

FORAGER INTERNATIONAL SHARES FUND

MONTHLY REPORT NOVEMBER 2018 www.foragerfunds.com

PERFORMANCE (Net of all fees and expenses)

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 30 November 2018)

	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	-5.49%	-9.79%	-7.84%	-7.25%	7.39%	8.62%	12.67%
MSCI ACWI IMI	-1.57%	-7.28%	0.01%	2.41%	8.23%	10.99%	14.52%

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

Investors hoping for a rapid recovery from October's sell-off were disappointed in November. The only thing that recovered was the Aussie dollar, adding to the existing pain for Australian investors in international shares.

German online lotto ticket seller **Lotto24** (DB:LO24) has been a winning investment for the Fund over the past four years. This month, **ZEAL Network** (XTRA:TIM) launched an all-share takeover for the company that took us by surprise.

Shareholders representing 65% of Lotto24's outstanding shares have already agreed to the deal, so it's going to happen. The rest of us are left to work out what it is going to mean.

ZEAL owns Tipp24, one of Lotto24's main competitors in Germany, and the combined entity will generate more than double Lotto's existing revenue while adding only marginally to the administrative cost base. ZEAL also brings €100m net cash to the table, and Lotto24's existing shareholders will end up owning more than 60% of the merged entity.

The business should quickly become more profitable than Lotto24 was on a standalone basis, but it will also take away some of the upside. Lotto24 shares are up marginally on the pre-bid price and we're holding while we wait for further details.

It's been a transformational year for **Flughafen Wien** (WBAG:FLU), owner of Vienna Airport and also a majority stake in the largest airport in Malta. The bankruptcy of significant client Air Berlin a year ago is ancient history. For the 9 months to 30 September, passenger numbers at Vienna grew more than 7% versus the same period last year, leading to revenue growth of 5% and operating profit growth of 14%. What's more, growth is accelerating—October passenger numbers were up 18% and there's likely to be very strong growth over the northern winter. We're surprised the stock price hasn't appreciated. But this is an illiquid security and, in this market, flat is a victory in itself.

Engineering services provider **Babcock International** (LSE:BB) muddled through its first half, with underlying revenue 2% lower than the previous year and profit margins stable. The order intake was healthy and that has continued

since the books were closed, with new contracts recently announced in Australia and Canada. Offsetting the good news, an important nuclear decommissioning contract in the UK is not going to generate revenue for as long as hoped and an overpriced acquisition a few years ago has caused impairments to be taken on some of its assets.

Political turmoil in the UK is unwelcome for a company dependent on the government for the majority of its revenue. A Jeremy Corbyn-led labour party is likely to be worse. So it's not surprising investors have dumped the company's shares. Management, though, seem to think audible frustration is going to address the issue. The company trades at 5-6 times earnings, has a long history of profitable growth and generates plenty of cash. Increasing the dividend significantly, commencing a share buyback and meaningful insider buying would do the trick.

UK auto classifieds business **Auto Trader** (LSE:AUTO) also reported its first half result. While the UK used car market is in a slowdown, new products and higher prices led to an increase in revenue from the company's customer base of dealers. Sales increased 7% and earnings per share 12%. We expect similar growth for a while yet and the company upgraded its own outlook for the full year.

TOP 5 HOLDINGS (as % of NAV)

Blanco Technology Group Plc (AIM:BLTG)	8.0%
Auto Trader Group Plc (LSE:AUTO)	6.1%
Just Group plc (LSE:JUST)	6.0%
Alphabet Inc (Nasdaq:GOOG)	5.7%
Gulf Marine Services Plc (LSE:GMS)	4.5%
Cash	6.7%

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 November 2018
Buy Price	\$1.5010
Redemption Price	\$1.4950
Mid Price	\$1.4980
Portfolio Value	\$165.7m

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

ABOUT FORAGER

With more than \$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.

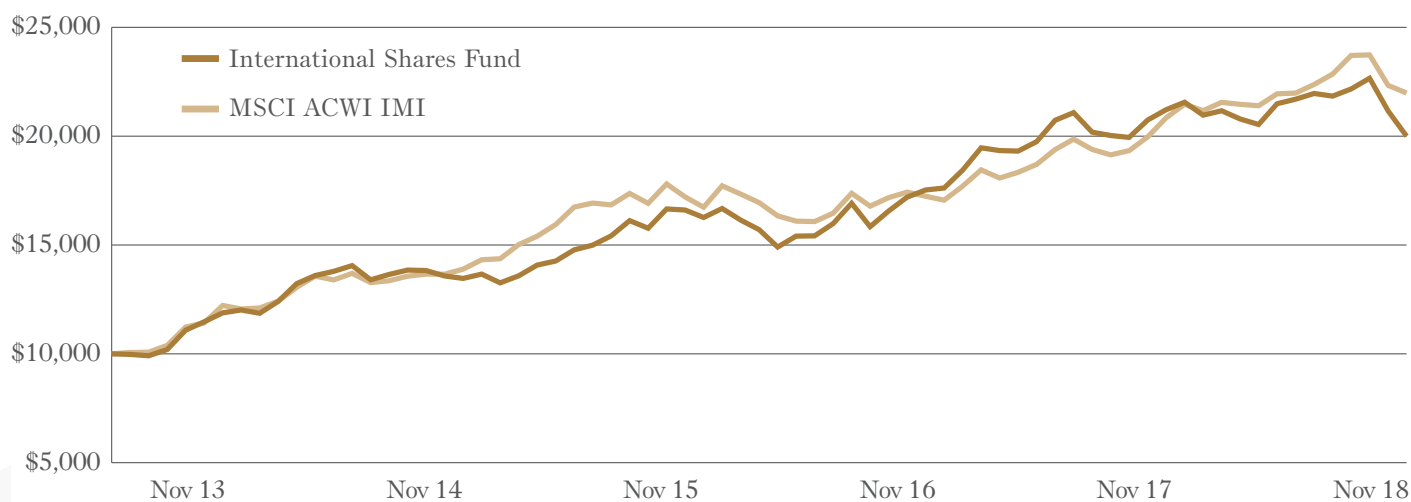
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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 AWD): 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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