

February was another strong month with the Fund recording a return of 4.75%. Since inception, the Fund has returned 8.04% per annum and more pleasingly 11.81% per annum over the past 5 years, outperforming the All Ordinaries index over the same period. However, over the short term we have been soundly trounced by the market with a 1 year return of 8.38% against a market return of 13.57%.

Against a backdrop of low inflation, record low interest rates, weak commodity prices and slowing GDP growth, investors would normally be quite pleased with a return of over 8%, and certainly investors are better off in real terms over the past year. However, thanks to a very strong start to the new year, the market is up 13.57% over the past twelve months despite a subdued profit reporting season. The February Reserve Bank cut in the cash rate to a record low 2.25% (with economists expecting more to come), seems to have put a rocket under the market, particularly the largest listed companies.

Reporting season wrapped up during February and for the most part, companies within the portfolio met our expectations. However in recent years, there has been a greater focus on the outlook for the companies rather than the latest results and for companies that miss market expectation, or provide a grim outlook, they can usually expect their shares to be sold off.

Among companies within the Fund that reported excellent results and were well received were retailers **Nick Scali** and **Beacon Lighting**. On the back of their very strong results their share prices rose 29% and 20% respectively for the month. Other notable results that saw higher share prices included **Adelaide Brighton** (+20%), **Treasury Group** (+11%) and our largest holding **Flight Centre** (+9%). The exception was **Woolworths** which disappointed investors with write-downs and a more restrained profit outlook. The share price was down 3.4% for the month and was the largest detractor to Fund performance for the month.

The largest contributor to Fund performance for the month was **Flight Centre**, as the company reported a result that while not as strong as previous years, was probably better than most investors feared following the company's profit downgrade in December.

Overall the result was in line with expectations, Total Transaction Value (TTV), which represents client bookings, was up 8%, but profits were down as the company made the decision in the Australian business to cut commissions to remain price competitive. The international divisions within the business appear to be travelling well and continue to improve with nearly half of their 2,759 trademark red shops now outside of Australia.

As mentioned, **Beacon Lighting** and **Nick Scali** both produced outstanding results for the half-year. These are relatively small positions within the Fund but the 60% increase in price in **Beacon Lighting** since its purchase last year,

Performance 28-Feb-15	Ganes	All Ord Index
1 Month	4.75%	7.00%
3 Month	7.93%	12.36%
6 Month	5.53%	7.13%
1 Year	8.38%	13.57%
2 Year (p.a.)	9.75%	11.96%
3 Year (p.a.)	13.55%	15.17%
5 Year (p.a.)	11.81%	9.46%
Since Inception (p.a.)*	8.04%	7.21%
NAV Unit Price (\$)	1.5553	
Fund Assets (\$ million)	37.52	

* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	
Cash	14.99%
Flight Centre	9.83%
Treasury Group Limited	7.28%
Woolworths Limited	6.75%
Spark Infrastructure Group	5.52%
Austbrokers Holdings Limited	5.44%
Magellan Flagship Fund	4.18%
ARP Corporation Limited	3.86%
Computershare Limited	3.84%
Sonic Healthcare Limited	3.67%
Other Holdings	34.64%
Total	100.00%

Important Information: This report is provided for investors in the Funds. While all care has been taken in the preparation of this report (using sources believed to be reliable and accurate), Macro Capital Limited, its officers, employees, agents and associated entities accept no responsibility for and will not be liable in respect of any loss or damage suffered by any person in connection with this other than under law which cannot be excluded. You should seek your own financial and taxation advice before dealing with your investment. This report has been prepared without taking into account your investment objectives, financial situation or particular needs. Before investing, or retaining an investment, in any of the Funds you should read the relevant PDS and consider whether the Fund is appropriate having regard to those matters. A copy of the PDS is available at www.macrofunds.com.au. Remember, past performance should not be taken as indication of future performance.

has added meaningful performance to the Fund in recent months. Both companies recorded profit growth of more than 20% over the previous year on the back of strong sales growth.

Woolworths was the disappointment of reporting season for the Fund. Management surprised the market with a profit downgrade to full year profits, as the company seeks to aggressively cut prices and compete harder against Coles and Aldi. In addition, the increased losses at Masters were not well received by the market, and neither was the \$148m write-down in the Big W business. Despite these problems, the company still reported a 4% increase in operating profits highlighting how strong the underlying supermarket business is. Plenty of commentators have already given up on this company and while we haven't as yet, there is no doubt the momentum has disappeared from this business and a supermarket price war will have consequences for shareholders and possibly some suppliers in the short-term.

Reporting season has historically been the period when we undertake most of our investment activity and this year was no different with the addition of four new positions for the Fund. The companies range in size from \$80m to nearly \$700m, which is our preferred 'sweet spot' and we are confident that all will have the ability to grow their profits over the coming years.

Important Information: This report is provided for investors in the Funds. While all care has been taken in the preparation of this report (using sources believed to be reliable and accurate), Macro Capital Limited, its officers, employees, agents and associated entities accept no responsibility for and will not be liable in respect of any loss or damage suffered by any person in connection with this other than under law which cannot be excluded. You should seek your own financial and taxation advice before dealing with your investment. This report has been prepared without taking into account your investment objectives, financial situation or particular needs. Before investing, or retaining an investment, in any of the Funds you should read the relevant PDS and consider whether the Fund is appropriate having regard to those matters. A copy of the PDS is available at www.macrofunds.com.au. Remember, past performance should not be taken as an indication of future performance.