

# FORAGER INTERNATIONAL SHARES FUND

MONTHLY REPORT MAY 2019

www.foragerfunds.com

## PERFORMANCE (Net of all fees and expenses)

### FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 May 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>	-2.68%	-2.13%	4.25%	-3.92%	7.21%	8.52%	12.35%
<b>MSCI ACWI IMI</b>	-4.50%	0.76%	6.63%	6.65%	10.49%	11.56%	14.46%

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

The MSCI All Country World Index had its first negative month this (calendar) year in May, falling 4.5% in Australian dollar terms.

Fund performance was ahead of the index, mostly thanks to a positive trading update from **Blanco** (AIM:BLG) on the first trading day of May, but still down 2.7% for the month.

Specialist engineering services provider **Babcock International** (LSE:BAB) reported annual results that were largely in line with previous guidance. But forecasts of a decline in profitability next year were larger than expected with some large contracts coming to an end.

There was some positive news from the result. The company continued to pay down debt, as promised. And international contracts are increasing and are now at 30% of group revenue and 42% of the pipeline. This diversification helps with any UK-specific concerns.

Annuities provider **Just Group** (LSE:JUST) has responded to a more onerous regulatory environment by putting its prices up. Unfortunately, economics 101 still works in some parts of some economies: customers responded by buying less of Just's products. In the first quarter, annuity sales to retail customers were 23% lower than the same period of the previous year. Business from corporate clients—the transfer of corporate pension schemes—fell 90%.

Corporate business is inconsistent and management were at pains to point out that the second quarter had been much better. Overall, they claim to be on track for full year targets. Still, it's a reminder that Just only has difficult choices under the new regulatory regime.

It doesn't have enough capital to grow quickly. And it doesn't have enough pricing power to grow profitably. It is now hard to see how shareholders earn a decent return on the substantial amount of capital tied up in the business. Given the market valuation is just one third of its book value, it is time for Just to seek more radical solutions, not least a sale of the business to a stronger player.

First quarter results from automotive and industrial equipment manufacturer **Linamar Corporation** (TSX:LNR) offered no surprises. Sales rose 4% to C\$2.0bn, while

operating profit fell 6% to a touch under C\$200m.

Due to lower capital expenditure and tighter working capital management, Linamar will generate a lot of free cash flow over 2019, C\$500-700m by management's reckoning. Some of that is non-recurring in nature, but it will make a significant dent in the company's C\$2.1bn net debt by the end of this year.

Norwegian conglomerate **Bonheur** (OB:BON) continued its progress towards being a renewables-focused conglomerate. Several recent market transactions have confirmed valuations for Scandinavian wind farms, of which Bonheur owns two and is building a third. Meanwhile, secondary market prices for cash generative UK wind farms—in which Bonheur is heavily invested—have improved significantly. During the quarter the company refinanced some of its UK wind assets at more attractive interest rates, releasing £87m cash out in the process.

Our valuation for Bonheur has moved up modestly since the Fund first bought the stock in 2017. But the stock price reaction has been more acute. It's up 65% since the start of 2019 as the shareholder base naturally shifts from value investors to a more normal crowd of growth and ESG investors. The Fund has been taking profits and the stock currently makes up 4.0% of the portfolio.

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

<b>Blanco Technology Group Plc</b> (AIM:BLTG)	12.1%
<b>Alphabet Inc</b> (Nasdaq:GOOG)	6.0%
<b>Flughafen Wien AG</b> (WBAG:FLU)	5.4%
<b>Cementir Holding S.p.A.</b> (BIT:CEM)	4.9%
<b>Linamar Corp</b> (TSX:LNR)	4.6%
<b>Cash</b>	15.0%

## 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>	31 May 2019
<b>Buy Price</b>	\$1.5648
<b>Redemption Price</b>	\$1.5586
<b>Mid Price</b>	\$1.5617
<b>Portfolio Value</b>	\$166.7m

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.

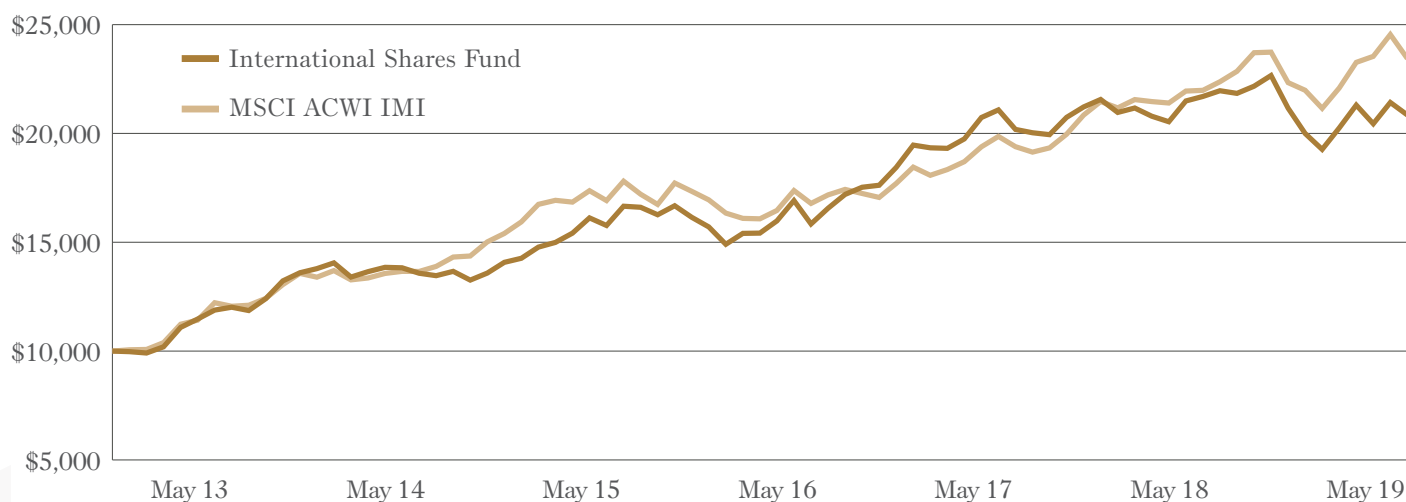
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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.

**WARNING** The information given by Forager Funds Management is general information only and is not intended to be advice. You should therefore consider whether the information is appropriate to your needs before acting on it, seeking advice from a financial adviser or stockbroker as necessary. This presentation may contain some forward-looking statements which reflect the expectations of Forager Funds Management about the future prospects of companies held within the portfolios of the funds. While Forager Funds Management considers its expectations to be based on reasonable grounds, there is no guarantee that those expectations will be met. **DISCLAIMER** Forager Funds Management Pty Ltd operates under AFSL No: 459312. Fundhost Limited (ABN 69 092 517 087, AFSL No: 233045) is the responsible entity and the issuer of the Forager International Shares Fund (ARSN No: 161 843 778). You should obtain and consider a copy of the product disclosure statement relating to the Forager International Shares Fund before acquiring the financial product. You may obtain a product disclosure statement from Fundhost Limited or download a copy at [www.foragerfunds.com](http://www.foragerfunds.com). To the extent permitted by law, Fundhost and Forager Funds Management Pty Limited, its employees, consultants, advisers, officers and authorised representatives are not liable for any loss or damage arising as a result of reliance placed on the contents of this document. ^This investment objective is not a forecast and returns are not guaranteed. Although the MSCI ACWI IMI benchmark represents the available investment universe for the Fund, the Portfolio will represent a very small proportion of those available investments and the Fund's results may vary from the benchmark.