



The first few weeks of February saw more market turmoil, allowing us to add further to some existing holdings and add an important new stock, Chinese search engine **Baidu** (NYSE:BIDU), to the portfolio. We will talk more about that opportunity and the associated risks in the March quarterly, but it leaves the Forager International Shares Fund fully invested and with an excellent collection of businesses.

Lloyds Bank (LSE:LLOY) announced more operational progress and a big special dividend with its fourth quarter and full year results. It added another £2.1bn to its estimate of the final cost of compensating customers for pre-financial crisis selling practices, but continues to widen the gap with competitors on efficiency and profitability. The company has also built enough capital reserves to be confident paying out all excess cash to shareholders from now on, starting with a special dividend for the 2015 financial year.

There are lots of seemingly cheap banks in the world at the moment and Lloyds isn't the cheapest on any metric. But it is particularly well placed to get on with profitable, simple banking and returning the profits to its owners, something most others can only dream of.

Kapsch TrafficCom (WBAG:KTCG) announced a good third quarter result, leaving our investment thesis intact. The annuity parts of the business — chiefly truck tolling operations in numerous European countries and the sale of onboard toll tags around the world — continued to churn out the cash. Meanwhile the new build part of the business has become substantially less troublesome. Having lost 35–50m annually in each of the three years preceding our investment, it should lose less than €20m this full year. That allows the better parts of the business to shine.

Trading on an earnings before interest and tax (EBIT) multiple of 7–8, the valuation is far from stretched and Kapsch remains one of the Fund's largest positions.

Firetruck manufacturer **Rosenbauer International** (WBAG:ROS) announced a decent full-year result for 2015. Revenue grew 6% to €864m and EBIT 4% to €50.2m. The North American business is running on all cylinders. That's pleasing, but the US subsidiary has to share half its spoils with external investors. Competition remains fierce in other markets, particularly Europe, where Rosenbauer owns the whole business. We're also concerned about exposure to the Middle East. Falling Saudi oil revenues will eventually impact its demand for items like firetrucks. But the company's new models have been selling well and the order book today sits at almost one year's worth of revenue, ensuring a busy year ahead.

As expected, engine manufacturer **Rolls Royce** (LSE:RR) announced a poor set of numbers for 2015. With profit before tax expected to fall from more than £1.4bn in 2015 to less than £800m this coming year, 2016 will be tougher still. But the fact that new CEO Warren East didn't further downgrade 2016 expectations was enough to set off a sharp rally in the stock. Low expectations indeed.

The main game is trying to figure out what Rolls Royce's cash flow looks like five years from now. We recently wrote a blog post outlining some of the accounting complexities involved in analysing this company — see [Rolls Royce and the Pliable Nature of Reporting](#) — which explains why answering that question isn't simple. And the recent result didn't provide a lot of new detail. But we're prepared to bet that 'substantially higher' is the answer.

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	29 February 2016
Buy Price	\$1.3945
Redemption Price	\$1.3876
Mid Price	\$1.3910
Portfolio Value	\$81.7m

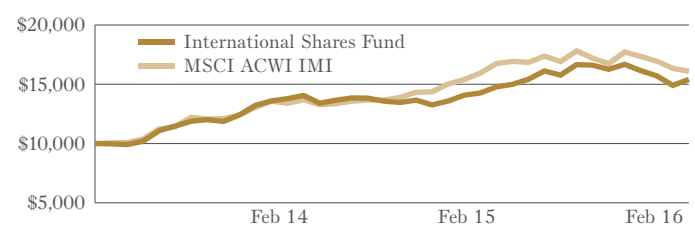
PERFORMANCE

Forager International Shares Fund Performance Summary (as at 29 February 2016)

	International Shares Fund	MSCI ACWI IMI
1 month return	3.36%	-1.48%
3 month return	-4.58%	-7.17%
6 month return	-7.22%	-6.45%
1 year return	4.27%	-3.85%
2 year return	4.71% p.a.	8.40% p.a.
Since inception*	15.19% p.a.	16.85% p.a.

*8 February 2013

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



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