FORAGER

INTERNATIONAL SHARES FUND

MONTHLY REPORT MAY 2022

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 May 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	-1.50%	-14.39%	-28.27%	-29.04%	10.92%	6.18%	11.88%
MSCI AC World Net Index in $A	-0.88%	-4.92%	-10.52%	-0.23%	10.22%	9.58%	13.07%

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

Jamie Dimon recently warned of a "hurricane brewing". The Chief Executive of **JP Morgan** (NYSE:JPM) says consumers are still spending, for now, but they are doing so by dipping into their stimulus-boosted savings. The ratio of savings to income in the US is now the lowest in 14 years.

It should be no surprise, then, that it has been a tough year for shareholders in economically sensitive businesses. Already rampant inflation, the prospect of rising interest rates, and a subsequent global recession in 2023 have sent investors and speculators running for the exits.

In the Forager International Shares Fund, calendar year share price falls have ranged from 27% for manufacturer **Linamar** (TSX:LNR) to 29% for insulation installer **Installed Building Products** (NYSE:IBP) and 44% for auto-loans facilitator **Open Lending** (NASDAQ:LPRO).

There is no doubt a recession will temporarily impact all three businesses. If recent results are anything to go by, though, they are heading into any potential turmoil from a position of strength.

Linamar is already in the midst of the worst downturn it has ever faced. Prior to the COVID virus's arrival, the world was producing almost 100 million cars per annum. Those numbers have been hammered. By the end of 2022, a cumulative shortfall of some 40-50 million cars won't have been produced. The 2008/9 global recession saw a decline in volumes barely one-third of what has been experienced this time around, although it would have been worse if not for massive government incentives.

As a key supplier to automobile manufacturers, it doesn't get much worse than this for Linamar. Yet it still manages to eke out a healthy profit in recession-like conditions. Even if we take a haircut to management's new, lower expectations for the rest of 2022, Linamar trades on a price-earnings ratio of less than 10 times.

Those supply issues are also affecting Open Lending. As a platform for auto lending, revenue from business with new car manufacturers halved in the first quarter of 2022. It more than made up for that with second-hand lending volumes via its traditional credit union partners. The company's profit margins are still higher than 50%. And its strong cash generation meant it had more cash than debt at the end of March.

The bigger concern for investors is the credit cycle. While Open Lending doesn't lend money itself, its revenue does depend on the performance of loans made by others. The environment is getting tougher. Delinquency rates for less reliable US borrowers (often termed subprime) jumped to the highest levels on record in February and March, according to credit reporting agency Equifax. Open Lending's business model — cherry-picking the best cohort of those subprime borrowers — is about to be put to the test.

If it passes, the underlying growth and incredible profitability of this business will make it worth many multiples of today's share price.

Installed Building Products is yet to show any signs of a slowdown. It recently reported a 34% increase in revenue for the quarter ending 31 March 2022. Despite continuing supply chain issues, the company generated this growth with higher margins than in prior years.

The building cycle is certain to turn at some point. When it does, IBP has a lot of market share still to take and a downturn should only accelerate that process. A big chunk of this company's growth comes from acquiring small insulation businesses and expanding their profitability through better purchasing terms and leveraging IBP's existing corporate services. Paying a lower price for these businesses will mean more lucrative returns for investors over the long-term.

Jamie Dimon says he doesn't know if the coming hurricane is a "minor one or Superstorm Sandy". We would obviously prefer the former but, either way, these three businesses have the foundations to weather it.

One sector that isn't suffering a consumer slowdown is travel. In a generally disappointing update that sent the share price tumbling 25%, US retailer **Target** (NYSE:TGT) said one of the few highlights was luggage, where sales were up 50%.

From airline bookings to web searches, all of the data suggests the one thing people don't want to miss out on is a holiday. Not this year. That's good news for online travel agent **Lastminute.com** (SWX:LMN).

Its brief first-quarter update showed revenue running at 81% of 2019 levels and management commentary suggested that is improving month by month. It will need to make a lot more than the $2m profit it said it made in April for this investment to be a success. But we are expecting a bumper European summer and our thesis, that this business will be dramatically more profitable than its pre-COVID performance suggests, will be well and truly tested by the end of the year.

TOP 5 HOLDINGS (as % of NAV)

Flutter Entertainment Plc	**(LSE:FLTR)**	4.6%
Lastminute.com NV	**(SWX:LMN)**	4.5%
Blancco Technology Group Plc	**(AIM:BLTG)**	4.2%
Meta Platforms Inc	**(NASDAQ:FB)**	4.1%
Linamar Corp	**(TSE:LNR)**	3.7%
Cash		6.9%

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%		**-34.15%**

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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 May 2022
Buy Price	$1.3919
Redemption Price	$1.3863
Mid Price	$1.3891
Portfolio Value	$189.9 million

The Fund is forward-priced; you will receive the price struck subsequent to the receipt of your application/redemption.

ABOUT FORAGER

With approximately $350 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.

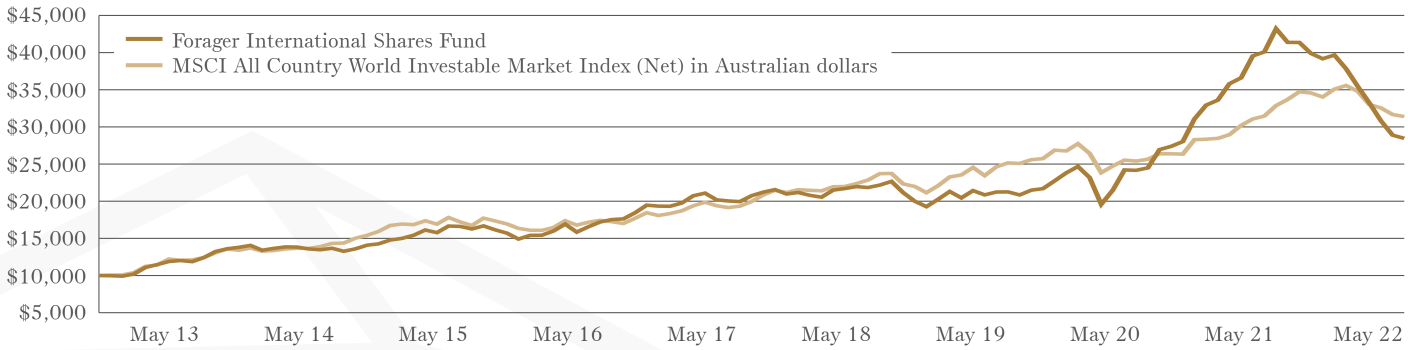
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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

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.