

# GANES VALUE GROWTH FUND

The Fund recorded a return of -0.78% in November and marked its second anniversary with a two year annual compound return of 18.41% after all fees and expenses.

During November we attended a number of Annual General Meetings including mortgage broker Mortgage Choice (MOC), our third largest holding. Small company AGM's often provide excellent access to the key decision makers in these businesses, with both directors and management in attendance and few other shareholders competing for their attention. This was particularly the case at Mortgage Choice where we were one of only three shareholders that attended.

The Mortgage Choice business is a very simple one; they connect people looking for a home loan with a lender. The customer does not pay for the service, instead, the lender pays MOC a fee (as a % of the loan amount) when the loan is established, and then an on-going fee (known as a trail) for the life of the loan. These fees are then shared by the company with the franchisee who wrote the loan.

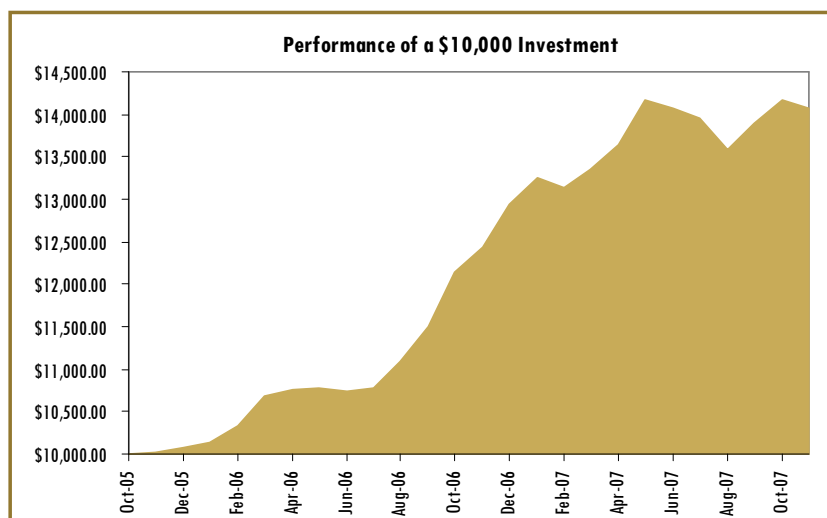
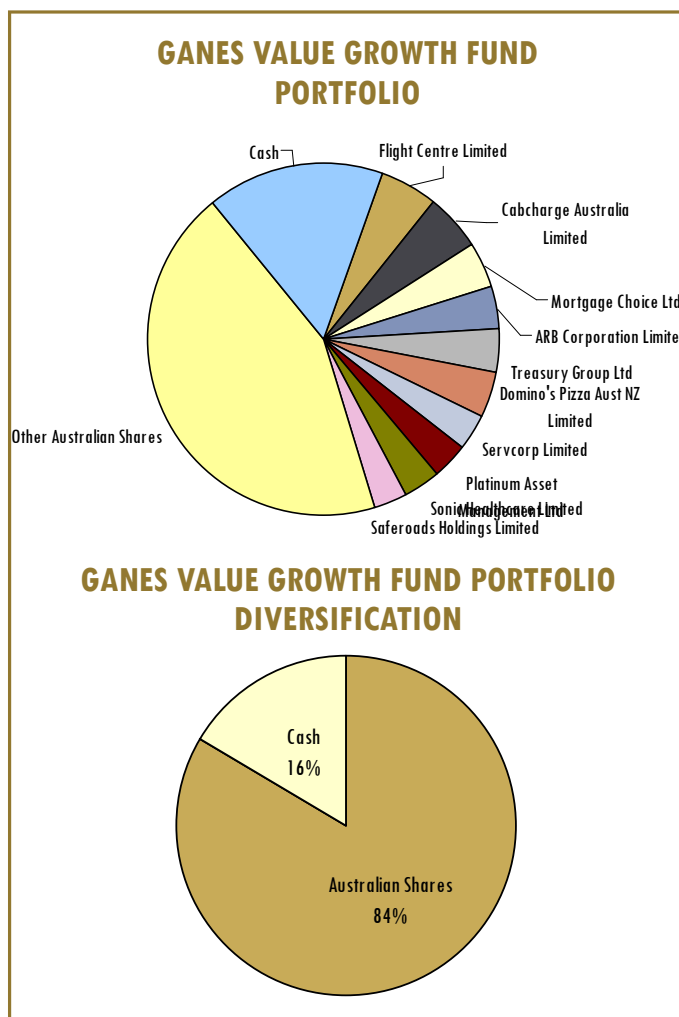
Mortgage Choice has a number of features we like:

- they are part of an industry that we think is only going to get bigger over the next five to ten years;
- the franchise model means it takes very little capital to run and grow the business. The company has said they expect profits to grow at 5 to 10% this year and above 10% in the subsequent two years;
- at the current price it pays a 6.3% fully franked dividend;
- the company is very conservatively geared with no debt and cash in the bank;
- they carry no balance sheet risk for the loans that are written – they simply broker a loan between the borrower and lender. Our impression is that simply having the word 'Mortgage' in the company title has put this company on the do not touch list for many investors and sent the share price to what we believe are very attractive levels.

We should acknowledge, however, that there is some speculation that the sub-prime crisis will lower, relative to non-bank competitors, the funding costs of the banks and perhaps give them the power to pull back the level of commissions they pay to mortgage brokers. If this does happen it will hurt profits but we think it will be a temporary rather than permanent feature of the industry.

