FORAGER

INTERNATIONAL SHARES FUND

MONTHLY REPORT MARCH 2022

www.foragerfunds.com

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 March 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	-7.29%	-18.57%	-22.75%	-15.81%	14.65%	9.30%	13.09%
MSCI AC World Net Index in $A	-1.40%	-8.48%	-3.52%	7.81%	11.41%	11.72%	13.78%

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

Stock markets have fallen sharply. The Russell 2000 Index of small US companies, measured in Australian Dollars, fell 2.1% over the month of March and 10.2% over the March quarter. Despite also owning some larger stocks, the Forager International Shares Fund performed worse than that. You can put most of that down to unforced errors.

March was an important month for the Fund, with many of its investments reporting their 2021 results and 2022 outlook. It was a chance to collect evidence and reappraise. Had the operating performance justified Fund valuations, or was the market pessimism correct? The hope was for emphatic wins, but the result was a mixed bag.

UNDERWHELMING

Sweetener company **Whole Earth Brands** (NASDAQ:FREE) fell sharply after releasing its results. Like companies everywhere, Whole Earth is being impacted by both supply chain constraints and cost inflation. While we believe the company will be able to raise its selling prices over time, there is a lag that's hurting it today. The Fund had been trimming this position since mid-2021 in response to disappointing free cash flow generation and concerns about acquisitions. The trimming has continued.

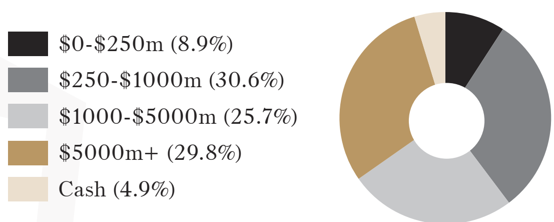
While the 2022 outlook for both sales and adjusted earnings before interest, tax, depreciation and amortisation (or EBITDA) was underwhelming, its valuation suggests there's a lot of upside if management can right the ship.

Online gambling giant **Flutter Entertainment** (LSE:FLTR) was another landmine. The industry is awaiting a governmental review of UK regulation, with a particular focus on problem gambling. Flutter isn't waiting—it's proactively reducing its reliance on larger punters. These changes lopped 8-10% off fourth-quarter UK revenue and more again off profit. It is comforting that large competitors like **Entain** (LSE:ENT) are reporting stronger UK results, having not taken any proactive measures. If the review turns out to be a non-event, Flutter can selectively unwind changes to regather share and profit. If there are changes, Flutter is better placed than anyone.

Russian and Ukrainian exposure was another area of focus for the business, where it generated £60 million of contribution margin in 2021. It's not particularly meaningful for Flutter, and exposure to that part of the world was set to decline anyway. In comparison, Australian operations are doing very well. And its US business FanDuel is growing even faster than anticipated and leads the market by several lengths. Management is guiding US operations to reach profitability by late 2023 and the hope is that FanDuel will generate immense amounts of free cash thereafter.

Online real estate agent **Fathom Holdings** (NASDAQ:FTHM) produced $95.5 million in revenue in Q4 2021, up 79% on the same period 12 months ago. That number blitzed most broker forecasts but was in line with our expectations. Fathom trades around breakeven profitability today, which is not unusual for a business that is reinvesting and growing at breakneck speeds. However, the big concern is its 2022 outlook. While management has guided for revenue growth of around 30%, the view is that the business can—and should—grow faster than that. If it doesn't, it needs profitability to scale up quicker.

PORTFOLIO DISTRIBUTION ACCORDING TO MARKET CAPITALISATION



ON TARGET

Fashion retailer **Hallenstein Glasson Holdings** (NZSE:HLG) released interim results that were in line with last month's trading update. Sales of NZ$170.6 million were down 6.2%—impacted by pandemic-related store closures in both key markets. However, online sales are doing well—rising almost 30% and providing one-third of total sales.

Its net profit of NZ$11.9 million was 40% lower than last year, impacted by higher operating costs and lower revenue. Other challenges, like COVID outbreaks and short-term production shutdowns in some of its manufacturing facilities, have also weighed on results. However, the company has deftly navigated the issues of the past two years and is likely to continue doing so. It remains cash-generative and has declared an interim dividend of 18 cents per share.

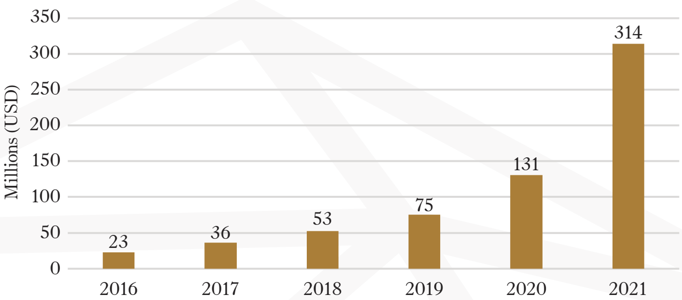
There were no big surprises in the fourth-quarter results of business services provider **APi Group** (NYSE:APG), as the company pre-released in February. However, sales of US$1.1 billion, up 27%, came in above market expectations. Unsurprisingly, supply chain issues and cost inflation continued to weigh on margins. Revenue guidance of US$6.3-6.5 billion in 2022 implies 6-7% organic revenue growth. A US$250 million share buyback was announced soon after results were released—not insignificant versus APi's US$4.9 billion market capitalisation.

