FORAGER

INTERNATIONAL SHARES FUND

MONTHLY REPORT SEPTEMBER 2023

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 30 September 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	-3.73%	0.12%	6.00%	20.26%	5.19%	7.06%	10.38%	11.50%
MSCI AC World Net Index in $A	-3.88%	-0.37%	6.14%	19.70%	10.68%	8.55%	11.44%	12.72%

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.

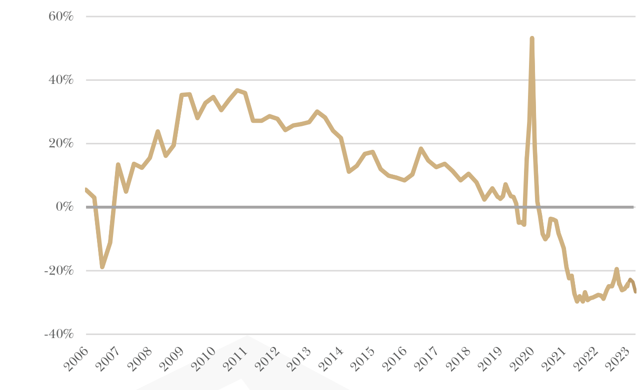
*8 February 2013

In the December 2022 Chief Investment Officer Letter we made the case for smaller companies in 2023. So far, in aggregate, they haven't delivered.

For the first nine months of 2023, small and mid-cap stocks continued their trend of underperformance relative to their larger counterparts. Market performance has become even more concentrated among a small number of mega-cap tech stocks.

The largest seven companies in the S&P 500 (**Apple**, **Microsoft**, **Amazon**, **Nvidia**, **Alphabet**, **Tesla** and **Meta**) delivered a disproportionate 11 percentage points of the index's total 13% return year to date. We are always sceptical about these types of statistics, the largest contributors are always a significant proportion of market gains. But these are simply the seven largest stocks—it is unprecedented that they are also the seven largest contributors to overall index performance.

S&P SMALL CAP INDEX VALUATION PREMIUM (DISCOUNT) VS S&P 500 INDEX

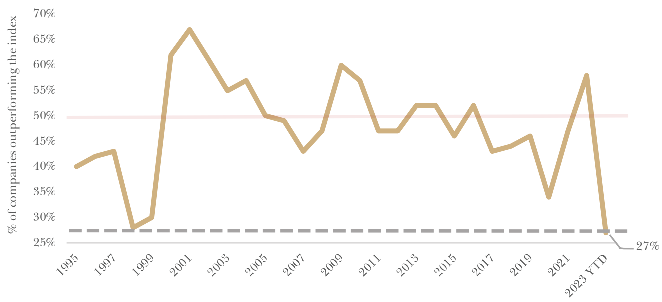


Source: Bloomberg

All of that leaves the S&P SmallCap 600 Index trading at one of the largest relative valuation discounts (26%) to the S&P 500 in some 15 years. For more than a decade prior to 2020, the index traded at an average 10% premium. Similarly, the Russell 2000 Index (consisting of small and large-cap companies in the United States) currently sits at a 35-year low relative to the Nasdaq 100—a level not seen since the Covid-19 crash or the 2000 recession.

This pain is even greater at a stock-specific level. Only 27% of stocks in the S&P 500 have outperformed the index so far in 2023, the lowest percentage going back 30 years. Historically this number has typically ranged between 45% and 55%, which is logical given half the stocks in an index tend to underperform whilst the remaining outperform. The average small-cap stock in the Russell 2000 is now more than 33% below its 52-week high.

S&P 500 % OF STOCKS OUTPERFORMING THE INDEX

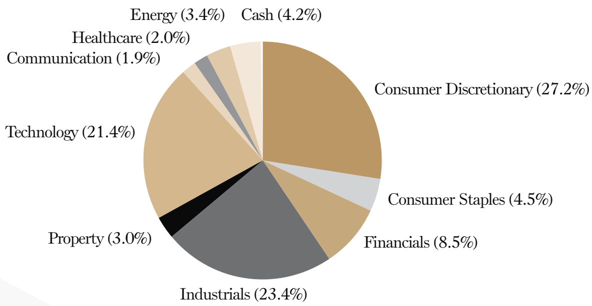


Source: FactSet, Jefferies

IDIOSYNCRATIC EXPERIENCE

While the wider smaller cap sector is in a world of pain, that hasn't really been the Fund's experience over the first nine months of 2023. Yes, we've owned some smaller dunces, including **Motorpoint** (LSE:MOTR) and **TaskUs** (Nasdaq:TASK) among others. And the Fund was invested in Meta at the start of the year and is still invested in Alphabet. But we've also had some significant small-cap winners, including **Norbit** (OB:NORBT), **Flughafen Wien** (WBAG:FLU) and **Gulf Marine Services** (LSE:GMS).

