

The local market produced a strong month to start the new financial year following the lead from strong overseas markets in Europe and USA, and going some way to retracing the losses experienced in May and June. The All Ordinaries Index was up 5.46% led by strong gains in the resources and energy sectors, as well as the banks outperforming the index for the month.

While the Fund also produced a positive return of 1.5% for July, it clearly under-performed the broader market. However, the Fund outperformed the market over the last three and six months despite the high cash weighting.

Weighing heavily on the Fund during July was the performance of McMillan Shakespeare. The company is one of Australia's largest providers of salary packaging services and is expected to be badly affected by the Labor Government's proposed changes to legislation around the salary packaging of motor vehicles. If these changes were to be legislated, it appears that around half of the company's profit is at risk. As has been noted in the media, the share price of McMillan Shakespeare is now somewhat of a barometer of the election outcome. The Coalition has stated publicly that it does not support these changes and so a Coalition win would remove the short-term risk around these earnings. Should Labor win, they still require the numbers in the Senate to get these changes through. Perhaps as a measure of their confidence in the election outcome, the Company has said they are not laying off staff at this point in time despite that part of their business grinding to a halt pending the election outcome. Not surprisingly, the share price of the company fell by more than 50% on the news. We have always recognised the regulatory risk around this company but purchased it at an average price of less than \$3.50, when this risk was clearly priced in. We continue to weigh the regulatory risk against the price and will adjust the exposure of the Fund to the company accordingly.

On a more positive note, the largest holding in the Fund, Flight Centre, upgraded its earnings guidance for FY13. The company told the market that pre-tax profit would be at the top end or slightly above prior upgraded guidance. The share price gained 15.3% over the month.

Other significant contributions came from ARB (positive), Treasury Group (positive) and Computershare (negative) though there was no company specific news which might account for these movements.

During the month, there were partial sales of McMillan Shakespeare and ARB Corporation. There were no purchases.

The Fund remains well positioned to take advantage of any opportunities that may arise as we head into the main company reporting season of August.

Performance 31-Jul-13	Ganes	All Ord Index
1 Month	1.50%	5.46%
3 Month	0.60%	-1.81%
6 Month	8.27%	4.82%
1 Year	20.94%	22.67%
2 Year (p.a.)	15.37%	10.66%
3 Year (p.a.)	14.39%	8.38%
5 Year (p.a.)	11.07%	4.40%
Since Inception (p.a.)*	7.78%	5.55%
NAV Unit Price (\$)	1.4134	
Fund Assets (\$ million)	46.60	

\* Inception date of Fund 18/11/2005

Top 10 Portfolio Holdings	%
Cash	43.12%
Flight Centre	8.70%
Austbrokers Holdings Limited	6.67%
ARB Corporation Limited	5.29%
Woolworths	5.11%
Spark Infrastructure Group	3.67%
Treasury Group Limited	3.00%
Invocare Limited	2.80%
Computershare Limited	2.40%
Cochlear Limited	2.36%
Other Holdings	16.88%
Total	100.00%

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