

FORAGER

# INTERNATIONAL SHARES FUND

MONTHLY REPORT OCTOBER 2023



## FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 31 October 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>	-3.41%	-6.14%	0.33%	6.99%	3.18%	7.78%	9.51%	11.05%
<b>MSCI AC World Net Index in \$A</b>	-1.46%	-4.28%	1.91%	10.51%	10.19%	9.55%	10.99%	12.45%

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. <sup>\*8 February 2013</sup>

October was a weak month for global share markets, with the MSCI ACWI IMI declining 1.5% and the unit price of the Forager International Shares Fund falling 3.4%. Creeping pessimism is the general mood of the day.

**Lloyds Banking Group** (LSE:LLOY) is illustrative. The group continues to deliver results in line with our expectations and the stock significantly outperformed the broader UK banking sector over the month where all the major banks published their third-quarter results. By “significantly outperformed”, we mean the stock only went down a little, while the rest of the industry tanked 15-20%.

Quarterly profits were ahead of expectations and the group demonstrated good cost control. Net interest margin (NIM), the difference between what a bank earns on loans and what it pays depositors, was strong at 3.08%. Lloyds continues to return large amounts of cash to shareholders. Over the past 12 months, it has paid cash dividends equating to a yield of 6.3% on today's share price. And it has distributed a similar sum via buybacks, reducing the number of outstanding shares by 6%.

Almost all European bank stocks are presently cheap on any traditional valuation measure. The biggest and best operators are almost as cheap as the second-tier and riskier players, so we're firmly focused on the former. Lloyds is one such operator and proved its mettle this month. It's the largest bank in the UK and its annual profit, expressed in Australian dollars, is a similar size to the annual profit of **Commonwealth Bank of** (ASX:CBA). Lloyds' market capitalisation, also expressed in Australian dollars, is about 30% of CBA's (ie a 70% discount).

The Fund added another market-leading bank during October, this one focused on continental Europe. We'll tell you about it in time, but in the meantime, the new investment is paying out a dividend plus buyback yield of more than 15% per annum. Banks always come with a side serving of tail risk, so our bank basket will never be an outsized weighting in the Fund. But these stocks are currently too cheap to ignore and, in our opinion, well worth the risk.

**Alphabet** (NASDAQ:GOOGL) has been in the Fund on and off since its inception more than 10 years ago. The Fund invested again in February after the market started panicking about OpenAI's ChatGPT impact on traditional search. The fears looked overblown and the stock has risen significantly since. The group delivered strong third-quarter results recently, with Google's advertising revenue growing a respectable 9.5% versus the prior year, leading to an uptick in profit for the company. However, Google Cloud Platform revenues grew “only” 22%, a few lengths behind the pace at which **Microsoft** (NASDAQ:MSFT) was able to grow its Intelligent Cloud Business.

Recent concerns are also likely unfounded. We have been trimming our position nonetheless. Alphabet has performed its intended role, providing strong positive returns in an otherwise difficult market. But there are more compelling opportunities available elsewhere at present. It's unlikely the Fund will own any Alphabet shares by the end of this year although, if history is any guide, it will be back in the portfolio again at some point.

This month we also parted ways with data erasure software company **Blanco Technology Group** (AIM:BLTG), one of the longest-held and most successful investments in the Fund's history. In August, private equity firm Francisco Partners lobbed a lowball bid of 223p per share for the company. We hustled, kicked and screamed but ultimately were unable to convince enough of the investor base that there was a better way forward. Francisco now controls enough of the company to be able to compulsorily acquire the rest of it. The final price is disappointing. But the Fund has done very well out of this investment over a 6-year holding period.

It's also a market where we're having no trouble finding attractive investment opportunities to put those proceeds to work. Our pipeline of interesting ideas is as full and compelling as it's been in years. The next Blanco is out there. Who knows, we might already own it.

## TOP 5 HOLDINGS (as % of NAV)

<b>Flutter Entertainment Plc</b>	<b>(LSE:FLTR)</b>	3.9%
<b>Ferguson Plc</b>	<b>(NYSE:FERG)</b>	3.8%
<b>Linamar Corp</b>	<b>(TSX:LNR)</b>	3.7%
<b>Insight Enterprises Inc</b>	<b>(NASDAQ:NSIT)</b>	3.6%
<b>CRH Plc</b>	<b>(NYSE:CRH)</b>	3.6%
<b>Cash</b>		8.4%

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%									-3.30%

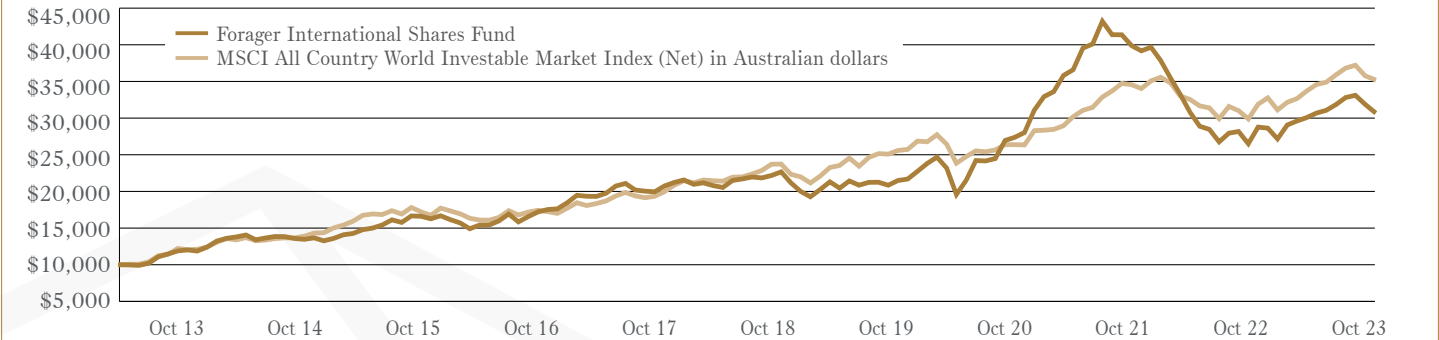
Past performance is not indicative of future performance and the value of your investments can rise or fall.

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 October 2023
Buy Price	\$1.5060
Redemption Price	\$1.5000
Mid Price	\$1.5030
Portfolio Value	\$186.2 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.

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ABOUT FORAGER

With approximately \$330 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