

May was described as a ‘brutal’ month by some market commentators with the All Ordinaries falling slightly more than 2.5% for the month. Leading this fall were the banks, down more than 10% in most cases following the announcement of the proposed Bank Levy in the government budget as well as ongoing speculation surrounding the local property market. The Fund was down slightly during the month reporting a return of -0.34% and 6.49% for the past year.

In addition to the fallout from the banks, local retailers were hammered following disappointing retail sales growth and the news that Top Shop had been placed in voluntary administration, but more importantly for the longer-term, news that Amazon will arrive in the country, possibly later this year, disrupting the consumer and home electronics market. Myer fell 22% for the month as well as other well-known names in this sector such as Harvey Norman (down 10%) and JB Hi-Fi (down 6%).

The largest contributor to Fund performance for the month was **AUB Group**, but without any news to explain the 10% rise in the share price. The shares have now risen 35% over the past year making it one of the best performing stocks in the portfolio. It appears the insurance premium market has started to firm and the market is beginning to notice this as well.

Smartgroup held its AGM during the month and management made the comment that the current year was off to a “positive start” with the promise of further growth in 2018 following recent acquisitions it has made. The price rose 5% for the month as a result and is up 23% over the past year. We were also pleased to note some Director buying on market during the month.

After a few months of a falling share price, **PWR Holdings** enjoyed a 9% jump during the month. There wasn’t any news to justify the rise although a recent strengthening of the UK Pound against the Australian dollar should be a tailwind for the company and we also note that a number of fund managers with a similar small company focus have become substantial shareholders recently.

The largest detractor to Fund performance for the month was **Beacon Lighting** which fell 23%, as it was swept up in the unfavourable sentiment toward retailers. The company has not made any announcements since the release of its half year results in February and this is the first time we can ever recall such a dramatic fall in the share price in just one month without a profit downgrade being the reason. Similarly, one of the best performers in the Fund, **Nick Scali**, also fell more than 10% during the month despite releasing an a profit upgrade at the start of the month. **AP Eagers** saw its share price fall a further 7% during the month, as it warned that sales had slowed and profits for the first half will be down on those of last year. Paradoxically, **Flight Centre** rose 13% for the month despite news that price deflation in international ticket prices continues as oil prices remain weak and more random terrorist attacks in the UK – both of which are usually deemed bad for business by the market.

Performance 31-May-17	Ganes	All Ord Index
1 Month	-0.34%	-2.58%
3 Month	4.04%	1.28%
6 Month	5.69%	6.88%
1 Year	6.49%	10.23%
2 Year (p.a.)	5.39%	4.33%
3 Year (p.a.)	6.59%	6.23%
5 Year (p.a.)	10.28%	11.59%
10 Year (p.a.)	5.00%	3.42%
Since Inception (p.a.)*	7.51%	6.45%
NAV Unit Price (\$)	1.5736	
Fund Assets (\$ million)	26.92	

* Inception date of Fund 18/11/2005

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