

FORAGER

INTERNATIONAL SHARES FUND

MONTHLY REPORT OCTOBER 2022



FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 October 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.)
International Shares Fund	8.57%	2.97%	-0.39%	-26.54%	9.88%	6.28%	11.47%
MSCI AC World Net Index in \$A	6.73%	0.94%	0.70%	-6.29%	7.41%	8.88%	12.66%

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 net asset value of the Forager International Shares Fund jumped 8.6% in October, while the MSCI World IMI rose 6.7%.

Elon Musk's pursuit of **Twitter** (NASDAQ:TWTR) reached a conclusion in late October. After months of trying to back out of his original agreement, attempting to torpedo the business itself and some expensive and entertaining legal wrangling in court, Musk bought all outstanding Twitter shares for \$54.20 each, the exact price he agreed to pay in April.

As explained in previous investor reports, we expected the Delaware courts to force Musk to honour his prior agreement. But we were also fully resigned to some form of haircut on the original \$54.20 price. Share prices of other tech companies have been hammered since the original agreement, particularly those with digital advertising revenue like Twitter. Twitter's own results have been woeful. Absent Musk's offer, Twitter's share price would likely have a one in front of it.

Some reports suggested the financing Musk arranged back in April would be impossible to replace in the current environment. Others that an enforced court deposition could have horrible consequences for Musk. Whatever the reasons, Twitter's board and CEO did a wonderful job getting the deal across the line without a discount. It has been a rocky ride but, ultimately, a profitable investment and a saga that is going to be much more fun to watch without a vested interest.

Meta (NASDAQ:META) shareholders can only dream of such an outcome. Founder Mark Zuckerberg only owns a 13% economic interest in the company these days, but still controls 57% of the voting rights. He's hell-bent on winning in the "metaverse" and unapologetic about spending tens of billions of shareholder dollars to achieve it.

The core money spinners of Facebook and Instagram are performing better than many bears on the stock had expected. Reported user numbers for the third quarter of 2022 were up and Instagram's reels feature seems to be gaining traction against TikTok. Where the money those businesses make ends up, though, is anyone's guess. This investment was supposed to provide the Fund with a large, reliable cash generator in the generally unappealing market environment of 2021. That has been a dismal failure and today's environment is much more prospective.

Results elsewhere in the portfolio more than offset the Meta fall.

Aesthetic device company **InMode** (NASDAQ:INMD) provided a positive trading update early in the month and final results that were slightly better again. Revenue increased 29% in the third quarter, with sales of consumables, a good proxy for the number of treatments conducted with InMode's devices, increasing 55%. Fears of a looming recession are not impacting demand for aesthetic procedures yet. The company was able to

maintain its impressive profit margins, despite facing the same supply chain issues as most other businesses. Growth in inventories outpaced sales though, negatively impacting cash flow generation in the quarter. It lines up with management's strategy of delivering machines to customers quickly while competitors face ongoing delays, but it's something we're watching closely.

And **Gaslog Partners** (NYSE:GLOP) trounced market expectations with its third-quarter results. The Fund has been invested in this owner of Liquefied Natural Gas (LNG) carriers as one of several commodities-related investments for approximately one year. Trading at just three times earnings at our original purchase price, it has always been cheap. But the entity's debt burden kept us from making it a larger investment.

With the exception, perhaps, of coal mining, there are few better businesses to be in right now. Russian gas pipelines to Western Europe have been shut off, dramatically increasing demand for LNG shipping capacity. Approaching European winter, vessel charter rates have soared from about \$60,000 per day to more than \$400,000.

So the third-quarter results were no surprise to us. While the current environment won't be sustained, Gaslog Partners has used the buoyant market to lock down contracts for most of its fleet through to the end of 2023 (half of the vessels are on long-term charters out to 2025 and beyond). Cash generated during the next 15 months will go well beyond fixing its balance sheet issues. The resultant reduction in risk has allowed us to increase the investment over recent months. Combined with a rising share price, those purchases leave us with approximately 2.5% of the portfolio invested at the end of October.

TOP 5 HOLDINGS (as % of NAV)

Flutter Entertainment Plc	(LSE:FLTR)	5.9%
Blanco Technology Group Plc	(LON:BLTG)	4.1%
Autodesk Inc	(NASDAQ:ADSK)	3.9%
Zeta Global Holdings Corp	(NYSE:ZETA)	3.8%
Cryoport Inc	(NASDAQ:CYRX)	3.7%
Cash		10.3%

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%	-5.91%	8.57%									7.56%

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

FACTS

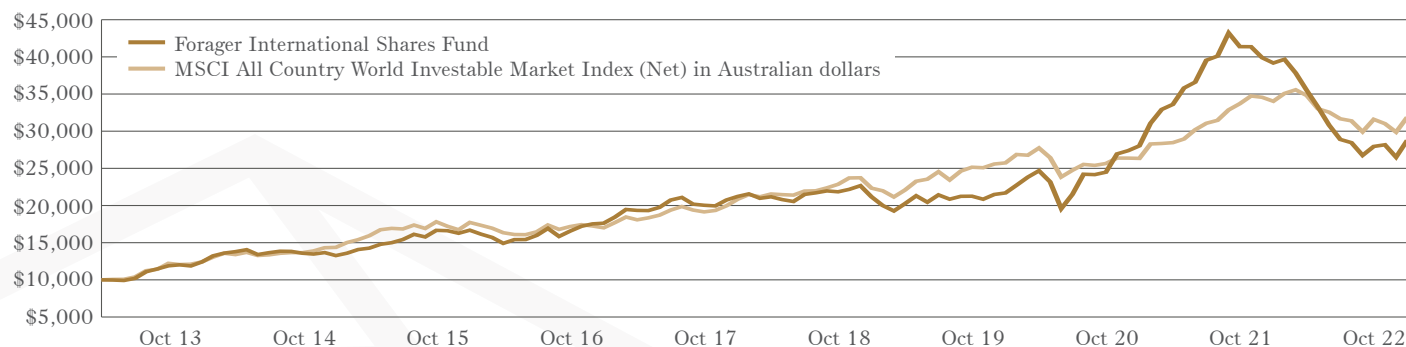
Fund inception	8 February 2013
Minimum investment	\$20,000
Monthly investment	Min. \$200/mth
Distribution	Annual, 30 June
Applications/Redemption	Weekly

UNIT PRICE SUMMARY

As at	31 October 2022
Buy Price	\$1.4076
Redemption Price	\$1.4020
Mid Price	\$1.4048
Portfolio Value	\$188.9 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 \$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
- 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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