31 DECEMBER 2024

Quarterly Report

Forager

Chief Investment Officer letter

Forager Funds performance summary (as at 31 December 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.)
Forager Australian Shares Fund	1.63%	11.67%	18.57%	27.43%	2.15%	11.23%	9.45%	10.41%
Forager International Shares Fund	-0.09%	5.25%	8.51%	21.27%	3.37%	11.91%	11.50%	12.77%

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

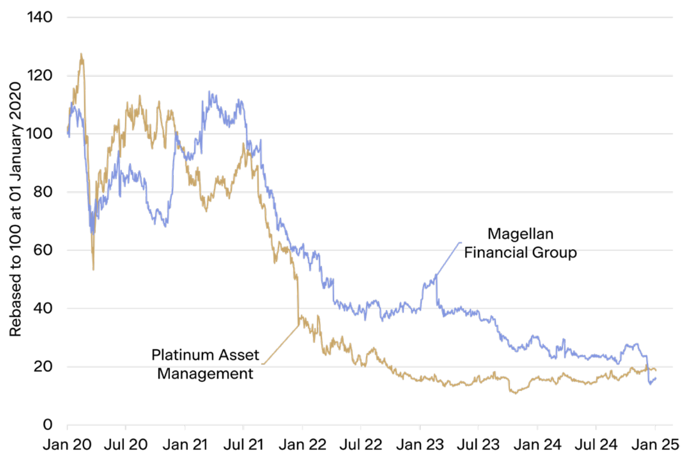
*8 February 2013 for FISF

*30 October 2009 for FASF

The Platinum Canary in the Active Funds Management Coalmine

The past five years should have been a wonderful period for the owners of international fund managers. The MSCI World Index has almost doubled. Institutional and retail investors have been steadily increasing their allocations to global equities. Yet the ASX's two highest-profile global managers, **Platinum Asset Management** and **Magellan Financial Group**, have both experienced 80% share price falls since the end of 2019.

Platinum and Magellan's fall from grace



Source: Bloomberg

That share price performance has come on the back of extended periods of underperformance from both companies' flagship funds, leading to persistent and significant investor withdrawals. From a peak of $26 billion, Platinum now manages a touch over $10 billion and suffered more than $840 million in net redemptions in November alone. Magellan's outflows have stabilised—as has its share price throughout 2024—but with $39 billion under management, the company is a shadow of its former self (at its peak in November 2021, Magellan managed $100 billion of investor money).

The founders of both companies, Kerr Neilson at Platinum and Hamish Douglass and Chris Mackay at Magellan, were all incredibly generous with their time when I was running the investment newsletter *The Intelligent Investor*. As investors who see stocks as shares in businesses and with contrarian bents, our investment philosophies are somewhat aligned. Over the years I have recommended a number of friends and clients invest in Platinum products.

Thus their fall from grace has caused me a significant amount of angst and introspection. For shareholders, fund investors and competitors like us, there are lessons that must be heeded.

Fund managers are risky business

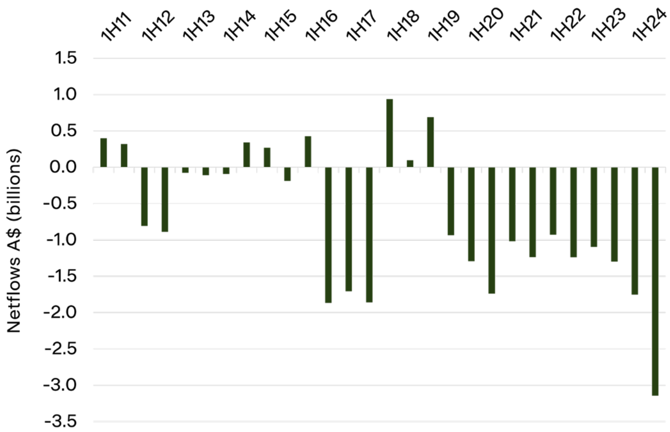
I'm sure some Platinum and Magellan shareholders are scratching their heads. How does a highly profitable business with a rock solid balance sheet suffer an 80% share price fall?

Platform businesses like ASX-listed **Pinnacle**—where the listed company takes minority equity stakes in a stable of fund managers and provides back office and distribution services—are resilient and have an important role to play in an ecosystem where scale is becoming increasingly important. But the single-manager listed fund manager is a business to be wary of.

They can be wonderful, cash generative, capital light and high-margin businesses when funds are flowing in. At its Initial Public Offering (IPO) in 2007, Platinum's pre-tax profit margins were more than 90%—its operating costs were less than 10% of revenues. All of those qualities work in reverse, however, when the Funds Under Management (FUM) decline. As both Platinum and Magellan show, once a funds management business starts seeing regular consistent outflows, it is almost impossible to arrest the momentum. Institutional money, where the decision maker is looking for someone else to blame, can be quick to flee. Retail investors take a lot longer to lose faith, but once you have lost it, it rarely comes back. The first thing that happens when performance recovers is a period of elevated redemptions. That might seem counter intuitive, but many investors hate selling at a loss. As soon as they get back to square, they send in the redemption notice (yes, I am talking from first-hand experience).

Chief Investment Officer letter

Platinum Asset Management Monthly Net Outflows



Source: Platinum Asset Management

**Data for 2H24 not yet available*

So, if you are going to invest in one of these companies, you need to be confident that the outperformance that made them successful can be maintained. And, perhaps more than any other business model, success itself is what often brings the performance unstuck.

Which brings us to the lessons for fund investors.

