

GVI Global Industrial Share Fund

Stock Update 29 March 2006 - Strong dividend growth in FY2005 results

At the end of March, the majority of companies held in our GISF portfolio have reported their FY 2005 results. The recent reporting season has given us further comfort on many companies held in the portfolio. Many delivered pleasing earnings results with the majority also rewarding their shareholders with substantially higher dividends. A sample of companies held in our Fund that increased their dividends is shown in the table below:

Increase in dividend %	Some companies held
Over 90 %	Telia Sonera, Fortrum, Statoil, OMV
Between 50 and 90 %	Syngenta, Telecinco, Vivendi, Verbund, Bayer
Between 30 and 50 %	SES Global, Telenor, RBS, Credit Agricole
Between 20 and 30 %	Enagas, Repsol, KPN, Sanofi, Pfizer, RBS
Between 10 and 20%	Unilever, DuPont, Abbott Labs, Belgacom, Carrefour

As can be seen from the table above, the increases in dividends were experienced across all the different types of companies held around the world including, telecommunication, utility, bank, food, specialty chemical and media companies.

Below we have summarised key elements from the latest results for four key holdings in the Fund.

Royal Bank of Scotland (RBS)

RBS is the second largest bank in both the United Kingdom and Europe and ranks fifth globally. Over the last ten years, RBS has succeeded in growing its business outside the UK market by diversifying its operations overseas. RBS assets include other financial institutions such as the Ulster Bank in Northern Ireland, Citizens Financial, the second largest bank in New England (USA) and Direct Line, the motor insurance group.

RBS's 2005 results demonstrated the strength of its operations with all divisions making a solid contribution to company earnings and profit growth. As a result, EPS rose by 8% for the year. The company also announced that it intends to undertake a share buyback program (the first in over a decade) and repurchase as much as £1 billion of stock over the next 12 months. In addition, RBS increased its final dividend by 29%.

We remain comfortable with the sustainability of RBS's profits, its surplus cash generation as well as management's focus on organic growth. RBS continues to be a core Fund holding and continues to represent excellent value trading on a 2006 P/E of 10.8x and a future dividend yield of around 4.3%.

Kingfisher

Kingfisher is the equivalent of Bunnings here in Australia, although a lot larger in assets and sales. Kingfisher is the third largest home improvement retail group in the world. It operates over 600 stores in ten countries in Europe and Asia and also has a strategic alliance with Hornbach, Germany's leading DIY warehouse retailer, which operates 117 stores in Germany, Austria, Netherlands, Luxembourg, Switzerland, Sweden and the Czech Republic.

The company is in an enviable position with the largest market share in numerous countries including the UK, France, Poland, Italy, China and Taiwan. Kingfisher already has the scale and has established large format warehouse stores in places that are hard to match by potential competitors. Because of its global scale, it is also able to negotiate very good terms from its suppliers.

Weakness in UK consumer spending has caused Kingfisher's earnings to slow sharply in the last twelve months. While the company looks expensive on a 2007 PE of 19x, we believe the stock represents good long term value, trading on a price to book of only 1.3 times. In addition, the company has a strong balance sheet, owns many of its own properties around the world and its dividend yield of 4.5% is attractive and sustainable. Over the next three to five years, we believe the company's earnings will increase significantly as the profitability of Kingfisher's UK operations return to more normal levels and its international operations continue to grow. Kingfisher has strategic appeal and its current share price underestimates its leading market position.

Telenor Norway

Telenor is the incumbent telecommunications operator in Norway with both domestic mobile and fixed-line operations. The company also operates a mobile business in Sweden as well as a broadcasting business that covers the entire Nordic region. Outside of this region, the company operates a number of mobile networks in the Ukraine, Hungary, Malaysia, Thailand, Bangladesh and now Pakistan.

It is unique among the European telecom incumbents with a combination of strong cash generative domestic operations and high growth mobile assets in emerging markets. Its operations in Hungary and Malaysia are quite mature and generate free cash flow whilst Pakistan and Bangladesh are lowly penetrated markets with exceptional growth prospects.

Overall, the company recent results were solid and moderately ahead of market estimates. Its emerging market operations continued to deliver very strong revenue growth and we expect this trend to continue going forward, far exceeding market expectations.

Telenor offers a sound and well diversified business model combining a strong position in its home market, while selectively diversifying in high growth emerging markets. The stock offers good value trading on a 2006 P/E of 14.1 times and a dividend yield of 3.8%. We

believe this dividend will increase steadily over the next few years as its earnings grow. Telenor also has a very strong balance sheet, with interest cover of 19 times.

Gaz de France

Gaz de France (“GdF”) is a gas supplier with a dominant position in the French market. It operates as an integrated energy utility with essentially two main business segments - Energy Supply and Services and Infrastructure. The company was floated off by the French Government in 2005 and our Fund participated in the float.

Two recent events have helped to turnaround the stock which had been tracking sideways for some months. Firstly, GdF has decided to pursue a merger with another French utility Suez. We believe this US\$39 billion deal would be value accretive as it would combine the efficient electricity generation assets of Suez with the gas assets of Gaz de France

Secondly, GdF’s recent 2005 results were well above market consensus estimates. Net income rose by over 29% and the dividend was increased by 48%. GdF also generated substantial free cash flow and going forward, we expect the company’s debt to halve in the next 2 years.

GdF also gave very encouraging guidance for 2006, with net income estimated to improve by another 14.7%. Although its current dividend yield is relatively low, we expect this to double in the next 2 years. The company has signalled a more dynamic dividend policy, envisaging at least a dividend of Eur 1.00 which is an increase of another 47% from current levels. GdF is trading on a very reasonable 2006 P/E of 14.5x and a dividend yield of 2% which is expected to rise to 3% following its guidance to the market.

Kind regards,

GVI Investment Team

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