

# Value Fund

## Monthly Report



INTELLIGENT  
INVESTOR  
FUNDS MANAGEMENT

APRIL 2011

The Fund unit price increased 3.4% for the month of April, outperforming the All Ordinaries Accumulation Index by 4.0%. The relative outperformance was primarily a result of the 29% increase in RHG's share price.

• The association with RHG started well before the inception of the Value Fund. We have researched and owned this company since late 2007 when Steve Johnson was managing director of *The Intelligent Investor*. When starting the Value Fund, one of the first stocks purchased was RHG, despite the stock price having already tripled over the previous year (our average purchase price was \$0.57). It was quite clear by then that the original value identified in this business – well in excess of \$1.00 per share – was accumulating on RHG's balance sheet. What was not clear was whether shareholders were going to see the benefit of it.

Over the past few months, we have fought very hard to see that value realised and, in conjunction with two other institutional investors (Cadence Asset Management and Wilson Asset Management), have achieved our objective. RHG has aborted its plan to buy minority shareholders out at \$0.88 per share, has agreed to pay all shareholders a \$0.79 fully-franked dividend, will add new independent directors to the board and will commit to returning the company's remaining assets to shareholders over the next 18 months.

We will write more about RHG in the next quarterly update but, for now, we have been rewarded with a 29% share price increase in April. At the month-end share price of \$1.26, we don't see value for many of our investors by selling on market and plan on taking the fully franked dividend. This is likely to negatively impact our pre-tax returns but result in a much better post-tax result for almost all Value Fund investors.

- The Australian dollar bought 6% more US dollars at the end of the month than it did at the beginning, taking its rise since June 2010 to 30%. As explained in the December Quarterly Update, we have been working towards protecting the portfolio against the risk of collapse of the Australian dollar, not positioning it for a rise. So far, the negative impact from our conservative stance has been minimal but, should the exchange rate continue to rise or even hold at these lofty levels for an extended period of time, you should expect some relative underperformance.
- The Fund's cash holdings currently represent 8% of total assets and this will rise to 16% once the RHG dividend is received. Depending on the price once RHG trades ex-dividend, we may reinvest some of the dividend back into the company but are also working on a number of potential new opportunities. While we wouldn't describe the overall market as screamingly cheap, the bifurcated nature of the current mindset – optimism about anything resources related and pessimism about the rest – is providing plenty to contemplate for contrarian minds.

### SUMMARY OF RETURNS AS AT 29 APRIL 2011

	IIVF	ALL ORDS. ACCUM. INDEX
1 month return	3.40%	-0.58%
3 month return	2.33%	2.26%
6 month return	14.26%	5.48%
1 year return	2.53%	5.44%
Since inception*	4.67% p.a.	7.68% p.a.

\* 31 October 2009

### FACTS

#### FUND COMMENCED

31 Oct 2009

#### MINIMUM INVESTMENT

\$10,000

#### MONTHLY INVESTMENT

Min. \$100/mth

#### INCOME DISTRIBUTION

Annual, 30 June

#### APPLICATIONS/REDEMPTION

Monthly

### UNIT PRICE SUMMARY

#### DATE

29 Apr 2011

#### BUY PRICE

\$1.0547

#### REDEMPTION PRICE

\$1.0463

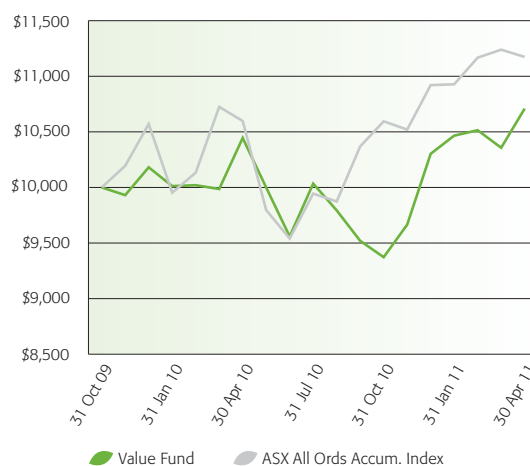
#### MID PRICE

\$1.0505

#### PORTFOLIO VALUE

\$15.7m

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



### CONTACT DETAILS

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