CONCISE
ASSET MANAGEMENT

January

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 (%)	(-3.55)	(-2.22)	9.45	6.38	7.08	2.39	2.39
Mid Cap Masters Index (%)	(-3.09)	(-3.49)	5.14	1.84	5.75	0.08	(-1.73)
Active Performance (%)	(-0.46)	1.27	4.31	4.54	1.33	2.31	4.12

Market Performance

Global equity markets declined in January amid concerns around emerging markets which drove a spike in volatility towards the end of the month. Notably, the US Fed agreed to trim bond purchases by a further $10 billion per month commencing February 2014. Several emerging market economies were hit by sharp currency devaluations, particularly Argentina and South Africa. In response, emerging market central banks raised cash rates, Brazil up 0.5% to 10.5%, South Africa up 0.5% to 5.5% and India up 0.25% to 8.0%.

Australian economic data releases in January provided a mixed assessment of the domestic economy. November retail sales (+0.7%) exceeded expectations, building approvals continued their strong recovery, and the unemployment rate remained flat thanks to a fall in the participation rate while business and consumer confidence provided conflicting views. For the month, the Dow Jones lost 5.3%, while the S&P 500 & FTSE 100 lost 3.6% & 3.5% respectively. Commodities also fell with the LME Metals Index declining 3.7% for the month while the Australian dollar declined 1.9% to finish the month buying US$0.875.

In Australia the ASX 200 declined 3.0% with defensive sectors outperforming with REITs (+0.5%), and Utilities (+0.9%) while Banks (-5.0%) and Consumer Discretionary (-4.5%) underperformed.

In Australian corporate news Treasury Wine Estates (TWE) announced a significant downgrade citing continued strong competition in North America and Asia while a decision to increase prices on commercial wines in Australia and reduce promotional activity led to a greater decline in volumes than anticipated.
GPT Group (GPT) pulled out of the bidding war with Dexus (DXS) and CPPIB for control of Commonwealth Property (CPA). GPT, through its managed vehicles entered agreements with DXS and CPPIB to buy five office and retail assets. David Jones (DJS) confirmed that Myer (MYR) approached them in October 2013 regarding a nil premium all-scrip merger. DJS has since rejected the offer.

Attribution Analysis for the month ended Jan 2014

Top 5	Bottom 5
Fletcher Building	Treasury Wines
CSR	Super Retail Group
DUET Group	JB Hi Fi
Western Areas	ALS
Navitas	SEEK

Fund Performance

In January the Concise Mid Cap Fund declined -3.55% underperforming the benchmark return of -3.09%. Best performers for the month were; Duet Group (DUE), Fletcher Building Limited (FBU) and CSR Limited (CSR). Poor performers were; Super Retail Group (SUL), JB Hi Fi (JBH) and Sandfire Resources (SFR).

Duet Group (DUE) launched a fully underwritten placement to raise approximately $100 million via a variable price book build. The funds will be deployed to build, own and operate a gas pipeline to Fortescue's (FMG) Solomon Hub in joint venture with TransAlta (JV split 57% DUE / 47% TransAlta).

Super Retail Group (SUL) announced guidance for 1H14 net profit between $61 million and $62 million being below market expectations. SUL highlighted a number of IT, supply and other issues as well as the impact of the mining slowdown. We continue to hold SUL in the fund and consider it to be a quality business with numerous growth drivers run by a very strong management team.

Outlook

The market rally in 2013 was essentially 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 1H14 results. While the performance of the domestic economy remains inconsistent, company outlook statements will be critical to determine the earnings growth profile for 2H14 and what momentum this carries into FY15 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 annulaised.

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