Size kills in active funds management

For Platinum fund investors, there are a few important lessons to consider when picking a managed fund. Beware extrapolating past performance, particularly when the track record was established with substantially less FUM than its current level. Size is the number one leveller in funds management, especially when investors can use index funds to own the world's largest companies without paying active management fees. In June 2000, Platinum was managing just over $2 billion. It tripled the amount under management over the subsequent three years and tripled in size again by the time it floated on the ASX in early 2007. By the mid 2010s, Platinum was managing more than $20 billion. Forager had its own challenges growing from $20 million to $200 million under management; more than $20 billion leaves you with a universe of almost exclusively well-researched, widely owned and very liquid stocks.

Next, watch out for changes in key personnel. None of these companies' founders are working in the businesses today.

Sometimes personnel change can result in a change in investment philosophy. Sometimes—I think this has been the case at Platinum—it can result in inertia. When an investment firm transitions from a founder to a committee or consensus-driven process, it risks becoming cumbersome in a constantly fluctuating investment environment. Platinum had 25 investment staff at the time of its IPO in 2007. By 2021 it employed more than 100. Bigger is not better when it comes to managing money.

Adapt or die

None of this is good news for the wider active funds management industry. Canary in the coal mine is an understatement. Smoke is billowing out of the mine and the fire engines have arrived. In the US, more than US$3 trillion has been redeemed from actively managed funds over the past decade and almost the same amount invested in index funds. There is now more money in aggregate invested in passive than active (in total, managed funds are roughly half the US market, with the remainder made up by direct retail, hedge funds and founders/insiders). Poor investor experiences with Platinum and Magellan will only add to the negative sentiment here in Australia.

It has been astonishing to watch an industry full of people ruthlessly dispassionate about the demise of other sectors—think traditional media and the taxi industry—struggle to accept the threats facing their own businesses.

Most arguments against low-cost index funds start with the incorrect premise that actively managed funds were actively managed. The large majority of money was with behemoths like **Colonial First State** and **AMP**, where active meant being underweight BHP by 0.5%. They were passive funds charging active fees.

Nor is there much evidence for the giant distortion theory. There are anomalies in today's market, like the **Commonwealth Bank of Australia** trading at 27 times earnings, where index fund flows seem like a logical explanation. But why hasn't CSL benefited to the same degree? By construction, the index funds aren't playing favourites - every dollar that flows in gets allocated equally across the index.

Research from Goldman Sachs dispels several myths about the impact of passive investing on markets. A few fun facts for you.

There is no correlation between passive ownership and superior stock performance (the 'Magnificent Seven', giant US tech companies, which have driven so much of the US's superior stock performance, have *lower* passive ownership than the market as a whole).

Stock price performance has become less correlated than it was, the opposite of what you would expect if passive flows were lifting all boats.

And fundamentals—predominantly long-term growth and earnings stability—still explain almost all of a company's price-to-earnings multiple. An efficient market needs some market participants with a view on valuation, but there are clearly enough hedge funds, private investors and private equity funds to keep the market efficient enough.

There will be bubbles as investors get too optimistic about equity markets. Those bubbles will implode when those same investors get disappointed and choose (or are forced) to sell their investments at the worst possible time. But we had all of that prior to the rise of the index funds. Though they might be the medium through which the next bubble unfolds, index funds won't be the cause of it—and at least they are a lot cheaper than the medium that came before them.

It's my view that they are a predominant good for the world and that their share will only continue to grow.

Chief Investment Officer letter

Small and countercyclical

You know you are getting old when all of your Christmas social catch ups end up discussing the worrying state of today's youth. The worries are overblown—every generation thinks the ones that follow it are useless. And we have two wonderful, hard working, intelligent, seemingly happy twentysomethings at Forager. Either these two have slipped through the cracks, or plenty of them are alright.

It is true, however, that mental health and stress are a growing problem for young people. Talking to the older people in my life, less expectation definitely led to lower stress for previous generations. Work hard, pay off the mortgage, raise a family and call your life a success. Today's young people want and expect a lot more, and social media pressures them to prove their success to the world.

While it is causing stress for many, the rise of index funds provides a simplicity to our purpose that is like living in the 1960s. There are not many things left that index funds don't do well. Big blue chips at a very low cost were the first thing to go. Now you can also replicate quality, growth, value, and dozens of other factors in low-cost index funds. That leaves Forager with two clear areas where we can add value, and the past year has provided plenty of examples.

Index funds work best in markets that are already relatively efficient and where the value of stocks traded is high. The less efficient the market, the more value there is for active fund managers.

In stark contrast to large cap funds, almost none of which have been able to outperform the index over a 10-year period, small and mid cap managers have a strong track record of market outperformance in Australia. According to Morningstar data, the more than 100 funds categorised as mid/small have outperformed the ASX Small Ordinaries by 3.5% over the past five years and 2.8% over 10.

Morningstar Category: Australia Mid/Small Blend

Number of Funds	Time Period	Active Funds Average Return (p.a.)	Passive Funds Average Return (p.a.)	Excess Return (p.a.)
101	3 Years	2.41%	-0.28%	2.69%
88	5 Years	8.10%	4.60%	3.50%
49	10 Years	10.53%	7.66%	2.87%

Source: Morningstar as at 30 November 2024

Identifying those smaller companies that can become future index constituents has been particularly fruitful, with **Gentrack**, **RPM Global**, **Flutter** and **Ferguson** providing wonderful returns to both Forager funds over the past year. To keep winning at the small end of the market, fund managers need to be willing to stay small themselves.

