



**HUNTER HALL
INTERNATIONAL LIMITED**

ABN 43 059 300 426

27 November 2014

Market Announcements Office
ASX Limited
Level 5, 20 Bridge Street
Sydney NSW 2000

**2014 ANNUAL GENERAL MEETING
Chairman's Address and CEO Presentation**

Please find attached a copy of an address to be delivered by Mr Peter Hall AM, Chairman of Hunter Hall International Limited at the 2014 AGM today, followed by an address by Mr David Deverall, Chief Executive Officer and related presentation slides.

Yours sincerely,

Christina Seppelt
General Counsel and Company Secretary

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2014 ANNUAL GENERAL MEETING CHAIRMAN'S ADDRESS, PETER HALL AM

The year to 30 June 2014 was another challenging year for the Company with after tax profits falling 23% to \$3.7m as a result of falling funds under management.

I would like to recap on some salient features of our financial results for the year to 30 June 2014:

- Funds under management on 30 June 2014 of \$960 million were 13.8% down on the figure at 30 June 2013.
- Net management fee income of \$16 million was 12.7% below the figure in the previous year.
- Operating expenses were down 6.4% to \$10 million.
- Profit from Investment Management of \$6 million was down 21.4%.
- We continued our charitable giving program which this year gave \$307,000 to good causes, bringing the total of charitable donations to over \$9.5 million since the listing of the Company in February 2001.
- The Consolidated Entity's cash and investments at 30 June 2014 were \$17.9 million before payment of income tax and dividends.

Dividends

Dividends for the year were 13.4 cents per share, of which 13.3 cents was franked. This is down 28% from the 18.6 cents paid in the previous year. We expect the level of franking for our dividends to be in excess of 90% in future periods.

Investment Performance

This year marked the 20th anniversary of our Flagship product, the Hunter Hall Value Growth Trust. Between inception on 2 May 1994 and 30 June 2014 the VGT generated a compound annual return of 13.1% and had outperformed the MSCI World and All Ords in 14 and 13 of 20 fiscal years, respectively.

Since inception the VGT has outperformed the MSCI World and All Ords by a compound annual average of 7.4% and 3.9%, respectively. And, according to Morningstar data, the VGT was the top-performing fund of 902 managed funds registered in Australia over the 20 year period to 30 June 2014.

The year to 30 June 2014 saw good positive performance from all our investment products, which was a welcome return to form. The Value Growth Trust returned 19.6% which was only marginally below the MSCI in A\$ and was 1.8% ahead of the All Ordinaries Accumulation Index. Hunter Hall Global Value Limited was up 21.5% and ahead of both the MSCI and the All Ords Accumulation Index.

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The activities of the funds will be discussed in more detail in our Investors Meeting later on today and you are welcome to attend that meeting.

Trading Update

I would now like to turn to current performance.

All funds have performed well in the period since 30 June 2014. The Value Growth Trust is up 10.1% while other funds are up by between 5.3% and 14.1%.

As at Tuesday 25 November 2014, funds under management were \$980 million. This is an increase of \$20m since 30 June 2014 when FUM was \$960 million. We have continued to suffer outflows but these have slowed over the past year and have been offset to a great extent by positive investment performance. In fact, more than offset since 30 June 2014.

The Value Growth Trust, Global Value Limited, Global Deep Green Trust and the Australian Equities Fund net asset backings are at, or near, all time highs. The Australian Value Trust is about 14% below its all time high while the Global Equities Trust is 6% behind its all time high. We are working to recover those losses and I believe we have every chance of doing that in the next year or so.

I remain wary about the outlook for investment markets. In my view these have been driven to high levels by very low interest rates, huge fiscal deficits and money printing in the form of quantitative easing. Economic growth is faltering in many parts of the world and in my view there are significant risks. We have increased our cash levels in the funds in recent months and we remain focussed on buying stocks trading at a substantial discount to their intrinsic value. This approach should enable us to weather investment market storms that might arise.

In an exciting new initiative, we will shortly be launching a new fund, to be called the Hunter Hall High Conviction Equities Trust. Hunter Hall will invest \$5m in this fund and I will also personally be investing in the fund. The fund will have a highly concentrated portfolio and David Deverall will discuss its structure in more detail in his address to you.

Summary and Outlook

I would likely to briefly touch on our share price. Its current level is disappointing but we have to reconcile ourselves to the fact that relative underperformance and team instability in the period 2008 to 2012 has reduced confidence in our company. In addition, changes in the structure of the investment management industry have led to reduced support for a relatively high fee and eclectic investment boutique such as Hunter Hall.

