



The Forager International Shares Fund unit price fell 0.8% in August and again underperformed the 1.7% positive return from the MSCI ACWI IMI. With US markets hitting new all time highs, our significant cash weighting continues to hamper relative performance.

Behind the scenes it was a busy month with many portfolio companies reporting second quarter results and a meaningful pullback in European markets creating a few opportunities. The Fund added three new European positions in August, representing a combined 9.2% of assets, and added to many of its existing European positions. The new acquisitions will be discussed in the September quarterly.

**Subsea7** (OB:SUBC) reported results at the beginning of August. The company executed well on existing contracts, particularly in Brazil and the once-troublesome Guara Lula project. Strong vessel utilisation propelled the company's earnings to their highest level in years. While the quarter's performance was worthy of applause, the market focused on the company's declining backlog of future business. The share price fell 2% over the month, and has fallen further since month end.

First half sales were down a disappointing 1.9% at **B&C Speakers** (BIT:BEC), implying a sales fall of around 5% in the second quarter. Of particular note, Asian sales (the previous powerhouse) contracted 12% in the half and were down more dramatically in Q2, but these sales can be lumpy and one quarter doesn't make a trend. The stock is up 2% in August and, after selling part of our holding at higher prices earlier in the year then buying back a proportion of it earlier this month at lower prices, currently represents a 3.4% portfolio weighting.

**Deutsche Office AG** (formerly Prime Office) (DE:PMOX) announced mild improvements in occupancy and improved financing terms. The group is on track to generate Funds From Operations (FFO) of €0.24-0.255 per share in 2014, from which shareholders are likely to receive a dividend of €0.10-0.11 next year. It will take some time for the new Oaktree-anointed management team to increase occupancy, but if they're able to move vacancy rates from the current 19.4% to below 10% 'in the next few years' as planned, FFO and dividends will rise generously. The stock fell 6% in August as sellers took an axe to the whole German mid-cap sector, and the Fund added to its position.

On the other side of the Atlantic, the market liked the results from **Madison Square Garden** (NASDAQ:MSG), sending the share price up 13% during August. The Rangers' trip to the Stanley Cup Ice Hockey Finals, though ultimately unsuccessful, captivated New York and contrasted with the Knicks' embarrassing efforts on the basketball court. Moreover, the Knicks' efforts to regain competitiveness are resulting in rising player costs. But free cash flow grew 25% overall and, as highlighted in the June 2014 quarterly, there is a lot more to MSG than the short-term performance of its basketball team.

**AIG's** (NYSE:AIG) property & casualty insurance business had a very strong second quarter with pre-tax operating income growing 24.7%. The increase was mainly driven by a paucity of catastrophes. Disciplined reserve practices helped the business achieve an underwriting profit—somewhat of a rarity in recent years. The life & retirement division grew modestly driven by positive asset inflows and equity market appreciation, but gains were mostly offset by declining fixed

income investment yields. Beyond its two largest segments, AIG's mortgage insurance business had an outstanding quarter tripling its pre-tax operating income. Shares in AIG were up 8% over the month.

#### FACTS

<b>Fund commenced</b>	8 Feb 2013
<b>Minimum investment</b>	\$20,000
<b>Monthly Investment</b>	Min. \$200/mth
<b>Income distribution</b>	Annual, 30 June
<b>Applications/Redemption</b>	Weekly

#### UNIT PRICE SUMMARY

<b>Date</b>	29 Aug 2014
<b>Buy Price</b>	\$1.2848
<b>Redemption Price</b>	\$1.2745
<b>Mid Price</b>	\$1.2797
<b>Portfolio value</b>	\$62.6m

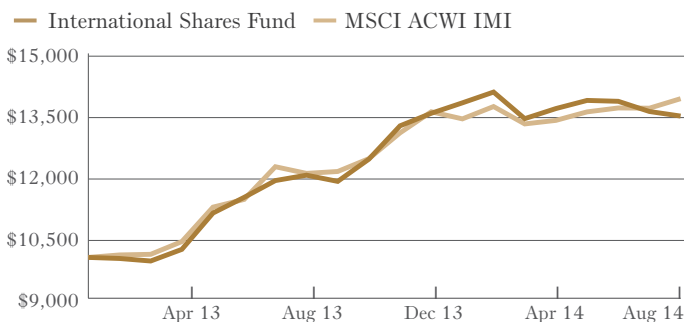
#### PERFORMANCE

##### Forager International Shares Fund Performance Summary (as at 29 August 2014)

	International Shares Fund	MSCI ACWI IMI
1 mth return	-0.83%	1.70%
3 mth return	-2.77%	2.38%
6 mth return	-4.19%	1.41%
1 year return	12.06%	15.18%
Since inception*	21.11% p.a.	23.56% p.a.

\*8 February 2013

#### COMPARISON OF \$10,000 INVESTED IN INTERNATIONAL SHARES FUND VS MSCI ACWI IMI



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