

FORAGER

INTERNATIONAL SHARES FUND

MONTHLY REPORT MAY 2024

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 May 2024. 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	4.16%	5.44%	22.65%	25.95%	-0.83%	13.41%	10.94%	12.81%
MSCI AC World Net Index in \$A	1.60%	1.53%	13.61%	19.72%	9.91%	12.25%	11.90%	13.47%

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 unit price of the Forager International Shares Fund rose 4.2%, outperforming a 1.6% return from the MSCI ACWI IMI. That takes the return so far this financial year to 22.9%, versus 16.4% for the index.

The Fund's performance during the month was the result of a strong earnings season. Despite inflation taking longer than most expected to normalise and interest rates remaining on hold, stock markets have been resilient. More positively, some overlooked market sectors are finally receiving the attention they deserve.

One unloved sector that rallied during the month was the US solar industry. The MAC Global Solar Energy Index was up 19% for the month, driven by optimism over new tariffs on Chinese solar panels, federal subsidies and surging power demand.

The Fund recently invested in **Nextracker** (NASDAQ:NXT), the world's largest solar tracker company, with global market share of over 30%. These solar tracker products and software optimise the angle of solar panels to maximise energy capture, significantly increasing energy yield and reducing production costs compared to fixed installation solar panels. With solar generation costs down more than 90% since 2009 and solar projected to become the largest source of US power generation by 2033 (according to EIA forecasts), Nextracker is benefiting from several secular tailwinds.

Tariffs have created a more favourable market for domestic manufacturers by reducing the influx of low-cost Chinese panels, allowing US-based companies to better compete domestically. The US federal government's Inflation Reduction Act introduced new production and investment tax credits in 2022 which strongly increased total investment in solar electricity generation, expanding the market into which Nextracker sells. The company also receives direct benefits from production credits for its part in producing and installing renewable energy systems. With a US-based supply chain and over 25GW of annual manufacturing capacity, Nextracker is well-positioned to capitalise on these credits.

Growing demand for AI data centres is another tailwind for the solar industry, as these data centres consume about ten times more electricity than traditional data centres. As major tech companies like **Amazon**, **Meta Platforms**, **Microsoft**, and **Google**, which accounted for 40% of recent US utility-scale solar demand, strive to maintain 100% renewable power commitments, demand for renewable energy is skyrocketing. Nextracker's advanced solar tracking technology, which boosts energy yields by 30-40% compared to fixed installations, enables it to meet this surging demand. Nextracker was a top contributor for the month, with the share price up almost 30% and now 11% above the Fund's average purchase price.

Another company that continues to perform in the mostly overlooked consumer discretionary sector is **Crocs** (NASDAQ:CROCS). Its share price increased 25% in May, marking a 65% appreciation since the beginning of the year. Whilst the smaller HEYDUDE segment remains somewhat of a sentiment drag, its core Crocs brand keeps delivering. Growth has been accelerating, and margins have improved on lower product costs and strong full-price selling, proving that the Crocs brand remains relevant amongst consumers. Trading at a valuation significantly lower than footwear peers and with above-industry growth expectations, Crocs remains an attractive investment, even after the recent share price rally.

The month was not all beer and skittles though. We bought into gambling market-leader **Flutter Entertainment** (NYSE:FLUT) eyes open to the risk that the tax burden would likely increase over time. The past few weeks have seen that play out aggressively, with Illinois sharply increasing taxes from a flat 15% of wagering revenue to a sliding scale that hits the largest players, including Flutter's FanDuel brand, with a tax of up to 40%.

Numerous important states, including Massachusetts, New Jersey and Ohio, are considering higher taxes. It should be no surprise that sports betting taxes are rising, but the magnitude is especially high in blue Democrat states.

As the market leader, Flutter is best-placed relatively, with higher taxes generally leading to fewer competitors and less aggressive pricing. But the recent news erased the gains the stock had made mid-month, leaving it flat over May. Competitor DraftKings (NASDAQ:DKNG), exclusively North American, felt the brunt more fully, falling more than 15% over May. Some of the differential may come down to Flutter moving its primary listing to the New York Stock Exchange on 31 May. The move opens up the stock as a potential investment for many US investors who were unable to own Flutter prior to relisting.

TOP 5 HOLDINGS (as % of NAV)

Pason Systems Inc	(TSE:PSI)	3.8%
Motorpoint Group PLC	(LON:MOTR)	3.7%
Clean Harbors Inc	(NYSE:CLH)	3.7%
Linamar Corp	(TSE:LNR)	3.7%
CRH PLC	(NYSE:CRH)	3.7%
Cash		6.9%

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%	2.13%	5.38%	3.90%	-2.57%	4.16%		22.86%

Past performance is not indicative of future performance and the value of your investments can rise or fall. This fund is appropriate for investors with “High” risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the pursuit of capital growth with a medium to long investment timeframe.

FACTS

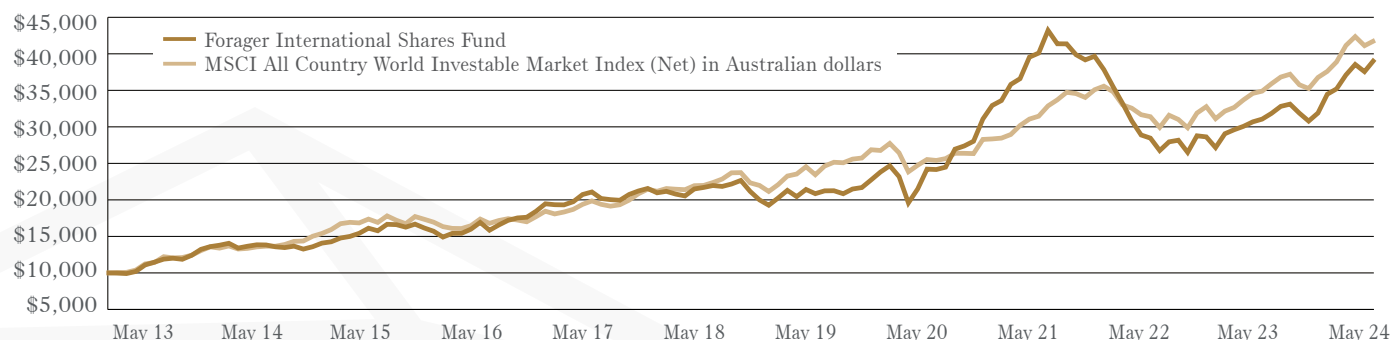
Fund inception	8 February 2013
Minimum investment	\$20,000
Monthly investment	Min. \$1000/mth
Distribution	Semi-Annual, 31 December and June
Applications/Redemption	Daily

UNIT PRICE SUMMARY

As at	31 May 2024
Buy Price	\$1.9134
Redemption Price	\$1.9058
Mid Price	\$1.9096
Portfolio Value	\$228.4 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 \$390 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
- Daily 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. This report has been prepared by Forager Funds Management Pty Ltd. The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL No: 235150) is the responsible entity and the issuer of the Forager International Shares Fund (ARSN No: 161 843 778). You may obtain a Product Disclosure Statement at https://foragerfunds.com/wp-content/uploads/2024/02/FORAGER_FISF_PDS_01022024.pdf. Investors should refer to the TMD for further information. To the extent permitted by law, The Trust Company (RE Services) Limited 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