FORAGER

DECEMBER 2023 QUARTERLY REPORT

Blink and you miss in modern markets

FORAGER

CHIEF INVESTMENT OFFICER LETTER

QUARTERLY LETTER DECEMBER 2023

FORAGER FUNDS 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.)
Forager Australian Shares Fund	7.14%	5.00%	10.44%	10.86%	3.18%	6.65%	7.07%	9.30%
Forager International Shares Fund	8.07%	8.14%	8.26%	26.92%	1.54%	12.33%	9.75%	12.02%

Past performance is not indicative of future performance and the value of your investments can rise or fall. Performance in FASF is calculated using Net Asset Value (NAV), not the market price.

*8 February 2013 for FISF and 30 October 2009 for FASF

BLINK AND YOU MISS IN MODERN MARKETS

That was an eventful end to the year. Australia's All Ordinaries Accumulation Index (which includes dividends) jumped 7% in December, taking the year's return to 14%. The S&P 500 rose 4% for a 25% annual return, while the tech-heavy Nasdaq index increased 6%, taking its return for 2023 to a whopping 55%.

Smaller companies finally came to the party as well, albeit not until the final few months of the year, making the prediction that 2023 could be a year for small caps relatively wrong rather than outright foolish. Large cap indices once again outperformed small cap indices in 2023. The MSCI World Small Cap Index underperformed the MSCI World Index by 7%, while here in Australia the Small Ordinaries underperformed the All Ordinaries by 6%. But November and December were good months for small stocks, particularly in the US.

The proximate cause of this dramatic shift in sentiment was a series of welcome inflation statistics released around the world. In the US, November inflation figures showed the lowest annual increase in prices since early 2021. Both headline and core CPI (adjusted for volatile items) fell below 4% and month-on-month increases are now consistent with an annual rate of 2-3%. The rest of the developed world is following, with a lag, including here in Australia.

While central bankers are adamant that the inflation fight isn't over, bond investors are betting aggressively that interest rates will fall throughout 2024. The yield investors can earn on a 10-year US government bond fell from 5.0% to 3.8% between the middle of October and the end of December.

Does all of that justify a dramatic rally in equity markets?

Well, it makes a difference at the margin. All other things equal, stocks should trade relative to the return investors can earn on long-term government bonds. Lower rates should equal higher multiples for equities.

The swings have been extreme, however, and the correlation between bond markets and equity markets suggests plenty of fast money chasing short-term returns. Sure, falling inflation is welcome. Whether it is banished for good is still highly uncertain and labour conditions in many countries remain tight. And whether Fed president Jerome Powell thinks rates will fall or not doesn't make it a certainty. The past few years have confirmed that the central bankers' crystal balls aren't any more reliable than our own.

I don't think any rational person is changing their valuation of the market by 20% based on one month of inflation data. Rather, financial markets are being dominated (more than ever, in my opinion) by money that doesn't care what stocks are worth, only where they are going to trade in the short term. The computer says rates up equals sell. The computer says rates down equals buy.

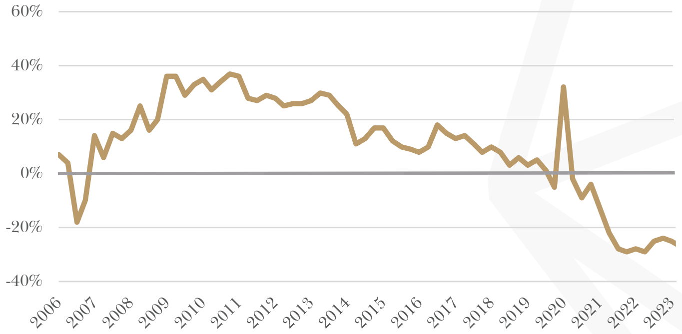
THE LONG GAME IS THE ONLY GAME FOR US

So how should we navigate these significant and rapid moves in equity markets?

First, recognise that neither you nor we can beat the supercomputers at the short-term prediction game. I've spoken to numerous investors over the past 12 months who didn't want to invest in equities until the inflation picture was clearer. While "artificial intelligence" entered the mainstream lexicon in 2023, it has been used in finance for decades. Giant hedge funds and investment banks with supercomputers and billions of dollars to invest dredge the world for data correlations, parse central banker speeches for minute changes in language or tone and execute trades with that information in milliseconds. If you think you are going to win the short-term prediction game sitting at home on the NBN with a laptop, good luck.

