

FORAGER INTERNATIONAL SHARES FUND

MONTHLY REPORT JANUARY 2019 www.foragerfunds.com

PERFORMANCE (Net of all fees and expenses)

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 January 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	5.11%	-4.30%	-7.28%	-4.33%	10.75%	7.99%	12.52%
MSCI ACWI IMI	4.41%	-1.12%	-3.36%	2.46%	10.57%	10.52%	14.17%

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

Global stockmarkets recovered rapidly in January, with the MSCI World Index up 4.4% in local currency terms, despite an Aussie dollar headwind.

Steve Johnson and Gareth Brown headed to Detroit to deepen their knowledge of the bombed-out auto sector and catch up with two of the Fund's more recent investments at a conference. The case for both stocks will be outlined in the March quarterly.

We are hesitant to mention our small oil services positions yet again—they only make up 6.5% of the portfolio—but it was another big month. After the precipitous sell-off of **Gulf Marine Services** (LSE:GMS) in December, competitor Seafox International bought a 13.7% stake at 18p, a 73% increase on the 31 December 2018 closing price. We helped Seafox get on the register by selling some of our stake. There are pros and cons to its involvement. We lean towards the positives—willingness to put skin in the game, potential for sourcing synergies and likely greater nous dealing with GMS's local lenders. A board stoush between interlopers and incumbents is underway as we go to press.

In the seismic game, 'late sales' refer to the sale of older seismic data from the library rather than work requiring vessels heading out to sea. It's almost pure profit. In January, **Petroleum Geo-Services** (OB:PGS) announced a monster late sales figure for Q4 2018, meaning revenue and profit for the quarter was well ahead of the market's expectation. The influx of cash from late sales plus the sale of one of its vessels goes a long way towards solving the company's debt issues. The stock is up 61% since the end of 2018 and we're surprised it hasn't run harder, although it's not out of whack with general gloom in oil.

Fellow Norwegian **Bonheur** (OB:BON) shot up 16% in the last week of January on a piece of non-news. The investment company with a focus on wind farms also owns a 52.3% stake in embattled offshore oil rig owner **Dolphin Drilling** (OB:DDASA), formerly called Fred Olsen Energy. While Dolphin Drilling was an important historical source of the Olsen family wealth that ultimately created Bonheur, it ceased to be a meaningful slice of the pie well before we bought the stock. The news that Bonheur would not contribute to any Dolphin Drilling recapitalisation and would deconsolidate the

subsidiary from its accounts was no surprise to us, but seems to have been good news to others. It should help clear up the group's very messy accounts and the stock remains cheap.

Further south, several of the Fund's Austrian investments reported good news recently. In December, tolling technology group **Kapsch TrafficCom** (WBAG:KTCG) and joint venture partner CTS Eventim were awarded the contract to build and run a passenger tolling system across Germany. Over the 18 month implementation period and 12-15 year operation, it should add a minimum incremental €1bn to the company's revenue at attractive operating profit margins. A meaningful win in the context of Kapsch's €450m enterprise value, and a reiteration of our view that this company has the best tolling technology in the world.

Flughafen Wien (WBAG:FLU) released some preliminary numbers. Passengers at Vienna Airport rose 10.8% over 2018, which understates massive acceleration late in the year. Compared with the previous year, passenger numbers in October, November and December were, respectively, 18.2%, 24.2% and 25.8% higher. Management expectations for 2019 are for group wide passenger growth of 8-10%, revenue growth of more than 6% and net profit growth in excess of 11%. Moribund Europe anyone?

TOP 5 HOLDINGS (as % of NAV)

Blanco Technology Group Plc (AIM: BLTG)	7.1%
Auto Trader Group Plc (LSE:AUTO)	6.5%
Just Group plc (LSE:JUST)	6.1%
Alphabet Inc (Nasdaq:GOOG)	5.7%
Linamar Corp (TSX:LNR)	5.4%
Cash	8.6%

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 January 2019
Buy Price	\$1.5200
Redemption Price	\$1.5139
Mid Price	\$1.5169
Portfolio Value	\$167.10m

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

ABOUT FORAGER

With approximately \$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 eight-year track record, Forager is a sustainable business but is nimble enough to invest in smaller listed companies not accessible to many investment managers.

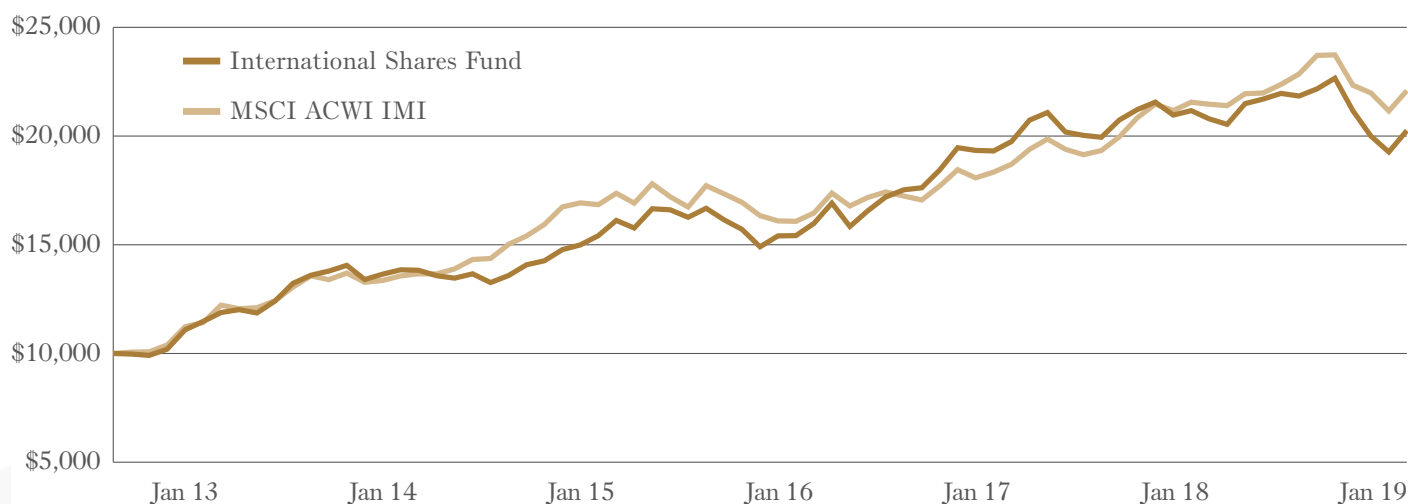
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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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