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The Australia equities market experienced a subdued July with the All Ordinaries Index returning 0.18%, and the large cap focused S&P/ASX100 slipping -0.02%. Small cap stocks are showing some promising signs with the Small Ordinaries Index outperforming the S&P/ASX100 over 1, 3 and 6 month periods. This follows a long period of under-performance with the Small Ordinaries Index returning minus 1.75% per annum over the last ten years, well behind the still modest 3.68% per annum for the All Ordinaries Index. From the start of next year, the ten year returns of all Indices will begin to improve as we move away from the pre-GFC peak of the market which occurred in late 2007.

The strongest positive contributions to the portfolio in July came from Smartgroup (SIQ), Flight Centre (FLT), Beacon Lighting (BLX) and AP Eagers (APE). There were no announcements from Smartgroup or Beacon Lighting during July to explain their rise.

Early in the month, Flight Centre announced that it expected to achieve the top end of prior guidance for the 2017 financial year. After several profit warnings over recent years this was welcome news for shareholders and the share price rallied strongly. We took this opportunity to complete the sell-down of this holding from the portfolio. As previously discussed, we have formed the view that the Flight Centre business model faces a challenging future and we believe there are better opportunities elsewhere in the market. With the current price at more than 20x earnings the decision to sell was not a difficult one, and was the only major activity within the portfolio during the month.

AP Eagers announced it expects to report a record first half profit following two strong months in May and June and cost savings implemented following the weaker trading conditions earlier in the year.

On the negative side of the ledger were Clydesdale Bank (CYB), Cochlear (COH) and PWR Holdings (PWH), although there was no substantive company news that the share price weakness can be attributed to.

While July has been a quiet month in the portfolio and on the market, this is expected to change in August when the majority of listed companies release either their full year or half year results. As usual, we will be looking closely at the progress of portfolio companies in their underlying businesses and thinking about their future prospects. We will also continue to look for new opportunities amongst the avalanche of results, and will provide some feedback in our next update.

Performance 31-July-17	Ganes	All Ord Index
1 Month	-0.31%	0.18%
3 Month	0.96%	-2.13%
6 Month	5.81%	3.87%
1 Year	7.62%	6.62%
2 Year (p.a.)	8.13%	5.31%
3 Year (p.a.)	7.10%	5.34%
5 Year (p.a.)	9.66%	10.82%
10 Year (p.a.)	5.29%	3.68%
Since Inception (p.a.)*	7.52%	6.40%
NAV Unit Price (\$)	1.5703	
Fund Assets (\$ million)	26.06	

* Inception date of Fund 18/11/2005

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