

Ganes Value Growth Fund

SECTOR FUNDS

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August 2011

The net asset value of the Ganes Value Growth Fund fell 0.2% during August, while the broader market (the S&P/ASX 300 Accumulation Index) fell by 2.0%. August saw another month of increasing volatility with the market down by around 15% (intra-day) at one point before rebounding.

- The unprecedented downgrading of US debt by Standard & Poor's, continuing weak economic data (particularly around US employment), and the ongoing problems in the euro-zone had investors in sell-off mode in the first week of the month. The Manager took this limited opportunity to add to several positions in the Fund, mostly amongst the larger holdings such as Woolworths, Coca Cola Amatil, and Westpac.
- August was reporting season with most companies reporting their full year results. The Fund experienced some standout results with ARB Corporation, Flight Centre, Blackmores, Domino's Pizza, McMillan Shakespeare and Austbrokers all exceeding profit forecasts and also providing positive indications for future earnings.. Overall, the Manager was pleased with the quality of the results reported by companies owned in the Fund.
- The Blackmore's result highlighted that their Asian strategy is now contributing significantly to the business and is working well. Asia now contributes to around 20% of the company's sales and profits and is growing at a rapid rate (40% over the past year). Only two years ago it was 2% of the business. At this stage the company has entered four markets but is looking to expand even further over the coming years (particularly following its success in Korea), and this provides the Manager with confidence the company can continue to find growth opportunities in a world where most companies will struggle to grow earnings.
- Domino's Pizza also reported a standout result and surprisingly it was its Australian operations that grew strongly, reporting same store sales growth of 13% and overall profit growth of 20%. The company is predicting profit growth of 15% for next year and interestingly, sales via the internet and mobile phones to be 60% of their Australian business within the next 3 years. However, on an investment case the company now appears expensive and the Manager exited the position following the results announcements.
- Portfolio activity during the month included purchases of McMillan Shakespeare following its good results and ALE Property Group, in addition to the purchases mentioned earlier. Sales during the month included Cabcharge, McPhersons, Pacific Brands, Ansell and Sonic Healthcare.

Performance Data as at	31/08/2011
1 month	-0.24%
3 months	-2.54%
6 months	-3.31%
1 year	9.22%
2 years (p.a.)	12.39%
3 years (p.a.)	6.64%
5 years (p.a.)	3.50%
Since Inception (p.a.)*	4.92%
Net Asset Value (\$)	1.1337
Fund Size (\$ million)	47.73

* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	%
Cash	29.61%
ARB Corporation Ltd	7.79%
Woolworths Limited	3.77%
Austbrokers Holdings Limited	3.75%
Flight Centre Limited	3.74%
Coca-Cola Amatil Limited	3.55%
Spark Infrastructure Group	3.06%
IOOF Holdings Limited	2.69%
McMillan Shakespeare Limited	2.68%
Computershare Limited	2.18%
<i>Other holdings</i>	37.18%
TOTAL	100.00%

Important Information

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