FORAGER

INTERNATIONAL SHARES FUND

MONTHLY REPORT DECEMBER 2020 www.foragerfunds.com

PERFORMANCE (Net of all fees and expenses)

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 December 2020)

	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	5.98%	20.24%	36.30%	38.26%	16.23%	15.95%	16.28%
MSCI AC World Net Index in $A	0.24%	7.47%	11.60%	5.90%	10.21%	10.84%	14.10%

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

Wow, what a ride. We have never seen anything like 2020. The first quarter of the year saw one of the largest and fastest sell-offs in market history, with stock markets hammered by the pandemic and global economic lockdown. The recovery was almost as steep, underwritten by the world's central bankers. The buffering effects of the Australian dollar helped mute the sharpness of both the downturn and the recovery for local investors. But volatility was extreme. Violent price moves left many paralysed. We're not going to pretend some nights in March weren't restless. But it's the sort of investing environment where we can best hope to gain an edge over the crowd.

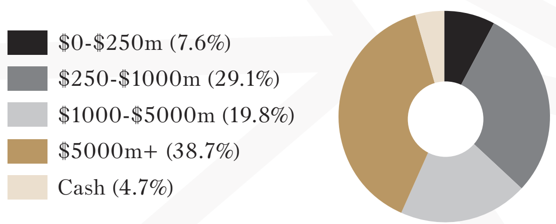
The Fund owned eight stocks (Celsius, Fathom, Open Lending, ThinkSmart, Farfetch, GAN, Spotify and Uber) that doubled over the full course of the year. Many more if you cherry pick from the 23 March low. In Celsius's case, its share price ended the year almost 10 times higher than our first purchase in January 2020.

One should not expect a repeat near-term. Even if we managed to eliminate all mistakes next year, market conditions are unlikely to reward winners so rapidly. This has not been a normal market. However, it remains more bifurcated than usual, and that should prove good for us.

The portfolio is more diversified than it's been in years. At 31 December 2020, the largest five investments represented just 20% of the portfolio, versus more than 30% a year earlier.

We do not know what 2021 will bring. But if the market continues to race higher, the portfolio will continue to get more defensive. In cricketing parlance, more blocks and singles, fewer boundaries.

PORTFOLIO DISTRIBUTION ACCORDING TO MARKET CAPITALISATION



VALUE AND GROWTH IN SOME STEADY BUSINESSES

Companies such as **APi Group** (NYSE:APG) continue to trade at attractive valuations despite being exposed to growing end-markets — in this case fire safety and security (see the September 2020 Monthly Report). APi should also benefit from the Democrats recently winning control of the U.S. Senate, particularly given renewed hopes for a rural broadband stimulus and an increased focus on energy efficient buildings.

With more than half of the company's revenues of a recurring nature, APi Group provides a defensive growth opportunity in a market that has significant pockets of lofty valuations.

And there is **Whole Earth Brands** (NASDAQ:FREE), which is now the Fund's largest single investment. Whole Earth is a branded consumer goods company focused on natural and artificial sweetener products, as well as being a leading global supplier of licorice extract and derivative products — a business that has been around for 150 years.

You may be familiar with some of the company's portfolio of zero calorie, low calorie and natural and sweetener products, including the Whole Earth, Equal, Canderel and Pure Via brands. These products are generally the number one brand in Australia, Europe, South Africa and the United States (subsequent to their two recent acquisitions, discussed below).

It operates both of its businesses globally, distributing table top sweetener products into the retail, food service and e-commerce channels while supplying licorice products to some of the largest manufacturers in the world, including Haribo and Hershey's. The business's global platform distributes to more than 100 countries with six manufacturing facilities of its own and a broad network of distribution partners and co-manufacturers.

Whole Earth should benefit from consumer trends that continue to shift towards natural alternatives and "free-from" additive solutions. Moreover, the natural sweetener growth opportunity in emerging markets is significant and the company is currently expanding into the Indian and Chinese markets. Global sweetener penetration sits at only 3% in those markets, versus just over 12% in Europe and North America.

