FORAGER

INTERNATIONAL SHARES FUND

MONTHLY REPORT DECEMBER 2023

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 December 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	8.07%	8.14%	8.26%	26.92%	1.54%	12.33%	9.75%	12.02%
MSCI AC World Net Index in $A	2.27%	5.12%	4.73%	20.83%	9.87%	12.19%	10.73%	12.92%

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.

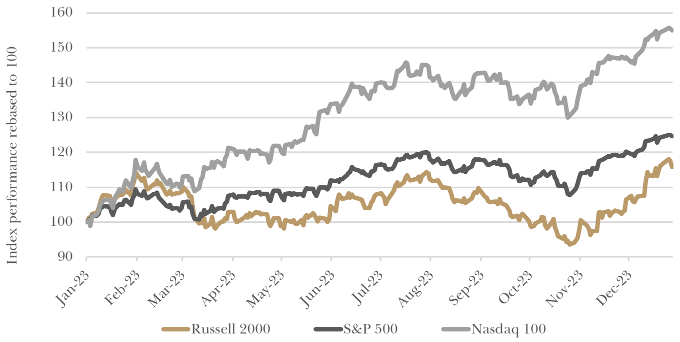
*8 February 2013

The 2023 calendar year was a big year for markets.

The S&P 500, the bellwether gauge of US large-cap stock performance, rose 25% for the year. The Russell 2000, a broad index of much smaller stocks, rose 17%. More noteworthy is that a large part of these returns came after the market bottom on 27 October, with the S&P 500 rising 16% from there and the Russell 2000 up 26% since.

The simplest explanation for the strong performance from markets is an encouraging fall in global inflation. One year ago, developed countries' inflation was between 7% and 7.5%. It has dropped to half of that today. This move coincides with the big decline in yields in the US 10-Year Treasury Bond from 5.0% to 3.8%.

12 MONTH INDEX PERFORMANCE OF S&P 500, RUSSELL 2000 AND NASDAQ 100

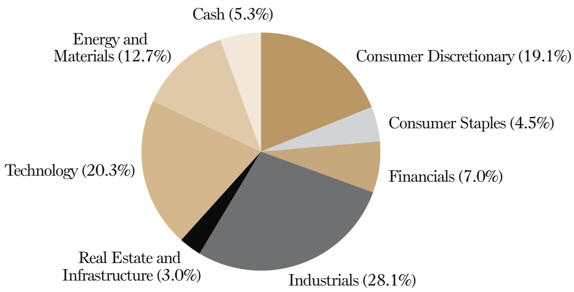


Source: Bloomberg

Whilst the biggest bounce back during the 2023 calendar year came from giant technology companies (the tech heavy NASDAQ 100 Index finished the year up more than 50%), smaller capitalisation companies finally started to attract interest late in the year. This was the case for several of the Fund's investments, leading to a strong end to the year for the Forager International Shares Fund. The Fund's net asset value rose 26.9%, outperforming the MSCI ACWI IMI (in Australian dollars) which returned 20.9% for the 12 months to 31 December 2023.

Famed investor Peter Lynch once said that his best gains usually came in the third or fourth year of owning a stock. We can't normally say the same thing, there's no obvious pattern of payoff timing in our past investments. But 2023 felt like channeling Lynch, with a large number of stocks that we've held for three to five years, even more, having their big payoff this year. We've already talked about **Norbit** (OB:NORBT), **Flughafen Wien** (WBAG:FLU) and **Blancco** earlier in the year. There are a few others worth outlining.

STOCK EXPOSURE BY SECTOR

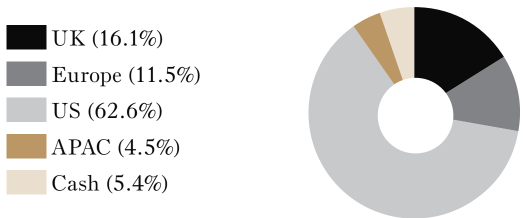


Source: S&P Capital IQ

Gulf Marine Services (LSE:GMS) has been one of our holdings for a number of years now. The share price tripled throughout the year driven by strong earnings upgrades and cash generation significantly reducing the company's burdensome debt balance. We added to what was a very small investment as GMS's debt fell (leading to more value accruing to equity holders) and continue to hold the stock as part of our commodity basket.