STOCK EXPOSURE BY SECTOR



Source: S&P Capital IQ

The Forager International Shares fund is up 0.1% for the three months to 30 September 2023, taking the year's return to 20.3%. The MSCI IMI Index has returned -0.4% and 19.7%, respectively, while the MSCI

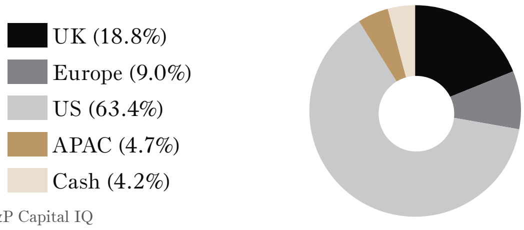
World Small and Mid Cap (SMID) Index has returned -0.5% and 15%.

As highlighted in the CIO cover letter, a choppy market where some stocks are working and others are being pummeled is our preferred kind of environment. We've been trimming the above three winners, and others, putting the proceeds into more beaten-down ideas new and old, large and small. Here are two of the newer stocks in the portfolio.

Fortune Brands Innovations (NYSE:FBIN) is a recent spin-off that was listed on the New York Stock Exchange in December 2022. The business owns leading brands across plumbing, decking and home security systems. The previous company (Fortune Brands) also owned a cabinets business, which was lower margin and more volatile than the other three categories, which has been spun out separately. This has created what can be thought of as a "GoodCo" and "BadCo". The Fund owns the GoodCo part.

Fortune Brands Innovations offers premium, branded consumer products—including House of Rohl and Moen—that have demonstrated pricing power, strong profitability and lower cyclicality than most building products companies. These segments have grown sales at 10% per annum over the past decade, with 7% of that annual growth being organic and the remainder coming from bolt-on acquisitions. This sort of growth can continue for some time.

STOCK EXPOSURE BY GEOGRAPHY

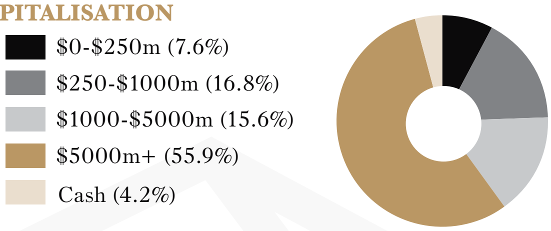


Source: S&P Capital IQ

We think the market is underestimating the quality of the remaining segments and putting too much emphasis on what is a tough current backdrop. While we do not doubt that it will be a difficult year for the housing industry, two-thirds of the business relies on repairs and remodeling, which should prove more resilient than new construction. US mortgageholders who took out 30-year loans at record low interest rates cannot afford to move in the current interest rate environment—in the US you can't take your mortgage with you—but they have a lot of spare cash to spend on the existing home.

Fortune Brands has a long history of generating plenty of cash and returning it to shareholders through a combination of dividends and share buybacks. Last year's combined dividend and share buyback represents an 8% yield on the current share price. The cash return won't be quite so high over the next few years, as the business continues to invest in organic growth and acquiring additional new brands. As long as the profits are reinvested at high returns on capital, either option is fine by us.

PORTFOLIO DISTRIBUTION ACCORDING TO MARKET CAPITALISATION

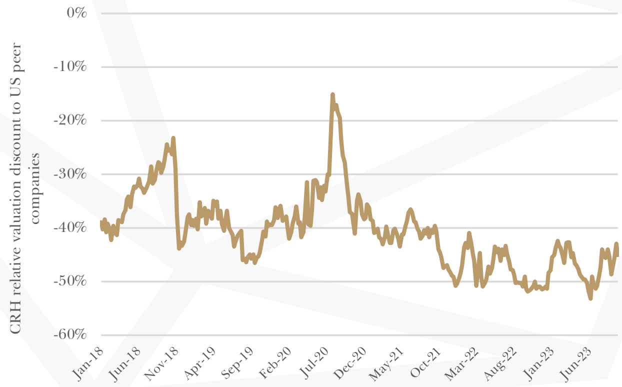


Source: S&P Capital IQ

Another recent addition to the portfolio is **CRH** (NYSE:CRH). CRH is a global leader in the building materials industry, with a portfolio that ranges from "heavyside" materials such as aggregates and cement through to "lightside" building products including architectural components and glazing systems. The company is the market leader across North America and Europe, with a footprint spanning 29 countries.