The other significant area of value is capitalising on the pro-cyclical nature of index-fund investing. Again, this is not a dramatic change from how the world worked 20 years ago. Fund managers have always been willing to launch a new fund to capitalise on the latest investor fad. But the speed of launch for index funds—no track record required—and accessibility via online brokerage accounts and 24-hour trading make for more dramatic rises and falls.

The Betashares Crypto Innovators ETF, launched at the peak of cryptomania in 2021, had lost 86% of its value by the end of 2022. Despite a 142% return over the past 12 months, it is still down more than 30% on its launch price. These factor driven flows can offer enormous opportunities for nimble investors who are willing to take the other side of the trade when panic sets in.

In the past five years, the PHLX Housing Sector Index (a US index of companies exposed to the US housing cycle) has halved, tripled, fallen 30% and doubled again. It is down more than 10% in the past month. We have our favourite structural winners in the sector, including **Installed Building Products** and Ferguson, but the sector's popularity surges and slumps are wild. When the index funds are suffering outflows, the quality of the business is irrelevant. We can add a lot of value by giving our clients exposure to the right factor at the right time, often when everyone else is overly pessimistic.

I'm sure the '60s and '70s weren't as stress-free as people think today. Likewise, running small, nimble, actively managed funds will throw up plenty of challenges. If the largest stocks keep performing better than everything else, those challenges could come soon. It has been a great year of returns, though, and our role in your portfolio is clearer than ever. With patience and willingness to stay small, there remains plenty of value to add.

Steven Johnson
Chief Investment Officer

Kind regards,
Steve Johnson

International Shares Fund

Forager International Shares Fund performance summary (as at 31 December 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	-0.09%	5.25%	8.51%	21.27%	3.37%	11.91%	11.50%	12.77%
MSCI AC World Net Index in $A	2.39%	10.66%	13.82%	28.25%	10.68%	12.49%	12.09%	14.13%

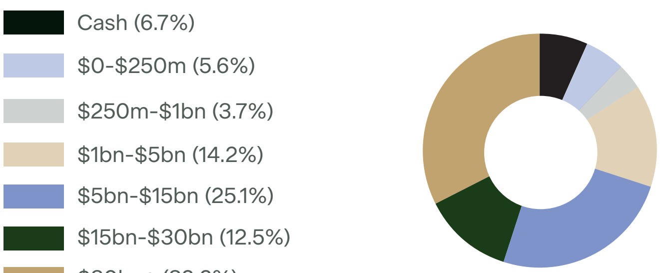
MSCI AC World Net Index in $A is an abbreviation of MSCI All Country World Investable Market Index (Net) in Australian dollars. Past performance is not indicative of future performance and the value of your investments can rise or fall.

*8 February 2013

The Forager International Shares Fund was roughly flat in December and up 5.3% for the last quarter. The end of the calendar year saw the Fund meaningfully underperform its benchmark, which was up 2.4% in December and 10.7% for the quarter (with both the Fund and the index getting a lot of assistance from a weak Australian Dollar).

While there were a couple of stock specific issues, outlined below, most of the underperformance is a function of portfolio positioning in conservatively priced businesses and countries. This is not something to worry about. It has been a great couple of years of Fund and market returns. The investment team is increasingly focussing on protection over profit as market participants get increasingly optimistic. When this optimism turns to pessimism is anyone's guess, but when it does the Fund will be better prepared than it was the last time around.

Stock Exposure by Market Cap



Source: S&P Capital IQ

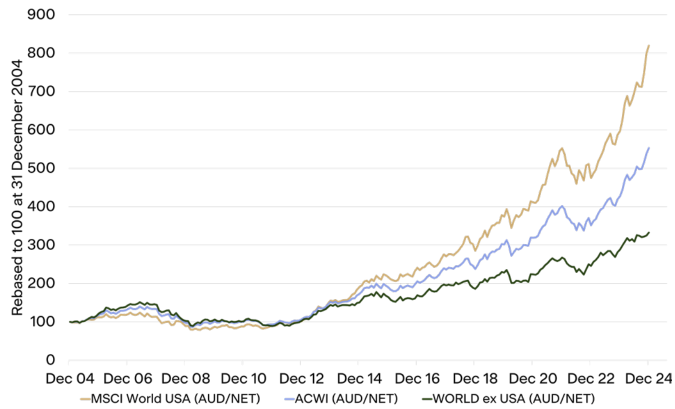
Election optimism

Whilst Trump's election victory was a surprise to some, betting markets had it right and broader investment markets have taken the result in stride. Some segments have taken a hit, with tariff-exposed industries and renewable energy stocks weak. Consumer stocks have also been walloped in recent weeks, largely due to the risk of increased tariffs and continued pressure from "stronger for longer" interest rates.

Mega capitalisation stocks have continued to rally throughout this period. At the same time market breadth (defined as number of stocks up versus down) has hit lows not seen since the 1970s. The US Federal Reserve's (the Fed) commentary relating to the lower likelihood of future rate cuts added to this bifurcation during the latter part of December.

US small business optimism has surged significantly since the election and invester sentiment has soared. The US Dollar surged 6% against the Australian Dollar. The latest fourth quarter GDP predictions from the Fed suggest continued strong growth. This is not something one wants to bet against, but being cautious about where you lay your chips is more important than ever.