Between the middle of October and the end of December, the valuation multiple on the S&P Small Cap Index rose from 12 to 15 times earnings, up 25%. Despite this, the Small Cap Index still trades at a 25% relative valuation discount to the S&P 500, when for the past 20 years, the index has traded at an average 10% premium. Small companies are still a lot cheaper than large companies and there is dramatically more dispersion of opportunity at the smaller end of the market. In the US, though, the opportunity to buy the small cap index cheaply evaporated in just 10 weeks. You have a clearer picture on inflation today, but the bargains are no longer as widespread.

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



Source: Bloomberg

TIME HORIZON ARBITRAGE

All of this focus on the next data point, however, makes the job somewhat easier for the investor with a longer investment horizon. The more the weight of money is focussed on the short-term, the more opportunity there is for those with a longer-term view.

Through all of the volatility and bear and bull markets, the ASX All Ordinaries has delivered a return of 8.1% per annum over the 14 years since we started the Forager Australian Shares Fund. Back out the positive impact from Aussie dollar depreciation, and the MSCI World IMI Index has delivered 9.0% per annum in the almost 11 years that fund has existed. Those returns are roughly in line with historical returns from equities and the sorts of returns you should expect in the future.

The same is true for individual stocks. There is plenty of volatility. And there are times (now being one of them for small cap stocks) when stock prices diverge significantly from their underlying value. But when I look back over the past 10 years, our main successes have been those companies that exceeded expectations on earnings and dividends, and the failures were those that failed to deliver.

Whether interest rates are 5% or 3%, whether inflation is 4% or 2%, the future probably won't be any different. Companies will make profits, pay dividends and grow their collective earnings modestly over time. Long-term returns should be consistent with the past and those that can buy when everyone else is panicking can do a fair bit better than that.

FORAGER BUSINESS UPDATE

Thanks to all International Fund investors who voted to change the Responsible Entity of the Fund in December. The resolution passed with approximately 60% of units voting in favour (less than 1% voted against) and Pepetual's Trust Co should become the responsible entity on 1 February.

The change is part of a number of initiatives to simplify the Forager business. The same responsible entity, registry and administration provider for both funds will make your and our lives simpler. You will receive more information about the Automic registry portal (which will be the same for both funds) in the coming weeks.

We are also progressing with a proposal to delist the Forager Australian Shares Fund from the ASX (if you missed it, here is the original announcement). Fund investors will receive more information on that proposal soon, too, and we still expect to be able to hold a unitholder meeting in the first half of the 2024 calendar year.

Finally, Gaston Amoros left the Forager business in October. Gaston was a Senior Analyst on the Australian Fund and we thank him for his hard work over the past three years. Alex Shevelev and I remain portfolio managers of the Fund and we are excited to have added Nicholas Plessas to the team as a full time analyst.

As always, please get in touch if you have any questions or suggestions.

Kind regards,

Steve Johnson

Steven Johnson
Chief Investment Officer

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.