In today's stock market, these types of reliable businesses with growth prospects are not cheap. But Whole Earth Brands is an exception.

A FORCED SELLER HELPS

It was listed on the Nasdaq stock exchange in mid 2020 through a reverse merger with a Special Purpose Acquisition Company. Prior to going public, the two businesses that comprise Whole Earth Brands — Merisant and Mafco — were owned by corporate raider Ron Perelman. This prior ownership is key to the opportunity.

Perelman has been an aggressive seller of his assets over recent years (including his impressive art collection) as he seeks to reduce high levels of debt. Historically, the majority of Whole Earth's cash flow was used to service debt and pay out dividends to Perelman, so that he would not default elsewhere. The business was starved of capital for integration, cost-cutting, brand-building and, most importantly, growth.

Thanks to COVID, Perelman had to take a discount on the reverse merger deal and his continued selling after the listing further depressed the price, giving us our opportunity.

A SWEET INVESTMENT OPPORTUNITY

We love the shareholder-friendly capital allocation policies of the business. Within months of becoming a public company management authorised a US$20m buyback (more than 5% of its market capitalisation).

And it now has the capacity to plug more adjacent businesses into the network. Whole Earth recently announced the acquisition of the Swerve and Wholesome brands, two natural sweetener products which expand the company's product footprint and provide significant topline and cost synergies. The two acquisitions have almost doubled Whole Earth's annual revenues since the business listed and increased its market share in North America, from 5.4% to 11.6%.

Trading at less than seven times 2021 operating profits (before depreciation), we see significant secular tailwinds and a management team that is being set free from its high debt burden for the first time. It should all translate to higher profits and a much higher share price over the coming years.

TWITTER: OVERUSED AND UNDER-MONETISED

Twitter (NASDAQ: TWTR) is the preeminent tool for breaking news and knowledge in the western world. What's in the newspaper tomorrow is largely a rehash of what's on Twitter right now. Facebook might be the place to connect with your friends. But Twitter is the place to connect with your interests — be it professional or hobby — especially anything information-rich. It's become the public forum where experts from myriad fields collaborate and joust, and anybody can join the discussion. The so-called network effects are strong and strengthening.

And yet we've watched the stock safely from the sideline for more than half a decade. Twitter the business has massively underperformed expectations. For too long it has failed to grow its revenue, unable to monetise its user base at a fraction of potential. It has also failed on costs, pouring money into research and development that hasn't had much impact on product quality or revenue generation. We've seen some improvement in those metrics over the past few years, but it was more abrupt changes in 2020 that really caught our eye.

In the first quarter of the year, active fund managers Silver Lake and Elliott Management both acquired stakes in the company and took a board seat each. They're playing good cop, bad cop roles. Silver Lake has a long history of success with underperforming tech companies. Elliott Management butts heads and breaks noses. Both will come in handy in pushing Twitter closer to its potential.

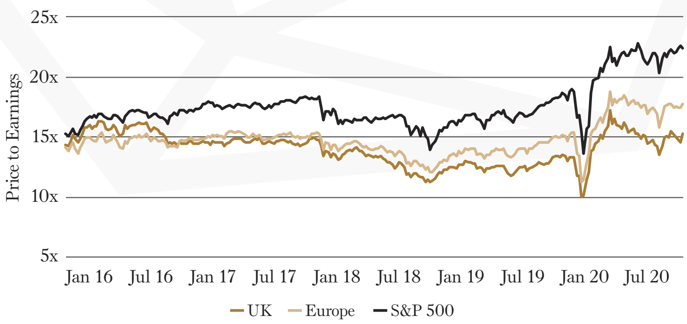
That's largely the bull case for the stock. Despite question marks around management and monetisation, Twitter user growth has been accelerating since 2018, even more rapidly since the onset of COVID-19. Revenue is now following suit. The company's backend technology, which had been hampering the company needlessly, is being redesigned from the ground up and will better serve the needs of advertisers. And now the new board will offer the right oversight to ensure management either delivers or disappears.

The Fund bought its stake midway through the year, with the stock up nearly 50% since our initial purchase. It's getting closer to our base case valuation. But the upside remains immense if the company can get a few important things right. We're watching closely.

