

Forager Investment Performance

May 2019



Today's Webinar

Introduction

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Presentation

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Q&A

Important information

General advice only

Forager Funds Management Pty Ltd (ABN 78 138 351 345, AFSL 459312) provides general information to help you understand our investment approach. Any financial advice we provide has not considered your personal circumstances and may not be suitable for you.

Product Disclosure Statement

The Trust Company (RE Services) Limited (ABN 45 003 278 831 and AFSL No. 235150) is the Responsible Entity and the issuer of the Forager Australian Shares Fund (ARSN No. 139 641 491). Fundhost Limited (ABN 69 092 517 087 and AFSL No. 233045) is the Responsible Entity and the issuer of the Forager International Shares Fund (ARSN No. 161 843 778). Before investing you should read the relevant Product Disclosure Statement and seek advice from investment and taxation professionals to determine if the product is appropriate for your needs. The PDS can be accessed on the website (<https://foragerfunds.com/international-shares-fund-pds/>) or by calling +61 (2) 8305 6050.

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Past performance is not a reliable indicator of future performance. The Trust Company (RE Services), Fundhost and Forager Funds Management do not guarantee investment performance or distributions, and the value of your investment may rise or fall. Total returns and estimated valuations have been calculated using the mid-point of unit prices, before taxation, after ongoing fees, and assuming reinvestment of distributions. We encourage you to think of investing as a long-term pursuit.

Important information

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Forward-looking statements

This presentation contains 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. Actual performance of the portfolio companies will be impacted by a variety of factors, including circumstances that cannot be foreseen, and could differ significantly from the expectations of Forager Funds Management. These statements should therefore not be relied upon as an accurate representation or prediction as to any future matters. Where portfolio companies do not perform in line with Forager Funds Management's expectations, the funds could be adversely impacted.

Forager Investment Performance

- Poor recent performance for the Australian Fund and the International Fund
- Cash weighting and “value” performance has been a significant drag
- Specific stock picking mistakes in both funds
- Continued focus on people, process and structure

