CONTANGO MICROCAP LIMITED
INVESTMENT COMMENTARY

QUARTERLY UPDATE - JUNE 2015

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MANAGING DIRECTOR'S COMMENT

Dear Shareholder

It has been a somewhat bumpy year in global financial markets driven by renewed uncertainty in Greece and market gyrations in China. As you would expect, the investment team's focus continues to be on prudently managing the company's portfolio in this market environment.

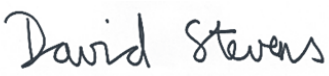
Focusing on the business, I am pleased to announce that the launch of Contango Group's new LIC, Contango Income Generator Limited (CIE), was successful with the offer receiving well over the required minimum. I can therefore confirm that the new company will list on the ASX as scheduled.

I would like to take this opportunity to congratulate George and the investment team on their efforts and also thank current CTN shareholders who supported the offer. We are very pleased with the response from current CTN shareholders and we appreciate the vote of confidence.

Looking forward, the launch of CIE is an exciting opportunity for the company and it is evidence that our growth strategy is on track and delivering for shareholders.

If you require more information about CTN or CIE please feel free to visit the Contango website or call either myself or George Boubouras on 03 9222 2333.

Regards



David Stevens
Managing Director
Contango MicroCap Limited

A WORD FROM THE CHIEF INVESTMENT OFFICER

Diversification the key to weathering the volatility storm

Whether it's the Greeks defaulting on loans to the IMF or the Chinese speculating in their equity market, equity market volatility is a fact of life – whether we like it or not.

The recent share market volatility is a timely reminder that the best way to weather the volatility storm is to lower your risk by having a more diversified portfolio.

But the key question for investors is - how to best diversify?

Some investors try to manage volatility by increasing the cash holding of their portfolio. But when cash rates are not particularly friendly – as they are now, timing the market in and out of cash is notoriously difficult. Thus a more sustainable and sophisticated approach is to have a lower risk diversified portfolio with a beta that is lower than the market.

When constructing a diversified portfolio, the "safe" option can be to focus solely on well-known large cap stocks. But only investing in large cap companies can actually concentrate risk. For example, the composition of the largest 30 stocks on the ASX 300 index is heavily weighted toward Financials (54% by market cap) compared to the ASX 300 ex-30 which is only 25% Financials by market cap.

The solution is for investors to supplement their core large cap holdings (and their small and micro cap holdings) with a diversified exposure to lower risk and high yielding stocks in the ex-30 segment of the market. This can maintain or even increase the yield of an investor's portfolio while also lowering risk and volatility.

However, investing in the ex-30 segment of the market can pose a few initial hurdles for investors. The first question investors ask is how much should I allocate to the sector? The answer will obviously depend on an individual's personal circumstances but a basic rule of thumb is around 30% of a domestic equity portfolio. The remainder of your domestic equity portfolio should consist of large cap and small cap equities.

Allocating to the ex-30 sector requires a more diversified approach which also means more time spent searching for those high quality and high yielding stocks. But rather than spend their valuable time trawling through market research, investors should use a professional ex-30 fund manager with the resources to review and analyse the entire ex-30 stock universe.

That way investors can get back to doing what they do best whether that be holidaying in the Greek islands or enjoying the culture in Beijing.

Weathering the volatility storm is part of the game – it's how you do it that counts.



George Boubouras
Chief Investment Officer
Contango Asset Management Limited

GLOBAL OVERVIEW

Global equity markets finished the financial year on a sour note with the broad MSCI ACWI Index down 2.5% in the month of June. Negative news from Greece was the main catalyst but aggressive selling in Chinese markets also weighed on global markets. The VIX index of volatility reflected this uncertainty, spiking higher to end June up 32% to its highest levels since February this year.

Globally, losses were broad-based in the month with the FTSE 100 (-6.6%) and Euro Stoxx 50 (-4.1%) losing the most ground given their exposure to the turmoil in Greece. Performances in the US (-2.1%) and Japan (-1.6%) were better, though neither index was spared from finishing the month in the red.

The astonishing rally in the Chinese equity market came to a screeching halt during the month. The Shanghai A shares index sold off 22% from its peak officially entering a bear market. The Chinese authorities responded with interest rate cuts and an announcement that the country's official pension funds would be allowed for the first time to invest in stocks.

Domestically, the Aussie market underperformed declining 5.3% on the back of selling in China with the ASX 300 Resources down -9.1%. Of the sectors, Consumer Discretionary was the key laggard, down 11.2%, followed by the mining-heavy Materials index (-8.3%). Outperformers included the more defensive Telcos (-1.3%), Banks (-2.3%) and REITs (-4.1%).

Over the June quarter, global markets were essentially flat (-0.3%). The standout was the Chinese Shanghai Composite Index which finished up 14.1% despite selling in the month of June. The Euro Stoxx was hit the hardest in the quarter with the index down 7.4% driven by the turmoil in Greece.

Over the 2015 financial year, equity returns were modest after two years of strong double digit returns. The MSCI World Index lost -0.4% in FY15 following 21.6% in FY14 and 16.0% in FY13.

China was the clear standout in FY15 (Shanghai Composite Index 108.8%) as policy easing and financial reform far outweighed the negative impact to sentiment of a slowing economy.

Global Indices	1 mth	3 mth	12 mth
Dow Jones Industrial	-2.2%	-0.9%	4.7%
S&P 500	-2.1%	-0.2%	5.2%
NASDAQ Index	-1.6%	1.8%	13.1%
Euro Stoxx 50 Price Index	-4.1%	-7.4%	6.1%
FTSE 100	-6.6%	-3.7%	-3.3%
German Aktien Index (DAX)	-4.1%	-8.5%	11.3%
France CAC40	-4.3%	-4.8%	8.3%
Nikkei 225 Index	-1.6%	5.4%	33.5%
Hang Seng Index	-4.3%	5.4%	13.2%
Shanghai Composite Index	-7.3%	14.1%	108.8%
India BSE 200 Index	-0.9%	-1.1%	12.0%
MSCI ACWI (US$)	-2.5%	-0.3%	-1.2%
MSCI ACWI Ex Aust (AU$)	-3.0%	-1.1%	21.6%
ASX 300	-5.3%	-6.5%	5.6%

The S&P 500 (5.2%) outperformed most benchmarks, although gains stalled in the second half as rhetoric from the US Federal Reserve around interest rate rises stepped up a notch.

European equity markets started the year in the slow lane but were subsequently boosted by the ECB's launch of its latest QE program in January (€60 billion per month). The Euro Stoxx 50 finished the year up 6.1%.

The Australian equity market delivered a modest capital return of only 1.1% in FY15 but the total return including dividends was a more respectable 5.6%. The local market was dragged lower by Resources (-16.7%) but the market ex resources ended up 11.2%.

Looking back over the year, a key driver of markets was accommodative monetary policy. Policy remained loose as the threat of deflation loomed particularly in Europe.

In January the ECB launched a large scale QE program that will see the bank purchase €60 billion of government and private sector bonds per month totalling ~€1.1 trillion in assets by September 2016. The Bank of Japan continued its own asset purchase program with the BoJ committed to lifting the economy out of deflation. In the US, policy remained accommodative but the prospect of higher rates in late 2015 drove market volatility.

On Greece, the situation deteriorated late in the year as the country failed to meet a repayment deadline and technically defaulted to the IMF. The Greek Government announced a referendum on whether to accept the creditors demands which is scheduled to be held 5 July.

In the meantime, the ECB froze the ceiling on Emergency Liquidity Assistance to Greek banks, effectively refusing to increase its assistance. In response to plummeting bank deposits, the Greek Government imposed capital controls, shut Greek banks and limited daily cash withdrawals to €60 per day.

On global growth, the global economy continued to grow at or slightly below trend although forward growth expectations were again revised lower.

The IMF downgraded its 2015 global growth forecast in January by 0.3% to 3.5%, and later warned that growth remained moderate, with "uneven prospects" across the main countries and regions. That said, global growth is expected to accelerate in 2016 driven by a pick-up from the US and emerging markets.

US

The US data flow was generally positive in the month of June. But despite this, the June FOMC statement suggested that the trajectory of rate normalisation in the US might be less steep than previously expected.

Fed officials reduced forecasts for economic growth for 2015 to a range of 1.8%-2.0% (March 2.3%-2.7%). The Fed stated that it continued to "judge that the first increase in the federal funds rate will be appropriate when it has seen further improvement in the labour market and is reasonably confident that inflation will move back to its 2% objective over the medium term".