US dominance across the indices



Source: Bloomberg

The US is now about 70% of global equity indices, roughly 10% higher than it was ten years ago (and more than double its share of global GDP). We've increased the Fund's weighting to Japanese stocks, finding high quality businesses that are cheap and move to their own beat. A European IT distributor that trades at about half the earnings multiple of (admittedly much larger) North American equivalents has been added to the portfolio. Exceptional value outside of North America is easier to find. Though we continue to find some high calibre investment opportunities there (particularly at the smaller cap end) we are treading more carefully with our US investments.

International Shares Fund

What are the odds?

Now onto matters that we didn't have on our bingo cards for 2024. In a 30-something stock portfolio, with fewer than 20 US stock positions, what are the odds that the Fund would lose not one but two CEOs to Trump administration appointments over the month of December?

Jared Isaacman is the entrepreneurial founder of **Shift4 Payments** (NYSE:FOUR). He's also a pilot and commercial astronaut and, at 41 years of age, has some of our investment team wondering what they've achieved with their own, more numerous, years.

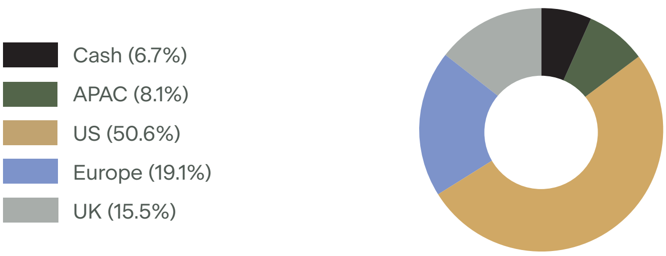
Shift4 is a position not previously disclosed. It's one of a handful of payments industry investments Forager is invested in around the world. It has performed well in a short space of time but has pulled back 9.1% since Isaacman announced his departure though. It's a pretty big loss to the company.

The second unfortunate poaching was of Frank Bisignano, president and CEO of **Fiserv** (NYSE:FI), a much larger business also in the payments and financial services technology industry. Bisagnano has been a safe pair of hands at Fiserv—currently the Fund's largest position—since 2019. While we're a little less concerned about his loss than Isaacman at Shift4, the market similarly sold off the stock after the announcements.

Bisagnano is nominated to be the commissioner of the Social Security Administration. And Isaacman? Accentuating our feelings of inadequacy, he's off to run NASA.

We hope (and believe) these poachings suggest positive things about the calibre of many administrative appointments for Trump's second term rather than negative things about the calibre of our portfolio's executive teams.

Stock Exposure by Geography



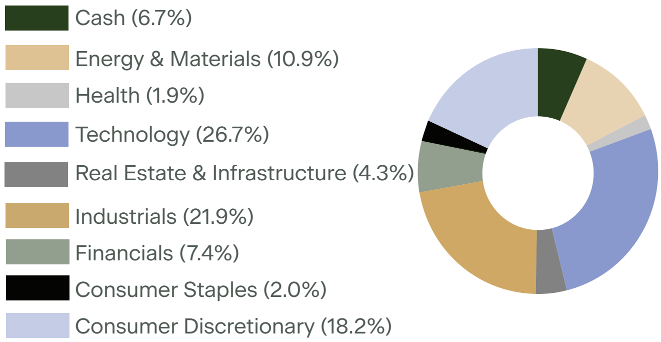
Source: S&P Capital IQ

Portfolio News & Update

During the quarter we said goodbye to a few very successful former investments.

We sold the last of our position in **Norbit** (OB:NORBT), a manufacturer of tailored high tech products. We acquired the stock in a 2019 Initial Public Offering (IPO). There are numerous lessons from this investment, including that stocks that make you a lot of money don't always go up in a straight line. This one went sideways for more than three years, and then made us all the money in the past two years. That required patience, which stemmed from research, including visits to coastal Trondheim, Norway, to better understand the company and its culture. Management made bold but achievable plans and then clinically went after them. Share prices eventually follow suit. The last parcel was sold in December for a five-fold gain on the initial investment. This company and management will likely go on to bigger and better things, although secretly we hope they hit a few roadblocks along the way (we'd love to own the stock again at the right price).

Stock Exposure by Sector



Source: Forager

In the September quarterly report we wrote that we sold much of our investment in **Zeta Global** (NYSE:ZETA) after the share price rallied an impressive 230% over 2024, making it the top contributor. After rallying further, the investment was sold entirely by mid-October.

One underperforming investment was also sold. Freeze-dried candy company **Sow Good** (NASDAQ:SOWG), was "Unnamed Stock A" in the 2024 Performance Report. It had just reported a bumper second-quarter result and had seen enough share price appreciation to make it to the list of 2024's best performers despite a small initial portfolio weighting. Unfortunately, its third-quarter results were woeful. It was bad enough to abandon our thesis and move on from the stock, but not before it retraced all of the gains and then some.

The biggest losers this quarter were all consumer-facing, including **JD Sports** (LSE:JD) and **Crocs** (NASDAQ:CROCS). The investment in JD was at least three months too soon. We like the business and think it's too cheap. In **Nike**'s (NYSE:NKE) latest quarterly conference call, its new management reiterated the importance of JD Sports as a partner in Nike's attempted turnaround. Remaining cognizant of overall consumer exposure and recognising that tariffs and "higher for longer" interest rates won't be good for the US consumer, the investment has been increased.

Our larger winners this quarter included **Taskus** (NASDAQ:TASK), **Flutter** (NYSE:FLUT) and **Wise plc** (LSE:WISE).

Patience pays

Wise is a stock we've followed since its 2021 IPO.