BREXIT, FINALLY

Finally, the end of 2020 culminated with a Brexit agreement being signed, after negotiations went down to the wire. Although the UK is now facing a lot of similar restrictions without the benefits of being an inside member of the EU, the disastrous "no deal" scenario that investors were worried about is finally off the table. With a significant portion of global investors underweight the country and equity valuations at attractive levels relative to other developed markets, we continue to hold a number of investments that give us exposure to the region and a potential domestic recovery.

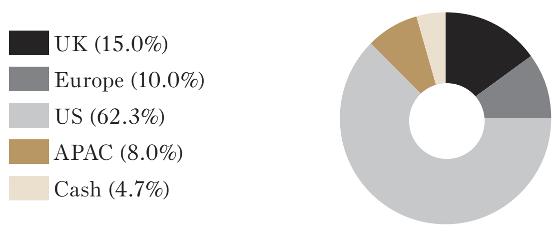
UK MARKET PRICE TO EARNINGS VALUATION VERSUS EUROPE AND US



Source: Bloomberg

TOP 5 HOLDINGS (as % of NAV)		
Whole Earth Brands Inc	**(Nasdaq:FREE)**	4.9%
Blancco Technology Group Plc	**(AIM:BLTG)**	4.6%
APi Group Corp	**(NYSE:APG)**	3.9%
Boohoo Group Plc	**(AIM:BOO)**	3.9%
Celsius Holdings Inc	**(Nasdaq:CELH)**	3.7%
Cash		4.7%

STOCK EXPOSURE BY GEOGRAPHY



INTERIM DISTRIBUTION

The Forager International Shares Fund paid an interim distribution to unitholders at 31 December 2020. The $0.10 per unit distribution is a conservative portion of the income already realised this financial year. While much can change between now and 30 June, given the unrealised and realised gains made to date, investors in the Fund should plan for a substantial amount of taxable income for the full-year.

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%							**36.30%**

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 December 2020
Buy Price	$2.1429
Redemption Price	$2.1344
Mid Price	$2.1387
Portfolio Value	$216.0m

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

ABOUT FORAGER

With approximately $400 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.

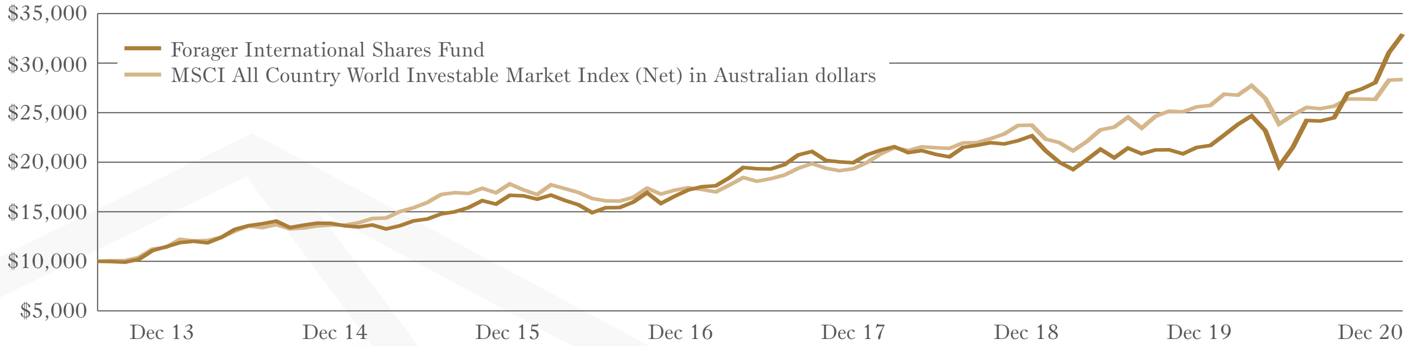
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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
- Investments mainly in small and medium sized businesses
- Flexible mandate allows for a wide range of markets
- Investment team with deep pockets of expertise
- Strong focus on managing portfolio risks
- Potential complement to index or ETF funds
- 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.