

The roller coaster of recent months continued in October, this time with a 4.6% up month for the market and 3.3% for the Fund. Our market followed global markets higher driven, it appears, by several factors including: a perception that the Fed will hold off a little longer in lifting US interest rates; good US unemployment numbers; a lift in US consumer sentiment; and a Chinese rate cut. Despite this, the broader market is basically flat for the last twelve months (+0.5%) and just above 3% annualised for the last two years. The more important, longer term returns are more satisfactory, with the market up 6.78% and the Fund up 8.55% annualised over the last five years.

October sees a large number of listed companies hold their Annual General Meeting, and is therefore a month where material share price movements are often the result of the Chairman or CEO providing the AGM with a trading update for the first few months of the new financial year and/or providing guidance for the upcoming half or full year. A number of companies amongst the Fund's 10 largest holdings held their AGM in October and we highlight these below.

ARB Corporation Chairman, Roger Brown, reflected on a solid FY2015 and detailed the significant investment that the company made in its Australian warehousing capacity, upgrades to its store network, and establishment of a new European sales and warehouse operation in the Czech Republic. Brown also reiterated the company's commitment to new product development to maintain long-term competitive advantage and revealed the company employs 35 design engineers in their head office R&D department supported by 20 production engineers in Victoria and Thailand. This has seen the release of a number of important new products over the last year. The Chairman advised in the meeting, that first quarter sales growth of around 8% had been achieved and was cautious about the economic environment in the short term but optimistic for the company's future.

Magellan Flagship Fund held its AGM at the end of October. Managing Director and Portfolio Manager, Chris Mackay, outlined the Fund's investment in a portfolio of high quality companies with sustainable advantages with the largest holding being Visa, Home Depot, Lowe's, MasterCard and Wells Fargo. Mackay detailed his preference to find 'ugly and out of favour quality', the significant portfolio concentration risk with their top 5 holdings, each being more than 10% of the portfolio, as well as the rationale for not hedging the currency exposures in the portfolio. The MFF share price, at the time of writing, is trading around record high, just above \$2.

Performance 31-October-15	Ganes	All Ord Index
1 Month	3.29%	4.59%
3 Month	-0.43%	-5.47%
6 Month	-1.98%	-6.24%
1 Year	3.08%	0.45%
2 Year (p.a.)	3.22%	3.16%
3 Year (p.a.)	8.72%	9.88%
5 Year (p.a.)	8.55%	6.78%
Since Inception (p.a.)*	7.15%	5.85%
NAV Unit Price (\$)	1.4253	
Fund Assets (\$ million)	29.17	

* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	
ARB Corporation Limited	6.69%
Magellan Flagship Fund Ltd	6.33%
Cash	5.84%
Austbrokers Holding Limited	5.50%
Flight Centre Limited	5.39%
PM Capital Global Opportunities	4.52%
Smart Group Corporation	4.48%
Templeton Global Growth Fund	3.90%
Isentia Group Limited	3.89%
Sonic Healthcare Limited	3.75%
Other holdings	49.71%
Total	100.00%

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Another large holding in the Fund that held its AGM in October and manages a portfolio of listed international equities is the **Templeton Global Growth Fund**. While the Magellan portfolio is very much US focused, the Templeton portfolio is much more Europe focused with 45% allocated there, 34% US based and 19% in Asia. Templeton sees much more value on offer in Europe than the US, with European consumer sentiment improving, rising sales and credit growth forecasts, and improvements expected in corporate earnings. Templeton has been able to build a portfolio with attractive value metrics with a Price to Earnings ratio of 13.5 and Price to Book ratio of 1.3 significantly below the benchmark MSCI All Country World Index. Also, in contrast to the highly concentrated Magellan portfolio, Templeton runs a more diversified portfolio with the top 10 holdings comprising 18% of the portfolio where Microsoft (US) is the largest position at 2.4%, followed by Samsung (South Korea) at 2% and Roche (Switzerland) at 1.9%.

Beacon Lighting held its AGM during October, where CEO Ian Robinson reviewed a very successful full first financial year as a listed company. Sales were up 19.3% with same store growth of 10.4% and net profit was 43.6% ahead of the prior period, driven by productivity gains across the business. The CEO outlined a number of strategies to drive future growth including 6 new stores in FY2016, optimisation of the current store portfolio, potential acquisition of competitors and franchised Beacon stores, and importantly, continued research and development to bring cutting edge lighting and exclusive products to customers. While the CEO did not provide specific guidance, he noted that same store sales had made a positive start to the year and improved sales and profits were expected for FY2016.

AGM season continues in November and we will provide an update on the AGMs of the Fund's other large holdings in next month's report.

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