

Value Fund

Monthly Update



INTELLIGENT
INVESTOR
FUNDS MANAGEMENT

NOVEMBER 2013

The Value Fund unit price fell 0.1% in November, not an exciting result but a little better than the 1.4% fall in the ASX All Ordinaries Accumulation Index. It was a relatively benign month, in stark contrast to the surging markets which have characterised the year so far.

- The underlying value of the Fund's assets benefitted from a weak Australian dollar, which fell 3.6% against its US counterpart and 5.5% against the Pound. This should benefit those holdings with foreign currency exposure, such as **RNY Property Trust**, **Mirvac Industrial Trust**, **Antares Energy**, **GBST Holdings** and **Enero Group**. While RNY was the Fund's best performer for the month, GBST was the worst, suggesting the currency benefits are yet to be reflected in current market prices.
- Commentary from the annual general meeting for marketing and advertising business **Enero Group**, held in late October, was a virtual repeat of last year. New business is tough to find, margins remain tight and there's no evidence yet of conditions improving. On the positive side the cash balance remains intact, and Chairman John Porter reiterated the view that Enero's two UK public relations agencies are together worth more than the current market capitalisation of the group.

One thing that has changed this year is the share price, up 115% since the start of 2013. With the turnaround still distant and hypothetical, we took the opportunity to significantly reduce our position, though it remains one of the Fund's larger holdings.

- Japanese commercial property owner **Astro Japan Property Group** had a more interesting annual general meeting. Astro has recently finalised long term funding for its assets and we were looking forward to further steps being taken to reduce the gap between its market price and stated asset backing.

The progress on this front is mixed. Two resolutions that ostensibly aimed to 'incentivise' the external manager to dispose of assets, by restructuring and (conveniently) increasing remuneration, were withdrawn after failing to meet the 75% required vote. The resolutions looked to us to be overly lucrative and poorly structured, so we're not sorry to see them voted down. But, puzzlingly, Astro indicated the potential asset sales program is likely to be scaled back as a result.

The failure of the remuneration resolutions should not impact on the strategic actions of Astro, but as a small unitholder our influence is limited. On the positive side management indicated they are confident they can persuade lenders to reduce principal repayments required on borrowings, which will free up cash flow to increase distributions to unitholders. Given Australian investors' enthusiastic (bordering on fervent) love of dividends, this may help to reduce the discount at which Astro securities trade.

- GBST Holdings** shares fell 25% to \$2.58, which made it the major negative contributor to the month's performance. There was nothing of note announced by the company but the stock has had a stellar year and Chairman John Puttick continues to gradually sell his holding. It is no surprise to see the price fall but a weaker Australian dollar against the Pound should assist GBST's profitability and we remain positive about its long term prospects.

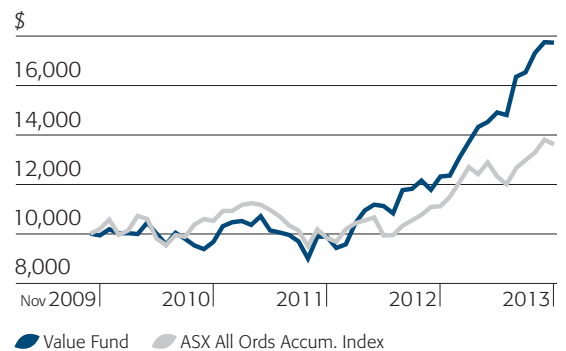
SUMMARY OF RETURNS AS AT 29 NOV 2013

	VALUE FUND (%)	S&P ALL ORDS. ACCUM. INDEX (%)
1 MONTH RETURN	-0.11	-1.38
3 MONTH RETURN	7.27	4.93
6 MONTH RETURN	19.00	10.55
1 YEAR RETURN	44.14	22.64
2 YEAR RETURN (P.A.)	34.08	17.77
3 YEAR RETURN (P.A.)	22.48	9.01
SINCE INCEPTION*(P.A.)	15.10	7.87

*31 Oct 2009

FACTS	UNIT PRICE SUMMARY
FUND COMMENCED 31 Oct 2009	DATE 29 Nov 2013
MINIMUM INVESTMENT \$10,000	BUY PRICE \$1.4716
MONTHLY INVESTMENT Min. \$100/mth	REDEMPTION PRICE \$1.4599
INCOME DISTRIBUTION Annual, 30 June	MID PRICE \$1.4658
APPLICATIONS/REDEMPTION Weekly	PORTFOLIO VALUE \$46.6m

VALUE FUND VS ASX ALL ORDS ACCUM. INDEX



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