Australian Fund Update

Performance

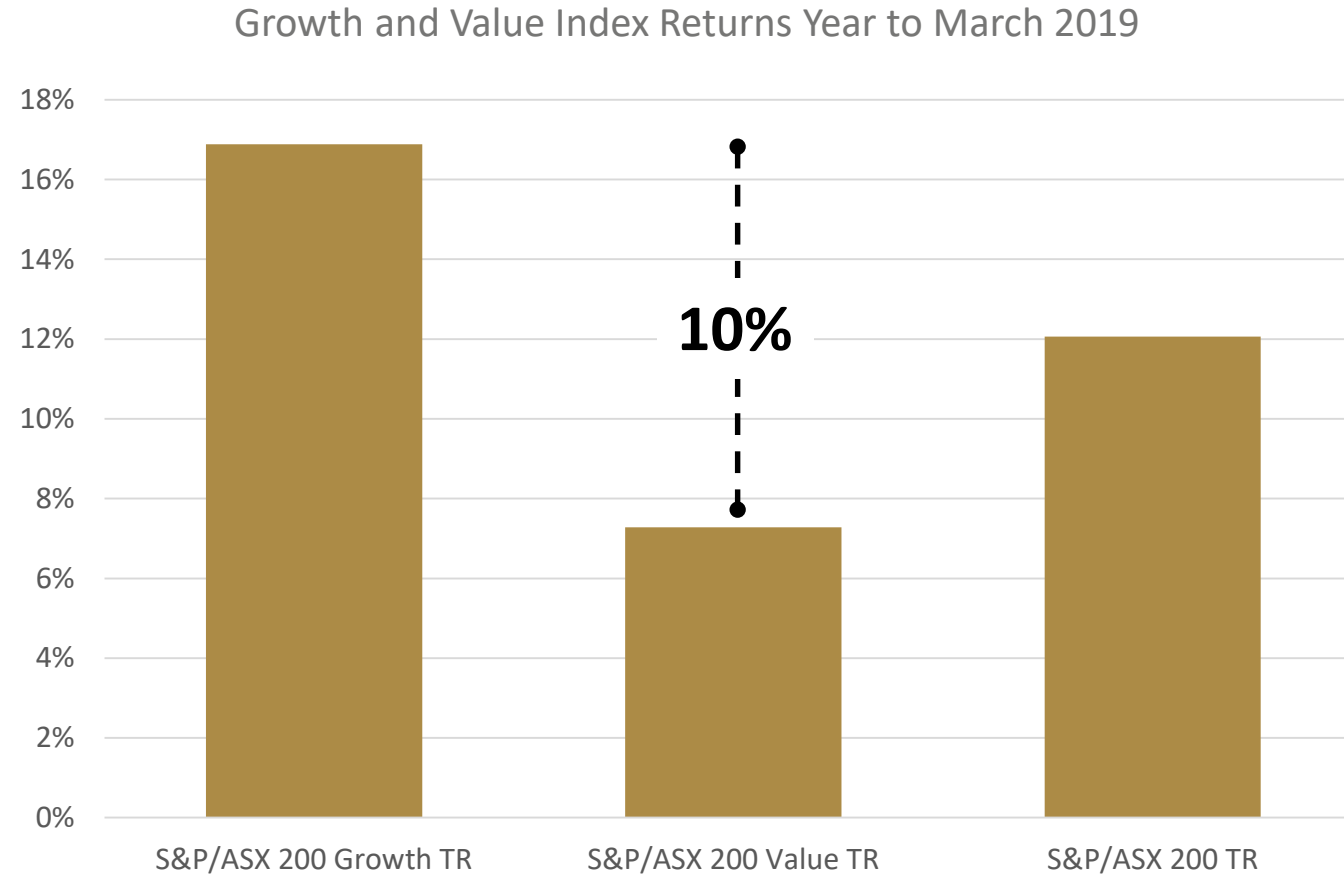
Returns to 31 March 2019

| | FASF | S&P All Ords | Outperformance |
|-------------------------|---------|--------------|----------------|
| 1 year | -10.13% | 11.25% | -21.38% |
| 2 year (p.a) | -2.34% | 7.38% | -9.72% |
| 3 year (p.a) | 4.91% | 11.27% | -6.37% |
| 4 year (p.a) | 7.59% | 6.09% | 1.50% |
| 5 year (p.a) | 8.38% | 7.49% | 0.89% |
| 6 year (p.a) | 10.94% | 8.42% | 2.52% |
| 7 year (p.a) | 13.61% | 9.71% | 3.90% |
| Since inception (p.a.)* | 11.00% | 7.73% | 3.27% |

*Inception 30 October 2009

Returns use the Net Asset Value (NAV) mid point and assume reinvestment of all distributions. Investments can go up and down. Past performance is not necessarily indicative of future performance.

Growth and Value



Source: Forager, S&P

Cash Weighting

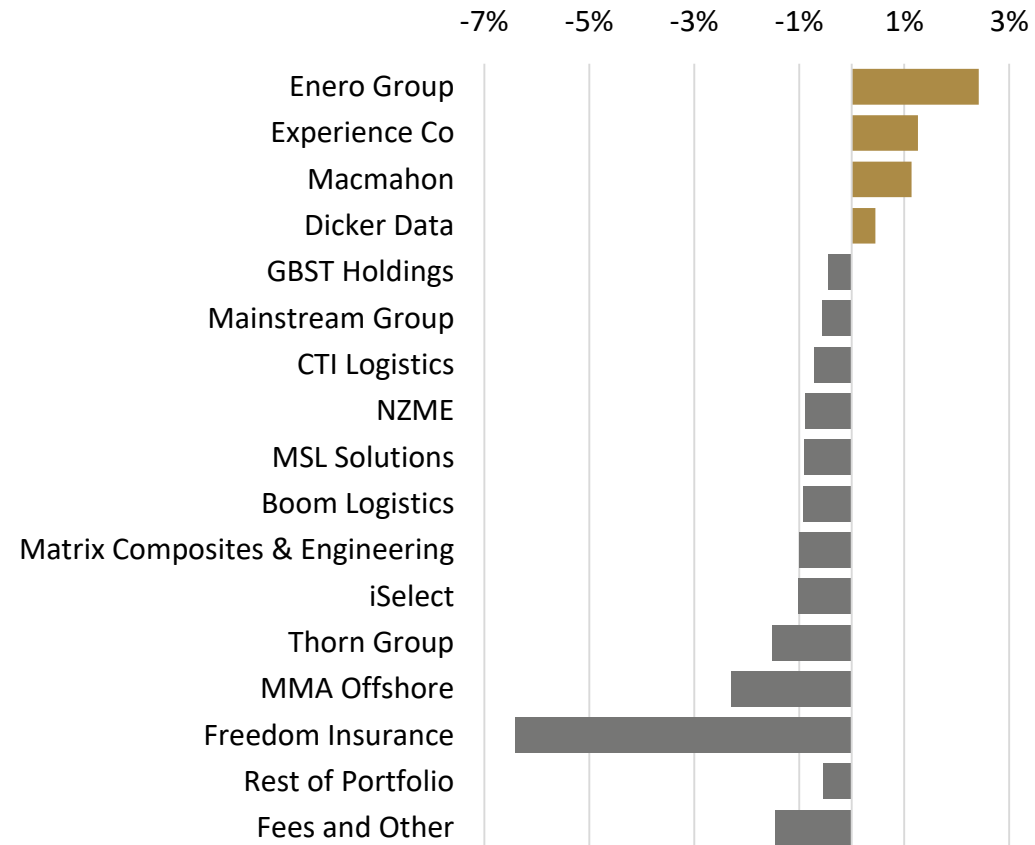
Cash Weighting Forager Australian Shares Fund as at 31 March 2019



Source: Forager

Performance Contribution

FASF Contribution for financial YTD ending 31 March 2019



Activism

- Acting more aggressively with current investments to realise value
- Forager has a long history of constructively engaging with the Board and management of investee companies
- Our investments in Jumbo (JIN) and Macmahon (MAH) have specifically benefitted from this interaction
- Encouraged corporate activity at Logicamms (LCM) – merger with unlisted OSD Ltd announced in March
- Focussing on value realisation at Thorn Group (TGA) and MSL Solutions (MPW)

Portfolio Status

Australian Fund as at 30 April 2019

| Holding | Weighting |
|---------------------------|-----------|
| Enero Group | 11.3% |
| iSelect | 7.6% |
| Macmahon Holdings | 7.5% |
| MMA Offshore | 5.5% |
| Thorn Group | 5.0% |
| Mainstream Group Holdings | 4.6% |
| Carsales | 4.4% |
| CTI Logistics | 4.1% |
| NZME | 4.0% |
| Experience Co | 4.0% |
| Cash | 26.6% |

