



HUNTER HALL INTERNATIONAL LIMITED

ABN 43 059 300 426

25 November 2015

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

2015 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 2015 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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2015 ANNUAL GENERAL MEETING CHAIRMAN'S ADDRESS, PETER HALL AM

The year to 30 June 2015 was a good year with the company recording a statutory profit after tax of \$7.0m for the year to 30 June 2015, 88% higher than that recorded in the previous comparable period.

Excluding unrealised gains from our investment portfolio, our net profit after tax was \$4.2m which was 15% higher than the result for the prior period. These results are pleasing because they mark the first increase in profits for Hunter Hall for a number of years.

I would like to recap on some salient features of our financial results for the year to 30 June 2015:

- Funds under management on 30 June 2015 of \$1,118 million were up 16.5% on the figure at 30 June 2014.
- Revenue from Investment Management of \$15.9 million was 1% lower than the previous year.
- Operating expenses were down 3.5% to \$10.1 million.
- The company earned \$298,000 in net performance fees.
- Profit from Investment Management of \$3.9 million was up 9.5%.
- Investment income of \$365,000 was up on the \$83,000 recorded in the previous year.
- Unrealised gains from the company's investment portfolio were \$2.8 million, up from the \$67,000 in the previous year.
- We continued our charitable giving program which this year gave \$374,000 to good causes, bringing the total of charitable donations to almost \$10 million since the listing of the Company in February 2001.
- The Consolidated Entity's cash and investments at 30 June 2015 were \$23.8 million before payment of income tax and dividends.

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Dividends

Dividends for the year were 15.5 cents per share, fully franked. This is up 16% from the 13.4 cents paid in the previous year. We expect the level of franking for our dividends to be in excess of 90% in future periods.

Capital Management

In December 2014 the Board decided to invest \$5m as a seed investment in a new fund called the Hunter Hall High Conviction Equities Trust.

This investment is in addition to investments we have made in our funds in recent years including the Hunter Hall Australian Equities Fund and Hunter Hall Global Value Limited. These investments complement the cash we hold either at call or as term deposits.

Our cash and investment portfolio of \$23.8m comprises \$12.8m of cash and \$11.0m of investments in our funds. This is a net increase of \$5.9 million from the number as at 30 June 2014.

A factor contributing to the increase was the strong performance of our investment portfolio which comprises investments in a number of our funds. In 2015 the investment portfolio delivered investment income of \$365k and recorded unrealised gains of \$2.8m.

As at 30 June 2015 our cash and investments were worth \$0.88 per share and represent a material percentage of Hunter Hall's current share price.

Expenses

The Company's operating expenses declined during the year. Most of these reductions were in areas such as administration costs and rent. In addition, the Non-executive Directors and the CEO voluntarily reduced their fees and base remuneration respectively during the year. Furthermore, senior Key Management Personnel received no increase in base remuneration in the year to 30 June 2015. As signaled in the 2014 Annual Report my remuneration increased in 2015 following the Board's decision to partially reverse my previous election to voluntarily reduce my salary in 2009 and 2010 by 20% and 9% respectively.

The overall reduction in operating expenses was partially offset by increases in performance-linked bonus payments to some members of the investment team. The investment team members are eligible to receive bonuses linked to the performance of their investment portfolios, a number of which performed strongly during the year. While some of these bonuses were funded by performance fees, the majority were funded directly by operating profits. We will continue to fund the bonuses for the investment team directly from operating profits until we erase the performance fee deficit for our funds.

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The performance fee deficit for most of our funds narrowed during 2015. While we do not expect to earn performance fees from the VGT (our largest fund) in 2016 we are hopeful that we might be in a position to earn performance fees in subsequent years. In addition, we may have the opportunity to earn performance fees from the Australian Value Trust and the new High Conviction Equities Trust in the current financial year.

Investment Performance

This year marked the 21th anniversary of our Flagship product, the Hunter Hall Value Growth Trust. Between inception on 2 May 1994 and 30 June 2015 the VGT generated a compound annual return of 13.8% and had outperformed the MSCI World and All Ordinaries Accumulation index in 15 and 14 of 21 fiscal years, respectively.

