



We outlined the case for US-listed Chinese internet search giant **Baidu Inc.** (NasdaqGS: BIDU) in the [March 2016 quarterly letter](#). Having bought in the teeth of the panic in January, we've made a little money on the stock. We'd hoped to have been up by more. Soon after the Fund's purchase, the company was involved in a scandal related to the (very poor) quality of results from health-related searches. The fall out is having a real impact on results. There have been several law changes in China, and several additional voluntary changes made by the company to improve the quality and accountability of online advertising. These will be good for long-term viability but they are crimping growth in the short run. The third quarter of 2016 wasn't great, with underlying revenue growth versus the same quarter last year of 'only' 6.7%. It probably would have been 20%+ if not for the scandal. Operating profits of the core search business were down perhaps 15%, likely influenced by one-off costs of implementing a new verification process for advertisers. The fourth quarter will be worse, with most of the changes already made to health and finance rolled out to all other advertisers. It's a hiccup we didn't anticipate, but expect Baidu to get back to growth in early 2017.

Across the Pacific, **Alphabet Inc.** (NasdaqGS: GOOGL) grew third quarter revenue by 23% to US\$22.5bn. The great bulk of the growth (and of the total) is coming from the core Google online advertising segment. Operating income grew faster still. It continues to amaze us that a business as large as Google can grow as quickly as it does.

Our old tech bet, **eBay Inc.** (NasdaqGS: EBAY), hasn't been sailing as smoothly. Third quarter revenue grew 6% to \$2.2bn, thanks to strong growth at Stubhub and its Classifieds segment (which includes Gumtree). But growth in the core Marketplace segment was anaemic. The company's operating profit margin contracted from 27.6% to 24.4%. Overall revenue growth is likely to slow in future quarters. The company is changing the way it uses search and our bet is that the core business can return to decent growth in the medium term. We also think there is a lot management can do to cut costs.

Harley-Davidson's (NYSE: HOG) third quarter was very weak, with shipments down 9% and revenue from the motorcycle and related products division down 4%. But a tough result was well anticipated. During the conference call management talked about the new Milwaukee-Eight engine, the first engine redesign since 1998. The new technology was initially launched with the 2017 touring bikes but will eventually find its way into all models. Management claimed feedback from riders was 'extremely positive'. Third party reviews we've seen also tend to rave over the increased torque and acceleration, slightly quieter but still authentically Harley sound, and the better shape which makes for a more comfortable ride. It bodes well.

European DIY retailer **Hornbach Baumarkt** (DB: HBM) released first half results showing a continuation of competitive bruising within Germany, with sales growth slow and margins under continual pressure. What's really starting to add up now is growth in the company's operations elsewhere in Europe. Like for like sale growth (a measure of average established store

sales growth) outside of Germany has been 7.0%, 9.7%, 6.6% and 7.7% over the past four quarters. So much for moribund Europe.

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 October 2016 |
| Buy Price | \$1.5444 |
| Redemption Price | \$1.5382 |
| Mid Price | \$1.5413 |
| Portfolio Value | \$105.8m |

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

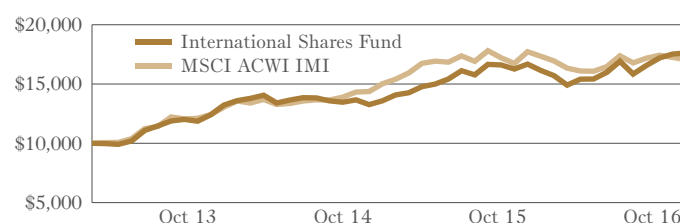
PERFORMANCE

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

| | International Shares Fund | MSCI ACWI IMI |
|------------------|---------------------------|---------------|
| 1 month return | 0.52% | -1.05% |
| 3 month return | 6.39% | -0.68% |
| 6 month return | 10.24% | 3.63% |
| 1 year return | 5.64% | -3.73% |
| 2 year return | 15.27% p.a. | 8.96% p.a. |
| 3 year return | 12.40% p.a. | 11.16% p.a. |
| Since inception* | 16.42% p.a. | 15.41% p.a. |

*8 February 2013

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



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