

FORAGER

INTERNATIONAL SHARES FUND

MONTHLY REPORT MAY 2023



FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 May 2023. 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.)	10 year return (p.a.)	Since inception* (p.a.)
International Shares Fund	1.21%	4.91%	8.49%	9.15%	8.66%	7.43%	10.85%	11.62%
MSCI AC World Net Index in \$A	0.89%	6.82%	6.48%	11.15%	10.97%	9.68%	12.00%	12.88%

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 fads come and go quickly these days. In 2021, all you had to do was change your name to “XYZ as a Service” and make up some annual recurring revenue and your share price would double. Then 2022 was all about the metaverse. This year it is impossible to sit through an earnings call without hearing a spiel about artificial intelligence (AI).

The frenzy was set off by the phenomenal success of generative artificial intelligence app Chat GPT.

Within two months of launch, chat GPT had reached 100 million users. It took TikTok nine months to reach that marker, and Instagram more than two years. If you haven't already had a play around with the tool, you should. It is free and fun.

We don't pretend to have grand insights about how the technology will progress from here. It feels a little “flavour of the month” to even mention it. But, like cloud computing and online search, this technology will change our lives over the coming decades. Some listed companies will be losers and others winners.

NVIDIA Corporation (Nasdaq:NVDA) is the first clear winner. It designs the pre-eminent semiconductors needed for large AI systems and applications. The stock added 31% to its market capitalisation in May, mostly in one day, thanks to results and an outlook that obliterated market expectations. It's up more than 170% over the first five months of 2023.

Our June quarterly report will contain a wider review of the risks and opportunities across our portfolio but, while the Fund doesn't own NVIDIA, we did make a small investment in **Alphabet** (Nasdaq:GOOGL) in the first quarter of 2023. It is our view that suggestions of its demise were being exaggerated.

While Alphabet certainly faces some fresh challenges, we think its treasure trove of data makes it one of the few businesses more likely to benefit than suffer from wider adoption and penetration of artificial intelligence.

NVIDIA's result dragged other large tech companies with it, resulting in a 0.9% increase for the MSCI ACWI IMI despite share price weakness outside tech. The Fund's unit price rose 1.2%, thanks to a few excellent results.

Norbit (OB:NORBT) takes the cake. Norbit is a manufacturer of tailored, high tech products in Norway.

Its main segments are Oceans (think compact sonar systems) and Connectivity (mainly toll tags and smart tachograph systems). Two years ago, the company laid out a three-year plan for revenues and margins that we felt was ambitious but achievable. And they've methodically gone about delivering, with any remaining scepticism melting away with the first quarter result. Overall, the company achieved 60% revenue growth versus the same quarter last year, with its profit margin also up meaningfully. The stock is up almost three-fold on the price we paid in the 2019 initial public offering and has proven an outstanding compounder for the Fund.

The biggest mover in our portfolio this month was **Open Lending** (NASDAQ: LPRO) which bounced 44%. The business is currently facing a very challenging market environment given its exposure to near-prime consumer automobile loans. Revenues were hit pretty hard due to ongoing supply issues in both new and used cars, as well as the impact from rising interest rates. Despite this, margins remained strong and management indicated that pandemic supply constraints are slowly improving and dealers are now back to growing inventories.

We think there's a wider lesson in Open Lending's recent experience. When the stock market has senselessly beaten down small-cap share prices, don't assume it will take fantastic operating results to send share prices soaring the other way. One half-decent quarter is often enough. It's a story we expect to see play out elsewhere in the portfolio in the months ahead.

TOP 5 HOLDINGS (as % of NAV)

Ferguson Plc	(NYSE:FERG)	4.1%
Blanco Technology Group Plc	(AIM:BLTG)	3.8%
Flutter Entertainment Plc	(LSE:FLTR)	3.6%
Keysight Technologies Inc	(NYSE:KEYS)	3.5%
Linamar Corp	(TSX:LNR)	3.3%
Cash		5.2%

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%	-5.13%	7.00%	1.88%	1.57%	2.04%	1.21%		16.09%

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

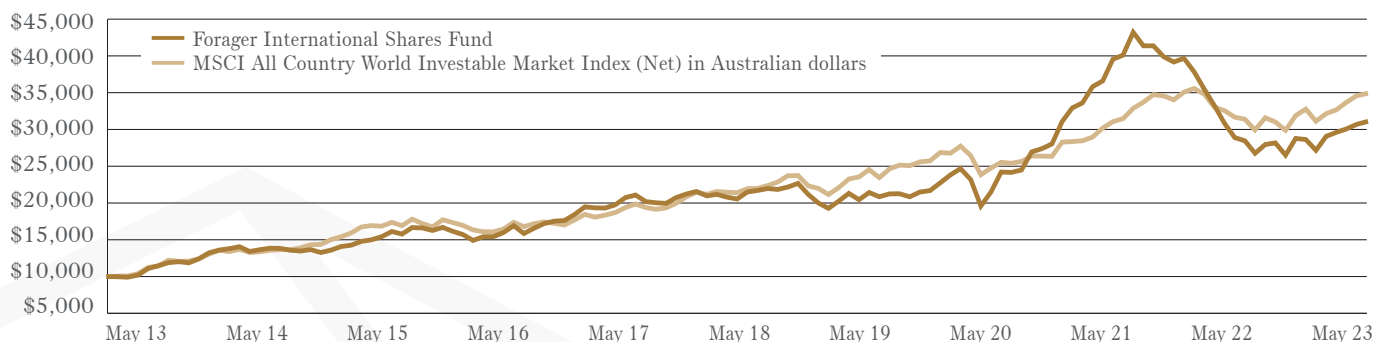
FACTS

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 May 2023
Buy Price	\$1.5193
Redemption Price	\$1.5132
Mid Price	\$1.5162
Portfolio Value	\$193.9 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

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