



**HUNTER HALL INTERNATIONAL LIMITED**

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5 September 2006

To: Company Announcements Office  
Australian Stock Exchange

**HUNTER HALL INTERNATIONAL LIMITED  
PRELIMINARY RESULTS FOR YEAR ENDED 30 JUNE 2006 AND  
DIVIDEND ANNOUNCEMENT**

Following is a statement from the Chairman, Peter Hall, on the preliminary results of the Company for the period to 30 June 2006, together with details of the final dividend declared by the Board.

A handwritten signature in black ink, appearing to read 'Ouafaa Karim', written in a cursive style.

**Ouafaa Karim  
Company Secretary  
Hunter Hall International Limited**



## HUNTER HALL INTERNATIONAL LIMITED

ABN 43 059 300 426

### ANNOUNCEMENT TO THE AUSTRALIAN STOCK EXCHANGE

#### HUNTER HALL INTERNATIONAL LIMITED

#### PRELIMINARY RESULTS TO 30 JUNE 2006

5 September 2006

Peter Hall, Chairman of Hunter Hall International Limited, made the following statement today:

#### Financial Results

Hunter Hall achieved excellent results for the year to 30 June 2006 with after tax profits up 47.7% to \$12.668m. The result was assisted by solid growth in funds under management, net performance fees (before tax) of \$3.527m and an unrealised gain of \$0.911m on our investment in the Hunter Hall International Ethical Fund.

Funds under management increased by 30% from \$1,332m to \$1,727m and profits from investment management were up by 23% from \$11.856m to \$14.535m. This figure is after the AIFRS related non cash employee option expense of \$0.45m but does not include the performance fees.

#### Dividend

A final fully franked dividend of 27.2 cents per share has been declared by the Board. The record date for the dividend is Friday 15 September 2006 and the dividend will be paid on Friday 29 September 2006. In conjunction with the interim fully franked dividend of 20.3 cents per share, the total dividend for the year is 47.5 cents fully franked as compared with 36.2 cents paid in 2005.

#### Summary Profit & Loss Statement

(\$'000)	PRE IFRS		POST IFRS	
	30 June 2004	30 June 2005	30 June 2005	30 June 2006
Funds Under Management <sup>(1)</sup>	\$1,089.4m	\$1,332.4m	\$1,332.4m	\$1,727.5m
Management Fees	12,399	19,104	19,104	23,657
Net Entry Fees	897	152	152	125
<b>Revenue from Investment Management</b>	<b>13,296</b>	<b>19,256</b>	<b>19,256</b>	<b>23,782</b>
Expenses	(6,598)	(7,137)	(7,400)	(9,247)
Profit from Investment Management	6,698	12,119	11,856	14,535
Net Investment and other Income	1,030	(71)	22	46
Performance Fees	5,510	1,250	1,250	3,527
Charitable Donations	(687)	(693)	(693)	(937)
Operating Profit before tax	12,551	12,605	12,435	17,171
Tax	(3,760)	(3,856)	(3,856)	(5,414)
Net Profit after tax	8,792	8,749	8,579	11,757
Movement in value of holding in IEF	-	-	-	911
<b>Net Profit after tax and IEF minority</b>	<b>8,792</b>	<b>8,749</b>	<b>8,579</b>	<b>12,668</b>
Dividends Per Share	37.4c	36.2c	36.2c	47.5c

<sup>(1)</sup> Based on a last sale valuation

#### Salient features of the result:

- Funds under management on 30 June 2006 at \$1,727m were \$395m or 30% higher than the figure at 30 June 2005. This growth in funds was largely driven by investment performance with net inflows from investors of only \$84m during the year.

