

October was another positive month for the fund (2.06%) and the All Ordinaries Accumulation Index (2.97%). Over the last 12 months, the fund has performed strongly returning 15.0%, compared with 8.91% for the broader market. AGM season was well under way during the month and with growing concerns around a slowing Chinese economy, outlook statements were the most important topic for most shareholders and analysts. The general theme appeared to be “uncertain economic conditions” will prevail which is hardly surprising or insightful. We are expecting that earnings could deteriorate in some sectors and have been positioning the portfolio with this in mind.

During the month the largest positive contributions to performance came from ARB Corporation, Flight Centre, McMillan Shakespeare, Spark Infrastructure, Computershare, Thorn Group and Treasury Group.

At the ARB AGM the company stated that production facilities were running at near full capacity as new vehicle sales continue to remain strong. Management stated they are optimistic and the company is performing well against the weight of a strong currency that is hampering exports which comprise 35% of sales. Overall sales are up 10% on the prior year for the first quarter. Despite the forecast we have reduced our holding further during the month, but it still remains our largest holding.

Flight Centre held their AGM at the end of the month and confirmed they were expecting further growth of 5-8% for 2013 to add to the good year they enjoyed in 2012. Despite the strong currency the first quarter has remained strong and all overseas operations are now contributing to profits, albeit at a much smaller level than the Australian business. In addition the company has \$400m in cash and recognises the need to return surplus cash to shareholders so a special dividend may be paid at some stage.

Negative contributions came from Austbrokers (reversing the gain from the previous month), Sonic Healthcare and Reece.

We continued to reduce some our larger positions during the month that have risen to prices that no longer appear as attractive. Sales during the month included ARB Corporation, Cochlear, Coca Cola, Amatil, Cabcharge, Blackmores, and the ASX; each of these being either reduced or sold completely. At month end the fund held 37% cash providing us with the opportunity to add to the portfolio quickly should prices become attractive.

Performance Data as at	31 Oct 2012
1 Month	2.07%
3 Month	5.09%
6 Month	6.86%
1 Year	15.00%
2 Year (p.a.)	8.30%
3 Year (p.a.)	10.21%
5 Year (p.a.)	1.79%
Since Inception (p.a.)*	6.49%
Net Asset Value Unit Price (\$)	1.2527
Fund Assets (\$ million)	43.55

* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	%
Cash	37.82%
ARB Corporation Limited	8.84%
Austbrokers Holdings Limited	5.61%
Flight Centre	5.20%
Woolworths	4.82%
Spark Infrastructure Group	4.07%
Coca-Cola Amatil Limited	3.43%
Cochlear Limited	3.15%
McMillan Shakespeare Limited	2.86%
Sonic Healthcare Limited	2.35%
Other holdings	21.86%
Total	100.00%

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