

FORAGER INTERNATIONAL SHARES FUND

MONTHLY REPORT MAY 2020

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PERFORMANCE (Net of all fees and expenses)

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 May 2020)

	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	12.60%	4.41%	6.47%	16.11%	4.72%	8.47%	12.85%
MSCI AC World Net Index in \$A	3.16%	-3.45%	-4.97%	8.91%	8.73%	8.01%	13.68%

MSCI AC World Net Index in \$A is an abbreviation of MSCI All Country World Investable Market Index (Net) in Australian dollars. Past performance is not indicative of future performance and the value of your investments can rise or fall.

*8 February 2013

Global stocks recovered further in May, with the MSCI World Index rising 3.2% in Australian dollars. As the number of new coronavirus cases continued to decline, governments in most developed economies took steps towards reopening, albeit to varying degrees.

That benefited stocks most exposed to the economic fallout from virus-related restrictions, including travel and retail businesses. While the Fund profited from these general themes, an inch of icing was added to the cake by two idiosyncratic smaller companies. The Fund's unit price jumped 12.6% over the month.

If its share price is the arbiter, the move by **GAN Limited** (Nasdaq:GAN) to the Nasdaq stock exchange has been a raging success (see the [April 2020 report](#)). On 4 May, its last trade on London's AIM exchange was at the equivalent of US\$11.25 per share. While that was already 56% higher than the end of March, it ended May at US\$21.89, an increase of 95% since its US debut. While we share investors' enthusiasm for this business's prospects, much of its rosy future is now reflected in the stock price.

Remarkably, GAN was almost pipped as the best performer for the month. Fellow Nasdaq-listed small cap **Celsius Holdings** (Nasdaq:CELH) saw its share price rise 85% in May. This energy drink company reported a bumper first-quarter result, with revenue increasing 95% compared with the same three months in 2019. While accelerated demand from North American consumers stocking up on non-perishable goods was an extra benefit in March, management is guiding further strong growth throughout the year.

We will write more about Celsius in the June quarterly report (its small size and low trading volumes have meant keeping it quiet until now). But the company has carved out an attractive niche in the hyper-competitive energy drinks market. It should generate more than US\$100m of revenue in 2020, there is plenty of potential beyond that and, at the right point, it is going to make an attractive acquisition for any of the global drinks giants.

The Fund's retailers might not be growing at such lofty rates, but they are showing their strength through this crisis.

New Zealand's **Hallenstein Glassons Holdings** (NZSE:HLG) provided investors with a not-too-dismal trading update. The retailer's sales fell 32% over the first 14 weeks of the new financial year (HLG has a January year end). For more than half of that period, its physical store network in Australia and New

Zealand was closed. In New Zealand, its online operation was also limited.

The company has a strong digital offering and has experienced "significant growth" in online orders. Net profit is expected to be a loss of just NZ\$2.8m for the period to date. HLG expects to trade profitability from May as stores reopen in both countries. While its conservative management expects that to be at a lower level than last year, staff in our local Bondi Junction store say they have been "slammed" since reopening on 1 May.

Coronavirus-induced losses at **Ulta Beauty** (Nasdaq:ULTA) have been far worse. It lost US\$78.5m in its first quarter of the 2020 financial year. While sales were trending above management's expectations prior to 10 March, from then until the end of the quarter comparable sales were down 62% on the prior year. As restrictions started to ease in mid-May Ulta reopened some of its stores. The initial wave of 180 reopened stores have been performing well, with the combined sales of those stores (including online) in line with last year. Like many other retailers, Ulta's online business more than doubled in the quarter. Online performance could have been better though, with management holding back on promotional activity in order to manage demand at its distribution centres.

Ulta ended the quarter with more than \$1.1bn in cash, so the business is equipped to manage through a longer period of reduced demand. Many retailers, including long-suffering department stores, are not so lucky. Ulta is well placed to continue taking share.

TOP 5 HOLDINGS (as % of NAV)

GAN Ltd	(Nasdaq:GAN)	6.6%
Celsius Holdings Inc	(Nasdaq:CELH)	6.1%
Blanco Technology Group Plc	(AIM: BLTG)	6.0%
Zebra Technologies Corp	(Nasdaq:ZBRA)	4.9%
Ulta Beauty Inc	(Nasdaq:ULTA)	4.0%
Cash		5.6%

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 AC World Net Index in \$A) 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 May 2020
Buy Price	\$1.7538
Redemption Price	\$1.7468
Mid Price	\$1.7503
Portfolio Value	\$167.3m

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

ABOUT FORAGER

With approximately \$285 million of funds under management and a focus on long-term investing, Forager Funds is a unique Australian asset management company.

Following a strong ten-year track record, Forager is a sustainable business but is nimble enough to invest in smaller listed companies not accessible to many investment managers.

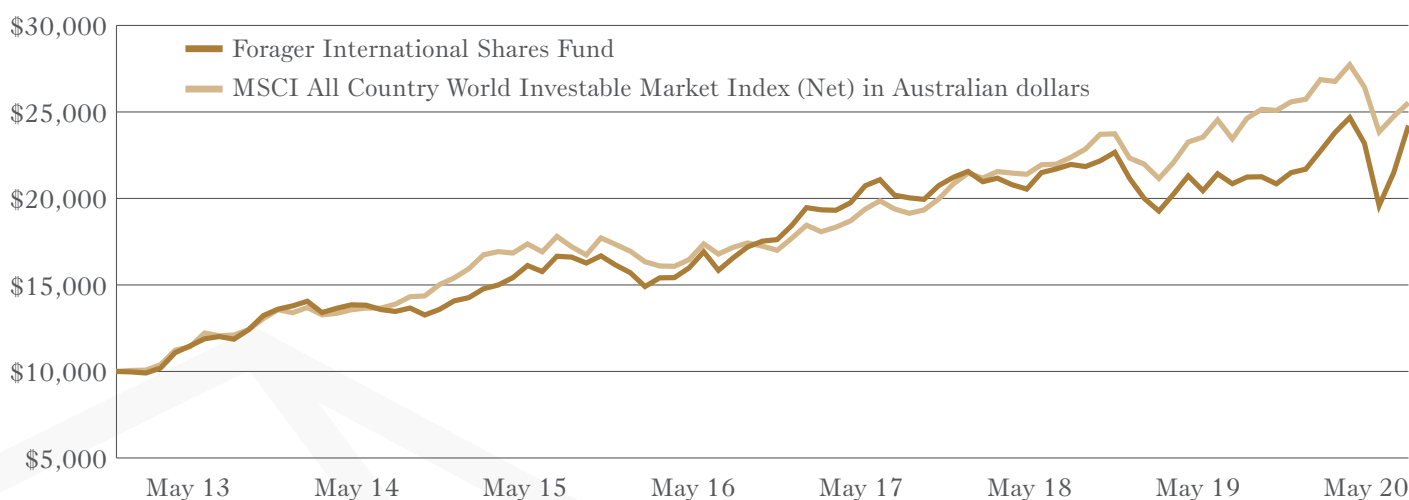
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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 INVESTMENT OVER TIME



Source (MSCI AC World Net Index in \$A): S&P Capital IQ. The above figures assume that all distributions have been reinvested. Past performance is not indicative of future performance.

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