- Total Revenues from Investment Management of \$23.782m was \$4.526m or 24% above the amount generated in the previous year (\$19.256m).
- Expenses at \$9.247m were \$1.847m or 25% higher than for the year to 30 June 2005. This includes the AIFRS related non cash employee option expense of \$0.45m and around \$0.3m of non-recurring items. Expenses (excluding the AIFRS option expense) as a proportion of Total Operating Revenue were steady at 37%.
- Profit from Investment Management at \$14.535m was up \$2.679m or 23% on the \$11.856m earned in the previous year.
- Investment and other income net of interest expense was \$46,000.
- We earned performance fees of \$3.527m, up from \$1.25m in the previous corresponding period.
- The amount available for donation to charitable purposes is \$937,000, up 35% on the previous year's figure of \$693,000. Shareholders will be invited to nominate charities to which the Hunter Hall Charitable Trust donates. Over the five years to 30 June 2006 Hunter Hall shareholders have made charitable donations of \$2.85m.
- Cash holdings at 30 June 2006 were \$8.6m before payment of income tax and dividends and prior to receipt of performance fees, excluding the Hunter Hall International Ethical Fund (IEF) cash holdings.
- Hunter Hall has an investment in the IEF which has a market value of \$11.807m. During the year to 30 June 2006 Hunter Hall's share of the net movement in the value of the IEF was \$0.911m.
- Hunter Hall has borrowings of \$6m which were used to fund the investment in the IEF.

## Investment Performance

The Hunter Hall Trusts recorded good returns over the year to 30 June 2006.

Period to 30 June 2006	VGT	GET	AVT
6 months	+12.7%	+10.7%	+5.1%
<i>Benchmark</i>	+9.1% <sup>(1)</sup>	+4.7% <sup>(2)</sup>	+ 9.1% <sup>(1)</sup>
<b>Relative Performance</b>	<b>+3.6%</b>	<b>+6.0%</b>	<b>- 4.0%</b>
1 Year	+30.1%	+31.5%	+ 17.9%
<i>Benchmark</i>	+24.2% <sup>(1)</sup>	+20.0% <sup>(2)</sup>	+ 24.2% <sup>(1)</sup>
<b>Relative Performance</b>	<b>+5.9%</b>	<b>+11.5%</b>	<b>- 6.3%</b>
<b>Net Assets</b>	<b>\$992.1m</b>	<b>\$323.2m</b>	<b>\$106.0m</b>

Note: (1) All Ordinaries Accumulation Index. (2) MSCI World Total Return Index, Net Dividends Reinvested in A\$.

In the twelve months to June 2006, our flagship product, the Hunter Hall Value Growth Trust (VGT) recorded a 30.1% return. In comparison, the Trust's performance benchmark, the Australian All Ordinaries Accumulation Index (AOAI), recorded a 24.2% return, and world markets as represented by the MSCI World Total Return Index, Net Dividends Reinvested in A\$ generated a return of 20.0%. The VGT has been strongly weighted towards international equities for some time now and as at 30 June 2006 had around 81% of its portfolio invested in non-Australian stocks.

The VGT has achieved a positive return in each of the past 11 years to 30 June and has outperformed the benchmark, the All Ordinaries Accumulation Index, in 10 of those years. With an annualised return of 21.5% over the 10 years to 30 June 2006, the VGT was the best performing fund of the entire Australian universe of retail funds as published by Morningstar. Since inception on 2 May 1994 the Trust has generated a compound annual return of 19.1% and outperformed the benchmark by 7.2% per annum. The table below displays the performance of the VGT relative to its benchmark (and relative to the MSCI World Index in A\$) and its Standard & Poor's Research performance rankings for the period to 30 June 2006.

To 30 June 2006 (%)	Performance					Standard & Poor's* Ranking
	VGT	AOAI	Relative		Relative to MSCI	
			to AOAI	MSCI		
(1)	(2)	(1-2)	(3)	(1-3)		
	(%)	(%)	(%)	(%)	(%)	
6 Months	12.7	9.1	3.6	4.7	8.0	61 <sup>st</sup> out of 3,604
1 Year	30.1	24.2	5.9	20.0	10.1	102 <sup>nd</sup> out of 3,582
Compound annual returns						
- 2 Years	20.9	24.5	-3.6	9.8	11.1	511 <sup>th</sup> out of 3,459
- 3 Years	23.5	23.8	-0.3	12.9	10.6	178 <sup>th</sup> out of 3,155
- 5 Years	16.2	12.4	3.8	-2.0	18.2	33 <sup>rd</sup> out of 2,247
- 7 Years	18.5	12.0	6.5	0.7	17.8	20 <sup>th</sup> out of 1,847
- 10 Years	21.5	12.6	8.9	7.6	13.9	Not available
- 12 Years	20.1	12.3	7.8	8.0	12.1	Not available
<b>Compound annual return since inception</b>	<b>19.1</b>	<b>11.9</b>	<b>7.2</b>	<b>7.7</b>	<b>11.4</b>	

Note: "AOAI" refers to the All Ordinaries Accumulation Index. MSCI refers to the MSCI World Total Return Index, Net Dividends Reinvested in A\$. \*Standard & Poor's ranking within the universe of all Australian retail funds.

