

International Fund

Monthly Update



INTELLIGENT
INVESTOR
FUNDS MANAGEMENT

APRIL 2013

The Intelligent Investor International Fund's unit price rose 2.9% in April thanks to some excellent operational updates and a slightly weaker Australian dollar.

Most of the portfolio reported results for the March quarter and, as a result, we benefitted from some significant share price moves.

- All and sundry were expecting poor full year result from supermarket giant **Tesco** (LSE:TSCO). It delivered. While overall sales rose 1.3%, it was mostly due to store expansion. UK same-store sales declined 0.3%, although the total figure hid an improving picture over the course of the year. The fourth quarter growth of 0.5% suggests the group is overcoming the problems that caused the stock collapse in early 2012, despite an ugly UK economy.

After backing out property sale profits, underlying profit before tax fell about 15%. The stock trades on a price earnings ratio (adjusted for property sales) of about 11, and a dividend yield of 4.1%. The share price fell 4.0% during the month, although a £0.101 dividend meant the impact on portfolio performance was negligible.

- Google Inc** (NASDAQ:GOOG), our largest investment so far, reported further excellent results. In the face of a struggling global economy, the company's financial results continued to reflect the massive changes taking place in advertising markets. Excluding the contribution from its recently acquired Motorola business, Google revenue climbed 22% thanks to a 20% increase in paid click volume. Meanwhile, potential areas of concern on the expense line did not materialise, leading to growth in operating income of 17%. While Google's earnings calls are not known for their revelatory nature, management remained upbeat regarding the numerous opportunities ahead of it and the share price was up 3.8% for the month.

- While the overall backdrop for consumer spending remained subdued, **American Express** (NYSE:AXP) was still able to grow first quarter revenue 4% when compared with the same period in 2012. If not for a moribund European economy, top line growth would have been excellent. More impressive, however, was the company's 23% return on equity and continued focus on returning cash to shareholders. The share price rose a touch during the month and we continue to be amazed that such a sound company can sell for just 14 times earnings.

- We were attracted to handbag and fashion accessory company **Coach Inc** (NYSE:COH) because it exhibited a number of appealing attributes: a high quality business; a fiscally responsible management team; and real potential for continued growth. The share price had been beaten up, and investors were becoming increasingly convinced that Coach's day had come and gone. Newer, hotter alternatives were stealing market share.

Coach's reported results for its fiscal third quarter added evidence to our thesis that the pessimism is overdone. Same-store sales growth returned to their North American stores. And, despite our concerns regarding the trajectory of the Chinese economy, Coach's store base in that country continued to grow impressively and profit was up some 50%. All in all, a very solid quarter saw the company's margins improve and earnings increase 10% in relation to the prior year. One quarter does not make a trend, but listening to management, it is hard to contain our excitement at the growth profile ahead. The market agreed, sending the price up 18% in April.

SUMMARY OF RETURNS AS AT 30 APRIL 2013		
	INT'L FUND	MSCI ACWI IMI
1 month return	2.88%	3.10%
Since inception*	1.97%	3.88%

*8 Feb 2013

FACTS	UNIT PRICE SUMMARY
FUND COMMENCED 8 February 2013	DATE 30 April 2013
MINIMUM INVESTMENT \$20,000	BUY PRICE \$1.0238
MONTHLY INVESTMENT Min. \$200/mth	REDEMPTION PRICE \$1.0156
INCOME DISTRIBUTION Annual, 30 June	MID PRICE \$1.0197
APPLICATIONS/REDEMPTION Weekly	PORTFOLIO VALUE \$15.3m

SUMMARY OF HOLDINGS		
STOCK	COUNTRY	PORTFOLIO WEIGHTING
Japanese Portfolio of Net-Nets	Japan	7.18%
Google Inc Class A Shares	US	6.13%
American Int'l Group	US	5.48%
American Express Co	US	5.00%
Tesco PLC	UK	4.33%
Coach Inc	US	3.89%

CURRENCY EXPOSURE	
CURRENCY	EXPOSURE (% OF PORTFOLIO)
USD	50.34%
EUR	19.18%
AUD	14.62%
JPY	7.25%
GBP	4.45%
SGD	1.30%
Other	2.86%

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