FORAGER

INTERNATIONAL SHARES FUND

MONTHLY REPORT MARCH 2021 www.foragerfunds.com

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 March 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	2.20%	11.16%	33.66%	86.88%	21.23%	18.87%	17.27%
MSCI AC World Net Index in $A	4.28%	6.52%	14.47%	26.63%	12.16%	13.43%	14.53%

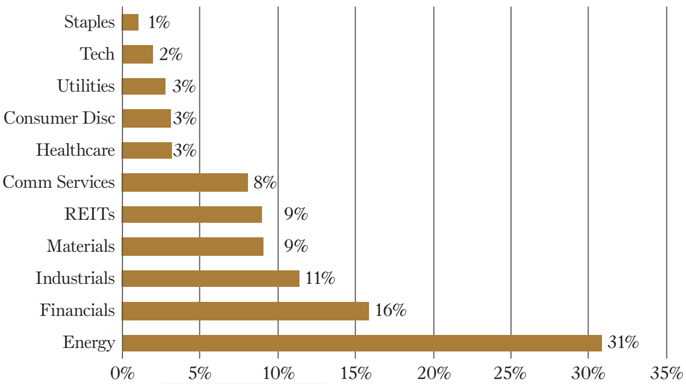
MSCI AC World Net Index in $A is an abbreviation of MSCI All Country World Investable Market Index (Net) in Australian dollars.
Past performance is not indicative of future performance and the value of your investments can rise or fall.

*8 February 2013

The world's stock markets continued their year-long recovery in the first quarter of 2021. For the three months, the MSCI ACWI IMI (AUD) added 6.5%, taking the 12-month return to 26.6% (March 2020 was close to the market bottom). That's despite the Australian dollar also rebounding rapidly and subtracting some 18% from returns in Australian dollars.

While the initial market bounce was driven by COVID beneficiaries and tech stocks, recently the recovery has been more widespread. In the March quarter, oil stocks, travel stocks and other 2020-laggards picked up the baton.

1Q21 SECTOR PERFORMANCE (TOTAL RETURN %)



Source: Baird

This changing of the guard has made outperformance difficult for many of last year's best-performing fund managers. US broker Baird estimates that only 6.2% of global funds outperformed the market in 2020 *and* are outperforming so far this year.

The Forager International Shares Fund is in this small minority. The return for the March quarter was 11.2%, lifting the 12-month return to 86.9%. While we'd caution against focusing on any one quarter's returns, the positive performance so far this year is a sign that the portfolio still has plenty of exposure to stocks that were out of favour, at least until recently. Perhaps more importantly, several of last year's best performers have been sold in their entirety and replaced with new ideas.

A (HOPEFULLY) TEMPORARY FAREWELL TO SOME STAR PERFORMERS

Before those new ideas take the limelight, though, those exiting stage left deserve some recognition. To find one stock that more than doubles in price is usually a sign of a good year. The past 12 months have delivered more than a few of those, and several that have done a lot more than double. That's a reflection of the crazy market volatility of the past year, a dose of good luck and a lot of hard work looking for the next and most attractive idea.

Farfetch (NYSE:FTCH) was one of the strong performers we sold throughout the quarter. We were sorry to see it go. The original thesis was simple. We thought that Farfetch was going to be the dominant platform for the global luxury industry. A market capitalisation of roughly US$6bn did not seem adequate for such a platform. We started buying the stock in July 2020. It didn't take long for a couple of good results and a joint venture announcement to convince the rest of the market. After less than eight months we sold out of our Farfetch investment completely. At this point the business had a market capitalisation north of US$20bn. It's still a wonderful business, but it was priced as one too.

Since then, Farfetch has reported another quarter of great results. More than US$1bn of luxury goods were sold on its platform in the three months ended 31 December 2020. Revenue increased 38% and the business had its first quarter of positive adjusted earnings before interest, tax, depreciation and amortisation.