The elegantly simple currency transfers app allows customers to easily move money between currencies for travel, transfers to family and friends and myriad other reasons, at a fraction of the cost relative to traditional banks. Some of your investment team are proselytizing users, so we believe Wise's claims that 70% of the business's rapid growth is coming from word of mouth recommendations.

The company is in the rare position of being able to drive its own

International Shares Fund

positive feedback loop. By mercilessly reducing the costs of a transaction and passing those savings back to customers, it can continue growing user numbers for a long time. It's a fact that management is intimately aware of. As CEO Kristo Kaarmann stated during the latest earnings call: *"As the infrastructure gets more efficient, we invest in lower fees, wider moat, while remaining healthily profitable... We will invest in experiences that our customers want to talk about... bring more features to our customers in more places... expand geographically, and... deepen the experience. All of this is going to lead to more customers."*. It's also one of the reasons why the market got this one wrong recently.

The company keeps cutting its already attractive exchange fees. In addition, it returns 80% of any interest earned above the first 1% to customers on the £15 billion (and growing) cash pile those customers have deposited at Wise. All this is guided by management's principle that the company shouldn't take a pre-tax profit margin of more than 13-17% of revenue, with any surplus returned to customers to make the product even more appealing, a so-called flywheel effect. Wise currently makes significantly higher margins than that. Rightfully, the market takes management seriously when it says it intends to lower margins. That's a difficult thing for quarterly-obsessed market participants to swallow. It's a little easier for those investors who, like management, have their eyes on the long-term prize.

That prize is rapid growth for a decade or more. The nascent Platform business, where the company provides its solution to customers of other financial institutions, is illustrative. While the Platform segment is currently small, management has said it can be the largest part of the business over time. In June, Wise signed up the large and rapidly growing Brazilian digital bank Nubank. No surprise there. More recently, it signed up the 150-year-old Asian-focused bank Standard Chartered. Even more surprisingly, it jagged parts of the business of global investment bank Morgan Stanley. Financial institutions that recognise the advantages of giving their customers the best deal possible are choosing to partner with rather than compete with Wise. We think that says a lot.

Wise PLC share price performance

Source: Bloomberg

Price also matters, always. The attractions were clear but we waited patiently for the right price. We got our shot in September and October 2024. The stock is already up 60% on our average purchase price. We've taken a bit off the table already but maintain a worthwhile investment in the stock.

A fighting start for TKO

Premium combat sports and entertainment company, **TKO Group Holdings** (NYSE:TKO), was added to the portfolio at the end of September. TKO was formed from the 2023 merger of World Wrestling Entertainment (WWE) and Ultimate Fighting Championship (UFC), making it a leader in sports entertainment. UFC and WWE reach 1.7 billion fans in more than 200 countries.

Sporting franchises can be fabulous businesses. Years ago we owned **Madison Square Garden** (NYSE:MSGS) which owned the New York Knicks basketball team and the New York Rangers ice hockey team. Advertisers particularly love live sports because they glue eyeballs in a way no other content can. Digital streamers like **Netflix** (Nasdaq:NFLX) have also seen the appeal, with prices for premium live content going up (and up).

Top 5 holdings (as % of NAV)		
Fiserv Inc	(NYSE:FI)	4.1%
Motorpoint Group PLC	(LSE:MOTR)	3.9%
Linamar Corp	(TSX:LNR)	3.7%
CRH PLC	(NYSE:CRH)	3.7%
Clean Harbors Inc	(NYSE:CLH)	3.7%
Cash		6.7%

Recent highlights include WWE's multi-billion-dollar SmackDown deal with NBCUniversal and its $5 billion, ten-year partnership with Netflix. Both gleaned substantial increases over prior agreements. We think the UFC is a more valuable asset over the long term, and expect similar positive pricing moves when the current ESPN deal expires in 2025. A long-term agreement struck at a higher price will likely provide attractive recurring revenue whilst allowing management to focus on ancillary growth opportunities such as sponsorships, merchandise, and pay-per-view (PPV) events.

In October, TKO further expanded its portfolio with the acquisition of Professional Bull Riders (PBR), On Location, and IMG. The company also announced a $2 billion share buyback program and its first quarterly dividend. While the initial market reaction saw the share price decline by 10%—likely due to concerns about added complexity from the acquisitions—the stock quickly recovered, finishing up 16% for the December quarter.

International Shares Fund

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 rolling 5-year periods. The Fund aims 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 Returns
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%	-1.52%	20.99%
2025	7.80%	-3.58%	-0.81%	0.55%	4.78%	-0.09%							8.51%

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, 30 June, 31 December
Applications/Redemption	Daily

Unit price summary	
As at	31 December 2024
Buy Price	$2.0066
Redemption Price	$1.9986
Mid Price	$2.0026
Distribution	$0.035
Portfolio Value	$232.2 million

About Forager

With approximately $415 million of funds under management and a focus on long-term investing, Forager Funds is a unique Australian asset management company.

Following a strong fifteen-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.

