

FORAGER

# INTERNATIONAL SHARES FUND

MONTHLY REPORT NOVEMBER 2022

## FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 30 November 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.)
<b>International Shares Fund</b>	-0.52%	1.62%	0.60%	-27.83%	7.98%	5.83%	11.31%
<b>MSCI AC World Net Index in \$A</b>	2.75%	5.65%	4.39%	-6.59%	6.84%	8.83%	12.86%

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

Global equities performed strongly in November, with major indices rising between 5% and 15%. The Australian dollar also appreciated strongly, particularly against the US dollar, mitigating most of the gains for Australian investors. The Index rose 2.7% in Australian dollars and the unit price for the Forager International Shares Fund fell a touch.

The main market gains were made following relatively benign US inflation estimates and growing evidence for a significant fall in inflation throughout 2023. The Manheim index of used car prices—the single most significant contributor to US inflation over the past year—has now fallen 16% from its peak in January. Petrol prices are down 25% since June, shipping costs have more than halved and lumber prices—after quadrupling through 2021—are now back to historical levels. Moreover, global food price growth looks like it is about to turn negative, a stark difference from the 20-40% year on year rises witnessed through 2021 and the first half of 2022.

When the 2022 highs for these items are used as the base for inflation calculations in 2023, they will be meaningful negative contributors and headline inflation numbers will fall dramatically (and possibly be negative). That could be a temporary reprieve—job markets remain extremely tight—but longer-term interest rates have fallen meaningfully as investors get confident that there aren't too many rate rises to come.

Whether they are right or not, the economic effect of the current level of interest rates is yet to be felt by most of the economy. While some of the more obviously resilient companies' share prices are now back near all time highs, share prices for many still reflect extreme pessimism about future profitability.

Across the International Fund, we own stocks in both camps.

**Autodesk** (NASDAQ:ADSK), **Keysight** (NYSE:KEYS), **Sony** (TSE:6758) and **Flutter** (LSE:FLTR) are all in the resilient camp and their most recent results announcements justified that view.

Autodesk saw strong demand in the third quarter with the company reporting record revenues. Sales grew 17-18% year on year in North America and the Asia Pacific region and the company commented that end market demand remained strong and renewal rates were solid - more than offsetting macroeconomic headwinds.

Keysight, an electronics testing and measurement business, posted another strong quarter, with orders growing almost 10% year on year, earnings beating expectations and a record order backlog.

Although one may have expected Sony to experience some weakness in the quarter given its exposure to consumer end markets (video games, music, movies and semiconductors for smartphone cameras) it reported a strong set of results across numerous divisions. The company also raised full year guidance by approximately 5%.

Online gambling giant **Flutter** started the month winning in its arbitration

with FOX, followed by a trading update showing continued growth, especially in the US. Management also held a capital markets event in New York focused heavily on FanDuel. Management outlined a path for FanDuel to increase revenue up to 5-fold between 2022 and 2030, with a margin potential of 25-30%, all of which is consistent with our investment thesis.

While share prices of those companies have appreciated, investors still have little patience for companies navigating a more difficult environment. **Cryoport's** (NASDAQ:CRYX) share price fell 28.6% in November thanks to a slump in demand for its cryogenic freezers due to some customer concerns about the macroeconomic environment. There is little reason to extrapolate one quarter's results but investors aren't waiting around to see. And UK dealer group **Motorpoint's** (LSE:MOTR) share price has halved over the past year thanks to supply chain problems that will dissipate at some point.

New car supply globally was slashed in recent years because of manufacturing interruptions and input shortages. Today that means a shortage of the sort of near-new cars that Motorpoint specialises in selling. Revenue grew 30% versus the same half last year, but more than all of that came from a massive increase in used car prices. The volume of cars sold actually fell 8%, almost wiping out its profit for the period. Motorpoint is winning share and is well placed to earn record profits when markets normalise. Shareholders need to be patient though, and it might get nastier first.

The recovery in global markets over the past six months has taken the Index back to within 10% of its all time high in January. Trading at approximately 17 times earnings, it is far from screamingly cheap. The discrepancy between those in favour and those not, however, is extremely wide. By the end of 2023, we will have a much better idea whether the pessimism about those economically sensitive businesses was warranted.

