

# Quarterly Report

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# Chief Investment Officer Letter

Forager Funds performance summary (As at 31 December 2025. Net of all fees and expenses)

	1 month return	3 month return	1 year return	3 year return (p.a.)	5 year return (p.a.)	7 year return (p.a.)	10 year return (p.a.)	Since inception* (p.a.)
Forager Australian Shares Fund	-0.60%	-1.91%	24.77%	20.79%	11.80%	11.88%	9.88%	11.25%
Forager International Shares Fund	1.28%	-2.04%	15.03%	20.98%	7.87%	13.96%	11.84%	12.94%

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

\*8 February 2013 for FISF

The above figures assume all distributions have been reinvested.

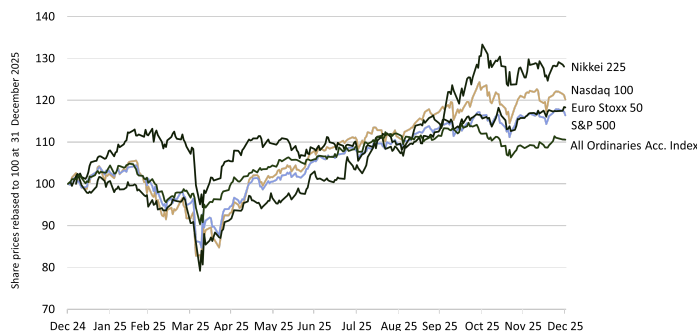
\*30 October 2009 for FASF

## Where to catch the investment waves in 2026

If you look only at the headline index numbers this year, 2025 looks fairly straightforward. The All Ordinaries Accumulation index has returned just over 10% for the year and the MSCI World Index approximately 20%, putting both modestly above long-term equity returns of 7-8% per annum. On the surface it looks like a decent, if unspectacular, year. Under the surface, it was far more eventful.

The Australian market was one of the worst performers globally. While the tech-heavy Nasdaq Index (+20%) outperformed the broader S&P 500 (+16%) for the year on the back of big tech and Artificial Intelligence (AI) enthusiasm, it was a strong year for European markets too, particularly those in the south. Italy's FTSE MIB rose 32%, Spain's IBEX 35 added 49% and Greece's ASE Index a whopping 44%.

### Calendar Year Performance: US, Europe, Japan & Australia Equity Markets



Source: Bloomberg

Even within markets, dispersion has been the defining feature of the year. The gap between winners and losers has been wide. Abnormally, that has almost been as true at the larger end of the market as the smaller end. Here in Australia, investors in the likes of **CSL**, **CBA** and **James Hardie** learned that size doesn't protect you from things going wrong. In fact, for the first time in a long time, the Small Ordinaries' almost 25% return trounced the All Ordinaries for the year, with mining stocks, especially gold-related, posting a bumper calendar year (the ASX Small Ordinaries Resources Index was up 70%). Even in the Nasdaq 100, 20 stocks fell more than 10% in 2025.

Dispersion has always been a feature of financial markets. If it didn't exist, we wouldn't have a job. As much as balance sheet analysis and stock valuation matter to Forager's process, a huge component of our excess returns involves finding unpopular stocks that can one day be popular again. Benjamin Graham quoted Horace almost 100 years ago in his seminal value-investing book *Security Analysis* and the philosophy is relatively unchanged:

*"Many shall be restored that now are fallen, and many shall fall that are now in honour."*

What has changed is that the waves of popularity seem more extreme than ever. We've written a lot this year about the structural influences increasing the momentum-driven nature of stock markets. Want to bet on European

defence stocks? Here's the **Betashares Global Defence ETF** for you (ticker ARMR), available via any Australian broker and up a miserly 44% in 2025.

While it can be painful to miss these waves and even worse to get dumped by one, the opportunities for the patient long-term investor are excellent. The unloved can be a source of great ideas, and the payoff even better than expected if the sentiment changes for the better.

## Some nice waves in 2025

With concentrated portfolios and small-cap stocks, there will always be a strong idiosyncratic element to Forager's returns. The most significant contributor to the Forager International Fund's 15% return in 2025 was US hospital owner **Nutex Health**. Its share price rose 420% for the year despite the healthcare sector as a whole struggling. **Cuscal** was the second biggest contributor to the Australian Fund's returns despite the payments sector globally having a very difficult year.

But we also managed to catch a few of those big waves that defined the year on stock markets. AI companies' insatiable demand for data centres and power generation led to 120% and 139% respective returns for heating and cooling system installer **Comfort Systems** and solar equipment company **Nextpower** in the International Fund. And a widespread tech rally in the first nine months of the year led to sensational gains for our once-cheap collection of ASX-listed tech stocks like **Bravura** and **Catapult**. Both of those companies were added to S&P/ASX indices, boosting their returns, and Comfort Systems and CRH were added to the S&P 500.

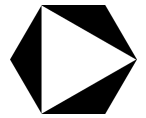
The net result was very healthy gains for both funds despite large parts of the market (and our portfolios) not "working".

