

The local market was down a further 1.5% for the month and has now fallen 12.2% in the past year. While this may not please local investors, many overseas markets have also experienced similar or worse levels of decline, as bad news from China has weighed upon market sentiment.

Locally, the banks continued to weaken with the sector down nearly 8% for the month. Regional banks were particularly hard hit with Bendigo Bank and Bank of Queensland experiencing falls of 20% for the month. Reporting season wound up in February and there were some good news and unfortunately less positive news amongst the portfolio.

Better results than market expectations from **Cochlear** and **Trade Me** saw their prices rise 9% and 11% respectively. Cochlear revenue was up 32% as it maintained the sales momentum from its previous half year. Implant sales were up 26% and the company has flagged a pipeline of new products to be released over the next 18 months. The company has also forecast it will report a profit between 23% and 30% higher this year. The company continues to grow, but with the shares at record prices, investment returns are likely to be subdued in the short term.

**Smartgroup**, **AP Eagers** and **Adelaide Brighton** also reported strong results but the companies had previously announced their profit forecasts and hence share price reaction was more muted, in fact, **AP Eagers** and **Smartgroup** saw their shares fall for the month.

**Nick Scali**, one of the Fund's smaller investments, reported a very good result with a 32% increase in revenue on the back of an 11.6% growth in same store sales, a key metric for retailing businesses. The company presently has 48 stores but plans to expand to 75 stores suggesting that earnings should increase substantially from present levels. We increased our investment during the month as a result.

Weak results from **LifeHealthcare** and **Isentia** were the primary reason for Fund underperformance during the month. **Isentia** reported a strong top line result with revenue growing 22% but this was boosted by acquisition and the core business only saw a 2% increase, with softening press content given as the cause. The result itself was largely in line with market expectations and the company is still achieving good growth in Asia but the shares were sold off to perhaps more closely reflect the growth of the underlying business. We reduced our exposure during the month in line with our moderated expectations of company growth. **LifeHealthcare** surprised us with a weaker result than expected including very poor cashflow for the period. Following a change of management, this has given us cause for concern and we have taken the decision to reduce or exit the investment until we can garner greater confidence in management and the business.

Performance 29-February-16	Ganes	All Ord Index
1 Month	-3.69%	-1.47%
3 Month	-4.67%	-4.31%
6 Month	1.41%	-3.09%
1 Year	-5.21%	-12.23%
2 Year (p.a.)	1.36%	-0.16%
3 Year (p.a.)	4.52%	3.23%
5 Year (p.a.)	7.05%	4.59%
10 Year (p.a.)	6.52%	4.50%
Since Inception (p.a.)*	6.66%	5.13%
NAV Unit Price (\$)	1.3805	
Fund Assets (\$ million)	26.85	

\* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	
ARB Corporation Limited	7.40%
Magellan Flagship Fund Ltd	6.72%
Flight Centre Travel Group	6.39%
Smart Group Corporation	5.87%
AUB Group Limited	5.38%
Adelaide Brighton Limited	4.67%
Cochlear Limited	4.39%
Beacon Lighting Group	4.23%
PM Capital Global Opportunities	4.18%
Templeton Global Growth Fund	4.03%
Other holdings	46.74%
Total	100.00%