On the data, the Thomson Reuters/University of Michigan consumer confidence index rose to 96.1 in June compared to 90.7 in May, representing its highest print since January's reading of 98.1.

The ISM manufacturing PMI rose to a five-month high of 52.8 in May from 51.5 in both March and April. The non-manufacturing survey fell to a 12-month low of 55.7 from 57.8 in April.

Nonfarm payrolls rose a strong 280 000 in May from 221 000 in April. The participation rate edged up to a four-month high of 62.9% from 62.8% previously whilst the unemployment rate also crept up to 5.5% from 5.4% in the month prior.

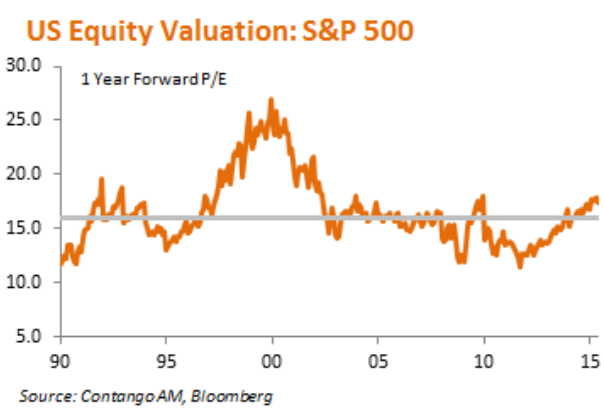
On inflation, the headline CPI for May increased 0.4%, representing the largest gain since February 2013. On an annual basis prices were up 1.7% versus expectations of a 1.8% increase. Core prices crept up 0.1% in the month to be up a still modest 1.7% over the year.

Housing starts bucked the trend slumping 11.1% to a disappointing annual rate of 1.036 million following April's increase of 22.1% to a seven-year high of 1.165 million. But Building permits showed more resilience jumping 11.8% to an annual rate of 1.275 million - their highest level since August 2007.

US Equity Market

The S&P500 was looking to end the month largely unchanged until losing significant ground in the last week of June. The index ended the month down 2.1% as Greece confirmed it would not make a €1.6 billion payment to the IMF.

Chart 1: US Equity Valuations. The US market multiple is slightly above the long run historical average.



Whilst most sectors ended the month lower, Energy (-3.6%) and Materials (-4.2%) were the key underperformers, whilst the Banks (2.0%) and Consumer Discretionary (0.5%) sectors fared best.

M&A news saw the Healthcare sector enter the spotlight this month with the country's second largest health insurer, Anthem, making a bid for Cigna to boost membership and access Cigna's employer-based insurance members. At the same time Louisville-based insurer, Humana, received a formal cash-and-stock bid from Aetna. Cigna had also made an offer for the company.

China

The Chinese data flow continued to be subdued in June. The HSBC flash manufacturing PMI rose to 49.6 compared to a final reading of 49.2 in May. But although this represented a second consecutive monthly increase, the index remained in contractionary territory.

On inflation, May's CPI inflation rate came in at 1.2%, a decrease from April's rate of 1.5%. Excluding food and energy prices, core CPI rose 1.6%, ticking up from +1.5% in April.

Given the subdued economy, tight overall financial conditions and a correction in the sharemarket, the PBoC announced more easing. The Bank cut the benchmark lending rate and deposit rates by another 25 basis points and also cut reserve requirement ratios. It was the first time since October 2008 that it had cut both interest rates and reserve requirements. The central bank stated that both steps were aimed at lowering borrowing costs and "stabilizing growth".

Earlier in the month, the PBoC cut its 2015 economic growth forecasts and it now expects GDP growth of 7.0% (from 7.1% previously) and consumer price inflation of 1.4% (from 2.2% previously).

Europe

Negotiations between Greece's prime minister, Alex Tsipras, and the European 'Institutions' broke down towards the end of June when the Greek prime minister called for a July 5 referendum.

Tsipras called for Greeks to vote "no" to the Troika's demands but a "no" vote may risk the country exiting the European monetary union. Athens has closed the country's banks and imposed capital controls to prevent financial chaos.

GLOBAL INTEREST RATES / CREDIT MARKETS

Global bond markets had a somewhat volatile FY15 with yields ending the year lower.

It was a tail of two halves with bonds rallying in the first half of the year in response to concerns around the pace of global growth and the risk of deflation. But bonds subsequently sold off on speculation of Fed rate hikes and an improving US economy.

Yields on US 10 year bonds reached a mid-year low of 1.65% in January and Aussie bonds reached a low of 2.39% in early February. Yields on both then rose with yields finishing the year at 2.35% and 3.01% respectively.

During the month of June, US bond yields sold off despite the turmoil in Greece. Greece's 10 year benchmark yield increased 393 basis points over the month whilst the 2 year yield was up 1422 basis points.

10 year yields in other "periphery" European economies such as Italy, Spain and Portugal also tracked higher (49 basis points, 46 basis points and 43 basis points respectively).

Interest Rates	Level	1 mth	3 mth	12 mth
AUS UBS Composite Bond	8,397	-0.9%	-2.0%	5.6%
AUS UBS Bank Bill Index	8,274	0.2%	0.6%	2.6%
	%	*basis point change*		
AUS Cash Rate	2.00	0	-25	-50
AUS 90 day Bank Bill rate	2.14	0	-8	-54
AUS 10 year Bond yield	3.01	28	69	-53
US Federal Funds rate	0.25	0	0	0
US 30 year Bond yield	3.12	24	58	-24
US 10 year Bond yield	2.35	23	43	-18

EXCHANGE RATES

The US dollar strengthened against all major currencies over the year with most of the gains made in the first half. The USD was driven by speculation of higher US rates and the improving US economy. Its strongest performance was against the Euro (23%), AUD (22%) and JPY (21%).

Exchange Rates	Level	1 mth	3 mth	12 mth
AUD/USD	0.7707	0.8%	1.3%	-18.3%
AUD/YEN	94.4030	-0.5%	3.3%	-1.2%
EURO/USD	1.1135	1.3%	3.7%	-18.7%
AUD/EUR	0.6921	-0.5%	-2.3%	0.5%
AUST TWI	63.8000	0.2%	0.8%	-11.4%

In the month of June, the USD ended down 1.5% (ICE index) as FOMC commentary suggested that the trajectory of interest rate rises might be less steep than had originally been anticipated.

The AUD ended largely unchanged against the USD (0.8%) in the month. On a trade-weighted

basis, the change was even less pronounced (0.2%).

The euro ended the month up 1.5% despite uncertainty regarding the status of Greece in the European monetary union.

COMMODITIES

Over the year, commodity prices were generally weak on the back of the rising USD and over-supply in key markets.

The most notable move was the sharp drop in oil prices in the first half of FY15. Brent more than halved over a six month period from a high of $110 to a low of $46 in January. The sustainability of the subsequent partial recovery to US$60 remains uncertain given global demand growth is still muted and no supply response from OPEC.

Iron ore prices also fell sharply over the year from $94 to $60, although they did end off their April low of $47. The ore was weighed down by subdued Chinese steel demand and strong supply growth.

Commodities	Level	1 mth	3 mth	12 mth
Gold (US$/oz)	1,172	-1.5%	-1.0%	-11.7%
Oil WTI (US$/bbl)	59.0	-2.2%	23.8%	-44.1%
Aluminium (USc/lb) LME	74.7	-3.5%	-8.0%	-11.0%
Copper (USc/lb) LME	260	-6.0%	-5.4%	-17.7%
Nickel (USc/lb) LME	530	-7.9%	-6.3%	-37.6%
CRB Commodities	227	1.8%	7.2%	-26.3%
Iron Ore Price	60.5	0.8%	15.2%	-36.3%

During the month of June, commodity prices continued to underperform. Spot Brent crude posted a second month of declines, ending down 4.0% and the benchmark spot iron ore price ended the month down 4.0%.

On iron ore, during the month, Australia's Federal Department of Industry and Science cut its price forecast for 2015 by 10% to $54.4 citing a weak outlook for China's steel sector.

Base metals as measured by the LME index ended the month down 4.9%. Tin was the worst performer (-10.6%) followed by lead (-9.8%), zinc (-8.5%) and nickel (-5.2%). Copper (-4.2%) and aluminium (-2.9%) were the best performers despite still losing ground.

Spot gold ended the month down 1.5% despite ongoing uncertainty surrounding the possibility of a Greek exit from the Eurozone.

