

International Fund

MONTHLY UPDATE • APRIL 2014

FUND FACTS

| | |
|--------------------------------|----------------|
| FUND COMMENCED | 8 Feb 2013 |
| MIN. INVESTMENT | \$20,000 |
| MONTHLY INVESTMENT | Min. \$200/mth |
| INCOME DISTRIB. | Annual, 30 Jun |
| APPLICATIONS/REDEMPTION | Weekly |

UNIT PRICE SUMMARY

| | |
|-------------------------|-------------|
| DATE | 30 Apr 2014 |
| BUY PRICE | \$1.3638 |
| REDEMPTION PRICE | \$1.3529 |
| MID PRICE | \$1.3584 |
| PORTFOLIO VALUE | \$57.0m |

RESPONSIBLE ENTITY

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The exciting story for April was the global selloff in technology stocks. Amazon's share price, for example, fell almost 10% during the month and is now down 24% since the start of the year. All major tech players are down over the past few months, including the Fund's largest investment, **Google** (see below).

SUMMARY OF RETURNS AS A 30 APR 14

| | INTERNATIONAL FUND (%) | MSCI ACWI IMI (%) |
|------------------------------|------------------------|-------------------|
| 1 MONTH RETURN | 1.85 | 0.65 |
| 3 MONTH RETURN | -1.02 | -0.28 |
| 6 MONTH RETURN | 10.00 | 7.56 |
| 1 YEAR RETURN | 33.85 | 28.60 |
| SINCE INCEPTION* (PA) | 28.90 | 26.75 |

*=8 Feb 2013

But the technology selloff didn't stop the MSCI World Index from rising 0.65% during April. In comparison, the International Fund rose 1.85%. The Fund's outperformance is attributable to the 27% rebound (adjusted for dividends) in Italian transducer manufacturer **B&C Speakers** (BIT:BEC).

Google Inc. (NASDAQ:GOOGL) reported results for the first quarter of 2014. Adjusting for a recent stock split, the stock was down 4% during April, in line with the sector selloff. The company seems to have been lumped together with internet and social media darlings trading at astronomical valuations. That's unjustified. Google's business has performed admirably during the quarter (and year and decade)—core advertising revenue grew 19% from the previous year.

CURRENCY EXPOSURE

| CURRENCY | EXPOSURE (% OF PORTFOLIO) |
|------------|---------------------------|
| USD | 51.2 |
| EUR | 15.9 |
| NOK | 10.8 |
| GBP | 7.9 |
| CHF | 5.9 |

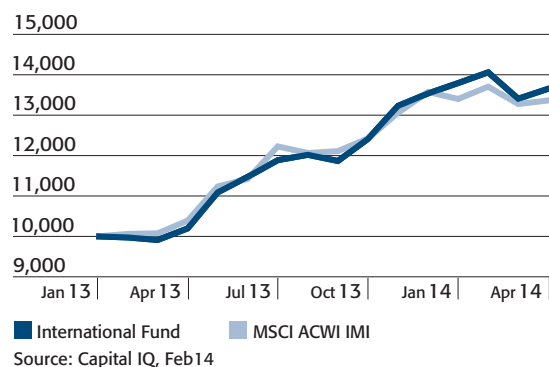
Margins declined from the prior year. While that was attributed to recent acquisitions, the expense line is something to be closely watched at Google. So is its capital expenditure.

Although it is already one of the world's largest businesses, management believes the company's potential is magnitudes greater. Google has the scale and resources to go where others can only dream, from pie in the sky stuff like driverless cars, wearable technologies and the Google X lab to less fascinating (but perhaps

more important) advances in adjacent areas such as mobile search and television. With no dividend in sight and management's control firmly entrenched (the split created voting and non-voting shares, and only the latter will be issued in future), capital allocation decisions will have as much impact on the future valuation of this company as the performance of its core business. It remains attractively priced and we have again bought shares during the month, but will be keeping a close eye on how that prodigious cash flow gets spent.

Subsea 7 S.A. (OB: SUBC), one of the Fund's newer additions, reported earnings for its first quarter. Revenue grew 13.7%, with strong project work in West Africa and Asia. The operating profit margin declined slightly, but remained healthy at around 10%. The March quarterly report noted the problems the company has had with the high profile Guara Lula project in Brazil. Positively, Subsea 7 reported that the project continued without disruption during the quarter and is well situated for completion. Management was also a little more positive regarding overall demand for subsea contracting services, but they cautioned that the timing of future projects remained uncertain. A steady result given the pessimism surrounding the sector. The share price rose 6.8% during the month.

COMPARISON OF \$10,000 INVESTED IN INTERNATIONAL FUND AND MSCI ACWI IMI (SINCE FUND INCEPTION 8 FEB 2013)



American Express Company (NYSE:AXP) also reported results for the first quarter. Revenue grew 4%, a slower rate of growth than previous quarters. An unusually harsh winter led to weak spending within its small business and corporate customer segments but, surprisingly, had less of an impact on the consumer segment. Other regions proved more stable with notable strength coming from Europe. As illustrated previously, the company has substantial flexibility to manoeuvre within various business climates, and it was able to grow earnings per share 16% through tight expense control. Return on equity remained impressive at 28%. Shares in Amex fell 2.9% during the month.