

FORAGER INTERNATIONAL SHARES FUND

MONTHLY REPORT APRIL 2019

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PERFORMANCE (Net of all fees and expenses)

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 30 April 2019)

| | 1 month return | 3 month return | 6 month return | 1 year return | 3 year return (p.a.) | 5 year return (p.a.) | Since inception* (p.a.) |
|----------------------------------|----------------|----------------|----------------|---------------|----------------------|----------------------|-------------------------|
| International Shares Fund | 4.79% | 5.79% | 1.24% | -0.32% | 10.26% | 9.43% | 13.02% |
| MSCI ACWI IMI | 4.26% | 11.13% | 9.89% | 11.84% | 14.24% | 12.94% | 15.52% |

*8 February 2013. Past performance is not a reliable indicator of future performance and the value of your investments can rise or fall.

Auto supplier **Lear Corporation** (NYSE:LEA) reported a 5% fall in sales in the first quarter of 2019. While this was less than the 7% fall in global car production, Lear is facing a challenging year. On top of the overall market weakness, many of its key customers are cutting production of older models ahead of new launches. While Lear is unlikely to match last year's sales and net profit of \$21.1bn and \$1.1bn in 2019, its business should perform well over the long term as seating and electrical content within the 'typical' car continues to increase. The company remains conservatively financed and continues to return excess cash to shareholders. Since December, Lear bought back \$118m worth of its own stock and the quarterly dividend was increased 7%. It will be a bumpy ride but Lear remains an attractive investment trading at 9 times forecast earnings.

Revenue at **Alphabet** (Nasdaq:GOOG) grew 17% in the first quarter of 2019. While this growth is nothing to sneeze at considering the size of the business, it represented a significant slowdown for the tech giant. The stock fell 7% on the announcement, illustrating the market's focus on growth. Capital expenditure of \$4.6bn was much lower than the same period last year. Management reiterated that full year investment will be higher in dollars than in prior years, but the growth rate will be much less torrid. The Other Bets segment reported 13% revenue growth but at a significantly higher operating loss than the prior year. Alphabet continued buying back stock over the period, but not enough to stop the company's cash balance from climbing 4% to \$113bn. Despite the slowdown, we think there is a lot more growth to come. Alphabet remains a core holding at 6.2% of the Fund.

Over the past few years, the board and manager of **Dolphin Capital Investors** (AIM:DCI) have been working on an asset realisation strategy that was intended to have come to fruition by the end of 2019. It's been obvious for some time that, in order to maximise value, the process would need extending. In April, shareholders were asked to vote on an extension to the divestment period (for a further two years) and an adjusted remuneration plan for the external manager covering that timeframe.

We had significant reservations about the base fee for the investment manager. While reduced versus the prior

agreement, this vehicle has destroyed a lot of shareholder capital over the past decade. We expressed our concerns clearly to the board and management. But ultimately, the extension strategy is one that will generate the most cash for shareholders from the liquidation. Hesitantly voting in favour, the plan was ultimately approved but only because of our support. We expect the liquidation process will generate significantly more than the current share price in distributions over the next few years.

Ok, so this isn't technically April news but it is important. On 1 May, the Fund's largest position—**Blanco Technology Group** (AIM:BLTG)—upgraded expectations for the year ended 30 June 2019. Revenue is likely to be 'marginally ahead' of current market expectations, while operating profit should be 'comfortably ahead'. The upgrade didn't particularly surprise us, but helps build our confidence that management is on the right track. Blanco also outlined a new enlarged agreement with a large US software company which will add to revenues in 2020 and 2021. That deal itself is not particularly meaningful, Blanco is a business built on a large number of smaller contracts. But it is indicative of wider opportunity in the larger enterprise market and confirmation of the effectiveness of Blanco's erasure solutions for clients.

