

# Value Fund

MONTHLY UPDATE • MAY 2014

## FUND FACTS

**FUND COMMENCED** 31 Oct 2009  
**MIN. INVESTMENT** \$10,000  
**MONTHLY INVESTMENT** Min. \$100/mth  
**INCOME DISTRIB.** Annual, 30 June  
**APPLICATIONS/REDEMPTION** Weekly

## UNIT PRICE SUMMARY

**DATE** 30 May 2014  
**BUY PRICE** \$1.4480  
**REDEMPTION PRICE** \$1.4365  
**MID PRICE** \$1.4422  
**PORTFOLIO VALUE** \$52.7m

## RESPONSIBLE ENTITY

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## INVESTMENT MANAGER

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Intelligent Investor Value Fund's unit price increased 1.3% in May, a little more than the benchmark All Ordinaries Accumulation Index which returned 0.6%.

## SUMMARY OF RETURNS AS AT 30 MAY 2014

	IIVF (%)	S&P ALL ORDS. ACCUM. INDEX (%)
1 MONTH RETURN	1.28	0.61
3 MONTH RETURN	-3.46	2.17
6 MONTH RETURN	-1.61	5.11
1 YEAR RETURN	17.09	16.20
2 YEAR RETURN (PA)	25.35	20.15
3 YEAR RETURN (PA)	19.92	9.32
SINCE INCEPTION*(PA)	12.96	8.16

\* 31 Oct 2009

Our early estimate of the Value Fund 2014 distribution is around 8c per unit, mostly concessional capital gains. Please be aware this is an estimate only and may change.

The major contributor to performance this month was software company **Hansen Technologies**. Hansen announced the acquisition of US-based Banner CIS, a small subsidiary of utilities and mining software company Ventyx.

The products provided by Banner are almost identical to Hansen's existing billing solutions for utilities companies, although most of Banner's customers are small municipalities, a new market for Hansen. Management sees plenty of opportunity for growth, as many of these municipalities are running out-dated, in-house legacy systems sorely in need of an upgrade. It also sees opportunity for growth in revenue from existing customers, with management suggesting lucrative maintenance revenues had been completely neglected by the previous owners.

Accounting for around 10% of overall revenue, the acquisition is meaningful without being transformational for Hansen. It's all consistent with prior successful acquisitions and the company's shares rose 13% to \$1.34 in May.

Utilities contractor **Service Stream** has had a tough couple of years and the trouble, unfortunately, isn't behind the company yet. The Board announced the departure of managing director Terry Sinclair, due to disagreements with the board 'on the approach to implement the strategic direction of the Company'. We assume that means the Board wasn't happy with what the boss intended to do.

Sinclair will be replaced by the head of the Service Stream's Energy & Water division, Leigh Mackender, to be supported for a period by director Brett Gallagher, the interim chief executive before Sinclair. Hopefully Mackender can turn the business around, but the directors should hang their heads in shame. They sacked the previous CEO, conducted a wide ranging and expensive search before finding Sinclair, sacked him less than eight months later and only then decided to appoint an internal candidate.

To make matters worse, Service Stream downgraded its forecast earnings before interest, tax, depreciation and amortisation to \$17m, from the \$20m projected earlier in the year. The newspapers are speculating that major shareholder Thorney will push for changes at board level. They won't get any argument from us. Service Stream shares fell 7% to \$0.19.

## COMPARISON OF \$10,000 INVESTED IN THE VALUE FUND VS THE ASX ALL ORDS INDEX (SINCE FUND INCEPTION 31 OCT 2009)



■ Value Fund ■ ASX All Ords Index  
Source: Capital IQ, May 2014

The newspapers also leaked more confidential information about the sale of UGL's property group DTZ. While nothing of interest has been announced by the company, the news leaking to the media is that, despite interest from private equity buyers, bids came in below UGL's minimum acceptable price which is speculated to be around \$1.3bn.

Since then, however, talks have apparently recommenced with private equity firms TPG and Warburg Pincus, and at the time of writing this report the *Australian Financial Review* had that UGL was close to agreement on a sale to TPG for \$1.2bn. That would be a decent though not spectacular outcome – if it is true. UGL shares fell 3% to \$6.56.

The next Quarterly Report will be out in the first few weeks of July, but it won't be coming from Intelligent Investor Funds. Whilst the style and characters won't change, keep an eye out for the new name and brand and let us know what you think.