September

2012

Net Performance (After Fees)	1 Month	6 Months	1 Year	2 Years	3 Years	*Since inception (Annualised)
Concise Mid Cap Fund Return (%)	**0.16**	(10.46)	**3.51**	(5.10)	(0.22)	(1.23)
Mid Cap Masters Index (%)	**3.20**	(6.61)	**5.98**	(3.17)	(1.40)	(3.34)
Active Performance (%)	(3.04)	(3.85)	(2.47)	(1.93)	**1.18**	**2.11**

Market Performance

The ASX 200 increased 7.1% over the September quarter (2.2% in Sept) as investor risk appetite towards small cap resource companies helped push the index higher. The best performing ASX sector for the quarter was Small Cap Resources up 12%, significantly outperforming the market return and the broader Materials sector which increased 5.1%. Financials also performed strongly, increasing 10% over the quarter. The Dow Jones increased 4.3% while the S&P 500 & FTSE 100 gained 5.8% & 3.1% respectively. Commodity prices increased with the CRB Metals Index up 8.8% while precious metals surged significantly with gold rallying 10.9% and silver & platinum gaining 25.7% & 14.9% respectively. The Australian dollar increased 1.4% for the quarter finishing at US$1.03, while the Australian 10-year treasury yield finished at 2.99%.

Attribution Analysis for the month ended September 2012

Top 5	Bottom 5
Sims Metal Management	Seven Group
Western Areas	Challenger
Ansell	IOOF
Ausdrill	Ramsay Healthcare
OZ Minerals	Gindalbie Metals

Fund Performance

For the quarter the Mid Cap Strategy posted a return of 1.73%, below the benchmark return of 5.3%. For the month of September the Mid Cap Strategy lifted 0.16% against the benchmark 3.20%. Good performers for the quarter included; Flight Centre (FLT), Ansell Ltd (ANN), ResMed Inc (RMD) and carsales.com (CRZ). The poor performers for the quarter were Gindalbie Metals (GBG), ALS Ltd (ALQ), OZ Minerals (OZL) and Atlas Iron (AGO).

Crop protection product manufacturer Nufarm (NUF) reported its FY12 result in September. NUF reported EBIT of $206 million slightly above its guidance range and above market expectations. NUF reported a significantly improved working capital position with operating cash flows above market expectations. While no formal guidance was given, operational improvements combined with high soft commodity prices had management commenting on their expectation of an improved underlying result in FY13. Ansell (ANN) completed the acquisition of French glove manufacturer Comasec for €101.5 million. Comasec was purchased from private owners, employs 1,200 staff and generates annual revenue of approximately €100 million. A major detractor to performance was the surge in investor sentiment towards mid cap gold companies with average share price appreciation for the quarter in excess of 35%. Partly attributable to the spot gold price increasing 10.9% but more meaningfully explained by investor reaction to the policy announcements of global central banks during the quarter.

As central banks continue to announce stimulatory policy settings by effectively printing money, investors are becoming increasingly concerned about potential future price inflation. The fear being that their US dollars will buy less in the future. Accordingly investors switch to hard assets like gold driving the price of gold higher. We consider the share price of mid cap gold companies to be trading well ahead of fundamental value and are reflective of investors capitalising a gold price significantly above spot rates. While this theme may continue to play out in the short term we do not consider it prudent to invest in companies trading above fundamental value where the risk of capital loss is significant.

Market Outlook

The macro-economic 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. Volatility was heightened throughout the September quarter as investors reacted to new policy announcements from the European Central Bank (ECB), US Federal Reserve (FED) and Bank of Japan. In July, ECB President Mario Draghi committed to do "whatever it takes" to save the euro. In an attempt to prevent Italian and Spanish sovereign bond yields further destabilising the euro, the ECB unveiled a policy of buying short to medium term debt of economies who in exchange enter into a debt management plan. The Fed announced plans to purchase $40 billion of mortgage backed securities a month (QEIII) seeking to boost growth and reduce unemployment. FED Chairman, Ben Bernanke said the open ended purchases will continue until the US labour market improved significantly.

In September, the Bank of Japan announced it is boosting an asset purchasing fund by approximately AUD$970 million. As outlined above, global equity markets benefited from the strong policy moves by central banks. In addition, the policies boosted sentiment towards precious metals with the spot gold price increasing 10.9% over the quarter. Australian listed mid cap gold companies rallied strongly with share price appreciation in excess of 35%. Despite its high beta reputation the materials sector underperformed the broader market as a result of a rapidly falling iron ore price and concerns over Chinese GDP growth. 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. Business and consumer confidence remains subdued both locally and overseas, China's 2Q12 GDP slowed to 7.6% year on year from 8.1% year on year in the previous quarter, while manufacturing data readings globally have dipped into contraction territory. Unemployment remains stubbornly high internationally while Australian lead unemployment indicators are deteriorating. In addition, mining capital expenditure plans are being wound back in response to falling commodity prices.

The operating environment remains subdued for many Australian listed companies indicating that strong earnings growth will not be widespread. Accordingly, the September quarter rally was largely a re-rating of earnings multiples investors are prepared to pay for future cash flows. Put simply, investors are willing to pay a higher price in the expectation of cash flow growth. As a general comment, we consider the outlook for growth in company cash flows to be challenging. However, selective mid cap companies producing a differentiated good or services from peers are displaying pricing power resulting in significant cash flow growth. Ansell Ltd (ANN), Flight Centre (FLT), Resmed Inc (RMD), Caltex Australia Ltd (CTX) and Carsales.com (CRZ) all display these desired characteristics and have performed strongly. When coupled with a strong management team, it is companies displaying these characteristics who will outperform in uncertain macro-economic times as cash is utilised to repay debt, pay dividends to shareholders and reinvest in growth initiatives supporting medium to long term earnings growth.

*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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