



Ethical
Managed Funds

Hunter Hall Investment Management Limited

ABN 69 063 081 612 AFSL 219462

Hunter Hall Value Growth Trust

Monthly Performance Report

January 2012

| Date | Entry Price | Unit Price | Exit Price |
|------------|-------------|---------------|------------|
| 31.01.2012 | 1.9254 | 1.9196 | 1.9139 |

Prices above are post the December 2011 distribution of 2.8205 cents per unit.

Absolute and Relative Performance (after fees)

| To 31 January 2012 (%) | 1 month | 6 months | 1 year | Compound Annual Return | | | | | Since inception | Value of \$10,000 invested at inception |
|-----------------------------|-------------|-------------|-------------|------------------------|-------------|-------------|-------------|-------------|-----------------|---|
| | | | | 3 years | 5 years | 7 years | 10 years | | | |
| Absolute Performance - VGT | +5.2 | -7.8 | -12.5 | +9.9 | -2.5 | +3.8 | +6.5 | +12.8 | \$85,039 | |
| Benchmark - MSCI World | +1.3 | -0.8 | -9.0 | -1.9 | -7.7 | -1.3 | -3.0 | +3.4 | \$18,131 | |
| Relative Performance | +3.9 | -7.0 | -3.5 | +11.8 | +5.2 | +5.1 | +9.5 | +9.4 | \$66,908 | |
| Benchmark - All Ords | +5.2 | -1.6 | -6.9 | +12.2 | -1.5 | +5.0 | +6.7 | +8.5 | \$42,290 | |
| Relative Performance | 0.0 | -6.2 | -5.6 | -2.3 | -1.0 | -1.2 | -0.2 | +4.3 | \$42,749 | |

Inception date: 2 May 1994. MSCI World refers to the MSCI World Total Return Index, Net Dividend Reinvested, in A\$. All Ords refers to the All Ordinaries Accumulation Index and is the benchmark for Performance Fees. Source: Hunter Hall. Past performance is no guarantee of future performance and no guarantee of future return is implied.

Top 10 Holdings

| Company | Main Business | Country | Net Assets (%) |
|-----------------------|--------------------------------|-----------|----------------|
| Sirtex Medical | liver cancer treatments | Australia | 6.0 |
| Gold Bullion | gold | n/a | 5.3 |
| Lexmark | printing and imaging solutions | USA | 4.0 |
| St Barbara | gold explorer and producer | Australia | 3.3 |
| Danieli | machinery manufacturer | Italy | 3.2 |
| Comcast | communication services | USA | 2.9 |
| Computer Sciences | IT services | USA | 2.8 |
| JDS | optical components | USA | 2.7 |
| BTG | medical devices | UK | 2.7 |
| M2 Telecommunications | telecommunications | Australia | 2.6 |

Commentary

The Hunter Hall Value Growth Trust (VGT) started 2012 strongly, up 5.2% for the month of January. The portfolio outperformed its benchmark, the MSCI World in A\$, by 3.9%. Around the world markets rallied with the S&P 500 Index rising 4%, Hong Kong's Hang Seng Index up 11% and London's FTSE up 2%. At home, the Australian All Ordinaries climbed 5% and the Australian dollar recovered 4c to US\$1.06.

The **Gold Bullion** price rose 10% to US\$1,731/oz to be one of the trust's top contributors. There was also good news from Australian gold miner **St Barbara** (+21%) which forecast a further rise in production for the second half of the 2012 financial year. Production for the December also rose 18% from the previous quarter, to a record 83,615 ounces.

Italian steel producer **Danieli** (+18%) reported strong quarterly results, including a 22% increase in revenues and a 65% reduction in capital expenditure from the previous corresponding quarter. The company is continuing to improve efficiencies in its steel-making

processes, while expanding production facilities in China and Thailand and opening new operations in the growing economies of India, Russia and Vietnam.

Australian liver cancer treatment company **Sirtex** (+5%) achieved strong growth in dosage sales for the December quarter which were up 22% on the previous corresponding period. This was driven mainly by strong sales in the US (up 31%) and the Asia Pacific region (up 38%). Sirtex's 30 quarters of consecutive growth in dose sales can be attributed to an increasing global acceptance of the company's *SIR-Spheres*. A very significant trial in France has been announced which will compare the performance of *SIR-Spheres* against *Nexavar*, the current standard of care for primary liver cancer. *Nexavar* is a chemotherapy drug which has sales of about US\$1b and is utilised by an estimated 35,000 patients. *SIR-Spheres* appear to provide a longer survival period and fewer nasty side effects and therefore would seem to have a reasonable chance of taking some of *Nexavar*'s market share.

After generally poor performances in December, a number of the trust's Indian holdings have rebounded. Jewellery manufacturer **Shree Ganesh** (+15%), **Tulip Telecom** (+7%) and **Indian Bank** (+19%) all contributed positively. **Allahabad Bank** (+41%) was the best performer after reporting a 35% growth in net profit for the December quarter compared with the previous corresponding period.

