

# Value Fund

## Monthly Update



INTELLIGENT  
INVESTOR  
FUNDS MANAGEMENT

OCTOBER 2013

In October the Value Fund returned 2.5% but didn't match the All Ordinaries Accumulation Index which added 3.9%. Buoyed by investor optimism, the market has gained 24.7% over the past 12 months (including dividends). It was significant helpings of luck and, we hope, some skill that allowed the Value Fund to return 50.9% over the same period. It's been a good year, but please don't get accustomed to these returns because they won't be repeated regularly, if ever again.

- This month's largest contributor to performance was **GBST Holdings (GBT)**, a financial software provider that we introduced in the [June quarterly report](#). There was moderately positive news with the company's Syn product, which provides clearing and settlement services to brokers and investment banks, signing a new deal with banking giant HSBC.

Despite its size, HSBC is not a major player in equities clearing, so the deal probably isn't hugely significant. The more likely driver behind recent share price strength is that rosy sharemarket conditions help to generate revenues in the Australian clearing and settlement division, where GBST has major market share. GBST's stock returned 18% for the month including dividends, to finish at \$3.45. We took advantage of the share price strength and sold down our position a little.

- Wind farm owner **Infigen Energy (IFN)** reported strong production in the September quarter, with the Australian farms generating 15% more electricity than the prior period. The Australian assets will be crucial to Infigen repaying its large debt load, because the free cash flow from the United States has to be directed to investors senior to Infigen for the next few years.

Infigen's management indicated the result was around 10% higher than 'P50' production, which is their best estimate of average long term power generation capability. Management have targeted repaying \$80m in debt and obligations to US senior investors this year, and the strong production should see them \$5m ahead of schedule already.

Though the inflow of cash is welcome, the news didn't do much for the security price, which fell 13% to \$0.26 this month. Sometimes the wind blows, sometimes it doesn't. More influential is regulatory uncertainty around the national renewable energy target.

- We sold the last of our holdings in retirement village owner **Ingenia Communities Group (INA)** this month. Ingenia has been one of the Value Fund's best investments to date, delivering a profit of nearly \$2m to us over the past two years.

Ingenia now trades at a 40% premium to net asset value, which is steep enough for bargain hunters like us. The last of our securities were sold at \$0.48, more than five times our first purchase price of \$0.09 and a much better result than we expected. We'd like to pass on our thanks to chief executive Simon Owen and the management team for executing an outstanding turnaround in challenging circumstances.

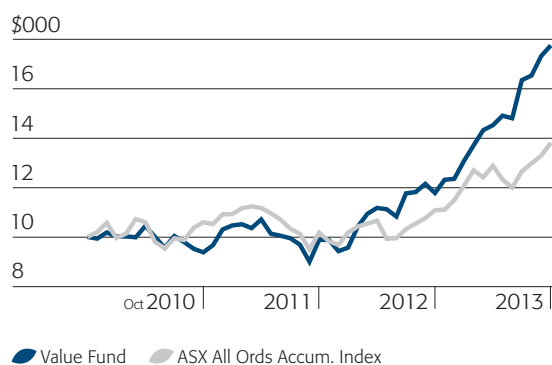
### SUMMARY OF RETURNS AS AT 31 OCT 2013

	VALUE FUND (%)	S&P ALL ORDS. ACCUM. INDEX (%)
1 MONTH RETURN	2.50	3.91
3 MONTH RETURN	8.61	9.15
6 MONTH RETURN	22.29	7.18
1 YEAR RETURN	50.89	24.68
2 YEAR RETURN (P.A.)	34.14	16.53
3 YEAR RETURN (P.A.)	23.79	9.26
SINCE INCEPTION*(P.A.)	15.46	8.42

\*31 Oct 2009

FACTS	UNIT PRICE SUMMARY
<b>FUND COMMENCED</b> 31 Oct 2009	<b>DATE</b> 31 Oct 2013
<b>MINIMUM INVESTMENT</b> \$10,000	<b>BUY PRICE</b> \$1.4733
<b>MONTHLY INVESTMENT</b> Min. \$100/mth	<b>REDEMPTION PRICE</b> \$1.4615
<b>INCOME DISTRIBUTION</b> Annual, 30 June	<b>MID PRICE</b> \$1.4674
<b>APPLICATIONS/REDEMPTION</b> Weekly	<b>PORTFOLIO VALUE</b> \$44.0m

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



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