



# HUNTER HALL INTERNATIONAL LIMITED

ABN 43 059 300 426

## Profit Announcement

11 August 2016

### HUNTER HALL INTERNATIONAL LIMITED (ASX:HHL) REPORTS STRONG 2016 RESULTS

Hunter Hall International Limited (**ASX: HHL**) today reported a profit after tax of \$7.8m for the year ended 30 June 2016, an 86.8% increase to the previous financial year.

#### Summary of FY2016 results

Year Ending	30 Jun 2016	30 Jun 2015	Change %
Funds Under Management	1,139m	1,118m	1.9
Operating revenue (\$'000)	16,621	15,910	4.5
Ongoing operating expenses	(10,251)	(10,121)	1.3
<b>Operating profit from investment management</b>	<b>6,370</b>	<b>5,789</b>	<b>10.0</b>
Investment income	3,657	365	901.9
Net performance fees	1,782	298	498.0
Charitable donations	(651)	(374)	74.1
Tax expense	(3,334)	(1,890)	76.4
<b>Profit after tax attributable to HHL Shareholders</b>	<b>7,824</b>	<b>4,188</b>	<b>86.8</b>
<b>Dividend (cents per share)</b>	<b>28.7</b>	<b>15.5</b>	<b>85.2</b>
Movement in value of seeded funds	2,578	2,781	(7.3)
Statutory profit after tax	10,402	6,969	49.3

Chairman, Mr Kevin Eley said "Domestic and global investment market conditions continue to be challenging however the strong result is testament to the quality of our investment team, headed by Peter Hall AM, and the strength of our management team in keeping a tight control on costs".

#### Dividend

A final fully franked dividend of 14.6 cents per share was declared today, bringing the total dividends for shareholders for FY2016 to 28.7 cents per share. This represents an 85.2% increase on the 15.5 cents per share for FY2015.

#### Operating highlights

Profit after tax attributable to HHL was \$7.8m, up 86.8% on the \$4.2m recorded in the previous financial year.

Operating profit from investment management was \$6.4m, up 10.0% on the \$5.9m recorded in the previous financial year. Investment income of \$3.6m comprised of dividends, distributions and realised gains on the

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sale of units in seeded funds. Performance fees of \$1.8m were 498% higher than the \$298k recorded in the previous financial year.

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 set \$651k aside for charitable donations, up 74.1% on to the previous financial year. This brings the total donated by HHL on behalf of shareholders since February 2001 to \$10.6m.

### **Balance sheet**

HHL's balance sheet is strong, with no debt and cash and investments of \$30.7m equating to \$1.13 per share; \$12.0m cash and \$18.7m of investments in the Hunter Hall High Conviction Equities Trust and our listed investment company, Hunter Hall Global Value Limited (**ASX: HHV**).

### **Funds under management**

HHL advises that funds under management as at close of business 10 August 2016 were \$1,195m, an increase of \$56m on the \$1,139m under management as at 30 June 2016, after net distributions of \$18.9m.

### **Outlook**

It is too early for Directors to make a forecast for profits for the year ahead, however some of the factors that are likely to impact our results include:

- Ongoing operating expenses are expected to remain at current levels in FY2017.
- We have made significant improvement in the levels of outflows in FY2016 which now appear to be at attritional levels. If good investment performance continues, in combination with increased marketing effort and continued improvement in independent ratings, we expect a return to inflows.
- There is the potential to earn performance fees from the Hunter Hall High Conviction Equities Trust, Hunter Hall Global Value Limited and the Hunter Hall Australian Value Trust.

As at the date of this announcement the Hunter Hall High Conviction Equities Trust has a positive accrual and has increased its net assets from \$32.4m at 30 June 2016 to \$44.3m as at 10 August 2016 as a result of funds inflow and strong investment performance. The Hunter Hall High Conviction Equities Trust has achieved an annualised return of 119.9% since inception in December 2014 and according to Morningstar it was one of the top performing funds for the year to June 2016.

Peter Hall, Chief Executive and Chief Investment Officer said "Investment markets face many risks in the year ahead. Valuations of equities are high, monetary and fiscal policies are at extremes, the European and Chinese banking systems are troubled and economic growth appears to be slowing. We believe we have conservatively positioned the Hunter Hall Value Growth Trust and Hunter Hall Global Value Limited which are our largest portfolios, with about 20% in cash, 20% in gold stocks and 60% in relatively undervalued stocks with a small to mid-cap bias. We are, however, finding more interesting opportunities than in previous years and these should lay the foundations for good performance in the medium to long term."

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