DOMESTIC ECONOMIC DEVELOPMENTS

The domestic economic data flow was mixed during the month with growth indicators generally weak while labour market data held up well.

Indicator	Outcome
Employment change, persons, mth, May	42 000
Unemployment rate, %, May	6.0%
Consumer confidence, index, May	95.3
NAB business confidence, Apr	+7
RBA cash rate, %	2.0%
Credit growth, %, yoy, May	6.2%

The RBA left the cash rate unchanged in June at 2.00 percent. The central bank noted that although the AUD had declined significantly against the US dollar over the past year, the depreciation was less pronounced against a basket of other currencies.

The RBA stated that further depreciation seemed "both likely and necessary" though no real guidance as to future rate decisions was provided with the central bank, instead, it was adopting a data-driven approach.

The Westpac-Melbourne Institute Consumer Confidence Index declined 6.9% in June to 95.3, more than unwinding last month's post Budget increase of 6.4% (102.4).

The NAB business confidence index diverged from the consumer confidence series to post an increase in May to +7 from +3 in April. The month's reading coincided with both an RBA cash rate reduction as well as the Commonwealth Budget.

Retail sales growth was flat in April despite expectation of a 0.5% increase. Sales continue to be hamstrung by subdued personal credit growth which was up only 0.8% over the year. Total credit growth increased 6.2% over the year to May with Housing up 7.2%.

On housing, prices over the year to April rose 9% with Sydney leading the way up 15%. Building approvals fell 4.4% in April, but with strength in houses (4.7%). Elsewhere, non-residential building approvals fell 5%, reversing March's gain to stay weak overall.

On growth, real GDP grew faster than expected in Q1 at 0.9% or 2.3% over the year. However, nominal GDP grew a very weak 0.4% or 1.2% over

the year– the lowest annual rate (excluding the second half of 2009) since 1991.

Employment for May grew at a much stronger-than-expected 42 000 (consensus 15 000) or 2.0% over the year - the highest rate since April 2011.

The unemployment rate fell to a better-than-expected 6.0%, its lowest level in a year. The participation rate held steady at 64.7%.

The trade deficit for April was a worse-than-expected $3.9 billion (consensus $2.1 billion) and was the biggest trade deficit on record.

AUSTRALIAN EQUITY MARKET

It was generally a tough year for the Australian equity market which delivered a modest capital return of only 1.1%, but including dividends the index delivered 5.6%. The broad index was dragged lower by Resources (-16.7%) which was mostly offset by strength in Industrials (11.2%).

Accumulated Australian Indices	1 mth	3 mth	12 mth
All Ordinaries	-5.4%	-6.2%	5.7%
ASX 100	-5.1%	-6.7%	6.1%
ASX 100 Industrials	-4.3%	-7.0%	11.5%
ASX 100 Resources	-8.9%	-5.0%	-16.1%
ASX 200	-5.3%	-6.5%	5.7%
ASX 300	-5.3%	-6.5%	5.6%
ASX 300 Industrials	-4.6%	-6.8%	11.2%
ASX 300 Resources	-9.1%	-4.7%	-16.7%
Small Ordinaries	-7.8%	-4.0%	0.4%
Small Ordinaries Industrials	-7.1%	-4.7%	7.2%
Small Ordinaries Resources	-11.3%	-0.3%	-24.0%

As at 30 June 2015. Source: Iress * Total return

The large cap ASX100 Index (6.1%) outperformed the Small Ordinaires which was flat for the year (0.4%). In the Smalls, there was a large divergence in returns from Industrials (7.2%) compared to Resources (-24.0%).

Looking at the month of June, the ASX 300 Index returned -5.3%, its worst monthly performance since May 2012. The index was dragged lower by the turmoil in Greece, stock specific factors but also weak commodity prices.

In the month, the ASX 100 large caps (-5.1%) outperformed the Small Ordinaries (-7.8%) with the Small Resources down 11.3%.

Looking at the broader market, the ASX 300 Industrials (-4.6%) outperformed Resources (-9.1%) aided by a relatively resilient Banks sector (-2.3%). The Consumer Discretionary sector (-10.9%) was the weakest performer this month.

Within Resources (-9.1%) a modestly lower iron ore price weighed on Metals & Mining (-9.7%), while Energy (-7.7%) stocks also underperformed the broader market, with the oil price falling slightly.

In Energy, ORG (-10.1%) was the weakest performer on speculation around APLNG's sale agreement with Sinopec. WPL (-6.6%) also underperformed as the company moved closer to commencement of FEED at its Browse development, as did OSH (-6.2%) on no new news. STO (-5.1%) did modestly better than the broader market.

Elsewhere in the oil and gas space, WOR (-4.4%) outperformed but CTX (-5.5%) was weaker than peers.

Shares in FMG (-21.1%) plunged on fears of further iron ore price weakness, though losses from BHP (-8.6%) and RIO (-7.6%) were less severe. New spin-off S32 (-18.3%) underperformed peers as it announced a delay to the restart of three of the four high-carbon ferromanganese furnaces at the Metalloys project in South Africa, and a review of the carrying value of the Samancor Manganese JV.

Gold stocks performed poorly, although regained some lost ground later in the month. The weakest in the sector were takeover suitor and target, IGO (-14.0%) and SIR (-12.9%), followed by NCM (-7.9%) and NST (-6.4%).

Steel stocks fell led by ARI (-22.9%) as it announced a further restructuring of its mining business, followed by BSL (-14.5%) which denied media speculation it would close its Port Kembla facility. SGM (-10.2%) fared better than peers but underperformed the broader market.

In the broader Materials space the Builders were mixed with JHX (+1.7%) outperforming as cyclical and structural growth drivers continue to push the stock higher, but peers were notably weaker. BLD (-6.6%), ABC (-7.3%), CSR (-10.8%) and FBU (-11.1%) all underperformed.

Transport (-7.1%) stocks lagged, led by QUB (-19.0%) which tempered FY16 earnings expectations for its Ports and Bulks division. SYD (-10.3%) and TCL (-6.5%) underperformed in the face of rising bond yields, although SYD regained some lost ground late in the month as it announced a net favourable outcome to its aeronautical negotiations.

QAN (-10.2%) continued to report strong traffic stats, but suffered on news that the Hong Kong Air Transport Authority had rejected Jetstar Hong Kong's application to operate air services from Hong Kong.

Financials (-3.1%) outperformed this month with Banks (-2.3%), REITs (-4.0%), Diversified Financials (-4.0%) and Insurance (-5.0%) all holding up relatively well.

Following two months of underperformance the Banks did better this month. CBA (+0.1%) was the clear standout, with NAB (-2.9%) and ANZ (-3.0%) posting modest losses. WBC (-4.2%) was the weakest out of the Big 4 on news of a partial sell down of its shareholding in BT Investment Management. Out of the regionals BEN (-0.2%) outperformed and BOQ (-3.6%) lagged.

The Diversified Financials were dragged lower by IFL (-16.9%) amid media allegations of misconduct around its internal compliance, systems and processes. PPT (-14.4%) was dragged lower on no new news, and HGG (-7.3%) underperformed as it announced the acquisition of Perennial's Fixed Interest and Growth Management business from IFL. Meanwhile MQG (-0.4%) held up relatively well following last month's earnings result.

REITs outperformed the market despite a rise in US and Australian bond yields. SCP (+1.3%) was the strongest performer, announcing the equity-funded acquisition of three Tasmanian shopping centres from FDC (-1.1%) and upgrading distributable earnings guidance for FY15. LLC (-9.8%) was the weakest performer in the sector, late in the month announcing the establishment of a wholesale fund to invest in Tower 1 at Barangaroo South and some further clarity around the composition of FY15 earnings.

The big news in the Insurance space was IAG's (-1.4%) announcement of a partnership with Berkshire Hathaway, including a 20% quota share arrangement and $500 million equity raising.

Elsewhere AMP (-9.6%) underperformed, as did QBE (-6.7%) & MPL (-6.1%). Bucking this trend were SUN (-0.7%) and CVO (-2.9%), the latter recovering from a negative hit to its share price post the Flight Centre downgrade.

Healthcare (-5.9%) underperformed led by sector heavyweights CSL (-7.5%), ANN (-9.9%), and COH (-9.5%). VRT (-30.8%) shares also plunged as the company downgraded FY15 earnings guidance, citing loss of share to a bulk bill provider in NSW and ongoing weak conditions in Victoria and Queensland. Elsewhere RHC (-3.2%) outperformed peers, and SHL (+6.4%) was a standout on news it had made an EPS accretive acquisition of a Swiss medical laboratory group.