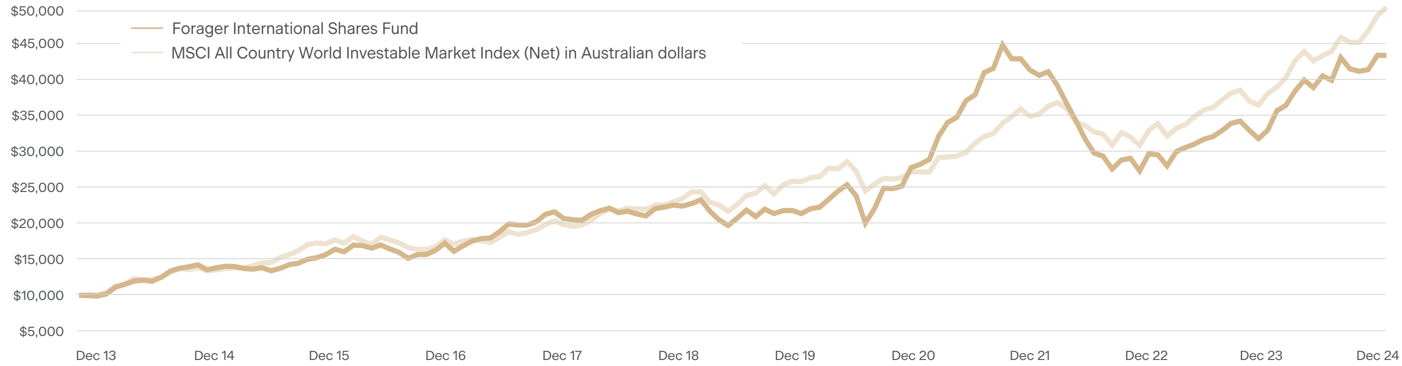
Key investment staff are strongly aligned with investors through co-investment and / or equity in the Forager business.

Fund characteristics

- Concentrated portfolio of global equities
- A combination of large liquid resilient businesses with smaller value based opportunities
- Investment team with deep pockets of expertise
- Strong focus on managing portfolio risks
- Daily applications and redemptions

International Shares Fund

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.

Australian Shares Fund

Forager Australian Shares Fund performance summary (as at 31 December 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.)
Australian Shares Fund	1.63%	11.67%	18.57%	27.43%	2.15%	11.23%	9.45%	10.41%
All Ordinaries Accumulation Index	-3.07%	-0.86%	6.93%	11.44%	6.91%	8.31%	8.80%	8.31%

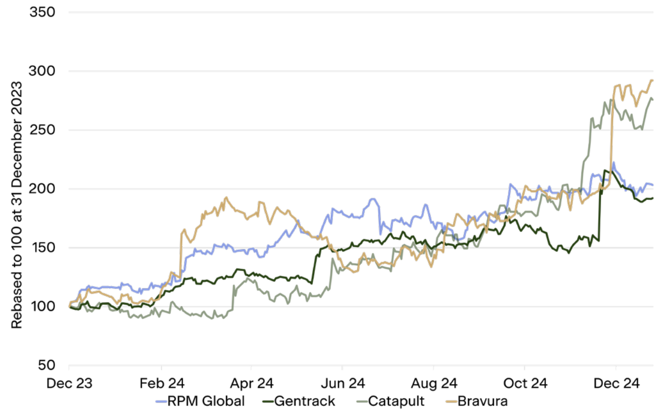
Past performance is not indicative of future performance and the value of your investments can rise or fall. *30 October 2009

The Forager Australian Shares Fund ended a good year with an excellent quarter. The last three months of 2024 delivered an 11.7% increase in net asset value, taking the return for the full year to 27.4%. The All Ordinaries Accumulation Index was roughly flat for the quarter and up 11.4% for the year.

The Small Ordinaries Index was only up 8.4% but there was plenty of investor appreciation for smaller, better quality companies delivering growth and cash flow. The Fund had more than its fair share of companies ticking those boxes.

After stellar runs from **RPMGlobal** (RUL) and **Gentrack** (GTK) earlier in the year, **Catapult** (CAT) and **Bravura** (BVS) were the two star performers in the final quarter.

Performance of some successful stocks



Source: Bloomberg

Catapult tracking well

Catapult, a sports technology company, grew its September half-year revenue 19% and annualised contract value, a measure of recurring revenues, 20% to US$97 million after adjusting for currency movements.

Catapult's journey to consistent profitability continues apace. Of its US$8.1 million revenue increase, 75% dropped through to management's preferred measure of profitability. That is unsustainably high, but the company has guided to 30% overall profit margins when the business hits a point of higher scale (excluding share-based compensation). At about 50% incremental margins, the target looks eminently achievable by the 2028 financial year.

Its customers, professional sports teams, are growing in number and size. Catapult continues to grow its dominant wearable device business, where it is five times larger than its nearest competitor. And growth accelerated for its more competitive newer video segment. It is now generating positive free cashflow and has the capacity to invest heavily in product development alongside its margin expansion. We anticipate it growing at about 20% per annum for some time to come.

Our thesis is well and truly on track. The only question is valuation. Catapult's share price is up more than 150% over the past 12 months, taking its market capitalisation to a touch over $900 million (US$570 million). We have been buying more on the way up. The Fund's current weighting stands at 10.3%. That is a large percentage of the portfolio, even by our concentrated standards.

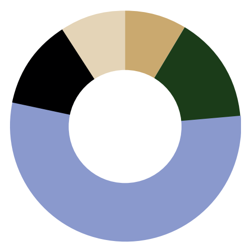
Firstly, on valuation, we still think it stacks up. On our numbers, the business can generate nearly US$200 million of revenue by financial year 2028 and over US$300 million by 2031. By then it should be doing margins of more than 30% after share-based compensation and, fully taxed, generating something like US$80 million in net profit after tax.

It will matter a lot how much growth remains ahead of the business at that point. Even if growth has slowed, it should still be worth 20 times earnings. If it's still growing 20% per annum, it could easily be a 40 multiple. This is a global growth stock.

That would give Catapult a $2-4 billion valuation and could place it inside the ASX 200.

