



A long overdue bad month for US equities was more than offset by stronger markets elsewhere and a weak Australian dollar in January. The International Shares Fund's unit price rose 1.3% while the benchmark rose 3.5%.

The final quarter of 2014 was not kind to US-based multinationals, as weak consumer spending in December and a strong currency impacted Forager's investments in **Google Inc.** (NASDAQ:GOOGL) and **American Express Company** (NYSE:AXP).

Google closed its financial calendar with a whimper, continuing its recent run of less-than-stellar performance. While most companies would be happy growing their revenue 15% from the previous year, such a result represented a significant slowdown for Google. Paid click volume growth decelerated for the fourth quarter in a row, reaching its lowest point since 2009. The strong US dollar knocked another 4% off its result. Meanwhile, the company continued to invest heavily in people and infrastructure related to businesses that have yet to prove their worth - to the detriment of profit margins. The results heightened our concern about just where the company is headed and, with the stock trading at 18 times earnings and up 1.3% during the month, we have decided to take our profits (more to come in the next quarterly report).

American Express felt the sting of the strong dollar during the quarter as well. Revenue grew 4%, slower than recent growth rates, due to currency effects as well as a slow holiday shopping season in the US. We think this is temporary and will even out over time as the US economy improves. The bigger, more important issue facing the company is just how much profit it earns on every dollar spent on its network. The company has made great strides expanding its target pool of potential cardmembers through innovative products like Serve and Optblue, but that growth has not been as profitable. We still view Amex as a great business, but our expectations have been tempered. Shares were down 13% in the month.

The Fund was a beneficiary of the Swiss National Bank's decision to abandon its cap on the Swiss Franc's rate of exchange against the Euro. The Franc soared and the Australian dollar value of the Fund's investment in Zurich Airport soared with it. We took the opportunity to sell a small portion of the Fund's investment but are very content with the business performance and growth opportunities ahead of this company.

German office property stock **DO Deutsche Office** (DB:PMOX) announced the sale of its most problematic asset, the Westend Ensemble in Frankfurt. While the sale price was an 11% discount to the asset's 31 December book value, it leaves the company with a much cleaner portfolio, lower vacancy rates and savings on some costs related to running a largely empty building.

Management also released the 2014 results early, reporting that the company generated €7m of funds from operations for the year. Despite a share price rise of 20% during January, DO Deutsche still trades on a multiple of just over 13 times. Roughly half of the cash will get invested in improving the portfolio but, particularly in today's yield-starved world, it remains attractively priced.

Old favourite **B&C Speakers** (BIT:BEC) announced a better fourth quarter of 2014 and forecast at least 5% revenue growth in 2015. December quarter revenues increased 18% over a very weak comparative period in 2013, bolstered by

strong sales in Europe. The weak Euro should be a big tail wind for this Italian exporter in the coming year but sales in China will probably fall due to that country's troubled economy. The share price rose 5% for the month and we expect this high quality little company to keep delivering returns for shareholders for many years to come.

FACTS

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

UNIT PRICE SUMMARY

Date	31 January 2014
Buy Price	\$1.3611
Redemption Price	\$1.3503
Mid Price	\$1.3557
Portfolio value	\$70.5m

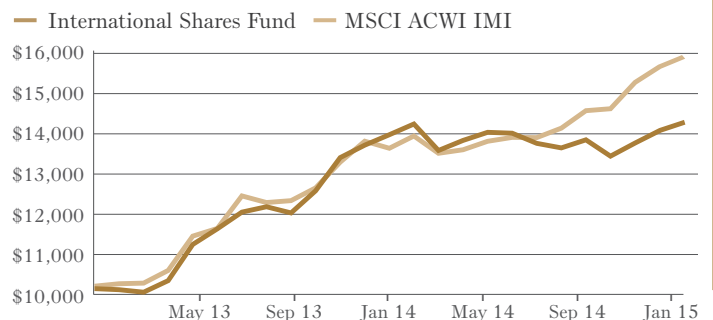
PERFORMANCE

Forager International Shares Fund Performance Summary (as at 31 January 2015)

	International Shares Fund	MSCI ACWI IMI
1 mth return	1.33%	3.45%
3 mth return	7.56%	10.91%
6 mth return	5.06%	16.68%
1 year return	3.45%	18.96%
Since inception*	19.70% p.a	26.57% p.a

*8 February 2013

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



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