

November

**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 (%)	<b>(-1.14)</b>	<b>5.41</b>	<b>10.42</b>	<b>18.92</b>	<b>9.87</b>	<b>4.03</b>	<b>2.66</b>
Mid Cap Masters Index (%)	<b>(-3.00)</b>	<b>2.44</b>	<b>5.41</b>	<b>11.08</b>	<b>7.95</b>	<b>1.69</b>	<b>(-1.69)</b>
Active Performance (%)	<b>1.86</b>	<b>2.97</b>	<b>5.01</b>	<b>7.84</b>	<b>1.92</b>	<b>2.34</b>	<b>4.35</b>

## Market Performance

The S&P/ASX 200 was down 1.9% for the month of November, being the first monthly decline in five months. Global sharemarkets outperformed and were aided by stronger than expected US GDP and payroll data together with dovish comments from Fed chair nominee Janet Yellen. In the US, the S&P 500 and the Dow Jones rose 2.8% and 3.5% respectively. European markets also outperformed Australia with the UK FTSE falling 1.2%, the French CAC40 fell 0.1% and the German DAX posted a 4.1% positive return.

The LME Metals Index declined 3.6% for the month while the oil price also fell 3.6% on the back of a step towards more constructive relations between the West and Iran. Precious metals were weaker during November with investors sensing better global economic conditions and the potential for the Federal Reserve to wind back its stimulus in the months ahead. Gold was down 5.5% in November and silver fell 8.7%. The Australian dollar closed the month at AUD/USD \$0.91, a fall of 3.7% over the month.

The Australian equity market was focused on the Annual General Meeting (AGM) season. Numerous mining services companies highlighted conditions remain challenging and that many producers remain focused on deferring non-essential expenditure. Ausdrill (ASL) informed the market that it expected FY14 profit to be between \$35-\$40m which was significantly below market expectations of \$76m. Mermaid Marine (MRM) noted a number of oil and gas construction projects and drilling operations are commencing later than expected.

## Attribution Analysis for the month ended Nov 2013

Top 5	Bottom 5
James Hardie Industries	Southern Cross Media
Bendigo & Adelaide Bank	Western Areas
Sims Metal Management	ALS
Atlas Iron	Regis Resources
SEEK	Alacer Gold

## Fund Performance

During November, the Concise Mid Cap Fund returned negative 1.14%, outperforming the benchmark return of negative 3.00%. Key positive contributors were James Hardie (JHX), Arrium (ARI), Atlas Iron (AGO) and Bendigo and Adelaide Bank (BEN). Key detractors were ALS Ltd (ALQ), Southern Cross Media (SXL), Western Areas (WSA), and Regis Resources (RRL).

James Hardie (JHX) reported 1H14 net profit of US\$108m, up 31% on the prior corresponding period. Highlights of the result included an improved pricing performance which when coupled with US volume growth of 21% allowed JHX to deliver strong margin growth. Outlook statements indicate that JHX expect this strong margin performance to continue in the medium term.

In other news, Ansell (ANN) announced an agreement to acquire Barrier Safe Solutions International (BSSI), a leading North American provider of single use gloves, for a total consideration of approximately US\$615m. Focused on selling products into the North American market, BSSI has strong brands in targeted verticals including industrial, auto aftermarket, dentistry and life sciences. The acquisition funded partially by existing debt facilities and partially via an equity raising is anticipated to be earnings per share accretive in the first full 12 months of ownership.

Elsewhere, ALS Limited (ALQ) reported its 1H14 net profit of \$97.7m within the guidance range of \$95m to \$105m. While within guidance range, ALQ highlighted the weakness in volumes within the Minerals division and continued pricing pressure across all divisions. ALQ maintains a strong focus on diversifying its earnings base while conditions in the minerals business remain weak. Several bolt on acquisitions are anticipated to be completed in the short term.

## Outlook

The macro economic environment remains supportive of continued solid performance in equity markets. Globally, central banks remain supportive of an accommodative policy setting with little evidence of inflation concerns on the horizon to alter this view. Recent economic data releases in the US have provided further evidence of recovering economic growth supported by improving employment intentions by many US companies. Investors are keenly weighing up what an improving US economy will mean for the tapering of the current bond buying program by the US Fed.

Domestically, investors remain focused on when the supportive monetary policy settings will result in a sustained improvement in consumer and business confidence flowing through to improved employment conditions. Data points over the last few months have provided evidence of an improving environment for Australian cyclical companies, but not at the rate that many share prices reflect. We continue to maintain our exposure to domestic cyclical companies by focusing on those companies operating at low cost with strong market share positions resulting in internal earnings growth drivers.

\*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 16<sup>th</sup> of April 2008. The since inception figure is annualised.

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