INTERNATIONAL SHARES FUND

MONTHLY REPORT FEBRUARY 2021 www.foragerfunds.com

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 28 February 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.)
International Shares Fund	6.56%	15.27%	32.91%	54.45%	19.86%	18.37%	17.15%
MSCI AC World Net Index in $A	1.74%	2.38%	9.75%	9.51%	10.49%	12.46%	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

Be careful not to pick your flowers and water your weeds. But you never go broke taking a profit. Like most investing "wisdom", both of these contrasting sayings can be useful, and also be downright dangerous. For every person who sold their **Apple** (NASDAQ:AAPL) shares 10 years too early, there is someone who let **Blackberry** (TSX:BB) become 50% of their portfolio, only to see what could have been a very comfortable retirement evaporate into thin air.

Trite investing wisdom is no substitute for first order thinking. It's true that opportunities to compound wealth over decades in a single stock are rare. When you find one, you need to make the most of it. Energy drink company **Celsius** (NASDAQ:CELH) is a prime candidate. The Forager International Shares Fund has owned it since January 2020.

It is growing rapidly in the US and the most substantial barriers to national distribution have already been overcome. Sector juggernaut **Monster Beverage** (NASDAQ:MNST) has been one of the world's most wonderful investments over the past 20 years. Celsius is showing some early evidence that it is on a similar trajectory.

If its share price were up 100%, we would not have sold a share given the thesis confirming evidence to date. If it were up 200%, it would still be one of our largest investments. But it's up 857% in the space of 12 months.

We've had a strong bias towards hanging on. We've recognised how much potential this business has. But it's still a tiny company with an unproven management team and an auditor we have not previously heard of. The risks of substantial falls from here are too high for us to keep holding, and we have sold most of the Fund's investment.

This hasn't been confined to Celsius. We have sold all of the Fund's investments in **Ulta Beauty** (NYSE:ULTA), **Uber** (NYSE:UBER) and **Farfetch** (NYSE:FTCH) and significantly reduced the percentage of the portfolio invested in **Fathom Realty** (NASDAQ:FTHM) (up 300% since it listed in the middle of 2020), **GAN** (NASDAQ:GAN) and **Thinksmart** (AIM:TSL). The last three have all seen their share prices rise at least threefold over the past year.

If this feels somewhat frantic to you, it has been. Our stated investment horizon is three to five years and the Fund has held several stocks much longer than that. But markets and individual stock prices have been moving at a speed we have not experienced many times in our investing lives.

The Forager International Shares Fund portfolio as a whole is up 48% since the end of June 2020, net of all fees and despite a substantial increase in the Australian dollar's value (a rising exchange rate reduces the value of international investments when measured in Australian dollars).

High returns are a good thing. But the magnitude and rapidity of the moves have caused more short-term realisation of profits than you should typically expect from your Forager investments. The Fund has already paid two special distributions this year as a result of the large gains. Unless markets fall dramatically, there are likely to be further realisations prior to the end of the Australian tax year.

The significant share price moves have also led to a repositioning of the portfolio. Some fund managers have drawn the conclusion that, because buying rapidly growing companies has worked for the past decade, buying rapidly growing companies is the only thing that is going to work in future.

We're not sure that's the right lesson.

After the tech wreck of 2000, **Microsoft**'s (NASDAQ:MSFT) share price went nowhere for 13 years, despite its earnings rising fourfold. Large banks and staple food companies dramatically outperformed the market. Money poured in to those strategies that focussed on boring stable businesses.

Which, of course, set the scene for a decade of wonderful returns from large tech stocks. It feels to us like many are making the same mistake today, just in the opposite direction. Some of our replacement new ideas are sensibly priced companies we're confident can grow rapidly. **Boohoo** (AIM:BOO) and **Twitter** (NASDAQ:TWTR) are two good examples. But many of the Fund's largest holdings today are companies where our growth expectations are more modest, but the price is much more modest still. **Whole Earth Brands** (NYSE:FREE) and **APi Group** (NYSE:APG) are two good examples—both are growing earnings above the market average and yet trade at a fraction of the valuation. The portfolio is well balanced between undervalued stocks growing rapidly and attractively priced and defensive assets growing at more moderate levels.

The Fund's cash weighting has also increased to almost 10%, an asset that should come in handy should a correction take place in the near term. We continue to do diligence on exciting new companies that will help us continue to generate above-market returns and more than 15% of the portfolio now consists of new investments made over the past two months.

Airline Skywest (NASDAQ:SKYW) was one of the most significant contributors to February's strong returns with its share price rising 45%. One month of performance is meaningless. There is a regime change, though this portfolio has plenty of exposure to previously unloved stocks that are starting to become loved again.

A growing business can be a wonderful thing, but the starting price always matters. Sometimes it pays to cut the flowers and plant a few seeds.

TOP 5 HOLDINGS (as % of NAV)		
Whole Earth Brands Inc	**(NASDAQ:FREE)**	5.6%
Blancco Technology Group Plc	**(AIM:BLTG)**	4.5%
Twitter Inc	**(NYSE:TWTR)**	4.2%
API Group Corp	**(NYSE:APG)**	4.0%
Keysight Technologies Inc	**(NYSE:KEYS)**	3.8%
Cash		9.0%

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%					**48.25%**

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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	28 February 2021
Buy Price (cum distribution)	$2.2218
Redemption Price (cum distribution)	$2.2130
Mid Price (cum distribution)	$2.2174
Distribution (28 February)	15cpu
Portfolio Value	$233.9m

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.

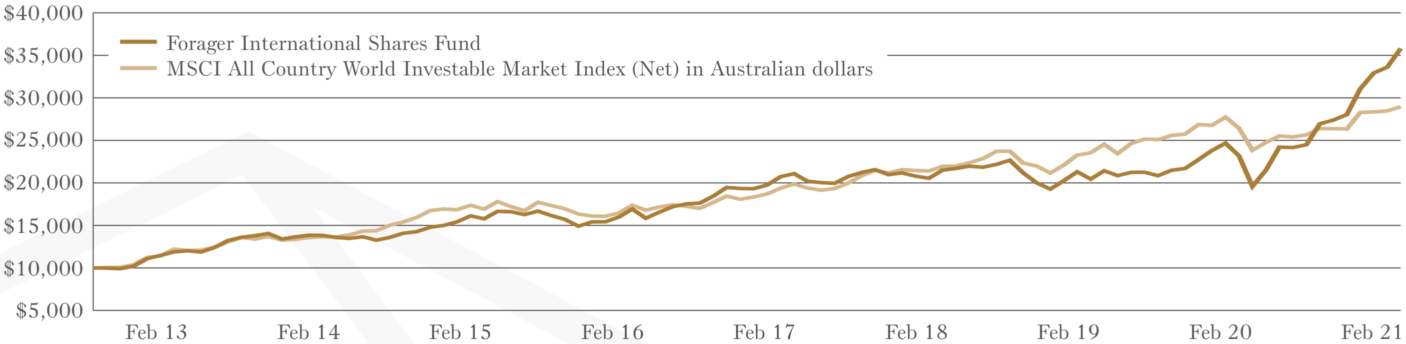
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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.