

# FORAGER INTERNATIONAL SHARES FUND

MONTHLY REPORT NOVEMBER 2019 [www.foragerfunds.com](http://www.foragerfunds.com)

## PERFORMANCE (Net of all fees and expenses)

### FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 30 November 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.)
<b>International Shares Fund</b>	4.83%	9.08%	9.05%	13.68%	7.23%	10.85%	12.82%
<b>MSCI ACWI IMI</b>	4.39%	7.10%	14.61%	22.21%	14.92%	12.34%	15.62%

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

Engineering services provider **Babcock International** (LSE:BAB) reported decent half year results and confirmed management's guidance for the full year. The company's order book and pipeline are at record levels, with contracts worth £3.5bn won during the half year. Babcock's intention to grow in international markets is on track, with 47% of the pipeline coming from outside the United Kingdom. The company subsequently announced a £1bn contract in Australia, designing and building the weapons handling system for 12 new submarines.

Three years ago **ThinkSmart** (AIM:TSL) switched listing from the ASX to the UK where its main business resided. Our thesis was to buy the stock cheaply from Australian investors who couldn't hold and eventually sell it into a deeper London market. It was a poor thesis. The core business went into decline, liquidity evaporated and we were stuck with a stock trading for less than tangible asset value.

Sometimes, however, you just happen to be outside playing tuba on the day it rains gold. As a side hustle a few years ago, ThinkSmart set up Clearpay—a UK copycat of the buy now, pay later business **Afterpay** (ASX:APT). It got all necessary licences and approvals and started knocking on retailers' doors, without much success. When Afterpay decided to launch in the UK and Europe last year, it shunned time-consuming regulatory processes by buying Clearpay. ThinkSmart sold 90% of Clearpay to Afterpay for one million Afterpay shares (worth \$18.55m at the time).

By the end of this year, ThinkSmart will have returned most of those proceeds to shareholders, with more than half our initial investment recouped in distributions. ThinkSmart kept 6.5% of Clearpay for itself (the missing 3.5% is saved for staff incentives) and strapped itself onto a rocket.

Under new ownership, it's a different business. Clearpay signed up more than 500,000 customers in the seven months to 30 November 2019. At the recent Afterpay annual meeting, management announced more than \$100m of underlying sales and 330 active or soon-to-be-active retailers on the UK platform.

Towards the end of 2023, Afterpay has an option to buy the remaining portion of Clearpay from Thinksmart. Six months later, ThinkSmart has the right to sell. The stake will be valued using "agreed market principles" and an independent expert if necessary. Fingers crossed for a lot more growth between now and then.

We've added to our investment, taking it to 2.1% of the portfolio.

Luxury watch retailer **Oriental Watch** (SEHK:398) yet again returned a healthy amount of cash to shareholders while exhibiting resiliency through Hong Kong's ongoing and increasingly violent protests. The dividends paid this year equate to a 16% return on the current share price. In the half year to September, revenues predictably fell in the company's Hong Kong stores given the disruption caused by the protests. The growth in its China business, however, was able to offset most of that decline. More importantly, profitability improved from product mix and its cost base was cut by 10%. Inventory was also reduced during the half year, continuing a multi-year trend. With no major expansion plans, Oriental Watch will likely continue to build up its cash position while returning plenty to shareholders.

UK car classifieds business **Auto Trader** (LSE:AUTO) reported good interim results, with revenue up 6% to £187m and net profit up 9% to £131m. Average revenue per retailer increased 7%. More than half of that increase came from 'product', either new products and features or upgrading to premium packages, with the rest being from price increases. Auto Trader has been experimenting with new cars on the site, of the 450,000 cars advertised on average over the period, more than 30,000 were new vehicles. It adds a potentially lucrative new revenue stream. Most importantly, Auto Trader remains the pre-eminent used car marketplace, with more than 75% market share by minutes spent on site by consumers and an even higher share of industry revenues.

### TOP 5 HOLDINGS (as % of NAV)

<b>Blanco Technology Group Plc</b> (AIM: BLTG)	10.6%
<b>Zebra Technologies Corp</b> (Nasdaq:ZBRA)	5.8%
<b>Flughafen Wien AG</b> (WBAG:FLU)	5.1%
<b>Babcock International Group</b> (LSE:BAB)	5.1%
<b>Alphabet Inc</b> (Nasdaq:GOOG)	5.0%
<b>Cash</b>	4.0%

## 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

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

### UNIT PRICE SUMMARY

<b>As at</b>	30 November 2019
<b>Buy Price</b>	\$1.6472
<b>Redemption Price</b>	\$1.6406
<b>Mid Price</b>	\$1.6439
<b>Portfolio Value</b>	\$165.3m

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

## ABOUT FORAGER

With over \$320 million of funds under management and a focus on long-term investing, Forager Funds is a unique Australian asset management company.

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

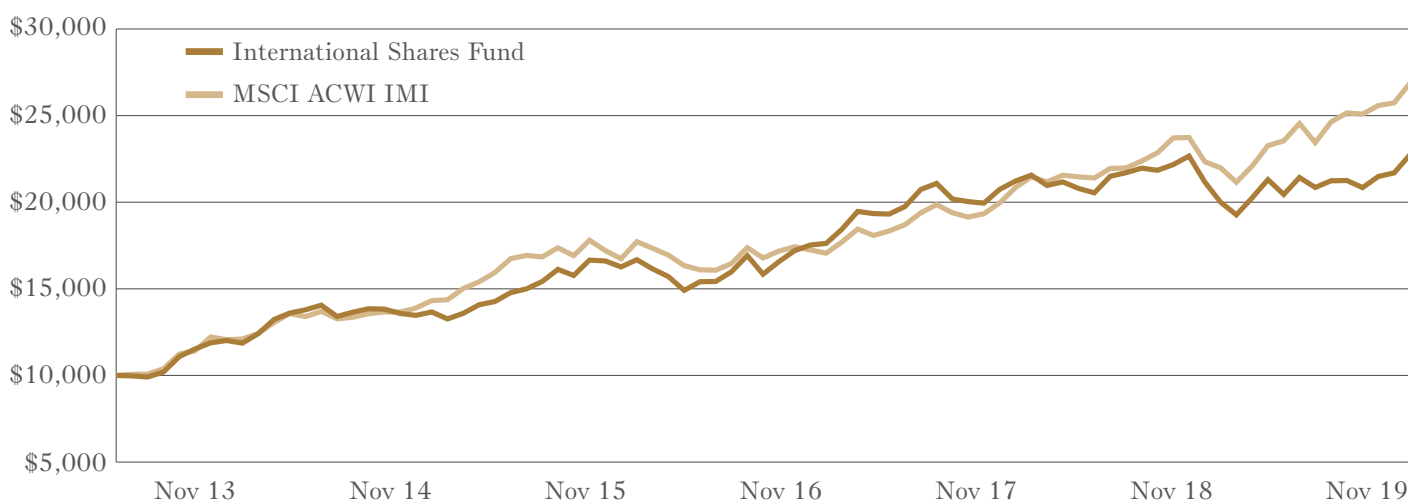
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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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