Stock Exposure by Market Cap

$0-$100m (8.5%)
$100-$200m (14.9%)
$200m-$1bn (54.7%)
$1bn+ (12.6%)
Cash (9.3%)



Source: S&P Capital IQ

Obviously, the high end of that range is an optimistic scenario, and there is plenty that can go wrong between now and then. Catapult can still be a good investment on more modest assumptions. And, in the near term, we are willing to risk a higher weighting than normal whilst we wait for the rest of the market to better appreciate this business.

Australian Shares Fund

Despite its $900 million market cap, Catapult is not a widely held stock amongst Australia's larger small-cap managers (most likely due to prior disappointment). They are likely to get on board now that the business is profitable and the stock liquidity is better. Bulge-bracket research firms are likely to commence coverage and Catapult should qualify for inclusion in the ASX 300 index next time changes are announced, bringing passive index buying to the market.

In short, the transition from illiquid small cap to widely held growth stock is well and truly underway. We won't let it become irresponsibly large, and have sold enough to keep its weighting around 10% in recent weeks, but are willing to tolerate returns volatility whilst we capture as much of the near-term upside as our risk tolerance allows.

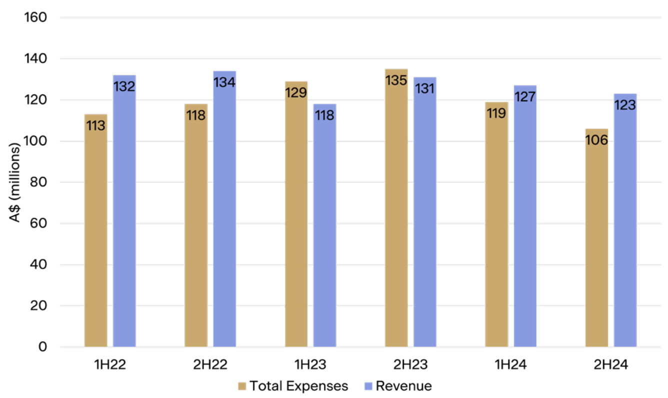
Bravura's cost-cutting delivers

Bravura, a provider of enterprise software for wealth management and funds administration, has undergone an amazing turnaround over the last 18 months. The appointment of managing director Andrew Russell in June 2023 set the scene for cost reductions at a scale not often seen in listed businesses.

Bravura was in dire shape two years ago. For the 2023 financial year the business booked a cash earnings before interest, tax, depreciation and amortisation (cash EBITDA) loss of $28 million. After writing down the value of goodwill and other assets the business lost a staggering $281 million. And having raised $80 million in early 2023, Bravura's entire market capitalisation was less than $150 million with the stock down more than 90% from prior highs.

At the time of the capital raising Bravura's half-year revenue had fallen 11% whilst costs rose 17%. New executives and investments for growth were not yielding the revenue growth prior management had hoped for. Something had to be done to bring costs more in line with revenue. Enter Andrew Russell. What began as cost cutting worth $25-30 million has become $67 million, with potential for even more over the coming twelve months.

Bravura revenue and expenses



Source: Bravura

Partly implementing the cost out program resulted in a $10 million cash EBITDA result for financial year 2024. Company expectations, after yet another upgrade in early December, are for this year's cash EBITDA to be in the range of $33 to $36 million. A common benchmark for enterprise software company profitability is 20% cash EBITDA margins, which would have Bravura earning about $50 million of cash EBITDA.

Other sensible steps include a $75 million capital return due in January 2025, the recommencement of dividends with the upcoming half year results and a $56 million one-off sale of software to large customer Fidelity.

Investor concern has turned from survival and exorbitant costs to lack of revenue growth. From $250 million of revenue growth in financial year 2023 management is guiding to $240 to $245 million for FY25, slightly higher than initially expected.

But not all revenue is created equally. Revenue from Bravura's mission-critical software products is much more valuable than revenue derived from project-driven and people-based consulting services. Few customers stop using the software, and if they did it would take years to transition to a suitable replacement. And with the code already written, software revenue carries much higher gross margins.

Importantly, software revenue has been growing. In the 2024 financial year software revenue rose 10% whilst overall revenue was flat. With Bravura increasing pricing to customers this year, software revenue is likely to grow again, further improving the reliability of the company's revenue. Whilst we haven't seen large contract wins with new clients recently, the business has leading products appropriate for attracting them in the UK and Australia.

Today Bravura's market capitalisation stands at over $1 billion. Despite being late to the party, Bravura's price has risen more than 170% since our initial investment. The investment has been increased as we gained confidence in the investment thesis. With lower costs and higher revenue on the horizon there is more good news to come for Bravura.

There is a healthy collection of companies sitting below these two in the top ten holdings that we think can deliver something similar over the coming years.

Future darlings?

Wealth management platform provider **Praemium** (PPS) has been on a redemption tour since the cost-led disappointment of the November 2023 annual general meeting. In the twelve months since, the business has made good headway. The second half of the financial year saw good cost control paired with reasonable revenue growth. The result was management's preferred measure of profitability rising 42% from a diminished first half result. With a structurally growing business, comparable businesses trading on much higher multiples and increasing investor attention, the company saw its share price rise by 91% in 2024.

Another company seemingly on a winding path to redemption is payment business **EML** (EML). After a number of disastrous international acquisitions, this company has spent the past 18 month cleaning up regulatory issues and streamlining the business.

