

International Fund

Monthly Update



INTELLIGENT
INVESTOR
FUNDS MANAGEMENT

NOVEMBER 2013

The International Fund's unit price increased 6.6% during November, besting the 5.1% return from the benchmark MSCI World Index. The falling Australian dollar – which weakened 3-6% against the US dollar, the euro and the pound sterling over the month – was the chief tailwind. The fund's outperformance of the benchmark, despite a hefty cash weighting of 38%, was mainly due to appreciation of **Veripos**, highlighted below.

- AIG** (NYSE:AIG) reported a mixed third quarter. Its property & casualty (P&C) business further reduced underwriting losses and improved its combined ratio, despite higher general operating expenses. Although investment income fell, operating income from this business grew 33% over the same period last year. A 'hard' insurance market that has propelled recent premium growth may now be starting to soften but the P&C business still has significant further efficiency gains to be extracted from modernising and streamlining operations. The life & retirement business benefitted from strong sales of fixed and variable annuity products, contributing to significant growth in assets under management. Operating income from this segment grew 38% over the previous year. The life & retirement business should see growing income when interest rates (eventually) rise and the growing masses of retiring boomers look for more life insurance. Within other operations, AIG suffered declines in its direct investment book and the global capital markets group, hindering an otherwise decent quarter. The stock still trades at a 25% discount to book value, a noticeably wider gap than its industry peers. During the month, the share price fell 3.7%.
- B&C Speakers'** (BIT:BEC) share price rose 7.6% over the month, thanks to strong third quarter results and increasing investor interest after the company started reporting in English. Sales increased 6.6% to €8.1m compared with the same quarter last year, while net profit (ignoring foreign currency translation) increased 23% to €1.4m. When acquiring the stock in mid-2013, it seemed highly probable that margins would rise due to a few factors, including the bursting of the neodymium price bubble—a magnet used in high performance speakers. It's reassuring to see that thesis playing out as expected. Export sales have been going gangbusters, with North American sales up 18% and Chinese sales up 46% for the nine months to 30 September 2013. A new production facility became fully operational during the quarter and the company's order book remains strong, which bodes well for future growth.
- Last month we provided an update on the potential sale of one of our investments, **Veripos** (OB:VPOS). At the time, investors in the company were being offered 28 NOK per share to sell to competitor Hexagon AB. During November, bidding activity heated up with new offers flying across the proverbial table. Veripos's largest shareholder, Siem Industries, led the way with multiple offers and currently stands as top bidder at a price of 35 NOK per share. Obviously not enamoured with Hexagon's initial advance, Siem sees enough value to preference owning the business outright over selling out at an unfavourable price. We have always viewed Veripos as a highly strategic asset and are pleased to be on the right side of this bidding war. Shares in Veripos were up 24% during the month.

SUMMARY OF RETURNS AS AT 29 NOV 2013

	INTERNATIONAL FUND (%)	MSCI ACWI IMI (%)
1 MONTH RETURN	6.58	5.10
3 MONTH RETURN	10.07	8.24
6 MONTH RETURN	19.28	16.21
SINCE INCEPTION*	32.26	30.54

*8 Feb 2013

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	29 November 2013
BUY PRICE	\$1.3215
REDEMPTION PRICE	\$1.3110
MID PRICE	\$1.3162
PORTFOLIO VALUE	\$38.2m

SUMMARY OF HOLDINGS

STOCK	COUNTRY	PORTFOLIO WEIGHTING (%)
B&C SPEAKERS	Italy	8.0
GOOGLE INC CLASS A SHARES	US	6.6
AMERICAN INT'L GROUP	US	6.5
VERIPOS INC	Norway	6.2
AMERICAN EXPRESS CO	US	4.5

CURRENCY EXPOSURE

CURRENCY	EXPOSURE (% OF PORTFOLIO)
USD	46.4
EUR	18.2
NOK	11.2
GBP	8.0
AUD	6.7

CONTACT DETAILS

Responsible entity Fundhost Limited Phone +61 2 8223 5400 Email admin@fundhost.com.au Web www.fundhost.com.au

Investment manager Intelligent Investor Funds Pty Ltd Phone +61 2 8305 6050 Email admin@iifunds.com.au Web www.iifunds.com.au

Disclaimer: This report was prepared by Intelligent Investor Funds Pty Limited, Authorised Representative of Intelligent Investor Publishing Pty Limited AFSL No: 282288. Fundhost Limited (ABN 69 092 517 087) (AFSL No: 233 045) ("Fundhost") as the Responsible Entity is the issuer of the Intelligent Investor International Fund (ARSN No: 139 641 491). You should obtain and consider a copy of the product disclosure statement relating to the Intelligent Investor International Fund before acquiring the financial product. You may obtain a product disclosure statement from Fundhost or download a copy at www.iifunds.com.au. To the extent permitted by law, Fundhost Limited and Intelligent Investor Funds Pty Limited, its employees, consultants, advisers, officers and authorised representatives are not liable for any loss or damage arising as a result of reliance placed on the contents of this report.