FORAGER

INTERNATIONAL SHARES FUND

October 2015

Oil services company **Dolphin Group ASA** (OB:DOLP) kept analysts busy during the month. It first announced it was facing serious liquidity problems and that it would need to dramatically cut costs, including an agreement with the owners of two of its six vessels to substantially reduce lease rates. Then it announced it had won a contract in India that would keep two high end vessels contracted for nine months from the end of this year. And, finally, it announced to the market that the owner of another two of its vessels was taking them back off Dolphin and leasing them to a competitor, **Petroleum Geoservices** (OB:OGS).

It's hard to tell whether losing two of its vessels is good news or bad, which is in itself indicative of the distress the company is under. With a market capitalisation of US$13m versus US$234m of net debt, Dolphin's shares trade as an out of the money option on the company's survival. Unfortunately, that is a fair summary of the company's predicament and we aren't committing any more money despite it now being a very small position for the Fund.

There was better news from a much more important holding in the latest result from internet giant **Google** (Nasdaq:GOOG). New CFO Ruth Porat furnished more evidence that we made the right decision re-introducing Google to the International Shares Fund portfolio in recent months. Its $18.7bn of revenue for the quarter was a 13% increase on the previous year and would have been 21% higher were it not for the stronger US dollar. It made an operating profit of $6.1bn and threw off $6bn of operating cashflow.

Cashflow has never been the issue with Google, of course; it's where that cash gets spent that is the problem. The announcement of a $5bn share buyback is a positive and was warmly received by the market. It is a trifling amount relative to Google's $68bn cash pile, though, and we would welcome more concrete steps to realise the enormous value inherent in this business.

In stark contrast with Google, **American Express** (NYSE:AXP) is facing near-term growth challenges but doing everything right by shareholders. The company's biggest issue is the ongoing transition away from being the exclusive credit card accepted at one of the US's largest retailers, **Costco Wholesale** (Nasdaq:COST). The other negative factor impacting its most recent quarterly earnings was the stronger US dollar.

Despite these headwinds, the company managed to limit its decline in revenue to 1%. Amex cannot do a single thing about a stronger dollar—and the negative impact from the currency in no way reflected a decline in transaction volumes or commercial activity. If the US dollar had held steady at the same rate it was a year ago, revenue would have actually risen 3%.

That is a laudable achievement given Amex is losing one of its biggest pools of customers. It will need to increase marketing to fill the hole left by Costco; and indeed, expenses were up in the quarter. But that investment seemed to pay off as US cardholders increased at a pace far above average.

There's no doubt Amex faces a bumpy road over the next 12-14 months. But all things considered, it appears to be treading water while setting up for a better long-term future.

FACTS

Fund commenced	08 February 2013
Minimum investment	$20,000
Monthly Investment	Min. $200/mth
Income distribution	Annual, 30 June
Applications/Redemption	Weekly

UNIT PRICE SUMMARY

Date	31 October 2015
Buy Price	$1.5094
Redemption Price	$1.5019
Mid Price	$1.5057
Portfolio value	$87.0m

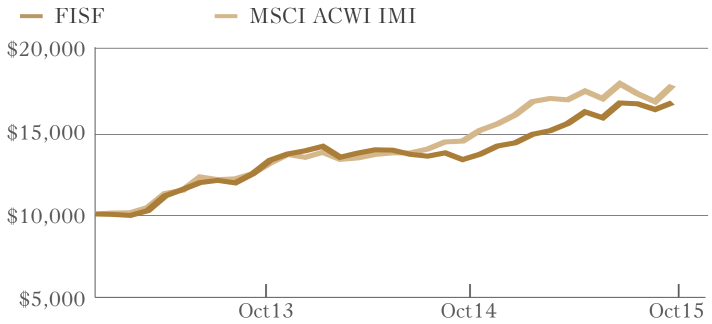
PERFORMANCE

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

	FISF	MSCI ACWI IMI
1 mth return	2.54%	5.88%
3 mth return	0.13%	–0.48%
6 mth return	8.17%	5.20%
1 year return	25.76%	23.33%
2 year return	15.93% p.a.	19.45% p.a.
Since inception*	20.64% p.a.	23.35% p.a.

*=8 Feb 2013

COMPARISON OF $10,000 INVESTED IN THE INTERNATIONAL SHARES FUND AND MSCI ACWI IMI



Inception 8 Feb 2013