FORAGER

INTERNATIONAL SHARES FUND

MONTHLY REPORT JUNE 2021

www.foragerfunds.com

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 30 June 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	7.75%	18.07%	31.24%	78.88%	25.30%	22.22%	19.05%
MSCI AC World Net Index in $A	4.47%	8.86%	15.95%	29.40%	13.68%	14.39%	15.23%

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

The final quarter was a bumper end to a bumper year for the Forager International Shares Fund. The June quarter return for the Fund was 18%, taking the full-year return to 79% after all fees and costs. That's 9% and almost 50% better than the MSCI AC World Net Index in Australian dollars for the respective periods.

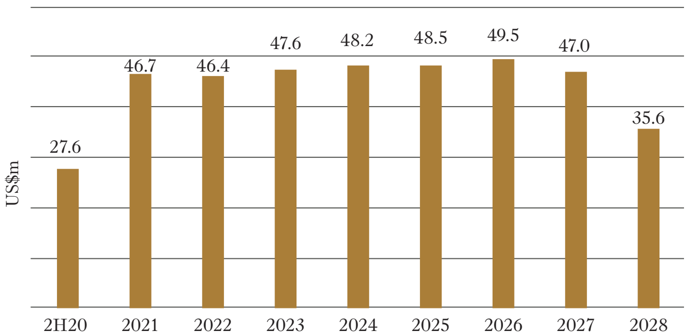
Many of the trends defining markets in 2020 have withered in the 2021 calendar year. Large tech and growth stocks have generally underperformed, and value stocks even had their day in the sun. The Fund's continued outperformance has been partly a result of our valuation methodology, enabling us to identify attractive investments in a variety of different markets and types of businesses. Many of our long-held investments outside the US have been trucking along nicely, while that progress has only been turning up in share prices more recently. You can read some updates later in this report.

But the biggest recent contribution has come from new investments that have only entered the portfolio this calendar year. While we don't expect all new ideas to contribute to the portfolio immediately, the importance of recycling investments that have run their course and constantly searching for attractively priced replacements has been paramount.

THE CLASS OF 2021

Our most successful new idea was **PLBY Group** (NASDAQ: PLBY). The owner of the Playboy brand returned to public markets earlier this year at a price which severely undervalued the underlying cash flows of the business and the iconic "bunny" brand. Playboy currently ranks #17 on the "world's most powerful brands" rankings by Licensing Global. Its licensees generate more than US$3bn of annual sales across 180 countries, including at well known stores such as Walmart and CVS in the US. Despite this, it was trading at a market capitalisation of less than US$500m earlier this year—a fraction of what we felt the business was worth.

PLBY GROUP: ROYALTY-BASED REVENUE PROVIDES STRONG CONTRACTED CASH FLOWS (US$m)



Source: PLBY Group Investor Presentation

The first thing investors were missing is that PLBY is no longer a magazine. The current management led by CEO Ben Kohn aims to harness the brand power cultivated over the past 70 years and monetise it through the most attractive channels. Kohn is an experienced private equity investor who has little attachment to the company's legacy, other than a burning desire to turn that legacy into cash flow.

There is tremendous scope to grow the brand in everything from apparel (it is already one of the leading menswear brands in China) to digital gaming. Perhaps the category with the greatest immediate potential is sexual wellness, which includes everything from condoms to topical sprays to lingerie. Anyone who has walked into a pharmacy or big box retailer recently in the US would have noticed the vast increase in such items for sale. A cultural shift around sexual health has cleared the way for retailers to add new products and Playboy is a natural fit.

The market may have missed it initially but it soon got the message. The stock appreciated more than 200% since we made our first investment earlier this year.

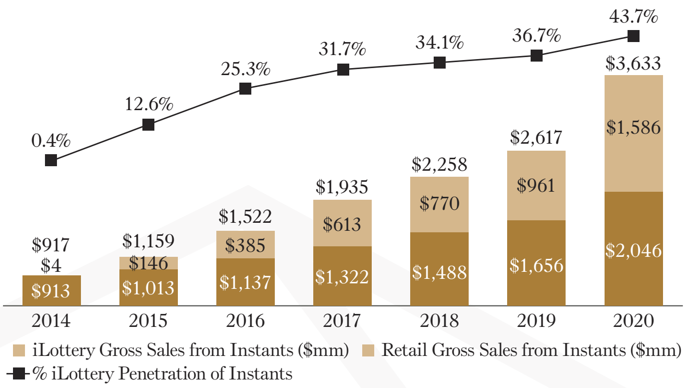
ANOTHER OPPORTUNITY IN ONLINE LOTTERIES

Over the past decade, Forager has had a lot of success with lottery businesses like **Jumbo Interactive** (ASX:JIN) and **Lotto24** (XTRA:LO24) and in the broader gambling sector with **Betfair** and **GAN** (NASDAQ:GAN). So we knew what to look for when the next stock came onto our radar.