- Three largest holdings - Enero, Macmahon and iSelect - are crucial to near term results
- Minimal exposure to Australian housing or consumer spending
- Cash weighting 26.6%. Some ideas exiting the portfolio
- Three new investments in the last four months
- Adding to a watchlist of investment opportunities

Enero Group (ASX:EGG)

Idea summary

- Marketing services business operating in Australia, UK and US. 52% of revenue is generated offshore
- Operates a portfolio of companies – creative agency, marketing insights and strategy, and public relations
- Major subsidiary Hotwire operating in the US and UK, providing public relations to tech companies

Share price performance



Source: S&P Capital IQ

Recent results

- Stabilisation of revenue declines and return to growth: the last two half years have shown organic growth
- Improving earnings from higher revenue and operating leverage. Last half year earnings up 91%
- Acquisition of a complementary business

Future expectations

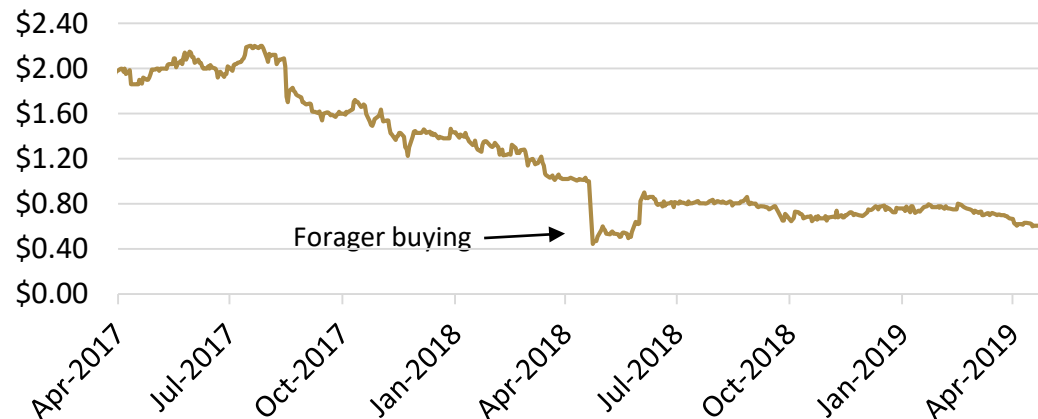
- A people business performing well - internal momentum encourages further organic growth
- Current year price/earnings multiple of ~9 times
- Excess franking credits of \$20m

iSelect (ASX:ISU)

Idea summary

- Comparison website for health insurance, telco, energy and life/general insurance services
- Customers compare products from a list of providers (not all providers are represented)
- Majority owned South East Asian subsidiary iMoney

Share price performance



Source: S&P Capital IQ

Recent results

- In the last half year revenue fell 12% as new management cleaned up unprofitable revenue and reduced operating costs. Net profit rose 73%
- Marketing costs fell 30% on better control after a poor TV campaign and ineffective search advertising in prior year
- The business continues to have net asset backing of \$0.49 per share

Future expectations

- Profits skew to second half (most private health switching in April and June). Expecting a continuation of reduced marketing and operating costs
- iMoney value firming up as the business is prepared for full or partial sale
- Major competitor Compare the Market is a 23% shareholder. Synergies from any merger of the businesses would be significant
- Current year price/earnings multiple of ~8 times

New Investments

Carsales (ASX:CAR)

