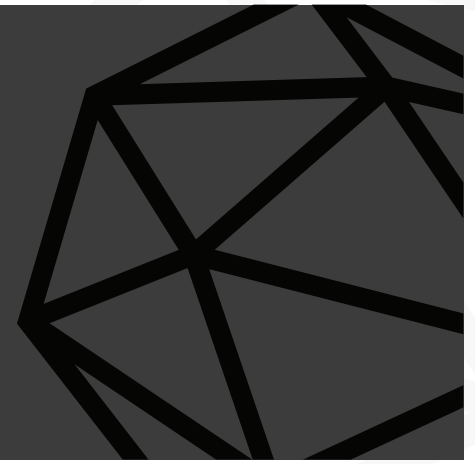


FORAGER

# INTERNATIONAL SHARES FUND

MONTHLY REPORT AUGUST 2022



## FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 August 2022. 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.)
<b>International Shares Fund</b>	0.80%	-1.00%	-15.24%	-31.89%	10.56%	7.15%	11.44%
<b>MSCI AC World Net Index in \$A</b>	-1.83%	-1.20%	-6.06%	-10.71%	7.33%	9.91%	12.56%

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

Having rallied strongly in the first few weeks of August, equity indices ended the month slightly lower, with macroeconomic concerns returning with a vengeance.

Federal Reserve Chairman Powell's Jackson Hole speech dented investors' confidence that interest rate rises might soon end. Declaring the Fed must "keep at it until the job is done", Powell drew parallels with the 1970s, suggesting the risks associated with pausing too early were greater than the short-term economic impact of going too far: "the longer the current bout of high inflation continues, the greater the chance that expectations of higher inflation will become entrenched".

The message was clearly pointed towards financial markets—investor optimism is unfounded. Share prices fell promptly.

Still, it's a nicer problem to be dealing with than the rampant energy prices hitting Europe. Everything is going wrong, including Russia shutting off gas supplies, drought-afflicted rivers curtailing nuclear energy, and a global shortage of coal. Wholesale gas prices in Europe have risen four-fold over the past year. If recent prices hold, it is a dramatic impost on the economy (Goldman Sachs has forecast a \$2 trillion rise in energy bills) that's likely to send the Eurozone into a recession.

The craziness of recent years is showing no signs of abating.

Amidst the turmoil, portfolio investments **Flutter** (LSE:FLTR), **Zeta Global** (NYSE:ZETA), and **RumbleOn** (NASDAQ:RMBL) announced results that offset market pessimism.

Our chief thesis with Flutter is that its US operation, FanDuel, is being significantly underappreciated. As the US market deregulates state by state, we expect the business to be as profitable as Flutter's Australian and UK operations and of a scale that dwarfs both.

Prior to August's 31% jump in the share price of Flutter, the market treated FanDuel and competitor **DraftKings** (NASDAQ:DKNG) as interchangeable twins. They both have a deep base of legacy fantasy sports customers to market to, but that's where similarities end.

FanDuel has done a superior job turning customer bets into revenues through higher margin products like parlays. It claimed a 51% share of the sports betting market in the second quarter. And it's scaling quickest, achieving a profit in Q2 despite huge spending on customer acquisition. FanDuel is now making attractive profits from longer established states like New Jersey—where EBITDA margins hit 17% in Q2—only partially offset by marketing-led losses in newer states.

The division will report a loss in the current half but should be profitable from 2023, funding its continued rapid growth exclusively from retained earnings. Meanwhile, competitors like DraftKings and BetMGM will have increasingly difficult decisions to make about how quickly to grow, considering they're still bleeding cash. The tail of smaller competitors - including **PointsBet Holdings** (PBH)—look even more precarious.

Flutter's leading US position is finally catching attention. We think that recognition has a way to go. An investor day focused on the US operation in mid-November will help highlight the story to an American investor base that hasn't been paying sufficient attention, we suspect chiefly because Flutter is listed across the pond.

Marketing platform Zeta is showing no ill effects from the marketing slowdown impacting the likes of **Meta** (NASDAQ:META) and **Alphabet** (NASDAQ:GOOG). Its second-quarter revenue was 28% higher than the previous year and 8% higher than the first quarter. Management claims its proprietary data is even more valuable in a difficult environment and that both existing and new clients continue to increase their spending.

