

January

**2012**

Net Performance (After Fees)	1 Month	3 Months	1 Year	2 Years	3 Years	*Since inception (Annualised)
Concise Mid Cap Fund Return (%)	7.20	0.09	(6.41)	2.31	12.21	0.00
Mid Cap Masters Index (%)	6.91	(0.95)	(10.36)	0.95	12.66	(5.45)
Active Performance (%)	0.29	1.04	3.95	1.36	(0.45)	5.45

### Market Performance

The start of the new-year saw strong returns for global share markets as investors shrugged off last year's pessimism with the best monthly returns for equities in 18 years. The positive sentiment was driven by the US economy showing signs of accelerated growth with US manufacturing expanding at its fastest pace since last June; China reporting a better than expected 4Q11 GDP y/y growth of 8.9%, while European leaders moved close to a solution on the debt crisis. For the month, the Dow Jones gained 3.4%, while the S&P 500 & FTSE 100 increased 4.4% & 2.0% respectively. Commodities also had a strong start to the year with the LME Metals Index gaining 10.9% for the month while the Australian dollar increased 4.0% to finish the month at US\$1.06.

In Australia the ASX 200 gained 5.2% for the month, with the Materials and Energy sectors gaining 10.3% & 8.3% respectively, while the Industrials sector increased 6.3%. The more defensive sectors lagged with Healthcare declining 1.2%, while the Consumer Staples and Telecoms sectors gained 0.8% & 0.1% respectively. Australian corporate news for the month included; Resmed gaining 11% for the month after the company reported its 1H12 net profit of \$US113.4m on sales of \$US647.5m, while EBIT margins increased on product mix shift and manufacturing/logistics efficiencies. Brazilian nickel producer Mirabella Nickel fell 18% during the month after nickel production for the 4Q11 was below market expectations, while cash costs of US\$7.42/lb came in well above the company's previous guidance of US\$6.70/lb. In M&A news, Spotless Group announced that it would allow Pacific Equity Partners (PEP) non-exclusive access to its internal documents if PEP raised its offer to \$2.80 per share, being 4.3% above PEP's offered price of \$2.68 per share. Wholesaler Pacific Brands jumped 12.7% during the month after it announced it had received an unsolicited approach from US private equity firm KKR to acquire the entire company. PBG stated that preliminary discussions are being held and there was no certainty that an agreement would be made between the two parties.

### Attribution Analysis for the month ended January 2012

Top 5	Bottom 5
Flight Centre Ltd	Ramsay Health Care Ltd
Mount Gibson Iron Ltd	Transfield Services Ltd
Gindalbie Metals Ltd	Ansell Ltd
Ausdrill Ltd	Metcash Ltd
Sims Metal Management Ltd	Austar United Communications Ltd

### Fund Performance

In January the Concise Mid Cap Fund returned 7.2% exceeding the benchmark return of 6.9%. Best performers for the month were; Flight Centre, Mt. Gibson, Gindalbie Metals, Goodman Group and Ausdrill, while the poorer performers were; Ramsay Healthcare, Transfield Services, Ansell and Metcash. January saw the release of a number of resource quarterly production results. Highlights for the Fund included; Atlas Iron, which reported 4Q11 shipments of 1.4Mt with iron ore prices achieved of US\$120/t CFR with cash costs at AUD\$42-45/t. Atlas stated that FY12 production will be 5.5-5.7Mt and is targeting 12Mtpa by the end of FY13.

Gindalbie Metals released an update on its Karara iron ore project, with first magnetite concentrate expected in the September quarter 2012. Gindalbie did ship 105,000t of hematite Direct Shipping Ore during the December quarter. Oz Minerals reported 4Q11 production results from its Prominent Hill copper mine, with 27,000t of copper and 38,000t of gold mined being in accordance with market expectations. Oz Minerals gave FY12 guidance of 110,000t copper and 140,000t gold production for the year, while cash costs will be within US\$1.0-1.10/lb. Regional exploration will continue in earnest in FY12 with the company targeting to spend \$70 million on potentially new copper and gold deposits. Mt Gibson released its 2Q12 production during the month with total production up 18% q/q to 1.8Mt, but shipments were lower at 1.2Mt as short term infrastructure constraints at Geraldton Port hampered ship loading. The disruption at Geraldton is short term and shipments are expected to come back in line with production over the next two halves.

### Top 10 Holdings as at January 2012

ANSELL LTD
DEXUS PROPERTY GROUP
OZ MINERALS LIMITED
GOODMAN GROUP
CHALLENGER LIMITED
HENDERSON GROUP
RAMSAY HEALTH CARE LIMITED
BENDIGO AND ADELAIDE BANK LTD
IOOF HOLDINGS LIMITED
METCASH LIMITED

### Market Outlook

Our investment philosophy remains that the underlying worth of a company is determined by the fundamentals that drive a company's future cash earnings profile.

Presently, the earnings multiples of certain sectors of the market (and even the market as a whole) are at historically inexpensive levels. While comforting at first glance, we consider it imperative to analyse future cash flow drivers to ensure companies can drive earnings growth. This growth in cash flows will enable corporate management to maintain capital investment in their businesses while generating free cash for growth options and maintaining appropriate balance sheets. While there is a belief that investing into companies with the lowest earnings multiples provides protection against share price declines, in reality it these companies which present the greatest earnings and balance sheet risk. While companies with low earnings multiples might represent greater takeover potential for an acquirer, we believe this "get out of jail" investing is flawed with more misses than hits.

Our investment focus is to search for companies that have the ability to generate growing cash flows that can be reinvested back into the business generating superior rates of return for shareholders without incurring balance sheet stress.

\*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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