This is a business with a long history of growth, partly due to a business characteristic that, to us at least, was first highlighted by investor Peter Lynch more than 30 years ago. Quarried materials don't travel cheaply, they're too heavy. This gives rise to local monopolies and oligopolies with significant pricing power. CRH has grown revenues by 11% annually since 1990. And of the $11 billion of free cash flow generated over the past five years, $8 billion has been returned to shareholders via dividends and buybacks.

CRH VALUATION DISCOUNT TO US PEERS



Source: Bloomberg. US peer companies include MLM, SUM, VMC.

In September, CRH moved its primary listing to the United States. More than two-thirds of the company's profits come from the US. It has been, and will likely remain, the fastest-growing part of CRH's global operations. Several secular trends support that. The Infrastructure Investment and Jobs Act (IIJA) is injecting $1.2 trillion into America's crumbling infrastructure, to which 75% of CRH's US operations are exposed.

There's also been a surge in manufacturing reshoring in the US due to supply chain disruptions and concerns about technological independence. And the company also benefits from population shifts toward the Southeast and Southwest. Two of CRH's top states—Texas and Florida—are seeing the greatest influx.

US investors are likely to appreciate these attributes and close the discount that CRH has historically traded at versus North American peers. This investment is from the same playbook as our successful investments in Ferguson (NYSE:FERG) and Flutter (LSE:FLTR).

TOP 5 HOLDINGS (as % of NAV)

Blancco Technology Group Plc	**(AIM:BLTG)**	5.2%
Ferguson Plc	**(NYSE:FERG)**	4.2%
Linamar Corp	**(TSX:LNR)**	3.9%
Flutter Entertainment Plc	**(LSE:FLTR)**	3.5%
Insight Enterprises Inc	**(NASDAQ:NSIT)**	3.4%
Cash		4.2%

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 movementsˆ.

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%										**0.12%**

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	30 September 2023
Buy Price	$1.5592
Redemption Price	$1.5530
Mid Price	$1.5561
Portfolio Value	$193.4 million

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

ABOUT FORAGER

With approximately $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.

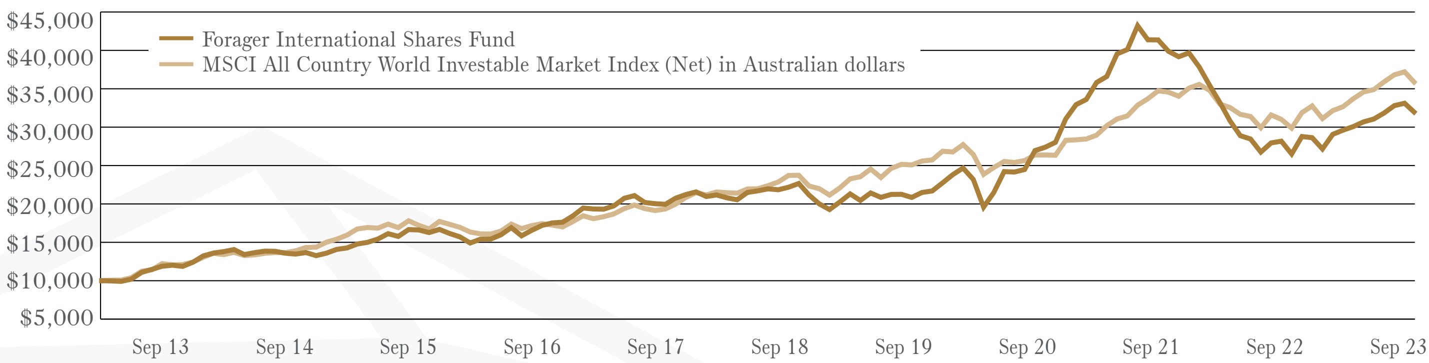
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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

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.