

July

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 (%) | 3.76 | 3.61 | 9.49 | 19.84 | 15.67 | 7.00 | 3.68 |
| Mid Cap Masters Index (%) | 4.70 | 3.92 | 11.77 | 17.52 | 15.59 | 5.49 | 0.17 |
| Active Performance (%) | (-0.94) | (-0.31) | (-2.28) | 2.32 | 0.08 | 1.51 | 3.51 |

Market Performance

The Australian market recorded strong returns in July with the S&P/ASX 200 Accumulation Index up 4.4%, outperforming global equity markets which were generally weaker having suffered a late sell off. In the US the S&P 500 fell 1.5%, the Dow Jones fell 1.6% and the NASDAQ fell 0.9%. In Europe, the UK FTSE fell 0.2% while the French CAC40 fell 4.0% and the German DAX Index fell 4.3%.

Base metal prices rallied off lows during the month as inventory drawdowns saw price gains for both aluminium (+9.0%) and zinc (+8.9%), while copper (+2.6%) and nickel (+0.3%) were also up. Bulk commodity prices were mixed with iron ore up 2.2% while coal fell 4.7%. The Australian dollar finished the month at US\$0.93 down 1.1%.

In Australia, the Reserve Bank commented that it expects growth to be a little below trend over the year ahead, thus the overnight cash rate, currently 2.5%, is appropriate to generate growth and keep inflation in check. The Australian unemployment rate ticked up to 6.0% in July and is now only a fraction below the U.S. unemployment rate which declined to 6.1%. The improvement in US employment was driven by jobs creation with steady labour force participation. Better employment outcomes in the US continue to improve the position of the US consumer, visible in the latest consumer confidence data which increased for the third consecutive month and is now at its highest level since October 2007.

The best performing ASX sectors over the month were Materials (+7.7%), Information Technology (+6.3%) and Telecommunications (+5.2%) with laggards being Utilities (+0.7%), Energy (+2.2%) and Health Care (+2.7%). Mid cap news over the month included Aristocrat Leisure (ALL) announcing the acquisition of Video Gaming Technologies for A\$1.36bn. Expedia made a A\$703.1m takeover offer for Wotif.com Holdings (WTF) and Macquarie Atlas Roads (MQA) entered into an agreement to lift its interest in French toll road APRR to 20.14%.

Attribution Analysis for the month ended July 2014

| Top 5 | Bottom 5 |
|-----------------------|-------------------------|
| Sims Metal Management | Navitas |
| Whitehaven Coal | ALS |
| Challenger Financial | Nufarm |
| Flexigroup | SkyCity Entertainment |
| Downer EDI | James Hardie Industries |

Strategy Performance

The Concise Mid Cap Fund returned 3.8% for the month, below the benchmark return of 4.7%. Major contributors for the month included Sims Metal Management (SGM), Whitehaven Coal (WHC) and Flexigroup (FXL). Detractors were Navitas (NVT), ALS Ltd (ALQ) and Nufarm Limited (NUF).

Portfolio news included Sims Metal Management (SGM) releasing the findings of its strategic review which aims to lift EBIT by 350% over a 5 year period. Key initiatives include; streamlining the business by exiting some loss making operations and locations that cannot be optimised, improving profitability at existing scrap yard locations by taking more volume from the lowest cost suppliers, driving transportation costs down and providing steel mills with material that better suits their needs. Overall, the outlook for SGM continues to improve with the company in a position to deliver higher earnings on the back of an improving U.S macro backdrop and successful implementation of the strategic outcomes.

Navitas (NVT) announced that its existing partnership agreement with Macquarie University is to be terminated in February 2016. The contract loss is a material event given that Macquarie University is NVT's largest partner in the University Programs business. Positively, NVT reported that Australian enrolments grew 13% in the second semester and that new student enrolments from overseas grew 30%. The enrolment data adds to the strong growth rates from the Northern Hemisphere colleges previously reported. While the Macquarie University contract loss is disappointing, the prospect of sustained growth in student numbers leads us to conclude that risk for reward is skewed favourably at current prices.

Outlook

The FY14 reporting season commences in August with the majority of ASX companies scheduled to report their full year results and provide commentary on their outlook for future earnings growth.

Prevailing investor sentiment remains cautious. Following the tough Federal Government budget delivered in May companies are commenting that confidence has declined. A number of consumer facing companies have recently downgraded their profit expectations. The resource sector continues to be hamstrung by subdued commodity prices together with heightened supply levels (particularly in the seaborne iron ore market). Profit margins for both miners and mining contractors are expected to continue to be under pressure for at least another 12 months.

The outlook for global economies looks varied. While the United States economic growth looks to be self sufficient, it is now entering a period where more normal monetary policy settings and higher interest rates could bring headwinds. In Europe, the trade ban on Russia will see economic growth slow as trade between east and west Europe decelerates. While in China, officials continue to counter a slowing property market by expanding the scope of its targeted credit easing with the aim to achieve GDP growth near its 7.5% target for 2014.

*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 commenced on the 16th of April 2008. The since inception figure is annualised.

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