The Hunter Hall Global Ethical Trust (GET) had another year of excellent returns. The Trust was up 31.5% for the year to June 2006, while the MSCI World Total Return Index, Net Dividends Reinvested in A\$ (MSCI World) rose by 20.0%. Over the three years to June 2006, the GET has recorded a compound annual return of 24.4%, outperforming its benchmark by an annualised 11.5%. This places it on top of all Retail International Equity Unit Trusts and also among the top performing 5% of all Australian registered retail funds as ranked by Standard & Poor's. The GET has recently been nominated for the Standard & Poor's Global Equities Fund of the Year Award.

After a strong ten month period to April 2006 the Hunter Hall Australian Value Trust (AVT) suffered disappointing May and June returns which led to an overall underperformance of 6.3% for the year to June 2006. On an absolute basis the AVT's 17.9% return for the year to June 2006 was satisfactory.

At 30 June 2006 the Hunter Hall Trusts had just over 18,600 investors. Master Trust platforms accounted for \$520m or 30% of total funds under management. The international equities component of the business, including the VGT, continues to be well-rated by research houses such as Standard & Poor's Research, Morningstar, Van Eyk, InvestorWeb and Navigator.

#### Other Products

The undiluted pre-tax NTA per share of the Hunter Hall Global Value Limited (HHV) appreciated 25.5% for the year to June 2006, out-performing its benchmark by 5.5%. Its pre-tax NTA at 30 June 2006 was \$289.5m or \$1.338 per share, while after-tax NTA was \$269.1m or \$1.244 per share.

At 30 June 2006 ordinary shares on issue numbered 216,355,654 and the April 2007 Options numbered 212,810,484. In the year to 30 June 2006 there were 7.0m April 2007 Options exercised and since balance date a further 4.7m options have been exercised.

The Hunter Hall Ethical Superannuation Fund (ESF) increased its assets to over \$40m by 30 June 2006. Fund Members may allocate their superannuation contribution between three equity portfolios, which in turn feed into the three underlying Hunter Hall Trusts – the VGT, the AVT and the GET.

The Hunter Hall International Ethical Fund (IEF) recorded a 15.1% return (in US\$) in the year to June 2006, slightly underperforming its benchmark, the MSCI World Total Return Index, Net Dividends Reinvested in US Dollars, by 1.8%. Since its inception in December 2002 the IEF has recorded a 21.3% compound annual return, out-performing its benchmark by 3.5% per annum.

Hunter Hall International invested A\$9.5m in the IEF in late October 2005 and the fund had net assets of US\$12.41m (A\$16.7m) at 30 June 2006. Hunter Hall has appointed a new service provider to deliver improved custody and administration services. The transition is currently in progress and should be completed in a matter of weeks. Following the transition, the Fund will apply for UCITS III ("Undertaking for Collective Investment in Transferable Securities") status, a European wide directive that enables shares or units of UCITS registered funds to be marketed more freely in all Member States of the European Union.

## **Portfolio Manager Share Plan and Profit Share Plan**

Hunter Hall listed in early 2001 by issuing shares to the public at 90c each. Since listing we have paid fully franked dividends of 154.1c per share, including the upcoming final dividend. Combined with the current share price of about \$8.00 our original subscribers have enjoyed annual returns since flotation in excess of 50%. This is a superb effort by all members of the Hunter Hall team which has yielded results beyond our highest expectations at the time of the float.

Hunter Hall has the opportunity to grow into one of Australia's premier ethical and international investment institutions with funds under management a multiple of the current level of \$1.75 billion and thereby substantially lift dividends and the capital value of its shares.

