

FORAGER INTERNATIONAL SHARES FUND

MONTHLY REPORT AUGUST 2019

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PERFORMANCE (Net of all fees and expenses)

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 August 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	-1.92%	-0.03%	-2.16%	-5.99%	6.61%	9.13%	11.84%
MSCI ACWI IMI	-0.28%	7.01%	7.82%	5.80%	12.91%	12.55%	15.05%

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

Infant milk company **Ausnutria** (SEHK:1717) reported its results for the half year ended 30 June. While revenue and profit grew in line with our expectations, none of that profit turned up in the company's bank account. Instead, Ausnutria's inventories have been increasing alarmingly. From an already-high 176 days worth of sales at the end of December 2018, inventory levels jumped to 212 days by the end of June. That is a lot of tins of baby formula.

Just days after the results were released, investment firm Blue Orca published a detailed short report accusing Hong Kong-listed Ausnutria of improprieties ranging from overstating its sales to undisclosed related party transactions. After an initial tumble following the report's release, the share price recovered thanks to a vehement defence from the management team. Combined with our concerns about the quality of the recent result, though, there was enough in the short-seller's allegations to cause us concern. Rather than lose sleep at night, the investment was sold. We will be visiting Ausnutria in Holland during September and will continue to monitor it closely for more encouraging signs.

Flughafen Wien (WBAG:FLU) reported its results for the first half of 2019. Passenger numbers were up a whopping 20% on the same period last year, as the group embraced low cost carriers and continued to attract new long haul flights to Vienna Airport. Price incentives offered to encourage that growth, though, meant revenues grew a less impressive 7.5% to €401m. Due to the magic of operating leverage (most airport running costs are fixed) net profit rose 14.6%.

We expect the pace of passenger growth to curtail sharply over the coming months. Passenger numbers may flatline for a year or two. But some of those incentives offered to attract new airlines and routes unwind over time, so we expect some modest revenue growth. And the magic of operating leverage will continue to create faster growth in profits and dividends.

Gulf Marine Services (LSE:GMS) is in a state of disarray. In August, the owner of oil servicing vessels reduced its expectations for 2019 profit (again), fired its CEO and said it will breach covenants on its debt. Chair Tim Summers has stepped in as executive chair and is tasked with managing the company's "active and constructive discussions with its banking syndicate" and establishing an "appropriate long-

term sustainable capital structure". That's code for a capital raising. The Fund has less than 1% of its assets invested in GMS and won't be contributing any further money unless the solution is a comprehensive one.

Linamar Corporation (TSX:LNR) faces industry-wide headwinds in its auto parts and industrial businesses. In the second quarter, auto sales globally were down 5.6% versus the same period last year, with Europe and Asia weaker than North America. Linamar's auto sales were down only 1.3% to just under C\$1.5bn as the company continues to produce more of the content in each vehicle sold. Normalised earnings before interest and tax (EBIT) was down 17% to C\$115m, with margins of 7.9% sitting towards the bottom of the 7-10% range that the auto business has historically produced and that management expects to produce in future. The Industrial segment had an even nastier quarter, with sales down 8% and EBIT down 18%. The trade war with China is causing skittishness with buyers for both its agricultural parts and industrial access equipment.

The near term outlook for both of Linamar's segments has deteriorated over the course of this year. But the company continues to win market share in auto, agriculture and industrial equipment and, if anything, we expect those gains to accelerate if the downturn deepens. Linamar is well placed to ride out the storm and emerge stronger.

TOP 5 HOLDINGS (as % of NAV)

Blanco Technology Group Plc	(AIM: BLTG)	10.2%
Flughafen Wien AG	(WBAG:FLU)	5.9%
Alphabet Inc	(Nasdaq:GOOG)	5.3%
Babcock International Group	(LSE:BAB)	5.2%
Zebra Technologies Corp	(Nasdaq:ZBRA)	5.1%
Cash		4.1%

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 August 2019
Buy Price	\$1.5100
Redemption Price	\$1.5040
Mid Price	\$1.5070
Portfolio Value	\$155.6m

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

ABOUT FORAGER

With over \$300 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.

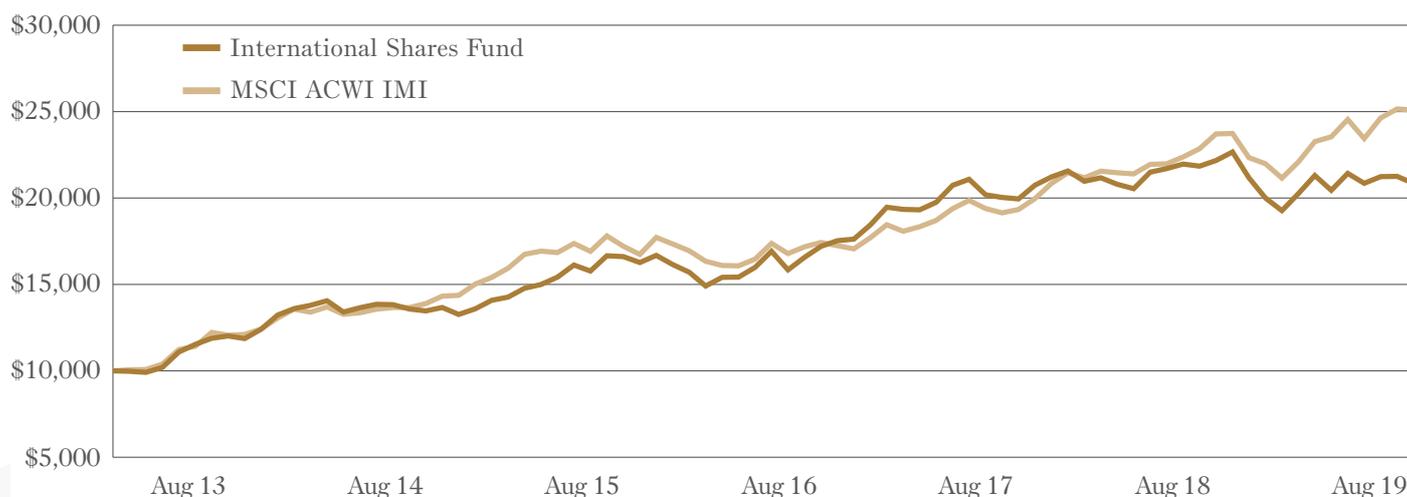
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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.

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