



The economic recovery in Europe continues to gain depth and width. The first place to look is in the skies. We monitor more than 20 major European airports. The 13 airports that report in a timely fashion suggest the continent is booming. Passenger numbers over the first 4 months of the year are up almost 7% versus the same period last year, 8% if you adjust for the extra day in the comparable period due to the 2016 leap year. Growth is obvious everywhere, from Copenhagen to Madrid and Dublin to Athens. The Fund holds **Flughafen Wien** (WBAG:FLU) (Vienna Airport) and has benefited from strong passenger growth and financial results.

Another place to look is on the roads—an 8.2% increase in new car registrations across Europe in the first quarter of 2017 versus the same quarter last year. Absent a few exceptions (Finland and Ireland), strength was everywhere. And it was particularly acute in the east and south - so called peripherals - with Italian new car registrations up 12%, Poland 20% and Greece a whopping 38%.

Recovery is also evident in building. Austria's Wienerberger AG (WBAG:WIE), the world's largest brick maker, generated 9% more revenue in Europe the first quarter of 2017 versus Q1 2016. With prices stable, significantly higher volume was the explanation. Growth came from both Western and Eastern Europe. LafargeHolcim Ltd (SWX:LHN), the world's largest producer of cement and aggregates, reported a 6% like-for-like increase in the volume of both products sold at its European operations, despite a harsher winter this year compared with last. Again, the theme is strong everywhere but stronger in parts of the periphery—in the first quarter of 2017 Italian customers bought 16% more cement from HeidelbergCement AG (DB:HEI), and at 5% higher prices to boot.

We're also seeing this growth from numerous companies in which the Fund is invested. The world's largest firetruck manufacturer, **Rosenbauer AG** (WBAG:ROS) increased sales to Central and Eastern European customers by more than 15% in the first quarter. In the DIY world, **Hornbach Baumarkt** (DB:HBM) had a tougher Q4 due to the harsher winter and fewer trading days, but over the full year ended 28 February 2017 it reported like-for-like sales growth of 5.1% in its European operations outside Germany, with good results in both Eastern and Western European markets (Germany, a uniquely competitive DIY market at the moment, only managed 1.4%).

Both house prices and new housing development, particularly in the Germanic markets, has gone from cold a half-dozen years ago to red hot. House price appreciation in cities like Berlin, Munich and Vienna might have outperformed Sydney and Melbourne the past decade (although from much, much lower bases). Anecdotally, the price of developable land on the outskirts of Vienna has approximately tripled since 2011.

Europe's economic recovery is becoming obvious to all and sundry. And that's the problem when it comes to the stockmarket. By the time something becomes obvious, it is already reflected in share prices.

In 2015 and into early 2016 we were picking up very high quality European companies at bargain prices. Some of those stocks have seen their share prices double and triple over the past 18 months. More recently, the main remaining source of bargains has been in cyclical and generally lower quality companies.

We still think there are opportunities to make money and the Forager International Shares Fund still has significant allocation to the region. But it isn't surprising that the most recent new additions to the portfolio are not European.

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 May 2017
Buy Price	\$1.7409
Redemption Price	\$1.7340
Mid Price	\$1.7374
Portfolio Value	\$150.6m

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

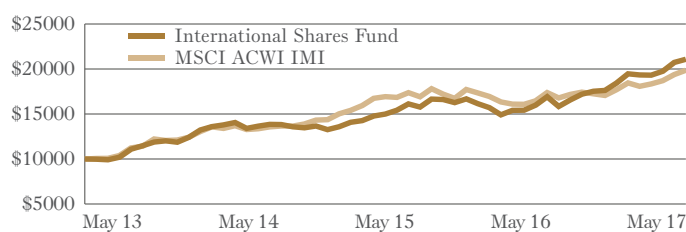
PERFORMANCE

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

	International Shares Fund	MSCI ACWI IMI
1 month return	1.16%	2.46%
3 month return	9.15%	8.30%
6 month return	14.33%	12.20%
1 year return	24.63%	14.31%
2 year return (p.a.)	14.36%	6.94%
3 year return (p.a.)	15.04%	13.55%
Since inception* (p.a.)	18.89%	17.26%

*8 February 2013

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



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