

FORAGER

INTERNATIONAL SHARES FUND

MONTHLY REPORT JULY 2022



FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 July 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	4.46%	-3.26%	-21.23%	-32.45%	9.56%	6.88%	11.45%
MSCI AC World Net Index in \$A	5.59%	-0.24%	-9.22%	-6.26%	7.89%	10.54%	12.90%

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

July was a big up month for stock markets, with our benchmark index up 5.6%. The Forager International Share Fund lagged a little, up 4.5%, with many quarterly results still to be reported.

Online travel technology firm **lastminute.com** (SWX:LMN) fell 33% in July after Swiss authorities launched an investigation into the company. Four executives have been held in remand, including the CEO and founder Fabio Cannavale and Chief Operating Officer Andrea Bertoli. They're accused of fraud related to COVID-19 assistance received by the company.

Most of the legal ire here seems directed at key individuals rather than the company. But lastminute.com won't escape scot-free. This is not a small matter, and speaks to some of the governance issues that we've highlighted but clearly underweighted over the past year. At the least, a discount needs to be applied to our valuation.

But the market has overreacted. For context, the company took a total of CHF28.5 million in COVID support over the past three years. The Public Prosecutor's Office has blocked a total of CHF7 million in the company's bank accounts, only a portion of the total in those accounts, so it may be indicative of the scale of remediations in question. At one point, lastminute.com's market capitalisation was down more than CHF100m.

The company's announcements on the matter have moved swiftly from "confident of no wrongdoing" to distancing the company from the accused. An interim CEO has been appointed and, importantly, the board has resolved to launch a search for a permanent replacement.

Subsequent to month end, the company reported its result for the half year ended 30 June. Despite a slow start to the year due to the Omicron variant, total sales of €155m for the half fell just 5% short of 2019's pre-covid numbers, and net profit of €13.2m eclipsed 2019's €11.6m. The second quarter was a record one for the company, with revenue up 8% on 2019 and net profit up 60%, thanks to cost cutting and a shift in business mix towards dynamic packaging away from flights.

A good Q3 result seems likely, despite impacts from European airport havoc that you may have read about. On the results call, management confirmed they expect the summer season to be elongated this year. At least that part of our thesis is holding up well, and we're watching developments closely.

In better news, energy drinks company **Celsius Holdings** (NASDAQ: CELH) rose 36% over the month on no apparent news. The reason became apparent after month end, though (just a coincidence, we're sure). Celsius announced a long-term distribution agreement with

PepsiCo (NASDAQ:PEP). This deal will dramatically expand distribution potential for Celsius' products. Pepsi will take a stake in the business via the investment of \$550m in convertible preferred stock which equates to an estimated 8.5% ownership on conversion. For context, that \$550m is more than the company's entire market valuation at the time of Forager's first investment. The stock has risen meaningfully further since month end, and the Fund has been reducing its investment.

June quarter results started filtering in later in July. They ranged from below expectations to great. **Turning Point Brands** (NYSE:TPB) reported overall sales declining 16% versus the same period last year. Some of that was expected, with sales of its "Next Generation" products plummeting for most of the past year due to a regulatory quagmire. But demand for its traditional products like Zig-Zag and Stoker also seems to have waned (albeit still growing). It was only a quarter, but it was a mediocre result.

Meta Platforms (NASDAQ:META), owner of Facebook and Instagram, produced a middle-of-the-road result. The number of people regularly using its products increased and new formats on both Instagram and Facebook seem to be gaining traction (albeit accompanied by plenty of [Kardashian whinging](#)). Revenue from advertisers, though, suffered thanks to a general slowdown and competition from TikTok. The rest of 2022 won't get easier but Meta shares are priced like it will never grow again.

Lastly, aesthetic procedure machine manufacturer **InMode** (NASDAQ: INMD) produced an outstanding second quarter result, with sales up 30% and a slight increase to an already rosy outlook for the full year. This business could face headwinds in a bad economic environment, but we've added to the investment over the past month as the results are largely confirming our thesis.

TOP 5 HOLDINGS (as % of NAV)

Cryptoport Inc	(NASDAQ:CYRX)	4.48%
Flutter Entertainment Plc	(LSE:FLTR)	4.18%
Linamar Corp	(TSE:LNR)	4.09%
Blanco Technology Group Plc	(LON:BLTG)	4.09%
Autodesk Inc	(NASDAQ:ADSK)	3.94%
Cash		8.5%

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%												4.46%

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

FACTS

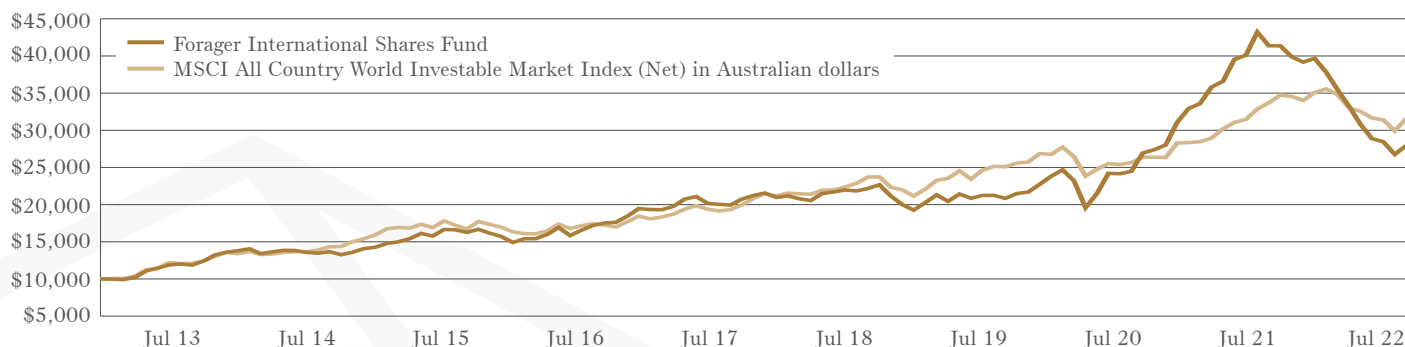
Fund inception	8 February 2013
Minimum investment	\$20,000
Monthly investment	Min. \$200/mth
Distribution	Annual, 30 June
Applications/Redemption	Weekly

UNIT PRICE SUMMARY

As at	31 July 2022
Buy Price	\$1.3670
Redemption Price	\$1.3616
Mid Price	\$1.3643
Portfolio Value	\$184.6 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 \$335 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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