GLOBAL VALUE INVESTORS

GVI GLOBAL INDUSTRIAL SHARE FUND
GVI GLOBAL INDUSTRIAL SHARE FUND (unhedged)
UPDATE MARCH 2011

MARKET COMMENTARY

A number of factors contributed to increased concerns over the potential disruption to the global economic recovery during the March quarter:the natural disaster and nuclear crisis in Japan; the turmoil in the Middle East; rising commodity prices; ongoing concerns over the sovereign debt crisis (Greece, Portugal and Ireland credit ratings further downgraded) and a rising interest rate scenario for Europe. These plus the US Budget and debt ceiling debates have all contributed to a shift in sentiment and market conditions that are now more prone to higher volatility and risk. Despite global equity markets contracting in March as a result of these challenging conditions, over the quarter, strong corporate earnings and improving economy recovery led the MSCI World Index (AUD) hedged to post a gain of +4.7% and the MSCI World Index (unhedged) a gain of +3.9%.

The MSCI US equity market, gained 6.0% over the quarter buoyed by improved GDP growth numbers, falling unemployment and a recovery that is gaining traction. Housing woes though, still persist with mixed consumer data and weakening consumer confidence in March. European equities rose by 2.2% supported by improving economic data and ECB intervention in the ongoing debt crisis. In Asia, Japan lost ground with a decline of -2.8% with Hong Kong and Singapore also retreating -0.4% and -2.2% respectively.

The Energy sector significantly outperformed all other sectors over the quarter (+12.5%) with the next best return provided by Industrials (+6.0%), Telecoms (+4.8%), Healthcare (+4.0%), Financials (+3.1%), IT (+2.2%), followed by Consumer Discretionary (+1.2%), Materials (+0.6%), Consumer Staples (+0.4%), with Utilities lagging (-0.5%).

PORTFOLIO COMMENTARY

The GISF and GISF Unhedged generated gains of 4.1% and 3.4% respectively over the March quarter which were broadly in line with their relevant benchmarks. Our exposure to integrated energy companies made the most significant contribution to portfolio performance. Repsol (Spain) made the strongest gains followed by Exxon, Chevron, Total and Statoil. Wacker Chemie in the Materials sector posted very strong gains as did specialist chemical producer Syngenta with the former announcing very good results and a dividend payment that was above market expectations. While a majority of our Industrial holdings performed solidly over the quarter, the steady gains were somewhat offset by our transportation-type holdings (for eg Singapore Airlines). Other holdings that detracted from performance were Hewlett Packard, Swire Pacific, Carnival and Novartis. Telecom stocks with their strong cashflows provided solid gains with Telecom Italia, Telefonica and Telia Sonera leading the way.

Siemens has experienced strength across all divisions and improvements in orders, sales, margins and cashflow. Management expects this to continue into 2011 with further shareholder value being realised with the expected IPO of its lighting Division Osram later this year. Last year, it declared a 68% increase in dividend and we expect an increase again this year with the possibility of a special dividend or buy-back. The company has no debt on the balance sheet and is sitting on €11 billion in surplus. CSX and Fraport continue to grow their earnings and dividends over time and the portfolio has been duly rewarded by steady ongoing gains from these quality industrials.

The pullback mentioned in last month's update has already begun, fast-tracked by the horrific disaster in Japan. Sharply rising oil prices have the potential to de-rail growth but we expect prices to soften as we believe prices have overshot due to the unrest in the Middle East. We are maintaining a cautious stance during the June quarter as guidance for future earnings may well be impacted by rising commodity prices, but overall, we expect global GDP growth to continue and earnings to remain solid for 2011. The portfolio is well diversified across 65 stocks that have been selected to better withstand the toughest economic conditions and deliver growth in earnings and dividends in a sustainable manner. This month we feature German healthcare company Bayer.

GVI APPROACH

- ⇒ Value-based stock-picker
- ⇒ Focus on dividend-paying businesses that have the ability to grow earnings and dividends over time
- ⇒ Benchmark agnostic — focus on investment risk
- ⇒ Low turnover
- ⇒ Systematic and disciplined research process

FUND DETAILS

As at 31 March 2011

GVI Global Industrial Share Fund TGP0004AU	$480.1m
Fund Commencement	23 February 2005
GVI Global Industrial Share Fund Unhedged TGP0017AU	$13.7m
Fund Commencement	31 October 2010
Number of Holdings	65
Distribution Frequency	Semi Annual
Minimum Initial Investment	AUD500,000
Minimum Additional Investment	AUD50,000
Management Fee	1.23% per annum
Buy/Sell Spread	0.6% total

PE & YIELD[1]

Portfolio Characteristics	Dividend Yield FY 01*	Price/Earnings FY 01*
Fund International Equities Exposure	3.7%	10.8x
MSCI World Index	2.6%	12.8x

Source: Factset broker estimates
** FY01 based on one year projections*
1 Based on the GVI Global Industrial Share Fund

TOP TEN HOLDINGS[1]