We are attempting to respond to these challenges by reducing expenses, launching a wholesale product and improving investment performance, driven by our long term investment in Sirtex Medical which has paid off in spades. We have enjoyed improving investment team stability and under David Deverall we have a high quality team of executives. I see no alternative to our current strategy and believe that if we

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can continue to deliver strong investment performance as we have done in recent years we will be able to return to net inflows. If and when that happens we will enjoy the positive side of operating leverage.

I certainly continue to believe in what we do and to enjoy being an ethical investment manager. We have generated a billion dollars of net investment returns for our investors over the life of the firm and all our funds, apart from the AVT and the GDG, have outperformed their respective benchmarks since inception.

Given the volatility in investment markets it is difficult to forecast our profit for the coming year, however we expect fund outflows to slow and operational expenses to decrease. If we can continue to deliver strong results we would expect that investment performance would cancel out some or all of the effect of outflows.

I would like to conclude by thanking my colleagues at Hunter Hall for their contribution over the past year.

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2014 ANNUAL GENERAL MEETING CEO'S ADDRESS, DAVID DEVERALL

Good morning shareholders and thank you for giving me the opportunity to address you at today's Hunter Hall International AGM.

In my address to you, I would like to provide you with a re-cap on our strategy, a progress report on its implementation, and an update on trading conditions.

Strategy

At each AGM I articulate the strategy for Hunter Hall.

Hunter Hall's strategy is to offer a range of responsibly-invested, equities funds with a value and small cap bias to superannuation funds, financial planners, stockbrokers, and investors.

Hunter Hall will win the competition for value creation because:

1. Value investing is a proven investment approach
2. Small and mid caps outperform large caps over the long term
3. Hunter Hall is a thought leader in responsible investing

In order to achieve this strategy we have been implementing the following during 2014:

Re-invest in our strengths:

1. Stay true-to-label as a value investor.
2. Maintain our bias towards small and mid cap stocks
3. Reinforce our position as a thought leader in responsible investing
4. Build our investment team capability

Implement the plan for change:

1. Strengthen our risk management
2. Continue to build new distribution channels
3. Manage our cost base and balance sheet prudently

Strategy Implementation

In this year's annual report I wrote a summary of our progress in implementing the strategy. I do not plan to repeat today what I wrote then but I will touch on a few salient points.

Action 1: Reinforce our position as a thought leader in responsible investing

In May 2014 we decided to widen the negative ethical screen for our retail funds to include fossil fuel stocks. We know from climate science that burning fossil fuels is having a powerful and accelerating impact on climate and the environment. After observing the gathering momentum of fossil fuel divestment campaigns and

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consulting a number of our supporters it became clear that climate change was also a very important issue for many of our investors.

Hunter Hall's investment portfolios have always been underweight fossil fuel companies but our decision to end fossil fuel investments outright enables Hunter Hall to focus on new investment opportunities.

Action 2: Build our investment team capability

During the year we promoted two of our analysts to the more senior role of portfolio manager. As a result of these promotions we appointed two new analysts to the team one of whom was a senior analyst with one of our major competitors.

We have an effective balance of retention and performance initiatives in place for our investment team. Our team is well resourced, stable, and extremely experienced.

Action 3: Strengthen our risk management

During the year we made a number of important enhancements to our approach to risk management both for our investment portfolios and for the business.

We adopted an enhanced approach to the allocation of capital among the portfolio managers. The new approach is more objective and transparent through a quarterly process of capital adjustments based upon the historic returns on invested capital for each portfolio manager.

Our risk management function now reports directly through to me as Managing Director and to the Audit Risk and Compliance Committee.

During the year Peter Hall resigned his directorship and chairmanship on the board of Hunter Hall Global Value Limited. This change is consistent with best practice corporate governance.

We also improved our disclosure practices to shareholders. We are now releasing our funds under management to the ASX at the end of each quarter for the 2015 financial year onwards.

Action 4: Build new distribution channels

The seeding of the new Hunter Hall Australian Equities Fund in July 2013 marked not only the introduction of a new fund. It is also the first move by Hunter Hall in its twenty year history into the Australian institutional market. The fund has developed a strong track record against its benchmark and is now being marketed to the institutional market by a dedicated sales specialist who joined Hunter Hall in January 2014. Our aim in 2015 is to announce the winning of new clients into the fund. In the mean time, the performance of the fund continues to be excellent with annual outperformance above benchmark of 4.1% after fees since inception.

I am also pleased today to announce the seeding of a new fund, the Hunter Hall High Conviction Equities Fund. This new fund, to be managed by Peter Hall and seeded with \$5m from the Hunter Hall balance sheet, will be marketed directly to those investors and their advisers that can invest directly with us without the need to refer to a research house or a dealer group approved product list. The financial services

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landscape in Australia has become very risk averse in recent years because of legal liability concerns among trustees and operators of large wrap platforms and dealer groups. The new fund will bypass this increasingly conservative distribution channel and instead will be sold directly to those investors and advisers that have the decision-making authority and risk appetite to invest in a classic Hunter Hall fund.