## Where to catch a wave in 2026

Looking into the year ahead, the first place to consider is always your local surf break. In 2025, some of our favourite investing sectors became too popular and crowded. As outlined in the [September Quarterly Report](#), we banked profits on the likes of Catapult and Bravura, but they, and many of their peers, are well entrenched on the watchlist. The subsequent three months saw a significant pullback across the whole ASX-listed tech sector. Catapult's share price fell 40% for the final quarter of 2025 and Bravura was down 27% from its recent high on 10 October. Even market darling **Xero** fell 41% from its highs in June.

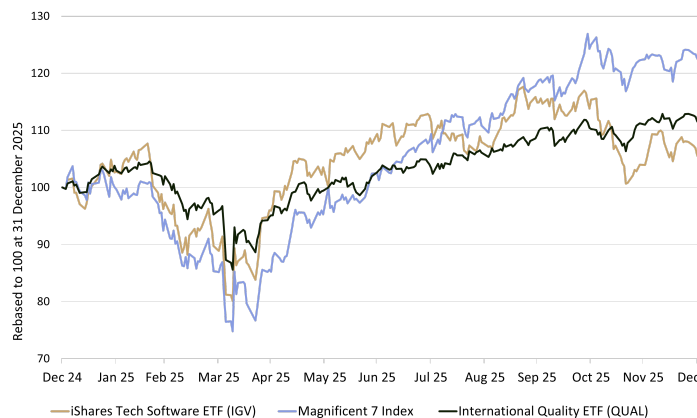
Some of them are perceived to be AI losers. The value of software, in a world where anyone can use AI to "vibe code" their way to a new website or app, is significantly diminished. That's the theory.

It is a theory we are willing to bet against at the right price. Forager is a user of Xero's product and won't be vibe coding our accounting software any time soon. Even if we could build an accounting system, software isn't just about features. Security, backups and constant improvements are at least as important. There is no chance of us taking a risk on any of those in order to save a few thousand dollars a year.



# Chief Investment Officer Letter

## Performance of iShares Tech Software Stocks vs. Magnificent 7 and International Quality ETF



Many of these stocks had become expensive. As you'll read on page 9, despite recent falls, the share prices of most are still up meaningfully for the year and still aren't cheap enough (including Xero). We haven't deployed much capital into the Australian stocks yet, but are a lot closer than we were just three months ago. In the International Fund, we have added three technology companies that have each halved and worse over the course of 2025 and hope to add a few more. All three can be substantially higher portfolio weights should we get some thesis-confirming evidence over the next few quarters.

### "Quality" has its year in the shade

Who wouldn't want to buy a business with a strong moat, decades of earnings growth behind it and a great management team? Not only does investing in these "quality" businesses sell well, it has worked well for most of the past 15 years. In 2025, it didn't. Australian investors in favourites like **CAR Group**, **ResMed**, **Cochlear** and **CSL** suffered the same fate as investors in global equivalents like UK property website **Rightmove** and global insulin and weight loss giant **Novo Nordisk**.

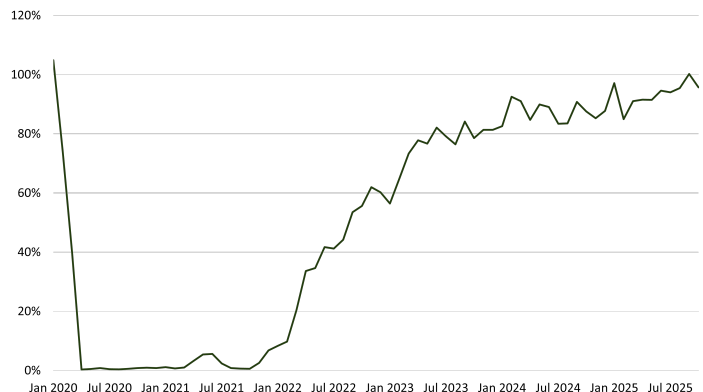
Share prices had been growing faster than earnings for many of these companies and the past year showed that the resultant high multiples can be a problem, even for the best of businesses. The result can be years of no returns while the earnings catch up to the share price. Or a significant derating if the earnings and the multiple come into question. Both Novo Nordisk and CSL suffered the latter fate in 2025. So did **Fiserv**, a long-held investment in our International Fund.

We, too, like these quality attributes when we can buy them for an appropriate price. For Forager, they are inputs into our valuations, rather than a standalone investing strategy. We can and do buy lower quality businesses and invest in riskier situations, managing the risks with portfolio management. That flexibility has been helpful this year—some of our lower quality businesses have generated excellent returns—and the flexibility might also help find some quality opportunities at attractive prices in 2026. So far, only **CDW** and **Builders FirstSource** have made it into the International Fund portfolio, and Fiserv's weighting has recently been increased, but we have a long list of potential candidates if prices continue to tumble.

### Australian tourism finally recovers?

We've been paddling around this beach for four years now, were dumped twice and haven't caught a wave. But could 2026 be the year Australian tourism finally gets some momentum?

