CONCISE
ASSET MANAGEMENT

February

2013

Net Performance (After Fees)	1 Month	3 Months	1 Year	2 Years	3 Years	*Since inception (Annualised)
Concise Mid Cap Fund Return (%)	1.40	12.11	4.52	0.36	4.07	1.84
Mid Cap Masters Index (%)	2.72	11.47	7.51	(0.35)	4.62	(1.88)
Active Performance (%)	(1.32)	0.64	(2.99)	0.71	(0.55)	3.72

Market Performance

The Australian share market continued its recent run of monthly gains as the ASX 200 gained 5.4% for the month. The gains were once again driven by the 20 Leaders and 50 Leaders which gained 6.0% & 5.9% respectively. The Mid Cap and Small Cap indices returned 2.7% and 0.8% respectively. Global share markets also posted gains with the Dow Jones increasing 1.4% while the S&P 500 and FTSE 100 returned 1.1% & 1.3% respectively. Commodities were sold off during the month as investor concerns about a strengthening US dollar weighed heavily on sentiment. For the month the CRB Metals Index lost 3.6%, gold dropped 5.0% while oil declined 5.6% to US$92.10 a barrel.

In Australia, February saw the conclusion of the interim reporting season which generally met market expectations. Highlights of the reporting season included; Flight Centre (FLT) gaining 7% for the month after posting a net profit of $92 million, up 13% on the previous period. The growth in profit from FLT came from its traditional retail business along with market share gains in its corporate businesses. FLT reconfirmed its FY13 profit before tax guidance of between $305 and $315 million. Bendigo & Adelaide Bank (BEN) increased 7.7% for the month after reporting an interim profit of $169 million which was inline with market expectations. Looking forward BEN said that while demand for credit remains subdued business conditions and sentiment have improved. Downer EDI's (DOW) share price rose 22% for the month after it reported a net profit of $105 million which was 24% increase on the previous period. Operating cash flows improved significantly enabling DOW to recommence dividend payments (interim dividend of 10 cents per share) to shareholders the first since August 2010. DOW maintained its full year profit guidance of $210 million.

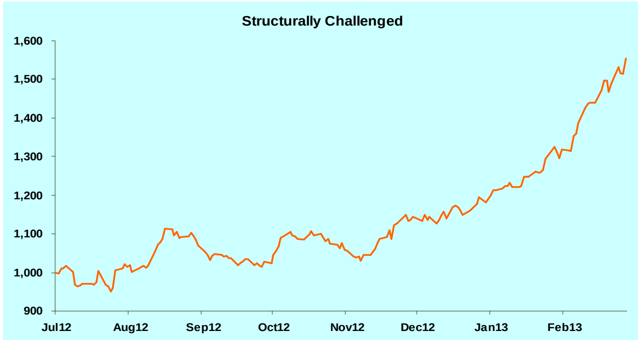
Attribution Analysis for the month ended February 2013

Top 5	Bottom 5
Sims Metal Management	Challenger Group
Downer EDI	Ansell
Bendigo & Adelaide Bank	Western Areas
Seven Group	Whitehaven Coal
Ramsay Healthcare	Arrium

Fund Performance

The Concise Mid Cap Fund returned 1.40% for the month. The best performing companies included; Sims Group, Downer EDI, Seven Group, Ramsay Healthcare and Metcash. Companies that underperformed included; Challenger, Ansell, Sandfire and Western Areas.

Recent returns in the Mid Cap Masters Index have largely been driven by a number of companies where strong share price performance is hard to correlate with strong company or industry fundamentals. The chart in the next column is an index of companies that face significant structural headwinds over the medium to long term. As illustrated the recent performance has accelerated over January and February as investor exuberance gets the better of rational judgment driving the index 30% higher since the start of 2013. Media companies within the Structurally Challenged index include Fairfax, Seven West Media, Ten Network and Southern Cross Media. These traditional media companies have seen significant revenue and profit declines over the last 10 years as fragmentation of advertising expenditure shifts away from traditional media segments towards online, mobile and social media.



Index constituents – BSL, FXJ, SWM, TEN, SXL, JBH, MYR, DJS, HVN, PBG.

Online advertising in Australia has grown from 2% of the total advertising spend in 2002 to 24% in 2012. This growth in online has predominantly come at the expense of print (newspapers and magazines) as well as Free to Air TV (FTA). While traditional print and FTA companies have established divisions to compete in the online space, new entrants such as SEEK Ltd, Carsales.com and Realestate.com have dominated the online segment and have become clear market leaders. Combined the market capitalisation of SEEK Ltd, Carsales.com and Realestate.com is $8.9 billion, approximately 1.6x their traditional rivals. We are of the view that the recent share price gains by traditional media companies will not be supported by future profitability. Investors are now paying an extremely aggressive price for companies operating in an industry where structural decline will continue.

Outlook

Global equity markets have continued their recent strong positive performance as investor risk tolerance continues to increase. Industrial stocks maintained their outperformance of resource stocks. In the industrial space, revenue growth reported in the recent February reporting season was limited. Company earnings growth was largely derived as a result of cost out initiatives and attempts to "right size" the business for the subdued domestic economy. While earnings growth will not be strong in FY13, many businesses will enter FY14 with a vastly reduced cost base and will be well positioned for any improvement in economic conditions. It is this earnings momentum that investors are starting to pay for. However, we caution that cost reductions for a lot of companies may not stick as competitors adopt similar strategies. Careful analysis of industry dynamics and company management will identify those companies best exposed to continue recent earnings momentum.

Macro economic conditions have weighed on the performance of resource stocks for many months. The constant printing of money and heightened sovereign indebtedness when coupled with the continued struggle in Europe, inconsistent economic data out of Asia and a very slowly improving USA have provided a challenging backdrop for the earnings profile of resources companies. We continue to maintain our holdings of resource companies offering the following attributes; cash generative, low cost mining operations, domestic focused and having strong balance sheets. We believe a stabilisation of GDP growth rates in China and a continual steady rise in US economic performance will provide a more positive outlook for resource companies over the 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 annulaised.

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