

# International Fund

## Monthly Update



INTELLIGENT  
INVESTOR  
FUNDS MANAGEMENT

OCTOBER 2013

The International Fund's unit price increased 4.6% during October outpacing the benchmark MSCI World Index's 2.6% return. The portfolio's strong performance, running headlong into a strengthening Australian Dollar (up 1.8% against the US Dollar over the month), is attributable to the sharp appreciation of several individual stocks. Global stockmarkets welcomed a reprieve from gridlock in Washington, even if only a temporary one, and currently trade near record highs.

Highlights from the month include excellent results announcements by some of the Fund's largest positions and an offer to acquire one of its top five holdings.

- Google Inc.** (NASDAQ: GOOG) was one of the portfolio's biggest winners, reporting another strong quarter. While the Motorola unit continued to struggle, the core advertising business more than made up for the deficit with impressive revenue and profit growth. Paid click volumes, an important indicator of demand for the company's search product, rose 26% over the prior year.

Amongst Google's many different businesses, management highlighted YouTube as a standout performer and believes it is poised to capture more ad dollars currently earmarked for television. Google has done an exceptional job developing YouTube. It stands as the world's most popular online video destination (almost triple the size of its next closest rival) and the fourth most popular website overall. The opportunity to generate more profit from this asset is significant. We believe YouTube will continue to be a highly valuable component of the Google investment thesis in the future. Shares in Google increased 18% during the month.

- American Express** (NYSE: AXP) was another **bright spot during the month, thanks to a strong third quarter result.** Revenue grew 6% as customers in most segments accelerated their spending and card usage. The European market was particularly encouraging, seeing its highest growth rate since 2011. Given the disappointing state of the overall global economy, management expressed a surprising amount of optimism for the opportunities ahead. Management also remained disciplined capital allocators by buying back almost \$1 billion of stock during the quarter.

Strong execution across many initiatives contributed to a return on equity of 24%. If the company can earn commensurate returns on its current investments, then earnings should continue to grow meaningfully. AXP shares were up 8.3% during the month.

- In our most recent quarterly letter, we laid out our thesis on the energy sector and detailed a few of the bargains we have found. Shares of one of those bargains, **Veripos Inc.** (OB:VPOS), appreciated significantly during the month when the company received an offer to be acquired by a competitor, Hexagon AB.

Veripos provides GPS based systems that enable marine vessels to track and position themselves precisely—an essential service in the oil and gas sector. Hexagon, it seems, believes there is value in this little pocket of the energy landscape and is willing to pay for it. While merger and acquisitions activity is never central to the Fund's investment focus (and indeed the deal is yet to close), outcomes like this help confirm that we are on the right track. Shares in Veripos were up 31% for the month.

### SUMMARY OF RETURNS AS AT 31 OCT 2013

	INTERNATIONAL FUND (%)	MSCI ACWI IMI (%)
1 MONTH RETURN	4.59	2.59
3 MONTH RETURN	4.42	1.62
6 MONTH RETURN	21.69	19.56
SINCE INCEPTION*	24.09	24.21

\*8 Feb 2013

FACTS	UNIT PRICE SUMMARY
<b>FUND COMMENCED</b> 8 Feb 2013	<b>DATE</b> 31 Oct 2013
<b>MINIMUM INVESTMENT</b> \$20,000	<b>BUY PRICE</b> \$1.2399
<b>MONTHLY INVESTMENT</b> Min. \$200/mth	<b>REDEMPTION PRICE</b> \$1.2300
<b>INCOME DISTRIBUTION</b> Annual, 30 June	<b>MID PRICE</b> \$1.2349
<b>APPLICATIONS/REDEMPTION</b> Weekly	<b>PORTFOLIO VALUE</b> \$33.4m

### SUMMARY OF HOLDINGS

STOCK	COUNTRY	PORTFOLIO WEIGHTING (%)
B&C SPEAKERS	Italy	8.1
AMERICAN INT'L GROUP	US	7.4
GOOGLE INC CLASS A SHARES	US	7.1
VERIPOS INC	Norway	5.7
AMERICAN EXPRESS CO	US	4.8

### CURRENCY EXPOSURE

CURRENCY	EXPOSURE (% OF PORTFOLIO)
USD	44.9
EUR	19.6
NOK	10.9
CHF	5.9
GBP	5.8
OTHER	12.9

### CONTACT DETAILS

**Responsible entity** Fundhost Limited Phone +61 2 8223 5400 Email [admin@fundhost.com.au](mailto:admin@fundhost.com.au) Web [www.fundhost.com.au](http://www.fundhost.com.au)

**Investment manager** Intelligent Investor Funds Pty Ltd Phone +61 2 8305 6050 Email [admin@iifunds.com.au](mailto:admin@iifunds.com.au) Web [www.iifunds.com.au](http://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](http://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.