

# Value Fund

## Monthly Update



INTELLIGENT  
INVESTOR  
FUNDS MANAGEMENT

APRIL 2013

The Value Fund returned 1.4% for the month of April, but was outpaced by the All Ordinaries Accumulation Index which returned 3.8%. The market was again driven higher by the financial sector; the S&P/ASX 200 Financials Index rose 8.5% in April and has now returned 38% in the past twelve months. The big banks look overpriced to us, but we have been investing in some financial software companies recently.

- The fund purchased **Rubik Financial** last year at a discount to net cash. Its only operation was an unprofitable banking software business. They weren't making much progress with it and they seemed to have no attractive acquisition prospects for the remainder of their cash.

The story changed last year when Rubik purchased a financial planning software suite called COIN. The purchase price of \$26m accounted for all Rubik's cash and required them to take on some debt.

All we knew about COIN was that it was a mature profitable business, so it was unlikely our cash had been totally squandered. We decided to continue to hold the company, and the results have been better than we expected. Rubik reported half year underlying EBITDA of \$2.5m, which would have been \$3.1m had the COIN results been included for the full period. With debt of \$7m the market capitalisation of \$22m early this year began to look cheap.

Rubik's share price has now roared up to 16 cents (\$42m market capitalisation) providing a 190% return on our investment. We've commenced selling the stock, because even with the stronger results the market valuation looks fully priced to us, and we're not inclined to hold what was a net cash position at twice book value. We're also a little sceptical of management and the recent share placements made to other parties.

We hadn't expected to realise value in this manner, but the benefit of investing at a discount to net cash is there are a range of ways to profit. The company might for example have wound up and returned cash to investors, or been taken over by a corporate raider. In this instance we were fortunate that a large acquisition provided a more spectacular gain.

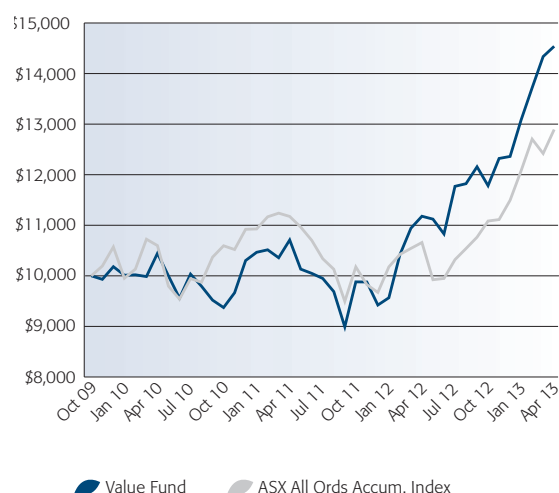
- We now own another financial software company called **GBST Holdings**. GBST, which provides software for stockbrokers and administrators of managed funds, is currently at an interesting stage of its development. Its managed funds product known as Composer is making great progress in the United Kingdom, but profit in the broker related business is suffering from low turnover in shares and customers with tight budgets. If these tough conditions ease we expect a significant boost to profits. Look out for more details in our next quarterly report.
- In an otherwise quiet month for us the major contribution to performance was from **RNY Property Trust** shares which rose 17% to \$0.28. We have been managing the Fund's exposure to RNY by selling some units as the price has increased.
- **Mirvac Industrial Trust** units also rose 14% to \$0.16, and the noticeable negative contribution was from **Vision Eye Institute** shares which fell 11% to \$0.57. There was no significant news relating to these investments.

SUMMARY OF RETURNS AS AT 30 APRIL 2013		
	IIVF	S&P ALL ORDS. ACCUM. INDEX
1 month return	1.41%	3.82%
3 month return	11.13%	6.75%
6 month return	23.39%	16.33%
1 year return	30.06%	20.97%
2 year return	16.51% p.a.	7.42% p.a.
Since inception*	11.29% p.a.	7.53% p.a.

\*31 Oct 2009

FACTS	UNIT PRICE SUMMARY
<b>FUND COMMENCED</b> 31 Oct 2009	<b>DATE</b> 30 April 2013
<b>MINIMUM INVESTMENT</b> \$10,000	<b>BUY PRICE</b> \$1.3130
<b>MONTHLY INVESTMENT</b> Min. \$100/mth	<b>REDEMPTION PRICE</b> \$1.3025
<b>INCOME DISTRIBUTION</b> Annual, 30 June	<b>MID PRICE</b> \$1.3078
<b>APPLICATIONS/REDEMPTION</b> Monthly	<b>PORTFOLIO VALUE</b> \$30.5m

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



### CONTACT DETAILS

**Responsible entity** Fundhost Limited Phone +61 2 8223 5400 Email [admin@fundhost.com.au](mailto:admin@fundhost.com.au) Web [www.fundhost.com.au](http://www.fundhost.com.au)

**Investment manager** Intelligent Investor Funds Pty Ltd Phone +61 2 8305 6050 Email [admin@iifunds.com.au](mailto:admin@iifunds.com.au) Web [www.iifunds.com.au](http://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](http://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.