

FORAGER INTERNATIONAL SHARES FUND

MONTHLY REPORT JULY 2019

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PERFORMANCE (Net of all fees and expenses)

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 July 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	0.07%	-0.81%	4.93%	-2.71%	8.66%	9.37%	12.34%
MSCI ACWI IMI	2.12%	2.49%	13.90%	10.07%	13.56%	12.99%	15.31%

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

Blanco Technology Group (AIM:BLTG) announced an equity raising alongside another trading update. Revenue for the year ended 30 June is now expected to be close to broker estimates of £30.5m, while profitability should be “ahead”.

Roughly half of the £10m raised from existing shareholders will be used for the acquisition of Irish software company Inhance Technology. Inhance offers an app-based mobile diagnostics system that allows consumers to establish the value of and even complete a trade-in for their used mobile phones. All without having to step foot in a store. The technology ties in well with Blanco's existing mobile business.

The remainder of the funds will go towards a strategic investment in Blanco's existing mobile diagnostics software and repaying debt. The Fund participated in the discounted placement and subsequently (profitably) sold some shares in the name of risk management. It remains our largest investment by some margin.

Alphabet (Nasdaq:GOOG) announced a strong second quarter result. Revenue grew more than 22% on a constant currency basis, with mobile search (+28%) and YouTube (+32%) key contributors. A healthy operating profit margin of 24% was achieved despite continued losses from the ‘Other Bets’ category, which includes a significant investment in driverless car leader Waymo.

Alphabet's net cash pile reached a record US\$117bn. Importantly, though, the board looks keen to make inroads into that cash, repurchasing \$4bn of stock in the quarter and authorising a new \$25bn buyback, the largest in its history.

Despite a market capitalisation north of \$800bn, the company continues to grow rapidly, the valuation is undemanding and our concerns around capital allocation may subside through more aggressive use of buybacks. The Fund sold down its position a little during the month but it remains a core holding with a weighting of 5.1%.

Norwegian conglomerate **Bonheur** (OB:BON) has been a great performer for the Fund recently, almost doubling since the start of 2019. The most pleasing aspect of its recent second quarter result was the profit generated by the offshore wind installation segment, a business we've historically

struggled to value with confidence. Bonheur controls three specialised jack up rigs, used for the transportation, installation and maintenance of giant offshore wind turbines, plus seven crew transfer vessels and a related labour hire business. Segment revenues almost doubled to NOK806m and earnings before interest, tax, depreciation and amortisation (EBITDA) rose fourfold to NOK255m. The rest of 2019 will be less profitable. But two of the three jackups are already booked out for long stretches over 2020/21.

Eagle-eyed unitholders might have noticed the name **Zebra Technologies** (Nasdaq:ZBRS) in the Fund's top 10 holdings in our Performance Webinar in July or heard its mention in our recent roadshow. We'll lay out the investment thesis more fully in a coming quarterly report. Zebra is the world leader in handheld hardware and associated software for use by retail and warehouse/logistics staff, for identification and tracking of any object with a barcode. In the second quarter, the company announced sales of US\$1.1bn, up 8.4% versus the same quarter last year. Key competitor **Honeywell** (NYSE:HON) saw contracting sales over the same period. Zebra's underlying earnings per share rose 22%. The company announced a \$1bn share repurchase, enough to buy back almost 10% of the company's outstanding equity if executed at today's share price. We'll have more to say on this investment soon.

TOP 5 HOLDINGS (as % of NAV)

Blanco Technology Group Plc	(AIM: BLTG)	10.1%
Flughafen Wien AG	(WBAG:FLU)	6.0%
Cementir Holding S.p.A.	(BIT:CEM)	5.4%
Alphabet Inc	(Nasdaq:GOOG)	5.1%
Linamar Corp	(TSX:LNR)	5.1%
Cash		4.1%

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	31 July 2019
Buy Price	\$1.5396
Redemption Price	\$1.5334
Mid Price	\$1.5365
Portfolio Value	\$163.0m

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

ABOUT FORAGER

With approximately \$315 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.

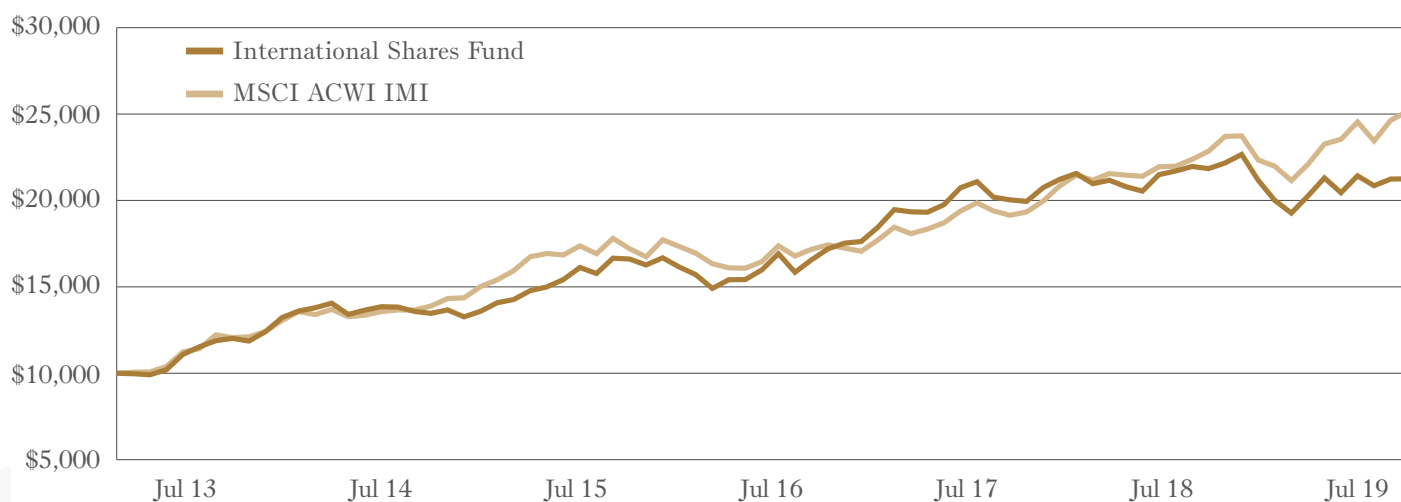
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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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