We have also significantly increased our sales and marketing activities with the stock-broking community who are enthusiastic supporters on behalf of their clients of listed investment companies such as Hunter Hall Global Value Limited. We expect to increase this level of sales and marketing activity for the rest of the 2015 financial year and beyond. Our aim is to drive further interest in Hunter Hall Global Value Limited so that the fund's discount to NTA declines further and appetite increases for future growth of the fund.

Action 5: Manage our cost base and balance sheet prudently

We used the prevailing soft leasing conditions in the Sydney office market to sign a favourable long term lease at 56 Pitt St. The new lease which commenced in July 2014 will reduce our occupancy costs by approximately 25% per annum.

We closed the Global Equities Trust – Hedged during the year. The fund was being run at a loss on both a marginal and fully recovered basis.

We no longer have any staff or office space in Singapore. All affected staff members have relocated to Sydney and the lease has been returned to the Singapore landlord.

We continue to make efficiency gains in our administration functions and, as a result, our staff numbers have declined. The full impact of those savings will occur during the 2015 financial year and beyond.

Offsetting these savings has been additional spending on our investment capabilities and our institutional distribution capabilities which I mentioned earlier in my address.

The net impact of cost savings has been a reduction in ongoing operating expenses from \$11.4m in 2012 to \$10.7m in 2013 to \$10.0m in 2014. I expect that ongoing operating expenses will decline further in 2015.

Our balance sheet remains strong with net cash and investments of \$17.9 million at 30 June 2014. This gives us flexibility to pursue opportunities such as the decision to seed the new High Conviction Equities Fund with \$5 million.

Update on Trading Conditions

With cash rates at historic lows and attractive recent returns on global stock markets, investors are becoming increasingly attracted to equities investments in order to achieve their long term financial goals.

Hunter Hall's 2014 was consistent with this trend. As performance in our funds continued to improve net outflows slowed. Net outflows in 2014 were approximately \$300m of which approximately 70% were experienced in the first half and 30% were experienced in the second half.

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Fund flows have continued to improve in the 2015 financial year. Our net outflows on a rolling twelve month basis continue their pleasing downward trend. Having peaked in July 2013, our rolling twelve month outflows are now more than 50% lower. Indeed the actual net outflows for October 2014 were well below the rolling twelve month number. We hope this improvement in net outflows continues for the rest of the financial year.

Following a spate of turnover among our investment team in 2012 and 2013 we experienced downgrades by some research houses in 2014. As a result, our funds were placed "on hold" by some of the financial planning groups and investment platforms that support our managed funds. We hope that the current stability and strength of our investment team coupled with our improved investment performance will deliver better ratings outcomes in 2015.

We have recently seeded the new Hunter Hall High Conviction Equities Trust with up to \$5m of shareholder funds. This new fund which will be managed by Peter Hall is a pure expression of Peter's investment prowess built over 30 years with stunning success. The fund is designed for those investors looking to grow their wealth over the long term and who are happy to accept periods of significant volatility. The fund is able to hold a maximum position in a single stock to 15% by book or cost value and, importantly, has no upper limit in terms of a stock's market value. Therefore it is possible that the majority of the fund could be in a single stock if that stock happens to experience a very significant increase in share price. The fund will not seek a rating from research houses and will be only made available to those planners, individuals and DIY super funds that have the decision-making authority and risk appetite to invest in a classic Hunter Hall fund.

I look forward to updating you with our result for the first half of the 2015 financial year in late February 2015.

Concluding Remarks

The Hunter Hall team has been extremely loyal and dedicated despite the significant changes imposed upon them since my arrival as CEO in July 2012. I thank them for their patience and support.

Thank you.

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Ethical
Managed Funds

Hunter Hall International Limited (HHL)

Annual General Meeting
Thursday 27 November 2014



Ethical
Managed Funds

David Deverall
CEO & Managing Director



Hunter Hall's Strategy

- Hunter Hall offers a range of **responsibly-managed** domestic and global **equities funds** with a **value** and a **small and mid-caps** bias...
- ... to Australian **superannuation funds, financial planners, stockbrokers and investors**
- Hunter Hall will win the competition for value creation because:
 - **equities** outperform cash over the long term
 - **value investing** is a superior investment approach for the creation of excess returns
 - **small and mid caps** outperform large caps over time
 - we are a **thought leader in responsible** investing

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Hunter Hall Strategy

Re-invest in Our Strengths

- Stay true-to-label as a value investor
- Maintain our small-mid caps bias
- Reinforce position as thought leader in responsible investing
- Build investment team capability