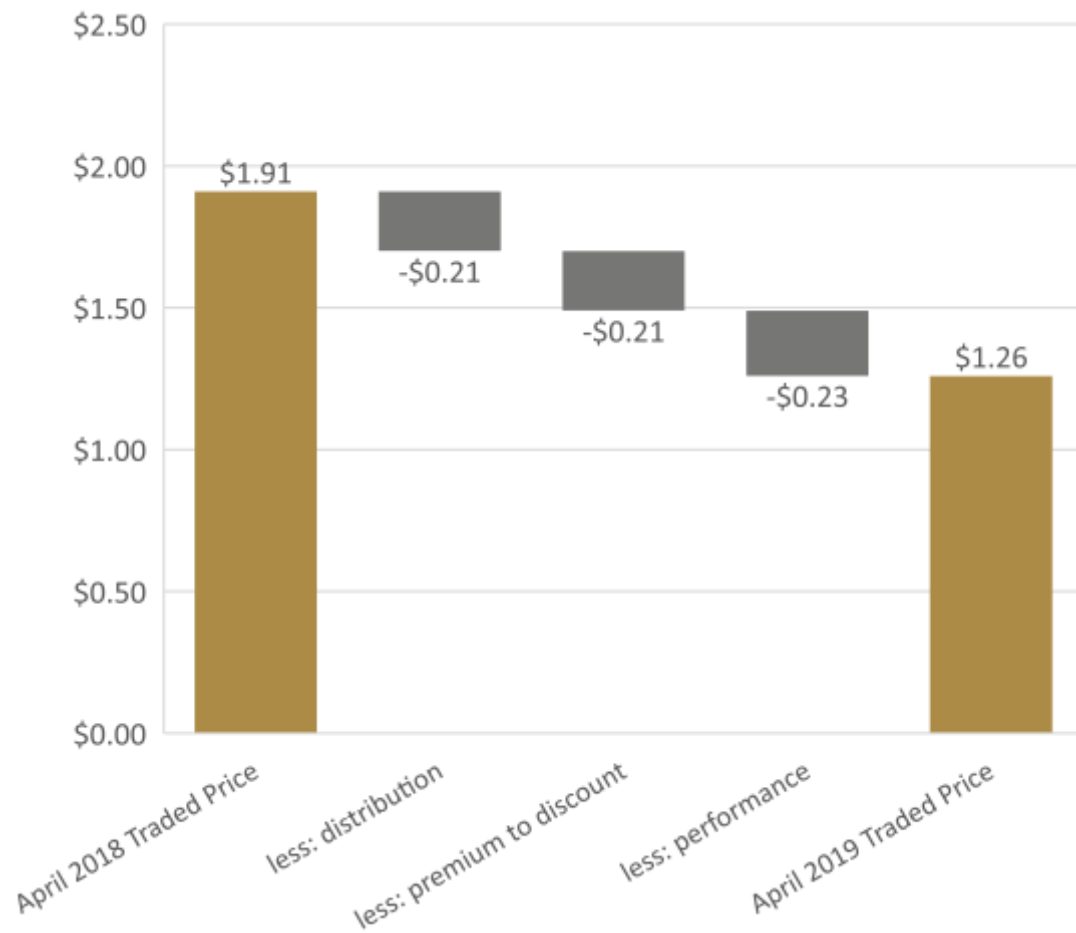
- The leading online classifieds business for used cars in Australia. Connecting dealers and private sellers with buyers
- Powerful network moat and an ability to continue raising prices over the long term. Price increases and premiumisation should more than offset potential volume declines
- The share price had fallen by a third amidst falling new car sales, fears of a recession, concerns about an ASIC ruling and a broader market sell-off
- Short term issues provide an attractive entry price into a high quality, long term growth business. Optionality for further growth from offshore investments

Experience Co (ASX:EXP)

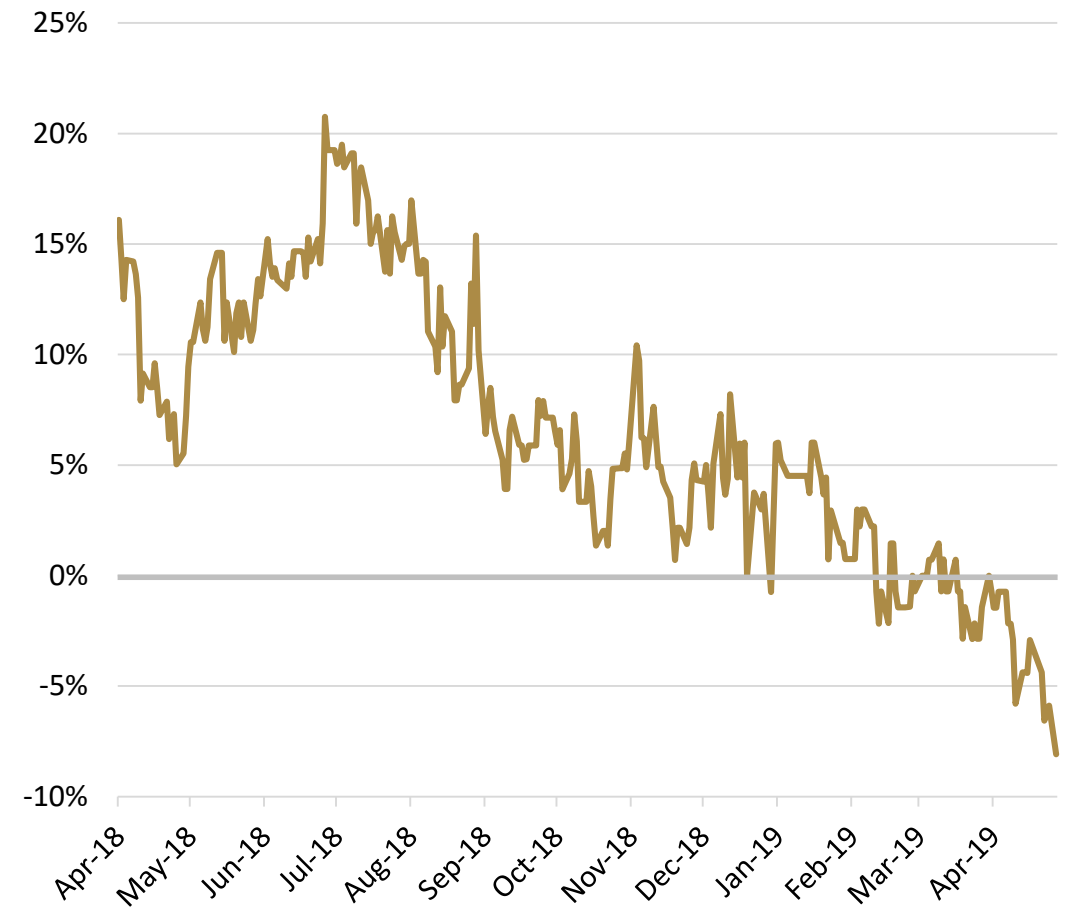
- Operates skydiving activities in Australia and New Zealand, and adventure activities (rafting, great barrier reef trips, etc) based mostly in Cairns
- Former market darling with share price down more than 80% after a series of earnings downgrades due to business performance and poor weather
- Adventure division acquired quickly and failing to match pre-acquisition expectations. Medium quality businesses worth less than acquisition price
- Skydiving volumes have grown by 7% per year for 15 years. Recently slowed due to fatalities and poor weather. 70%+ market share
- New management is improving disclosure, tidying up the business and restoring confidence