Consumer Discretionary (-10.9%) was the weakest performer this month, with confidence reverting back to pre-Budget levels. All sectors underperformed led by Media (-13.1%), Consumer Services (-11.0%) and Retail (-9.5%).

In the Media sector NEC (-27.9%) fell sharply after downgrading its FY15 EBITDA guidance early in the month, citing a soft ad market through May and June. Peers TEN (-20.8%) and SWM (-18.4%) also fell, with TEN later announcing a proposed strategic package including a ~$154 million equity raising to reduce debt, as well as the appointment of Multi Channel Network (MCN) as its sales representative of television and digital inventory.

FXJ (-20.9%) was another notable underperformer on no new news, while NWS (-8.0%) did better than peers but still underperformed the broader market. REA (+0.4%) was the positive standout.

Retail stocks had a weak month led by MYR (-18.3%), despite announcing it had refinanced its entire $625 million debt facility including more favourable terms. BRG (-17.5%), SUL (-14.6%), AHG (-13.3%), JBH (-10.9%) and PMV (-10.6%) were also down sharply. HVN (-4.0%) did better than peers and KMD (+23.7%) was the standout on news that Briscoe Group had acquired a 19.9% stake in the company and intended to make a takeover offer.

In Consumer Services, SGH (-41.0%) sold off sharply as the FCA announced an inquiry into Quindell PLC, the parent company of SGH's recent PSD acquisition. At the same time ASIC initiated a routine review of SGH's auditor Pitcher Partners. FLT (-26.7%) shares dropped on the back of the company downgrading FY15 earnings guidance, and MTR (-17.0%) also fell.

In the Gaming space TAH (-9.5%) underperformed amid news that Racing Victoria had granted Seven West Media free broadcast rights for thoroughbred racing, denting the company's Sky Racing offering, TTS (-10.6%) also fell. More resilient in the sector were ALL (-1.9%), followed by CWN (-6.8%) & EGP (-6.8%).

Defensive sectors were mixed this month with Utilities (-6.1%) and Consumer Staples (-7.8%) underperforming, but Telcos (-1.3%) faring better.

Performance across the Utilities sector varied with APA (-9.4%) underperforming peers, announcing

the financial close of the QCLNG pipeline acquisition with pricing and net income coming in lower than expected. DUE (-6.0%) and AST (-5.8%) underperformed on no new news, meanwhile SKI (-2.0%) outperformed as the company announced a settlement with the tax office and AGL (-4.2%) also outperformed.

Australian Sector *	1 mth	3 mth	12 mth
Materials	-8.3%	-5.1%	-6.8%
Consumer Discretionary	-10.9%	-9.1%	3.6%
Consumer Staples	-7.8%	-10.0%	-9.9%
Energy	-7.7%	0.3%	-20.4%
Financial	-3.1%	-8.0%	10.2%
Financial (ex LPT's)	-2.9%	-9.0%	8.5%
Healthcare	-5.9%	-7.2%	29.1%
Industrials	-7.8%	-2.1%	15.5%
Information Technology	-6.0%	-5.1%	4.0%
Property Trusts	-4.0%	-2.3%	20.2%
Telecoms	-1.3%	-2.4%	25.8%
Utilities	-6.1%	-2.4%	14.6%
S&P/ASX300	-5.3%	-6.5%	5.6%

As at 30 June 2015. Source: Iress * Total return

Consumer Staples was dragged lower by MTS (-19.9%) which announced the sale of its auto business to Burson for $275m, but flagged a challenging FY16 outlook. WES (-10.6%) was also weaker after announcing it had acquired a stake in Quadrant Energy. Food & Beverage stocks TWE (-7.3%), CCL (-9.3%) and GNC (-9.2%) were all weaker.

In Telcos, sector heavyweight TLS (-1.3%) held up well compared to the broader market, although dipped late in the month following the ACCC's draft fixed line services decision which included a greater than expected fall in access prices.

Elsewhere TPM (-0.8%) awaited a decision from the ACCC on its proposed acquisition of IIN (-2.9%), and VOC (-0.5%) achieved Federal Court approval for its acquisition of Amcom.

EQUITY MARKET – OUTLOOK

The outlook for global equity markets will be dependent on the outlook for global growth, monetary policy and the evolution of global tail-risks.

On global growth, we expect it will remain positive but moderate with uneven performance across countries and regions.

Developed economies are expected to perform somewhat better than emerging economies on the back of ongoing solid growth in the US, a modest recovery in Europe and weak but positive growth in Japan.

Growth in Emerging economies however, is expected to remain under pressure from weak commodity prices, tightening financial conditions and soft momentum.

A key factor driving the outlook for growth and equity markets will be the evolution of US and global bond yields. Underlying activity in the US is solid and is driving a recovery in the labour market. Even though a full recovery in the labour market is still some time away, it will be appropriate for the Fed to begin to raise rates late in 2015. However, given a number of factors including ongoing deleveraging, subdued inflation and weak labour force participation, it is likely that US bond yields will remain low. This will help support growth and equity markets.

In Europe, economic activity has been weak and inflation has been very low but, following the announcement of QE by the ECB and subsequent depreciation in the Euro, we expect growth and inflation to pick up somewhat in 2015.

Unfortunately, somewhat overshadowing the recovery in Europe is the renewed turmoil in Greece. Although Greek's voted 'No' in the referendum against austerity, polls still suggest a majority want to remain in the Eurozone. How this inconsistency plays out over the coming months will help shape the outlook for global equity markets. Although the situation is highly uncertain and increases the markets 'tail-risk', we believe it is still in Greece's best interests to remain in the Eurozone and as such, we expect they will eventually compromise with the Institutions.

On Emerging Markets, our baseline forecast for China is for no hard landing although the risks have increased mostly around its financial markets. We envisage a gradual moderation in trend growth and a well-managed deleveraging with no major debt or credit crisis. So far, this scenario has played out mostly as expected with policymakers providing support as required.

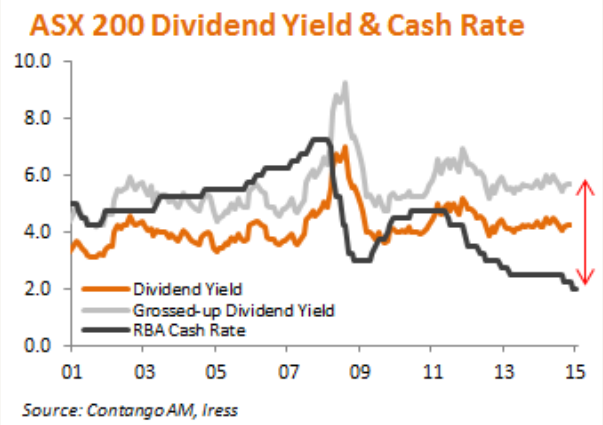
Under this scenario, demand for commodities should remain subdued and commodity prices will remain under pressure. Both iron ore and oil face unfavourable supply dynamics with additional oil supply likely to come on stream if the price rises aggressively. However, we remain on the look-out

for any large-scale supply cuts that would have an impact on pricing.

Locally, the outlook is for sub-trend growth as the economy transitions from mining investment to non-mining investment, net exports and consumption. With sub-trend growth and declining terms of trade, corporate Australia is in a difficult position to create jobs and will need further support from policymakers. As such, further rates cuts are likely which should lower the AUD, support asset prices and boost confidence.

As Chart 2 shows, the gap between the RBA Cash Rate and the dividend yield (net and gross) is widening. Demand for yield will intensify further in the year ahead.

Chart 2: Australian RBA Cash Rate vs Dividend Yield. The gap between the RBA Cash Rate and the dividend yield (net and gross) is widening.



In summary, given modest but positive global growth, supportive monetary policy and an expected resolution in Greece, global equity markets should continue to grind higher over the next 12 months.

While we don't expect a further PE re-rating given current valuations, markets should trade higher on solid earnings growth in the second half of the year.

Although equities are not cheap, they are still expected to generate higher returns on an accumulation basis than either bonds or cash which will drive fund flow over the next 12 months.

Having said that, as the Fed begins its normalisation of policy, we expect periods of increased volatility as the market attempts to front run the Fed's rate hikes. This volatility is a normal part of the adjustment process and will support the equity rally over the long term.

The Aussie market in particular will be supported by the global equity rally but also the lower AUD which will boost earnings growth for the trade exposed industrials and resource companies.