GAN Limited (NASDAQ:GAN) is a software systems provider for casinos and sportsbook operators in the US online gambling market. We started buying shares in this company before it even listed on the Nasdaq stock exchange (it was listed in the UK on the AIM), for a price equivalent to US$8.50. The Nasdaq listing was a raging success and GAN was the largest contributor to the Fund's 2020 financial year performance, despite the Fund owning shares for just a few months. While we were still excited about the prospects of this business, much of its rosy future was quickly reflected in the stock price. Recently, though, concerns about GAN's acquisition of Coolbet, changes in the business' strategy and increasingly promotional language from management led us to reassess our confidence. We sold our final parcel of shares this month at a price of US$25.41, making roughly 3x our investment in just over 12 months.

When it comes to the 2021 financial year performance, however, **Celsius** (NASDAQ:CELH) will take some catching. The energy drink company reported its results for the third quarter this month. Investors were a bit disappointed by revenue growth, both in the US and internationally. But the business is still growing like crazy and there is no evidence of a slowdown in demand for the company's products. The most recent Nielsen data shows sales of Celsius energy drinks up almost 100% on the prior year.

That's much better than our original expectation. But Celsius' market capitalisation was more than US$3.5bn when we sold our last share in March 2021, reflecting extreme optimism for a business that generated US$130.7m of revenue last year and was barely profitable. We sold a significant portion of our holding at almost 10x the price of the initial investment.

We also sold our stake in **Ulta Beauty** (NASDAQ:ULTA) this quarter. While the contribution of this stock is miniscule in comparison to those discussed above, a 37% share price increase in a 15-month holding period is not to be sneezed at. Especially for a bricks and mortar retailer that hasn't been able to trade for much of the year.

Similar to the above companies, we're still confident in Ulta's long-term business model. However, at current prices, a full recovery has definitely been priced in. Ulta will be a structural winner in the US beauty retail market. However, it remains to be seen how much consumer demand has permanently shifted online and at least some of Ulta's current competitive advantage lies in its physical stores.

Don't be surprised if you see any of these stocks reappear in the portfolio. With a few minor caveats, price is the main concern. Already all three have seen their share prices fall significantly from recent highs. That's especially true of Farfetch, where the stock has been caught up in the liquidation of family office come hedge fund Archegos, and is trading much closer to fair value again.

The new portfolio additions have also been at the smaller end of the market. As at 31 March, 22% of the portfolio was invested in stocks that the Fund did not own at the start of 2021. While we're not disclosing names just yet (for this reason there is no table of top holdings in this report), we are still finding plenty of growing, underappreciated companies trading at attractive prices.

HASN'T ALL BEEN CRAZY

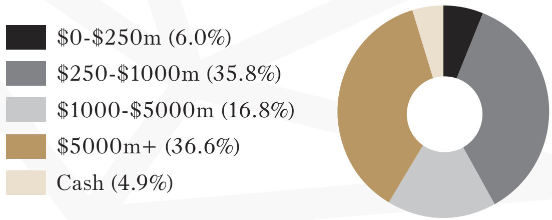
Thankfully, for our stress levels at least, there are plenty of longer-hold holdings producing sound results and more modest share price rises. **Zebra Technologies** (NASDAQ:ZBRA) posted a strong final quarter and a resilient 2020 full-year result, with the stock hitting an all time high on the back of strong earnings and great outlook commentary. Warehouse automation continues to be a strong growth driver for the company and it continues to significantly outspend its competitors on research and development. Zebra has more than doubled its automation patent filings over the past 12 months.

As a reminder, the company is the market leader in mobile computing, specialty barcode printing, and data capture and scanning. You can see its products every time a scanner is used at BWS, JB Hi-Fi or Bunnings. The company's product portfolio continues to evolve rapidly as it defends its leading market share, while also broadening the addressable markets that the business can sell into.

APi Group (NYSE:APG) was also a strong performer in the quarter, with the share price almost doubling since we first invested in the company in the middle of 2020. Despite this, we continue to see the business as undervalued given its growth prospects and significant recurring revenues. December quarter results came in ahead of the market's expectations and management reiterated their targets for 2021 and beyond. These targets include continued margin expansion and strong cash generation. The management team is hosting their inaugural investor day on the 22nd of April. We expect to hear more details on opportunities to expand profitability and an update on their acquisition pipeline.