## International short-stay arrivals to Australia (% of same month in 2019)



There are not many great businesses in the tourism sector. There are exceptions, like global travel booking platform **Booking Holdings** and scaled, asset-light hotel operators like **Accor**, but the industry is generally characterised by low barriers to entry and wild swings in demand. Stock prices for our two ASX-listed tourism companies, **Experience Co** and **Tourism Holdings**, remain near 2022 levels.

Yet the environment continues to improve. International arrivals into Australia set post-Covid records in the past three months. Relative to 2019, August, September and October combined saw arrivals hit 97% of the equivalent period in the year prior to Covid. It's been a long time coming, but there is no reason the growth should stop there. Travel has historically grown at a multiple of GDP growth and there is still some catching up to do.

Those two stocks are very cheap on anything like recovered earnings. And we have recently added a Spanish hotel booking platform company to the International Fund. Its earnings have already recovered, but it trades at a multiple of just six times those earnings. Given the amount of suffering in the sector over the past decade, it's hard to see others getting too excited. Less pessimism would help, though. And who knows? Our mining services investments spent a decade in the wilderness before doubling and more over the past 12 months (in **Perenti's** case, mostly after we sold it). A travel ETF anyone? ASX code FUN, of course.

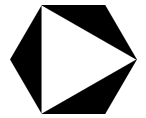
### An environment that should only get better

Forager will likely get off waves far too early. We may well stay on a few too long. We are going to suffer periods where we miss them altogether and others where we paddle around waiting for a wave for years longer than we initially might expect. But the swells creating good investing conditions aren't going anywhere. Active equity strategies saw record outflows again in 2025. The running total globally is US\$3 trillion out of active and US\$6 trillion into passive strategies since 2015\*. It has been another year where we saw multiple active managers liquidate their portfolios and shut up shop in Australia. For those of us fortunate enough to have loyal long-term clients and some good results on the board, that's all a source of opportunity that's hard to see going away.

\*get latest data from [here](#)



Kind regards,  
**Steve Johnson**  
Chief Investment Officer



# International Shares Fund

Forager International Shares Fund Performance Summary (As at 31 December 2025. Net of all fees and expenses)

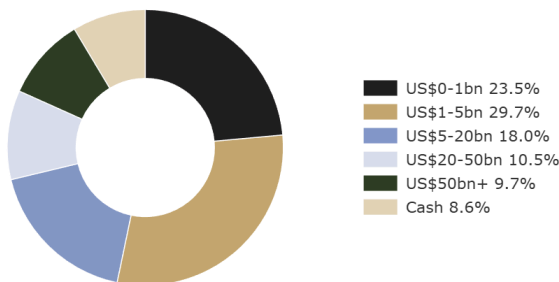
	1 month return	3 month return	1 year return	3 year return (p.a.)	5 year return (p.a.)	7 year return (p.a.)	10 year return (p.a.)	Since inception* (p.a.)
International Shares Fund	1.28%	-2.04%	15.03%	20.98%	7.87%	13.96%	11.84%	12.94%
MSCI World SMID Net Index in \$A	-0.82%	1.47%	9.91%	15.10%	10.43%	11.92%	10.27%	12.83%
MSCI AC World Net Index in \$A	-0.64%	2.59%	13.33%	20.65%	14.03%	14.52%	12.42%	14.05%

MSCI World SMID Net Index in \$A is an abbreviation of MSCI World Small and Mid Cap Index (Net) in Australian dollars. Past performance is not indicative of future performance and the value of your investments can rise or fall. The above figure assume all distributions have been reinvested.

MSCI AC World Net Index in \$A is an abbreviation of MSCI All Country World Investable Market Index (Net) in Australian dollars. It is the previous benchmark, still shown for comparison purposes. \*8 February 2013

Despite a relatively strong final month, the Forager International Shares Fund returned -2.0% for the December quarter of 2025, 3.5% less than the MSCI World SMID Index's 1.5% return. While that undid some of the prior outperformance, the calendar year Fund return of 15.0% was well in excess of the 9.9% index return. The Australian dollar appreciated 8% against the US dollar over the year, offsetting some of the gains for the Index and Fund alike.

## Portfolio Distribution According to Market Capitalisation



Source: S&P Capital IQ

## Narrow leadership, broader pain

It's been an interesting quarter for stock markets. Marquee indices like the S&P 500 and Nasdaq Composite trade at or near all-time highs, driven by a shortening list of mega-caps, particularly those exposed to Artificial Intelligence (AI) and semiconductors. Gold and other precious metals had a very strong run as investors increased exposure due to their inflationary protection. Outside that group, more and more stocks have been copping a beating, including some high quality businesses. Consumer discretionary stocks in particular were significant laggards, in addition to various other businesses that are exposed to US import tariffs.

The formerly unbreachable moats of application software companies such as **Salesforce** (NYSE:CRM) and **Xero** (ASX:XRO), IT advisory business **Gartner** (NYSE:IT), and online classifieds platforms including **Auto Trader** (LSE:AUTO), **Scout24** (XTRA:G24) and **REA Group** (ASX:REA) have come under pressure, with share prices down more than 30% from yearly highs. Markets are increasingly questioning whether new AI-enabled competitors and solutions threaten their dominance.

