

January

2013

Net Performance (After Fees)	1 Month	3 Months	1 Year	2 Years	3 Years	*Since inception (Annualised)
Concise Mid Cap Fund Return (%)	5.36	10.26	7.80	0.44	4.10	1.58
Mid Cap Masters Index (%)	5.11	8.61	9.81	(0.79)	3.82	(2.45)
Active Performance (%)	0.25	1.65	(2.01)	1.23	0.28	4.03

Market Performance

Global equity markets rallied in January on the back of a stabilising growth outlook. Key macroeconomic highlights included the USA avoiding the fiscal cliff, at least temporarily, an improvement in Chinese PMI data, US manufacturing continuing to expand, Japan announcing a 10 trillion yen stimulus package (around 2% of Japanese GDP) and ECB President, Mario Draghi providing positive commentary regarding the outlook for the Eurozone. Locally, Prime Minister Julia Gillard announced that a federal election will be held September 14th 2013. For the month, the Dow Jones gained 5.8%, while the S&P 500 & FTSE 100 increased 5.0% & 6.4% respectively. Commodities also had a strong start to the year with the LME Metals Index gaining 3.7% for the month while the Australian dollar increased marginally to finish the month at US\$1.042.

In Australia the ASX 200 gained 5.0% reaching its highest month end close since August 2008. All sectors recorded positive performance during the month with the best performers being Information Technology (+15.2%), Consumer Discretionary (+8.6%) and Financials ex Property (+7.0%). Materials again lagged the broader market increasing 1.5% during January.

In Australian corporate news Boral Limited (BLD) announced several restructuring initiatives aimed at boosting the company's competitiveness. Seven hundred redundancies across operational and managerial functions were announced. BLD stated the restructuring initiatives will result in annual cost savings of \$90 million. Seek Limited (SEK) announced the acquisition of an additional 16.8% stake in Zhaopin for a total consideration of USD\$105 million. The transaction will be funded via \$55 million of cash plus \$50 million from SEK's existing debt facilities. GUD Holdings (GUD) announced its 1H13 result with trading EBIT 16% below the prior corresponding period, in line with guidance provided at the AGM. GUD announced it will action profit improvement strategies in its core Consumer Products division including; cost reductions, offshore alliances and revised product development programs.

Attribution Analysis for the month ended January 2013

Top 5	Bottom 5
Metcash	Atlas Iron
Henderson Group	Transfield Services
Ansell	Whitehaven Coal
Seven Group	Western Areas
Challenger	Nufarm

Fund Performance

In January the Concise Mid Cap strategy returned 5.36% exceeding the benchmark return of 5.11%. Best performers for the month were; Metcash Ltd (MTS), Henderson Group (HGG) and Ansell Ltd (ANN). Poor performers were; Atlas Iron Ltd (AGO), Transfield Services (TSE) and Western Areas Ltd (WSA).

Resmed (RMD) delivered a better than expected 2Q13 result with Net Profit after Tax increasing 24% above 2Q12 levels. The result exceeded market expectations driven by a strong recovery in flow generator sales in the USA and continued growth in gross margins across the entire business. Gross margin expansion continues to be driven by manufacturing efficiencies and the markets demand for higher value, higher margin treatment for Obstructive Sleep Apnea (OSA).

Late in the month, the US CMS (Centre for Medicare & Medicaid Services) announced a ~ 47% cut to affect the price reimbursement to distributors of flow generators and masks for OSA treatment. The final impact to RMD remains uncertain however our analysis indicates a revenue reduction of approximately 5% in FY14. RMD management highlights their long track record of absorbing price erosion and that the CMS reduction is within tolerable levels. RMD has shown consistent gross margin expansion via operating efficiencies, high market share and strong product pipeline. We consider these attributes will continue to drive growth in RMD's earnings.

Market Outlook

The recent market rally has essentially been a re-rating higher of the price investors are prepared to pay for the right to access future cash flows. 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. Accordingly investors are anticipating cash flow growth in the short to medium term.

February will see the majority of companies report their 1H13 results. While the domestic economy has remain subdued for the past 6 months, company outlook statements will be critical to determine the earnings growth profile for 2H13 and what momentum this carries into FY14 earnings. While many companies' results and outlook will justify the recent strong share price rally we remain cautious regarding several industries reliant on an improvement in domestic economic conditions.

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 16th of April 2008. The since inception figure is annualised.

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