

Ganes Value Growth Fund

SECTOR FUNDS



May 2011

The net asset value of the Ganes Value Growth Fund fell 1.2% during May, while the broader market (the S&P/ASX 300 Accumulation Index) fell by 2%. The month of May saw most sectors of the market sold off with financials (i.e. banks) particularly hard hit along with consumer discretionary stocks. The market is finding a lot to worry about at the moment particularly on the international scene with sovereign debt concerns in Europe and the slow pace of economic recovery in the US despite near zero interest rates.

- Reflecting the broader market, the largest negative contributions to performance came from the Fund's two largest consumer discretionary exposures, ARB and Flight Centre. The largest positive contributions to Fund performance during the month came from McMillan Shakespeare. All three companies made presentations at the Macquarie equities conference early in the month, which was attended by the Manager. There were no surprises in any of the presentations, but the Manager was pleased to hear from McMillan Shakespeare management about how well the recently acquired asset management business was performing and the better than expected cross-selling opportunities between the new and existing businesses.
- With regard to transactional activity inside the Fund, additions to existing positions in Thorn Group and Dulux were made. Both Thorn Group and Dulux reported results to the market during May. Thorn Group, the holding company for the Radio Rentals and Rentlo businesses reported a strong full year result with good growth in customer numbers, revenue, profit and dividend. Management indicated that it expects a substantial increase in earnings in the coming year with contributions from its recent acquisition and "solid organic earnings growth". Dulux reported its first half year result since being spun-off from Orica and produced solid numbers particularly given the negative impact of the Queensland floods and the difficult New Zealand market.
- During the month, a position was established in Invocare which owns a range of widely recognised funeral businesses including Simplicity and White Lady Funerals. Invocare has significant market shares in several metropolitan markets. The business has a number of attractive characteristics including steady growth linked to population increases and good pricing power leading to fairly reliable annual price increases above CPI.

Performance Data as at	31/05/2011
1 month	-1.22%
3 months	-0.81%
6 months	3.62%
1 year	17.98%
2 years (p.a.)	21.79%
3 years (p.a.)	4.56%
5 years (p.a.)	4.59%
Since Inception (p.a.)*	5.58%
Net Asset Value (\$)	1.1726
Fund Size (\$ million)	49.45

* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	%
CASH	30.73%
ARB Corporation Ltd	7.06%
Flight Centre Limited	4.01%
Woolworths Limited	3.79%
Austbrokers Holdings Limited	3.69%
Coca-Cola Amatil Limited	3.09%
Spark Infrastructure Group	2.91%
IOOF Holdings Limited	2.74%
Computershare Limited	2.55%
Cabcharge Australia Limited	2.45%
<i>Other holdings</i>	36.98%
TOTAL	100.00%

Important Information

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