

Both the S&P/ASX 300 Accumulation Index (+2.1%) and the Ganes Value Growth Fund (+2.2%) moved higher during the month as a largely lacklustre reporting season came to a close. Commodity prices continued to fall during the month with bulk commodities such as iron ore receiving the most press attention. It would be expected that the currency would fall as commodity prices fell, and while this has not yet transpired, the Fund owns a number of companies that would benefit from a lower Australian dollar. The Fund has no direct exposure to resource companies.

- The Portfolio benefited from a number of good results during reporting season. Austbrokers, Flight Centre, McMillan Shakespeare, Invocare, Skilled Group and Ansell all reported good profit results.
- Weaker results were reported by Cochlear (product recall), Computershare (lower corporate merger activity), as well as most companies operating in the financial services industry which includes; Treasury Group, IOOF, Platinum and ASX among Portfolio holdings.
- Austbrokers, the Fund's second largest holding, increased revenue by 9.7% and pre-tax profit by 16.7%. The company has indicated it expects profits to grow by 5-10% next year but the company has a track record of over delivering on expectations. The share price has performed strongly in recent years as other investors recognise the qualities within the business and its history of growing earnings.
- Flight Centre has produced an excellent performance lifting Total Transaction Value (TTV) by 8.5% for year to \$13.2bn. TTV is an important metric to measure and represents the total sales of products on behalf of its clients to travel providers. Flight Centre then earns its revenues as fees and commissions from these providers such as airlines and cruise ship operators. For the first time all overseas operations were profitable which contributed to the 18.4% increase in pre-tax profit to \$290m. Even more pleasing the company raised its dividend by 33%. Flight Centre have also predicted higher earnings for the coming year and like Austbrokers, have a track record of meeting or exceeding initial forecasts.
- The Cochlear result was marred by the \$138m of product recall costs. This was as expected and unitholders should note this was also the event that provided the opportunity for the Manager to make an investment in the company. The share price is up nearly 30% on the Fund's average purchase price less than 12 months ago. Despite the recall, the balance sheet is still very strong and the Manager expects reported profits should be materially higher next year.
- Portfolio activity during the month included sales of Oroton, Fleetwood Corporation, Fletcher Building and Blackmores. There were no new positions established. At month end the Fund held 30.9% in cash.

Performance Data as at	31/08/2012
1 month	2.20%
3 months	6.48%
6 months	7.56%
1 year	12.75%
2 years (p.a.)	10.95%
3 years (p.a.)	12.35%
5 years (p.a.)	2.09%
Since Inception (p.a.)*	6.22%
Net Asset Value (\$)	1.2293
Fund Size (\$ million)	47.96

\* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	%
Cash	30.94%
ARB Corporation Ltd	8.32%
Austbrokers Holdings Limited	4.78%
Flight Centre Limited	4.58%
Woolworths Limited	4.41%
Coca-Cola Amatil Limited	4.16%
Spark Infrastructure Group	3.71%
McMillan Shakespeare Limited	3.51%
Cochlear Limited	3.37%
Cabcharge Australia Limited	2.47%
<i>Other holdings</i>	29.74%
TOTAL	100.00%

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