Neogames (NASDAQ:NGMS) offers technology platforms and services to help state lottery authorities move their business online. As with GAN, it does so for a cut of the (growing) revenues generated. Most lotteries in North America are still exclusively offline affairs. But those states that have adopted iLotteries, like Michigan, have seen takeup trajectories at least as steep as what's been experienced in more developed markets in Europe. Importantly, those earlier-adopting states have noticed that iLotteries has grown the total lottery pie rather than merely taking a slice.

Neogames, through a joint venture, has run the iLotteries business for Michigan for a handful of years. With that same joint venture partner, the company more recently started running online lotteries in New Hampshire, North Carolina, Virginia and Alberta. When we bought Neogames shares in March, we thought the share price was almost fully justified by the steep trajectories in these states alone. But it's not the whole story.

MICHIGAN ILOTTERY PENETRATION



Source: Neogames Presentation

Lotteries are a widely accepted form of gambling in the US. 47 of the 50 states run state lotteries. But less than 10 of those states offer the ability to buy tickets and scratchies online. That's changing, not the least because state officials are looking closely at the success of markets like Michigan. Neogames is well placed to win a good share of any new state contracts. There are only two genuine competitors (three at a stretch), but Neogames has the largest market share today and the states it manages are performing better than other states.

The stock is up more than 80% on our purchase price. We trimmed quite aggressively at even higher prices, but it remains a 3.0% position for the Fund.

OLD TIMERS NOT TO BE FORGOTTEN

It's been an incredibly fast moving year, with more turnover than usual. But some of our long-held stocks have performed well, even better than the share price suggests.

When erasure and diagnostics software business **Blancco** (AIM:BLTG) announced its interim results back in February, it showed a business whose sales were flat (mostly due to COVID-19 interruptions) but a pretty bullish outlook for the second half of the year. That bullish outlook was confirmed with a trading update in June. Second half sales are now in line with prior expectations (+20%) and profit margins are expected to be significantly above the board's prior outlook. On the matter of margins, a lot of the increase relates to one-off pandemic cost reductions in areas such as travel. But we also theorise the business is starting to show how profitable it can be as it grows.

Linamar Corporation's (TSX:LNR) first quarter results showed it firing on all cylinders. The automotive segment grew sales 15%, with big wins in North American market share. Profit margins bounced strongly and now sit somewhat elevated versus historical norms. Linamar's automotive operations are successfully adapting to a changing world, 34% of new business wins in the quarter were for electrified vehicles. The smaller Industrial segment makes access equipment like telehandlers and scissors lifts as well as agricultural equipment. The segment is rebounding from a cyclically tougher period and sales rose 17%. Linamar shares trade at 10 times expected earnings for 2021. It's a cyclical business but it's also a structural grower that has generated outsized returns for shareholders over many decades.

Motorpoint (LSE:MOTR) is the best traditional used car dealer in the UK—lowest costs and highest inventory turns leading to superb return on capital. It's also been handily adapting to the online world. The company sold £721m of cars in the year to 31 March 2021, down only 29% despite dealerships being shut half the year. The group responded rapidly to the pandemic, selling cars via home delivery from May 2020. Motorpoint's retail channel sold 43,000 cars in the year. More than 20,000 of them were online, including about 8,000 in the March quarter when dealerships were shut.

Hyped UK online dealership Cazoo sold 9,762 cars online in that same quarter. Cazoo is a competitor that demands respect, but it's coming to the stockmarket via a SPAC deal with an implied valuation 16 times that of Motorpoint's market capitalisation. Our only prior criticism of Motorpoint's management was that they needed to push the accelerator harder. That was rectified with new strategic objectives—a plan to almost double the sales and collection branch network and grow revenue to £2bn (including £1bn online) over 3-4 years. We applaud the plan and think it's achievable.

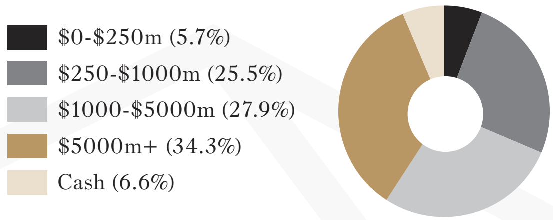
Hong-Kong based luxury watch retailer, **Oriental Watch** (SEHK:0398) had its most profitable year on record. Chinese consumers were forced to put their international holidays on hold and make luxury purchases on home soil instead. Revenue generated from the People's Republic of China more than doubled in the 2021 financial year, more than offsetting weaker performance in the company's other geographies. Oriental Watch pays out most of its earnings as distributions to shareholders, offering an 11% dividend yield on a share price that has increased more than 120% this year.

