

August

2012

Net Performance (After Fees)	1 Month	6 Months	1 Year	2 Years	3 Years	*Since inception (Annualised)
Concise Mid Cap Fund Return (%)	0.68	(9.63)	(5.05)	(2.55)	1.52	(1.29)
Mid Cap Masters Index (%)	1.61	(9.37)	(7.44)	(1.77)	(0.69)	(5.84)
Active Performance (%)	(0.93)	(0.26)	2.39	(0.78)	2.21	4.55

Market Performance

The ASX 200 posted a 2.1% gain for the month with Healthcare (+6.1%), Consumer Staples (+4.4%) and Energy (+2.4%) the key outperforming sectors. Telecoms (-3.6%) performed poorly along with Material (-1.4%) and Utilities (-1.3%). Global equity markets posted positive returns for the month, with the Dow Jones increasing 0.6%, while the S&P 500 & FTSE 100 both gained 2.0% & 1.4% respectively. The Australian dollar fell 1.7% during the month to finish at US\$1.03, while the LME Metal Index gained 1.1%. The price of oil rose 9.6% for the month to finish at US\$96.50 a barrel, while gold rallied for the third consecutive month to finish at months end at \$1,692oz, an increase of 4.8%.

Attribution Analysis for the month ended August 2012

Top 5	Bottom 5
Ansell	OZ Minerals
Flight Centre	Mount Gibson Iron
ResMed	Ausdrill
Sims Metal Management	Atlas Iron
Challenger	ALS

Fund Performance

The Concise Mid Cap Fund returned 0.68% in August underperforming the benchmark return of 1.61%. The best performers for the month were; Ansell Limited, Flight Centre, ResMed Inc and Sims Metal Management. Poor performers were; Oz Minerals Ltd, Ausdrill Ltd and Atlas Iron Ltd.

Ansell Limited (ANN) reported a strong FY12 result and provided guidance for continuing strong earnings per share growth in FY13. Despite a recent slowdown in Global Industrial Production ANN are continuing to take market share courtesy of product differentiation and entry into emerging markets. Additionally, ANN announced the acquisition of French glove manufacturer Comasec for €101.5 million. Comasec employs 1,200 staff and generates annual revenue of approximately €100 million.

Flight Centre (FLT) reported a strong FY12 result at the top end of its upgraded guidance range. FLT continued recent momentum of taking significant market share in the Corporate travel market. For the second consecutive year, FLT achieved profitability in all 10 operating countries including 6 achieving record profitability.

Ausdrill (ASL) reported a record profit of \$112m, up 53% on the previous year. ASL's earnings growth come from new contract wins, expanding into new markets and geographies, along with additional work from existing customers. ASL commented that the outlook is positive for the company and is targeting in excess of 10% revenue growth at similar operating margins for FY13.

Market Outlook

August saw the conclusion of the reporting season which largely delivered results inline with expectations. Looking forward to FY13, earnings for the ASX 200 are currently forecast to deliver 5.6% earnings growth, with Industrials (ex Banks) forecasting 10.5% growth, Banks 1.4% and Resources 5.4%. To assess the risk around earnings going forward you need to break it down into; domestic activity and consumer consumption (Industrials); credit and asset growth, the cost of wholesale funding (Banks) and commodity prices and production growth (Resources).

While the level of employment remains robust at 94.9%, the outlook is clouded. This is impacting the level of consumption by Australian consumers, particularly with the cost of living increasing and real wages growth slowing. Banks continue to be reluctant to lend, and while wholesale funding costs remain high, credit and asset growth will be crimped by an inability for banks to improve net income margins. This lacked lending is feeding into the domestic housing market, and while housing starts remain below historical levels, there seems to be limited signs of improvement in the short term.

Resource companies have been particularly impacted by the recent falls in base metal and iron ore prices. With capital growth expenditure programs now been either deferred or canceled, forecasted production growth has now declined. With Europe stagnating and the US economy growth slowing, China still remains the key driver to commodity demand. China's National Development and Reform Commission recently published that it had approved RMB 1 trillion of infrastructure projects. While the demand for raw materials will accelerate over the coming months (August infrastructure investment grew by 15.2% y/y) to build railways, bridges, roads etc. through China, a weakening Europe and/or a stalling US economy could cap commodity demand.

Current conditions are providing selective opportunities to invest in quality companies at reasonable prices who are well positioned to grow earnings. Thorough analysis of underlying cash flows will identify companies well positioned to outperform the prevailing environment. We expect the Australian equities market to remain volatile in the short 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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