

The local market produced another positive month of 3.91% on the back of strong rises amongst banking stocks and BHP. Despite protracted negotiations within the US Senate over approval to increase its debt ceiling, global markets also reported rises of the same magnitude. Comments by the Federal Reserve that it will not slow down its quantitative easing program until labor markets improve seemed to spark investor confidence. We remain less sanguine that this policy will not cause some disruption in financial markets at some stage and remain cautious.

The Fund recorded a rise of 2.03% for the month, and a one year return of 20.63% despite our higher than normal cash weighting.

AGM season kicked off during October (and finishes in November) including several of our largest holdings: Flight Centre; Austbrokers and ARB Corporation.

Flight Centre has enjoyed a very good year with profits up 20% and the share price recording an even stronger 95% increase over the past 12 months. The company provided shareholders with an upbeat forecast of earnings for next year on the back of very good trading conditions in the first quarter. In this typically conservative demeanor, CEO Graham Turner, warned shareholders not to get too carried away on the back of just a few months results but nevertheless, forecast earnings will be 8% -12% higher in 2014 on the back of further investment in its store network. The share price rose a further 7.5% during the month.

Austbrokers also contributed strongly to Fund performance for the month with the share price rising 10% however there was little news to suggest any reason for the increase. The company will hold its AGM during November.

By contrast, ARB Corporation held its AGM and reported sales for the first quarter in line with prior year. First quarter profits are likely to be down 10% on the previous year. Sales to the resource sector and associated service companies have slowed significantly, as resource sector capital projects have slowed down or have been deferred. Sales in this area have fallen by 50% year on year, however a lower Australian dollar will help exports. ARB has a track record of overcoming difficult economic conditions and we are confident these challenges will be no different. However, we continued to reduce our holding as we believe the current price does not fully reflect the potential lower earnings growth.

Across the broader market, AGM commentary from management is generally of subdued business conditions and suggestive of a weak first half of the new financial year.

We continue to review the existing portfolio and scour the market for new opportunities and this has resulted in sales of ARB Corporation and purchases of Lend Lease, Fiducian Portfolio Services and Woolworths during October.

Performance 31-Oct-13	Ganes	All Ord Index
1 Month	2.03%	3.91%
3 Month	4.82%	9.15%
6 Month	5.45%	7.18%
1 Year	20.63%	24.68%
2 Year (p.a.)	17.78%	16.53%
3 Year (p.a.)	12.26%	9.26%
5 Year (p.a.)	14.60%	11.09%
Since Inception (p.a.)*	8.17%	6.54%
NAV Unit Price (\$)	1.4724	
Fund Assets (\$ million)	47.60	

* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	%
Cash	42.57%
Flight Centre	9.75%
Austbrokers Holdings Limited	7.28%
Woolworths	5.75%
Treasury Group Limited	3.52%
Spark Infrastructure Group	3.42%
ARB Corporation Limited	2.69%
Computershare Limited	2.58%
Sonic Healthcare Limited	2.40%
Magellan Flagship Fund	2.34%
Other Holdings	17.70%
Total	100.00%

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