

October

2012

Net Performance (After Fees)	1 Month	6 Months	1 Year	2 Years	3 Years	*Since inception (Annualised)
Concise Mid Cap Fund Return (%)	3.30	(6.97)	(2.15)	(3.95)	0.76	(0.50)
Mid Cap Masters Index (%)	3.04	(3.99)	0.15	(2.75)	0.47	(4.34)
Active Performance (%)	0.26	(2.98)	(2.30)	(1.20)	0.29	3.84

Market Performance

Global equity markets posted mixed returns in October with the Dow Jones decreasing 2.5%, the S&P 500 declining 2.0% while the FTSE 100 increased 0.7%. US equity market performance reflected the largely disappointing third quarter company earnings reported during October. The CRB Metals Index was flat in October while the benchmark spot iron ore contract price reached its highest level since July, ending the month up 14.5%. The AUD/USD remained flat at USD\$1.037 continuing its recent run of stable performance despite the RBA cutting the official cash rate by 0.25% to 3.25%.

The ASX 200 increased 3.0% during October, gaining ground for the fifth consecutive month and reaching a new high for the year. The Australian market return was driven by Industrials (up 3.2%) including Retail (up 8.8%), Diversified Financials (up 8.4%), AREITS (up 5.3%) and Telecommunications (up 5.7%). Resources increased 2.0% but underperformed the broader market while Media was the worst performing sector, declining 1.2%. Economic data released during October continues to provide an uncertain outlook for the Australian economy; the RBA cut the official cash rate on the suggestion of a more negative outlook for growth, business and consumer confidence increased, the September unemployment rate rose to a higher than expected 5.4% while building approvals and private sector credit grew. In addition, the Treasurer released the Mid-Year Economic and Fiscal Outlook (MYEFO) four weeks earlier than its traditional release date reducing the forecast budget surplus from \$1.5 billion to \$1.1 billion for FY13.

In company news, Ten Network Holdings (TEN) released its FY12 result which was significantly below market expectations and announced it had sold its outdoor advertising business, Eye for \$113 million. US grain trader Archer Daniels Midland Co. purchased a 14.9% stake in Graincorp (GNC) and made a conditional non-binding offer to acquire GNC at \$11.75 per share on all cash basis. GNC's board is yet to formally respond. Arrium (ARI) rejected an unsolicited and conditional offer from Steelmakers Australia, a consortium led by Hong Kong's Noble Group and Korea's Posco. The offer price was increased late in the month but was also rejected by the ARI board.

Attribution Analysis for the month ended October 2012

Top 5	Bottom 5
Flight Centre	Transfield Services
Gindalbie Metals	Ansell
IOOF Holdings	Challenger
OZ Minerals	Sims Metal Management
ALS Limited	Ramsay Healthcare

Fund Performance

For the month the Mid Cap Fund posted a 3.30% return exceeding the benchmark return of 3.0%. Good performers for the month included; Flight Centre (FLT), Gindalbie Metals (GBG), IOOF Holdings (IFL) and OZ Minerals Ltd (OZL). The poor performers were Transfield Services (TSE), Ansell Ltd (ANN), Challenger Ltd (CGF) and Sims Metal Management (SGM).

Ansell Ltd (ANN) held its AGM in October noting that year on year growth through September 2012 has been lower than original expectations as weakness in Europe continues to partially offset the recovery in its North American markets. ANN maintained FY13 guidance of Earnings Per Share growth of mid single to low double digit growth. This guidance excludes the recent acquisition of Comasec. ANN is continuing to seek acquisitions and has significant balance sheet capacity to fund this growth. Gindalbie Metals Ltd (GBG) announced the first commercial shipment of iron ore from its Karara Project in Western Australia. The first shipment marks the anticipated ramp up to an annualised rate of 2 million tons per annum and provides early cash flow during the magnetite concentrate commissioning and ramp up.

Market Outlook

The macroeconomic environment has been unstable for several quarters and is continuing to enhance volatility in global equity markets. Central Banks across the globe are endeavouring to find new ways to stimulate business and consumer confidence in the hope they will invest, hire and spend. While providing short term stimulus to global equity markets, investors need to remain wary about the underlying weak economic conditions that these measures are in response to.