Zeta's publicly stated 2025 ambitions of more than \$1bn in revenue and adjusted profit margins of more than 20% look eminently achievable. Even after un-adjusting most of the adjustments, that would make today's share price look very attractive.

RumbleOn doesn't need growth. If the motorcycle and powersports retailer maintains recent profitability, shareholders will be happy. Its share price was less than \$17 prior to reporting \$1.20 of earnings for the second quarter alone. The share price has jumped but it's still less than five times expected earnings. Management suggests the main issue remains sourcing new inventory rather than a lack of consumer demand.

Sales of used bikes have offset the lack of new inventory so far, with RumbleOn's large retail network and online presence allowing it to outperform a difficult market. By the time supply returns, higher interest rates will likely be impacting demand. If it can navigate those difficulties as well as it has other recent challenges, RumbleOn deserves a much higher multiple of earnings when we reach the other side.

### TOP 5 HOLDINGS (as % of NAV)

<b>Flutter Entertainment Plc</b>	<b>(LSE:FLTR)</b>	5.3%
<b>Linamar Corp</b>	<b>(TSE:LNR)</b>	4.1%
<b>Meta Platforms Inc</b>	<b>(NASDAQ:META)</b>	3.9%
<b>Cryptoport Inc</b>	<b>(NASDAQ:CYRX)</b>	3.6%
<b>Zeta Global Holdings Corp</b>	<b>(NYSE:ZETA)</b>	3.6%
<b>Cash</b>		8.7%

**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%	-6.24%	-6.32%	-7.29%	-6.24%	-1.50%	-5.98%	-38.09%
2023	4.46%	0.80%											5.30%

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

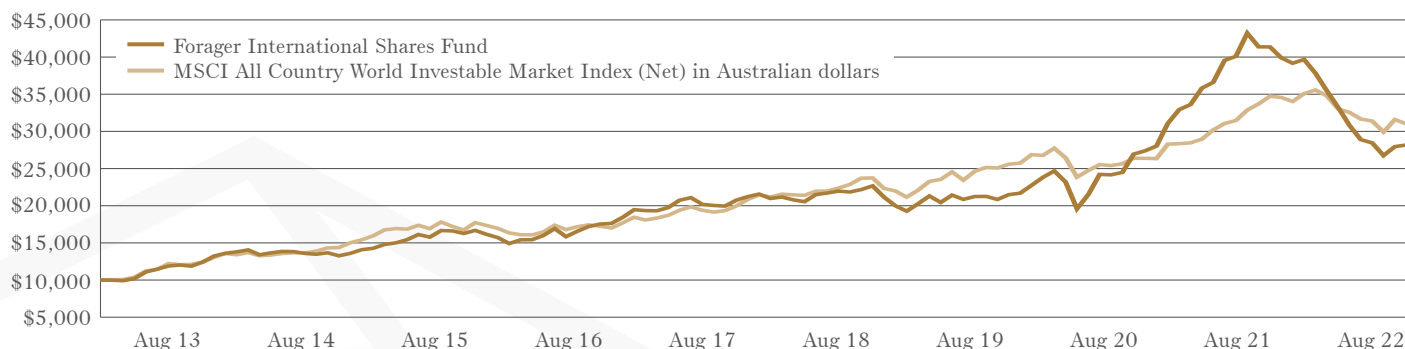
**FACTS**

<b>Fund inception</b>	8 February 2013
<b>Minimum investment</b>	\$20,000
<b>Monthly investment</b>	Min. \$200/mth
<b>Distribution</b>	Annual, 30 June
<b>Applications/Redemption</b>	Weekly

**UNIT PRICE SUMMARY**

<b>As at</b>	31 August 2022
<b>Buy Price</b>	\$1.3780
<b>Redemption Price</b>	\$1.3725
<b>Mid Price</b>	\$1.3752
<b>Portfolio Value</b>	\$186.0 million

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 \$338 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

**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 or continue to hold the financial product. You may obtain a product disclosure statement from Fundhost Limited or download a copy at [www.foragerfunds.com](http://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. [www.foragerfunds.com](http://www.foragerfunds.com)