FOR Unit Price Movement

Traded Price Movement



Premium / Discount to Net Asset Value



International Fund Update

Performance

Returns to 31 March 2019

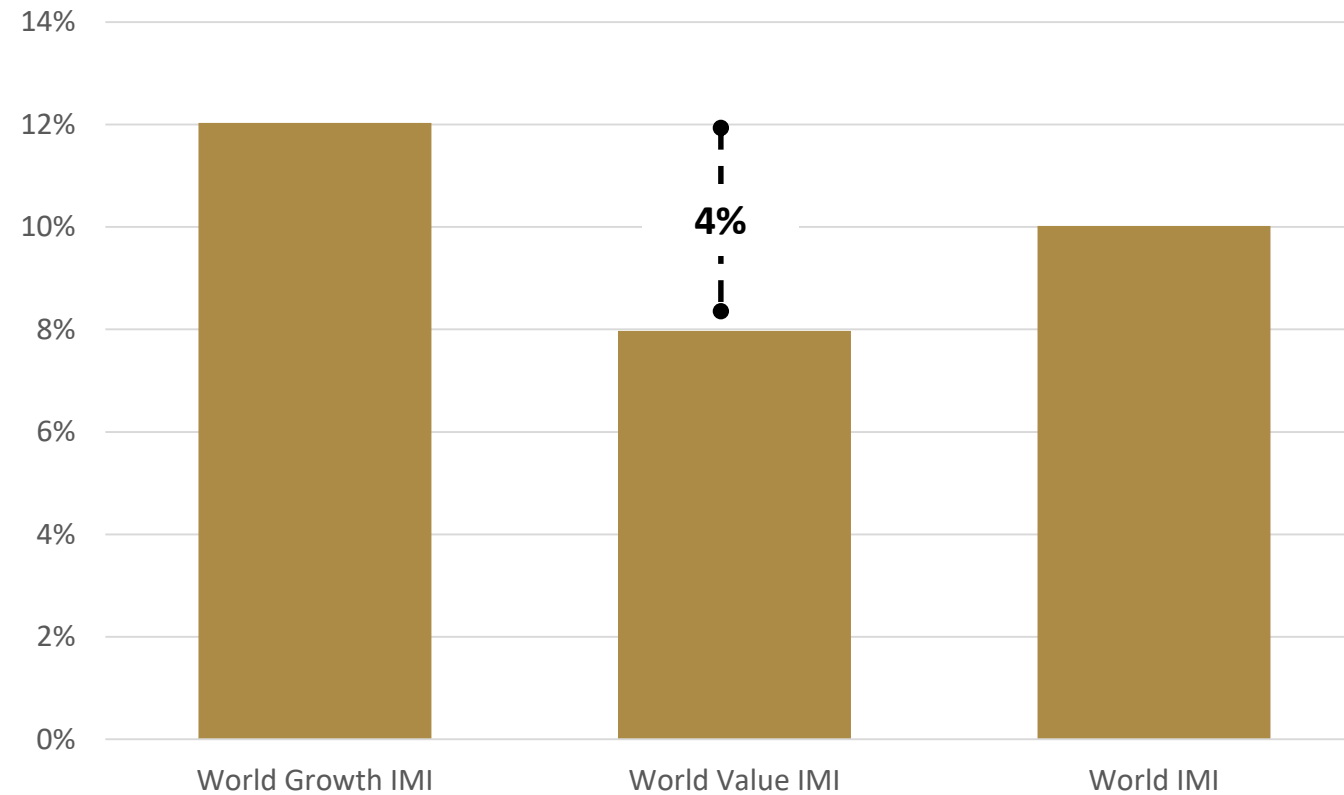
| | FISF | MSCI ACWI IMI | Outperformance |
|------------------------|--------|---------------|----------------|
| 1 year return | -0.46% | 10.02% | -10.47% |
| 2 year return (p.a) | 1.74% | 12.19% | -10.44% |
| 3 year return (p.a) | 9.85% | 13.56% | -3.70% |
| 4 year return (p.a) | 8.06% | 8.60% | -0.54% |
| 5 year return (p.a) | 8.81% | 12.14% | -3.33% |
| Since inception (p.a)* | 12.35% | 14.96% | -2.61% |

*Inception 8 February 2013

Assumes reinvestment of all distributions. Investments can go up and down. Past performance is not necessarily indicative of future performance.

