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 GANES INVESTMENT MANAGEMENT PTY LTD
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The renewed enthusiasm for equities continued into February with the All Ordinaries Accumulation index adding 5.2% to the 5.1% delivered in January. This was well ahead of international markets (eg. S&P500, MSCI world index) and driven by remarkably strong February returns from the big four banks ranging from 6.9% for the Commonwealth Bank to 10.4% for the National Australia Bank. The Fund added 3.4% during February.

While the banks piled on the gains in the absence of reporting any results, the big driver of the local market in any given February is reporting season with the bulk of Australian listed companies delivering half year and some full year results. Overall market profit results were largely in line with pre-season expectations, though these expectations had moved much lower over the last several months.

Amongst our largest (10) holdings good or satisfactory profit reports were received from ARB, Flight Centre, Austbrokers, Woolworths, Spark Infrastructure, McMillan Shakespeare, Coca-Cola Amatil and Treasury Group. While weaker results were reported by Cochlear and Computershare.

The largest holding of the Fund, ARB Corporation, reported a 10% increase in revenue to \$145m and a 14.5% increase in profits to \$20.9m. This was another solid result from the company that we have come to expect, after holding the stock since first purchasing it for the Fund seven years ago. The tailwind of strong new car sales here in Australia and the Thailand manufacturing expansion continues to drive growth. So far, the slowdown in the resources sector appears to have not had much, if any, impact. The company maintains a pristine balance sheet with no debt, strong cashflow and \$32m in the bank. Management notes that demand for 4WD remain strong and is expecting to “achieve reasonable growth” over prior year.

Outside the largest 10 Fund holdings, underlying business performance was patchy with several good or satisfactory results (eg. Invocare, Adelaide Brighton, Mortgage Choice) and some not so good results (eg. Sonic Healthcare, Ansell, Blackmores).

Overall, across the portfolio fundamentals remain sound with high profitability, sound balance sheets and strong cashflow. However, with very strong returns over last 12 months, valuations are not particularly attractive. Strong positive share price movements in the case of ARB Corporation and McMillan Shakespeare have seen us trim these positions during February, while business deterioration saw us trim exposure to Cabcharge, Blackmores and exit Ansell.

We continue to be cashed up for opportunities to arise.

Performance 28-Feb-13	Ganes	All Ord Index
1 Month	3.39%	5.18%
3 Month	9.20%	14.31%
6 Month	13.00%	20.53%
1 Year	21.55%	21.88%
2 Year (p.a.)	10.97%	6.66%
3 Year (p.a.)	13.21%	7.83%
5 Year (p.a.)	6.55%	2.36%
Since Inception (p.a.)*	7.57%	5.93%
NAV Unit Price (\$)	1.3781	
Fund Assets	\$45.04m	

* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	%
Cash	37.65%
ARB Corporation Limited	8.24%
Flight Centre	6.63%
Austbrokers Holdings Limited	5.96%
Woolworths	5.54%
Spark Infrastructure Group	3.49%
Cochlear Limited	3.30%
Coca-Cola Amatil Limited	2.94%
McMillan Shakespeare Limited	2.88%
Invocare Limited	2.79%
Other Holdings	20.58%
Total	100.00%

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