

FORAGER

INTERNATIONAL SHARES FUND

MONTHLY REPORT JULY 2021

www.foragerfunds.com

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 July 2021. Net of all fees and expenses)

	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	-4.25%	4.62%	23.12%	68.98%	23.73%	20.09%	18.23%
MSCI AC World Net Index in \$A	2.65%	8.49%	18.42%	31.37%	13.82%	14.43%	15.41%

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

The Forager International Shares Fund gave up most of June's gains in July. The unit price fell 4.25%, versus a 2.65% increase in the MSCI AC World Net Index in Australian dollars. Share price falls among small companies were widespread, with the Russell 2000 index of US small companies falling 4.43% for the month.

We had realised substantial profits in those same small caps earlier this year and an unwind in share prices is welcome. Expectations are now far more sensible into the coming quarterly reporting season. We have been able to top up a number of investments as a result of the weakness, especially those where the results are likely to be good.

The latest quarterly result for online picture board **Pinterest** (NASDAQ:PINS) wasn't well received. Revenue and profit were well ahead of analyst expectations but user growth has slowed as the world economy reopened. Management guidance suggested that trend has accelerated more recently and withdrew user growth guidance for the third quarter. Its share price fell almost 20% the following day.

Pinterest users collect images and ideas on storyboards, often around significant events in their life. Weddings and house renovations are two good examples. Imagine being able to collate photos of every great bathroom you have seen in one single repository.

Our thesis is that these Pinterest users, often about to spend a significant amount of money, are worth a small fortune to advertisers. A successful investment doesn't require the number of them to grow dramatically from the current 454 million monthly active users. It does require them to generate a lot more advertising dollars. There is some good early evidence of that thesis being right, and further weakness in the share price will be a good opportunity to add to what is currently a small investment.

That's not dissimilar to the **Twitter** (NASDAQ:TWTR) thesis. Twitter users use the platform much more frequently. And our desire to post our mostly unwanted opinions on subjects we mostly know nothing about shows no sign of slowing down once we are allowed out of our houses. In the second quarter of 2021, Twitter's monetizable daily active user count increased 11% over the same period last year. But for both companies, our argument is that the platform is far more valuable than the revenue it is currently generating.

Twitter's efforts to bridge that gap continued to accelerate in the June quarter, resulting in total revenue increasing 74% on the prior year to \$1.2bn. That comparable quarter last year was badly impacted by the COVID-19 crisis, but underlying growth was still very good. New features are being released almost weekly and, importantly, some previously introduced features are being removed. While the recent results are impressive, there is still significantly more improvement to come. That's why it is currently the Fund's second largest investment.

Lloyds Bank (LSE:LLOY) is at the other end of the spectrum. No one expects it to grow rapidly. But it remains exceptionally attractively priced. The UK's largest bank reported an underlying profit of £3.4bn for the half-year to June and upgraded its guidance for the full year. For context, the current share price implies a value for the entire business of £33bn. Statutory profit was better than the underlying number, thanks to reversals of prior provisions for Covid-related loan losses that didn't eventuate.

Lloyds declared its first dividend since the December 2019 dividend was cancelled. It was a very modest 0.67%. We are hoping for a significant step up given the bank is currently holding far more capital than it needs, but banks paying fat dividends is not a good look in the current environment. Lloyds has returned to profitability even sooner than we hoped, but shareholders might need to wait a while for their share of the spoils.

TOP 5 HOLDINGS (as % of NAV)

Whole Earth Brands Inc	(NASDAQ:FREE)	5.7%
Twitter Inc	(NYSE:TWTR)	4.4%
Ammo Inc	(NASDAQ:POWW)	4.3%
Motorpoint Group Plc	(LSE:MOTR)	4.2%
Blanco Technology Group Plc	(AIM:BLTG)	4.0%
Cash		7.8%

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.

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%	10.85%	5.98%	2.07%	6.56%	2.20%	8.05%	1.41%	7.75%	78.88%
2022	-4.25%												-4.25%

Past performance is not indicative of future performance and the value of your investments can rise or fall.

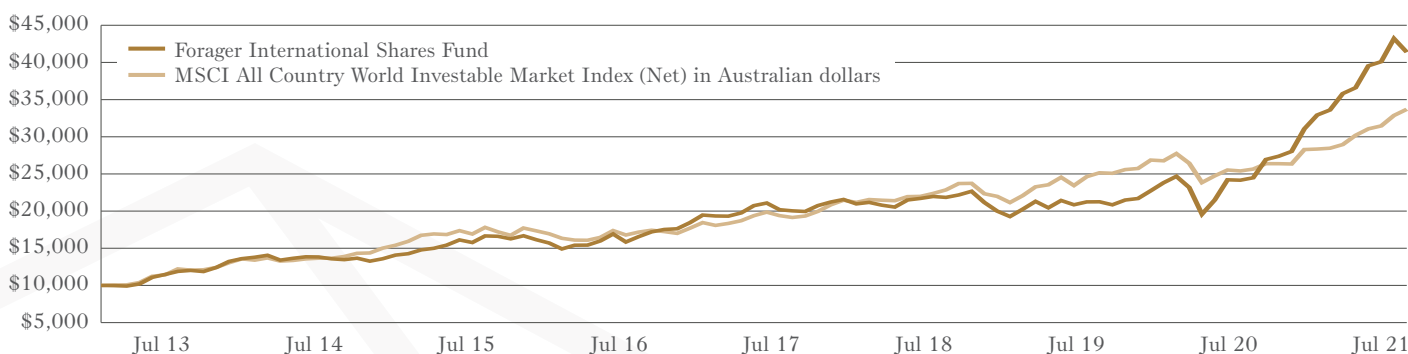
FACTS

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 July 2021
Buy Price	\$2.0238
Redemption Price	\$2.0158
Mid Price	\$2.0198
Portfolio Value	\$264.9m

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

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.

ABOUT FORAGER

With approximately \$470 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
- A combination of large liquid resilient businesses
- With smaller value based opportunities
- Flexible mandate allows for a wide range of markets
- Investment team with deep pockets of expertise
- Strong focus on managing portfolio risks
- Weekly applications and redemptions

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