Fear has returned to swathes of the stock market. Despite the new threats, many quality stocks have quickly become more reasonably priced than at any point in recent years. At least some of these concerns appear overblown. A portfolio of high-quality businesses, including those named above, bought today, would likely do fine over the next decade. Of course, the Fund's aim is for better than "fine". But having the option of decent prospective returns from high-quality investments provides a useful benchmark against which to compare more complicated, smaller-cap and higher-risk opportunities. Some of these opportunities will likely end up in the portfolio, especially if pessimism deepens.

## Refreshing the portfolio

Against this backdrop, the pace of portfolio refresh increased. Over the quarter, the Fund said goodbye to eight stocks and welcomed seven new investments.

Departing stocks included a handful that fell short of their original investment thesis, including **SeSa** (BIT:SES) and **Pason Systems** (TSX:PSI), alongside a longer list that largely played out as hoped for, with the easier money already made. These included **Nextpower** (NASDAQ:NXT), **Zegona Communications** (LON:ZEG) (both covered below) and **Flutter Entertainment** (NYSE:FLUT).

Most of the new investments are still early and not yet ready to be shared. They do, however, share common characteristics: generally smaller-cap companies, often leaders in quirky niches, growing nicely, trading on low earnings multiples, and facing temporary setbacks that appear surmountable.

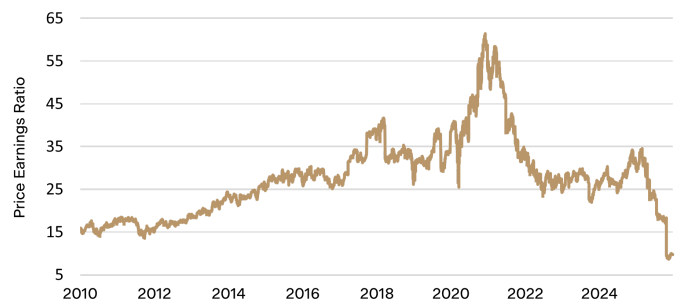
As evidence accumulates over the next few reporting seasons, some of these investments are likely to be increased. Others may fall short of expectations and exit the portfolio. More will be said as that process plays out. It is the re-emergence of fear that is lengthening and improving the opportunity set, and that is a welcome development.

## When the thesis breaks

The biggest disappointment for the quarter came from **Fiserv** (NYSE:FISV). It was also the Fund's only material detractor for the calendar year. In a concentrated portfolio, that matters. While not every investment thesis plays out as expected, the downside from being wrong was largely contained.

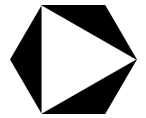
The situation at Fiserv was outlined in the October 2025 letter, after most of the damage had already occurred. Our team has increasingly committed to the idea that when a thesis is broken, as the original Fiserv thesis clearly was, the default response should be to sell and move on. The same stock can always be revisited later, with less psychological baggage.

## Fiserv forward price earnings ratio



Source: Bloomberg

In this case, after selling some in October, we reversed course and bought



# International Shares Fund

back what we sold and then some. Having applied fresh eyes to the situation, we think there is a strong case for a new thesis at today's prices. And it's a thesis that shouldn't take long to play out.

This business was a low, GDP-like grower for a long time. Thanks to Covid and some big acquisitions, it looked like something more than that in recent years. Management and investors extrapolated recent growth into the future and the latter (including us) were sorely disappointed when a new CEO arrived in May and, after a few short months, significantly downgraded both revenue and earnings expectations.

His predecessor had a strong incentive to dress this business up - he sold more than US\$400 million worth of shares shortly after his departure. The new thesis is that Mike Lyons, the new CEO, has an equally strong incentive to set the bar as low as possible. Fiserv's current price is just eight times those newly lowered expectations. We are tipping that he is highly confident of exceeding them.

The full year result, due to be released in late January, will be an important marker and, by the end of 2026, we will know whether we are right. More downgrades and it's another broken thesis. GDP-like growth and we should be looking at a successful investment.

## Volatility cuts both ways

The biggest winner for the quarter was also the largest contributor over the past 12 months: **Nutex Health** (NASDAQ:NUTX). It has been a wild ride. After rising more than tenfold from the Fund's initial purchase in August 2024, and with a significant portion of the investment taken off the table, the stock more than halved between May and September 2025.

The explanation was detailed in the September 2025 quarterly letter: short-seller reports, late lodgement of accounts and the appointment of a new auditor. Throughout that period, cash continued to come in. More recently, the company lodged its accounts and the stock rose 60% over in the last three months of the year.

Weighting in the portfolio has been actively managed, with exposure increased at lower prices and reduced at higher ones, allowing the portfolio to benefit from the volatility rather than suffer from it.

