CONCISE
ASSET MANAGEMENT

May 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 (%)	0.77	1.91	5.33	16.31	13.00	4.80	3.32
Mid Cap Masters Index (%)	0.67	1.57	7.73	13.56	11.86	3.16	(-0.35)
Active Performance (%)	0.10	0.34	(-2.40)	2.75	1.14	1.64	3.67

Market Performance

Global equity markets provided positive returns in May with the Dow Jones up 0.8%, the S&P500 up 2.1%, while the FTSE and Nikkei 225 rose 1.0% and 2.3% respectively. In Australia the S&P/ASX 200 Accumulation Index posted a positive 0.7% return and has now risen in 9 of the last 12 months and 19 of the last 24 months. Bond markets rallied. The yield on 10-year US treasury bonds fell to 2.5% and has now fallen more than 50bps for the calendar year to date. Similarly, 10-year Australian Government bonds rallied over May, with yields falling 29bps to 3.7%. The LME Metals Index was strong in May (+2.8%) while the benchmark spot iron ore contract price reached its lowest level since 2012, ending the month down 13%. The AUD/USD remained flat at USD$0.93.

Economic data out of China continues to suggest a slowdown in the Chinese residential property market. Year to April total national residential sales value reached RMB 1,526bn, down 9.9% year-on-year, compared with a 7.7% year-on-year decrease in March 2014. Investment in residential construction moderated to +16.1% year on year in April 2014 from +21.5% year on year in September 2013, while new starts fell 24.5% year-to-date April 2014. Broadly, property price growth has also slowed. The National Bureau of Statistics of China 70 cities property price index has risen for 23 consecutive months since June 2012, but average price growth decelerated further to only +0.06% in April, the lowest monthly gain since 2012.

In May, Australia's Coalition government released its first budget, with major fiscal initiatives aimed at tackling the widening budget deficit. A number of announced measures will impact households should they pass the senate, namely a "deficit levy" temporary income tax of 2% on incomes over $180,000, lower indexation of the aged pension, reduced family tax benefits and public sector job cuts. Subsequently, consumer confidence fell 6.8% in May to 92.9, its lowest level since August 2011, which was before the RBA's latest rate cutting cycle. The best performing ASX sectors over the month were Energy (+3.0%), Utilities (+2.8%), Healthcare (+2.7%) and IT (+2.6%). Laggards included Materials (-2.8%), Consumer Discretionary (-1.1%), Property (+0.1%) and Financials ex-REITs (+1.0%).

May saw a flurry of M&A activity in the Australian market. Early in the month Baosteel Resources Australia Pty Ltd and Aurizon Holdings Ltd (AZJ) made a joint bid for Aquila Resources (AQA). Chinese company Guangdong Rising Asset Management bid for PanAust Ltd (PNA). Singapore's Wilmar International Ltd and Hong Kong based First Pacific Co. made a joint bid for Goodman Fielder (GFF). Hong Kong based conglomerate Cheung Kong Group made a bid for natural gas distributor Envestra Ltd (ENV), trumping APA Group's (APA) proposal from earlier in the year. Stockland (SGP) increased its offer for Australand Property Group (ALZ) while IOOF Holdings (IFL) launched a takeover offer for SFG Australia (SFW). Treasury Wine Estates Ltd (TWE) knocked back a proposal from private equity group Kohlberg Kravis Roberts & Co, Spark Infrastructure (SKI) acquired a 14.1% interest in DUET Group (DUE) and late in the month SAI Global (SAI) announced it is considering a proposal from private equity investment firm Pacific Equity Partners Pty Ltd.

Attribution Analysis for the month ended May 2014

Top 5	Bottom 5
Duet Group	Southern Cross Media
Ramsay Healthcare	Flexi Group
ALS	Adelaide Brighton
AWE	Super Retail Group
James Hardie Industries	Fletcher Building

Fund Performance

The Concise Mid Cap Fund posted 0.77% return for the month above the benchmark return of 0.67%. The best performers for the month were Duet Group (DUE), Ramsay Health Care (RHC) and ALS Ltd (ALQ). Detractors this month included Southern Cross Media Group (SXL), Flexigroup (FXL) and Adelaide Brighton (ABC).

In May, ALS Ltd (ALQ) reported underlying profit for FY14 of $172m, in line with management guidance. While ALQ experienced margin weakness in FY14, it was notable that ALQ saw signs of improved conditions in minerals testing towards the end of the financial year. This may be an indication that minerals testing volumes are at or near cycle lows with management expecting an improvement in volumes in the second half of FY15. Additionally, ALQ noted its North America oil & gad business had a good start to the new financial year after a weak weather affected March quarter.

James Hardie Industries (JHX) released its FY14 result in May for the 12 months ending March 2014. JHX reported a full year net operating profit of US$197 million being towards the top end of management's guidance range. The JHX result reflects the continued improvement in the US housing market with volumes and price increasing 14% and 7% respectively. JHX stated its intention to increase capital expenditure commitments in FY15 and beyond in order to have adequate manufacturing capacity for the strong underlying market growth. Management declared a full year dividend of 88c displaying confidence in the strong cash flow growth anticipated in coming years.

Outlook

The macro economic environment still remains positive for equity markets. Major world economies are continuing to display simultaneous GDP growth while manufacturing data provides evidence of continued expansion. Domestic economic data releases remain mixed with leading indicators of consumer and business confidence highlighting the negative sentiment towards the recent Federal Government budget.

With finance costs remaining inexpensive evidence is emerging of company's willingness to invest capital into growth initiatives either within their existing business or via acquisition. Within the last few months many mid cap companies have been active in mergers and acquisitions either as the target or acquirer. Targets include; Aquila Resources (AQA), Pan Aust Ltd (PNA), Goodman Fielder (GFF), Envestra (ENV), Treasury Wine Estates (TWE), Duet Group (DUE), Australand Property Group (ALZ) and SAI Global (SAI). Acquirers include; Ramsay Health Care (RHC), IOOF Holdings (IFL), Spark Infrastructure (SKI), Bendigo and Adelaide Bank (BEN), Seek Limited (SEK) and Bluescope Steel (BSL).

With market valuation multiples near their long term average, a supportive economic environment, organic growth drivers remaining reasonable and finance costs inexpensive we believe many companies still offer very good value.

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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.

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