TOP 5 HOLDINGS (as % of NAV)

| | |
|--|-------|
| Blanco Technology Group Plc (AIM: BLTG) | 9.6% |
| Alphabet Inc (Nasdaq:GOOG) | 6.2% |
| Flughafen Wien AG (FLU:AV) | 5.5% |
| Linamar Corp (TSX:LNR) | 5.2% |
| Cementir Holding S.p.A. (BIT:CEM) | 5.1% |
| Cash | 13.1% |

FUND OBJECTIVE

The Fund is an international equities fund, targeting undervalued securities on the world's stock markets. The Fund's investment objective is to outperform the MSCI All Country World Investable Market Index (Net) in Australian dollars (MSCI ACWI IMI) over a rolling 5-year period. The Fund's goal is to produce superior long-term returns from a portfolio of 20–40 businesses, irrespective of short-term share price movements[^].

FACTS

| | |
|--------------------------------|-----------------|
| Fund inception | 8 February 2013 |
| Minimum investment | \$20,000 |
| Monthly investment | Min. \$200/mth |
| Distribution | Annual, 30 June |
| Applications/Redemption | Weekly |

UNIT PRICE SUMMARY

| | |
|-------------------------|---------------|
| As at | 30 April 2019 |
| Buy Price | \$1.6079 |
| Redemption Price | \$1.6015 |
| Mid Price | \$1.6047 |
| Portfolio Value | \$172.2m |

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

ABOUT FORAGER

With approximately \$330 million of funds under management and a focus on long-term investing, Forager Funds is a unique Australian asset management company.

Following a strong nine-year track record, Forager is a sustainable business but is nimble enough to invest in smaller listed companies not accessible to many investment managers.

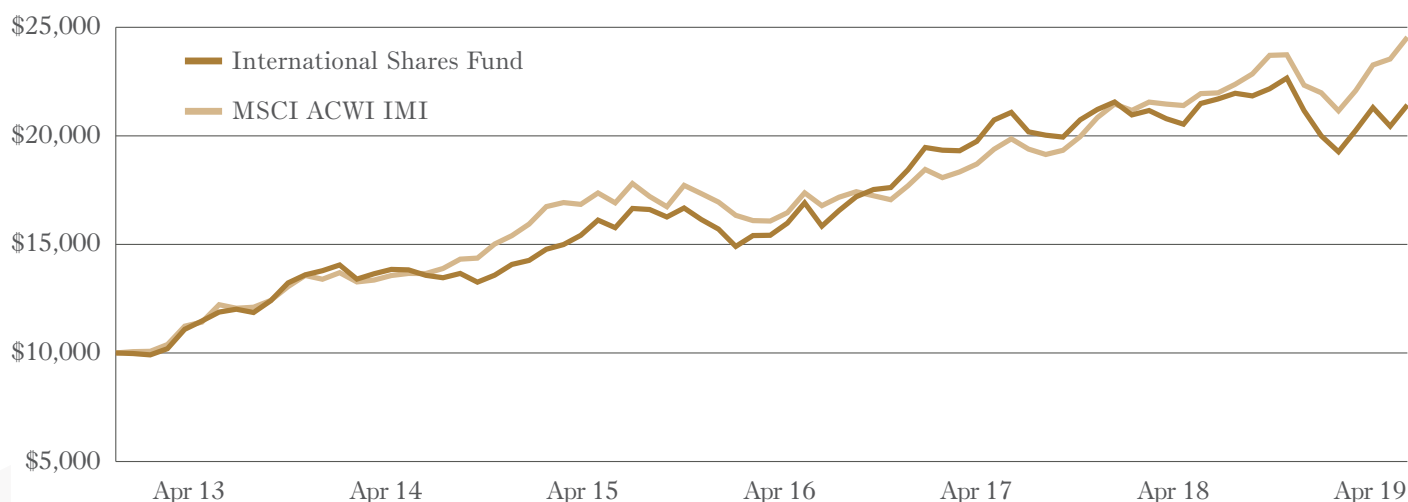
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

Key investment staff are strongly aligned with investors through co-investment and / or equity in the Forager business.

FUND CHARACTERISTICS

- Concentrated portfolio of global equities
- Investments mainly in small and medium sized businesses
- Flexible mandate allows for a wide range of markets
- Investment team with deep pockets of expertise
- Strong focus on managing portfolio risks
- Potential complement to index or ETF funds
- Weekly applications and redemptions

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



Source (MSCI ACWI AWI): S&P Capital IQ. The above figures assume that all distributions have been reinvested. Past performance is not a reliable indicator of future performance and the value of your investments can rise or fall.

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