



The Forager International Shares Fund rose 5.6% over the month and mildly outdid its benchmark index, despite a major drop in global crude prices impacting our basket of energy-related stocks. A significant fall in the Australian dollar against its US counterpart has significantly boosted returns from both the Fund and the index since the day the Fund was launched. July's leg down added further to that trend.

Alongside its commodity-related cousin the Canadian dollar, we have intentionally kept exposure to the Australian dollar close to zero over the past few years (both currencies represent about 3% of the MSCI World Index). While our main focus remains on finding attractively priced businesses to own, we will reassess this position if these currencies continue to fall.

American Express Company's (NYSE:AXP) second quarter result saw a continuation of prior themes, namely the adverse impact of a strong US dollar and ongoing challenges related to its Costco Wholesale business. As announced earlier this year, Costco is ending its co-brand relationship with Amex. This development is largely responsible for the weak stock performance since February, but it's only now starting to impact reported numbers—spending growth in the US and Canada this quarter was the lowest since 2009. This matter will continue to weigh on Amex over the next two years as it looks to fill the void created by Costco's withdrawal.

Other parts of the business fared much better with card spending rising in Europe, the Middle East, Africa and Asia. Growth of 9% would have been even higher if not for the strong USD. The company continued its cautious approach to marketing, leading to an overall decline in operating expenses and an annualised return on equity of 28%.

Oversupply fears returned to the global crude market during the month. In particular, the West's improved relationship with Iran hints at higher production. The oil price fall erased much of the gains seen in the first half of the year. **Subsea 7 SA** (OB:SUBC) was unable to escape the associated backlash despite decent results.

During the quarter, Subsea 7 unsurprisingly saw a significant decline in revenue because of tightened spending by clients. While it continues to win new business, overall activity levels are much reduced. And the next few years could get worse yet. But we've been impressed by how flexible the company is proving at managing its cost base, outlining an aggressive plan to reduce headcount and scale back its vessel fleet. Its balance sheet is strong enough to shield it through the downturn and Subsea 7 remains one of the portfolio's more compelling long-term opportunities.

One of the Fund's newest additions, **Harley-Davidson, Inc.** (NYSE:HOG), also reported earnings for its second quarter. As highlighted in our **initial review in the June 2015**. Quarterly Report, the strong USD has had a major impact on Harley's US business. Aggressive price discounting by rivals like Honda contributed to a 9% drop in revenue in the quarter, although the stronger US dollar also helped the company lower its raw material costs, leading to better than expected profit. Management's confidence in the brand and future, evidenced by its willingness to repurchase shares, is encouraging. The stock looks cheap despite (or because of) the current challenges.

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	31 July 2015
Buy Price	\$1.5075
Redemption Price	\$1.5000
Mid Price	\$1.5037
Portfolio value	\$83.5m

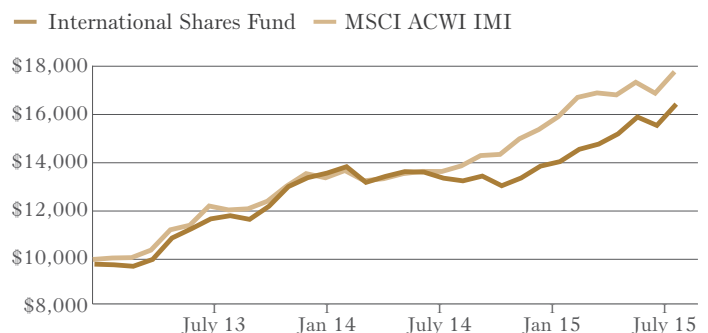
PERFORMANCE

Forager International Shares Fund Performance Summary (as at 31 July 2015)

	International Shares Fund	MSCI ACWI IMI
1 mth return	5.61%	5.27%
3 mth return	8.02%	5.71%
6 mth return	16.77%	11.73%
1 year return	22.68%	30.37%
2 year return (p.a.)	18.39%	20.70%
Since inception* (p.a.)	22.90%	26.27%

*8 February 2013

COMPARISON OF \$10,000 INVESTED IN INTERNATIONAL SHARES FUND VS MSCI ACWI IMI



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