

The new year calendar year has got off to a subdued start with a 0.8% fall in the All Ordinaries Index, though it would have been much worse if not for the strong performance of resources (materials sector) and health care. Industrials and consumer discretionary, where the Fund has significant exposures, were down 4.7% and 4.3% respectively. Consequently, the 1.6% fall in the Fund net assets over the month is perhaps better than could have reasonably been expected.

January saw the inauguration of President Trump in the US, and while markets have been surprisingly positive since his election, it remains to be seen what impact a more isolated America will have on the global economy and stability. Similarly, the full impact of Britain exiting the European Union may yet to be experienced. While we do keep an interested eye on international events, we shy away from incorporating macro into our portfolio decisions. Instead, we continue to focus on identifying strong businesses with promising futures to include and hold in the portfolio.

January is generally a very quiet news time in the market ahead of the busy reporting season in February. The largest positive contributors to Fund performance during January came from Nick Scali, Smartgroup and Beacon Lighting, and the largest negative contributions were made by ARB, Magellan Flagship Fund and Adelaide Brighton, although there was no news of any significance that could be used to explain these movements.

Magellan Flagship Fund (MFF) has kicked off reporting season for the Fund reporting its half year results early in February. MFF is a listed investment company (LIC) focused on US listed stocks holding a concentrated portfolio of large cap stocks dominated by banking businesses. As an LIC, the half and full year profit announcements are not particularly informative as they focus on the quantum of dividend income and the various expenses in running a portfolio. However, the cash flow statement does allow us to quantify the turnover in the portfolio which remains low at a little under 5% for the half year, which is a positive characteristic in our view.

Half year profit reporting season commences in earnest in February and we will be looking closely at the results at the various companies in which the Fund has a holding, as well as looking wider for potential new additions to the Fund.

Performance 31-Jan-17	Ganes	All Ord Index
1 Month	-1.64%	-0.77%
3 Month	1.84%	5.92%
6 Month	1.71%	2.65%
1 Year	9.47%	17.09%
2 Year (p.a.)	6.23%	5.64%
3 Year (p.a.)	6.25%	7.49%
5 Year (p.a.)	10.40%	10.29%
10 Year (p.a.)	5.24%	4.22%
Since Inception (p.a.)*	7.32%	6.33%
NAV Unit Price (\$)	1.5121	
Fund Assets (\$ million)	27.37	

* Inception date of Fund 18/11/2005