

## AUGUST 2019 MONTHLY REPORT

### Market Returns and Portfolio Performance

The Australian market faltered during August as the tariff trade war between China and the USA dominated headlines, however, the overall market has still enjoyed a solid return of 8.6% for the past year. August was reporting season and companies that beat market expectations were well rewarded, even if they were already expensive prior to the announcement. Companies that missed market expectations were generally handed a severe downgrade.

The Fund out-performed its benchmark in August with a return of 0.6%, however over the past year performance trails the overall market by nearly 12%. Pleasingly, in recent months the fund has managed to outperform the market again, and more importantly continues to outperform over 5 year and 10 year timeframes.

Performance 31-Aug-2019	Ganes Value Growth Fund	All Ord Index
1 month	0.6%	-2.2%
3 months	3.8%	4.1%
6 months	9.8%	9.3%
12 months	-3.1%	8.6%
2 years p.a.	10.8%	12.2%
3 years p.a.	9.9%	11.1%
5 years p.a.	9.0%	8.1%
10 years p.a.	10.9%	8.6%
Since Inception (p.a.)*	8.3%	7.3%
NAV Mid Unit Price (\$)	\$1.5750	
Fund Assets (\$ million)	\$13.67	

\*Inception date of Fund is 18/11/2005

Contributors to fund performance during the month included Smartgroup which rose 19% and PWR Holdings and Domino's Pizza which both rose 11%. Smartgroup reported modest a 3% rise in revenue and 5% growth in profits for the half-year to June, but in light of the slowdown in car sales this was well received by the market and the price rose strongly. PWR Holdings reported a very strong result with revenue up 26% and profits up 17% to \$14.2m. Strong growth in motor sports was the main reason but the company looks set to expand into aeronautical and new technology markets that should see profits continue to rise for the next few years. In recognition of its strong balance sheet, with \$20m cash and no debt, the company also announced a special dividend of 3c for the year.

On the negative side Beacon Lighting was down 9% for the month as it reported lower profits and shrinking profit margins. Revenue was up 2.5% on the back of new store openings but Net Profit fell \$3.3m to \$16.2m for the year. Beacon Lighting has struggled to gain same store sales growth in the current environment and its exposure to the consumer spending will probably see the company struggle to gain momentum for some time yet. The Robinson family have owned the business for 50 years and still have plenty at stake being the major shareholder and we like their long-term approach to investing in the business, but we have slightly reduced our holding following the results.

Recent addition, Nearmap was down 19% for the month even though it reported strong growth in its nascent US business. While revenue grew by 45% to \$77m and Annualised Contract Value grew by 36% this was lower than the market was expecting, and in addition, expenses were higher than anticipated. Nearmap has a very bright future and is achieving scale very quickly in the North American market so we have taken the opportunity to add to our holding following this price weakness.

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