



GVI Global Industrial Share fund

Stock Update 23 Jan 2006 - comments on the current volatility in international equity markets

As many of you would be aware, it has been a very volatile start to 2006 for International equity markets. On Friday 20th January, the US equity market suffered its heaviest loss since March 2003 with the Dow Jones losing more than 200 points. This followed on from heavy losses in the Japanese market earlier in the week. European markets are also expected to be volatile in the days ahead.

We thought it was an appropriate time to update you with our current insights on some of these unfolding events, as well as to update you on how the GVI Global Industrial Share Fund is positioned to cope with volatility, which we have been anticipating for some time now.

Background to the current volatility

It is worth noting that the current correction has been most severe in the IT and internet sectors globally. These sectors had all risen very sharply in the last six months of 2005. In Japan, the collapse in the share price of Livedoor, an internet company, after the announcement of an investigation into accounting irregularities, sparked a sharp sell off in the broader Tokyo market.

In the US, disappointing results from Dow components Alcoa, Citigroup and General Electric as well as from internet search engine Yahoo led to a general sell off in the US share market. Tensions over Iran and an escalating oil price also unnerved investors.

The current volatility should be seen in the light of the rapid rises that many overseas markets had experienced in recent times. Japan has had six months of virtually uninterrupted gains in which time the Japanese market soared over 40 %. In our view this rise had taken many sectors in Japan beyond fair value. Against this backdrop we continued to maintain a low exposure to Japan.

How is the GVI Global Industrial Share Fund positioned in light of all these events?

As you would be aware, the GVI Global Industrial Share Fund is managed with very strict criteria as to how it invests in overseas companies. The Fund only invests in established companies that have a good track record of recurring and predictable earnings, honest and reliable management and that have a strong history of rewarding shareholders through an appropriate dividend policy. GVI only buys or holds companies which we believe offer our unitholders sound long term value.

The Fund remains primarily orientated towards companies in defensive sectors such as the Food and Beverage, Utilities, Directories and Pharmaceuticals and we remain skewed towards stocks in these sectors in Europe. On our analysis, all stocks held by our Fund offer very good long term value. The Fund has no exposure to the highly volatile IT or internet sectors as the majority of the stocks in these sectors do not fulfill our criteria.

We remain confident that the Fund is well positioned to weather the current volatility as well as the ongoing uncertainties created by a continued high oil price and the outlook for US monetary policy in 2006. We will use any sustained weakness in sharemarkets to increase our exposure to favoured stocks that fulfill our criteria and which, on our analysis, represent good value for our investors.

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