## Nutex share price performance



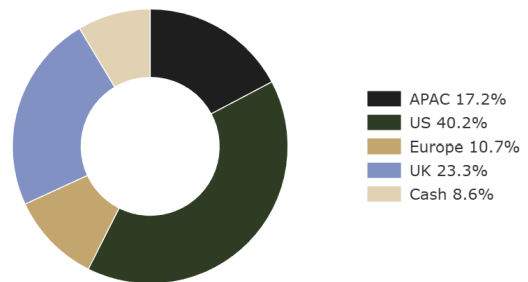
Source: Bloomberg

At the opposite end of the risk spectrum sits European bank **ING Groep** (ENXTAM:INGA), which has also been an important contributor over recent years. The Fund first acquired shares in this conservatively capitalised bank in late 2023 at around €12 per share, a discount to tangible book value. At the time, the stock offered a combined dividend and buyback yield of more than 15% annually. The market was pricing ING as if the European economy were about to sink into the sea. The Fund's bold contrarian thesis was that Europe would muddle through.

The stock has doubled over the subsequent two years. As a result, the dividend plus buyback yield has fallen to a little over 10% annually. Where the market once expected the bank to shrink, expectations have shifted toward modest growth. That assessment looks reasonable. Loan growth was anaemic in 2023, rose to 4% in 2024, and should be 6-7% in 2025. Fee income is on track to grow by more than 10%.

The Fund has trimmed and added in small increments over the past year, but the bulk of the original investment remains. If growth continues, the stock is still too cheap. ING is currently the Fund's largest holding.

## Stock Exposure by Geography



Source: Forager

## Cashing in on consensus shifts

When **Nextpower** (formerly Nextracker) was added to the portfolio in May 2024, the solar sector was deeply out of favour. Investor attention was focused on panel oversupply, project delays, rising interest rates and uncertainty around US policy support. That pessimism was applied indiscriminately across the value chain, creating an opportunity to buy a high-quality operator at a valuation that failed to reflect its long-term prospects.

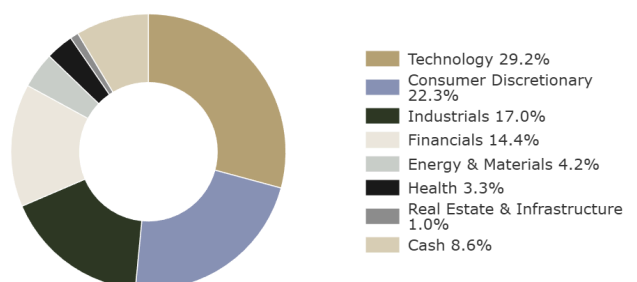
The original thesis was straightforward. Nextpower is the world's largest solar tracker manufacturer, with more than 30% global market share in a segment that materially improves project economics. As solar generation costs continued to fall and utility-scale solar adoption accelerated, trackers became increasingly critical to maximising developer returns. At the same time, US tariffs and the Inflation Reduction Act favoured domestically anchored manufacturers. With a highly localised supply chain and substantial US manufacturing capacity, Nextpower was well positioned.

That thesis has played out. Demand proved resilient across regions, backlog grew to record levels, earnings repeatedly exceeded expectations and free cash flow generation was strong. As policy risk faded and confidence returned, the market reassessed Nextpower's earnings power and the share price re-rated sharply upwards.

By mid-November, the valuation largely reflected our assessment of fair value. While execution remains strong, prospective returns have diminished. The investment was reduced and ultimately exited, with capital recycled into newer opportunities where unwarranted pessimism remains widespread.

Nextpower was a successful investment for the Fund and a good illustration of the approach: a willingness to invest when a sector is out of favour, and an equal willingness to move on once the market catches up.

## Stock Exposure by Sector



Source: S&P Capital IQ

## A special situation plays out

Zegona Communications (LON:ZEG) was another significant contributor to performance over the past year.

The Fund invested in Zegona in April 2025 as a special situation. Management had acquired Vodafone Spain at a depressed valuation, funded largely through debt and vendor preference shares issued to Vodafone, with minimal new equity raised. While Vodafone technically held a majority of the economic interest through those preference shares, Zegona retained the right to redeem them at cost.

# International Shares Fund



The opportunity lay in executing an operational turnaround while selling non-core infrastructure assets to fund redemption of the preference shares, concentrating value into the ordinary equity. That is exactly what has occurred.

Over the past six months, Zegona completed two FibreCo transactions with Telefónica and MasOrange, generating €1.8 billion of upfront proceeds. These proceeds fully funded the redemption and cancellation of Vodafone's preference shares, reducing the ordinary share count by 69%, alongside a substantial return of capital via a special dividend and further debt reduction.

This balance sheet reset coincided with genuine operating progress. Customer metrics stabilised and returned to growth, margins expanded meaningfully, and cash flow improved faster than initially expected. Management executed decisively on cost reduction, capex discipline and commercial simplification, removing much of the execution risk that underpinned the original opportunity.

With the share price up around 130% since first purchase, the preference structure dismantled, FibreCo optionality crystallised and the turnaround well recognised by the market, the asymmetry that defined the original investment has largely been realised. Due to this, we have taken profits and fully exited the investment.

## Trimmed, not sold

Leading installer of mechanical, electrical and plumbing systems, **Comfort Systems** (NYSE:FIX), was another significant contributor to the Fund's performance over the past year. The share price has risen more than threefold since early 2025, driven by sustained demand from data centres, industrial customers and healthcare, alongside consistently strong execution. Earnings, cash flow and backlog have all moved materially ahead of the market's original expectations.