Growth and Value

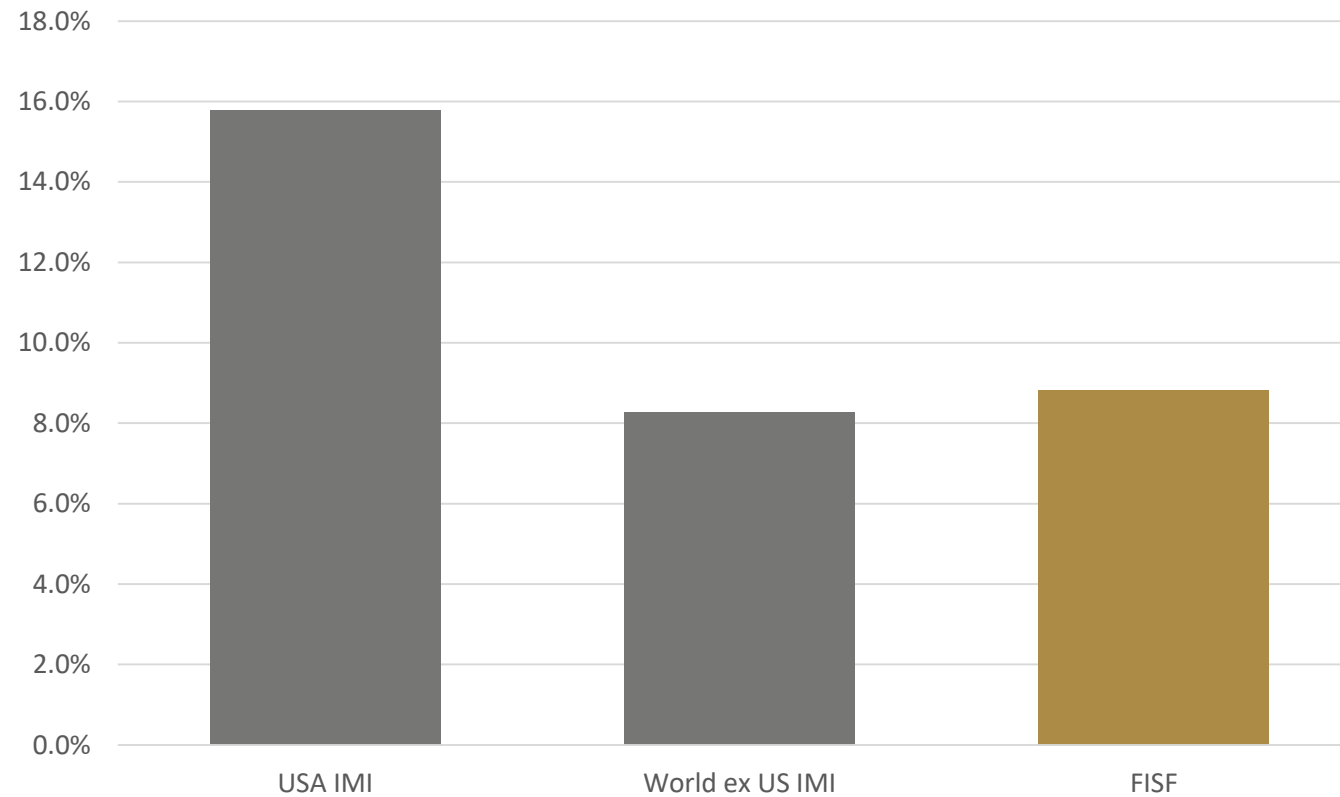
Growth and Value MSCI Index Returns Year to March 2019 (AUD)



Source: MSCI

US Continues to Dominate

MSCI Annualised 5-year Index Returns Year to March 2019 (AUD)



Source: MSCI, Forager

Cash Weighting

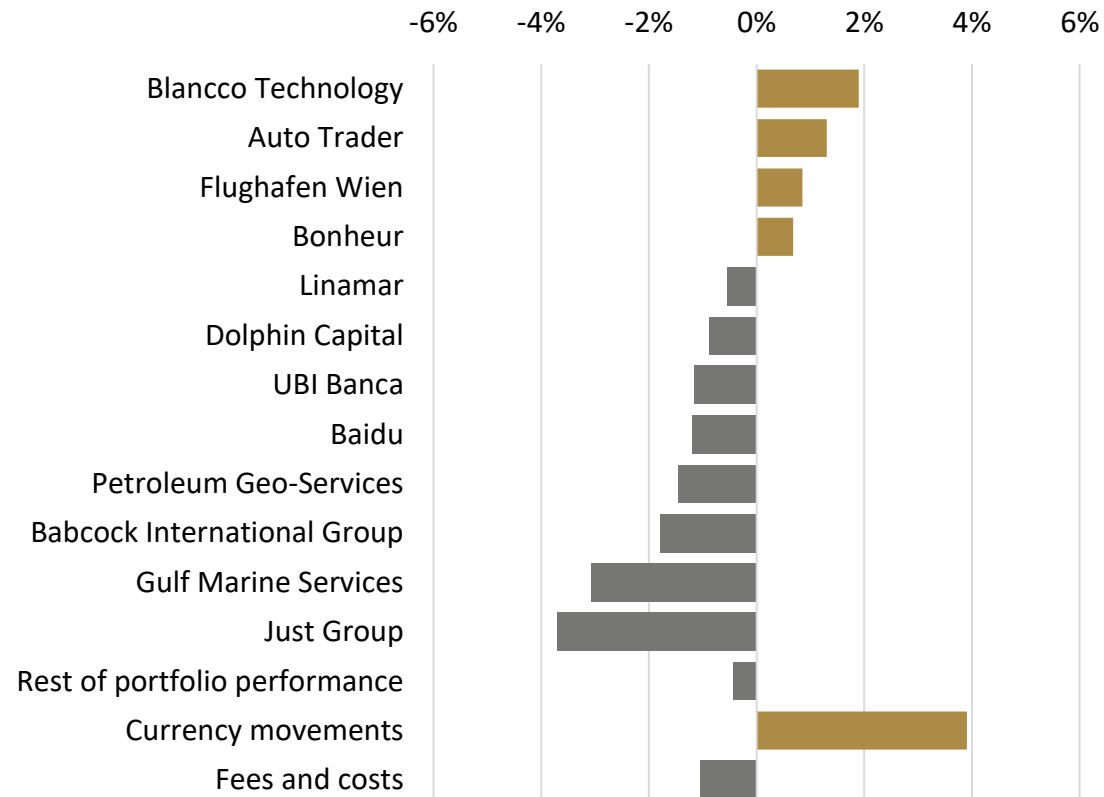
Cash Weighting Forager International Shares Fund as at 31 March 2019



