

# Value Fund

## Monthly Report



INTELLIGENT  
INVESTOR  
FUNDS MANAGEMENT

FEBRUARY 2011

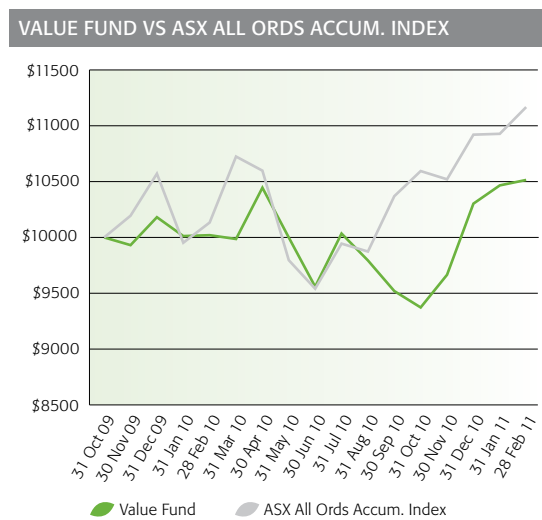
The Value Fund's unit price was up 0.5% in February, compared with a 2.2% increase in the All Ordinaries Accumulation Index. Increases in the share prices of **UXC**, **Elders Convertible Notes** and **RCU** were offset by falls in **Photon Group** and **RNY Property Trust**. With reporting season in full swing, there were a number of newsworthy events and several changes to the portfolio.

- Elders Convertible Notes (ELDPA) rallied 24% in the month of February, despite a relatively pedestrian 3% increase in Elders' ordinary shares. It was a timely move to switch out of the ordinary shares and into the ELDPA's in August of last year—the relative outperformance has been in excess of 50%. The value, relative or absolute, is not so clear today, however, and we exited our position during the month at an average price of \$65.
- Photon Group's results for the 6 months ended 31 December emphasised the importance of its \$75m business sale to Salmat before Christmas. Two of its best historical contributors—international agencies Naked and The Leading Edge—didn't contribute a dime to the company's otherwise respectable half year result. Management are confident they can turn both of these businesses around but they'll need time. Thanks to Salmat's contribution to debt reduction, time is something they now have. The share price fell 12% in the month.
- UXC's share price increased 20% during February despite also reporting a mediocre result. A number of brokers have commenced coverage on the company and highlighted the value that will become obvious if the company is split into its two distinct parts—the same rationale we used for our investment. New CEO Cris Nicolli is also on the same page and is proceeding with a potential demerger of the two businesses. The path ahead is clear but we'd rather see hard results than broker consensus and, with the share price rising even further in March, have been reducing our position somewhat.
- The three high quality businesses in the portfolio—**MApp Group**, **Spark Infrastructure** and **1300 Smiles**—all produced typically excellent results. All three announced healthy profit growth in comparison with the previous corresponding period, adding further reinforcement of our high opinions of these three businesses.
- US commercial property markets might be showing signs of life but RNY Property Trust is yet to see any of the benefits. The trust reported rental income, property values and occupancy rates all well down on the previous year. Management are confident they are through the worst of it though and, with only 12% of the trusts leases expiring in the next two years, there is room for optimism. Investors didn't see it that way, pushing the unit price down 18%. Like January, when the price rose 23%, though, volumes have been very light.

SUMMARY OF RETURNS AS AT 28 FEBRUARY 2011		
	IIVF	ALL ORDS. ACCUM. INDEX
1 month return	0.47%	2.19%
3 month return	8.79%	6.15%
6 month return	7.36%	13.10%
1 year return	4.94%	10.20%
Since inception*	3.84% p.a.	8.63% p.a.

\* 31 October 2009

FACTS	UNIT PRICE SUMMARY
<b>FUND COMMENCED</b> 31 Oct 2009	<b>DATE</b> 28 Feb 2011
<b>MINIMUM INVESTMENT</b> \$10,000	<b>BUY PRICE</b> \$1.0355
<b>MONTHLY INVESTMENT</b> Min. \$100/mth	<b>REDEMPTION PRICE</b> \$1.0272
<b>INCOME DISTRIBUTION</b> Annual, 30 June	<b>MID PRICE</b> \$1.0314
<b>APPLICATIONS/REDEMPTION</b> Monthly	<b>PORTFOLIO VALUE</b> \$15.1m



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