A good deal of that progress is now reflected in the valuation. While end-market conditions remain supportive and the business continues to perform well, prospective returns from today's price are lower than when we first invested. Exposure has therefore been reduced. Comfort Systems remains a high-quality operator and a business we are happy to retain at a smaller weight, but the valuation has moved up and the "easy money" has been made at this point.

## Top 5 holdings (as % of NAV)

ING Groep	(ENXTAM:INGA)	4.5%
Inchcape PLC	(LSE:INCH)	3.9%
Linamar Corp	(TSX:LNR)	3.7%
CRH PLC	(NYSE:CRH)	3.7%
Wise PLC	(LSE:WISE)	3.6%
Cash		8.6%





# International 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 S&P/ASX Small 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 (Net of all fees and expenses)

FY	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
2013								-0.26%	-0.62%	2.88%	8.74%	3.47%	14.74%
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%	20.55%
2015	-1.81%	-0.83%	1.48%	-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%	27.41%
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%	8.82%
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%	13.76%
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%	78.91%
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%	-38.08%
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%	18.99%
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%	4.33%	-2.26%	-4.84%	5.27%	9.06%	2.39%	23.79%
2026	1.26%	2.54%	-0.86%	-3.01%	-0.27%	1.28%							0.85%

Past performance is not indicative of future performance and the value of your investments can rise or fall. The above figure assume all distributions have been reinvested. 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 commenced	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

Date	31 December 2025
Buy Price	\$2.1841
Redemption Price	\$2.1753
Mid Price	\$2.1797
Distribution	\$0.043 per unit
Portfolio Value	\$257.3 million

## About Forager

With approximately \$470 million of funds under management and a focus on long-term investing, Forager Funds is a unique Australian asset management company.

Following a strong 15-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 (returns are net of all fees and expenses)

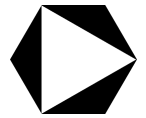


Source (Small Ords): S&P Capital IQ. The above figures assume that all distributions have been reinvested. Past performance is not indicative of future performance.

**WARNING** Total returns shown for the Forager International Shares Fund have been calculated using exit prices after taking into account all of Forager's ongoing fees and assuming reinvestment of distributions. No allowance has been made for taxation. Past performance is not indicative of future performance. The information given by Forager Funds Management is general information only and is not intended to be advice. You should therefore consider whether the information is appropriate to your needs before acting on it, seeking advice from a financial adviser or stockbroker as necessary. This report may contain some forward-looking statements which reflect the expectations of Forager Funds Management about the future prospects of companies held within the portfolios of the funds. While Forager Funds Management considers its expectations to be based on reasonable grounds, there is no guarantee that those expectations will be met.

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# Australian Shares Fund

## Forager Australian Shares Fund Performance Summary (As at 31 December 2025. Net of all fees and expenses)

	1 month return	3 month return	1 year return	3 year return (p.a.)	5 year return (p.a.)	7 year return (p.a.)	10 year return (p.a.)	Since inception* (p.a.)
Australian Shares Fund	-0.60%	-1.91%	24.77%	20.79%	11.80%	11.88%	9.88%	11.25%
Small Ordinaries Accumulation Index	1.42%	1.80%	24.96%	13.44%	6.85%	9.15%	8.64%	5.62%
All Ordinaries Accumulation Index	1.26%	-0.80%	10.56%	11.66%	9.72%	10.76%	9.49%	8.45%

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

The above figures assume all distributions have been reinvested. The All Ordinaries Accumulation Index is the previous benchmark, still shown for comparison purposes.

\*30 October 2009

The Forager Australian Shares Fund fell 0.6% in the month of December while the Small Ordinaries Index rose 1.4% and the larger All Ordinaries Index returned 1.3%. It brings a strong calendar year 2025 to a close, with the Forager Australian Shares Fund returning 24.8%. The Small Ordinaries Accumulation Index returned 25.0% while the All Ordinaries Accumulation Index rose 10.6%.

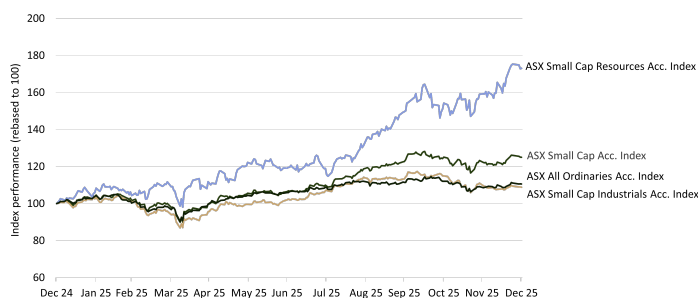
There was a significant difference between returns for the small resources and small industrial indices over the year. The Small Ordinaries Industrials Index delivered an ordinary year, returning 9%. Meanwhile, the Small Ordinaries Resources Index soared 73% on the strength of gold and lithium prices. Over the final quarter of the year, small industrials fell 4% while small resources rose 16%.

### A strong year for (some) small caps

In our September Quarter CIO letter, we discussed the strong performance of Australian small-cap stocks relative to their larger counterparts.