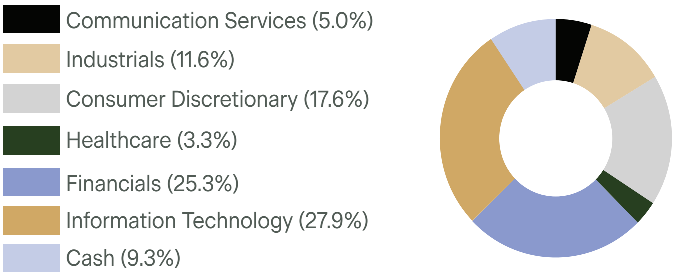
With the appointment of a new managing director in the second half of 2024 and the announcement of a coherent strategy with sound 2028 targets in November, the growth phase of the turnaround

Australian Shares Fund

strategy seemed imminent. EML's share price rose 58% in November. As is often the case with turnarounds, however, it isn't a straight path to redemption. Prior to Christmas, the board ousted the new managing director and appointed the Chairman in the role. The board has recommitted to the 2028 targets and we think the underlying business is solid, but further management changes are a significant setback to investor sentiment.

The last quarter was mired with regulatory uncertainty for payments provider **Tyro** (TYR). The October announcement of an RBA review of the cost of card payments and surcharging alongside the government announcement of a debit card surcharge ban sent payments providers into a spin. Tyro's exposure to surcharging of debit cards is small and manageable. With a diversified suite of payment products for its nearly seventy thousand merchants, Tyro has the scale required to operate in a new regulatory environment. Some competitors are unlikely to fare as well, providing scope to further grow the business at their expense. A stabilisation of economic conditions and some regulatory certainty should see Tyro resume its growth and attract more investor attention.

Stock Exposure by Sector



Source: Forager

Portfolio news and updates

During the quarter the Fund exited its remaining small investment in enterprise software provider Gentrack. It has been a very profitable investment but with valuation and investor attention now in overdrive it was time to move on. During our investment the business evolved from a rudderless serial disappointer to a darling of global growth. The share price closed the year at $11.60, up more than 850% from the lows just two and half years ago.

Mining software provider RPMGlobal, for a long time the largest investment in the Fund, now stands at 2.1% of the portfolio. The management team has done an excellent job of driving low churn and recurring revenue growth through the years. Whilst operating leverage has lagged relative to our initial expectations, the market's recognition of the value of the revenue stream made RPMGlobal another very profitable investment for the Fund.

A flurry of annual general meeting updates flooded the ASX in November. **Experience Co** (EXP) finally concluded its strategic review. Instead of selling the business, management and the board will move to streamline and reap better operating leverage from the return of international holiday-makers. Despite general gloom for auto dealers, motorcycle wholesaler and retailer **Motorcycle Holdings** (MTO) provided some positives for the sector. Revenue grew 8% whilst operating costs grew only 5% in the four months to October, putting the business on track for a better year.

And whilst conditions in the employment markets don't show much sign of turning around yet, the continued generation of cash for staffing business **Peoplein** (PPE) has helped bring leverage down to a much more manageable level during the first quarter of the year. With more cash generation and improved employment conditions over the next few years, the business will start to be appreciated for its contracting exposure to structurally growing segments of the employment market.

Top 5 holdings (as % of NAV)

Catapult Group International Ltd	(ASX:CAT)	10.3%
Bravura Solutions Ltd	(ASX:BVS)	6.3%
Readytech Holdings Ltd	(ASX:RDY)	6.1%
Praemium Ltd	(ASX:PPS)	4.9%
Tyro Payments Ltd	(ASX:TYR)	4.6%
Cash		9.3%

Aroa Biosurgery (ARX) is a New Zealand-based wound care company specialising in products derived from the stomach lining of sheep. The company has grown revenue at a compound annual growth rate of 30% since 2020, and delivered gross margins of more than 80%. Aroa just delivered its half-year results and is on track to deliver EBITDA between $2-6 million in FY25. Whilst costs to expand its direct presence in the US continue, operating leverage will start to become more apparent over the next year.

With any luck the Fund will be saying its goodbyes to **Bigtincan** (BTH) next quarter. A few days before the recent annual general meeting, the board of Bigtincan changed course for the better and recommended Vector's $0.22 per share takeover offer instead of a much more speculative deal which would have resulted in a US listing. Whilst our preferred candidates weren't voted onto the board, a second strike against the remuneration report (and a vote for the spill motion) means investors will get a chance to spill the board in a subsequent meeting. With investor concerns now well heard and the threat of a spill, the board looks to be pushing towards completing the Vector deal.

Australian Shares Fund

Fund Objective

The Fund targets securities that Forager believes are undervalued and invests predominately in securities listed on the ASX. The Fund's investment objective is to outperform the All Ordinaries Accumulation Index over rolling 5-year periods. The Fund aims to produce superior long-term returns from a portfolio of 15–50 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 Returns
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%	-1.07%	4.43%	1.59%	1.24%	-0.51%	1.66%	18.69%
2025	1.57%	1.22%	3.29%	1.58%	8.17%	1.63%							18.57%

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, 30 June, 31 December
Applications/Redemption	Daily

Unit price summary	
As at	31 December 2024
Buy Price	$1.9347
Redemption Price	$1.9269
Mid Price	$1.9308
Distribution	$0.031
Portfolio Value	$182.9 million

About Forager

With approximately $415 million of funds under management and a focus on long-term investing, Forager Funds is a unique Australian asset management company.

Following a strong fifteen-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
- Daily applications and redemptions

Australian Shares Fund

Comparison of $10,000 investment over time

Source (All Ords): S&P Capital IQ. The above figures assume that all distributions have been reinvested. Past performance is not indicative of future performance.