinvesting back into their resource base to improve production and to lower overall cost. We believe these companies represent good value and are trading at a significant discount to their inherent value.

During the month Treasury Wine Estates (TWE) announced that it would be taking provisions totalling \$160m as a result of excess inventory of commercial wine in the USA market. Further, to re-align inventory with anticipated demand, TWE announced that future sales volumes in the USA market will be reduced by around 1.5 million cases. While disappointing, we remain confident that the core Australian and Asian markets are performing very strongly for TWE. Future earnings growth in these end markets will be supported by the very strong holdings of quality wine presently held on the TWE balance sheet.

Outlook

With the August reporting season upon us we view it as an opportunistic time for the investment team to assess each company's inherent value versus the markets implied value. Over the next 6 weeks we will meet with companies that we hold within the portfolio and also companies that are within the broader mid cap universe. This will enable us to interact with management and assess future prospects. 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. This free cash flow is what we determine as a company's true cash position. This enables management to reinvest into growth projects or assets. Once we have assessed future cash flows we can then appropriately value a company's inherent value, which will enable us to avoid overpriced companies and importantly invest into undervalued companies at a discount.

*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 annualised.

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