

International Fund

Monthly Update



INTELLIGENT
INVESTOR
FUNDS MANAGEMENT

AUGUST 2013

The International Fund's unit price edged up 1.1% during August, better than the MSCI index's 1.3% decline. Returns were helped by individual stock price appreciation and a lack of exposure to emerging market currencies, which were sold off significantly relative to the US dollar during the month.

- AIG** (NYSE:AIG), the portfolio's largest position, reported quarterly results showing continued operational improvement and scope for further share price appreciation. Earnings grew 38%, outpacing our expectations. The Property & Casualty business benefitted from higher insurance premiums (known as a hard insurance market) while the Life business achieved higher margins due to growing assets under management and positive investment returns from equity and fixed income portfolios. Management gave us a peek at its capital deployment plans, instituting a small dividend and announcing a \$1bn share buyback. AIG's share price finished the month up 2%.
- B&C Speakers** (BIT: BEC) recently reported its half yearly results in Italian and is, as we go to press, due to release its first official English results translation any day. In any language, the result was outstanding. Sales increased 15% to 17.0m compared with the same half last year. EBITDA rose 32% to €4.3m and net profit 60% to €2.6m. Sales grew particularly strongly in Asia and North America and the company advanced business with key customers and across new product lines. B&C's share price rose 14% during August but the thesis behind the investment, outlined in the June quarterly letter, is on track and the Fund acquired more stock during the month to maintain its weighting in the face of inflows.
- Flughafen Zürich** (Zurich Airport) (SWX: FHZN) is expected to generate decent returns for the fund over the years while causing few large upsets. The first half result was predictably boring, although the share price fell 6% during the month. Passenger growth was, as expected, anemic with a late, heavy winter preventing last-minute travel plans from blossoming. This was somewhat offset by higher revenues for de-icing services. Costs, margins and capital expenditure plans came in close to our prior assumptions and the company progresses plans for 'The Circle' property development.
- In the latest quarter **Coach, Inc** (NYSE:COH) reported a disappointing 1.7% decline in North American same store sales, a key metric. This was a reversal of the previous quarter's gains, signalling fierce competition in the accessories business amid a weak retail environment overall. Bright spots included sales growth in China of 35% and the burgeoning men's and footwear businesses. The results have lowered market expectations significantly for the coming year and the share price fell 1% during August, but Coach continues to be undervalued given its prodigious cash flow.
- During the quarter, portfolio holding **IDT Corp** spun out a number of assets into a new company, **Straight Path Communications** (AMEX:STRP). Straight Path owns a portfolio of wireless spectrum and intellectual property patents related to VOIP technology. The new entity is well-capitalised, receiving \$15m cash in the divorce. The company is rather speculative, but broadly a windfall gain given the Fund's low overall purchase price (the IDT shares, ex the spinoff, still trade at a 23% premium to the Fund's average purchase price).

* MSCI All Country World Index (Investable Market Index)

SUMMARY OF RETURNS AS AT 30 AUG 13

| | INT' FUND | MSCI ACWI IMI |
|------------------|-----------|---------------|
| 1 MONTH RETURN | 1.11% | -1.33% |
| 3 MONTH RETURN | 8.37% | 7.36% |
| 6 MONTH RETURN | 20.47% | 19.87% |
| SINCE INCEPTION* | 20.16% | 20.60% |

*8 Feb 2013

| FACTS | UNIT PRICE SUMMARY |
|---|-------------------------------------|
| FUND COMMENCED 8 Feb 2013 | DATE 30 Aug 2013 |
| MINIMUM INVESTMENT \$20,000 | BUY PRICE \$1.2006 |
| MONTHLY INVESTMENT Min. \$200/mth | REDEMPTION PRICE \$1.1911 |
| INCOME DISTRIBUTION Annual, 30 June | MID PRICE \$1.1958 |
| APPLICATIONS/REDEMPTION Weekly | PORTFOLIO VALUE \$29.1m |

TOP 5 HOLDINGS

| STOCK | COUNTRY | PORTFOLIO WEIGHTING |
|--------------------------------|---------|---------------------|
| AMERICAN INT'L GROUP | US | 7.2% |
| B&C SPEAKERS | Italy | 6.7% |
| GOOGLE INC CLASS A SHARES | US | 6.1% |
| AMERICAN EXPRESS CO | US | 4.7% |
| JAPANESE PORTFOLIO OF NET-NETS | Japan | 4.1% |

CURRENCY EXPOSURE

| CURRENCY | EXPOSURE (% OF PORTFOLIO) |
|----------|---------------------------|
| USD | 61.9% |
| EUR | 8.4% |
| NOK | 7.8% |
| GBP | 6.6% |
| CHF | 4.2% |

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

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