Security and maintenance company **APi Group** (NYSE:APG) experienced an 83% share price increase and is finally starting to get the respect it deserves from the investment community. The business has proven itself resilient through a choppy business environment and management has done a great job integrating and repairing the Chubb business it acquired at the start of 2022. The acquisition has now grown for six straight quarters while expanding margins as management focuses on pricing and profitability rather than just increasing sales.

STOCK EXPOSURE BY GEOGRAPHY



Source: S&P Capital IQ

We met with the CEO and CFO at a conference last month which gave us further confidence that this is a company that can continue to gain market share from less efficient "mom and pop" operators and grow earnings at attractive levels for the foreseeable future.

APi Group was not the only quality compounder to do well this year - some of our other holdings such as **Ferguson** (NYSE:FERG), **Installed Building Products** (NYSE:IBP) and **Insight Enterprises** (NASDAQ:NSIT) have seen similar price moves. Despite this, they continue to trade at attractive valuations that should allow for further share price upside as they grow and continue to take market share in their respective industries.

12 MONTH PRICE CHART OF APG, FERG, IBP AND NSIT

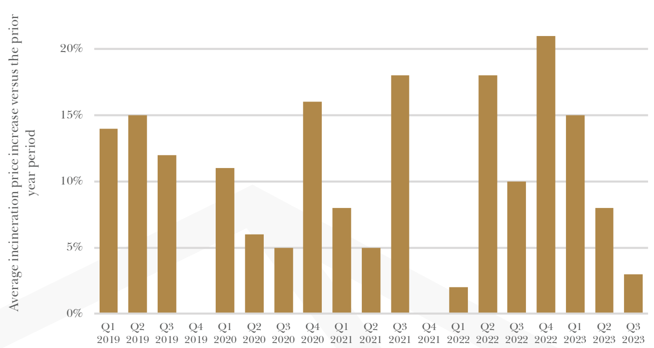
Source: Bloomberg

Whilst longer held companies will continue to provide value to the portfolio and our UK and European holdings remain at historic valuation discounts, US valuations have somewhat normalised and new additions will become increasingly important for returns.

One of these new additions to the portfolio is **Clean Harbors** (NYSE:CLH), North America's leading environmental and industrial services provider. The company is the largest re-refiner and recycler of used oil and the largest provider of parts cleaning and related environmental services to the commercial, industrial and automotive industries. It's an industry with high barriers to entry. Complex environmental regulations and permit requirements, high customer switching costs, unique equipment and high safety standards make this industry increasingly challenging for new entrants.

As a result, price competition between players tends to be gentlemanly. It might become even more so with one of the industry's few "price disruptors" bought out by a larger competitor in recent years. Clean Harbors also holds over 70% market share in waste incineration, with nine commercial hazardous waste incinerators and one additional facility (Kimball) due to come online within the next year, increasing disposal capacity by 12%. Across each segment, Clean Harbors has proven pricing power that will continue to grow. Reshoring, infrastructure funding, more stringent regulation and greater emphasis on environmental consequences are all tailwinds.

CLEAN HARBORS QUARTERLY INCINERATION PRICE INCREASES



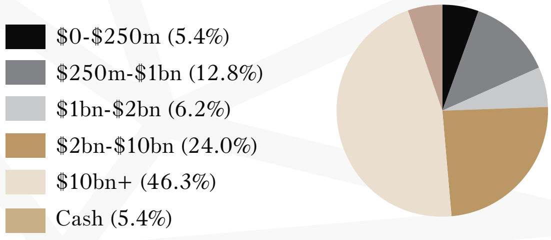
Source: Company filings

We have watched the company for a long time, and a slightly disappointing third-quarter result provided an opportunity to finally own it. The market briefly became too focused on the short term. The company has grown its revenues at about 15% annually since 2000, with acquisitions an important part of its "special sauce". Clean Harbors is unlikely to grow at quite that rate over the next few decades, but it might over the next five years.

Management outlined a five-year plan at its investor day in March 2023, targeting organic revenue growth faster than US GDP and highlighting the potential deployment of US$4 billion on bolt-on acquisitions (for reference, its current market capitalisation is US$9.8 billion). Doubling the business from current levels in this time frame seems an ambitious but achievable target. If it goes close, the Fund will do well on its investment.