Since inception the VGT has outperformed the MSCI World and All Ords by a compound annual average of 7.3% and 4.8%, respectively. And, according to Morningstar data, the VGT was the top-performing fund of 1098 managed funds registered in Australia over the 20 year period to 30 June 2015.

The year to 30 June 2015 again saw good positive performance from all our investment products. The Value Growth Trust returned 29.8% which was 5.2% ahead of the MSCI in A\$ and was 24.1% ahead of the All Ordinaries Accumulation Index. Hunter Hall Global Value Limited returned 30.0%, 5.4% ahead of the MSCI.

All funds are now trading at or near their all time high net asset backing and have recovered all losses sustained during the GFC. And all funds, apart from the GDG, have outperformed their respective benchmarks since inception.

It is particularly pleasing to see the strong performance of the Australian Value Trust which has achieved 21% performance over the year to 20 November and which has substantially outperformed its benchmark which is up 7.9% over the same period. Well done to the portfolio manager Jonathan Rabinovitz and analyst Arden Jennings.

Also very pleasing is the performance of the High Conviction Equities Trust which as of 20 November had achieved a return of 103.9% since inception. The fund now has net assets of \$15m and looks to have an exciting future.

Trading Update and Outlook

I would now like to turn to current performance.

Since 30 June 2015 all but one of our funds has delivered positive investment returns although relative performance has been mixed. The Value Growth Trust and Global Value Limited are up by 3.6% which is 1.2% below benchmark. The AVT is up by 15.5%, the AEF is up by 8.5% and the HCT is up by 29.5%; well above their

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respective benchmarks. The GET is down by 4.6%, 9.5% below benchmark while the GDG is up 2.4% which is 2.5% below benchmark.

As at Friday 20 November 2015, funds under management were \$1,110 million. This is a slight decrease since 30 June 2015 when FUM was \$1,118 million and reflects net positive investment returns of \$29.6m, net fund outflows of \$24.4m and net distributions and dividends paid of \$13.2m.

I am pleased that the VGT paid a distribution of approximately 2% for the six months ending 30 June 2015. Following continued good investment performance and additional realised portfolio gains, we expect that the distribution for the VGT for the half year ending 31 December 2015 to be substantially higher.

Given the volatility in investment markets it is difficult to forecast our profit for the full 2016 financial year; however we can provide an update on our expectations for the half year ending 31 December 2015.

Assuming there are no material changes to the level of funds under management, we expect:

1. Operating Profit before Investment Income, Performance Fees and Tax for the half year ending 31 December 2015 to be more than 35% higher than the \$2.362m recorded in the six months ending 31 December 2014
2. Investment Income of approximately \$1.7m for the half year ending 31 December 2015. This includes realised gains on sale of investments during the first half of the financial year.

As at Friday, 20 November 2015, a net performance fee of approximately \$0.5m has accrued to HHL's wholly owned subsidiary Hunter Hall Investment Management Limited. Please note that this fee is subject to market fluctuations and may not be payable at 31 December 2015.

As at 31 October, Cash and Investments on our Balance Sheet were \$26.0m, an increase of \$2.2m on the \$23.8m reported at 30 June.

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

I will now ask David Deverall to speak.



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2015 ANNUAL GENERAL MEETING CEO'S ADDRESS, DAVID DEVERALL

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

It is particularly pleasing to address you today following a healthy increase in profits for the 2015 financial year. The increase was driven by a combination of factors including strong investment performance for most funds, a dramatic reduction in net fund outflows, prudent management of our cost base, healthy investment income from our on-balance sheet investment portfolio, and the booking of performance fees from one of our funds.

In my address to you, I would like to provide you with an update on the implementation of our strategy and an update on current market 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, 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 continued to implement our Action plan during 2015 which is to:

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
5. Allocate investment capital based on investment performance

Implement the plan for change:

1. Strengthen our risk management
2. Build new distribution channels

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3. Manage our cost base prudently
4. Manage our balance sheet optimally

Strategy Implementation

In this year's annual report I wrote a summary of our progress in implementing our Action Plan. I will not repeat that today but I will emphasise a few salient points.

At Hunter Hall our preferred hunting ground for investment ideas is in the small-mid cap section of the market. That is, those stocks with market capitalisations less than \$10 billion.

