

Value Fund

Monthly Report



INTELLIGENT
INVESTOR
FUNDS MANAGEMENT

OCTOBER 2011

The Value Fund's unit price increased 9.9% for the month of October, 2.7% more than the All Ordinaries Accumulation Index's 7.2% return. Despite the impressive looking numbers, there wasn't a great deal of concrete news to justify the increase. For the most part, it was simply a reversal of September's decline.

● **Photon Group's (PGA)** share price rose 37% and it was one of the few stocks for which there was some type of justification. Rumours of an imminent sale of the company's Field Marketing Group have been popping up in the *Australian Financial Review's* Street Talk column throughout the year. In October, the rumours became curiously specific including details of the sale price, \$140m, the buyer, Navis Capital, and some of the key personalities involved. The company declined to confirm anything at the time but the facts seemed too exact to be made up.

Subsequent to the end of month, Photon has confirmed the deal, on terms almost exactly the same as had been suggested in the paper. We'll write more about this transformational transaction next month, but Photon is now debt free and still very cheap.

● **Real Estate Capital Partners USA Property Trust (RCU)** announced that it had completed the purchase of nine US-Government leased properties on behalf of its joint venture with Saban Capital (the joint venture is 35% owned by RCU). Although the share price was only up 5% for the month, it's an important piece of news for RCU unit holders. Originally agreed upon almost 12 months ago, the purchase was dependent on the consent of lenders, and this usually straight forward process had dragged on for months longer than expected. The completion releases a meaningful amount of cash for RCU and will provide reliable income for the foreseeable future, both of which the trust is in desperate need of.

● **ING Real Estate Community Living Group (ILF)** continued to gain in popularity, with its share price rising 19% for the month. We visited the trust's Brisbane-based retirement villages and witnessed firsthand the progress being made by ILF's new management team. The science is not complicated: good food, which we sampled ourselves; clean, well-presented apartments; and gardens and communal facilities that keep the residents happy. But the changes are having the desired impact, with occupancy levels in the rental portfolio and sales in the owner-occupied portfolio improving significantly over the past 12 months.

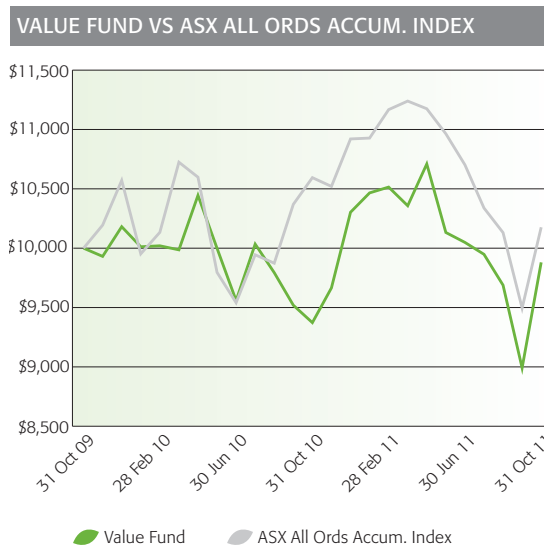
Whilst we are very happy with the progress being made, our expectations about future returns for this investment are tempered somewhat by recent price increases.

Most companies in the portfolio will hold their annual shareholder meetings during November. We look forward to providing an update on those meetings, along with details about the Photon transaction, in our next monthly update.

SUMMARY OF RETURNS AS AT 31 OCTOBER 2011		
	IIVF	S&P ALL ORDS. ACCUM. INDEX
1 month return	9.89%	7.17%
3 month return	-0.68%	-1.57%
6 month return	-7.74%	-8.93%
1 year return	5.42%	-3.95%
Since inception*	-0.60%	0.88%

* 31 October 2009

FACTS	UNIT PRICE SUMMARY
FUND COMMENCED 31 Oct 2009	DATE 31 Oct 2011
MINIMUM INVESTMENT \$10,000	BUY PRICE \$0.9090
MONTHLY INVESTMENT Min. \$100/mth	REDEMPTION PRICE \$0.9018
INCOME DISTRIBUTION Annual, 30 June	MID PRICE \$0.9054
APPLICATIONS/REDEMPTION Monthly	PORTFOLIO VALUE \$14.7m



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