Janus International (NYSE:JBI) manufactures doors and access control systems for the self-storage industry. It's also been a beneficiary of increased use of internet-enabled access expanding its market. As market leader (by a substantial margin), it has cost advantages over its competitors. That, of course, is a relative advantage. It's suffering less from increased raw material, labour and logistics costs. Cost-containment measures and passing on higher costs to customers should help in 2022, with a management outlook for revenue growth of 14% and adjusted EBITDA of 15.5%.

LOOKING GOOD

The Fund has owned "healthy" energy drinks business **Celsius Holdings** (NASDAQ:CELH) before and it's in the portfolio again today. This is a business that needs to grow rapidly to justify its US$4.4 billion market capitalisation. But grow it has. Fourth-quarter sales were up 192%. On Amazon in the US, Celsius commands a 20.2% market share and is rapidly closing in on the market leader.

CELSIUS ANNUAL REVENUE

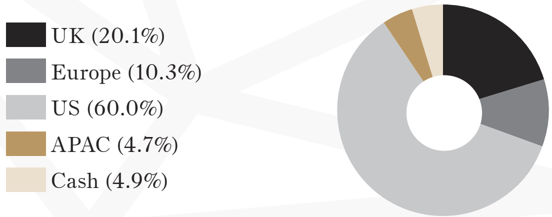


Source: S&P Capital IQ

Unfortunately the company hasn't professionalised at the same rapid rate. This quarter, Celsius failed to lodge its accounts on time. There was a stock-based compensation expense for $12 million that hadn't previously been properly accounted for. Not its first indiscretion but it was rectified soon after. Celsius changed its auditor last year, which Forager had been strongly pushing for. Hopefully this is helping. It would be good to see Celsius develop high-quality systems and protocols to avoid repeated missteps, even if that means raising some capital today.

But these are just growing pains and Celsius is destined to be taken over by one of the drinks giants.

STOCK EXPOSURE BY GEOGRAPHY



BM Technologies (NYSE:BMTX) hasn't been mentioned much, despite the Fund being one of this illiquid microcap's larger shareholders. The digital banking platform provider reported a strong fourth quarter result, with revenue increasing 41% to US$95 million and core earnings of $11 million as the group transitioned to profitability.

Finally, **Lastminute.com** (SWX:LMN), an online travel tech company disguised as a travel company, reported impressive results for the second half of 2021. Cost control led to a small profit despite the emergence of Delta and Omicron and the punishing travel restrictions largely in place through the end of 2021.

This is the year travel returns to normal, with the pandemic and a devastating war so far doing little to dent Europeans' holiday plans. Bookings recovered rapidly in early January coming out of the Omicron wave and were temporarily slowed at the onset of Russia's invasion of Ukraine. The trend for bookings currently sits ahead of the same period in 2019, the last "normal" year. This might be a record year and we think it will follow with even bigger results in 2023 and 2024. As with Celsius, we think a takeout by a larger competitor is the end game.

TOP 5 HOLDINGS (as % of NAV)

Lastminute.com NV	**(SWX:LMN)**	4.5%
Zeta Global Holdings Corp-A	**(NYSE:ZETA)**	4.4%
Blancco Technology Group Plc	**(AIM:BLTG)**	4.2%
Motorpoint Group Plc	**(LSE:MOTR)**	4.0%
Flutter Entertainment Plc	**(LSE:FLTR)**	3.6%
Cash		4.9%

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 movementsˆ.

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%				**-28.69%**

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 March 2022
Buy Price (cum distribution)	$1.5072
Redemption Price (cum distribution)	$1.5012
Mid Price (cum distribution)	$1.5042
Portfolio Value	$205.9 million

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

ABOUT FORAGER

With approximately $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.

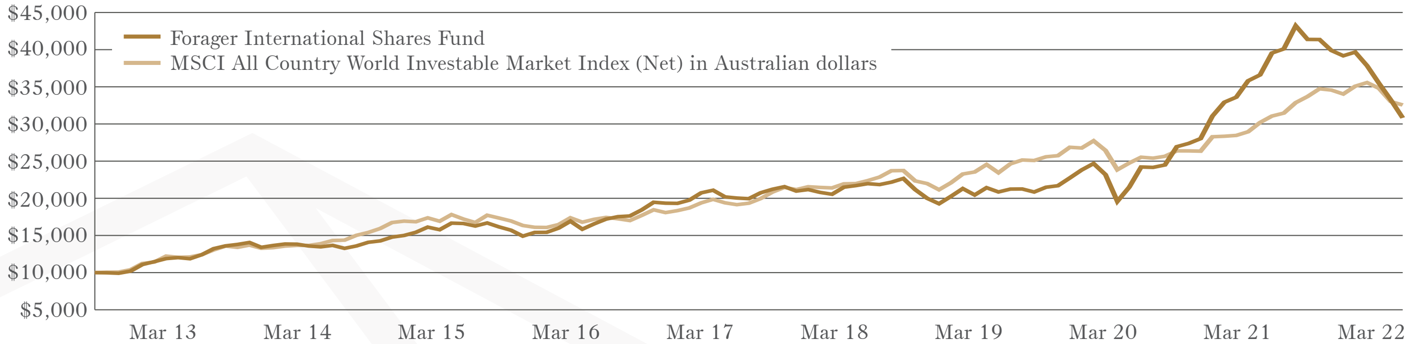
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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
- 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.