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 GANES INVESTMENT MANAGEMENT PTY LTD  
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The market fell sharply in the final week of May, leaving it down 4% for the month and taking it back to February levels. Much of the fall was led by the banking sector which has performed strongly over the past year. In addition, general pessimism around resource projects and capital expenditure either being cancelled or deferred and falling consumer confidence were part of the narrative for the market falls.

The fund enjoyed a relatively strong month with the fund down less than 1%, while the market was down 4%. A high cash weighting assisted the outperformance as well as price rises from companies with perceived benefits from a lower Australian dollar.

Strong positive contributions during May came from Computershare (+12.7%), McMillan Shakespeare (+11.0%), Magellan Flagship Fund (+14.0%) and Sonic Healthcare (+7.3%).

McMillan Shakespeare provided a presentation during the month reiterating the attractive nature of their business, however there was little news to explain the price rise.

All the other companies have major exposure to the US dollar and benefit from a lower Australian dollar. For example, Computershare derives most of its income from the United States and reports profits in US dollars hence a falling dollar will allow the company to report higher profits. Magellan Flagship Fund owns a portfolio of high quality international companies such as McDonalds and E-Bay and many of these companies are hitting 52 week highs in addition to the currency gains the fund is achieving. The NTA of the fund rose 14% during the month and the share price rise mirrored this increase.

The largest negative contributions came from Woolworths (-9.4%), Coca Cola Amatil (-14.2%) and Invocare (-7.8%). There was no specific news to explain the price fall for Woolworths, however, supermarket retailers have been in the news with the competitive tension between the suppliers and retailer gaining headlines.

One of the suppliers that experienced this tension first-hand is Coca Cola Amatil which held its AGM during the month and provided a trading update. The company reported it is experiencing intense competition in the grocery distribution channel and is now predicting a fall in operating earnings of 8%-9% for the first half leading to the sharp price fall.

Invocare also held its AGM during the month and provided a trading update. The company reported revenue for four months to April up 8.7%, however profit margins have been impacted by various factors including payroll and marketing expenditure, and operating profit is only up 7.7%. While this is still a reasonably good result, the market was disappointed.

Performance 31-May-13	Ganes	All Ord Index
1 Month	-0.64%	-4.39%
3 Month	3.43%	-2.96%
6 Month	12.94%	10.93%
1 Year	24.45%	24.23%
2 Year (p.a.)	13.32%	6.04%
3 Year (p.a.)	14.96%	7.96%
5 Year (p.a.)	8.37%	1.19%
Since Inception (p.a.)*	7.79%	5.30%
NAV Unit Price (\$)	1.4057	
Fund Assets (\$ million)	46.36	

\* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	%
Cash	41.17%
Flight Centre	7.78%
Austbrokers Holdings Limited	6.49%
ARB Corporation Limited	6.26%
Woolworths	5.08%
Spark Infrastructure Group	3.62%
McMillan Shakespeare Limited	3.09%
Cochlear Limited	2.92%
Computershare Limited	2.76%
Invocare Limited	2.60%
Other Holdings	18.23%
Total	100.00%

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