

June

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 (%)	(-0.91)	0.82	1.78	19.36	14.06	5.20	3.12
Mid Cap Masters Index (%)	(-1.40)	0.08	3.46	18.15	13.22	3.79	(-0.57)
Active Performance (%)	0.49	0.74	(-1.68)	1.21	0.84	1.41	3.69

Market Performance

The S&P/ASX 200 Accumulation Index fell 1.5% in June, resulting in a quarterly return of +0.9% and an annual financial year return of +17.4%. The Australian market underperformed global markets over the month with the S&P500 up 1.9%, the Nikkei up 3.6%, while the FTSE fell 1.5%.

Commodity prices were generally higher over the quarter with the LME Index up 2.3%, led by zinc (+6.3%). Spot iron ore prices were weaker over the month (-2.1%) while gold (+6.1%) and the oil price (+2.5%) were higher on the back of geopolitical unrest.

Economic data out of China showed industrial production edged higher in May (8.8%), up from 8.7% year on year in April. The official PMI in China also recovered to a six month high in June and stood at 51, indicating continued expansion in manufacturing activity. In the US, data releases showed the US economic recovery remains on track. Industrial production continues to recover with manufacturing output rising at an 8.5% annualised pace in the past four months after weather impacted the start to the year. The US unemployment rate remained at 6.3% but has fallen from 6.7% in March while the composite Conference Board consumer confidence index rose 3 points in June to 85.2, a six-year high.

Domestically, consumer sentiment rose 0.2% but the Westpac Melbourne Institute Index continues to indicate consumers remain pessimistic. Data on the housing market continues to show that sector continues to be a pillar of growth within the economy, while the Australian dollar remains high relative to history and closed the month at AUDUSD 0.94. It has now posted five consecutive monthly gains. The RBA continued to signal that the cash rate is likely to remain on hold for now.

The best performing ASX sectors over the month were A-REITs (+3.3%), Utilities (+0.9%) and Financials (-0.5%). Detractors included Consumer Staples (-4.5%), Healthcare (-3.3%) and Industrials (-2.6%). Mid cap news over the month included Echo Entertainment Group (EGP) announcing it expects to report normalised FY14 EBITDA in the range of \$430-435m being above consensus expectations on the back of improved revenue trends in both its Sydney and Queensland casinos. Downer EDI (DOW) announced that BHP Billiton Mitsubishi Alliance (BMA) terminated their contract for mining services on the Goonyella Riverside mine in Queensland and noted it is entitled to compensation for the early termination. Ten Network (TEN) provided guidance for -3.5 to -4.5% TV revenue decline in FY14 and restated previous expectations for TV costs (ex-selling) to increase by 8%.

Attribution Analysis for the month ended June 2014

Top 5	Bottom 5
Bendigo & Adelaide Bank	Downer EDI
Challenger	SEEK
Tatts Group	Flight Centre
Duet Group	Transpacific Industries
Nufarm	Ramsay Healthcare

Strategy Performance

The Concise Mid Cap Strategy returned -0.91% for the month exceeding the benchmark return of -1.40%. For the financial year the fund returned 19.36% being ahead of the benchmark return of 18.1%.

Major contributors to performance for the month included Challenger Limited (CGF), Nufarm Limited (NUF) and Bendigo & Adelaide Bank (BEN). Detractors for the month included Downer EDI (DOW), Flight Centre (FLT) and SEEK (SEK).

Portfolio news included;

Ramsay Health Care and its French JV partner Credit Agricole Assurances have bid for a majority stake (83.4%) in leading French hospital operator General de Sante, which is currently owned by Italian private equity in a deal worth AUD\$1.1bn. When completed this acquisition should provide RHC with additional scale in France and improve RHC's positioning to obtain new bed approvals which are allocated by the French Government.

Tatts Group (TTS) announced an initial win in the Supreme Court for damages of \$451m plus interest from the Victorian government for compensation on the expiry of its gaming operator's licence. Late in the month, TTS also announced a re-licencing deal with Racing Queensland. The new arrangements see the term of its wagering licence extended and the tax rate on pari-mutual and fixed price betting fall.

Outlook

Equity markets posted strong returns in FY14 as domestic economic conditions remained relatively steady while economic growth continued in the majority of offshore markets. We have written previously about our positive outlook for equity markets. Market valuation multiples are near their long term average, underlying economic conditions remain supportive of further growth while capital costs are relatively inexpensive. Many companies are beginning to invest in growth initiatives with mergers and acquisitions becoming an increasingly popular theme across mid cap companies.

Key themes for the FY15 year will be the level of business and consumer confidence and whether they remain supportive of further growth in the non mining sectors of the domestic economy. Additionally, the rate of economic growth of the US economy will be keenly monitored in light of the implications it will have for the prevailing cheap funding environment.

*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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