



HUNTER HALL INTERNATIONAL LIMITED

ABN 43 059 300 426

Profit Announcement

15 February 2017

HUNTER HALL INTERNATIONAL LIMITED (ASX: HHL) HY2017 Profit

Key Points

- Operating Profit before tax up 13.8%
- Profit After Tax down 18.6% due to absence of performance fees or realised capital gains
- Strong Balance Sheet position maintained
- Interim fully franked dividend of 4 cents per share
- Board advises shareholders to reject latest take-over offers from WH Soul Pattinson & Co and Pinnacle Investment Management Limited

Hunter Hall International Limited (ASX: HHL) today reported an Operating Profit before tax from investment management of \$3.751m for the half-year ended 31 December 2016, a 13.8% increase to the previous half-year. As the Company did not earn any performance fees or realise any gains on its investment portfolio for the period, the Profit after Tax was \$3.126m or 18.6% lower than the previous half-year.

Summary of HY2017 results

Half-Year Ending	31 Dec 2016	31 Dec 2015	Change %
Funds Under Management	970m	1,064m	(8.8)
Operating revenue (\$'000)	8,716	8,374	4.1
Ongoing operating expenses	(4,965)	(5,078)	2.2
Operating profit from investment management	3,751	3,297	13.8
Investment income	469	1,768	(73.5)
Net performance fees	-	713	(100.0)
Charitable donations	(231)	(312)	26.0
Tax expense	(863)	(1,625)	46.9
Profit after tax attributable to HHL Shareholders	3,126	3,841	(18.6)
Dividend (cents per share)	4.0	14.1	(71.6)
Movement in value of seeded funds	(1,741)	559	(411.4)
Statutory profit after tax	1,385	4,400	(68.5)

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Chairman, Mr. Kevin Eley said “while the profit after tax of the Company is less than the comparable period, reporting a pre-tax operating profit from investment management which is 13.8% higher than the comparable period is a pleasing result for the business. This strong result is a testament to the quality of the team we have at Hunter Hall”.

Dividend

While in the normal course of events the Company’s policy is to pay out 100% of net profit after tax as dividends to shareholders, in light of recent events as outlined in the outlook below, the Board today considered it prudent to declare a conservative interim fully franked dividend of 4.0 cents per share.

The Board recognises that the payment of a reliable stream of fully franked dividends is very important to the great majority of our shareholders and it expects to declare a final dividend for FY17 in line with the interim dividend.

Balance sheet strength

HHL’s balance sheet is strong, with no debt and cash and investments of \$27.934m equating to \$1.023 per share, comprising of \$10.866m cash and \$17.068m of investments in the Hunter Hall High Conviction Equities Trust (HCT) and our listed investment company, Hunter Hall Global Value Limited (**ASX: HHV**).

Funds under management

HHL advises that funds under management (FUM) as at close of business 13 February 2017 were \$961m, a slight decrease of \$9m on the \$970m under management as at 31 December 2016.

Paula Ferrao, Interim Chief Executive Officer said: “The investment and management teams remain absolutely focused on the operating business and delivering reliable long term growth for our shareholders and investors in the funds HHL manages.

“I am pleased to report that the funds have returned an overall positive absolute performance since 31 December 2016.

“The investment team is maintaining the same long term, high conviction investment management philosophy and ethical screen approach that has drawn investors to the company and our funds over many years.

“Since listing on the Australian Securities Exchange in February 2001, HHL has donated 5% of its pre-tax profits to charities or for charitable purposes. We are very pleased to allocate \$231,000 for charitable donations for half year to December 2016. This brings the total donated by HHL on behalf of shareholders since February 2001 to \$10.8m,” Ms Ferrao said.

Outlook

Operating expenses for the half-year ending 30 June 2017 are expected to be lower than those in the previous comparable period. The profit for the half-year ending 30 June 2017 will be impacted by:

- Extraordinary expenses of \$2m to \$2.5m relating to professional fees and retention payments to key personnel
- A lower average FUM for the half-year ending 30 June 2017 which will have a negative impact on operating revenue.

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As at the date of this announcement, HHL has received two off-market takeover offers:

- Washington H Soul Pattinson & Co Limited (WHSP, ASX: SOL) put forward an unconditional offer on 13 February 2017 to all HHL shareholders of \$2.00 cash per share
- Pinnacle Investment Management Limited (ASX:PNI) put forward an unconditional offer on 10 February 2017 of \$2.00 cash per share to all HHL shareholders. After market closed on 14 February, PNI advised the market that it intended to offer an increased consideration of \$2.20 per HHL share provided that PNI acquired a holding of at least 24.0 per cent of HHL shares on issue.

The Independent Board Committee continues to advise HHL shareholders to reject both offers from WHSP and PNI on the basis that the offers continue to significantly undervalue Hunter Hall shares.

Both offers remain materially below the average trading price of HHL shares on the ASX. They are below the fair value range identified by HHL's independent expert and neither offer includes any premium for control of HHL.

For further enquires please contact Hunter Hall International Limited:

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