Value Fund

Monthly Update

INTELLIGENT INVESTOR
FUNDS MANAGEMENT

NOVEMBER 2012

The Value Fund returned 4.6% for November, ahead of the All Ordinaries Accumulation Index's return of 0.3%.

- After declining to provide financial results at the recent annual meeting, **Enero Group** (EGG) changed tack this month and released its trading results to 31 October 2012. Revenue from the remaining businesses declined 10% and operating EBITDA declined 55% from last year. Last year's results themselves were pretty poor. And operating margins pre-tax are now below 4%, which compares poorly with the 15% margins typical of Enero's listed peers.

  Enero's share price actually closed up 10% for the month at $0.44. The market's expectations were already low, and the results at least quelled fears the business might be leaking cash badly.

- **Ingenia Communities** (INA) announced the sale of its New Zealand portfolio of student accommodation at a 40% premium to net book value. The sale should increase Ingenia's net asset value per unit by 2.1 cents, or about 6%. Occupancy in the Australian operations has increased to 84.9% and continues to trend towards the long-term target of 89%.

  Slightly offsetting the good news, settlement of the previously announced sale of Ingenia's New York retirement portfolio is likely to be delayed by one month due to the approvals process being protracted by Hurricane Sandy. The hedged proceeds from the sale are unchanged and are now likely be received late December or early January.

  Ingenia's unit price closed up 5.7% at 28 cents.

- Super Storm Sandy's $350–450m impact on **QBE Insurance** was higher than expected but storms seem to be the least of management's worries. Skeletons have been falling out of closets across QBE's global operations since the recent departure of long serving CEO Frank O'Halloran. Underprovisioning here. A bit of undercooked risk margin there. Throw in a drought and a storm and QBE's 2012 profit is now expected to be $1bn. In an otherwise benign claims year, that's a horrible result for shareholders.

  The fund's weighting to QBE has declined significantly over the past year and, with the 17% fall in November, is now less than 6% of the portfolio. Despite a seemingly cheap share price, that seems appropriate until we get some more clarity about the true state of QBE's operations.

- Most of the Fund's outperformance was a result of price increases in the two largest holdings, **Real Estate Capital Partners USA Property Trust** (RCU) and **RNY Property Trust**. As described in the October report, RCU announced the sale of its three remaining assets of any worth and the potential wind-up of the Trust. While that drove the unit price up 19% in November, money continues to flow out of its bank accounts and the final proceeds likely to be distributed to unitholders remains uncertain.

  A meeting to vote on the asset sale is due to be held on 21 December, however we are seeking clarification on several key issues before making our decision.

  RNY's unit price also rose 19% for the month but there was no news of note. It is expected to remain volatile until financing issues are resolved, however it remains one of our most attractive holdings.

SUMMARY OF RETURNS AS AT 30 NOVEMBER 2012

	IIVF	S&P ALL ORDS. ACCUM. INDEX
1 month return	4.57%	0.27%
3 month return	4.22%	5.44%
6 month return	10.79%	11.99%
1 year return	24.72%	13.09%
2 year return	12.90% p.a.	2.78% p.a.
Since inception*	7.00% p.a.	3.48% p.a.

*31 Oct 2009

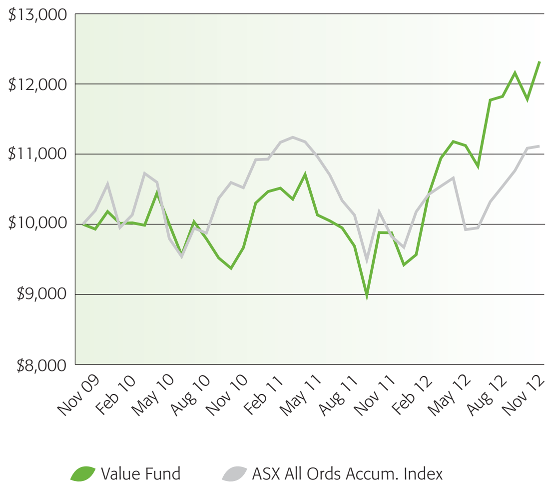
FACTS

FUND COMMENCED	31 Oct 2009
MINIMUM INVESTMENT	$10,000
MONTHLY INVESTMENT	Min. $100/mth
INCOME DISTRIBUTION	Annual, 30 June
APPLICATIONS/REDEMPTION	Monthly

UNIT PRICE SUMMARY

DATE	30 November 2012
BUY PRICE	$1.1127
REDEMPTION PRICE	$1.1038
MID PRICE	$1.1083
PORTFOLIO VALUE	$22.2m

VALUE FUND VS ASX ALL ORDS ACCUM. INDEX



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