

The Fund recorded a small gain for the month topping off a relatively good year. Based on Morningstar data, the average small-cap fund was down nearly 11% for the 3 months ending June while the Ganes Value Growth Fund was down by 1.0%. Also pleasing is the Fund's 1 year return of 5.1%, making the Fund one of the best performers in its category for the year. The 2012 financial year was a volatile one for sharemarket investors with markets moving strongly up and down as emotions waxed and waned on the back of the ongoing Euro crisis and closer to home, concerns over China.

- Poor consumer confidence led a number of retailers to comment on the tough trading conditions (Harvey Norman), or issue profit downgrades (Myer). During the month we also saw companies raising capital at heavily discounted prices (Billabong and Ten) to either appease bankers and/or restructure balance sheets. Fortunately the Fund was not exposed to any of these companies.
- ARB Corporation, Coca Cola Amatil, Flight Centre, Cochlear and McMillan Shakespeare all rose more than 5% during the month contributing strongly to Fund performance, while Cabcharge, Computershare and Fletcher Building all fell during the month.
- Belying the poor consumer confidence levels, May and June have seen the best ever months on record for car sales with volumes up 17% on prior year. ARB is a beneficiary with SUV's, their target market, up 33% on the prior year.
- The market seemed to predict that Flight Centre would announce a profit upgrade following month end as its price rose 4% during the month and the company confirmed in the first week of July that its profit would be 16%-18% higher than last year.
- Detracting from Fund performance for the month were the 21% fall in Cabcharge shares and 5% declines in Computershare and Fletcher Building shares. The Cabcharge plunge follows the announcement that the Reserve Bank of Australia will try and crack down on excessive credit card charges through its 'Variation to Surcharging Standards', and many analysts predict this could have a severe impact on the business. The company believes otherwise and released a statement saying that it does not believe the standard will have any impact. Whichever way it plays out there is no doubt the introduction of new technology incorporating digital payment systems able to bypass the Cabcharge payments system is a concern. Accordingly, the Manager has reduced the holding to reflect the higher business risk.
- Computershare announced a non cash impairment charge for their European business in the second half of the 2012 financial year of US\$55-65m due to 'escalating political and financial instability'. The company confirmed prior guidance that earnings per share would be down 10-15% for the full year.
- Portfolio activity during the month included a small purchase of Reece and sales of Hunter Hall, Cabcharge and McMillan Shakespeare.
- The Fund paid a distribution of 0.913cents per unit for the June quarter.

Performance Data as at	30/06/2012
1 month	0.65%
3 months	-1.02%
6 months	7.57%
1 year	5.09%
2 years (p.a.)	10.89%
3 years (p.a.)	14.85%
5 years (p.a.)	0.23%
Since Inception (p.a.)*	5.49%
Net Asset Value (\$)	1.1620
Fund Size (\$ million)	46.14

\* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	%
Cash	31.64%
ARB Corporation Ltd	7.89%
Austbrokers Holdings Limited	4.33%
Coca-Cola Amatil Limited	4.20%
Woolworths Limited	4.12%
Flight Centre Limited	3.66%
Spark Infrastructure Group	3.60%
McMillan Shakespeare Limited	3.43%
Cochlear Limited	3.40%
Cabcharge Australia Limited	2.29%
<i>Other holdings</i>	31.45%
TOTAL	100.00%

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