Company	Country	Type of Company	Portfolio Weight	PE (FY 01)	Yield (FY 01)
Siemens	Germany	Diversified Industrial	2.2%	13.1x	3.0%
GDF Suez	France	Integrated Utility	2.0%	13.7x	5.5%
Linde	Germany	Industrial Gases & Engineering	2.0%	15.7x	2.2%
Bayer	Germany	Healthcare Conglomerate	2.0%	11.7x	3.0%
Wacker Chemical	Germany	Diversified Chemical	1.9%	13.6x	2.0%
Daimler	Germany	Vehicle Manufacturer	1.9%	9.3x	4.3%
Henkel	Germany	Diversified Industrial	1.8%	14.0x	1.8%
Singapore Airlines	Singapore	Global Airline	1.8%	12.5x	4.4%
Royal Dutch	Spain	Integrated Energy	1.8%	9.2x	4.8%
CSX Corporation	USA	Integrated Rail Network	1.8%	15.6x	1.3%
Total Top 10			**19.2%**		

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Performance Summary	1 Mth	3 Mths	6 Mths	1 yr (pa)	3 yrs (pa)	5 yrs (pa)	SI (pa)
GVI Global Industrial Share Fund *	-0.8%	+4.1%	+7.1%	+7.1%	-3.1%	+0.1%	+3.6%
MSCI World AUD Hedged **	-0.9%	+4.7%	+14.4%	+11.9%	+0.9%	+1.4%	+4.8%
GVI Global Industrial Share Fund Unhedged	-1.3%	+3.4%	-	-	-	-	-
MSCI World Index (AUD)	-2.5%	+3.9%	+6.9%	+0.7%	-4.3%	-5.2%	-0.3%

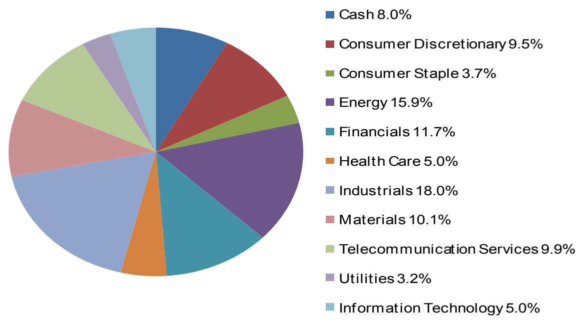
* *Fund returns are calculated net of management fees and assuming all distributions are reinvested*

** *MSCI World Index 100% hedged to AUD*

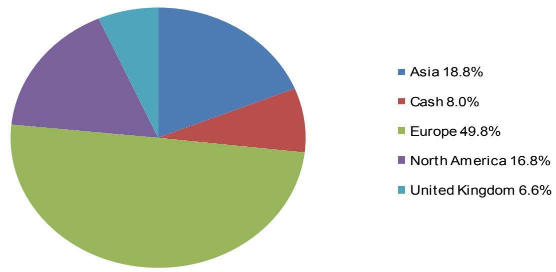
STOCK STORY—Bayer (Germany)

Bayer is a German conglomerate with interests in three main business segments- Healthcare, Crop Protection and Plastics. The company has restructured significantly over the past few years growing in Pharmaceuticals, via its acquisition of Schering in 2006 as well as shedding underperforming businesses (commodity chemicals). The result is that the company is much more focused than it was previously and it now has a particular emphasis on Healthcare, which accounts for almost half of earnings. Its Healthcare business is strong, with a combination of low-risk, stable cash flow Consumer-type products (e.g. Berocca) as well as higher growth, higher margin Pharmaceutical business. Its Pharmaceutical business has a bright future with minimal risk of significant drugs coming off patent and some very exciting drugs in its pipeline. One such drug (Xarelto) is close to being commercialized and is to be used to treat blood clots, strokes and deep vein thrombosis. This drug has the potential to be a 'blockbuster' drug with multi-billion euro sales potential and is the only such blockbuster we see across pharmaceutical peers. Other businesses within the company are performing very well. Bayer is a top 3 player in Crop Protection (e.g. herbicides, pesticides etc) and is a major beneficiary of recent strong crop prices as higher prices mean more demand for fertilizer and crop protection products. This has been seen in the recent results which has seen demand at record levels. Lastly, the Plastics business, whilst cyclical, is performing very well given the upturn in global demand and the company expects this to continue into 2011. Interestingly, this business may be targeted for a spin-off at some point which could provide a positive catalyst for the shares given the hidden value of this division. The balance sheet for the company is conservative, with only moderate gearing, which lends itself to further bolt-on acquisitions and higher dividends. Valuation remains very attractive with the company trading on a Price-to-Earnings ratio for 2011 of under 12x with a prospective dividend yield of 3%.

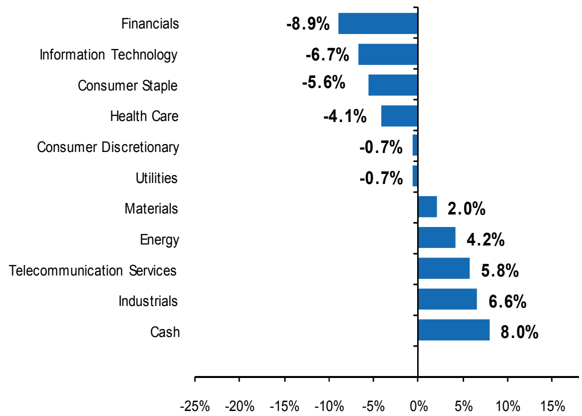
Sector allocation as at 31 March 2011



Region allocation as at 31 March 2011



Active sector weights as at 31 March 2011



TOP TEN COUNTRY HOLDINGS

Germany	19.8%
USA	16.8%
France	11.1%
Singapore	7.0%
United Kingdom	6.6%
Hong Kong	6.4%
Switzerland	4.9%
Spain	3.3%
Norway	3.2%
Australia	2.9%
TOTAL	**82.0%**