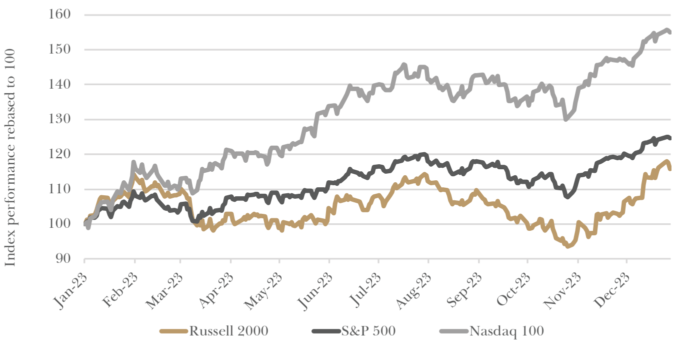
*8 February 2013

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

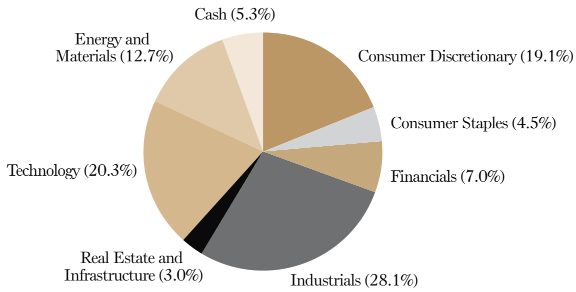


Source: Bloomberg

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

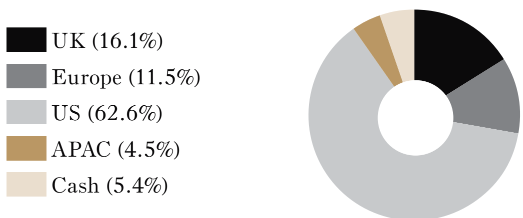


Source: S&P Capital IQ

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

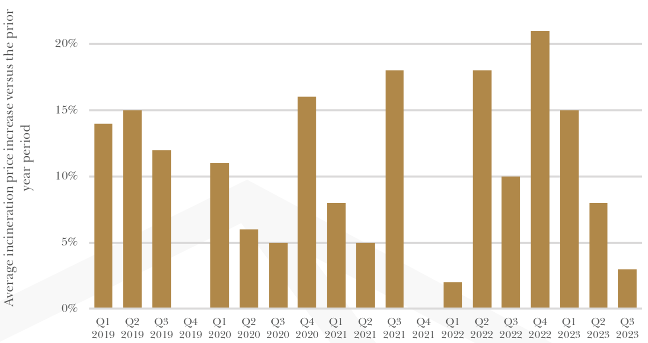
Source: Bloomberg

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



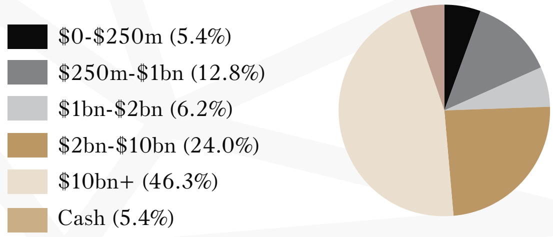
Source: Company filings

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 billion 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.

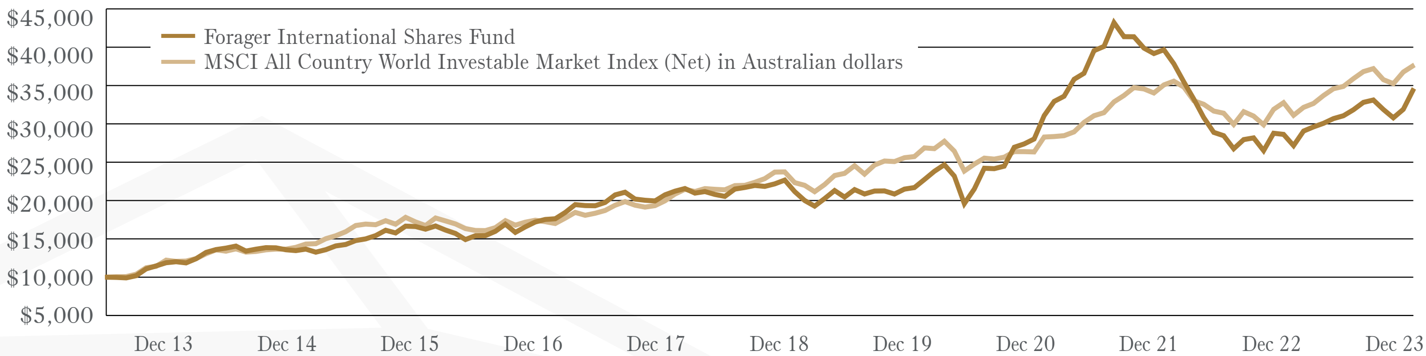
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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.