The operating environment remains subdued for many Australian listed companies indicating that strong earnings growth will not be widespread. However, selective mid cap companies producing a differentiated good or service from peers are displaying pricing power resulting in significant cash flow growth. When coupled with a strong management team, it is companies displaying these characteristics who will outperform in uncertain macroeconomic times.

Mergers and Acquisitions activity remains robust in the mid cap space as outlined in the table below. We conclude that if equity markets do not accurately reflect a company's fair value then someone else will.

*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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MERGERS & ACQUISITIONS - MID CAP AUSTRALIAN EQUITIES 51-200

	Ticker	Name	Date	Details
1	ARI	Arrium Limited	Oct-12	Receives proposal from Steelmakers Australia
2	GNC	GrainCorp Limited	Oct-12	Receives proposal from Archer Daniels Midland Company
3	DML	Discovery Metals	Oct-12	Receives proposal from Cathay Fortune Corporation
4	AIX	Aust Infrastructure Fund	Aug-12	Receives Proposal from Future Fund
5	IDL	Industrial Limited	May-12	Receives offer from GE
6	DLX	Dulux	Jul-12	Makes offer for Alesco
7	GFF	Goodman Fielder	Feb-12	Wilmar International takes 10% stake in GFF
8	BBG	Billabong	Feb-12	Receives proposal from TPG
9	PBG	Pacific Brands	Jan-12	Receives proposal from KKR
10	HDF	Hastings Diversified	Dec-11	Receives proposal from APA Group (APA)
11	WHC/AZT	Whitehaven Coal / Aston Resources	Dec-11	Whitehaven and Aston announce merger intentions
12	GCL	Gloucester Coal	Dec-11	Receives merger proposal from Yanzhou Coal
13	MCC	Macarthur Coal	Jul-11	Receives proposal from Peabody and ArcelorMittal
14	CEU	Connect East	Jul-11	Receives takeover proposal from Horizon Roads
15	SDL	Sundance Resources	Jul-11	Receives bid from China's Hanlong Mining
16	ESG	Eastern Star Gas	Jul-11	Receives takeover offer from Santos Ltd (STO)
17	RIV	Riversdale Mining	Jun-11	Acquired by Rio Tinto (RIO)
18	AUN	Austar	May-11	Receives proposal from Foxtel
19	EQN	Equinox Minerals	May-11	Acquired by Barrick Gold
20	SPT	Spotless Group	May-11	Receives takeover offer from Private Equity
21	TAL	Tower Limited	Apr-11	Acquired by Dai-ichi Life Insurance Company
22	IIF	ING Industrial Fund	Mar-11	Goodman Group led consortium acquires IIF
23	CRG	Crane Group	Mar-11	Acquired by Fletcher Building (FBU)
24	IOF	ING Office Fund	Mar-11	Management rights acquired by Investa
25	MCW	Macquarie Countrywide	Feb-10	Charter Hall (CHC) acquires the real estate management platform
26	MOF	Macquarie Office Trust	Feb-10	Charter Hall (CHC) acquires the real estate management platform
27	CSR	CSR	Dec-10	CSR sells its Sugar business to Wilmar International
28	SIP	Sigma Pharmaceutical	Dec-10	Sale of Pharmaceutical Division to Aspen Pharmacare Holdings
29	AWB	Australian Wheat Board	Nov-10	Acquired by Agrium (US Listed)
30	ITO	Intoll Group	Nov-10	Acquired by Candian Pension Plan Investment Board (CPPIB)
31	CEY	Centennial Coal	Oct-10	Acquired by Banpu Minerals (Thailand)
32	PPT	Perpetual	Oct-10	PPT receives takeover bid from KKR (Private Equity). No transaction concluded
33	HSP	Healthscope	Sep-10	Acquired by Private Equity TPG and Carlyle
34	AOE	Arrow Energy	Jul-10	Acquired by Shell / Petrochina
35	NUF	Nufarm	Apr-10	Sumitomo takes a strategic 20% stake in Nufarm
36	EHL	Emeco Holdings	Aug-09	Receives takeover offer from Private Equity

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