

Ganes Value Growth Fund

SECTOR FUNDS



November 2010

The Ganes Value Growth Fund returned 0.2% for the month, outperforming the 1.0% decrease by the S&P/ASX 300 Accumulation Index. The Fund has returned 13.4% over the past twelve months. The Reserve Bank set the negative tone at the start of the month, surprising the market with a 0.25% lift in the official cash rate. Adding to this negative lead, were statements by companies at a number of Annual General Meetings indicating consumer spending was subdued leading into the important Christmas trading period. Consequently, the consumer discretionary sector was down 3.8% and consumer staples sector down 5.3% for the month.

- There was a significant level of activity in the Fund during the month. The Fund has performed strongly over the past year (returning 13.4% compared to 1.8% for the S&P/ASX 300 Accumulation Index) prompting the manager to trim or exit a number of stocks. Strong performers that have been trimmed include IOOF Holdings, Fleetwood Corporation, Thorn Group, McMillan Shakespeare, Domino's and Super Cheap Auto. DWS Advanced was completely sold. CSL was sold as the stock price increased despite continuing falls in expected future earnings due to the strong Australian dollar. Servcorp, Goodman Fielder and Telstra were sold on mounting concerns about future profitability.
- A number of existing positions were added to during November including Austbrokers, Cabcharge, Coca-Cola Amatil, Dulux Group, Peters MacGregor Investments, Sonic Healthcare and Woolworths. Two new positions (Commonwealth Bank and Magellan Flagship Fund) were established.
- The Commonwealth Bank (CBA) share price is down around 10% over the last 12 months despite reporting a strong lift in profit and dividend for the June 2010 financial year, and reporting a robust first quarter early in November. However, continued erosion of net interest margin in the first quarter prompted the bank to lift its benchmark rate by more than the cash rate, highlighting the underlying strength of their franchise. At the current share price, CBA is generating a fully franked dividend yield above 6%.
- The Magellan Flagship Fund is a listed investment company which owns a portfolio of leading listed multi-national businesses including American Express, Yum! Brands, Nestle, WalMart, eBay, Coca-Cola Amatil, McDonalds, Google and Johnson & Johnson. Ganes like the portfolio, the upside that may occur if the Australian dollar reverts to more traditional lower levels and also the fact that the share can currently be bought at a discount to Net Tangible Assets.

Performance Data as at	30/11/2010
1 month	0.20%
3 months	8.11%
6 months	13.95%
1 year	13.37%
2 years (p.a.)	24.96%
3 years (p.a.)	-2.83%
Since Inception (p.a.)*	5.41%
Net Asset Value (\$)	1.1519
Fund Size (\$ million)	44.80

* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	%
CASH	21.92%
ARB Corporation Limited	7.26%
Flight Centre Limited	4.57%
Thorn Group Limited	3.70%
Woolworths Limited	3.53%
McMillan Shakespeare Limited	3.52%
IOOF Holdings Limited	3.36%
Computershare Limited	2.96%
Spark Infrastructure Group	2.90%
Austbrokers Holdings Limited	2.88%
Other holdings	43.40%
TOTAL	100.00%

Important Information

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Address Terrace House 3, 249 Coronation Drive, Milton QLD 4064

Phone 1300 781 247 • Email admin@officiumcapital.com.au

officiumcapital.com.au