CONCISE
ASSET MANAGEMENT

June

2012

Net Performance (After Fees)	1 Month	6 Months	1 Year	2 Years	3 Years	*Since inception (Annualised)
Concise Mid Cap Fund Return (%)	(2.74)	(0.27)	(10.49)	0.56	6.57	(1.70)
Mid Cap Masters Index (%)	(3.74)	(0.40)	(12.75)	(0.04)	3.75	(6.52)
Active Performance (%)	1.00	(0.13)	2.26	0.60	2.82	4.82

Market Performance

Global equity markets rallied late in June as European leaders agreed to support pro-growth policies while implementing new stabilizing measures for the Spanish and Italian bond markets. For the month the Dow Jones gained 3.9% while the FTSE 100 increased 4.7%. In Australia, the Reserve Bank of Australia cut the cash rate by 0.25% in June taking it to 3.50%. The Australian dollar finished the month at US$1.02, a gain of 5.2% while the price of oil fell 1.8% to finish at US$85 a barrel. Base metal prices rallied during June with the LME Metals Index increasing 1.1%, while gold jumped 2.4%.

The Australian equity market lagged global equity markets with the ASX 200 gaining only 0.5% for the month. On a sector basis Telecoms increased 3.7%, while Healthcare gained 3.0%. Industrials and Energy sectors were the worst performers falling 5.7% & 6.1%. In company news for the month, Billabong (BBG) and Ten Network (TEN) both announced entitlement offers raising ~$225 million and ~$200 million respectively. Both companies said the new funds will be used to reduce debt and to strengthen balance sheets. Echo Entertainment Group (EGP) announced the resignation of its non-executive director and Chairman John Story, with the directors yielding to shareholder Crown Ltd (CWN), stating that its ongoing disruptive campaign was damaging the company. Fairfax Media (FXJ) announced its future strategic direction with its two largest daily papers, The SMH and The Age moving to tabloid editions. Further, its two largest printing facilities in NSW and Victoria will be closed. FXJ also plans to start charging for its online content in the near future. Perpetual Ltd (PPT) announced its 'Transformation 2015' strategy aiming to simplify its operating cost structure. The plan outlines a strategy to reduce costs by $50 million by 2015. In addition, PPT is currently selling its mortgage processing business and has recently sold its third party registry services business.

Attribution Analysis for the month ended June 2012

Top 5	Bottom 5
IOOF	Cabcharge
Ramsay Healthcare	AWE
Dexus Property Group	Sims Metal Management
Flight Centre	Metcash
Carsales.com	OZ Minerals

Portfolio Performance

In the month of June the Fund returned -2.74% exceeding the benchmark return of -3.74%. The better performing stocks for the month were; Ramsay Healthcare, IOOF Holdings, Dexus Property, Flight Centre and carsales.com. The poor performers were; Cabcharge, AWE Ltd, Sims Metal Management and Metcash Ltd.

Late in the month Metcash (MTS) reported FY12 earnings growth of 2.1% in line with previously issued guidance. This was a credible result as end markets remain challenging with competition becoming more intense and price deflation continuing. In conjunction with the result, MTS announced a capital raising for up to $375 million with the proceeds to be allocated as follows: acquisition of the remaining interest of Mitre 10, acquisition of Automotive Brands Group, identified bolt-on acquisitions, increased automation of a distribution centre and general corporate purposes. We took up our entitlement in the equity raising. Management provided FY13 earnings guidance of low to mid single digit growth.

Market Outlook

The persistent European sovereign debt concerns continue to be the main driver of global equity market returns. When coupled with a slowing rate of Chinese economic growth and the uncertain growth trajectory of the USA economy, markets are displaying heightened volatility on reduced trading volumes. The prevailing period of low global economic growth appears set to continue in the short term as business and consumer confidence remains low coupled with companies' muted hiring intentions. Selectively, there are quality companies with leading market positions, exposed to improving end market demand representing excellent value on a medium term outlook. While not immune to the volatility, these companies continue to grow cash flows and current share prices represent an attractive entry point.

During June the investment team visited the USA. We visited the US operations of a number of Australian listed companies and met with numerous companies either customers of or competing directly with them. We visited companies with operations in Healthcare, Retail, Building Materials, Home Building, Mining Services and Oil and Gas. While improving, US confidence remains subdued. In most industries revenue growth is prevalent as volumes are increasing but very few businesses are confident enough to increase prices. While generalising, industry structures remain rational indicating improving market volumes and the prevalence of smaller players reducing prices to chase volumes is limited. Companies are reluctant to add to their cost base and are seeking to utilise casual labour to service the recent increase in demand highlighting the limited confidence of a strong recovery in the short term.

Companies offering differentiation in their product or service are delivering above market returns and are investing excess cash into training their existing workforce, hiring new employee's particularly sales staff and growing their capital expenditure programs. It is these companies that are best able to take advantage of the relatively cheap cost of capital and who will maintain solid earnings momentum.

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*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.

Concise Asset Management
AFSL 320497
T | 03 9642 8968

L11, South Tower
459 Collins Street
MELBOURNE VIC 3000

E | info@conciseam.com.au
W | www.conciseam.com.au