

GANES VALUE GROWTH FUND

The Ganes Value Growth Fund recorded a negative return of 1.99% in January. This was a relatively strong result as the broader market fell more than 6% during the month, with banking stocks and resource stocks falling heavily. The Fund has virtually no exposure in these areas.

During the month:

- The largest positive contribution to performance came from Flight Centre, as the company announced a significant profit upgrade towards the end of January, which saw the price rise by 8% for the month. The profit upgrade appears to be the result of increased volumes rather than higher ticket prices and the better performance in the wholesale business.
- The Fund also benefitted from an 8% rise in Treasury Group, as the speculation surrounding the future plans of Investors Mutual was cleared up with the announcement that Investors Mutual will be merged with Cannae Capital Partners, another boutique fund manager part owned by Treasury Group. This merger should result in some economies of scale flowing through the Treasury Group business.
- The largest negative impact on Fund performance was a 26% fall in the share price of McMillan Shakespeare. This decline followed speculation surrounding the Henry Tax Reform proposals which, if implemented, as has been speculated in the media, will impact the company significantly. However, it remains to be seen if, and to what extent, the Henry proposals will be implemented. At the current price Ganes continue to hold the stock, but will review this position as new information comes to hand.
- Ganes initiated an investment in Mitchell Communications during the month. Mitchell Communications, Australia's largest media agency, was founded by Harold Mitchell as a media planner and buyer for traditional media such as television. In recent years the company has moved into digital media such as search engine marketing and e-marketing. Digital media is now the largest profit division within the company generating 65% of the company's \$34m EBITDA and should provide a good growth platform for the future.
- Ganes added to investment positions in Austbrokers Holdings, Corporate Express, Equity Trustees, MyState, Pacific Brands, and Probiotec during the month.
- Ganes did not reduce exposure to any holdings during January.

PERFORMANCE SUMMARY

Performance Summary as at 31 January 2010	Ganes Value Growth Fund
Since Inception p.a. (18/11/05)	3.64%
1 Year	42.58%
2 Years p.a.	-3.53%
3 Years p.a.	-4.46%
1 Month	-1.99%
Profitable Months	61.54%
Distribution Last Quarter	\$0.0200
Fund Assets (million)	\$35.91
Application Unit Price	1.0502
Withdrawal Unit Price	1.0444
Net Asset Value Unit Price	1.0473

TOP TEN HOLDINGS

Top Ten Holdings	% of Portfolio
ARB Corporation	6.35%
Flight Centre	4.98%
IOOF Holdings	3.87%
Computershare	3.49%
Treasury Group	3.47%
Thorn Group	3.41%
Telstra Corporation	2.79%
Cabcharge Australia	2.79%
McMillan Shakespeare	2.75%
Austbrokers Holdings	2.71%
<i>Other Australian Shares</i>	<i>46.84%</i>
<i>Cash</i>	<i>16.57%</i>
TOTAL	100%

Important Information

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