



Owning good businesses globally

Owning a share of stock equates to owning a small part of a company. This has been the core philosophy of Sifter Global Fund for over 15 years. This year, we've screened more than 4000 businesses all over the world. Though some might say valuations are high, we think that there are great businesses to be acquired at attractive prices. Our elimination process is effective. Instead of picking stock, our Stocksifter tool provides us with the businesses that are the most promising at the cheapest prices. Out of 4000 businesses, we've eliminated over 98%. Finally, we have extensively researched 85 businesses and invested in three new ones. Our goal is to have the best possible deal flow.

Sifter businesses today

The Q3 earnings reports were largely positive and provide us insight in to the 30 businesses Sifter has invested in. The graph below demonstrates how Sales, EBIT and Earnings per Share (EPS) have improved in comparison to last year's figures (Q3-2018 vs Q3-2017).

Revenue growth: Sifter businesses were able to boost their sales by 8.5% on average. There are businesses that grew even faster, but we think those are pretty good numbers even for global giants like Microsoft or Safran.

EBIT growth was even better, with an 11.1% year on year increase. There is no single reason as to why this is the case - it depends on the business.

EPS growth took the biggest leap, being 23.5% bigger than in the previous year. This was largely due to the tax cut reform in the US.

Sifter Fund price: This shows how Sifter's price moved over the same period. Despite of stock price drawn down in October businesses you own through Sifter Global Fund have been doing well. Our main goal is to research how they will perform in the future.



Picture 1: Sifter businesses Revenue, EBIT and EPS growth compared to Sifter Global Fund price

How about the future?



This is the tricky part. As you know, nothing is promised. However, our job is to read, analyze and draw conclusions on the businesses you own through Sifter Fund. The Sifter process means that we follow every possible detail of those businesses every day. Based on this tracking, we don't attempt to guess stock price movements but instead dig into business drivers and upcoming earnings.

1. To make any assumption of future we must understand resilience of a business model. That is crucial.
2. Secondly, we think Return on Invested Capital must be good. The current ROIC for Sifter businesses is c. 16%. In other words, every euro they invest back in their business operations creates them 1.16 € value. This is one sign of a good value creator. We also know, that Sifter business invest 60 % of their profits to their operations. This is a good sign.
3. Thirdly, based on we have outlined a conservative evaluation that Sifter business will grow their expected earnings c. 5-6% in upcoming three to five years.
4. Finally, we have chosen companies that are debt free (currently -0.2X). This means that when interest rates increase, businesses don't have financial problems.

Obviously, there are plenty of other details which must meet Sifter criteria, but those mentioned above are key. When the key parameters are in good shape, you can feel secure when there is stock price turbulence in the markets.

Story of Sifter

25 years ago, Sifter was established to manage the assets of one family, specializing in equities globally. Since then, the company has grown to be a professionally managed global equity fund with its own proprietary equity research. It has investors all over Europe. A typical Sifter investor is a family or family office. They value our research driven investment process, capital preservation characteristics and favorable returns. The founding family has a significant co-investment in Sifter Fund.

We thank our investors and hope you are satisfied with the Fund's performance. Also, we welcome new investors who share values with us: long-term investment, buy and hold strategy and investing in high quality businesses globally. We are looking forward to the next 15-years, to make Sifter an even better equity investment for you.

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