In this environment, we prefer companies that have solid growth profiles and high free cash flow yields.

MICROCAP OVERVIEW

The Portfolio delivered a return of -7.1% compared to an index return of -6.3%, underperforming by 84bps for the June quarter.

Over the quarter the Small Ordinaries index return declined by -4.0% compared to the ASX100 index decline of -6.7%. Small Industrials (-4.7%) outperformed Large Industrials (-7.0%). Likewise Small Resources (-0.3%) outperformed Large Resources (-5.0%).

Similar to the previous quarter, the differential in performance within resources was mainly due to the iron ore exposed large miners declining whilst a number of gold exposed small miners delivered strong positive returns.

The best performing sectors over the quarter were Consumer Staples (+4.1%), Utilities (+3.0%) and Materials (+2.1%). The worst performing sectors were Consumer Discretionary (-7.7%), Industrials (-3.8%) and Information Technology (-3.1%).

Given the weaker market, consumer staples outperformed. Select Harvest (+48.5%) continues to benefit from tight almond supply due to drought conditions in California. Ridley (18.4%), which provides animal feedstock, benefitted from its defensive attributes.

Utilities, which consists of only three stocks, saw positive returns from Infigen Energy (14.3%) and ERM Power* (2.2%).

Materials sector saw outperformance from several segments. A number of gold stocks performed well on company specific news with the gold price being flat (-1%) for the quarter. These included Perseus Mining (50.9%), Evolution Mining (43.9%) and OceanaGold (28.2%). Sandfire Resources* (30.1%) announced favourable drilling results as well as POSCO selling-down its 15.2% stake. Sirius Resources (20.9%) received a takeover offer from Independence Group (-20.4%). Pact Group (10.9%) announced the acquisition of Jalco, a privately owned supplier to the non-food FMCG sector.

Consumer Discretionary saw weakness across media, retail and consumer services. APN News &

Media (-28.6%) saw News Corp acquire a 14.99% stake and then later in the quarter announced the resignation of their CEO. Nine Entertainment (-26.5%) reduced FY15 earnings guidance due a weakening in advertising markets in May and June. Other media stocks also declined, including Seven West Media (-21.1%) and Ten Network (-7.3%), with both undertaking equity raisings.

Ten Network also announced that Foxtel was acquiring a 14.99% stake. The retail sector was also weak with Pacific Brands (-30.4%) showing the largest decline followed by The Reject Shop (-20.0%). Webjet* (-24.3%) fell in sympathy with the profit downgrade from Flight Centre.

Industrials saw ongoing weakness in the capital goods sector. Bradken (-22.2%) reduced its profit guidance, announced the resignation of its CEO and issued a $70m redeemable convertible preference security to a consortium including Sigdo Koppers and CHAMP Private Equity. MMA Offshore (-18.9%) announced tough trading conditions with second half earnings to be significantly below reported first half earnings. Qube Holdings (-20.9%) provided a weak trading outlook for FY16 based on economic conditions and the completion of several contracts. Cabcharge Australia (-21.1%) announced the resignation of its long standing CFO.

Within Information Technology, Hills (-46.1%) downgraded second half earnings and announced the departure of the CEO. iProperty* (-14.6%) was weaker during the quarter even though it upgraded earnings guidance for FY15. Technology One (-8.7%) announced first half profits in line with expectations. The stock had been a strong performer in earlier periods.

Starpharma Holdings (65.9%) was the best performing stock for the quarter after releasing a positive update on its phase 1 clinical trial of DEP docetaxel for advanced solid cancers as well as an extension to its existing collaborative agreement with AstraZenca. Other top performers, which have be discussed above, included Perseus Mining (50.9%) and Select Harvest (48.4%).

Energy Resources of Australia (-68.8%) was the weakest performer over the quarter after announcing that the Ranger 3 Deeps project will not proceed due to weak conditions in the uranium market. Paladin Energy (-34.7%) also suffered from a lower uranium price.

In the month of June, the Small Ordinaries index declined by -7.8% with Small Industrials down -7.1% whilst Small Resources declined -11.3%.

The ASX100 index fell -5.1% with Large Industrials down -4.3% whilst Large Resources fell –8.9%.

All sectors declined over the month. The best performing included Consumer Staples (-1.8%), Telecommunications (-2.4%) and Financials (-2.8%). The worst performing sectors were Energy (-14.9%), Consumer Discretionary (-10.7%) and Industrials (-8.1%).

Consumer Staples were buoyed over the month, in a similar fashion to the quarter, by Select Harvest (6.4%) and Ridley (5.0%). Tassal (0.4%), the salmon producer, was flat in a weak market.

Telecommunications benefitted from Amcom Telecommunications (10.6%) receiving shareholder approval for its merger with Vocus Communications* (0.4%). iiNet (-2.9%), which is under takeover offer from TPG Telecom (0.7%), outperformed a weak market.

Financials saw outperformance from Steadfast Group (8.4%) following an investor strategy presentation. Property trusts exhibited defensive qualities with National Storage REIT (9.1%) and Shopping Centres Australasia (1.3%) both seeing share price appreciation.

Energy was the worst performing sector even though the oil price (BTI US$/bbl) was only down 2.2%. Energy Resources of Australia (-71.0%) was the weakest stock as per commentary above.

Senex Energy* (-28.2%) continued to underperform following a weaker than expected quarterly production update in May. Sino Gas & Energy Holdings*(-26.5%) completed the second tranche of a $0.16 per share placement.

Consumer Discretionary saw weakness across most stocks. Nine Entertainment (-27.9%) reduced profit guidance for FY15 (see above) and this impacted other media stocks such as Prime Media*(20.7%), Ten Network (-20.8%) and Seven West Media (-18.4%).

Retail stocks also sold off with Pacific Brands (-22.9%), The Reject Shop (-22.2%) and Myer (-18.3%) the biggest fallers. Kathmandu (+23.9%) received notification that Briscoe Group, a NZ listed retailer, had acquired a 19.9% stake and was intending to lodge a takeover offer. Ainsworth Gaming & Technology (-17.1%) announced that revenue for FY15 would be down slightly compared to previous guidance of a slight improvement. Strong North American and Asian sales have been offset by weaker Australian operations following delays in local product approvals.

Industrials saw weakness across capital goods, commercial services and transport. Bradken (-34.5%) reduced its profit outlook whilst Monadelphous (-16.1%) announced it was in dispute with the Wiggins Island Coal Export Terminal. Cabcharge Australia (-25.9%) and Qube (-19.0%) were weak for reasons discussed above. Skilled Group (17.7%) went against the trend after receiving a takeover offer from Programmed Maintenance (5.1%).

CuDeco (33.3%) was the best performing stock for the month after announcing a supply agreement with a Chinese copper recycler. However the stock was subsequently placed in trading halt following shareholders voting not to approve a capital raising. Kathmandu (23.4%) reacted positive to a potential takeover offer (see above) whilst Skilled (17.6%) did receive a takeover offer. Burson Group (14.9%) acquired Metcash's automotive parts division.

Worst performing stocks were Energy Resources of Australia (-71.0%), Bradken (-34.5%) and Virtus Health (-30.8%) after the later reduced its FY15 profit guidance. Monash IVF (-20.3%) was weighed down by the Virtus Health announcement.

* denotes stocks held in portfolio

MICROCAP OUTLOOK

The outlook for micro cap industrials is solid with the low interest rate and lower currency environment supporting earnings. However, without the strong cyclical upswing we continue to look for companies with strong balance sheets and solid growth profiles that are mostly independent of the economic cycle.

Micro cap resources have picked up following the recent stabilisation in commodity prices. However, micro cap resources will face head winds as the industry adjusts to solid supply growth, more subdued demand growth and associated weakness in commodity prices.

Despite this we continue to monitor for value opportunities where the structural outlook is favourable and continue to look for specific companies exposed to particular commodities that offer unique opportunities.

PORTFOLIO CHANGES

The broad trend that began in April of softer global equity markets accelerated into June and overall markets were weak with the major contributors being Greece and weakness in the Chinese market and economy.

We had raised the cash position to peak at around the 7% range mid-quarter and during June we did invest 2.0% in a number of new floats which I will discuss below. We have been very discerning in regards to new issuances and this has paid dividends over the last quarter.

Disappointingly we had a number of companies announce earnings downgrades, driven by weaker than expected operating conditions. After assessing the downgrade and speaking to management we felt it prudent in some cases to exit the positions.

