

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

The Fund fell 1.07% during January but out-performed the broader market (All Ordinaries) which fell 2.76%. The banking sector led the local market lower with all four majors down at least 4.5% for the month. There was no bank specific news or any other particular local news driving this fall. Perhaps more pertinent was a broad decline in global markets over the month led by emerging market weakness, as the US Federal Reserve began pulling back on its quantitative easing program.

The US market fell more than 3% in January again with the Fed tapering and slowing Chinese growth in the background, along with a number of weaker than expected fourth quarter profit results.

In any case, it is not unusual for markets to bounce around in this fashion and we try not to read too much into short-term movements. However, it is worth noting that the Fund tends to out-perform the market during these down periods and this tends to contribute to longer term performance. For example, in May and June last year, the market fell 4.4% and 2.6%, whereas the Fund decline was limited to 0.6% and 0.3%. It is also worth noting that the Fund now has a superior 1 year return at the end of January, despite the high cash weighting.

In a down market, positive performances were few and far between but the stand-out performer was Fiducian Portfolio Services which rose 19% for the month in the absence of any news.

The largest negative dollar contribution to Fund performance came from Austbrokers, reversing the strong performance of the previous month, again with no news to report. Treasury Group also had a bad month, but this follows a strong price gain over the last year. Funds under management were up to \$19bn at 31st December from \$17.6bn at 30 September, including net flows of +\$0.42bn and market movements of +\$1.17bn. \$580m at Orion, will ultimately be lost as that business is wound-down.

There was no transactional activity in the Fund during January as we await the February half year reporting season. Most of the businesses in the portfolio report in February and this will provide us with additional information to assess future prospects and current value. We also remain hopeful that value will emerge in high quality businesses that we do not currently own and that we will be able to put current cash reserves to work.

Performance 31-Jan-14	Ganes	All Ord Index
1 Month	-1.07%	-2.76%
3 Month	-1.42%	-3.22%
6 Month	3.33%	5.63%
1 Year	11.88%	10.73%
2 Year (p.a.)	16.94%	14.63%
3 Year (p.a.)	10.53%	6.97%
5 Year (p.a.)	17.76%	13.19%
Since Inception (p.a.)*	7.72%	5.91%
NAV Unit Price (\$)	1.4397	
Fund Assets (\$ million)	45.70	

* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	%
Cash	39.74%
Flight Centre	9.29%
Austbrokers Holdings Limited	6.95%
Woolworths	6.14%
Spark Infrastructure Group	3.44%
Treasury Group Limited	3.31%
Computershare Limited	2.80%
Magellan Flagship Fund	2.78%
ARB Corporation Limited	2.65%
Sonic Healthcare Limited	2.56%
Other Holdings	20.34%
Total	100.00%

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