

Value Fund

Monthly Report



INTELLIGENT
INVESTOR
FUNDS MANAGEMENT

NOVEMBER 2011

The Value Fund's unit price remained steady during November. In comparison the All Ordinaries Accumulation Index declined 3.4%. **Photon Group's** 58.5% rise was enough to offset a 20.7% fall in **Infigen Energy** and a number of lesser falls across the portfolio.

- Photon Group** announced the much rumoured sale of its Field Marketing Group to private equity group Navis Capital. The \$146.5m price tag was seven times the division's operating earnings in the previous 12 months; an excellent multiple in any case but even better given the trading update suggests it hadn't been performing as well this financial year.

Photon has now received the cash, repaid all of its debt and has \$21.5m surplus to operating requirements—more than enough to meet its \$15m of remaining obligations from previous acquisitions. This business still has problems, including falling revenue in the remaining businesses and a cost base too large for its current size. But the managers now have the financial flexibility to focus their attention on these issues, instead of worrying about the banks. The share price was up 58.5% in November but still doesn't reflect the underlying value in this business.

- UXC** held its AGM in Melbourne where the CEO's presentation didn't impress the market or us. While short on specific details, Cris Nicolli said the business is 'positioned for future synergies' but that 'the first half is challenging' and that he is confident of a 'much improved second half'. All of this suggests the first half is going to be disappointing and that shareholders will again be asked to patiently wait for the benefits of UXC's restructure. The share price fell 13.5% for the month and that's probably an accurate reflection of the disappointment felt by us.

- Winemaker **Australian Vintage Group (AVG)** doesn't have the luxury of a growing industry like UXC. Managing Director Neil McGuigan and his team have, however, done a sensational job of keeping AVG profitable in the midst of horrendous market conditions. Despite a Australian dollar/British Pound exchange rate some 11.2% higher than the previous year, a glut of grape supply in Australia and the increasing dominance of supermarket chains around the world, AVG managed a \$10.2m profit and paid a 2.5 cent fully franked dividend. While understandably cautious, McGuigan told attendees at the annual meeting that the first four months of this financial year are ahead of last year. Anything more than a \$10m profit for the full year would be a bonus given the \$39.5m market capitalisation. The share price rose 9.1% for the month, however we are very happy with the performance and have added to the Fund's position through the dividend reinvestment plan and some small on-market purchases.

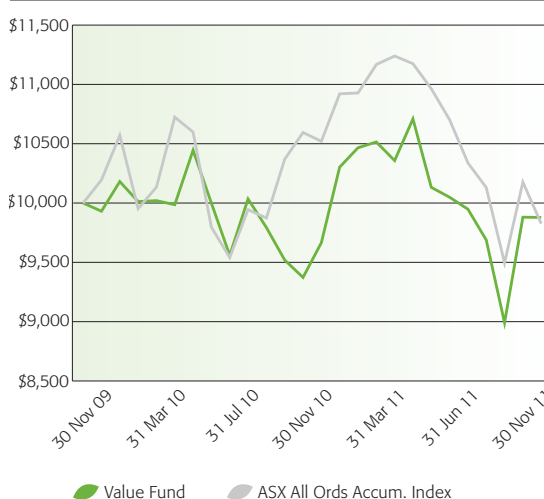
- 2011 Financial Statements for the Fund are available at www.fundhost.com.au. We've also recorded a video to mark our two year milestone. You can watch it at www.iifunds.com.au/value-fund/videos.

SUMMARY OF RETURNS AS AT 30 NOVEMBER 2011		
	IIVF	S&P ALL ORDS. ACCUM. INDEX
1 month return	-0.02%	-3.43%
6 month return	-2.51%	-10.37%
1 year return	2.20%	-6.59%
2 year return	-0.27% p.a.	-1.82% p.a.
Since inception*	-0.59% p.a.	-0.84% p.a.

* 31 October 2009

FACTS	UNIT PRICE SUMMARY
FUND COMMENCED 31 Oct 2009	DATE 30 Nov 2011
MINIMUM INVESTMENT \$10,000	BUY PRICE \$0.9089
MONTHLY INVESTMENT Min. \$100/mth	REDEMPTION PRICE \$0.9016
INCOME DISTRIBUTION Annual, 30 June	MID PRICE \$0.9052
APPLICATIONS/REDEMPTION Monthly	PORTFOLIO VALUE \$15.0m

VALUE FUND VS ASX ALL ORDS ACCUM. INDEX



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

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