UK oil and gas explorer **Afren** (+41%) is an independent exploration and production company with operations in 12 countries, mainly in Africa and the Middle East. The company announced it had discovered oil and gas at the Okoro East exploration well off southeast Nigeria in "excellent quality reservoir sands". The company also announced that it had commenced drilling at its Ghana offshore operation.

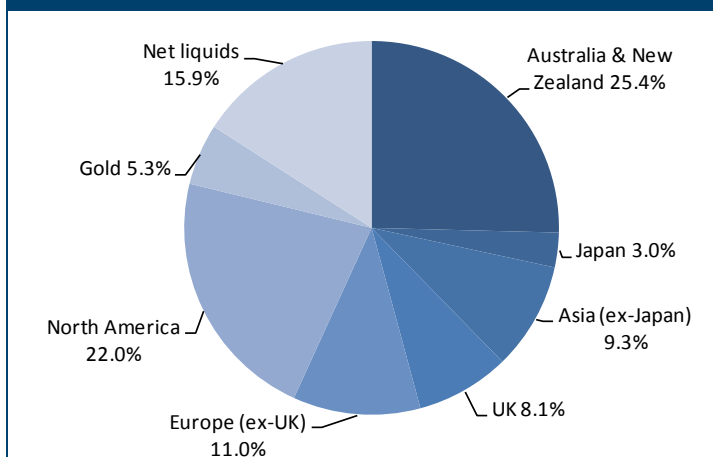
While the portfolio comfortably outperformed its benchmark during the month, its largest detractor was US wireless technology company **Interdigital** which fell 14% after the company changed the strategy behind selling its patent portfolio. The decision followed months of unsuccessful negotiations with potential

buyers for the entire portfolio of 20,000 patents. The new strategy is to sell sections of the patent portfolio and increase its licensing sales with a target of doubling annual revenues to \$800m by 2015.

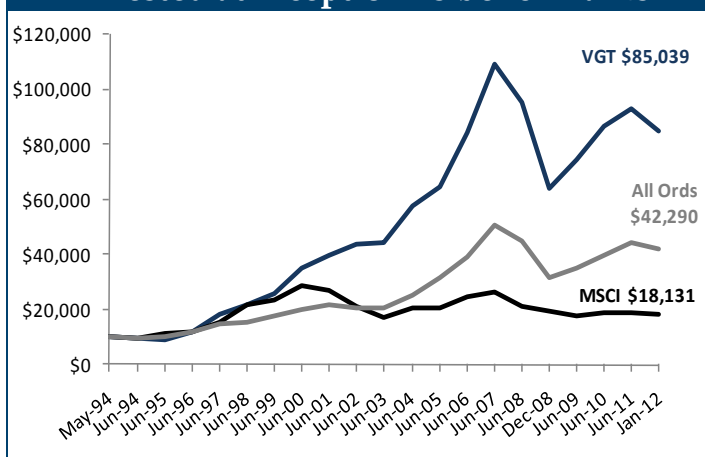
At month end the Fund's net assets were \$901.1m with 15.9% net liquids and 5.3% in gold. The international equity component was 53.6% of which 51.3% of the foreign currency exposure hedged back into Australian Dollars.

This relatively cautious "barbell" strategy is being maintained until the uncertainty in the global economy eases, hopefully during the first half of 2012. This should enable the the Hunter Hall investment team to execute a number of potentially extraordinary opportunities. In the context of moderate global economic growth, driven in part by Asian industrial activity, infrastructure development and urbanisation, Australia is expected to remain a safe haven. We continue to favour Australian companies in the VGT and have adopted a currency management strategy that envisages the continuation of a high Australian Dollar.

Country Allocation Breakdown



Value of \$10,000 invested at inception vs benchmarks



Hunter Hall Investment Management Limited - Contact Details

Street address: Level 2, 60 Castlereagh St, Sydney, Australia
Postal address: Reply Paid 3955, Sydney NSW 2001
Website: www.hunterhall.com.au

Telephone: 1800 651 674
 0800 448 305 (New Zealand callers)
 +61 2 8224 0300
Email: invest@hunterhall.com.au

Initial applications for units can only be made on an Application Form found in the current Product Disclosure Statement for the Hunter Hall Funds. Investment returns have been calculated in accordance with normal industry practice utilising movements in the unit price and assuming the reinvestment of all distributions of income and realised profits. Hunter Hall Investment Management Limited (AFSL: 219462) or any related entity does not guarantee the repayment of capital or any particular rate of return from the Fund. Past performance is no guarantee of future performance. This document does not take into account a reader's investment objectives, particular needs or financial situation. It is general information only and should not be considered investment advice and should not be relied on as an investment recommendation.