FORAGER

AUSTRALIAN SHARES FUND

MONTHLY REPORT DECEMBER 2023

FORAGER AUSTRALIAN 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.)
Australian Shares Fund (ASX:FOR)	7.14%	5.00%	10.44%	10.86%	3.18%	6.65%	7.07%	9.30%
All Ordinaries Accumulation Index	7.44%	8.67%	7.95%	12.98%	8.88%	10.66%	8.16%	8.09%

The value of your investments can rise or fall. Performance is calculated using Net Asset Value (NAV), not the market price. Past performance is not indicative of future performance. *30 October 2009

The end of the 2023 calendar year saw a sharp rise in equity markets in Australia and around the world. Once again, macro considerations were the driving force. Longer-term interest rates fell as investors concluded that global inflation problems have waned. Yields on ten-year Australian government bonds had risen to nearly 5% from 4% at the end of August, then retreated to 4% again by year-end.

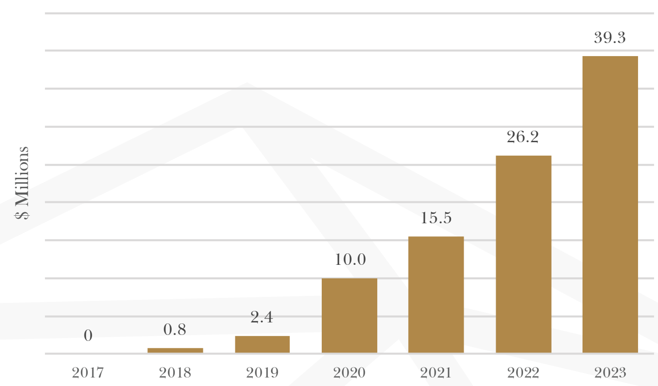
The late rally left the All Ordinaries Accumulation Index up 13.0% for the calendar year, while the Forager Australian Shares Fund returned 7.2% in December and 10.9% for the year.

Despite a 15.0% runup since late October, small caps once again underperformed their larger counterparts. Over the last three years, the Small Ordinaries Accumulation Index has returned just 2.9% including dividends, against a 29.1% return from the All Ordinaries Accumulation Index. Micro-cap stocks and those with shorter histories fared even worse.

While many small businesses have made progress over the last three years, the reward has often been lower valuations.

Take the Fund's largest investment, **RPMGlobal** (RUL). The company provides software to miners and mining services businesses. Many of the products are industry standard and key to the operations of a mine site, so very few clients stop using them. The business is run by an aligned management team, has net cash on the balance sheet and has been continuously buying back shares.

RPM GLOBAL RECOGNISED SUBSCRIPTION REVENUE

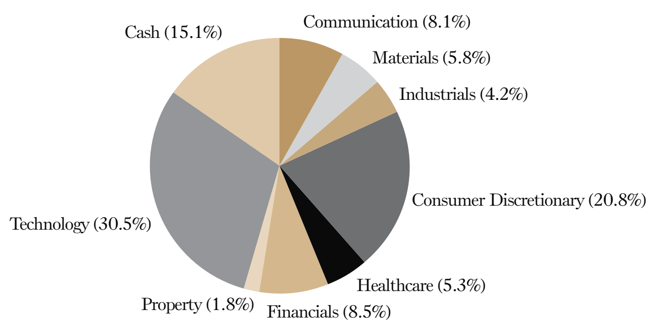


Source: Company filings

While some of those key attributes were there three years ago, there has been plenty of change under the surface. Annual subscription revenue was just $10 million in the 2020 financial year. By 2023 it had nearly quadrupled to $39 million. Profit before tax has become meaningfully positive and is due to climb again in 2024 as operating leverage kicks in. Despite all this, RPM's market capitalisation is only 34% higher than in 2020. The valuation is significantly more attractive today, and we already thought it was a bargain three years ago.

Viva Leisure (VVA) is another business that has made plenty of progress since 2020. Three years ago, the gym owner had just over 100k paying members. It now boasts more than 186k. Revenue had rebounded to $6.7 million a month post the first of the COVID lockdowns. That number was last pegged at $13.6 million. Furthermore, profit margins have climbed from 15% to 21%.

STOCK EXPOSURE BY SECTOR



Source: S&P Capital IQ

Yet, Viva trades at half of its share price at the end of 2020. A few projects, like club upgrades, technology rollouts and vending machines at clubs will benefit the business in the 2024 financial year. And maturity has also led to larger and more flexible bank funding, providing further organic and acquired growth opportunities. Viva's valuation multiple has fallen to just eight times our estimate of next year's net profit.