By October, long-held investments **Catapult** (CAT) and **Bravura** (BVS) had reached very full valuations of eleven and six times forward revenue expectations, respectively. Despite both continuing to perform operationally, future cashflows did not justify these valuations. Both investments were fully sold. The Fund also reduced weightings in some other holdings that had strong periods of performance.

### Small resources companies drag up the small cap index



Source: Bloomberg

### When is the right time for tech?

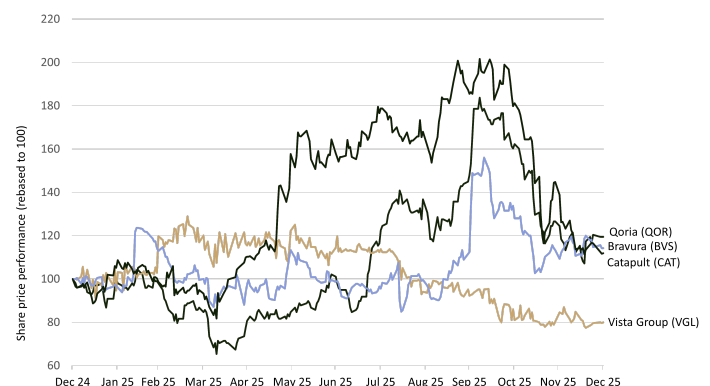
Since October, some of the heat has come out of the small cap index and a significant portion of the technology sector has been caught in the sell-off. The All Cap Technology Index was down 10% for the year and 20% since October. Most of the index fall was driven by declines in the largest technology companies: **Wisetech** (WTC) is down 48% from its 52-week high; **Xero** (XRO) is down 42%; and **REA Group** (REA) has fallen 34%.

Small-cap technology stocks were no safer. Catapult is down 46% from its peak, and Bravura is down 27%. **Qoria** (QOR) and **Eroad** (ERD), companies not held by the Fund but popular small-cap tech holdings, are down 38% and 59% respectively.

If you're wired like us, the prospect of high-quality companies for sale might

start to get your heart racing. However, zoom out a little, and the picture becomes more complicated. Many of the companies listed here still delivered a year of strong share price performance despite the recent wild rides. Many small cap technology companies are even trading at valuations equal to or higher than they were a year ago. If we weren't comfortable purchasing these companies then, why should we be comfortable now?

### Small tech has a rollercoaster year



Source: Bloomberg

Investors may have noticed that the cash balance in the Australian Shares Fund has been building over the last three months of the year. This is not due to a view on the direction of markets but rather as a result of our investment process. We have reduced or exited some holdings as valuations rose and have been waiting for better entry points.

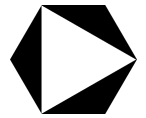
Forager's approach to this recent technology sell-off has been no different. There are many small technology stocks we would like to own at the right price. Most of them still need to fall further.

### Stock in focus

**Aroa Biosurgery** (ARX) is not a typical early stage biotech. While not as exciting as developing the next wonder drug, the company looks a lot more like the industrial businesses we like to invest in. Aroa has approvals for its major products, produces revenue of nearly NZ\$100 million per annum and is generating cash.

This Kiwi company's products sound futuristic. A sheep's stomach is processed into a product that helps regenerate soft tissue after hernia operations and other surgeries. But, as with many products, getting to the end customer was not easy.

Early on Aroa formed a relationship with US-listed **TELABio** (NASDAQ:TELA) to distribute its hernia-related products into the US market. After years of quick growth, revenue from this relationship reached NZ\$40 million last year. As Aroa supplies its product and does not fund the sales force, this is a very high margin revenue stream. Over the past couple of years, revenue growth has moderated and grew only 4% year-on-year in the half-year result released in December.



# Australian Shares Fund

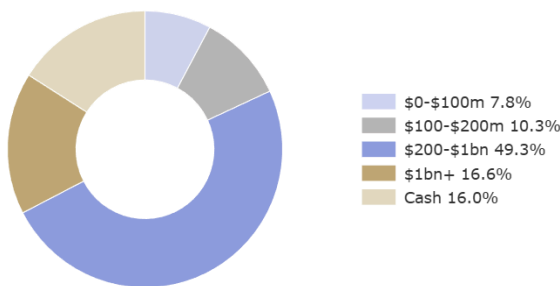
While below prior expectations, TELA continues to expand surgeon adoption, and this channel remains strategically valuable given it generates high levels of free cash flow for the business.

In parallel, the company has built a direct distribution network of its own to sell its newer trauma-related products directly. This is a costlier path, which involves spending on an expensive sales force in the US, but one that diversifies the business away from reliance on one external distributor. The directly distributed product saw sales jump 33% in the half, driven by a sales force that is clearly hitting its stride. As representatives mature, productivity is lifting, procedure volumes are rising, and utilisation within existing hospitals is deepening. This is exactly the growth investors want to see from Aroa's direct sales model.

Execution has translated quite cleanly into financial outcomes. Aroa is seeing incremental revenue drop through to profit and free cash flow. This operating leverage is set to continue as most of the cost increases relate to direct sales representatives which, with a lag, drive meaningful revenue growth.

