

FORAGER

INTERNATIONAL SHARES FUND

MONTHLY REPORT DECEMBER 2021

www.foragerfunds.com

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 December 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	-4.61%	-5.13%	-12.43%	14.92%	25.22%	14.22%	16.13%
MSCI AC World Net Index in \$A	1.40%	5.42%	8.34%	25.47%	18.91%	14.03%	15.33%

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.

¹8 February 2013

December brought to a close a tough end to the year for the Forager International Shares Fund. Over the past six months, the Fund's unit price declined 12% while the MSCI ACWI IMI (in Australian dollars) returned 8%. Over the December quarter, the numbers were -5% and 5% respectively.

The return for the year was still positive at 15%, thanks to a stellar first-half performance. With a few notable exceptions, it was largely the same small-cap stocks contributing to both sides of the ledger. Small-stock outperformance was a significant tailwind to the Fund's returns in the 2021 financial year and you should note that there is little crossover between the Fund's holdings and any index. We provide those references so you can see which way the wind is blowing.

It has been blowing against us. The S&P 500, the bellwether gauge of US large-cap stock performance, is up 10% in US dollars since 1 July. The Russell 2000, a broad index of much smaller stocks, is down 4%.

The Fund's focus is long-term returns from the businesses we invest in and we are mostly happy with our progress. However, share prices clearly got a long way ahead of reality. We were taking profits along the way for most of these stocks and completely sold out of some positions, such as **Celsius Holdings** (NASDAQ:CELH). Some of our bigger, safer plays have performed very well—including **Keysight Technologies** (NYSE:KEYS) and **Zebra Technologies** (NASDAQ:ZBRA), up 34% and 12% respectively since 30 June. A focus on finding larger, more defensive businesses like **Tesco** (LSE:TSCO), which is up 13% on our second-half purchase price, has paid some early dividends. That's why the Fund's return for the year was still healthy. We stepped in the right direction, but clearly not far or fast enough.

Boohoo (AIM:BOO), though, is a poorly performing investment that can't be attributed to wider market conditions.

The online fashion retailer disappointed us again in December with an unscheduled trading update on its third-quarter results. After lower-than-expected growth in the first half of the year, the anticipated rebound in demand did not materialise. At least, not universally. While sales in its home market of the United Kingdom grew an impressive 32% above the previous year, other geographies suffered. Boohoo's management team blamed the stunted demand on supply chain issues and delivery delays that are being seen across most industries, as well as higher-return rates than what's considered normal. Sales weren't the only issue, though. Margins are also expected to be impacted well into 2022. Combine lower sales growth with higher-return rates and inflated distribution costs and the results aren't pretty.

Our original thesis hinged on Boohoo overcoming its earlier ESG-related concerns to continue growing revenue above 20% per year, doing so as profitably as it had in the past. While the first point of the thesis looks to be on track, the second two are not. If the operational issues we've seen are short term in nature, then Mr Market is providing a wonderful opportunity to own a profitable, fast-growing business at a reasonable price. The stock price is now down 59% from our first purchase 15 months ago. We need to see more evidence of that or an even cheaper price. For now, we've decided to watch from the sidelines and have replaced it with another UK stock in which we have significantly more confidence.

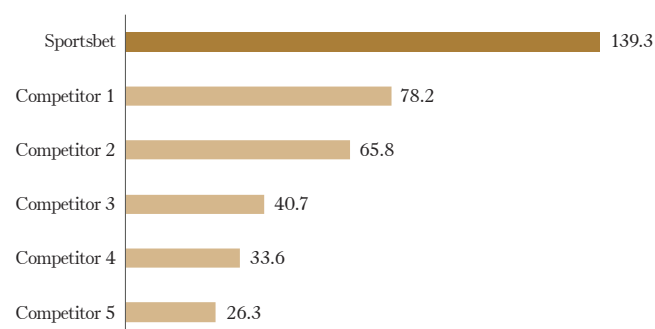
Flutter Entertainment (LSE:FLTR) is a business we've long known well. It's a global sports-betting and online-gaming company. Australians would be most familiar with its main local offering, Sportsbet. It has a similar positioning in the UK and Ireland through PaddyPower and Betfair (which the Fund

owned when it was listed). It also owns PokerStars, a market-leading online poker company, and recently announced the acquisition of Sisal, Italy's leading online gambling company. More valuable than all of these, though, is its leading position in the more nascent US sports-betting market via FanDuel.

