

Value Fund

Monthly Report



INTELLIGENT
INVESTOR
FUNDS MANAGEMENT

MAY 2011

Intelligent Investor Value Fund unit price fell 5.39% for the month of May, substantially more than the All Ordinaries Accumulation Index's 1.89% fall. The main contributors to the decline were **Photon Group** and **Infigen Energy**. First though, to the positive side of the ledger.

- **RHG Group's** share price rose another 6% before it shed a \$0.79 fully-franked dividend on 12 May. At prices north of \$1.30, the trade-off between selling on market and realising discounted capital gains and taking the fully franked dividend became heavily skewed towards the former. We exited our position at an average price of \$1.32. RHG was one of the first stocks we bought in the Value Fund and, after realising a return of 169%, has been our most successful investment thus far.

- After years of rumours and discussions, **Centrebet International** announced a formal takeover from UK company Sportingbet PLC. The price offered is \$2 per share and, while still subject to some conditions, has the support of the board and majority shareholder Con Kafataris and is likely to go through. In addition to the \$2, shareholders also keep the right to 90% of the potential proceeds of a court case Centrebet is pursuing against Australian Tax Office, expected to be heard towards the end of 2011.

Including dividends, Centrebet has returned the Fund 36% in the 16 months since our acquisition.

- Photon Group's operational update gave shareholders little reason to cheer. Results for the first four months of 2011 were no better than the results for the six months to December. Year to date revenue is now 6% lower than the previous year, and earnings before interest, tax, depreciation and amortisation (EBITDA) is down 18%.

Two of Photon's most important businesses, Naked and The Leading Edge, returned to profitability in the first four months of the year but their contributions were offset by 'lower spending by a small number of large clients' of the Australian agencies. This was clarified later in the month when Photon agency BWM announced that **Telstra**, its largest client, would not be renewing its contract after July 2011 and had already slashed its spending with the agency.

Photon's share price fell 39% for the month and is now 56% below the \$0.10 issue price for last year's rights issue and recapitalisation.

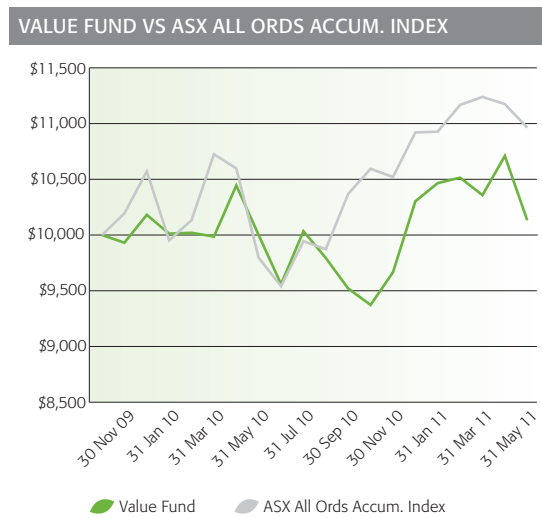
- Infigen Energy had a similarly tumultuous month—its security price fell 30% in May and is now below the level at which the Value Fund started buying in March. In contrast, though, there was no news of note and we have no explanation for the volatility in this security price.

We will provide a distribution estimate towards the end of the month but investors should take note that the Fund has realised a number of substantial gains throughout the 2011 financial year. Most of the offsetting losses, mainly relating to Photon Group, remain unrealised. As we must distribute all realised gains and dividends every year, the 2011 distribution and associated taxable income will be a meaningful percentage of your investment.

SUMMARY OF RETURNS AS AT 31 MAY 2011		
	IIVF	S&P ALL ORDS. ACCUM. INDEX
1 month return	-5.39%	-1.89%
3 month return	-3.64%	-1.82%
6 month return	4.83%	4.22%
1 year return	1.33%	11.92%
Since inception*	0.83%	5.98%

* 31 October 2009

FACTS	UNIT PRICE SUMMARY
FUND COMMENCED 31 Oct 2009	DATE 31 May 2011
MINIMUM INVESTMENT \$10,000	BUY PRICE \$0.9979
MONTHLY INVESTMENT Min. \$100/mth	REDEMPTION PRICE \$0.9900
INCOME DISTRIBUTION Annual, 30 June	MID PRICE \$0.9939
APPLICATIONS/REDEMPTION Monthly	PORTFOLIO VALUE \$15.0m



CONTACT DETAILS

Responsible entity Fundhost Limited Phone +61 2 8223 5400 Email admin@fundhost.com.au Web www.fundhost.com.au

Investment manager Intelligent Investor Funds Pty Ltd Phone +61 2 9011 5206 Email admin@iifunds.com.au Web www.iifunds.com.au

Disclaimer: This report was prepared by Intelligent Investor Funds Pty Limited, Authorised Representative of Intelligent Investor Publishing Pty Limited AFSL No: 282288. Fundhost Limited (ABN 69 092 517 087) (AFSL No: 233 045) ("Fundhost") as the Responsible Entity is the issuer of the Intelligent Investor Value Fund (ARSN No: 139 641 491). You should obtain and consider a copy of the product disclosure statement relating to the Intelligent Investor Value Fund before acquiring the financial product. You may obtain a product disclosure statement from Fundhost or download a copy at www.iifunds.com.au. To the extent permitted by law, Fundhost Limited and Intelligent Investor Funds Pty Limited, its employees, consultants, advisers, officers and authorised representatives are not liable for any loss or damage arising as a result of reliance placed on the contents of this report.