

# FORAGER

# INTERNATIONAL SHARES FUND

MONTHLY REPORT OCTOBER 2021 [www.foragerfunds.com](http://www.foragerfunds.com)

## FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 October 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.)
<b>International Shares Fund</b>	-1.79%	-5.32%	-0.94%	39.76%	22.78%	17.32%	16.93%
<b>MSCI AC World Net Index in \$A</b>	0.85%	0.97%	9.54%	29.19%	15.07%	14.88%	15.06%

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

Abrupt changes to the social media landscape came into focus over the month of October, with some businesses more impacted than others. By month's end, the Forager International Shares Fund unit price was down 1.79% against an index return of 0.85%.

The challenges for social media stocks began with one we don't own. **Snap** (NYSE:SNAP) reported its quarterly earnings on 21 October, and was down 27% the next day. Snap owns Snapchat, a messaging and photo-sharing app which generates revenue by serving advertisements to its users. The share price reaction was due largely to a lower revenue forecast for the next quarter. Snap's CEO pointed to privacy changes implemented by **Apple** (NASDAQ:AAPL) as a reason for the shift in expectations.

These changes require Apple users to explicitly opt-in to allow applications to track their activity across other apps and mobile websites. Historically, opting in was the default option—meaning, advertisers have been tracking most of us for years. The data captured was invaluable, allowing businesses to serve us targeted advertisements based on our interests and accurately measure the success of advertising campaigns. Without it, both of these things get much more difficult.

Markets have been aware of Apple's privacy changes for some time now, but the extent of the impact was unknown. Snap's share price has continued to fall since its announcement, and the share prices of other social media businesses like **Facebook** (NASDAQ:FB), **Pinterest** (NYSE:PINS) and **Twitter** (NYSE:TWTR) have followed suit to varying degrees. The latter two are held by the Fund.

Pleasingly, Twitter's third-quarter results and ongoing outlook showed no obvious impact from the privacy changes. Historically, Twitter has been so poor at serving up targeted advertisements that it's starting from a low base. Most of its revenue comes from broader brand advertising rather than the targeted performance marketing impacted by Apple's changes. Bigger picture: we think Twitter's purpose, which revolves around users' interests, professions and hobbies more than their social circle, puts it in a better position to deal with changes than Snapchat, for example.

The company announced its results, held its conference call, brokers put out early notes saying everything was on track, and the stock traded up in the post-market—a sign investors were pleased. But the next day, the stock fell 10% and has barely budged since. Scepticism abounds, and we sympathise. Twitter has not yet lived up to its potential. But we think new product development and progress on revenue and user numbers point to a company improving at a rapid clip. Should it keep executing well, investors will eventually come around.

Pinterest announced its third-quarter results after month-end. Revenue increased 43% to US\$633m, with growth coming from significant improvements in average revenue per user. Monthly active users barely grew from the same period last year. This has been a concern as the world opens up and people spend less time on Pinterest. Costs were kept well under control, and grew at a slower pace than revenue.

Management also confirmed that Pinterest was not materially impacted by Apple's privacy changes. We thought it might be somewhat insulated, but this was a pleasant surprise. Due to the nature of the platform, Pinterest has a rich set of first-party data that it can use to serve users with targeted ads. While it's still early days, the company has been preparing for these changes for some time now, investing in technology to improve conversion visibility with a focus on user privacy.

While these privacy changes were negative for most industry participants, there were a few beneficiaries. A newer investment in the portfolio, **Zeta International** (NASDAQ:ZETA), is in the sweet spot. This company is an enterprise marketing platform with a large amount of proprietary information that users have consented to sharing (through the use of various free internet tools owned by Zeta). This allows the company to help customers target audiences, and achieve higher returns on its advertising and marketing spend. Zeta is growing its revenues well over 20% per year and trades at an attractive valuation.

**Tremor International** (NASDAQ:TRMR) should also be insulated from these changes, as its exposure to the rapidly growing Connected Television market allows it to deliver targeted advertisements to the right kind of audience.

