

FORAGER

INTERNATIONAL SHARES FUND

MONTHLY REPORT AUGUST 2021

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FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 August 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	-0.03%	3.14%	15.50%	53.51%	23.10%	19.18%	18.03%
MSCI AC World Net Index in \$A	3.06%	10.40%	19.96%	31.66%	13.58%	14.79%	15.65%

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

Despite most of the Fund's smaller companies reporting quarterly results in August, it was a relatively quiet month for stock price movements. The unit price of the Forager International Shares Fund fell 0.03%, while the MSCI AC World Net Index in Australian dollar was up 3.06% for the month.

Most of the companies we are invested in continued to show excellent progress. The relatively muted share price responses reflect either heightened expectations implied by share prices that had already risen significantly, or general investor apathy.

Both **Fathom** (NASDAQ:FTHM) and **Opening Lending** (NASDAQ:LPRO) are in the former category. No one could argue with the results.

For the second quarter, Fathom's revenue was more than double the same period last year. That was thanks to a 74% increase in property transactions and a 53% increase in the number of agents working for this office-less real estate agent. All metrics are moving in the right direction and the company has more than delivered on its IPO promises. Its owner manager now thinks they can be selling more than 100,000 properties a year by 2023. After rallying 400% from the IPO price, it's perhaps no surprise the share has recently fallen despite the good results. If they keep delivering, though, it is going to start looking cheap again in the not too distant future.

Open Lending's share price has also done very well the past 12 months. It, too, is justifying it. This highly profitable auto lending platform is growing at well north of 100% per annum. Its pre-tax profit margins are more than 70% and it hardly requires any capital, so that profit turns up as cold hard cash. It has plenty of growth ahead of it, with new clients signing up on a regular basis (credit unions and large car manufacturers who have their own financing arms). It is a nice thing to be worrying about, but our only concern is that it makes too much money.

BM Technologies (NYSE:BMTX) is another delivering on its promises. In this case, though, high investor expectations aren't the problem. While the results keep coming in, the share price keeps going down.

The online bank's revenue grew 48% in the second quarter. Unlike its much-hyped competitors, BM Tech is already profitable and will be increasingly so (perhaps that is the problem?). Its co-branded offering with Google launches later this year and management claim to have a number of new significant partners in the pipeline. Its US\$118m market capitalisation doesn't do much justice to any of that.

In all three cases, time should be our friend with these rapidly growing smaller companies.

One stock that has finally come to life is Norwegian small cap **Norbit** (OB:NORBT)

The Fund acquired shares in this high-end manufacturing company in its 2019 IPO. The stock had done little since. Norbit's Oceans division makes integrated sonar units that are smaller, cheaper and easier to use than competing alternatives, and it's expanding the sonar market globally. The Intelligent Traffic Systems (ITS) division makes connectivity solutions for tolling and safety monitoring of vehicles, particularly large ones like trucks and buses. The ITS division has some medium length contracts that have been and were set to remain very profitable, until new truck registrations in Europe got poleaxed by COVID-19. That hurt results in 2020 and more so 2021. They should rebound soon.

Our valuation has always placed more weight on the Oceans segment, where we think Norbit occupies an interesting niche unlikely to get competed away quickly. New geographies, new products, new use cases should all contribute to growth over the longer run. That was reinforced with the second quarter 2021 result. It was easily the highest revenue in the division's history and almost twice as profitable as any preceding quarter. The results can be volatile and one swallow doesn't make a spring, but the market has taken notice and the shares were up more than a third during August.

TOP 5 HOLDINGS (as % of NAV)

Whole Earth Brands Inc	(NASDAQ:FREE)	4.8%
Ammo Inc	(NASDAQ:POWW)	4.6%
Twitter Inc	(NYSE:TWTR)	4.1%
Motorpoint Group Plc	(LSE:MOTR)	3.9%
Blanco Technology Group Plc	(AIM:BLTG)	3.9%
Cash		4.6%

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%											-4.28%

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

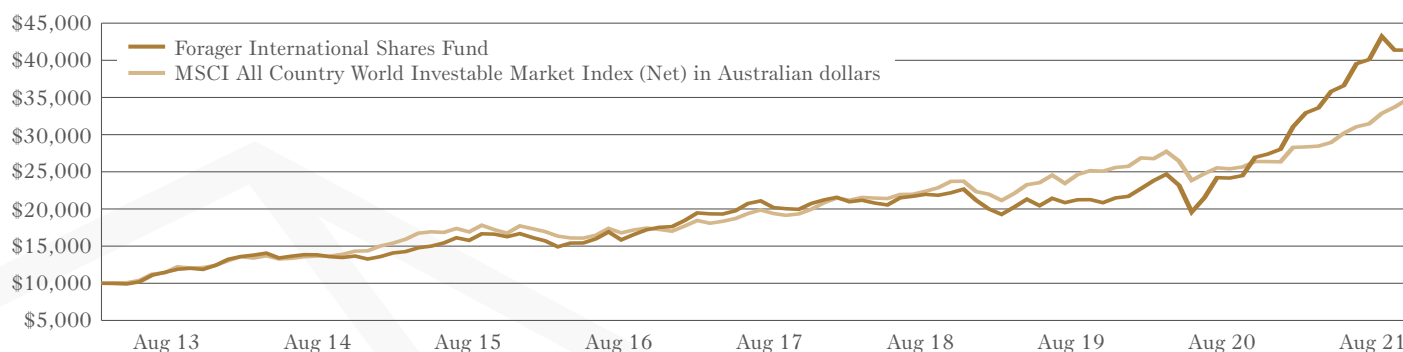
FACTS

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 August 2021
Buy Price	\$2.0232
Redemption Price	\$2.0152
Mid Price	\$2.0192
Portfolio Value	\$268.2m

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 \$490 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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