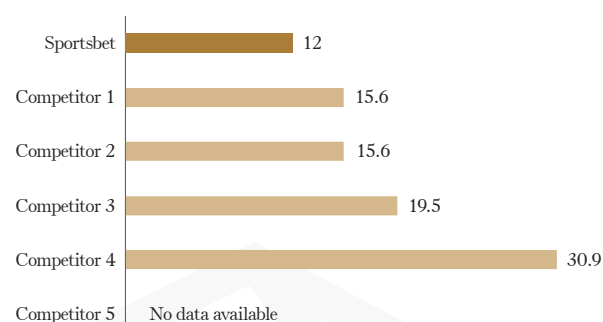
Along with competitor DraftKings, FanDuel received an unbelievably valuable free kick versus other players in the industry, which stems from their history as the leading fantasy sports companies. When US states began legalising sports-betting, other industry players had to build a customer database from scratch, meaning lots of expensive marketing. However, DraftKings and FanDuel already had a very long database of highly qualified sports nuts to whom, at almost no cost, they could market. But unlike DraftKings, FanDuel is part of an international juggernaut that brings immense knowhow in conventional marketing, upsell, technology and product development and this is reflected in market share differences.

We know from experience in Australia that this is an industry where the market leader wins an outsized share of the spoils. It can spend more absolute dollars on marketing, technology and product development than competitors, while spending a lower percentage of revenues.

2020 MEDIA SPEND ESTIMATES (\$M)



MARKETING AS % OF NET REVENUE

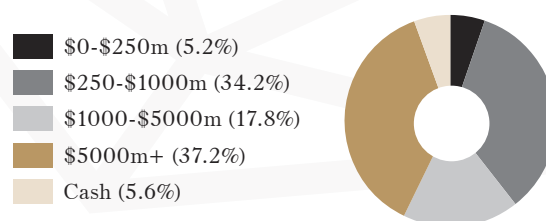


Source: Sportsbet Presentation

Two years ago we did very well from owning backend system provider **GAN Limited** (NASDAQ:GAN), whose biggest customer was FanDuel. Back then, it was our theory that FanDuel could build a market-leading position. Today, that's a fact. Since then, it's achieved higher market share than we predicted in a market that's growing faster than first anticipated.

In the US, FanDuel has a market-leading share in excess of 40% in each of the six biggest sports-betting states (excluding the historical gambling state of Nevada). That bodes well for the states still to legalise sports-betting and online gaming. Our variant perception revolves around the market underestimating the immense difference in profit potential between market leader and second place. That, and it's also possible that the American market can grow strongly for years longer than most analysts have in their models. If those expectations prove realistic, market-leading positions outside North America may give us some good downside protection from today's share price, heavily discounted over the past six months.

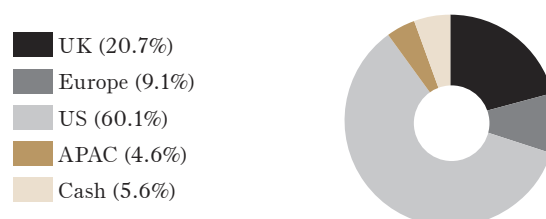
PORTFOLIO DISTRIBUTION ACCORDING TO MARKET CAPITALISATION



AN ATTRACTIVE PLATFORM FOR 2022

Through share price falls and active rebalancing, the smaller, growthier part of the portfolio has shrunk versus other types of investments. We've been decreasing rather than increasing exposure and aren't currently rushing out to buy more. There are mild echoes of the year 2000, when value outperformed growth for half a decade. That's not a prediction, rather an observation that there's no reason share price falls have to stop at fair value. We have the dry powder needed to participate if things become ridiculous.

