

April

2014

Net Performance (After Fees)	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	*Since inception (Annualised)
Concise Mid Cap Fund Return (%)	0.96	5.68	3.33	13.41	7.39	3.98	3.23
Mid Cap Masters Index (%)	0.82	7.55	3.80	9.30	6.88	2.82	(-0.46)
Active Performance (%)	0.14	(-1.87)	(-0.47)	4.11	0.51	1.16	3.69

Market Performance

Global sharemarkets generally posted gains in April with the Dow Jones up 0.8% and the S&P500 up 0.6%. The FTSE 100 increased 2.8% while Europe was stronger with the French CAC 40 up 2.2% and German DAX up 0.5%. Japan was the laggard, with the Nikkei falling 3.5%. Base metals were stronger, led by LME Nickel, which posted a 15.7% gain on the back of improved investor sentiment around supply side dynamics caused by an Indonesian export ban on unprocessed laterite ore. The Australian sharemarket also performed well with the S&P/ASX 200 Accumulation Index up 1.8%. Gains were driven by A-REITs (+5.7%), utilities (+4.1%) and energy (+3.5%) sectors, while healthcare (-0.7%), industrials (+0.3%) and consumer discretionary (+0.8) were the laggards.

Monthly economic data out of the US was mixed and painted a picture of the consumer continuing to be better placed, partially offset by impacts of extreme weather and a slowdown in housing. The unemployment rate was reported steady at 6.7% on strong growth in both jobs and the labour force. This resulted in the employment to population ratio reaching a five year high after the biggest three month increase since 2005. The major US consumer confidence indices remained near cycle highs. However, housing data was weaker over the month, which may have partly reflected bad winter weather, but is also likely to have been impacted by rising mortgage rates. The first quarter US GDP data reflected these trends and slowed to 0.1% annualised on the back of lower residential investment (-5.7%) that partly offset upside in consumption (+3.0%). Domestic economic growth, however, is expected to remain below trend for a period of time due to falling mining investment and weak public sector spending. Consequently, the Reserve Bank is expected to hold the cash rate in an accommodative stance for now.

Australian corporate news over the month included a number of M&A related announcements; South African based retail group Woolworths launched a \$4.00 per share cash bid for David Jones (DJS) by way of a scheme of arrangement. Goodman Fielder (GFF) announced it received a proposed joint bid from significant shareholder Wilmar International Ltd together with Hong Kong listed First Pacific Company Ltd. Horizon Oil Ltd (HZN) announced a proposed merger with ROC Oil Company Ltd (ROC) to create a merged group with oil and gas reserves of 36.9mmboe (2P) and a pro-forma market cap of approximately \$800m.

Attribution Analysis for the month ended April 2014

Top 5	Bottom 5
Western Areas	James Hardie Industries
ResMed Inc	Whitehaven Coal
Challenger Financial	Ramsay Healthcare
Flexigroup	Mermaid Marine
DUET	Super Retail Group

Fund Performance

During April the Concise Mid Cap Fund returned 0.96% the benchmark return of 0.82%. Key stock price moves in April included strong performance from Western Areas (WSA), Resmed (RMD), Challenger (CGF) and Flexigroup (FXL). Detractors from performance included James Hardie Industries (JHX), Whitehaven Coal (WHC) and Ramsay Healthcare (RHC).

Resmed (RMD) posted 3Q14 profit of US\$90.0m (+6%), a solid 3Q14 result as management lowered prices in the US on key products to drive increased volumes and take market share. This resulted in US revenues coming in flat despite pricing pressure. Group revenue for the quarter was US\$397.8 million, a 4% increase on the previous corresponding period. Going forward, RMD is expected to experience an uptick in volumes on the back of a stabilising US market and a number of product launches in 4Q14 and following quarters.

Outlook

During April, the investment team visited the USA meeting with US management of Australian listed companies together with their competitors and customers. Meetings were held across a range of industries including: Oil and Gas, Healthcare, Retail, Building Products, Industrial and Property sectors.

Generalising, company management remains confident that the US economy is showing continued signs of growth and the cycle will be steady and prolonged. Volume growth is consistent but companies remain cautious regarding the level of consumer and business confidence thus gaining little traction with planned price increases. Employment intentions remain positive. Mergers and Acquisitions is a recurring theme with many businesses seeing this growth option as logical against the backdrop of an improving economy and cheap funding costs. In this steady growth environment, businesses investing in product innovation will grow market share and deliver superior returns to shareholders.

In the housing sector, we remain positive on James Hardie (JHX) following meetings with their R&D team, CEO together with a plant tour. JHX has a dominant market share in fiber cement siding and has invested heavily in recent years in manufacturing and their supply chain increasing the barriers to entry for new competitors. In contrast, commoditised building products like bricks and roof tiles remain highly competitive in an industry that is over supplied.

We remain positive on our holding in Resmed (RMD) following a meeting with the CEO and COO. Consistent spending on R&D has ensured RMD remains at the forefront of new product innovation. New mask releases have been positively received by the market while investment in technology will drive continued market share growth in flow generators. In a competitive market, market share gains and price increases follow new product releases. We believe RMD has a strong pipeline of new products to be released in the short to medium term.

*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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