

September

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 (%)	(-5.45)	(-2.47)	(-1.67)	3.49	11.68	8.88	2.60
Mid Cap Masters Index (%)	(-5.73)	0.17	0.25	5.79	10.41	8.90	(-0.52)
Active Performance (%)	0.28	(-2.64)	(-1.92)	(-2.31)	1.27	(-0.02)	3.12

## Market Performance

The S&P/ASX 200 Accumulation Index was down 5.4% in September, having faced several challenges including weaker commodity prices, volatile bond yields and a fall in the Australian dollar. Globally, the Australian market underperformed with the UK (-2.9%) and US S&P500 (-1.6%) down, whereas the Nikkei in Japan (+4.9%), German DAX (+0.04%) and French CAC40 (+0.8%) managed to deliver positive returns.

Base metals were generally weaker with nickel (-10.6%) and aluminium (-8.5%) giving back some of the strong gains achieved in the calendar year to date. Bulk commodities were mixed with coal flat while iron ore fell 11.8%. Increased talk of normalisation of US monetary policy and volatility in bond yields saw gold fall 5.9% in September. The oil price fell 4.6% and the Australian dollar fell 6.3% during the month to close September at US\$0.88.

Although the Chinese economy continues to grow, data released over the month for commodity intensive industries was generally subdued relative to expectations. In the US, data releases continue to show the economy remains on a positive trajectory, with the August PMI reading of 59.0 the highest since 2011 and up from 57.1 in July. Inflation remains under control with core CPI up 1.7% in the year to 31 August, while consumer confidence pulled back after reaching a seven year high the previous month.

In Australia, consumer confidence remains fragile and slumped in September to erase most of the recovery post budget. Business confidence varies significantly across industries while the RBA continues to see stability in interest rates as the most prudent course.

Defensive ASX sectors generally outperformed during September with Healthcare (+0.0%), Utilities (-2.6%) and Information Technology (-3.4%) the strongest. The three weakest sectors were Financial ex-REITs (-6.5%), Materials (-6.3%) and Energy (-5.7%). Mid Cap news over the month included; Arrium (ARI) announced a heavily dilutive one for one capital raising in an attempt to repair its balance sheet in the face of weaker prices for iron ore. Myer (MYR) reported net profit of \$99m, down 24% year on year. SAI Global (SAI) announced no final all of company bids were received following recent takeover interest and shortly thereafter Treasury Wines (TWE) announced discussions regarding an acquisition were terminated.

## Attribution Analysis for the month ended Sept 2014

Top 5	Bottom 5
Nufarm	ALS
iinet	Challenger Financial
Japara Healthcare	Whitehaven Coal
Duet Group	Flexi Group
Ramsay Healthcare	Transfield Services

## Strategy Performance

The Concise Mid Cap Fund was down -5.45% for the month, outperforming the benchmark return of -5.73%. Outperforming stocks during the month included Nufarm (NUF), iinet (IIN) and Japara Healthcare (JHC). Laggards included ALS (ALQ), Challenger (CGF) and Whitehaven Coal (WHC).

Nufarm (NUF) reported FY14 underlying operating earnings of \$201m, up 7% on the previous corresponding period. The key positive was a working capital reduction which helped NUF deliver a marked improvement in free cashflow and a \$120m reduction in net debt. Looking to FY15, NUF is placed well to deliver earnings growth on the back of restructuring initiatives, a return to more normal seasonal conditions in North America and Australia, continued penetration of the South American market and a positive outlook for the seeds technology business.

ALS Ltd (ALQ) disappointed with a trading update in September. Management indicated that while activity levels improved in a number of divisions during the quarter, the energy business was below expectations due to coal weakness and cost and execution issues within its North American business, Reservoir. Given the stabilising minerals cycle we continue to be patient with this high quality business

## Outlook

With expectations the US Federal Reserve will move earlier than expected on cash rates, volatility heightened during September and negatively impacted global equity markets. This volatility looks set to continue in the short term. Further impacting equity markets have been the appreciation of the US dollar and its influence on capital flows within financial asset allocation.

Data out of China continues to disappoint, with the well held view that the Chinese economy has entered into a slower growth period, which will impact its regional trading partners. Geopolitical risk heightened throughout both Eastern Europe and the Middle East over the September quarter, which has seen risk premiums rise for most asset classes. We expect in the short term that global influences will continue to play a role in investor sentiment towards equity markets.

\*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 16<sup>th</sup> of April 2008. The since inception figure is annualised.

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