But it will only do so if it can deliver excellent administration and customer service and, most importantly, superior investment results. As competition gets tougher in the investment management business, individual human talent becomes more and more important to the achievement of good investment results and profitability. In order to get, and keep the best talent, Hunter Hall needs to give individuals a feeling that they are an important part of a partnership building a valuable enterprise.

I have recently written to shareholders asking for you to approve a number of resolutions enabling investment team members to purchase up to 2.35 million shares in Hunter Hall indirectly from Hampshire Assets and Services Pty Ltd (the largest shareholder in Hunter Hall and 100% owned by me) for \$6.00 cash each, known as the Portfolio Manager Share Plan. This meeting of shareholders will be held on Friday 22 September at the University and Schools Club, 60 Phillip Street, Sydney at 9.30am.

The team members will only be able to buy all the shares if the Company achieves five thresholds of half yearly profits starting at \$8m and rising in four steps to \$20m over the period to June 2015. In addition, Hunter Hall is instituting a Profit Share Plan which will enable senior members of the executive team to earn between 6% and 15% of the Company's pre-tax profits as pre-tax earnings exceed 60 cents per share, approximately the current level of "normalised" earnings. Of course I will not be participating in the Profit Share Plan. The cost of the Profit Share Plan will be borne by all Hunter Hall shareholders but it is important to note this cost will be coming out of future growth of profit rather than the level of profitability achieved thus far.

One of the effects from the Portfolio Manager Share Plan and the Profit Share Plan is that an important amount of growth from current levels of the economic value of Hunter Hall will be transferred to senior members of the executive team in return for long term commitment to growing per share value. I will be bearing a large part of the economic cost of the Portfolio Manager Share Plan as Hunter Hall will effectively be acting only as conduit for the transfer of shares from Hampshire to the members of the investment team. The Portfolio Manager Share Plan represents a significant transfer of wealth (over \$5m on today's value) from me to my colleagues. In addition, I will reduce my shareholding from around 50% to 40%, subject to Hunter Hall continuing to maintain investment performance and thereby grow its value.

I believe this shift in ownership from me to the investment team is a net positive as it will allow a feeling of proprietorship and commitment to growing the value of each Hunter Hall share. The equity and profit share schemes are complementary to our federation system which is progressing well as is evidenced in our good investment results.

### **Lead Director**

The Board recognises that due to the Company's shareholder structure where executive directors and senior managers control in excess of 50% of the issued capital there may be occasions where shareholders and other interested parties may prefer to raise any concerns they may have with an independent non-executive director. The board has thus appointed Wayne Hawkins as its lead non-executive director and responsibilities of this position are incorporated in the Company's corporate governance policy.

## Staff Appointments

In recent months we have appointed James Hordern to the position of Business Development and Marketing Manager and Shane Smith to the position of Financial Controller. James has 5 years experience in institutional stockbroking with JB Were and Son, London and James Capel, Australia; and 13 years in investment management, business development and client service with Westpac Investment Management/BT. Shane has just returned to Australia after 7 years in New York with Westpac Banking Corporation and Bayern LB. Shane reports to Paula Ferrao who has been promoted to the position of Finance and Administration Manager.

## Outlook

The Value Growth Trust, Global Ethical Trust, Global Value Limited and International Ethical Fund, which represent a combined 94% of Hunter Hall's funds under management, continue to perform well in the context of international markets. As I write, all four are trading at close to their all time high net asset values. The Global Ethical Trust, in particular, continues to gain increasing support.

Improving the relative performance of the Australian Value Trust continues to be of pressing importance. Outflows from the fund seem to have slowed in recent months and as of today it has outperformed its benchmark by 3.2% since 30 June. We believe the AVT portfolio is stocked with good ideas which should allow the fund to outperform its benchmark over the medium term.

Subject to market conditions, early indicators suggest that the year to 30 June 2007 should see further increases in the underlying profitability of Hunter Hall with 'Profits from Investment Management', excluding AIFRS related non-cash expenses, up solidly.

## Annual General Meeting

The Annual General Meeting of Hunter Hall International Limited will be held on Wednesday 29 November 2006 at 1.00pm at the Raffles Ballroom, Stamford Plaza, 33 Cross Street, Double Bay, Sydney.



Peter MacDonalld Hall  
Executive Chairman  
**Hunter Hall International Limited**