

MACRO CAPITAL LIMITED
 ABN 14 145 321 928 | AFSL: 392401

 GANES INVESTMENT MANAGEMENT PTY LTD
 ABN 86 113 032 741 | AFSL 287598

The Australian market (+6.3%) rebounded strongly in July after the June Brexit sell-off and ahead of strong positive returns from international markets. However, the 1 year and 10 year market return remain depressed in the low to mid single digit range. Post month end, the RBA has cut the cash rate a further 25bp to a record low of 1.5%, with the inflation rate below the target 2-3% band appearing to be the prime motivation, though it would have been expected to also assist in softening the AUD.

The Fund generated a positive return of 5.3% for July, a good absolute return in any normal month, although slightly down on the market return of 6.3%.

Within the portfolio, the largest positive contributors were Smartgroup (SIQ), ARB Corporation (ARB) and Cochlear (COH). Smartgroup provided a trading update and announced an acquisition during the month, which was well received by the market. They indicated that for the first half, revenue was expected to be up 35% and profit up 44% on the prior corresponding period. They also announced the purchase of Melbourne based Selectus, the largest privately owned national provider of novated lease and salary packaging administration services. Smartgroup management state that the acquisition is highly complementary to the existing business and that meaningful synergies will be realised. The initial consideration of \$119m is to be funded by a combination of shares issued to the vendors, and cash raised from new debt and an equity placement. There was no news from ARB or Cochlear.

The largest negative contributors were Nick Scali (NCK), Magellan Flagship Fund (MFF) and Isentia (ISD). There was no meaningful news from either Nick Scali or Magellan, but Isentia responded to its falling share price by reaffirming the previously announced guidance range.

During the month, there were sales of Century Capital (CNI) and National Veterinary (NVL), and additional purchase of Intecq (ITQ). The day following month end, Tabcorp announced a friendly bid for Intecq for cash consideration of \$7.15 per share, lifting the share price 31%.

August will be a very busy month with a large number of companies reporting their full year and half year financial performance, as well as providing an update on their underlying businesses and perhaps some providing guidance for the coming six to twelve months. We look forward to checking the progress of companies in the Fund, as well as keeping an eye out for new opportunities, and will provide some feedback in our next update.

Performance 31-Jul-16	Ganes	All Ord Index
1 Month	5.31%	6.29%
3 Month	7.35%	7.07%
6 Month	7.62%	14.08%
1 Year	8.64%	4.02%
2 Year (p.a.)	6.84%	4.71%
3 Year (p.a.)	6.81%	8.52%
5 Year (p.a.)	10.15%	9.37%
10 Year (p.a.)	7.25%	5.73%
Since Inception (p.a.)*	7.51%	6.38%
NAV Unit Price (\$)	1.5021	
Fund Assets (\$ million)	28.08	

* Inception date of Fund 18/11/2005

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