

Rising tensions between North Korea and its neighbours, along with threats by President Trump had surprisingly little impact on markets either here or internationally. The Australian market ended in slightly positive territory for the month, while overseas markets were generally slightly down.

The Fund enjoyed a good reporting season outperforming the market by more than 3% in August with companies in the portfolio generally meeting or beating results expectations.

Amongst the larger holdings in the Fund, Smartgroup, Cochlear, Nick Scali, and Reece reported good results. While there were satisfactory results from ARB Corporation, PWR Holdings and Beacon Lighting, and muted results from Adelaide Brighton and 1300 Smiles.

Performance 31-August-17	Ganes	All Ord Index
1 Month	4.19%	0.79%
3 Month	5.54%	1.26%
6 Month	9.80%	2.55%
1 Year	7.99%	8.91%
2 Year (p.a.)	12.72%	9.81%
3 Year (p.a.)	7.82%	5.37%
5 Year (p.a.)	10.09%	10.53%
10 Year (p.a.)	6.01%	3.59%
Since Inception (p.a.)*	7.84%	6.42%
NAV Unit Price (\$)	1.6361	
Fund Assets (\$ million)	26.82	

* Inception date of Fund 18/11/2005

Smartgroup continued to deliver with a strong half-year result that had underwritten the strong share price performance in recent months, and jumping nearly 20% after the release of its results. Revenue was up 57% to \$95m and NPAT up 63% on prior year to \$30m. The company delivered organic growth of 12% driven by 2.6% in package growth, 7% from acquisition synergies and the balance by pricing. The business remains incredibly profitable with an EBIT margin of 40% and the company has stated it is well placed to deliver another year of positive results. With the prospects of further double-digit growth and no imminent regulatory risks, we are happy to maintain our position despite its strong price of 14% during the month.

Cochlear reported another good result with unit sales up 8% and revenue up 7%, but with some foreign exchange tailwinds the company enjoyed an 18% increase in profits. The company will release this month its latest Nucleus Sound 7 processor which is 25% smaller and 24% lighter and has a battery life 50% longer. The company has indicated profits will be about 10% higher again next year and increased its dividend by 17%.

PWR Holdings bounced back by 15% following the release of its full year profits. Profits were down by 13.8% but these were largely foreign exchange driven as the AUD fell 20% against the Pound during the year. Adjusting for this, revenue was up 11% and the latest half year was up 27% on the prior year. The main driver of growth in the business remains. F1 sales which grew by 19% on prior year and sales in motorsports in general, which includes Nascar and Formula E amongst others, were up 15% to \$36m. We met with management following the result and came away confident that the future for this business is very bright and that today's price will look compelling in value in a short space of time. We took the opportunity to add to our holding during the month.

We will provide a more detailed review of the portfolio and full or half year results in the next end of quarter September update.

Important Information: This report is provided for investors in the Funds. While all care has been taken in the preparation of this report (using sources believed to be reliable and accurate), Macro Capital Limited, its officers, employees, agents and associated entities accept no responsibility for and will not be liable in respect of any loss or damage suffered by any person in connection with this other than under law which cannot be excluded. You should seek your own financial and taxation advice before dealing with your investment. This report has been prepared without taking into account your investment objectives, financial situation or particular needs. Before investing, or retaining an investment, in any of the Funds you should read the relevant PDS and consider whether the Fund is appropriate having regard to those matters. A copy of the PDS is available at www.macrofunds.com.au. Remember, past performance should not be taken as an indication of future performance.