Slater and Gordon have been quite disappointing over the last month and quarter after they announced the acquisition of the UK based Quindell business. Below is a brief summary of our current thinking.

Update on Slater & Gordon

Current weight in Portfolio 2.7% (June year end).

Contango has a rigorous investment process that the investment team follow on a daily, weekly and monthly basis. As an outcome of this process, Contango have been long term investors in SGH and have achieved considerable outperformance from the holding including from 2008.

Unfortunately, the stock has come under considerable selling pressure in the past two weeks mostly on the back of a string of negative news articles concerning:

- An ASIC inquiry into SGH's accounting practices. Contango's view is that as ASIC has already reviewed and approved SGH's accounting practices in the past, there should not be any major issues from this review.
- The Quindell suspension in the UK. Contango's view is that SGH undertook significant due diligence on Quindell prior to their acquisition including with the help of Ernst & Young. As part of this review, SGH have already restated Quindell's earnings from GBP645m to GBP368m. Furthermore, SGH acquired the PSD entities rather than the parent entity and, as such, SGH has no future liability in relation to any on-gong investigations into Quindell.
- A consolidation error in the reporting of the historical UK cash flows that included disbursements and VAT in both cash receipts and cash payments. Contango's view is that this is a disappointing development and Contango's irritation has been raised with the CEO. However, despite these errors, there has been no net

impact on operating cash flows, earnings or the company's balance sheet.

- The company's cash flow compared to reported earnings. Contango's view is that given SGH's business model, it is not surprising that cash flows lag reported earnings. Contango has been well aware of this and has modelled its earnings accordingly.

After undertaking extensive research on the issues reported in the media - including multiple discussions with the CEO Andrew Grech - Contango's investment team are of the view that:

- there is unlikely to be any material impact on company earnings or cash flow; and
- following the recent price decline the company is materially undervalued.

As a result of our detailed analysis, and in following our investment process, we are maintaining our current weight in SGH. However, we acknowledge that it will take evidence of management delivering on the PSD acquisition, a positive outcome from the ASIC inquiry, and for some time to pass for the market to regain confidence in the stock.

If the outcome from the ASIC enquiry is negative or management fails to deliver on the PSD acquisition then we will reassess and incorporate this into our investment view. However at present, whilst there is much speculation regarding these outcomes, we do not believe there has been a material change in the fundamental value of SGH.

New Additions

Senex Energy (SXY) - Senex Energy is a Cooper Basin-focused oil and gas exploration and production company with high margin oil production of around 1.5 mmbbl in FY14e from the Cooper Basin, primarily in the Western Flank oil fairway. The company is also involved in the exploration and appraisal of unconventional gas acreage in the southern Cooper Basin gas fairway and has estimated a 2C contingent resource of 1.9 Tcf.

Sandfire (SFR) - Sandfire is a copper gold producer in Western Australia producing both copper and gold from its Degrussa underground mine. OZ minerals sold out of their 16% stake and we used the sell-down to add the company to our portfolio. The company has had water issues with the mine which have now been sorted out and we expect it to generate strong cash flow over the next few years.

Yowie (YOW) - the company is a global brand licensing company specialising in confectionary items through the brand name Yowie. They have recently signed with Walmart in the USA for the distribution of Yowie confectionary chocolates throughout the whole chain as well as other major convenience and super market chains. Over time they want to try and extend the brand into the non-confectionary areas such as toys, licensing, games puzzles and pencil cases etc.

Lovisa (LOV) - the company engages in the retail sale of fashion jewelleries. They operate through four main segments - Jewellery, Accessories, Apparel and Retail. The company was founded in 2010 and is now in 8 countries with over 230 stores.

QMS Media (QMS) - new float (+9.0% day one) The company is an outdoor media company specialising in providing clients and agency partners with advertising solutions across a range of different products. The business is focused on large billboards, street furniture both in static as well as the digital space.

Shriro (SHM) – new float (+7.0% day one) The Company is a leading Kitchen Appliances and Consumer Products marketing and distribution group operating in Australia and New Zealand. The Group markets and distributes an extensive range of products under company-owned brands (including Omega, Robin Hood, Everdure and Omega Altise), and third-party brands (such as Casio, Blanco and Pioneer) in Australia and New Zealand. The Group has five company-operated distribution centers and two third-party logistic (3PL) distribution centers. Shriro also has over 1,000 in-store displays in Retailer stores and operates four showrooms across Australia.

Justkapital (JKL) - Justkapital is an emerging litigation funding business, aiming to position itself as a major litigation funder in Australia and New Zealand. Types of claims to be pursued include: class actions, breaches of contract, breaches of company and security law, IP infringement, liquidators' claims and other general commercial claims, and business to business claims. The focus is on 'corporate' cases.

Lindsay Australia (LAU) - The company is organised into three divisions. These are Lindsay Transport, Lindsay Rural and Lindsay Fresh. The company supplies logistics specialising in chilled transport for agricultural growers, associated retailers, and agricultural suppliers. LAU also operates rural stores supplying farmers. The

business model is based around transporting goods from the farm gate, through distribution centres, fumigating and adding services, on time delivery to end users and backhauling farm inputs (fertiliser etc) back to the farmers. The company is planning to invest a significant amount in new distribution centres with the aim to grow volumes into these centres.

Additions

Sandfire (SFR) - A further sell down by Posco exiting the register allowed us to increase our weighting to the Company. We remain positive about the longer term view on copper and the potential for Sandfire to extend the mine life from around its existing Degrussa mine.

Aeris Environment (AEI) - AEI is an environment services and technology company. The company is focused on global megatrends of energy efficiency, healthier air, food safety, water quality and long-term materials protection. The IP is around microbial control in industrial environments. The company provides full services air-conditioning and refrigeration remediation's to commercial customers, as well site-specific water treatment remediation to industrial customers. Their three major markets are Australia, the US and Asia Pacific. The company has four main divisions:

1. Air conditioning – remediates and controls biofilm.
2. Cold storage – cool room performance solutions.
3. Water treatment, remediates and controls biofilm in large bulk water systems.
4. Corrosion protection, for air conditioning and refrigeration systems.

Hub24 (HUB) - Hub24's investment and superannuation platform offers a comprehensive range of investment options, with superior transaction and reporting solutions, for all types of investors – individuals, companies, trusts, associations or self-managed super funds. The company was established in 2007 by a team with a very strong track record of delivering market-leading solutions in the financial services industry and is committed to offering a broad universe of investments via the platform Hub24 Invest in.

Sino Oil &Gas (SEH) - The Company is a junior oil and gas company, focused exclusively on the development of a material gas resource located in the Ordos Basin in China. Its assets consist of an effective 31.7% interest in the Linxing Production Sharing Contract (PSC) and an effective 24% interest in the Sanjiaobei PSC, via its 49% interest in local subsidiary Sino Gas & Energy Ltd (SGE). The company raised $A80m in April to fund their drilling program for the next 18 months and we participated in the placement.

Sold

Amcom (AMM) - With TPG acquiring a 19.9% blocking stake in the company, after Vocus Communication had made a scrip offer for 100% of Amcom we felt the opportunity here was limited. Our price target was around the $3.00 range so with the stock trading at $3.60 we felt it best to exit completely.

Nib Holdings (NHF) - The share price has rallied significantly over the last 9 months on the back of the Medibank new IPO, which elevated the P/E of nib to a level that is unsustainable. We used the strength over the last month to exit the stock from the portfolio and the funds were used to increase the cash holdings within the portfolio.

Nanosonics (NAN) - The stock has performed strongly in the last month after announcing the results of a new study which showed that the new "trophon EPR" is the only high level disinfection system for ultra sound probes proven to be effective against the high risk strain of the virus HPV. The share price moved to a level that was well above our valuation and we used the strength to exit it from the portfolio.

Ashley Services (ASH) - Was exited after the company had a significant downgrade due to weakness in their newly acquired business Integra-comm. We were very disappointed and it was a sector we were reducing ahead of the downgrade so it has subsequently been removed from the portfolio.

Reduced

Cash holdings were increased during the quarter to around 5.0%. We felt it was prudent to continue to lock in profits on some of the strong performers over the last quarter. GBST Holdings (GBT), ERM Power (EPW), Austal ships (ASB), Mayne Pharma (MYX) and BT Investments (BTT) were all reduced marginally as they approached our target selling prices. All stocks remain in the portfolio.

