



Since the US election in early November, markets have found it difficult to focus on much besides the potential impact from a Trump presidency. But January provided a reprieve, albeit a brief one, with companies beginning to report actual financial results. A few of the Forager International Shares Fund's investment companies have already released estimates for the December quarter of 2016 and one result contributed to a change to the portfolio.

US-based **Halliburton Company** (NYSE: HAL) kicked off our earnings season providing an update on the global oil services market. Two years into the worst downturn in decades, executives are finally beginning to suggest a rebound is underway. The company's revenue declined 21% from the previous year but the new leaner, meaner Halliburton managed to increase operating profit. Importantly, revenue grew on a sequential basis (from the previous quarter ended September 2016) for the first time since the collapse in the oil price. The company also generated substantial free cash flow.

As the oil price rebounded from its nadir one year ago, drill rigs returned to work, creating more revenue for firms like Halliburton. Having navigated the downturn relatively unscathed, the company has increased its market share and positioned itself to benefit from such reinvigorated conditions.

Management tempered any excess enthusiasm about a return to healthier times. The modest increase in the oil price has favoured onshore production in North America, a plus for shale-focused Halliburton. Indeed, its US customers seemed to want to talk about little else but growth. But the oil price is not yet high enough to help offshore producers tied to expensive sources of oil in other regions of the world. According to Halliburton's management, customer spending will bifurcate in 2017. Strong and growing demand in North America will be partially offset by a declining market in other overseas territories. But even without those markets, 2017 should see a major boost to the company's earnings.

**Alphabet Inc.** (Nasdaq: GOOG) also reported earnings for the fourth quarter. Total revenue increased 22% from the previous year and all divisions contributed to the growth. Like many other major global tech companies, Alphabet has its fingers in a number of different pies. YouTube, Google Play, and its burgeoning cloud storage offering all represent businesses disparate from the core search franchise, and all were singled out for their strong performance in the period.

Nurturing these businesses requires investment. On expenses, we were pleased to see profit in the core Google segment increase at the same pace as revenue. Capital spending on investment, however, ballooned in the quarter. We will give management a temporary pass while we assess whether this represents the beginning of a longer-term trend or a momentary spike. On balance, however, the quarter stood as another positive result.

**eBay Inc.** (Nasdaq: EBAY) also reported results for its fourth quarter. The company continued to improve its e-commerce capability to compete better with its rivals. But as top line revenue inched forward, bottom line profit remained stuck. Comments from the CEO suggest that the margins are not top of his list of priorities, a message consistent with anecdotal evidence of the company's culture.

The Fund has done very well out of this stock but our best-case scenario was contingent on a significant improvement in margins. That seems highly unlikely and, as such, we removed eBay from the portfolio.

#### FACTS

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

#### UNIT PRICE SUMMARY

<b>Date</b>	31 January 2017
<b>Buy Price</b>	\$1.6951
<b>Redemption Price</b>	\$1.6884
<b>Mid Price</b>	\$1.6918
<b>Portfolio Value</b>	\$119.4

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

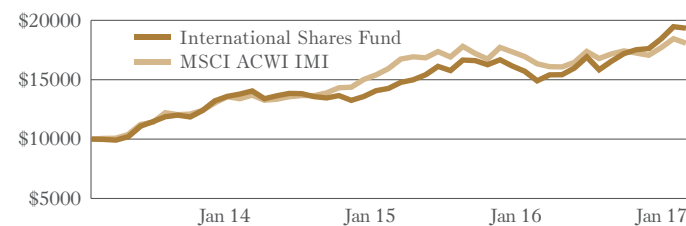
#### PERFORMANCE

##### Forager International Shares Fund Performance Summary (as at 31 January 2017)

	International Shares Fund	MSCI ACWI IMI
1 month return	-0.64%	-2.03%
3 month return	9.76%	5.96%
6 month return	16.77%	5.24%
1 year return	29.74%	10.63%
2 year return (p.a.)	16.44%	6.50%
3 year return (p.a.)	11.94%	10.50%
Since inception* (p.a.)	18.05%	16.04%

\*8 February 2013

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



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