

Value Fund

Monthly Update



INTELLIGENT
INVESTOR
FUNDS MANAGEMENT

JULY 2013

The Intelligent Investor Value Fund started the new financial year with the biggest increase in unit price since inception. The return was 10.5% for the month of July, compared to the All Ordinaries Accumulation Index's 5.5% during the same period. Gains were wide spread, with the most significant contributions coming from **GBST Holdings**, **RNY Property Trust**, **Enero Group** and **Vision Eye Institute**.

- GBST provided an early estimate of its full year results with earnings before interest, tax, depreciation and amortisation (EBITDA) expected to be \$16.5m, a 16% improvement from last year. The Wealth Management division wasn't able to reproduce its impressive \$6.6m first half result-full year EBITDA from this division was \$11.6m, suggesting \$5m from the second half of the year - but overall the result was impressive. It looks more so when you consider that the loss from the Capital Markets International division blew out to \$4.5m from \$3.2m last year.

GBST's share price shot up 35% in July to \$2.30.

- In early July RNY announced a refinancing deal for US\$51.5m of debt which matured in October 2010, the best part of three years ago. The debt was secured by only \$43.8m of property, not nearly enough to cover the loan value, but RNY have managed to retain a small stake in the assets through the refinancing. It doesn't amount to much, probably less than half a cent per unit, unlike the refinancing of a much larger loan last year which added significant value for unitholders.

Still, the fact RNY was not able to capture a larger stake in this refinance is potentially a tacit signal that the lenders see upside in mid-tier US commercial property, which would be good news for the rest of RNY's portfolio. With the refinance now complete the balance sheet looks much cleaner, and management will be able to focus its attention on occupying the significant amount of property facing expiring leases during the next few years. RNY's unit price rose 11% to \$0.315 in July.

- The stock prices of Vision Eye Institute and Enero Group rose by 9.4% and 18% respectively, adding meaningfully to the Value Fund's unit price. Neither company announced anything of note but the full-year financials for both will make for interesting reading with respect to the long-term value on offer.
- Commodity prices have fallen substantially over the past six months, and we've been scouring the market for opportunities in mining and mining services companies. As you would expect there are a lot of companies with serious problems in this area—some that don't seem to know it yet—but amongst the wreckage we have found a few interesting opportunities. Unfortunately the panic was short-lived and some of the stocks we have been trying to buy have risen significantly off their lows already.

That has had a minor positive impact on the unit price but, given our desire to put a lot more capital to work, we were hoping for a lot more panic.

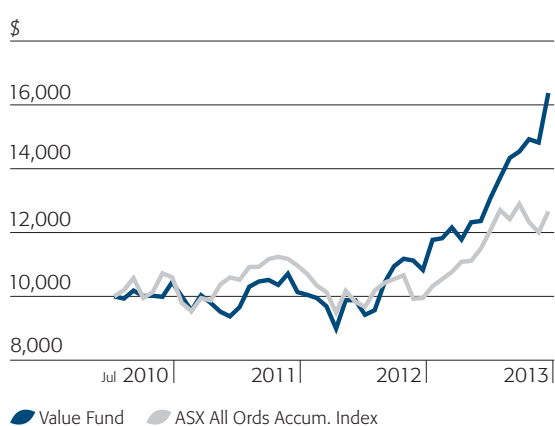
SUMMARY OF RETURNS AS AT 31 JULY 2013

	VALUE FUND	S&P ALL ORDS. ACCUM. INDEX
1 MONTH RETURN	10.45%	5.46%
3 MONTH RETURN	12.59%	-1.81%
6 MONTH RETURN	25.13%	4.82%
1 YEAR RETURN	39.08%	22.67%
2 YEAR RETURN	28.28% p.a.	10.66% p.a.
3 YEAR RETURN	17.72% p.a.	8.38% p.a.
SINCE INCEPTION*	14.04% p.a.	6.49% p.a.

*31 Oct 2009

FACTS	UNIT PRICE SUMMARY
FUND COMMENCED 31 Oct 2009	DATE 31 Jul 2013
MINIMUM INVESTMENT \$10,000	BUY PRICE \$1.3565
MONTHLY INVESTMENT Min. \$100/mth	REDEMPTION PRICE \$1.3457
INCOME DISTRIBUTION Annual, 30 June	MID PRICE \$1.3511
APPLICATIONS/REDEMPTION Monthly	PORTFOLIO VALUE \$34.1m

VALUE FUND VS ASX ALL ORDS ACCUM. INDEX



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