



Global investors continued to exhale in August. Numerous economic releases suggested life would go on post the Brexit vote. Most importantly, UK consumers continued spending in July, assuaging the concerns of many (including us) that the immediate impact of Britain's uncertain future would be fiscal conservatism on the part of households.

There were no major changes to the portfolio but plenty of news.

The travel sector has been punished more than any other by the prospect of the UK leaving Europe, but **Sabre Corp.** (Nasdaq:SABR) isn't yet showing signs of distress. Boosted by a previous acquisition, the company's Travel Network segment grew revenue 21% from the previous year. Excluding that one-time bump, organic revenue still grew a healthy 6% thanks to healthy travel bookings across all regions (this division sells booking software to travel agents).

The company's Airline and Hospitality Solutions division also reported strong revenue growth, thanks mainly to recent implementations of Sabre's booking systems at American Airlines and Wyndham Hotel Group. We are hopeful that all of this growth will also lead to higher margins in this part of the business, but that has yet to bear out.

Echoing a tone similar to others in the industry, management exercised caution about future prospects. Airlines are reducing capacity, business travel is slowing, and the macroeconomic backdrop remains muted. While these factors are outside the company's control, we continue to be encouraged by Sabre's execution on opportunities within its sphere of influence.

When **Subsea 7** (OB:SUBC) reported second quarter results at the end of July, the share price had doubled in the span of five months. Between February and June, global oil prices had risen from \$28 to just over \$50, and investors had extrapolated that the cycle had turned. With rising oil prices, Subsea 7 would be sitting in the catbird seat.

But a funny thing happened in July. The oil price fell 20% back to \$40 a barrel. During Subsea 7's quarterly call, management was very bearish on the state of client spending. Over the next couple of years, the company will have to work through a thin backlog of contracts that were signed in the depths of this downturn. Earnings are likely to be poor well into the future.

Curiously, investors seem to be ignoring these fundamentals. It will take years for any recovery to flow through to the company due to contract lead times. Given the disconnect from longer-term fundamentals, we decided to sell the Fund's stake in August.

We remain optimistic about the medium-term prospects for oil prices. In recent months we have added or increased small positions in three other stocks that mean our exposure to oil-related stocks is roughly unchanged.

Petroleum Geo-Services ASA (OB:PGS) is a Norwegian oil services company operating in the marine seismic industry. Unlike Subsea 7, PGS has seen its stock price flounder in 2016 recently hitting a multi-year low in August.

Another new holding, **Premier Oil plc** (LSE:PMO) owns oil producing assets in the UK, Vietnam, Indonesia and Pakistan. Its performance is highly sensitive to changes in the oil price,

and so should benefit more directly from any recovery.

Finally, the Fund has owned **Odfjell Drilling Ltd.** (OB:ODL) for the past 12 months or so. Odfjell, also based in Norway, provides offshore drilling services for E&Ps and other oil-producing customers.

FACTS

Fund commenced	8 February 2013
Minimum investment	\$20,000
Monthly investment	Min. \$200/mth
Income distribution	Annual, 30 June
Applications/Redemption	Weekly

UNIT PRICE SUMMARY

Date	31 August 16
Buy Price	\$1.5083
Redemption Price	\$1.5008
Mid Price	\$1.5045
Portfolio Value	\$101.3m

*The Fund is forward-priced; you will receive the price struck subsequent to the receipt of your application/redemption.

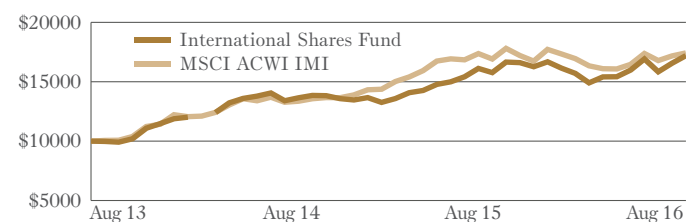
PERFORMANCE

Forager International Shares Fund Performance Summary (as at 31 August 2016)

	International Shares Fund	MSCI ACWI IMI
1 month return	3.84%	1.47%
3 month return	1.67%	0.30%
6 month return	11.62%	8.27%
1 year return	3.56%	1.28%
2 year return	13.02% p.a	12.01% p.a
3 year return	12.70% p.a	13.06% p.a
Since inception*	16.45% p.a	16.88% p.a

*8 February 2013

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



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