

Value Fund

Monthly Update



INTELLIGENT
INVESTOR
FUNDS MANAGEMENT

JULY 2012

The Value Fund's unit price increased by 8.7% in July, 5% more than the All Ordinaries Accumulation Index's 3.7% rise. The gains were broad based, with several stocks up more than 20% for the month.

- The saga at **Real Estate Capital Partners USA Property Trust (RCU)** rolled on. For the second month in three, however, it had a significant positive impact on the unit price. Greg Woolley's low-ball bid for RCU lapsed early in the month without gaining a significant percentage of the register. At 33%, his ownership is significant but not controlling.

Later in the month management announced the sale of RCU's largest office property asset, RSA Bedford Woods, for US\$93.5m. The price was at a 6% discount to the latest independent valuation but, with RCU trading at less than half book value, it is good news for unitholders. Proceeds from the sale have allowed RCU to repay a US\$87.4m loan due in August 2012, leaving it with two unencumbered assets and a portfolio of government-leased properties in a joint venture with Saban Capital Group.

Saban itself presented the board with a conditional offer for the remainder of RCU's assets. While the offer price was opportunistic and labeled (correctly) as too low by the board, Saban looks the logical owner of these assets and the board is currently engaging with its joint venture partner to determine whether a satisfactory agreement can be reached.

We're hoping for a deal but with no refinancing issues and cash in the bank, RCU unitholders can now afford to be patient if necessary.

RCU units last traded at 56.5 cents, an increase of 19% for the month.

- Although there wasn't any news of note, other stocks to post meaningful gains included **Vision Eye Institute** (up 26%), **Ingenia Communities** (up 21%) and **RNY Property Trust** (up 11%). Some of these stocks are particularly illiquid and prices can move significantly from one month to the next without many shares changing hands. Investors in the Value Fund should expect significant related volatility in the unit price.

It's been a profitable year for the Value Fund, with returns of 25% so far in a market that has returned 7%. Long term, however, the performance of our portfolio will be driven by the underlying performance of the businesses we own. On that front, we have an interesting month ahead as most of the portfolio report full year results.

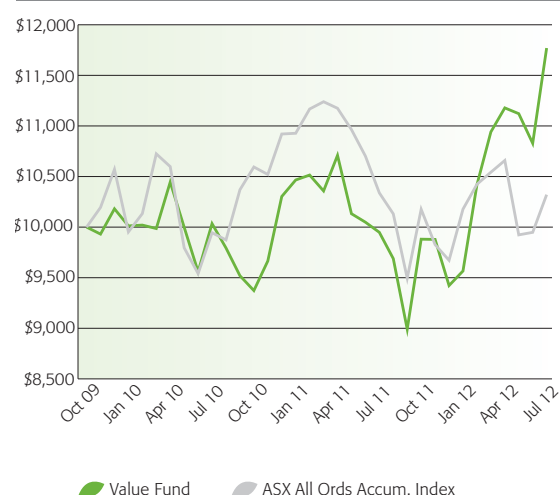
Keep an eye out for the August update, where we should have a lot more to report.

SUMMARY OF RETURNS AS AT 31 JULY 2012		
	IIVF	S&P ALL ORDS. ACCUM. INDEX
1 month return	8.70%	3.74%
3 month return	5.29%	-3.17%
6 month return	23.03%	1.41%
1 year return	18.31%	-0.17%
2 year return	8.30% p.a.	1.87% p.a.
Since inception*	6.10% p.a.	1.15% p.a.

*31 Oct 2009

FACTS	UNIT PRICE SUMMARY
FUND COMMENCED 31 Oct 2009	DATE 31 July 2012
MINIMUM INVESTMENT \$10,000	BUY PRICE \$1.0630
MONTHLY INVESTMENT Min. \$100/mth	REDEMPTION PRICE \$1.0545
INCOME DISTRIBUTION Annual, 30 June	MID PRICE \$1.0587
APPLICATIONS/REDEMPTION Monthly	PORTFOLIO VALUE \$19.7m

VALUE FUND VS ASX ALL ORDS ACCUM. INDEX



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