Source: Forager

Performance Contribution

FISF Contribution for financial YTD ending 31 March 2019



Portfolio Status

International Fund as at 29 April 2019

| Holding | Listed | Weighting |
|-----------------------|---------|-----------|
| Blancco Technology | London | 9.5% |
| Alphabet | US | 6.6% |
| Flughafen Wien | Austria | 5.4% |
| Linamar | Canada | 5.2% |
| Bonheur | Norway | 5.1% |
| Cementir | Italy | 5.0% |
| Auto Trader | London | 4.2% |
| Just Group | London | 4.1% |
| Babcock International | London | 3.7% |
| UBI Banca | Italy | 3.5% |
| Cash | | 13.2% |

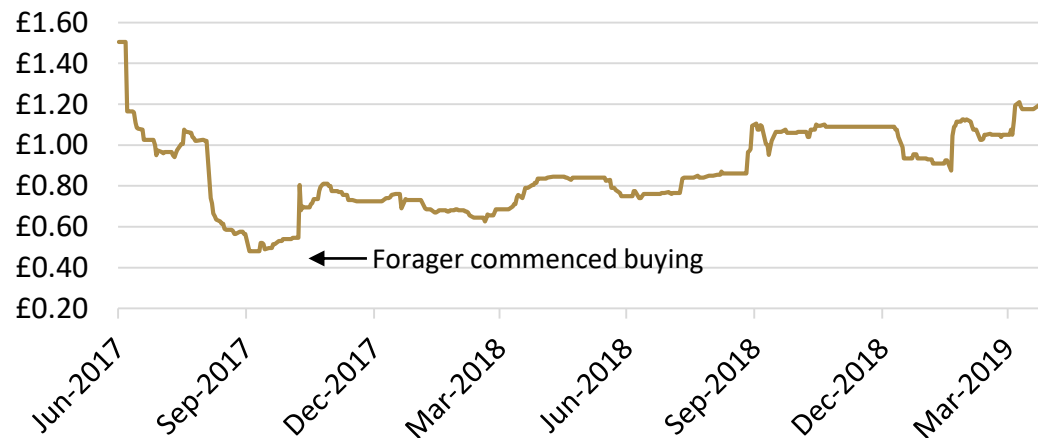
- Four of ten largest positions UK listed
- Eurozone/UK still offering opportunity. Good businesses paying dividends
- Minimal remaining exposure to mega caps
- Cash at 13.2%. A number of new ideas in the portfolio with a good pipeline remaining
- Paul Quah brings expertise to execute in Asian markets

Blanco Technology (AIM:BLTG)

Idea summary

- Global leader in hard drive erasure software
- Massive opportunities in Mobile and Enterprise & Data Centre segments
- Bought in 2017 in the midst of panic over revenue reporting

Share price performance



Source: S&P Capital IQ

Recent results

- First half revenue growth 19%, Enterprise & Data Centre segment particularly strong (+30%)
- Growth despite “Pain today, gain tomorrow” behaviour being evident
- Profitable and positive free cash flow despite heavy investment – turnaround well underway

Future expectations

- Forager expects minimum 15% p.a. revenue growth over medium term
- Base case valuation £2/share, upside case more than £3/share
- Likely acquisition target, hopefully not too soon

Auto Trader (LSE:AUTO)

Idea summary

- UK's dominant portal for used car sales
- Extremely high quality business, requires no capital retention to grow
- Bought early 2018 at 6% free cash flow yield, baby thrown out with Brexit bathwater

Share price performance



Source: S&P Capital IQ

Recent results

- First half revenue growth 7% - through new products, pricing and upsell
- Earnings per share up 12% - margins up, buyback.
- Continues to grow share of UK car retailers' collective gross margin

Future expectations

- 5-8% p.a. revenue growth over medium term
- Trading at 29x 2019 estimated earnings per share. No longer cheap.
- Forager in harvest mode, sold nearly half the Fund's stake in recent months. Currently 4.3% of Fund assets.