Three years ago there was significant uncertainty around when Australian borders would open up to international arrivals, one of the main variables for skydiving and adventure provider **Experience Co** (EXP). At the time, Experience had stood down 90% of its staff, divested assets and shored up government support to keep operating. Hit by impairments, the business lost $40 million that year.

Fast forward to the end of 2023. Airline capacity into Australia is projected to rise to over 90% of pre-COVID levels. Experience's

Reef Adventures business has visitation approaching 2019 levels and skydive volumes are over 50% of historical levels and recovering quickly. Despite operations being hit by Cyclone Jasper, the company recently entered into a new $43 million flexible debt facility. The 2025 financial year is shaping up as a return to near-normality for Experience, yet the company's share price is still 15% below where it was at the end of 2020.

There are plenty more examples in the portfolio, including software company **Readytech** (RDY) and **Catapult** (CAT), a global leader in elite athlete monitoring technology (on a recent episode of Forager's Stocks Neat podcast, we hosted an interview with Catapult CEO Will Lopes).

The larger, more liquid companies in the small-cap index have performed best over the past few months. There have been some stellar returns from those that have been able to migrate from small and illiquid to having broader appeal, including Fund investment **Gentrack** (GTK) which experienced a 160% share price rise in 2023.

But there remains incredible value in those that are left behind. As enthusiasm for smaller companies continues to return, these businesses should see improved valuations and share price performance. As long as they continue growing their value, we don't mind if it takes the market some time to appreciate them fully.

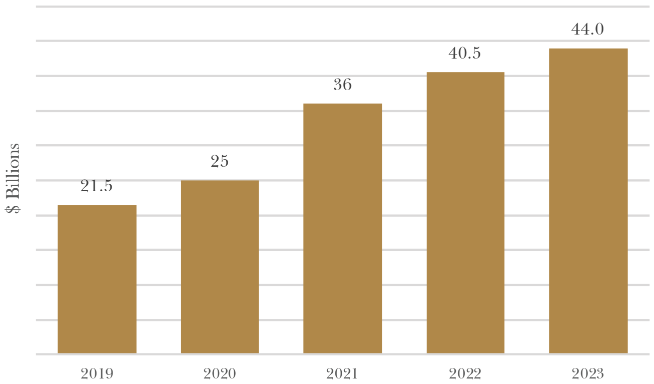
PRAEMIUM NEW ADDITION

If inflation is returning to normal, it will be good news for a lot of smaller companies, including new portfolio addition **Praemium** (PPS).

Praemium operates Australia's third-largest independent investment platform. While **Hub** (HUB) and **Netwealth** dominate the market, Praemium's $44 billion of funds under advice makes it a serious player and its strength in key niches has enabled it to grow in a competitive space.

New management, a refreshed board and the sale of a loss-making business in the UK had seemingly consigned the listed company's patchy operational performance to history. With its share price more than halving as financial markets swooned through 2022 and into 2023, we thought the valuation had become appealing.

PRAEMIUM TOTAL FUNDS UNDER ADVICE



Source: Company filings

Just two weeks after the Fund's modest initial investment, Praemium's AGM update indicated a serious cost inflation problem, with costs in the first half of this financial year expected to be 10% higher than the second half of last financial year. Combined with still sluggish financial markets in the first quarter of the new financial year, where trading volumes impact Praemium's revenue, the company now expects its first-half earnings before interest and tax to be 20% lower than the prior corresponding six-month period. The share price itself price ended November down 24%, having been down 34% at the lows. It has since stabilised and we have added further to the investment. The market recovery in November and December should help revenues. However, we will need to see more cost discipline before considering making it a larger investment.

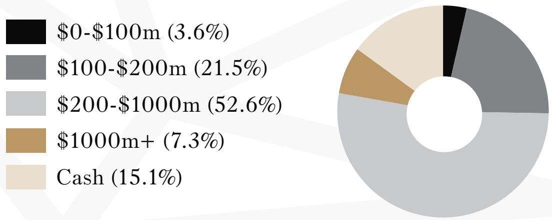
TWO WHISPIR BIDDERS ON THE SCENE

We summarised Sorpano's takeover offer for Whisper in the November Fund report and hoped for a competing offer to emerge. Those hopes became reality in December, with another bidder entering the picture.