STOCK EXPOSURE BY GEOGRAPHY



TOP 5 HOLDINGS (as % of NAV)

Meta Platforms Inc	(NASDAQ:FB)	4.5%
Motorpoint Group Plc	(LSE:MOTR)	4.4%
Flutter Entertainment Plc	(LSE:FLTR)	4.2%
Whole Earth Brands Inc	(NASDAQ:FREE)	3.9%
Blanco Technology Group Plc	(AIM:BLTG)	3.9%
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.

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%	-0.03%	-3.57%	-1.79%	1.27%	-4.61%							-12.43%

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 December 2021
Buy Price (cum distribution)	\$1.8509
Redemption Price (cum distribution)	\$1.8435
Mid Price (cum distribution)	\$1.8472
Portfolio Value	\$248.9m

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

ABOUT FORAGER

With approximately \$480 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.

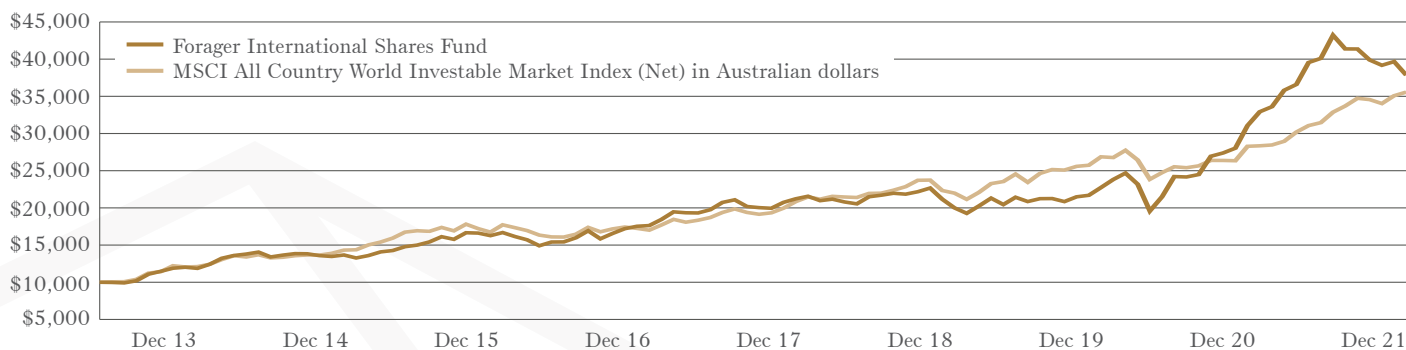
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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

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.

WARNING The information given by Forager Funds Management is general information only and is not intended to be advice. You should therefore consider whether the information is appropriate to your needs before acting on it, seeking advice from a financial adviser or stockbroker as necessary. This report may contain 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. **DISCLAIMER** Forager Funds Management Pty Ltd operates under AFSL No: 459312. Fundhost Limited (ABN 69 092 517 087, AFSL No: 233045) is the responsible entity and the issuer of the Forager International Shares Fund (ARSN No: 161 843 778). You should obtain and consider a copy of the product disclosure statement relating to the Forager International Shares Fund before acquiring the financial product. You may obtain a product disclosure statement from Fundhost Limited or download a copy at www.foragerfunds.com. The International Shares Fund Target Market Determination can be found at <https://fundhost.com.au/fund/forager-international-shares-fund/>. To the extent permitted by law, Fundhost and Forager Funds Management Pty Limited, its employees, consultants, advisers, officers and authorised representatives are not liable for any loss or damage arising as a result of reliance placed on the contents of this document. *This investment objective is not a forecast and returns are not guaranteed. Although the MSCI AC World Net Index in \$A benchmark represents the available investment universe for the Fund, the Portfolio will represent a very small proportion of those available investments and the Fund's results may vary from the benchmark.