CONCISE
ASSET MANAGEMENT

October

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 (%)	2.36	(-3.79)	(-0.32)	3.01	11.17	6.53	2.93
Mid Cap Masters Index (%)	2.88	(-1.57)	2.29	6.17	10.32	6.81	(-0.08)
Active Performance (%)	(-0.52)	(-2.22)	(-2.61)	(-3.16)	0.85	(-0.28)	3.01

Market Performance

Global market performance was mixed in October. US markets performed well with the S&P 500 up 2.3% and the Dow Jones up 2.0%, while in Europe weaker economic data led to a 1.6% fall in the German Dax and 4.1% decline in the French CAC40 Index. The UK FTSE was down 1.2% and the Nikkei in Japan rose 1.5% after the Bank of Japan stepped up its quantitative easing program of securities purchases. In Australia, the S&P/ASX 200 outperformed with a rise of 4.4%. Gains were driven by financials ex-REITs (+6.9%), A-REITs (+6.9%) and Healthcare (+6.4%). Sector laggards included Energy (-3.6%) and Materials (0.0%).

Concerns over subdued growth in Europe and patchy data for China and Japan put pressure on the oil price with spot prices falling 11.8% during October. Metals performed better with the LME Index rising 1.0% where aluminium was the strongest (+6.3%) and nickel the weakest (-4.2%). Bulk commodities traded slightly higher, with coal up 3.1% and iron ore positive 2.0%. The price of gold fell 3.3% and the Australian dollar was stronger against the US dollar closing at $0.88, up 0.5%.

US economic data released during the month continues to show expansion in the economy. Industrial production rose 1.0% in September, the biggest gain in four years. The overall capacity utilization rate rose to 79.3%, a six year high, and the manufacturing rate was 77.3%, near the cycle high of 77.6% in July. The unemployment rate dropped to 5.9%, and lower fuel prices helped the Conference Board's consumer confidence index rise to a seven year high of 94.5 in October.

In Australia, consumer sentiment rose by 0.9% in October but remains at a level where pessimists outnumber optimists. Business confidence slipped to its lowest level since before the 2013 Federal election. The Reserve Bank noted it expects growth to be a little below trend for the next several quarters and elected to hold the cash rate at 2.5% for the 13th consecutive meeting.

Mid Cap news for the month included, Downer EDI (DOW) purchasing Tenix Holdings Australia for $300m. Tenix is a provider of services to owners of gas, electricity, water, wastewater and industrial assets. Bank of Queensland (BOQ) reported FY14 results of cash earnings after tax up 20% to $301m, driven by margin expansion and further improvement in impairment expense. Whitehaven Coal (WHC) produced 3.3Mt of saleable coal in 1QFY15, 40% higher than the previous corresponding period. Run-of-mine coal production is now expected to be in excess of 6.5Mt in FY15. Healthscope (HSO) announced it was the preferred bidder to construct and operate the Northern Beaches Hospital in Sydney.

Attribution Analysis for the month ended Oct 2014

Top 5	Bottom 5
Transfield Services	Aristocrat Leisure
Transpacific	Challenger Financial
Japara Healthcare	Whitehaven Coal
Tatts Group	Sims Metal Management
Flexigroup	Southern Cross Media

Strategy Performance

In October the Concise Mid Cap Fund returned 2.36%, below the benchmark return of 2.88%. Best performers for the month were Transfield Services (TSE), Tatts Group (TTS) and Bendigo and Adelaide Bank (BEN). Detractors from performance were Whitehaven Coal (WHC), Challenger (CGF) and Bluescope Steel (BSL).

Transfield Services (TSE) announced it has received a proposal from Spanish company Ferrovial Servicios, to acquire TSE for cash consideration of $1.95 per share. The TSE board rejected this initial proposal as not reflecting the underlying value of the business and TSE noted it experienced strong trading in the first quarter and subsequently upgraded it FY15 earnings. TSE announced it is prepared to provide Ferrovial with due diligence information, subject to a confidentiality agreement being signed. We continue to see value in TSE given its turnaround potential and level of recurring revenues, level of work in hand, and improved cash conversion.

Southern Cross (SXL) had a volatile month after initially disappointing with a softer than expected first quarter trading update which caused management to downgrade 1H15 earnings guidance citing market conditions and challenging ratings. After selling off, SXL shares rallied late in the month on the back of news Hamish & Andy will host the drive time slot from July 2015. SXL continues to trade at an attractive valuation and the return of Hamish & Andy provides the potential for improved radio metro ratings in the period ahead.

Outlook

The majority of listed companies provided a trading update during their Annual General Meetings (AGMs) in October. Many companies reported the short term outlook is subdued and that earnings growth is likely to come from further cost outs or market share gains. These observations are inline with our own feedback that the investment team has received from extensive company meetings since the start of September.

Key themes we are currently seeing; consumer and business confidence remains subdued, particularly within retail where heavy discounting continues to be the only way to entice shoppers; procurement remains high on the agenda for many companies and presents both threats and opportunities; companies investing for future growth remain limited but those who are will be well rewarded; M&A remains high on the agenda for all industries and it remains the only way to grow for some companies, particularly when debt remains at attractive prices; companies with US earnings continue to surprise on the upside; while the resources sector (both mining and services companies) remain highly challenged.

We continue to take a selective approach within the portfolio, recognising that the external Australian macro environment still remains challenging for a lot of industries and companies. Our focus remains on identifying companies who continue to generate sustainable and growing cash flows that can be reinvested back into the business generating superior returns for shareholders over the medium term.

.

*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.

This publication is intended to provide general information only and has been prepared by Concise Asset Management (ABN 62 126 975 282) and (AFS Licence No. 320497), the issuer of the Fund, without taking into account any particular person's objectives, financial situation or needs. Investors should before acting on this information, consider the appropriateness of this information having regard to their personal objectives, financial situation or needs. Your investment is subject to investment risk, including possible delays in repayment and loss of income and capital invested. The repayment of capital or income is not guaranteed by Concise Asset Management. Offers of interests in the Fund are contained in a current Product Disclosure Statement ('PDS'). A copy of the PDS is available from our website: www.conciseam.com.au or contact Client Services on (03) 9642 8968. You should read the PDS and seek professional advice before making any decision about whether to acquire or continue to hold an investment in the Fund.