## TOP 5 HOLDINGS (as % of NAV)

<b>Flutter Entertainment Plc</b>	<b>(LSE:FLTR)</b>	5.6%
<b>Linamar Corp</b>	<b>(TSE: LNR)</b>	4.0%
<b>Blanco Technology Group Plc</b>	<b>(LON:BLTG)</b>	3.9%
<b>Janus International Group Inc</b>	<b>(NYSE:JBI)</b>	3.7%
<b>Zebra Technologies Corp A</b>	<b>(NASDAQ:ZBRA)</b>	3.3%
<b>Cash</b>		12.6%

**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%
2022	-4.25%	-0.03%	-3.57%	-1.79%	1.27%	-4.61%	-6.24%	-6.32%	-7.29%	-6.24%	-1.50%	-5.98%	-38.09%
2023	4.46%	0.80%	-5.91%	8.57%	-0.52%								7.01%

Past performance is not indicative of future performance and the value of your investments can rise or fall.

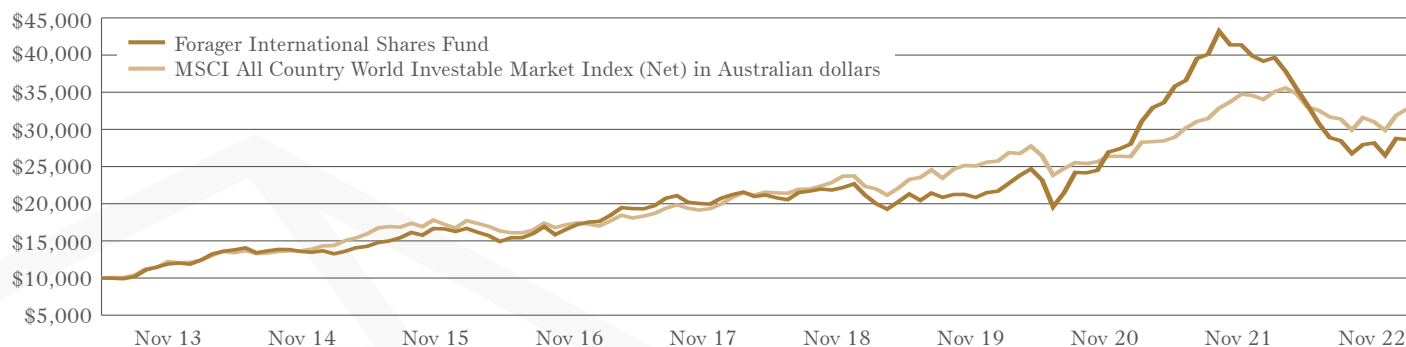
**FACTS**

<b>Fund inception</b>	8 February 2013
<b>Minimum investment</b>	\$20,000
<b>Monthly investment</b>	Min. \$200/mth
<b>Distribution</b>	Annual, 30 June
<b>Applications/Redemption</b>	Weekly

**UNIT PRICE SUMMARY**

<b>As at</b>	30 November 2022
<b>Buy Price</b>	\$1.4003
<b>Redemption Price</b>	\$1.3947
<b>Mid Price</b>	\$1.3975
<b>Portfolio Value</b>	\$186.6 million

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

**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.

**ABOUT FORAGER**

With approximately \$340 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

**WARNING** The information given by Forager Funds Management is general information only and is not intended to be advice. You should therefore consider whether the information is appropriate to your needs before acting on it, seeking advice from a financial adviser or stockbroker as necessary. This report may contain some forward-looking statements which reflect the expectations of Forager Funds Management about the future prospects of companies held within the portfolios of the funds. While Forager Funds Management considers its expectations to be based on reasonable grounds, there is no guarantee that those expectations will be met. **DISCLAIMER** Forager Funds Management Pty Ltd operates under AFSL No: 459312. Fundhost Limited (ABN 69 092 517 087, AFSL No: 233045) is the responsible entity and the issuer of the Forager International Shares Fund (ARSN No: 161 843 778). You should obtain and consider a copy of the product disclosure statement relating to the Forager International Shares Fund before acquiring or continue to hold the financial product. You may obtain a product disclosure statement from Fundhost Limited or download a copy at [www.foragerfunds.com](http://www.foragerfunds.com). The International Shares Fund Target Market Determination can be found at <https://fundhost.com.au/fund/forager-international-shares-fund/>. To the extent permitted by law, Fundhost and Forager Funds Management Pty Limited, its employees, consultants, advisers, officers and authorised representatives are not liable for any loss or damage arising as a result of reliance placed on the contents of this document. This investment objective is not a forecast and returns are not guaranteed. Although the MSCI AC World Net Index in \$A benchmark represents the available investment universe for the Fund, the Portfolio will represent a very small proportion of those available investments and the Fund's results may vary from the benchmark. [www.foragerfunds.com](http://www.foragerfunds.com)