The commercial aerospace industry is another one that has displayed promising characteristics over many decades. The worldwide narrowbody (used in short-haul aircraft) engine market is now a duopoly dominated by two consortia. **MTU Aero Engines** (DB:MTX) is a major partner in one of those groups, owning a 13-21% economic interest in most of Pratt & Whitney's engine programs.

PORTFOLIO DISTRIBUTION ACCORDING TO MARKET CAPITALISATION



Source: S&P Capital IQ

The economics for engine manufacturers tends to follow the Gillette razor/razorblade model. Manufacturers are happy to make little profit, or even lose money, on the sale of new engines. But they make it back many-fold over the following decades via high-margin parts and services. Those economic characteristics aren't lost on the sharemarket, explaining why such businesses tend to trade at high valuations most of the time.

Enter the "powdered metal contamination" debacle. In short, one of MTU's partners made an error in the production of select parts for the important Pratt & Whitney PW1100G engine program. A significant number of planes need to come into the repair shop early to have some parts replaced. And the consortium needs to pay compensation to airline customers who now need to hire replacement aircraft for a period. While MTU bears none of the responsibility for the error, these programs are structured as revenue and risk sharing, so it bears its share of the cost.

Roughly, the issue is expected to crimp MTU's pre-tax profits by €1 billlion over the next three years. In the aftermath of the announcement, the company's market capitalisation fell by almost €3 billion. There is always the chance more bad news is coming, but we think it's an overreaction. The share price fall also fails to account for the fact that more old planes in the sky, which is being exacerbated by the very issues discussed above, is a boon for those selling high margin parts and service. We took advantage of the panic to acquire a stake in a high quality business with decades of growth ahead of it.

TOP 5 HOLDINGS (as % of NAV)		
Ferguson Plc	(NYSE:FERG)	4.1%
CRH PLC	(NYSE:CRH)	3.9%
APi Group Corp	(NYSE:APG)	3.7%
Flutter Entertainment Plc	(LSE:FLTR)	3.6%
TaskUs Inc	(NASDAQ:TASK)	3.6%
Cash		5.4%

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%	0.94%	-3.73%	-3.41%	3.59%	8.07%							**8.26%**

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-Dec-23
Buy Price	$1.6861
Redemption Price	$1.6794
Mid Price	$1.6827
Portfolio Value	$204.3 million

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

ABOUT FORAGER

With approximately $360 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.

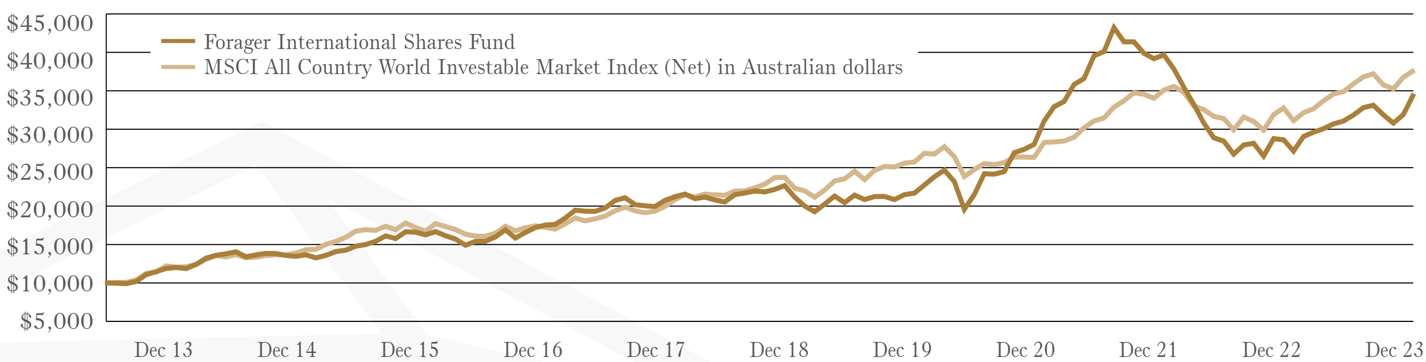
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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.