

International Fund

Monthly Update



INTELLIGENT
INVESTOR
FUNDS MANAGEMENT

MAY 2013

The International Fund's unit price shot up 8.7% in May. The contributing factor was general weakness in the Australian dollar, which was also the main contributor to the MSCI World Index's 8.1% AUD return. US equity markets were also strong during the month and our performance was buoyed by some stock specific news.

During May the Australian dollar fell 6.9% against its US counterpart and lesser but still significant amounts against all other major currencies (for example 4% against the Japanese Yen, 6.4% against the Euro and 5.2% against the UK Pound). For the past few years, the 'Aussie' has been viewed as a risk asset, and has tended to appreciate in tandem with global stock markets and any sign of a global economic recovery. In the past six weeks, that correlation has broken down dramatically, with concerns about commodity prices, mining, lower Australian interest rates and the deteriorating Australian economy taking precedence.

We have been concerned about the Australian dollar and the Australian economy for the past few years. Whilst trying to time these events to perfection is futile, we're glad we accelerated our plans to launch an international fund and even happier with the response from investors (the total size of the Fund was \$18.7m as at the end of May).

Now our fingers are crossed for foreign stock markets to hand us a few more opportunities. With the US market hitting record highs and most of the interesting shares having risen 40% or more during the past year, you can expect the investing process to take some time. Europe is proving more prospective, however, and you will likely see a number of new names in the portfolio soon.

- One simple but attractive European idea is **Pargesa Holdings**—although the structure itself is anything but straight forward. The Swiss-listed holding company, controlled by two billionaires—one Belgian the other Canadian—owns a controlling stake in a Belgian holding company which itself owns major stakes in a handful of French stocks.

Cut through the structure, though, and the story simplifies. Through Pargesa, we've been able to make an investment in a portfolio of world-class multinational businesses—Total, an integrated oil giant; Lafarge, the world's largest cement maker; Imerys, the leading supplier of a long list of specialist minerals for various industries; Pernod Ricard, the global number two spirits company and substantial winemaker; GDF Suez, a vertically-integrated gas and electricity business, and a few smaller investments. Those underlying investments, perhaps with the exception of Pernod Ricard (about 14% of the portfolio by value) are cheap to begin with. The best part, though, is that by purchasing Pargesa shares, we've bought these global blue chips at a discount to market value in excess of 30%.

- There's nothing blue chip about the Fund's small investment in asset play IDT Corporation (NYSE:IDT). IDT's main operation is a long-distance telecom business that we think is worth more than the Fund's purchase price on its own. Then we get a collection of interesting but not currently profitable technology businesses for free.

On the same day we completed our purchase of the stock, IDT announced it would be spinning two of those businesses - a portfolio of radio spectrum and its collection of technology patents - into a new listed entity later this year. The news sent the stock price up 25.4% for the month but it remains attractively priced.

SUMMARY OF RETURNS AS AT 31 MAY 2013

	INTERNATIONAL FUND	MSCI ACWI IMI
1 MONTH RETURN	8.74%	8.13%
3 MONTH RETURN	11.17%	11.65%
SINCE INCEPTION*	10.88% p.a.	12.33% p.a.

*8 Feb 2013

FACTS	UNIT PRICE SUMMARY
FUND COMMENCED 8 Feb 2013	DATE 31 May 2013
MINIMUM INVESTMENT \$20,000	BUY PRICE \$1.1132
MONTHLY INVESTMENT Min. \$200/mth	REDEMPTION PRICE \$1.1044
INCOME DISTRIBUTION Annual, 30 June	MID PRICE \$1.1088
APPLICATIONS/REDEMPTION Weekly	PORTFOLIO VALUE \$18.7m

SUMMARY OF HOLDINGS

STOCK	COUNTRY	PORTFOLIO WEIGHTING
JAPANESE PORTFOLIO OF NET-NETS	Japan	6.01%
GOOGLE INC CLASS A SHARES	US	5.69%
AMERICAN INT'L GROUP	US	5.37%
AMERICAN EXPRESS CO	US	4.89%
TESCO PLC	UK	3.73%
COACH INC	US	3.39%

CURRENCY EXPOSURE

CURRENCY	EXPOSURE (% OF PORTFOLIO)
USD	59.80%
EUR	15.06%
GBP	8.85%
JPY	4.90%
AUD	3.92%
CAD	3.79%
OTHER	3.68%

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