Unlike Soprano's unconditional offer, the new indicative offer from private Australian company Pendula was just that, indicative. From what we can gather, Pendula is a relatively small company. How it expects to pay Whispir shareholders is still uncertain as of today. Still, competition is always good in the game of takeovers and the offer, $0.55 per share, was a decent improvement on Soprano's $0.48.

Subsequently, Soprano upped its offer to $0.52, Pendula to $0.60 and Soprano again to $0.55, at which point the independent board members gave their support to the unconditional Soprano bid. There is still time for Pendula to firm up its financing and give shareholders more certainty. Either way, it's going to be a decent result for the Fund given the disappointing operational performance over the past couple of years.

PORTFOLIO DISTRIBUTION ACCORDING TO MARKET CAPITALISATION



Source: S&P Capital IQ

TEAM CHANGES

As highlighted in the CIO letter, please note that Gaston Amoros, who was a Senior Analyst on the Forager Australian Shares Fund team, has left the Forager business. Alex Shevelev and Steve Johnson remain the Fund's portfolio managers and we are excited to announce that they are joined by new recruit Nicholas Plessas in a full-time analyst role.

DELISTING PROPOSAL

In October, Forager announced its intention to recommend delisting the Forager Australian Shares Fund from the ASX. If you missed the announcement, you can read the full details here. We are on track to finalise a proposal and hold a unitholder meeting in the first half of calendar-year 2024 (subject to relevant market conditions and applicable regulations which exist at the time). Please keep your eye out for further information in the coming weeks.

TOP 5 HOLDINGS (as % of NAV)		
RPM Global Holdings	**(ASX:RUL)**	8.2%
Tourism Holdings Limited	**(NZX:THL)**	6.1%
Readytech Holdings Ltd	**(ASX:RDY)**	5.4%
Viva Leisure Ltd	**(ASX:VVA)**	3.7%
Catapult Group International	**(ASX:CAT)**	3.6%
Cash		15.1%

FUND OBJECTIVE

The Fund targets securities that Forager believes are undervalued and invests predominately in securities listed on the ASX. Its investment objective is to outperform the All Ordinaries Accumulation Index over a rolling 5-year period and its goal is to produce superior long-term returns from a select number of underlying investments, irrespective of short-term price movements^.

The portfolio has historically generally held 15 to 25 securities but in recent times the number of investments has increased to around 35 securities. This has reflected the fact that the Fund has grown, the investment team has grown and the Manager has enhanced the portfolio liquidity requirements as a result. We expect that the portfolio will remain relatively concentrated and the number of portfolio investments will generally be in the 15 to 50 range.