PORTFOLIO OVERVIEW

Performance as at 30 June 2015

Period	MicroCap Portfolio	Small Ordinaries	Added Value
1 Month	-7.2%	-7.8%	0.6%
3 Months	-7.1%	-4.0%	-3.0%
1 Year	2.1%	0.4%	1.7%
3 Years pa	8.0%	2.5%	5.5%
7 Years pa	2.4%	-2.3%	4.7%
Inception (March 2004) pa	15.5%	4.2%	11.3%

Changes to sector weights over the June quarter are detailed below.

Sector Weightings (%)	Mar 15	Jun 15
Energy	2.8%	4.4%
Materials	5.9%	8.2%
Industrials	12.1%	12.3%
Consumer Discretionary	22.2%	24.5%
Consumer Staples	0.9%	1.7%
Healthcare	8.6%	6.8%
Financials	21.0%	17.4%
Information Technology	17.9%	17.4%
Telecommunications	2.1%	0.0%
Utilities	2.7%	1.6%
SPI	1.5%	0.5%
Cash	2.3%	5.2%

IPOS AND PLACEMENTS

The portfolio participated in the following placements and IPOs during the quarter.

Code	Company
Placements	
BTT	BT Investment Management
E88	Ensogo
JKL	Justkapital Litigation Partners Ltd
LAU	Lindsay Australia Limited
SHE	Sino Gas & Energy Holdings Limited
SGH	Slater & Gordon Limited
IPOs	
GDF	Garda Diversified Property Fund
QMS	QMS Media Limited
SHM	Shriro Holdings Limited
MUA	Vertical Search Co Limited (now Mitula Group Limited)

PORTFOLIO HOLDINGS

Top 20 Stock Weights as at 30 June 2015

Code	Company Name	Weight
MYX	Mayne Pharma Group Limited	3.3%
VLW	Villa World Limited	3.2%
SGF	SG Fleet Group Limited	3.1%
IFM	Infomedia Ltd	3.0%
SFR	Sandfire Resources NL	2.9%
ALU	Altium Limited	2.8%
ASB	Austal Limited	2.7%
AHG	Automotive Holdings Group Ltd	2.7%
SGH	Slater & Gordon Limited	2.5%
PMP	PMP Limited	2.5%
ENN	Elanor Investors Group	2.5%
GBT	GBST Holdings Limited	2.4%
SAR	Saracen Mineral Holdings Limited	2.3%
AFJ	Affinity Education Group Limited	2.2%
TGP	360 Capital Group	2.1%
VRL	Village Roadshow Limited	2.0%
GFY	Godfreys Group Limited	2.0%
GMF	Gpt Metro Office Fund	1.9%
PRT	Prime Media Group Limited	1.7%
SXY	Senex Energy Limited	1.7%

Mayne Pharma Group (MYX)
Mayne Pharma is a specialist pharmaceutical company with an intellectual property portfolio built around the optimisation and delivery of oral dosage form drugs. The businesses are divided into the categories of drug delivery, product, services and manufacturing.

Villa World Limited (VLW)
Villa World is a residential property developer. The Company has two major residential development brands: Villa World Homes and GEO Developments. Villa World's strategy is to grow the core residential communities development business within Queensland, New South Wales and Victoria.

SG Fleet Group Limited (SGF)
SG Fleet is a provider of fleet management services to corporate and government customers, as well as salary packaged vehicles for customers' employees. The Company operates in the outsourced fleet management and salary packaging sectors, primarily in Australia, with a presence in New Zealand and the United Kingdom.

SGF offers an extensive range of products and services tailored to various market segments. Fleet solution services - including fleet management service, funding options, fleet product which includes maintenance plans, registration renewal, fuel cards and reporting, comprehensive insurance, vehicle acquisition and disposal and fleet innovation.

Infomedia Ltd (IFM)
Infomedia is a provider of information solutions to the after sales parts and service sector of the automotive industry. IFM supplies online parts selling systems, menu pricing systems, a range of publications, as well as data analysis and information research for automotive manufacturers. IFM products are used by over 140,000 dealership personnel in over 186 countries.

Sandfire Resources (SFR)
The company is an underground producer of copper/gold from its high grade Degussa mine in Western Australia. This is the first mining investment we have made for some quarters and the copper market continues to look well supported around the current spot price of $US2.75/lb. We are forecasting higher copper prices into 2016/17 driven by stronger demand and continued supply disruptions occurring at major copper mines such as Escondida and Freeport as well as a number of the Latin American copper mines.

Altium Limited (ALU)
Altium builds software products which allow their customers to design electronic products. Their software is used in a variety of industries including aerospace and defence, electronics and life sciences, automotive and consumer electronics.

Austal Limited (ASB)
Austal is a global defence prime contractor. The Company designs, constructs and maintains revolutionary platforms such as the Littoral Combat Ship and the Joint High Speed Vessel for the United States Navy, as well as a range of patrol and auxiliary vessels for defence forces and government agencies globally. Austal s primary facilities comprise a defence shipyard in Henderson, Western Australia; a defence shipyard in Mobile, Alabama; and a commercial shipyard in Balamban, Philippines.

Automotive Holdings (AHG)
Automotive Holdings has grown to become the largest motor vehicle dealer group within Australia, with franchises covering 10 out of the top 11 passenger vehicle brands. The group's primary markets are Western Australia and Queensland, although recent acquisitions have given AHE a presence in metropolitan Sydney. AHE also operates a logistics division comprised of a refrigerated transport business, cold storage, warehousing and distribution.

Slater & Gordon (SGH)
Slater & Gordon Limited (SGH) is an Australian law firm specialising in insurance claims, commercial, family and asbestos-related law. SGH also provides advice to organisations involved in commercial or business disputes. SGH operates core business with 70 offices throughout Australia and across 12 locations in the UK. SGH now includes five brands in total: Slater & Gordon (national), Trilby Misso Lawyers and Conveyancing Works (Queensland), Russell Jones & Walker and Claims Direct (UK).

SGH is currently the market leader in personal injury with 20% market share, with a 30-35% market share target over time through organic through and bolt-on acquisitions. The firm is well known for its “no win no fee” arrangements where if a claim made by its client is unsuccessful, the

client does not pay any legal fees. If the claim is successful however, the client is charged legal fees which may include a success fee.

PMP Limited (PMP)
The company is engaged in commercial printing, letterbox delivery, digital pre-media and magazine distribution services. PMP provides a range of services including photography, creative services, consumer insights, printing, distribution and multi-channel solutions. PMP operates three main businesses: PMP Australia, PMP New Zealand and Gordon and Gotch. PMP has operations in Australia and New Zealand.

Elanor Investors Group (ENN)
Elanor is an investment and funds management business, investing in assets and operating business throughout Australia. We participated in the float and the company recently announced the purchase of the Bell City hotel complex in Preston (VIC). The company raised $12.6m and will retain a 17.0% stake in the development.

GBST Holdings Limited (GBT)
GBST is a provider of securities transaction and fund administration software to the financial services industry. Following company success and global expansion, three new business units have been set up; Capital Markets, Wealth Management and Financial Services.

Sacaren Mineral Holdings Limited (SAR)
SAR is a WA gold producer with operations at the Carosue Dam and looking to start another operation at their Thunderbox Project. Their combined resources stands at 6.0Moz and Reserves at 1.6Moz. The Carosue Dam project is serviced by one plant, two mining regions and a number of potential development projects all located NE of Kalgoorlie. The tenements span ~150km from the Carosue Dam District in the south (comprising the 2.4mtpa processing plant and the Whirling Dirvish open pit) to the Red October District in the north (comprising the high grade Red October underground mine).

Affinity Education Group (AFJ)
Affinity is a provider in the Australia market of education and care to children aged six weeks to 12 years. Provision of these services includes long day care, before and after school care and occasional care. Affinity owns and operates 57 child care centres and manages 11 child care centres across Qld, NSW, Vic and the NT. The portfolio of 68 centres is separated into seven geographical clusters and consists of 4,279 configured places. There are 34 owned centres, 2,752 configured places and 10 managed centres in QLD; 14 owned centres, 823 configured places and 1 managed centre in NSW; 5 owned centres and 398 configured places in VIC; and 4 owned centres and 306 configured places in NT.

360 Group (TGP)
TGP is an evolving diversified real estate and funds management company, deriving earnings from direct rental income, co-investment income and funds management fees.

Village Roadshow (VRL)
An entertainment and media services company. Its divisions include theme parks, cinema exhibition, film distribution, and it has a 47.6% stake in the film production business called Village Roadshow Entertainment Group (VREG). Theme parks are a substantial volume growth story with several theme parks set to open. Sydney opened in late 2013 and so far we are comforted by the level of patronage during the Christmas break. Cinema exhibition is effectively a duopoly with Hoyts in Australia.

