

FORAGER

INTERNATIONAL SHARES FUND

MONTHLY REPORT FEBRUARY 2022 www.foragerfunds.com

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 28 February 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	-6.32%	-16.21%	-19.65%	-7.19%	15.98%	11.46%	14.18%
MSCI AC World Net Index in \$A	-5.13%	-5.88%	-4.95%	14.02%	12.38%	12.48%	14.09%

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

Global share markets tumbled further in February, with the MSCI ACWI IMI falling 5.1% and the unit price of the Forager International Shares Fund falling 6.3%.

The month began with a focus on increasingly concerning signs of inflation and the prospect of higher interest rates, and ended with Russia mounting a full-scale military invasion of Ukraine. The latter event sent the prices of already scarce commodities like oil, gas and fertiliser soaring.

Any war is a senseless waste of life. One in a country many of us have travelled and have personal connections to is particularly gut-wrenching. When it comes to investing your money, though, we don't have a geopolitical insight worth listening to. Our focus remains on finding businesses that are significantly undervalued and where we expect that value to be realised within three to five years.

The big disappointment for the month was **Meta Platforms** (NASDAQ:FB). The social media giant was meant to be one of our larger, higher-quality companies that generated modest but predictable returns. That group of stocks, including **Sony** (TSE:SONY), **Autodesk** (NASDAQ:ADSK), **Keysight** (NYSE:KEYS), **Zebra** (NASDAQ:ZBRA) and **CDW** (NASDAQ:CDW), has done its job in recent years—providing excellent returns and a source of liquidity for our smaller, more esoteric investments.

Meta has behaved like a small-cap, with its share price falling 33% in February. Its reported results for 2021 were good, but the outlook for the first quarter of 2022 has investors fretting that the end is nigh for its stable of social media platforms, including Facebook, Instagram and WhatsApp. The number of people using Meta's platforms has stagnated, changes to Apple's operating system have made it more difficult to advertise to those users, and new upstarts like TikTok are stealing the attention of younger generations.

Still, it expects revenue to be between 3% and 11% higher than last year in the first quarter of 2022. It trades at less than 15 times earnings, generates oodles of cash and uses that cash to buy back significant amounts of its own stock every year. It seems like an overreaction, but we didn't buy one of the world's largest companies for some unique insight into the business—we bought it to play a role and, to date, it hasn't done that.

Results announcements elsewhere were far more positive. That was reflected in healthy share price bounces and increased portfolio

weightings for **Open Lending** (NASDAQ:LPRO), **Tremor International** (AIM:TRMR) and **eGain** (NASDAQ:EGAN). The latter continues to dramatically exceed the modest expectations implied by its share price, producing high revenue growth and positive cashflow while also constantly talking down its near-term prospects. Its customer service communications software is in demand around the world, and it continues winning new customers and growing the revenue from its existing clients.

Data erasure software company **Blanco Technology** (AIM:BLTG) is another from the "promise low, deliver high" school and that's possibly why its share price didn't react to an excellent set of results (more likely, it is simply in a sector increasingly out of favour). After some sales challenges during COVID, the business is growing well again and is generating healthy profit margins. That's partly due to some cost savings, like travel expenditure, that will unwind in time. But the medium-term trend is for profits to grow significantly faster than revenue.

But the standout result was marketing technology company **Zeta Global** (NYSE:ZETA). In an environment of rapidly falling stock prices for its peers, this company's share price increase—up some 89% since our first purchase six months ago—had us nervous leading into reporting season. Zeta delivered stellar results for 2021, though, and laid out a compelling plan for doubling the business to US \$1 billion in revenue in 2025. While it's not the bargain it once was (Zeta's share price tumbled after a botched IPO in June last year), it is still tracking well ahead of our initial investment thesis and has become one of the larger investments in the portfolio.

TOP 5 HOLDINGS (as % of NAV)

Lastminute.com NV	(SWX:LMN)	4.5%
Zeta Global Holdings Corp-A	(NYSE:ZETA)	4.4%
Flutter Entertainment Plc	(LSE:FLTR)	4.3%
Motorpoint Group Plc	(LSE:MOTR)	4.0%
Blanco Technology Group Plc	(AIM:BLTG)	3.9%
Cash		4.4%

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%					-23.08%

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

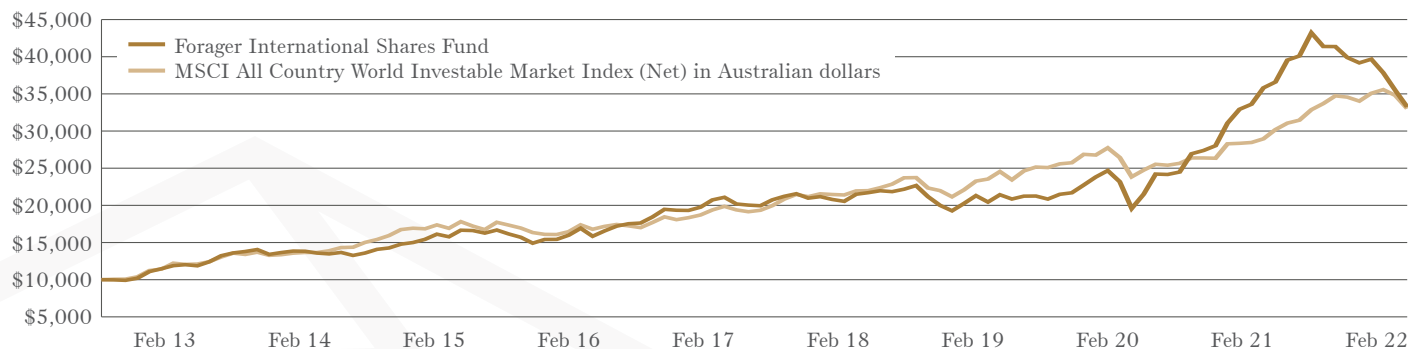
FACTS

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	28 February 2022
Buy Price	\$1.6257
Redemption Price	\$1.6193
Mid Price	\$1.6225
Portfolio Value	\$221.5 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 \$409 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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