When we look at a stock like Mortgage Choice we try and think about it in terms of where the business will be in several years time rather than where the share price is currently heading. We want to buy businesses we believe will be growing and thriving well into the future and as long-term shareholders we will benefit from this growth.

By taking a long-term view of the investments of the Fund we also minimise transaction costs, capture the 50% capital gains tax discount for you, postpone the day when you have to pay tax on the capital gains and we don't have to spend our time trying to find another great business to replace the one we just sold.



Performance Summary	Ganes Value Growth Fund	UBS Bank Bill Index
Since Inception p.a. (18/11/05)	18.41%	n/a
1 Year	13.02%	6.66%
1 Month	-0.78%	0.56%
Profitable Months	76.92%	100.00%
Distribution for quarter	\$0.0042	n/a
Fund Assets (million)	\$36.87	n/a
Application Unit Price	1.38330	n/a
Withdrawal Unit Price	1.37570	n/a
Net Asset Value Unit Price	1.37952	n/a

## GANES VALUE GROWTH FUND

The Ganes Value Growth Fund provides investors with exposure to a unique portfolio of Australian listed companies that will provide growth and income to investors over the longer-term. It is their meticulous approach to studying companies while taking into account the macro-level drivers of Australian business that make Ganes such a capable investment firm.

Ganes investment methodology comprises both quantitative and qualitative analysis commonly called fundamental analysis. This research process ensures that financial ratios and measures are used to demonstrate that the company produces superior returns, while also making experienced judgements about the underlying strength of the business and the talent of its management team.

The team at Ganes often refer to the following quote as an insight into their investment strategy:

*"If you are a prudent investor or sensible businessman, will you let Mr. Market's daily communication determine your view of a \$1000 interest in the enterprise? Only in case you agree with him or want to trade with him. You may be happy to sell out to him when he quotes you a ridiculously high price, and equally happy to buy from him when his price is low. But the rest of the time you will be wiser to form your own ideas of the value of your holdings, based on full reports from the company about its operations and financial position."* - (extract from *The Intelligent Investor* by legendary investor Ben Graham)

The Ganes Investment Philosophy distills down to paying a reasonable price for a growing quality business, and therefore is a process based on individual stock selection to generate superior returns. A 'typical' investment in the portfolio is a profitable, growing business with an easily understood business model that can be purchased at a price that will deliver, in the opinion of Ganes, a superior return over the medium to long term.

With an attractive investment opportunity identified, Ganes will allocate 1 to 2 percent of the fund's assets to an initial purchase, then over time build a larger stake in the business as comfort levels increase with the business and its management. Holdings will be added to, reduced, or sold entirely as changes in the underlying economics of the business, market pricing, or Ganes' assessed value of the company occurs.

### ABOUT THE FUND MANAGER

Ganes Capital Management Ltd was founded in 2002 by Dr. Clive Gaunt and Mr Wayne Jones as a privately-owned boutique fund manager based in Brisbane, specialising in the management of investments in the Australian equities markets. The name 'GANES' is derived from the manager's surnames, GAunt and joNES.

Clive has a Ph.D from the Queensland University of Technology, a Masters of Financial Management from the University of Queensland and a Bachelor of Business from the Brisbane College of Advanced Education. Clive has held various academic positions including Senior Lecturer in Finance at the University of Queensland Business School. His stockmarket research has been published in national and international peer reviewed journals and, for several years, wrote a monthly column for Shares magazine.

Wayne is a CPA (Certified Practising Accountant) and has a Bachelor of Business from Queensland University of Technology. He has extensive commercial experience in accounting and finance roles in both public and private companies, as well as writing for The Intelligent Investor investment newsletter covering a range of companies and investment issues.

### FUND FACTS

**Composition** Australian shares  
**Fund Start Date** 18 November 2005  
**Investment Timeframe** 5 years  
**Withdrawals** Weekly  
**Distributions** Quarterly  
**Minimum Investment** \$10,000  
**APIR Code** WPC0004AU  
**ARSN** 115 121 527  
**Unit Prices** Weekly  
**Applications** Weekly  
**MER** 0.25625% p.a.  
**Buy-sell spread** 0.275%/0.275%  
**Performance Fee** 20.5% p.a. of positive returns with any negative returns recouped before the performance fee applies  
**Level of Risk** Medium to High

### 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), Officium Capital Ltd, 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.

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### TOP TEN LARGEST PORTFOLIO HOLDINGS

Top Ten Holdings	% of Portfolio	Asset Class
Flight Centre Limited	5.33%	Australian Shares
Cabcharge Australia Limited	5.11%	Australian Shares
Mortgage Choice Ltd	4.27%	Australian Shares
ARB Corporation Limited	3.98%	Australian Shares
Treasury Group Ltd	3.93%	Australian Shares
Domino's Pizza Aust NZ Limited	3.91%	Australian Shares
Servcorp Limited	3.49%	Australian Shares
Platinum Asset Management Ltd	3.37%	Australian Shares
Sonic Healthcare Limited	3.26%	Australian Shares
Saferoads Holdings Limited	3.16%	Australian Shares
Other Australian Shares	43.79%	Australian Shares
Cash	16.40%	Cash
<b>TOTAL</b>	<b>100%</b>	

### MONTHLY PERFORMANCE RETURNS