Our small-mid cap bias delivered rich rewards for our investors during 2015. Eight of our ten best performing stocks were small-mid cap stocks including names such as Sirtex Medical, M2 Telecommunications, St Barbara, AMP China Capital Growth Fund, G Resources, Take Two Interactive, Retail Cube, and Leo Palace.

The investment team at Hunter Hall competes with one another for the right to manage our clients' funds via a quarterly process of capital allocation. It is a transparent and fair system that rewards consistent investment performance with the allocation of more investment capital. The capital allocation system has now been in operation for over two years and has contributed to the very strong recent absolute and relative investment performance of the funds.

As mentioned at last year's AGM, Hunter Hall provided \$5m of seed capital for a new fund called the Hunter Hall High Conviction Equities Trust or HCT for short. The fund, which is highly concentrated and suitable only for those investors seeking capital growth over the long term, is targeted directly at higher net worth investors and self managed super funds. It will not seek approval from investment research houses. The fund has delivered spectacular returns since inception in December 2014. We commenced marketing the fund to our existing clients in July this year. We will start offering the fund to new clients of Hunter Hall in the New Year.

We have also increased our sales and marketing commitment to Hunter Hall Global Value Limited, an LIC for which we have a long-term investment management agreement. To enable this we have modernized our website, provided an increased level of investment content on the website, increased our media profile via regular appearances on relevant TV shows, invited HHV investors to our national roadshows, and developed closer relationships with stockbrokers and financial planners that follow and support HHV.

Hunter Hall's cost base decreased again during the 2015 financial year. Our operating costs reduced by 9% in areas such as administration, rent, and external suppliers. These savings were partially offset by increased incentive payments to members of the investment team. These payments were directly linked to the strong investment performance by a number of the investment team.

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The very strong performance of the High Conviction Equities Trust, which we seeded with \$5m of capital in December 2014, together with the strong performance of our other equity investments boosted our cash and investments from \$17.9 million at 30 June 2014 to \$23.8 million at 30 June 2015. We believe we maintain a prudent blend of cash and equity investments to fund operations and to invest in our funds.

The healthy performance of global investment markets coupled with the sharp depreciation of the Australian dollar spurred higher interest in global investing among investors during the year. Cash rates remain at historically low levels so it is difficult for investors to achieve their long-term financial goals by investing in cash. We are also witnessing an increase in appetite among investors for ethical investing as more investors seek to align their investment goals with their personal values.

Hunter Hall benefitted from these factors in 2015 as shown by a sharp reduction in the level of net outflows over the course of the year. The 12 month average monthly net outflows decreased from \$26 million in June 2014 to \$5 million in June 2015. Pleasingly this trend has continued into the 2016 financial year.

The focus for 2016 is to drive the business into a position of positive net flows. This will only occur if we increase the rate of applications into our funds. Part of our strategy is to drive higher applications from the direct channel into products such as the HCT. However, in our core financial adviser distribution channel, our success is heavily reliant from improved ratings from external research houses. We hope that our strong investment performance, investment team stability, increased profitability, and the reduction of management fees in two of our funds will help contribute to more favourable ratings.

I look forward to updating you with our result for the first half of the 2016 financial year and a progress update on our strategy in late February 2016 when we release our results to the ASX.

Thank you.

END

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Ethical
Managed Funds

Hunter Hall International Limited (HHL)

Annual General Meeting
Wednesday 25 November 2015



Ethical
Managed Funds

David Deverall
CEO & Managing Director



Healthy Increase in Profits in 2015

- Operating profit increase of 15% driven by:
 - Strong investment performance... FUM up 17%
 - Dramatic reduction in net outflows
 - Lower costs
 - Higher investment income
 - Performance Fees



Hunter Hall offers a range of **responsibly managed** domestic and global **equities funds** with a **value** and a **small to mid-cap** bias...

... to Australian **superannuation funds, financial planners, 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



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 our investment team capability
- Allocate investment capital based on performance

Implement the Plan for Change

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



More Favourable Market Conditions

- Increased interest in global investing
- Search for alternatives to cash
- Higher demand for ethical investing
- Hunter Hall's net outflows continue to reduce



Net outflows continue to reduce

Net Monthly Outflows: 12 month rolling

A\$m





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