NZ-listed retailer **Hallenstein Glasson Holdings** (NZSE:HLG) grew sales by 14% to NZ$182.0m in the six months to 1 February 2021. A lot of that growth came from Glassons stores in Australia, with sales for the segment increasing by 27% in the period, despite disruption from COVID-related closures. This is one part of the business we're excited about. There should be further growth from here, with management indicating that there are a number of new Glassons stores under consideration in Australia. Another is digital sales, which now represent almost a quarter of HLG's revenue. Web statistics indicate that traffic coming from countries outside of Australia and New Zealand is making up an increasing proportion of that. The potential to generate significant online sales from countries like the United States looks realistic and is something we haven't attributed much value to, yet.

PORTFOLIO DISTRIBUTION ACCORDING TO MARKET CAPITALISATION

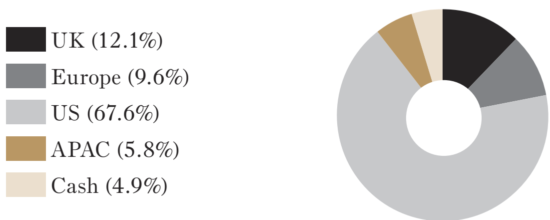


Canadian manufacturing company **Linamar** (TSX:LNR) has weathered the crisis admirably. This business, founded and still managed by the Hasenfratz family, has historically spent a good chunk of its prodigious cashflow diversifying away from automobile parts manufacturing. It now has sizeable businesses making agricultural equipment (combine harvesters and the like) and construction gear (scissor lifts and platforms under the Skyjack brand).

That didn't protect the business in 2020. Demand in all three end-markets was woeful, with COVID hitting both automobile demand and construction, and agriculture suffering from poor harvests in North America and Brazil.

Yet the results show why we like owner-led businesses. Linamar still managed a profit of C$315m for the year and generated cashflow of more than C$1bn. It continues to gain market share at the expense of competitors and is guiding to "strong double digit growth" in earnings for 2021. Despite a recent rally, the shares still look cheap. We're expecting this to be the year it fires on all three cylinders.

STOCK EXPOSURE BY GEOGRAPHY



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%				**51.51%**

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 2021
Buy Price	$2.1172
Redemption Price	$2.1087
Mid Price	$2.1129
Portfolio Value	$235.7m

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.

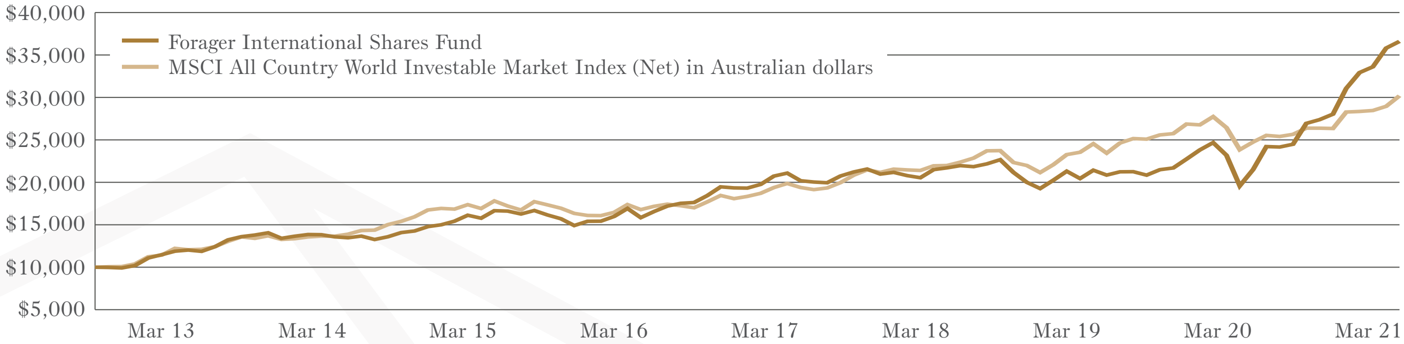
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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.