

FORAGER

# INTERNATIONAL SHARES FUND

MONTHLY REPORT JULY 2023



## FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 July 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.)
<b>International Shares Fund</b>	3.03%	6.90%	12.89%	17.38%	10.24%	8.47%	10.68%	12.00%
<b>MSCI AC World Net Index in \$A</b>	2.56%	6.46%	14.51%	16.54%	12.80%	10.01%	11.66%	13.24%

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

July was an eventful month for the Fund. The unit price of the Forager International Shares Fund rose 3.0% on the back of several positive results, outpacing a 2.6% return from the index.

In early July, data erasure software provider **Blanco** (AIM:BLTG) released a trading update saying that its second half had been strong and the business expected to report revenue and profit for the year ended 30 June 2023 'comfortably higher than current forecasts'. The stock popped more than 15% on the news. It seemed strange the company took until three days after books closed to tell us it had been a good year. Perhaps they'd been busy?

A few days into August, the news broke that private equity firm Francisco Partners had bid £2.23 cash per share to take Blanco private. The bid represents a 25% premium over the share price at the end of July. The Blanco board has endorsed the bid and several large shareholders have committed to accepting it in the absence of a better offer.

We're certainly not celebrating. The bid offers no obvious premium for control and undervalues the returns this business can likely generate for shareholders over the medium to long term. We're also concerned the board hasn't significantly shopped the company around to other potential bidders before accepting this one. We outlined those concerns in an [Open Letter to all shareholders in Blanco Technology Group](#), which you can find published on our website. We may have more to say on the matter over the coming months.

**Meta Platforms** (NASDAQ:META) and **Alphabet** (NASDAQ:GOOGL) both delivered second-quarter results suggesting the 2022 growth slowdown is behind them. Meta reported an 11% increase in Family of Apps advertising revenue compared to the previous year and a steady 5% increase in daily active users. Google's advertising revenue grew a commendable 7% versus the prior year, while cloud revenue surged 28% to \$8 billion and the growing segment reported its second consecutive quarterly profit.

In the past 12 months, both of these megacaps traded at valuation levels that suggested investors had given up on growth (in Meta's case, it traded at less than 10 times earnings). Throughout 2023, the evidence has been growing that neither of these businesses are dead.

They are trading at more sensible multiples today and we have been reducing the Meta investment—its share price is up 165% this year. We can only hope the market gets as pessimistic again in future.

One company we don't expect to grow much is **Lloyds Banking Group** (LSE:LLOY). All that is required for this to be a successful investment is that its ample profits and cash generation are returned to shareholders. On both fronts, it is living up to expectations. The company continues to slowly (and deliberately) give up market share, preferring maximising its net interest margin (NIM) and current profitability. The NIM, which measures the difference between what a bank earns on loans and what it pays depositors, stood at 3.14% over the quarter. It could proactively sacrifice some NIM and chase market share at the flick of a switch but for now is opting not to. Lloyds bought back £1.5bn of stock—nearly 5% of its ordinary shares—between February and July and has kept going apace since. It also raised its interim dividend by 15%, more than meeting our hopes on this front.

Defying a challenging macroeconomic environment, **Fortune Brands Innovations** (NYSE:FBIN) delivered good results. Management marginally upgraded their full-year guidance, helped by the recent acquisition of various security assets from **ASSA ABLOY** (OM:ASSA B) and an improvement in repair and renovation markets. Synergies from the acquisition alone are expected to increase Fortune Brands' earnings power by more than 10% over the next few years. A stabilisation in new home construction will further help results. This is a business that generates plenty of cash, with the starting point being a free cash flow yield of more than 6% in 2023 despite its end markets being under pressure. The company has a long history of compounding revenues at over 10% per annum and should continue to grow from here.

### TOP 5 HOLDINGS (as % of NAV)

<b>Linamar Corp</b>	<b>(TSX:LNR)</b>	4.0%
<b>Blanco Technology Group Plc</b>	<b>(AIM:BLTG)</b>	4.0%
<b>Ferguson Plc</b>	<b>(NYSE:FERG)</b>	3.9%
<b>Api Group Corp</b>	<b>(NYSE:APG)</b>	3.6%
<b>Flutter Entertainment Plc</b>	<b>(LSE:FLTR)</b>	3.4%
<b>Cash</b>		4.5%

**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%	2.51%	19.01%
2024	3.03%												3.03%

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>	31 July 2023
<b>Buy Price</b>	\$1.6046
<b>Redemption Price</b>	\$1.5982
<b>Mid Price</b>	\$1.6014
<b>Portfolio Value</b>	\$201.4 million

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

**ABOUT FORAGER**

With approximately \$350 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.

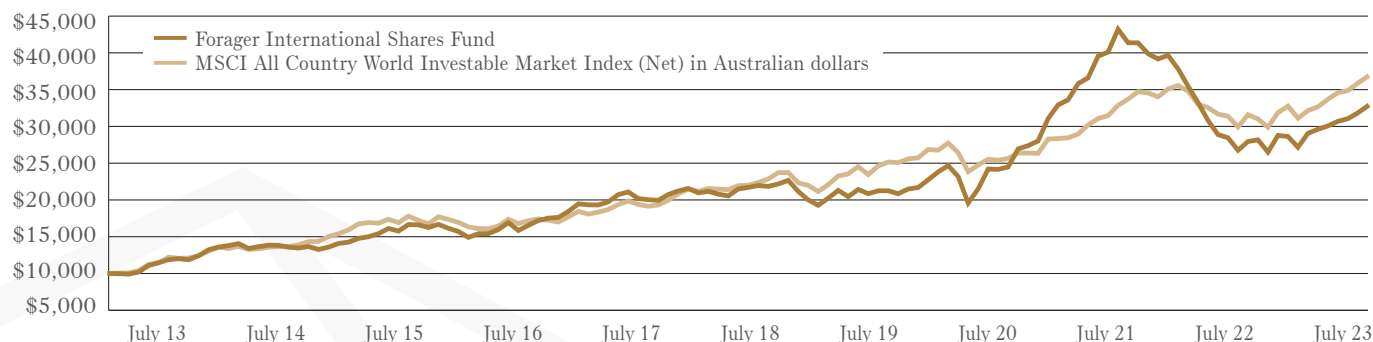
The company is majority owned by staff. Forager’s shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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.

**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)