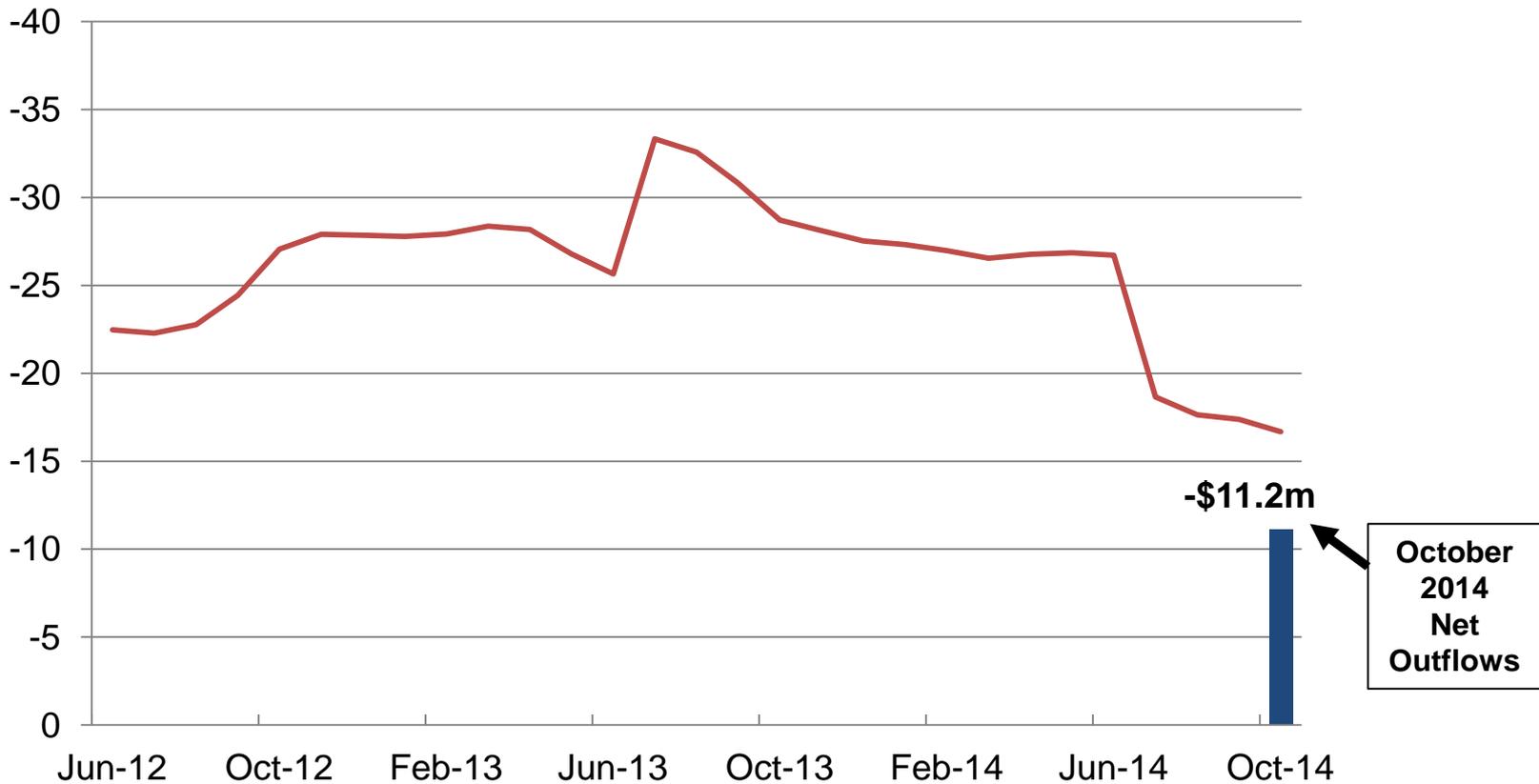
Implement the Plan for Change

- Strengthen our risk management
- Build new distribution channels
- Manage our cost base and balance sheet prudently



Net outflows continue to reduce

Net Outflows: 12 month rolling period



Legend:

- Net Monthly Outflows: 12 month rolling
- October 2014 Net Outflows



High Conviction Equities Trust

Fund Details

- A “go anywhere” equities fund managed by Peter Hall
- Very concentrated
 - Up to 20 stocks
 - Limit of 15% per stock by book value
 - No upper limit per stock by market value
 - Majority of fund may be in one stock
- Benchmark: RBA Cash Rate + 3%
- Fees: 1.8% plus 15% outperformance above benchmark

Target Market

- Investors:
 - looking to grow wealth over long term
 - with no need for regular distributions
 - with very high tolerance for volatility
- The Fund will not seek research ratings
- Will be seeded by Hunter Hall (\$5m)
- Launch date: December 2014



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