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December Quarterly Report

MACRO CAPITAL LIMITED
ABN 14 145 321 928 | AFSL: 392401

GANES INVESTMENT MANAGEMENT PTY LTD
ABN 86 113 032 741 | AFSL 287598

The momentum of the last half year continued into December with the All Ordinaries Accumulation Index up 3.4% for the month, producing a healthy 15.5% six month return and 18.8% one year return for the broader market. The Ganes Value Growth Fund lagged the market in December with a 1.8% return in December however; the Fund produced a healthy 19.9% return for the year. This is a strong performance particularly given a cash weighting of 30-40% during the year.

Performance Data as at	31 Dec 12
1 Month	1.84%
3 Month	4.62%
6 Month	11.49%
1 Year	19.93%
2 Year (p.a.)	8.16%
3 Year (p.a.)	9.92%
5 Year (p.a.)	2.72%
Since Inception (p.a.)*	6.71%
Net Asset Value Unit Price ($)	1.2814
Fund Assets ($ million)	41.74

* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	%
Cash	38.05%
ARB Corporation Limited	7.88%
Austbrokers Holdings Limited	5.96%
Flight Centre	5.89%
Woolworths	4.97%
Cochlear Limited	3.94%
Spark Infrastructure Group	3.87%
McMillan Shakespeare Limited	3.18%
Coca-Cola Amatil Limited	2.92%
Computershare Limited	2.44%
Other Holdings	20.90%
Total	100.00%

The strong performance of the Australian market during the year is certainly **not** attributable to an improving outlook for Australian listed companies. Both full year results reported in August and AGM reports later in the year were generally disappointing and saw widespread downgrades of future company earnings by analysts. Instead, our market appears to have taken its lead from the strong performance of major overseas equities markets most of which also reported returns of around 20%, and the search by Australian investors for higher income returns in an environment of falling interest rates.

From our bottom-up (company focused) perspective, high quality companies have become more and more expensive leading us to reduce our exposure to a number of holdings. We are not tempted by the cheaper low quality offerings and feel comfortable there is plenty of cash in the Fund to protect against, and take advantage of any sell-off.

During the month the largest positive contributions to performance came from Treasury Group, Cabcharge, Sirtex, Blackmores and Austbrokers. December is a quiet month on the company news front and these movements came in the absence of any significant company news. Negative contributions were few and small in magnitude.

During the month a small additional investment in Magellan Flagship Fund was made, and the Fund received its entitlement of shares in Shopping Centres Australia following the spin-off of this asset from Woolworths. A small stake was also initiated in Mortgage Choice, a leading Australian Mortgage Broker. Mortgage Choice has weathered the current poor credit growth conditions and produces strong free cash flow which it is able to distribute to shareholders providing an attractive fully franked dividend. The company is debt free and currently in the process of diversifying its business into offering basic financial advisory services which offers potential for future growth.

Several holdings were reduced during December including Spark Infrastructure, ARB Corporation and Coca-Cola Amatil.

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