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 GANES INVESTMENT MANAGEMENT PTY LTD
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The Australian market was relatively flat for August on the back of weak performance by BHP (down 5.2%) and RIO (down by 4.1%) as well as subdued performance from the banks. However, the fund enjoyed a positive return of 2.1%, outperforming the market by 1.4% for the month.

Reporting season wrapped up during August and didn't offer much excitement with about 26% of companies beating earnings forecasts. It still appears that top-line growth is a premium commodity and companies that are achieving it are being rewarded with higher share prices. Meanwhile for most companies it's a case of carving further costs out of the business to achieve profit growth. Much of the commentary from companies was conservative in terms of earnings expectations for 2015.

Within the portfolio the largest positive contributions came from Treasury Group, Austbrokers and ARB Corporation. Treasury Group delivered a good result with profit up 27% on the back of a 49% increase in funds under management (FUM), and the company predicting profit growth will continue in 2015. In addition, the market has reacted positively to the merger with US based boutique fund manager, Northern Lights, which the company has described as a "company transforming transaction as it delivers significant diversification in our earnings stream, enhances offshore distribution."

After months of a gradually falling share price, Austbrokers reported a solid result that was well received by the market, with the share price jumping 12% during the month. Revenue was up 18% and underlying profit increased by 10% on the previous year.

ARB Corporation also delivered a good profit result due to a strong 4th quarter. Local aftermarket sales held up well despite the loss of mining sector revenue, and a 14% increase in export sales was a highlight. New products and significant warehouse expansions indicate management's confidence in the future. We have long-owned this company and this result provides us with confidence that ARB can continue to reward shareholders with increased profits and dividends in the future.

Despite delivering yet another record result Flight Centre fell slightly during the month negatively impacting fund performance. All ten countries that the company operates in reported profits for the fourth year in a row and the company is predicting growth of 5%-8% again next year. However, the market had been expecting better growth forecast and the share price fell on the back of analyst's earnings downgrades. Despite this short-term view we believe this a well-managed business with solid growth prospects selling at a discount to our assessed valuation.

During the month we continued to add incrementally to our new position in Templeton Global Growth, along with relatively minor additions to Treasury Group and Trade Me. We have also established an initial stake in a new addition to the portfolio during the month. The new addition has all the hallmarks of quality that we like to see in a business of growth, high returns on capital and strong management with a meaningful stake in the business. Given liquidity and the fact we wish to buy more we shall not directly mention the company at this point in time.

Performance 31-August-2014	Ganes	All Ord Index
1 Month	2.10%	0.72%
3 Month	1.98%	3.76%
6 Month	2.70%	6.01%
1 Year	8.66%	14.43%
2 Year (p.a.)	13.57%	18.75%
3 Year (p.a.)	13.30%	13.63%
5 Year (p.a.)	12.84%	9.11%
Since Inception (p.a.)*	7.84%	6.79%
NAV Unit Price (\$)	1.5030	
Fund Assets (\$ million)	42.20	

* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	%
Cash	29.28%
Flight Centre	9.94%
Woolworths	7.06%
Austbrokers Holdings Limited	5.82%
Treasury Group Limited	5.31%
Spark Infrastructure Group	4.52%
ARB Corporation Limited	3.84%
Computershare Limited	3.34%
Sonic Healthcare Limited	2.96%
Magellan Flagship Fund	2.76%
Other Holdings	25.17%
Total	100.00%

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