

# Value Fund

## Monthly Update



INTELLIGENT  
INVESTOR  
FUNDS MANAGEMENT

JANUARY 2013

The Value Fund's unit price increased 5.9% for January, ahead of the All Ordinaries Accumulation Index's return of 5.1%.

- The Fund has an interest in Japanese commercial property through **Astro Japan Property Group** (formerly Babcock and Brown Japan). In the five years since credit markets seized up, Astro's management has, relatively successfully, been working to reduce debt and retain as much value as possible for unitholders.

In January it announced a deal which represents the culmination of that work and leaves Astro on a stable footing for the foreseeable future. The details are complicated but the benefits relatively simple: Astro will repay ¥17bn of old debt for just ¥12.7 billion of cash, leaving it with ownership of ¥16.7 billion worth of Japanese property. The deal adds ¥4 billion (\$43m) to Astro's net asset backing and reduces the portfolio leverage significantly.

The Value Fund had an existing position in Astro so benefitted from the increase in value, but we were also able to add meaningfully to the investment through an institutional placement, the proceeds of which were used to fund the transaction. Astro's security price closed the month up 19% from last month's close and 20% from the placement price of \$2.90.

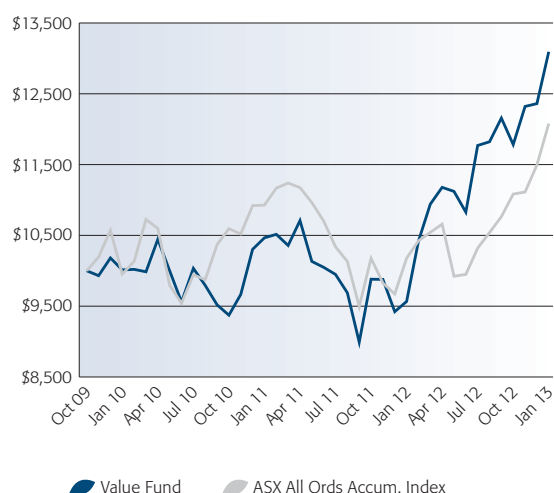
- Vision Eye Institute** completed its rights issue in January and announced a shortfall of approximately 14.5 million shares to be allocated to the underwriters, including the Value Fund. Given Vision shares closed the month at \$0.62, up 32%, and the shares were issued at \$0.34, the shortfall allocation was a nice bonus for the Fund.
- At an adjourned special meeting, **Real Estate Capital Partners USA Property Trust** (RCU) unitholders voted to sell the Trust's remaining assets of value, but voted against the distribution of proceeds to unitholders and wind-up of the trust. The voting numbers suggest interests associated with Greg Woolley and Joshua Liberman, controlling a combined 44% of the units, were instrumental in preventing the distribution. RCU's value is now almost entirely cash in the bank. RCU's unit price closed at \$0.47, down 8% for the month. Post month end, Woolley has filed a notice to change the responsible entity and implement a new investment strategy, which will evidently involve further capital raisings and concentrated private equity style investments. Charmingly, he's also indicated those not supportive of this strategy should sell their units on market. The preference of most other unitholders (including us) is to have their investment returned to them, and we're pushing this message with the board.
- We've previously discussed the Fund's position in **Rubik Financial Group**, which was acquired at a discount to net cash. Rubik subsequently used the cash to purchase a financial planning software business. Rubik completed the acquisition in August, and its recent financial update shows that the company has produced around \$2.2m in free cash flow in the half year ending December. Short term cash flow numbers can be unreliable due to working capital movements, and in this instance no tax has been paid on the \$2.2m, but the net numbers look encouraging. Rubik shares closed at \$0.10, up 18% for the month, equating to a market capitalisation \$23m.

SUMMARY OF RETURNS AS AT 31 JANUARY 2013		
	IIVF	S&P ALL ORDS. ACCUM. INDEX
1 month return	5.83%	5.08%
3 month return	11.03%	8.97%
6 month return	11.15%	17.03%
1 year return	36.75%	18.68%
2 year return	11.80% p.a.	5.13% p.a.
Since inception*	8.61% p.a.	5.97% p.a.

\*31 Oct 2009

FACTS	UNIT PRICE SUMMARY
<b>FUND COMMENCED</b> 31 Oct 2009	<b>DATE</b> 31 January 2013
<b>MINIMUM INVESTMENT</b> \$10,000	<b>BUY PRICE</b> \$1.1815
<b>MONTHLY INVESTMENT</b> Min. \$100/mth	<b>REDEMPTION PRICE</b> \$1.1720
<b>INCOME DISTRIBUTION</b> Annual, 30 June	<b>MID PRICE</b> \$1.1768
<b>APPLICATIONS/REDEMPTION</b> Monthly	<b>PORTFOLIO VALUE</b> \$26.8m

### VALUE FUND VS ASX ALL ORDS ACCUM. INDEX



### CONTACT DETAILS

**Responsible entity** Fundhost Limited Phone +61 2 8223 5400 Email [admin@fundhost.com.au](mailto:admin@fundhost.com.au) Web [www.fundhost.com.au](http://www.fundhost.com.au)

**Investment manager** Intelligent Investor Funds Pty Ltd Phone +61 2 8305 6050 Email [admin@iifunds.com.au](mailto:admin@iifunds.com.au) Web [www.iifunds.com.au](http://www.iifunds.com.au)

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