FUND PERFORMANCE BY MONTH AND FINANCIAL YEAR

FY	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total Return
2010					-0.69%	2.52%	-1.66%	0.08%	-0.34%	4.60%	-4.27%	-4.40%	**-4.41%**
2011	4.97%	-2.40%	-2.80%	-1.54%	3.12%	6.59%	1.58%	0.47%	-1.49%	3.40%	-5.39%	-0.82%	**5.12%**
2012	-1.00%	-2.61%	-7.20%	9.89%	-0.02%	-4.62%	1.53%	8.90%	5.02%	2.17%	-0.51%	-2.64%	**7.76%**
2013	8.70%	0.44%	2.83%	-3.07%	4.57%	0.33%	5.83%	4.86%	4.51%	1.41%	2.65%	-0.69%	**36.87%**
2014	10.45%	1.13%	4.77%	2.50%	-0.11%	0.38%	1.05%	0.48%	-1.28%	-3.44%	1.28%	-0.15%	**17.73%**
2015	6.70%	2.56%	-1.23%	-2.06%	-0.21%	-1.15%	0.94%	3.38%	4.87%	-2.42%	3.13%	-2.34%	**12.31%**
2016	7.94%	-4.46%	-1.38%	12.87%	-2.97%	0.22%	-1.33%	2.70%	4.40%	2.48%	1.51%	-3.91%	**18.06%**
2017	6.99%	3.25%	4.50%	-1.99%	-4.65%	1.76%	7.20%	1.29%	1.60%	1.16%	1.16%	1.00%	**25.16%**
2018	2.32%	-0.95%	2.69%	0.95%	0.21%	4.06%	-0.57%	-3.18%	-2.64%	2.77%	-0.97%	1.91%	**6.50%**
2019	-0.62%	-1.90%	-2.19%	-6.16%	-3.78%	-3.68%	0.98%	4.46%	-0.95%	-2.02%	-3.97%	-1.46%	**-19.66%**
2020	6.67%	-1.09%	4.38%	1.54%	-3.22%	-1.50%	2.46%	-10.97%	-39.71%	20.57%	18.04%	-2.16%	**-18.36%**
2021	3.70%	18.80%	2.00%	7.79%	13.22%	3.56%	-3.05%	4.07%	1.21%	13.23%	0.26%	1.62%	**87.09%**
2022	5.01%	2.58%	0.45%	1.57%	-1.35%	2.81%	-7.55%	-7.48%	2.86%	-7.29%	-9.60%	-12.30%	**-27.91%**
2023	12.28%	1.67%	-6.53%	7.58%	5.75%	-3.87%	5.95%	-4.62%	-3.85%	2.61%	0.34%	0.34%	**17.13%**
2024	4.18%	1.51%	-0.54%	-6.45%	4.76%	7.14%							**10.44%**

Past performance is not indicative of future performance and the value of your investments can rise or fall. Performance is calculated using Net Asset Value (NAV), not the market price.

FACTS

Fund inception	30 October 2009
ASX Code	FOR
Distribution	Semi-Annual, 31 December and 30 June

UNIT PRICE SUMMARY

As at	31 December 2023
NAV (ex price)	$1.54
Distribution	$0.03
Market Price	$1.40
Portfolio Value	$154.1 million

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.

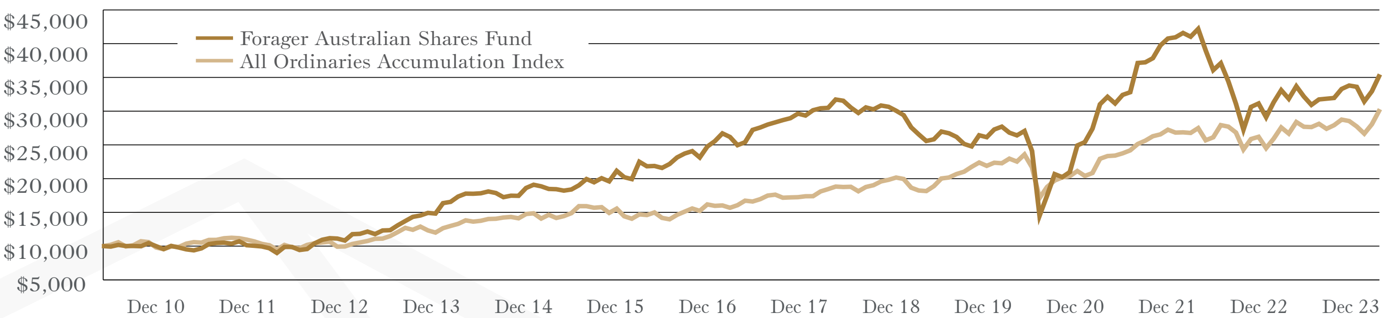
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

Key investment staff are strongly aligned with investors through co-investment and / or equity in the Forager business.

FUND CHARACTERISTICS

- Concentrated portfolio of ASX-listed stocks
- Long track record in identifying unloved gems
- Restricted fund size allows investment in smaller businesses
- Strong focus on managing portfolio risks
- Listed on ASX as a Listed Investment Trust (LIT)
- Structure offers Forager flexibility in distressed markets

COMPARISON OF $10,000 INVESTMENT OVER TIME



Source (All Ords): S&P Capital IQ. The above figures assume that all distributions have been reinvested. Performance is calculated using Net Asset Value (NAV), not the market price. Past performance is not indicative of future performance.

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