

Markets

The Australian market rebounded strongly in July (4.2%) after the June sell-off and in concert with strong performances from American and European markets. Greece and China hogged the spotlight in July with yet another bailout package to Greece postponing what will ultimately likely be a Greek default in the absence of some debt forgiveness, and with the Chinese authorities doing almost anything to stop the Shanghai market bubble from deflating.

Fund Performance

The Fund generated a positive return of 3.5% for July, a good absolute return in any normal month, although slightly down on the market return of 4.2%.

Within the portfolio the largest positive contributors were Magellan Flagship Fund (MFF), ARB Corporation (ARB) and Cochlear (COH). MFF owns a portfolio of quality international equities with NTA up 8% for the month and the share price rose nearly 10%. There was no news from ARB but car sales continue to track well in Australia and AP Eagers announced they will report a record first half, up 29%, so ARB may have coat-tailed on this industry news. No news also from COH but most healthcare stocks performed well in July. The falling Australian dollar should boost profits but this has been well flagged.

The largest negative contributors were Treasury Group (TRG), Sonic Healthcare (SHL) and Isentia (ISD). Our growing concerns around TRG have continued to manifest themselves and despite selling half our holding we still felt the pain of a further 15% fall last month – although the impact was in the order of only 0.3% on fund performance. Good news coming out of the company of late is scarce, with the sale of their RARE funds management business announced on 29 July only seeing the share price fall further. SHL provided a relatively disappointing trading update on the back of weaker pathology results in Australia from lower volumes and increasing collection centre rents.

During the month there were partial sales of Sonic Healthcare and Coca Cola Amatil (CCL), additional purchases of Lifehealthcare (LHC), Isentia (ISD) and IOOF (IFL), and a new position established in PM Capital Global Opportunities Fund (PGF) at an attractive discount to NTA. This international equities Fund is managed by PM Capital and holds a relatively concentrated portfolio with the top 10 holdings accounting for 44% of the portfolio. The regional exposures are North America (54.1%), Europe (28.3%), UK (16.1%) and Asia ex Japan (1.5%) and largest positions include Lloyds bank, ING Group, Google, JP Morgan Chase and Oracle.

We are at the start of the full year profit reporting season and will look through a large number of company results, looking for profitable businesses with good future growth prospects, strong balance sheets that can be purchased at prices that will generate attractive future returns.

Performance 31-July-15	Ganes	All Ord Index
1 Month	3.50%	4.23%
3 Month	-1.56%	-0.82%
6 Month	2.13%	4.53%
1 Year	5.06%	5.41%
2 Year (p.a.)	5.91%	10.85%
3 Year (p.a.)	10.70%	14.65%
5 Year (p.a.)	10.92%	9.36%
Since Inception (p.a.)*	7.39%	6.63%
NAV Unit Price (\$)	1.4391	
Fund Assets (\$ million)	31.48	

* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	
Cash	10.76%
Flight Centre	10.63%
Austbrokers Holdings Limited	6.33%
Magellan Flagship Fund Ltd	6.02%
ARB Corporation Limited	5.51%
Templeton Global Growth Fund	3.92%
Adelaide Brighton Limited	3.81%
Cochlear Limited	3.77%
Sonic Healthcare Limited	3.73%
Computershare Limited	3.71%
Other holdings	41.81%
Total	100.00%

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