

Ganes Value Growth Fund

SECTOR FUNDS

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October 2010

The Ganes Value Growth Fund returned 1.6% for the month, underperforming the 1.8% increase by the S&P/ASX 300 Accumulation Index. The Fund has returned 13.7% over the past twelve months. Smaller companies are back in favour providing a tailwind for the Fund. Small resource and exploration companies are driving much of this increase, however the manager continues to avoid the sector in favour of companies reporting profits and paying dividends.

- One of the Fund's larger holdings, Thorn Group continues to rise with a further 11.0% increase during the month. The share price has now risen 86.3% in the past 12 months and the manager has taken the opportunity to reduce the Fund's holding.
- The Fund benefitted from the announcement of a proposed merger between the Australian and Singaporean stock exchanges. The share price rose strongly and the manager took the opportunity to sell nearly half of the Fund's holding above \$40.00 per share. At the time the manager believed the likelihood of success of the merger offer was low and the high value ascribed to the Singapore scrip being offered suggested the price would likely fall as further analysis was undertaken, and this has subsequently occurred.
- Fleetwood Corporation rose 11.2% during the month. The company is a major beneficiary of the Western Australia resources boom with its accommodation village in Karratha and the company indicated during the month that there is still strong accommodation demand in the area. The company has also recently announced the acquisition of BRB Modular which manufactures and installs prefabricated modular buildings, mostly on the east coast of Australia. As a result earnings forecasts for the company have been upgraded in the past month.
- Positions added to during the month included Spark Infrastructure, Peters MacGregor Investments, Retail Food Group, and DuluxGroup. Positions reduced during the month included McMillan Shakespeare, Thorn Group, IOOF Holdings, ASX, Dominos Pizza Enterprises, Goodman Fielder and Pelorus Property Group. During the month, AHC and Credit Corp were both sold on assessed valuation grounds.

Performance Data as at	31/10/2010
1 month	1.62%
3 months	10.87%
6 months	7.83%
1 year	13.70%
2 years (p.a.)	17.80%
3 years (p.a.)	-3.14%
Since Inception (p.a.)*	5.46%
Net Asset Value (\$)	1.1495
Fund Size (\$ million)	43.86

* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	%
CASH	19.97%
ARB Corporation Limited	7.16%
Flight Centre Limited	4.68%
McMillan Shakespeare Limited	4.14%
Thorn Group Limited	3.58%
IOOF Holdings Limited	3.53%
Computershare Limited	3.10%
Fleetwood Corporation Limited	2.99%
Spark Infrastructure Group	2.98%
Woolworths Limited	2.78%
Other holdings	45.09%
TOTAL	100.00%

Important Information

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