

May has been a rocky month for the market, able to finish modestly up (0.58%) after being down around 3% a couple of times during the month. The Reserve Bank cut the cash rate to a new low of 2.0% 'so as to reinforce recent encouraging trends in household demand.' The government delivered its second budget laden with sweeteners for small business, and as many commentators have said 'kicked the can down the road' with a doubling of its budget deficit estimate to \$35bn. The Banks underperformed again this month amid concerns about capital requirements with Westpac and CBA down 5.4% and 4.3% respectively, while ANZ was flat for the month. NAB went to market with a \$5.6bn capital raising. Given this outlook, we took the opportunity to exit the Fund's relatively small bank holdings at a good profit during the month. A standout sector during the month was Consumer Discretionary on the back of the budget and some attractive tax deductions for small business. **JB Hi-Fi** was up 11% and many other retailers up 5% for the month.

The Fund had a particularly good month producing a 2.3% return led by strong gains from Flight Centre (+7.2%), ARB (+12.9%), Austbrokers (+8.5%) and Beacon Lighting (+14.1%). At the other end, Treasury Group lost 5% and GBST was down 10.9%.

Flight Centre announced plans to purchase a travel business in Mexico that has been an associated business for many years. The share price was up 7% to back up the 9% in April, so it is more likely a reaction to the budget and its oversold position after half-year results. The company is the most shorted stock in the market with a 23% short position, so we expect it could be even more volatile than usual if shorts can maintain their pressure or if they are "squeezed" by a decent profit result. After many months of listless price movement, **ARB** sprung to life with a 12.9% increase following the tradies' budget. In a similar vein, **AP Eagers** was up 8% for the month and will similarly have a bit of a tailwind on the back of the budget. **Austbrokers** was up 8% for the month, although unfortunately year-to-date it has still detracted value from the Fund. Insurance markets are tough, premiums have fallen steeply and capital remains cheap so it is unlikely this situation will change quickly. The **Beacon Lighting** share price was up 14% for the month with no news from the company. The stock has had a remarkable share price run and is up 85% for the financial year to date and is now the second largest contributor to fund performance for the year.

The **Treasury Group** share price fell a further 5% during the month. It remains our largest contributor to positive performance this year but we won't be surprised if the share price continues to weaken, given the continuing outflows and under-performance of the US based investment managers acquired last year. As we pen this update, we have significantly reduced the exposure of the Fund to this company. After being one of the better performers last month, **GBST** fell almost 11% during May hastened by the collapse of stockbroker BBY during the month and news

Performance 31-May-15	Ganes	All Ord Index
1 Month	2.30%	0.58%
3 Month	1.32%	-0.93%
6 Month	9.35%	11.32%
1 Year	9.04%	10.12%
2 Year (p.a.)	8.63%	13.12%
3 Year (p.a.)	13.66%	16.71%
5 Year (p.a.)	12.39%	10.00%
Since Inception (p.a.)*	7.96%	6.90%
NAV Unit Price (\$)	1.5670	
Fund Assets (\$ million)	35.61	

* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	
Cash	20.69%
Flight Centre	11.69%
Austbrokers Holdings	5.71%
Treasury Group Limited	5.41%
Magellan Flagship Fund	4.90%
ARB Corporation Limited	4.86%
Sonic Healthcare Limited	3.71%
Computershare Limited	3.41%
Adelaide Brighton Limited	3.31%
Cochlear Limited	3.23%
Other Holdings	33.08%
Total	100.00%

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that Pershing will withdraw their business next year leading to a \$4m hole in the revenue line. Losing clients is part of business and investors need to take a longer term view than the next profit results. We can see this company being bigger rather than smaller in the next few years.

There has been significant transaction activity in the Fund during May with additions to Adelaide Brighton, AP Eagers, Isentia, LifeHealthcare, Magellan Flagship Fund, Smartgroup and Templeton Global Growth. A new position was established in Gentrack, a New Zealand software business supplying solutions to Utilities and Airports. During the month, there were partial sales in Fiducian and Treasury Group and we exited ANZ, Westpac, Spark Infrastructure, Woolworths and Dulux.

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