New Investments

Lear Corporation (NYSE:LEA)

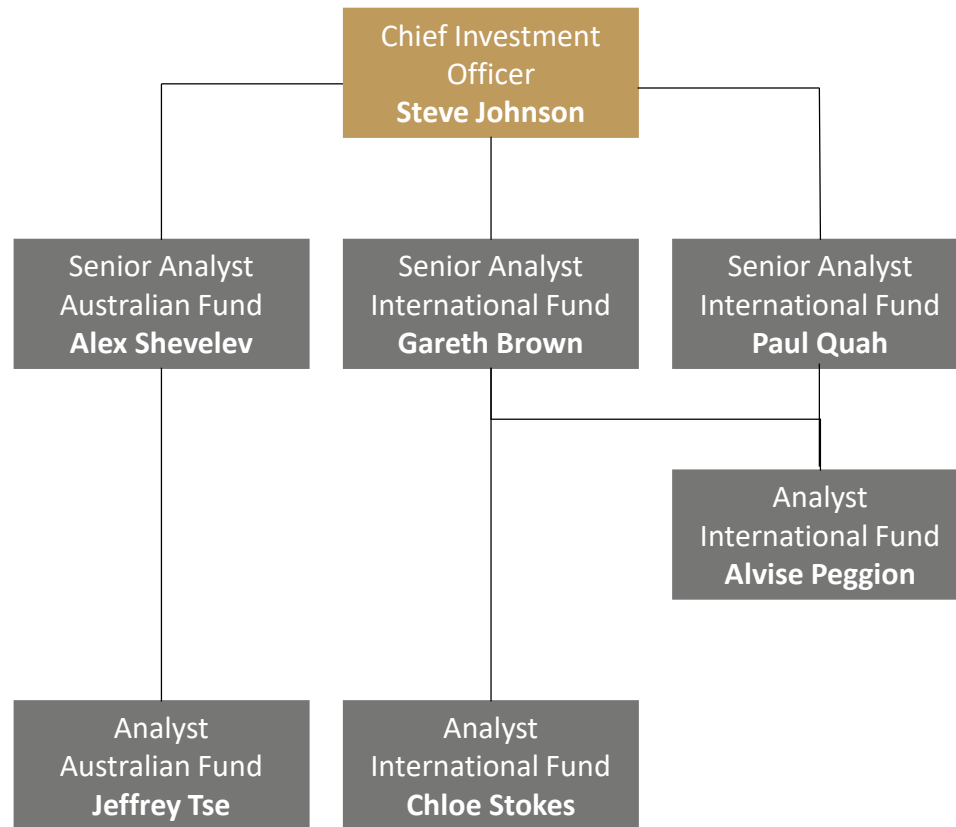
- Second largest maker of seats for new cars globally, plus a significant electronics business
- Not threatened by phase out of internal combustion engine
- Cyclical, but oligopolistic market with pricing sanity
- Share price down more than 30% over 2018
- Strong capital management. Bought back half of outstanding shares in recent years

Linamar Corporation (TSX:LNR)

- Excellence in high-volume, low-cost, high precision parts manufacture
- 60% of profit related to automotive – cyclical plus structural threats
- Should continue to grow market share as internal combustion engines are phased out – still expecting unit growth
- Opportunities in other automotive systems – hybrids and electric vehicle
- Significant and growing share unrelated to automotive – industrial access and agriculture.
- Excellent owner/manager family and cheap entry price

Organisation and Investment Proposition

People



Four new research team members in past two years

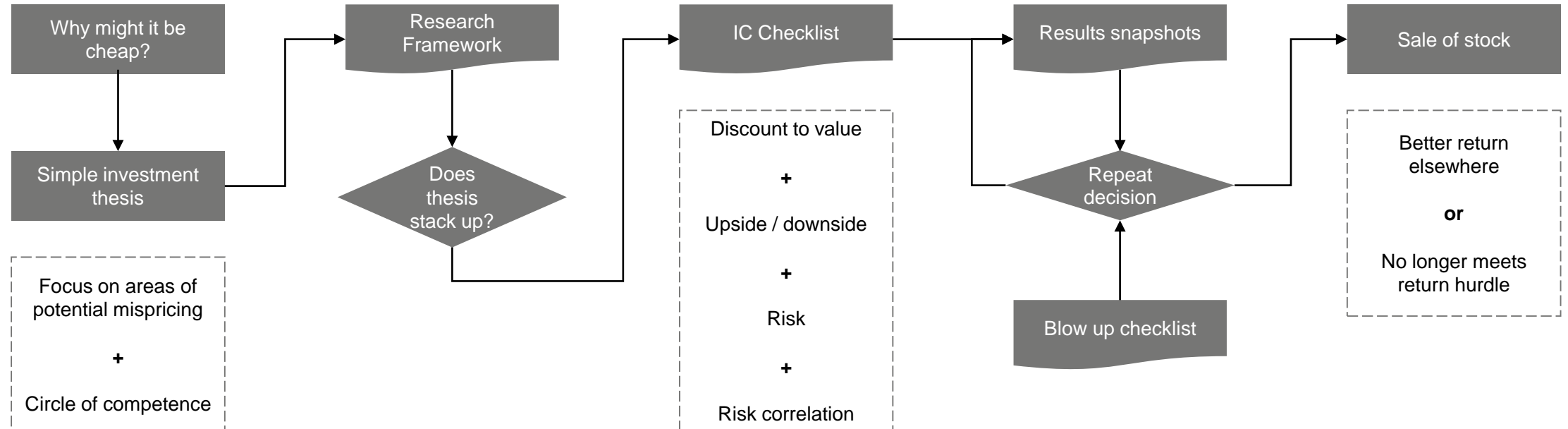


Focus on development and integration



Able to have clear segregation between Chief Investment Officer role and analysts

Process



Defined process for Forager investing style. Ability to add resources as we grow.

Investment Proposition

- Concentrated portfolios
- Long-term focus
- Periods of under-performance
- Lumpy capital gain returns
- Unhedged exposure to weakening AUD (FISF)

Q&A