The VREG business is currently underappreciated by the market despite a growing film library (~75 films with 6-8 films produced annually, including a successful start into the production of Chinese films for their market).

Godfreys Group Limited (GFY)
The company has been operating for over 80 years and is Australia's and New Zealand's largest specialty retailer of vacuum cleaners and associated cleaning products.

GPT Metro Office Fund (GMF)
The company is a passive externally managed REIT focused on Australian office and business park assets. GPT is a solid external manager with extremely deep resources in the sector and they own a 12.5% stake in the company. They are a passive office real estate investment trust with six office/business park assets located across Sydney (54%), Melbourne (17%) and Brisbane (29%). Total value of approximately $375.9m.

Prime Media Group (PRT)
Prime operates television broadcasting, radio broadcasting and online media throughout Northern & Southern NSW and Victoria, with the bulk of its group revenues coming from the

television division. PRT has had a long affiliation agreement with free-to-air market leader Channel Seven where PRT leverages Seven's strong programming schedule (and consequently ratings).

While the advertisement market has been weak and subdued in recent years, PRT's market leading position and management's strong cost focus has seen earnings grow in the period. The stock has also offered an attractive yield.

Senex Energy Limited (SXY)
Senex Energy is a Cooper Basin-focused oil and gas exploration and production company with high margin oil production of around 1.5 mmbbl in FY14e from the Cooper Basin, primarily in the Western Flank oil fairway. The company is also involved in the exploration and appraisal of unconventional gas acreage in the southern Cooper Basin gas fairway and has estimated a 2C contingent resource of 1.9 Tcf.

KEY INVESTMENT INDICES	30/06/2015	Month	Quarter	6 Months	Financial Year to Date	12 Months
Accumulated Australian Indices						
All Ordinaries	47,575	-5.4%	-6.2%	3.3%	5.7%	5.7%
ASX 100	12,371	-5.1%	-6.7%	3.2%	6.1%	6.1%
ASX 100 Industrials	14,712	-4.3%	-7.0%	4.3%	11.5%	11.5%
ASX 100 Resources	9,303	-8.9%	-5.0%	-2.3%	-16.1%	-16.1%
ASX 200	48,602	-5.3%	-6.5%	3.1%	5.7%	5.7%
ASX 300	47,896	-5.3%	-6.5%	3.2%	5.6%	5.6%
ASX 300 Industrials	98,196	-4.6%	-6.8%	4.1%	11.2%	11.2%
ASX 300 Resources	17,850	-9.1%	-4.7%	-1.7%	-16.7%	-16.7%
Small Ordinaries	5,352	-7.8%	-4.0%	3.0%	0.4%	0.4%
Small Ordinaries Industrials	7,203	-7.1%	-4.7%	2.5%	7.2%	7.2%
Small Ordinaries Resources	2,717	-11.3%	-0.3%	6.0%	-24.0%	-24.0%
ASX 300 Accumulated GICS Sector Indices						
Materials	62,265	-8.3%	-5.1%	2.2%	-6.8%	-6.8%
Consumer Discretionary	14,442	-10.9%	-9.1%	3.5%	3.6%	3.6%
Consumer Staples	71,913	-7.8%	-10.0%	-6.3%	-9.9%	-9.9%
Energy	82,266	-7.7%	0.3%	-3.4%	-20.4%	-20.4%
Financial	67,482	-3.1%	-8.0%	4.2%	10.2%	10.2%
Financial (ex LPT's)	75,304	-2.9%	-9.0%	3.8%	8.5%	8.5%
Healthcare	95,453	-5.9%	-7.2%	4.1%	29.1%	29.1%
Industrials	39,638	-7.8%	-2.1%	6.7%	15.5%	15.5%
Information Technology	6,039	-6.0%	-5.1%	3.8%	4.0%	4.0%
Property Trusts	36,364	-4.0%	-2.3%	6.7%	20.2%	20.2%
Telecoms	26,519	-1.3%	-2.4%	6.3%	25.8%	25.8%
Utilities	69,287	-6.1%	-2.4%	11.1%	14.6%	14.6%
Global Indices						
Dow Jones Industrial	17,620	-2.2%	-0.9%	-1.1%	4.7%	4.7%
S&P 500	2,063	-2.1%	-0.2%	0.2%	5.2%	5.2%
NASDAQ Index	4,987	-1.6%	1.8%	5.3%	13.1%	13.1%
Euro Stoxx 50 Price Index	3,424	-4.1%	-7.4%	8.8%	6.1%	6.1%
FTSE 100	6,521	-6.6%	-3.7%	-0.7%	-3.3%	-3.3%
German Aktien Index (DAX)	10,945	-4.1%	-8.5%	11.6%	11.3%	11.3%
France CAC40	4,790	-4.3%	-4.8%	12.1%	8.3%	8.3%
Nikkei 225 Index	20,236	-1.6%	5.4%	16.0%	33.5%	33.5%
Hang Seng Index	26,250	-4.3%	5.4%	11.2%	13.2%	13.2%
Shanghai Composite Index	4,277	-7.3%	14.1%	32.2%	108.8%	108.8%
India BSE 200 Index	3,500	-0.9%	-1.1%	2.1%	12.0%	12.0%
MSCI ACWI (US$)	424	-2.5%	-0.3%	1.5%	-1.2%	-1.2%
MSCI ACWI Ex Aust (AU$)	1,418	-3.0%	-1.1%	8.3%	21.6%	21.6%
S&P 500 US GICS Sector Indices						
Energy	551	-3.6%	-2.6%	-6.0%	-24.3%	-24.3%
Materials	304	-4.2%	-1.0%	-0.6%	-3.2%	-3.2%
Industrials	466	-2.7%	-2.8%	-4.1%	0.2%	0.2%
Consumer Discretionary	607	0.5%	1.6%	6.0%	14.7%	14.7%
Consumer Staples	489	-2.2%	-2.4%	-2.1%	6.5%	6.5%
Health Care	861	-0.4%	2.4%	8.7%	22.2%	22.2%
Financials	329	-0.5%	1.2%	-1.3%	7.3%	7.3%
Information Technology	692	-4.4%	-0.2%	0.0%	9.4%	9.4%
Telecommunication Services	153	-2.3%	0.4%	0.6%	-3.0%	-3.0%
Utilities	211	-6.3%	-6.7%	-12.3%	-6.4%	-6.4%
Commodities						
Gold (US$/oz)	1,172	-1.5%	-1.0%	-1.0%	-11.7%	-11.7%
Oil WTI (US$/bbl)	59.0	-2.2%	23.8%	9.8%	-44.1%	-44.1%
Aluminium (USc/lb) LME	74.7	-3.5%	-8.0%	-10.1%	-11.0%	-11.0%
Copper (USc/lb) LME	260	-6.0%	-5.4%	-10.0%	-17.7%	-17.7%
Nickel (USc/lb) LME	530	-7.9%	-6.3%	-21.8%	-37.6%	-37.6%
CRB Commodities Index (USD$)	227	1.8%	7.2%	-1.2%	-26.3%	-26.3%
Iron Ore price (USD$)	60.5	0.8%	15.2%	-11.7%	-36.3%	-36.3%
Interest Rates						
AUS UBS Composite Bond Index	8,397	-0.9%	-2.0%	0.6%	5.6%	5.6%
AUS UBS Bank Bill Index	8,274	0.2%	0.6%	1.2%	2.6%	2.6%
	%	basis point change				
AUS Cash Rate	2.00	0	-25	-50	-50	-50
AUS 90 day Bank Bill rate	2.14	0	-8	-63	-54	-54
AUS 10 year Bond yield	3.01	28	69	28	-53	-53
US Federal Funds rate	0.25	0	0	0	0	0
US 30 year Bond yield	3.12	24	58	37	-24	-24
US 10 year Bond yield	2.35	23	43	18	-18	-18
Exchange Rates						
AUD/USD	0.771	0.8%	1.3%	-5.6%	-18.3%	-18.3%
AUD/YEN	94.4	-0.5%	3.3%	-3.4%	-1.2%	-1.2%
EURO/USD	1.11	1.3%	3.7%	-8.0%	-18.7%	-18.7%
AUD/EUR	0.692	-0.5%	-2.3%	2.5%	0.5%	0.5%
AUST TWI	63.8	0.2%	0.8%	-4.1%	-11.4%	-11.4%