CONCISE
ASSET MANAGEMENT

February

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 (%)	4.50	3.36	8.95	9.64	7.05	3.36	3.13
Mid Cap Masters Index (%)	6.60	6.06	8.65	5.69	6.60	1.62	(-0.63)
Active Performance (%)	(-2.10)	(-2.70)	0.30	3.95	0.45	1.74	3.76

Market Performance

The Australian share market posted a solid gain in February with the S&P/ASX 200 Accumulation Index closing the month up 5.0%. Consumer discretionary (+6.8%), energy (+5.9%) and utilities (+5.8%) outperformed, while Telcos (+1.4%), Healthcare (+2.9%) and Industrials (+4.2%) were the laggards. Offshore markets were also strong in February with the S&P 500 Index up 4.3%, the FTSE 100 up 4.7% while the French CAC40 and German DAX were up 5.5% and 3.5% respectively.

The gold price had a solid rally (up 6.6%) and underpinned the performance of numerous mid cap gold companies; Evolution (EVN) +53.3%, Alacer Gold (AQG) +20.6%, and Resolute Mining (RSG) +12.0%. Base metals generally rose while the oil price rose 2%.
Domestic economic data continues to provide mixed readings regarding the current state of the economy. Business confidence improved (+2pts to +8) as did retail sales (+5.7% year on year). However consumer confidence fell for the third consecutive month, unemployment continued its upward trend (6.0% up from 5.8%) and private capital expenditure was worse than expected for Q4 2013. For now, the RBA appears to have cash rates on hold, having noted in its February minutes that "if the economy evolved broadly as expected, the most prudent course would likely be a period of stability in interest rates".

February saw most companies report their interim results and outlook comments. A summary of reporting season is provided below. In other news Regis Resources (RRL) announced it has temporarily suspended mining at its Duketon operations due to an estimated 1 in a 150 year rainfall event which saw the project area receive 165mm of rain over three days. RRL expects mining to operate at a reduced level for a number of months while open pits undergo dewatering and remediation work. The board of David Jones (DJS) agreed to commence talks with rival department store Myer (MYR) after initially rejecting MYR's nil-premium merger proposal.

Attribution Analysis for the month ended Feb 2014

Top 5	Bottom 5
SEEK	Sims Metal Management
James Hardie Industries	Southern Cross Media
Ramsay Healthcare	Primary Healthcare
Adelaide Brighton	Panaust
Western Areas	ALS

Fund Performance

In February the Concise Mid Cap Fund returned 4.5%, below the benchmark return of 6.6%. Best performers for the month were Seek (SEK), James Hardie (JHX) and Ramsay Health Care (RHC), while Sims Metal (SGM), Southern Cross Media (SXL) and Primary Health Care (PRY) detracted from performance.

Seek (SEK) reported a strong interim result with profit of $87.4m, up 29.5% on 1H13. Seek Learning produced a solid result, while Seek International benefited from a full twelve month contribution from the Chinese job board Zhaopin and strong growth in Brazil and Mexico earnings. In addition to the results, SEK announced the acquisition of an additional interest in JobStreet, a South East Asian based online employment business. The acquisition increased SEK's interest in JobStreet from 22% to 75% for a cash consideration of $261m. SEK's focus on international markets continues to deliver for investors. SEK's increasing proportion of group earnings derived from market leaders in high growth emerging economies provides exposure to a number of positive dynamics; rising internet penetration, urbanisation of labour forces and increasing adoption of online employment services.

Challenger (CGF) reported normalised 1H14 NPAT of A$163.5m, up 10% on the previous corresponding period. CGF's lifetime and fixed term annuity books achieved a solid net book growth of 7.6% in 1H14, close to almost all of the original FY14 guidance for 8% growth. The result from funds management was also positive with net inflows of $1.6bn in 2Q14 helping funds management earnings to be up 62%. CGF's annuity book continues to be exposed to positive long term structural tailwinds. An ageing population, increasing life expectancy, an under allocation of private client portfolios to defensive assets and a growing awareness of longevity risk should continue to create value by driving both demand and tenor of annuity products.

Outlook

The February reporting season largely exceeded investor expectations. In line with recent reporting seasons, companies maintained a focus on cost cutting initiatives to improve margin performance and continued to increase dividends to shareholders. During February many companies outlined their focus to invest in growth projects to drive earnings growth over the medium term. This improved confidence reflects the now sustained period of reduced financing costs coupled with a more favourable view of economic conditions. Invested appropriately, return on capital will improve driving cash flows and returns to shareholders higher.

We maintain our view that conditions are continuing to improve for building products companies. Recent data has highlighted the recovery in finance approvals, building approvals and housing starts is starting to spread from the dominant NSW market to South East Queensland and Victoria. Importantly, the recovery is also broadening from multi level apartment buildings to the single family housing market. The building products industry has a long history of competing away any proposed price increases. However, we consider the cycle is becoming more favourable, supported by a sustained period of volume increases leading to a much improved utilisation of plant and equipment. We believe continued volume improvement, price increases and greater throughput in manufacturing facilities will result in a period of rapid margin expansion over the medium term.

The environment for equity markets is the most stable it has been for a few years. Following a prolonged period of high volatility and regular swings between risk on and risk off, companies are now prepared to invest for the medium term and look to growth initiatives rather than a heavy focus on cost reductions. This more stable environment is likely to result in more activity in mergers and acquisitions.
Strong franchises with proven management ability and a supportive balance sheet for investment in growth projects will continue to deliver superior investment returns.

*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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