FORAGER

INTERNATIONAL SHARES FUND

MONTHLY REPORT OCTOBER 2020 www.foragerfunds.com

PERFORMANCE (Net of all fees and expenses)

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 October 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	2.36%	14.47%	30.36%	29.21%	9.72%	10.94%	14.26%
MSCI AC World Net Index in $A	-0.15%	2.67%	6.44%	2.35%	8.11%	8.25%	13.34%

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

US ELECTION

At the time of writing, the final result of the US election was still unknown. Democrats are likely to win the presidency by a whisker, but might fail to gain control of the Senate. While the Forager International Shares Fund wasn't skewed towards any particular outcome, that's probably not a bad result for financial markets.

A Joe Biden presidency should be better for global geopolitics. A Republican controlled Senate means more radical Democratic policies won't be law any time soon.

THE GROWTH AT ANY PRICE ARGUMENT

"We're racing towards the singularity, we're experiencing exponential growth in computing power & AI and you want me to trim Tesla and Amazon to buy Exxon and Citibank... please."

That was an unnamed fund manager's recent response to a broker note making the career-limiting case for buying some cheap stocks. It's an alluring argument, isn't it? And the more Tesla's share price goes up, the more alluring the argument becomes. Who wouldn't want to own companies that grow and shares that go up?

This is a prime example of the narrative fallacy. The story makes sense, therefore the conclusion is correct. You see it in property, too. They don't make any more land, do they? And there is usually a lot of truth to a good narrative. The world is moving online. And humans are likely to be using less oil in 30 years' time than they consume today. Ignore both of those trends at your peril.

But ignore price at your peril, too. You can be right about the future and still not make money if you pay a price that assumes too much. And that's the problem with a good narrative. You can make the same argument at absolutely any price.

Say Exxon falls another 90% from here. You could buy the whole company at that point for US$14bn and it's going to pay you US$14bn in dividends over the next 12 months. At the same time, imagine Tesla is 10 times more expensive than today and has a $US3 trillion market capitalisation, 1,000 times its expected profit in 2021. You could still make exactly the same argument about their respective futures, but could anyone possibly argue that the return from owning the latter is going to be better than the return from the former?

That's not the relationship between the two, of course. And we don't have an investment in either stock. But we're seeing more and more convincing investment theses that apply at any price. And that's very dangerous for those who believe they will make money as a result.

The flip side is that there are stocks that no one wants to own no matter how cheap they get. A carefully picked selection of these should generate some outstanding returns as a result.

We're running a fairly balanced portfolio at the moment. Half the Fund's top 10 holdings are technology focused or predominantly online. Some of those at the more old-world end of the spectrum offer outstanding prospective returns, too. One is **Lloyds Banking Group** (LSE:LLOY). The UK's largest bank is particularly unloved. Its share price has fallen more than 50% since the start of the year and its £20bn market capitalisation is now less than half the tangible value of its assets.

The UK is bumbling its way through COVID-19 and its exit from the European Union. Interest rates are near zero and likely to stay there, making it harder for banks to eke out a margin. Yet Lloyds still managed a £1bn profit for its recently announced third quarter. We think it can easily make £4bn of profit in a normal year. It has excess capital and will return to paying most of that profit to shareholders as soon as the economic outlook is clearer. Hold Lloyds shares for the next five years and an investor should earn an outstanding return from dividends alone. The price may never go up. It's not going to be sexy. But it could still be a wonderful investment.

TOP 5 HOLDINGS (as % of NAV)

Blancco Technology Group Plc	**(AIM: BLTG)**	5.3%
eGain Corp	**(Nasdaq:EGAN)**	4.1%
Celsius Holdings Inc	**(Nasdaq:CELH)**	4.0%
Zebra Technologies Corp	**(Nasdaq:ZBRA)**	4.0%
Open Lending Corp	**(Nasdaq:LPRO)**	3.7%
Cash		2.6%

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 movementsˆ.

FUND PERFORMANCE BY MONTH AND FINANCIAL YEAR

FY	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total Return
2013								-0.26%	-0.62%	2.88%	8.74%	3.47%	**14.73%**
2014	3.61%	1.11%	-1.26%	4.59%	6.58%	2.82%	1.40%	1.92%	-4.64%	1.85%	1.46%	-0.16%	**20.54%**
2015	-1.81%	-0.82%	1.47%	-2.93%	2.43%	3.63%	1.33%	3.59%	1.47%	2.84%	4.54%	-2.17%	**14.06%**
2016	5.61%	-0.29%	-2.07%	2.55%	-3.19%	-2.74%	-5.08%	3.36%	0.09%	3.64%	5.84%	-6.36%	**0.44%**
2017	4.55%	3.84%	1.91%	0.52%	4.65%	5.55%	-0.63%	-0.13%	2.25%	4.97%	1.69%	-4.25%	**27.42%**
2018	-0.76%	-0.43%	3.99%	2.31%	1.62%	-2.76%	0.97%	-1.78%	-1.22%	4.64%	0.97%	1.21%	**8.81%**
2019	-0.55%	1.50%	2.22%	-6.62%	-5.49%	-3.66%	5.11%	5.19%	-4.03%	4.79%	-2.68%	1.85%	**-3.31%**
2020	0.07%	-1.92%	3.09%	0.95%	4.83%	4.73%	3.62%	-6.03%	-15.53%	9.78%	12.60%	-0.22%	**13.74%**
2021	1.36%	10.05%	1.63%	2.36%									**16.03%**

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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 October 2020
Buy Price	$1.8242
Redemption Price	$1.8169
Mid Price	$1.8206
Portfolio Value	$182.7m

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

ABOUT FORAGER

With approximately $340 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.

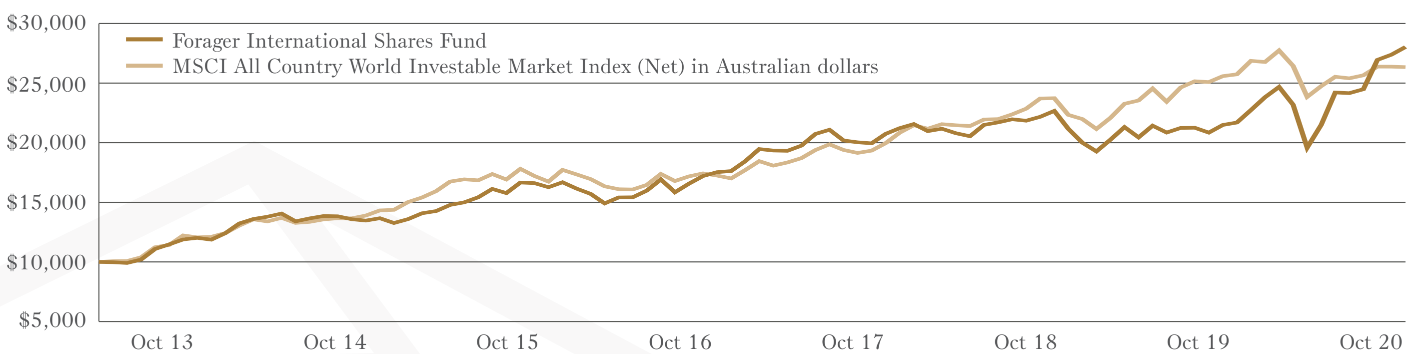
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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.