

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

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

February was a strong month for equity markets with the All Ordinaries up 4.8%, as companies generally reported better than expected results. The Australian market was led by strong gains within the banks and BHP (up 5%).

While some company results were viewed very favourably, some perhaps excessively so with companies like Domino's Pizza (a former top holding) up 27% for the month, we are somewhat wary that much of the earnings growth was achieved through cost reductions rather than revenue growth.

The growth expectations amongst many of these smaller companies, particularly in the consumer and technology sectors, now appear very stretched and have the potential to deliver poor returns over the next few years if earnings disappoint.

The Fund reported a return of 2.7% for the month, which lagged the market, however we were generally pleased with the profit results for most companies within the portfolio.

Flight Centre, our largest holding, reported a strong interim result and the share price rose 9% during the month and was the largest contributor to fund performance. Revenue rose 15% on last year and TTV (our key metric which measures customer ticket sales) was also up 13% for the year, which we consider an excellent result. Shop numbers have now increased to 2,643 stores globally and the company's cash balance increased to \$402m (3 months of company operating expenses), up from \$320m in previous year. Shareholders were rewarded with a 19% increase in dividend to 55c. We remain confident the company can continue to deliver strong results for shareholders over the coming years and it remains our largest holding.

Another strong contributor during the month came from Treasury Group which also reported a strong result, although this was not entirely unexpected with its leverage to the rising equity markets of the past year. Underlying net profit rose by 30% driven by a 31% lift in management fees from its investment management business. Profitability was enhanced by a shift in funds under management toward retail clients which generate higher fees. The share price rose 10% during the month on the back of this good news.

Other companies within the portfolio to report good results included Computershare, Sonic Healthcare, Adelaide Brighton (and the announcement of a special dividend) and Platinum Asset Management.

Detractors from fund performance came mostly from Coca Cola Amatil, Cochlear and Magellan Flagship Fund which reported disappointing results. It should be noted that Magellan has had a very strong return in recent months with the fall of the Australian dollar, good performance from its international portfolio and the share price up 60% over the last 12 months.

There was one new addition to the portfolio and the sale of Mortgage Choice and part of the Austbrokers holding on valuation grounds.

Performance 28-Feb-14	Ganes	All Ord Index
1 Month	2.72%	4.84%
3 Month	2.27%	2.88%
6 Month	5.80%	7.95%
1 Year	11.15%	10.37%
2 Year (p.a.)	16.23%	15.98%
3 Year (p.a.)	11.03%	7.88%
5 Year (p.a.)	19.12%	15.26%
Since Inception (p.a.)*	7.99%	6.46%
NAV Unit Price (\$)	1.4788	
Fund Assets (\$ million)	46.31	

* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	%
Cash	39.03%
Flight Centre	10.01%
Woolworths	6.42%
Austbrokers Holdings Limited	5.16%
Treasury Group Limited	3.89%
Spark Infrastructure Group	3.54%
Computershare Limited	2.93%
ARB Corporation Limited	2.76%
Sonic Healthcare Limited	2.65%
Magellan Flagship Fund	2.64%
Other Holdings	20.97%
Total	100.00%

Important Information: This report is provided for investors in the Funds. While all care has been taken in the preparation of this report (using sources believed to be reliable and accurate), Macro Capital Limited, its officers, employees, agents and associated entities accept no responsibility for and will not be liable in respect of any loss or damage suffered by any person in connection with this other than under law which cannot be excluded. You should seek your own financial and taxation advice before dealing with your investment. This report has been prepared without taking into account your investment objectives, financial situation or particular needs. Before investing, or retaining an investment, in any of the Funds you should read the relevant PDS and consider whether the Fund is appropriate having regard to those matters. A copy of the PDS is available at www.macrofunds.com.au. Remember, past performance should not be taken as indication of future performance.