CONCISE
ASSET MANAGEMENT

November

2012

Net Performance (After Fees)	1 Month	6 Months	1 Year	2 Years	3 Years	*Since inception (Annualised)
Concise Mid Cap Fund Return (%)	(0.28)	1.92	1.52	(2.70)	0.20	(0.55)
Mid Cap Masters Index (%)	0.08	2.56	2.79	(2.70)	0.23	(4.25)
Active Performance (%)	(0.36)	(0.64)	(1.27)	0.00	0.03	3.70

Market Performance

Global equity markets posted mixed returns for November as investors focus switched from the US election results towards the looming US fiscal cliff. For the month the Dow Jones fell 0.5%, while the S&P 500 & FTSE 100 increased 0.3% & 1.5% respectively. Commodity markets performed well in November with the LME Metals Index rising 5.9%, gold declined 0.3% to finish the month at US$1714oz while oil rallied 3.1% to US$88.90 a barrel. The Australia dollar traded higher during the month finishing at US$1.04, as the Reserve Bank of Australia kept the cash rate flat at 3.25%.

The ASX 200 declined 0.2% during November. The best performing sectors for the month were; Healthcare (+6.6%), Telecom Services (+3.8%) and Consumer Discretionary (+3.5%). The poor performing sectors included; Energy (-2.7%), Financials ex Property (-1.4%) and Property (-1.3%). In company news for the month; CSR reported its 1H13 profit of $20m which was 60% below the corresponding year. Emeco announced a profit warning due to lower utilisation of its rental fleet. Seven West Media (SWM) rallied 33% during the month despite the company expecting its 1H13 operating earnings to be down 19% due to weaker advertising markets. SWM did announce that it is focusing on delivering cost savings of $110 million over the next two years, which the market took positively. Cabcharge (CAB) fell 34% after its bus joint venture with ComfortDelGro was unsuccessful in the re-tendering of two NSW bus contracts. Also weighing heavily on CAB's share price was the announcement from the Reserve Bank of Australia that card scheme providers, such as Visa and Mastercard, will have the capacity to implement a surcharge fee cap, which could negatively impact CAB's earnings.

Attribution Analysis for the month ended November 2012

Top 5	Bottom 5
Ramsay Healthcare	Ausdrill
Transfield Services	Western Areas
Challenger	Metcash
Seven Group Holdings	Gindalbie Metals
Flight Centre	Atlas Iron

Fund Performance

For the month the Concise Mid Cap Strategy posted a slight decline of -0.28%, which was below the benchmarks slight gain of +0.08%. The best performers during the month included; Ramsay Healthcare, Transfield Services, Challenger Ltd, Seven Group Holdings and Flight Centre. The poor performers included; Ausdrill, Western Areas, Metcash and Atlas Group.

Challenger Limited (CGF) rallied +4.1% for the month after management reconfirmed its FY14 guidance of cash operating earnings of between $440-450 million and retail annuity sales of $2.25 billion (15% growth). CGF also updated the market on its APRA capital requirements under the Life and General Insurance Capital Review (LAGIC). The new regulations means that Challenger now needs to increase its capital requirements at the lower end of its previously disclosed range of $110 to $125 million over 3 years starting 1st January 2014. CGF is well funded to meet these capital requirements with $813 million of excess capital above regulatory requirements as at 30 June 2012. The lower than expected capital requirement has allowed CGF to announce a $50 million share buy back of ~3% of its issued capital with further potential capital management initiatives to be reviewed in the new year. CGF remains a core holding of the strategy and is attractively priced trading on a FY13 PE of 6x and yielding 5.4%.

Ausdrill (ASL) announced during the month that it expects its FY13 revenue and profit to be 20% and 15% higher than FY12. The growth in profit includes an eight month contribution from its recently acquired mining equipment parts and services business Best Tractor Parts (BTP). When backing out BTP in FY13, underlying profit growth for the group is expected to be 10% higher than FY12 (ASL was previously targeting 15% growth). The reduction in the profit growth for FY13 is due to Fortescue Metals slowing down its expansion plans in the Pilbara, which has resulted in a reduction of revenue of $50 million which equates to 4% of its FY13 revenue base. ASL also indicated that a there had been a slowdown in exploration activity and equipment hire in Australia. We have met with management since the November announcement and are of the view that the company is well placed and the balance sheet well funded in the current industry conditions.

Market Outlook

After the majority of AGM's were held in October and November the investment team travelled extensively throughout Australia during the month visiting mid cap companies within our universe. The consensus from company management is one of cautiousness when it comes to new investment expenditure and employment. With the resource investment cycle now beyond its peak the slack in the economy needs to be taken up by business investment, housing and private consumption. Accommodative monetary policy is the key to this while the Federal Government is focused on balancing the budget. We are of the view that official cash rates in the new-year will continue to be lowered as a measure to entice both the consumer to spend and business to invest.

While the economy remains subdued we are of the view that equity markets will continue to exhibit rapid share price volatility in short term. In this environment fundamental stock pickers that identify companies whose share prices are over sold can take advantage to invest with a margin of safety over the medium term. Thorough analysis of operating cash flows is critical in this current market when forward looking PE's appear inexpensive relative to historical levels. Cash flow analysis enables investors to identify balance sheet strengths and weaknesses and to calculate returns from previous and forecasted capital investments. We are of the view that companies that generate strong internal cash flows will deliver value to shareholders over the medium term.

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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 annualised.

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