### TOP 5 HOLDINGS (as % of NAV)

<b>Whole Earth Brands Inc</b>	(NASDAQ:FREE)	4.3%
<b>Motorpoint Group Plc</b>	(LSE:MOTR)	4.2%
<b>Blanco Technology Group Plc</b>	(AIM:BLTG)	4.1%
<b>Ammo Inc</b>	(NASDAQ:POWW)	3.6%
<b>Cryoport Inc</b>	(NASDAQ:CYRX)	3.6%
<b>Cash</b>		7.3%

**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%									-9.35%

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

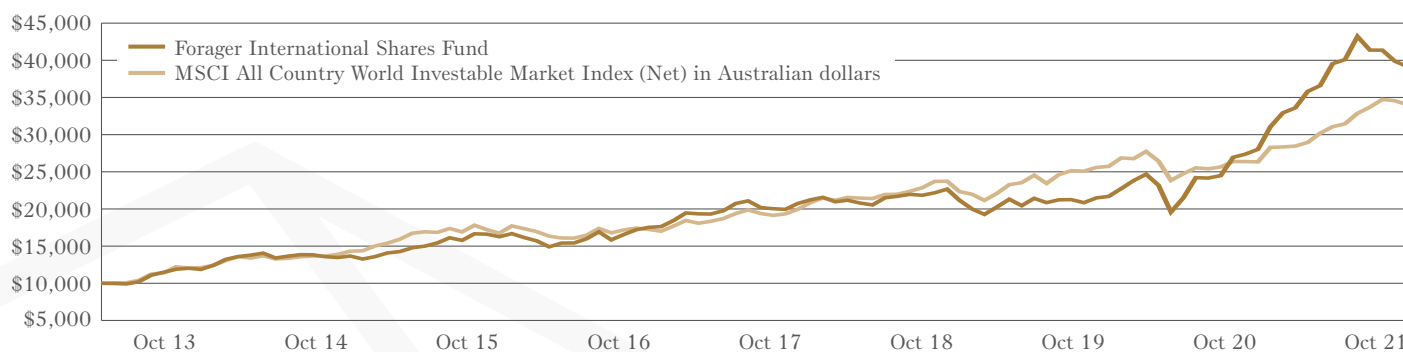
**FACTS**

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

**UNIT PRICE SUMMARY**

<b>As at</b>	31 October 2021
<b>Buy Price</b>	\$1.9161
<b>Redemption Price</b>	\$1.9085
<b>Mid Price</b>	\$1.9123
<b>Portfolio Value</b>	\$257.7m

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 \$480 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

**WARNING** The information given by Forager Funds Management is general information only and is not intended to be advice. You should therefore consider whether the information is appropriate to your needs before acting on it, seeking advice from a financial adviser or stockbroker as necessary. This report may contain some forward-looking statements which reflect the expectations of Forager Funds Management about the future prospects of companies held within the portfolios of the funds. While Forager Funds Management considers its expectations to be based on reasonable grounds, there is no guarantee that those expectations will be met. **DISCLAIMER** Forager Funds Management Pty Ltd operates under AFSL No: 459312. Fundhost Limited (ABN 69 092 517 087, AFSL No: 233045) is the responsible entity and the issuer of the Forager International Shares Fund (ARSN No: 161 843 778). You should obtain and consider a copy of the product disclosure statement relating to the Forager International Shares Fund before acquiring the financial product. You may obtain a product disclosure statement from Fundhost Limited or download a copy at [www.foragerfunds.com](http://www.foragerfunds.com). The International Shares Fund Target Market Determination can be found at <https://fundhost.com.au/fund/forager-international-shares-fund/>. To the extent permitted by law, Fundhost and Forager Funds Management Pty Limited, its employees, consultants, advisers, officers and authorised representatives are not liable for any loss or damage arising as a result of reliance placed on the contents of this document. \*This investment objective is not a forecast and returns are not guaranteed. Although the MSCI AC World Net Index in \$A benchmark represents the available investment universe for the Fund, the Portfolio will represent a very small proportion of those available investments and the Fund's results may vary from the benchmark.