

The Australian market (+4.5%), along with other key Asian markets, significantly outperformed US (-1.5%) and European markets, apparently driven by better than expected reported Chinese growth.

One year returns for the banks have remained strong (ANZ +20.0%, CBA +18.0%, NAB 19.4% and Westpac +18.5%). Simplistically, if the banks do well the market does well in Australia but it is now being reported that Australian banks are the most expensive in the western world on valuation metrics. Our view is that it is hard to see how they can maintain this outperformance against the economy and credit growth.

The Fund generated a positive return of 1.8% for July, a good absolute return in any normal month, but relative to the +4.5% market return, it doesn't look so good. However, we remain focused on finding attractive long term opportunities for the Fund and won't get drawn into chasing hot short-term returns. We are at the start of the full year profit reporting season and will look through a large number of company results, looking for profitable businesses with good future growth prospects, strong balance sheets that can be purchased at prices that will generate attractive future returns.

Within the portfolio, July was a positive month with largest positive contributions from Flight Centre and Woolworths. Flight Centre updated the market late in the month, confirming a record underlying pre-tax profit of \$375-\$380m, versus original guidance of \$370-\$385m, with profitability achieved in all ten regions around the globe. There was no news from Woolworths and the stock was up 4.9%, in line with the market.

The largest negative return came from Austbrokers, though the only news from the company was an acquisition update detailing two further acquisitions that are expected to add 2.5% to earnings per share in FY15, however industry conditions are suggesting softness in premiums which could affect future earnings.

During the month there was a partial sale of Cochlear and a new position established in Templeton Global Growth Fund. The Cochlear share price has held up remarkably well despite the stream of bad news during the course of the year and we reduced the Fund exposure given the heightened risk that the company will not deliver the skew to the second half that management has suggested.

Templeton is a listed investment company with an international portfolio spread across the USA, Europe and Asia and selling at a slight discount to net asset backing. With its diverse portfolio and unhedged currency, TGG offers an opportunity to gain from international economies in very different sectors to Australia and a potential lift if the Australian dollar weakens. The Directors are quite specific that currency could play a big role in future investment gains. Something we are acutely aware of at current levels and public statements by the RBA.

Performance 31-July-14	Ganes	All Ord Index
1 Month	1.83%	4.49%
3 Month	-0.33%	3.64%
6 Month	3.32%	10.34%
1 Year	6.76%	16.56%
2 Year (p.a.)	13.63%	19.58%
3 Year (p.a.)	12.42%	12.59%
5 Year (p.a.)	13.74%	10.33%
Since Inception (p.a.)*	7.67%	6.77%
NAV Unit Price (\$)	1.4721	
Fund Assets (\$ million)	42.60	

\* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	%
Cash	33.18%
Flight Centre	9.97%
Woolworths	7.15%
Austbrokers Holdings Limited	5.15%
Treasury Group Limited	4.54%
Spark Infrastructure Group	4.28%
ARB Corporation Limited	3.50%
Computershare Limited	3.53%
Sonic Healthcare Limited	3.02%
Magellan Flagship Fund	2.81%
Other Holdings	22.87%
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.macrofund.com.au](http://www.macrofund.com.au). Remember, past performance should not be taken as indication of future performance.