BIG RETURNS, BIG DISTRIBUTIONS

Investors will have received an estimate of the June 2021 distribution early last month. The final distribution amount of approximately $0.39 per unit is slightly higher than that estimate. In combination with the two interim distributions ($0.10 in January and $0.15 in March), that brings the total distribution for the year to $0.64 per unit. This substantial distribution is a function of higher than usual portfolio turnover and the returns generated throughout the year.

Undiscounted capital gains (realised profits on investments held for less than 12 months) will be a meaningful component of the distribution due to the short-term nature of some of the share price movements, as you've read in this report. While we try to avoid realising gains within the first 12 months, we do it if we think it will be additive to overall post-tax returns. Rest assured, the investment team has a big chunk of its collective wealth invested alongside you.

PORTFOLIO DISTRIBUTION ACCORDING TO MARKET CAPITALISATION

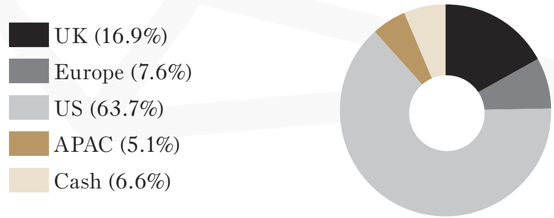


A NEW RACE BEGINS

The current portfolio remains a good balance of old and new. Many of the Fund's longer-term holdings have come out of a year of turmoil in a stronger competitive position and should show commensurate results over the coming years. The market for IPOs and SPACs remains extremely volatile, feeding a new idea pipeline that remains robust. You will read about a few of them in the September report.

While no investor should expect a repeat of 2021 any time soon, we remain confident of delivering on the Fund's objective of outperforming the market over a three to five year period. Hopefully by more than a bit.

STOCK EXPOSURE BY GEOGRAPHY



TOP 5 HOLDINGS (as % of NAV)

Whole Earth Brands Inc	**(NASDAQ:FREE)**	5.8%
AMMO, Inc	**(NASDAQ:POWW)**	5.6%
Twitter Inc	**(NYSE:TWTR)**	3.9%
Blancco Technology Group Plc	**(AIM:BLTG)**	3.8%
Motorpoint Group Plc	**(LSE:MOTR)**	3.6%
Cash		6.6%

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%**

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	30 June 2021
Buy Price (cum distribution)	$2.4996
Redemption Price (cum distribution)	$2.4896
Mid Price (cum distribution)	$2.4946
Distribution	38.51c
Portfolio Value	$285.1m

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

ABOUT FORAGER

With approximately $470 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.

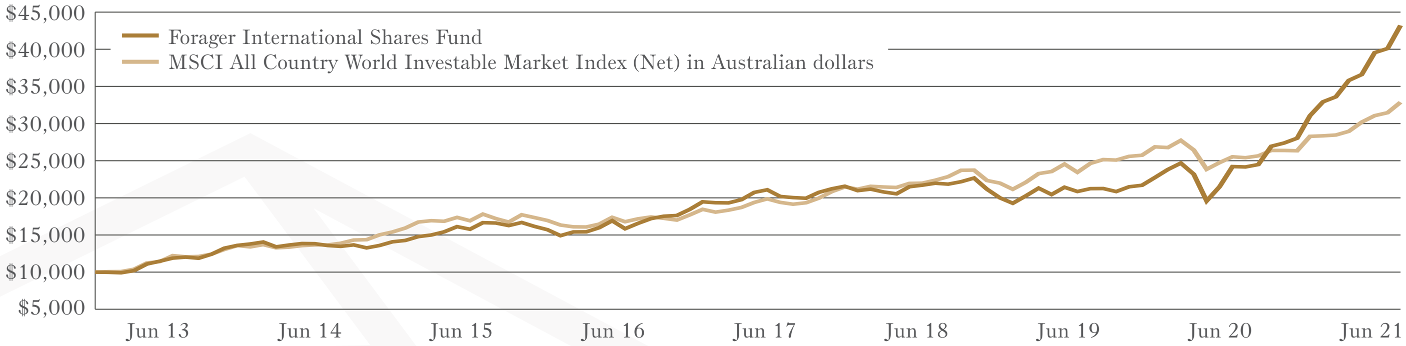
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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.