Management reaffirmed full-year guidance at the result, with conservative assumptions on TELA Bio sales and continued direct product momentum through the second half of the financial year. With direct sales now driving the bulk of growth, Aroa is proving it can deliver consistently whilst also improving cash generation and sustaining revenue momentum - a powerful combination as the business moves into its next phase.

## Stock Exposure by Market Cap



Source: S&P Capital IQ

## Portfolio updates

**OFX Group** (OFX) delivered a softer first-half result as macroeconomic uncertainty weighed on small business confidence. The foreign exchange company's net operating income declined 5.6% from the prior year. Lower transaction values and subdued foreign exchange volatility were to blame. The consumer segment was 11% lower. Management's preferred measure of profitability halved from the prior year, reflecting both the softer trading conditions and a deliberate step-up in costs.

There were some bright spots. Corporate transaction volumes increased, and new transacting corporate clients rose. Revenue from enterprise customers grew 48% from the prior year. Importantly, OFX's shift away from being a pure FX provider is gaining some traction. Non-FX revenue is starting to ramp up from near zero, driven by the uptake of cards, wallets and payment products on the company's new platform. Active clients on the new platform more than doubled during the half, wallet balances increased materially, and cross-sell indicators are trending positively as more clients migrate onto the platform. The balance sheet remains strong, with \$47 million of net cash, providing ample capacity to fund the transition. But there is no hiding the fact that the foreign exchange space is getting more competitive. The investment spend OFX is undertaking positions it to match the offering of rivals. We will see how well the improved platform and product set resonates with corporate customers by the second half of this year (which ends in March). The board and management team will be hoping for success. Otherwise, difficult decisions will need to be made around the level of spend and, potentially, whether the business should be sold to a group which can derive more value out of the customer set.

Lender **Plenti** (PLT) delivered an outstanding half, with growth translating cleanly into profitability. Originations surged 46%, driving the loan book to more than \$2.8 billion, with strong momentum across automotive, renewable energy and personal lending. Importantly, the volumes continued to be lent to higher credit quality borrowers at appropriate loss rates.

The standout was operating leverage. Cash profit before tax of \$14.1 million for the half equaled the entire prior full year, highlighting just how rapidly operating leverage is emerging as the platform scales. Cash profit rose 133%, reinforcing that Plenti is transitioning from revenue growth phase to generating meaningful operating leverage.

Plenti's net interest margin remained stable at 5.4%, supported by favourable funding outcomes and disciplined pricing, while the mix continues to tilt toward lower-risk automotive and renewable energy lending. At the same time, credit quality improved, with net loss rates falling to 0.94% and 90+ day arrears declining to 39bps, underscoring the strength of Plenti's prime borrower focus.

Costs grew materially slower than revenue, with net interest income up 27% versus operating cost growth of 16%, further evidencing the scalability of Plenti's proprietary technology platform. Management reiterated confidence in reaching a \$3 billion loan book by March 2026, with growing operating cash flows now helping fund continued expansion.

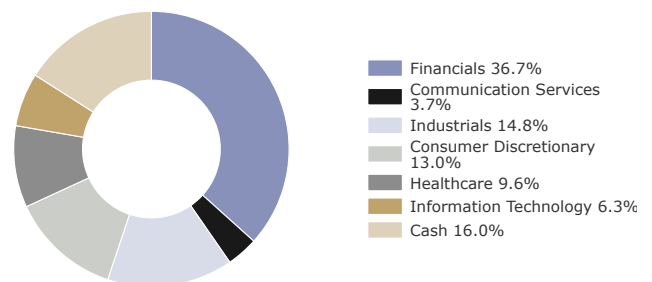
With originations accelerating, margins resilient, bad debts improving and clear operating leverage, Plenti is positioning itself for rapid growth in cash earnings over the next phase of its growth cycle.

Mining services company **Macmahon** (MAH) announced a number of new contracts for its recent civil infrastructure acquisition Decmil. Alongside the extension of Macmahon's large Byerwen coal mining contract, the new work leaves it well placed to meet its guidance for 2026 financial year revenue of \$2.6-\$2.8 billion. Enthusiasm for everything gold, silver and copper related put a rocket under Macmahon's share price. After almost a decade of Fund ownership and mediocre returns, the share price almost doubled in 2025. We have been gradually selling and the investment is currently less than 1% of the portfolio.

## Distribution

The Funds anticipated 4.0-cent distribution will be supplemented by a 2.0-cent special distribution, taking the full interim distribution to 6.0-cents per unit. The special distribution relates to realised gains crystallised in the first half of the financial year.

## Stock Exposure by Sector



Source: S&P Capital IQ

## Top 5 holdings (as % of NAV)

Company	Exchange	Percentage
Cuscal Ltd	(ASX:CCL)	8.3%
IDP Education Limited	(ASX:IEL)	5.7%
EML Payments	(ASX:EML)	5.6%
NZX LTD	(NZX:NZX)	5.5%
Praemium Limited	(ASX:PPS)	5.0%
Cash		16.0%

# 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 S&P/ASX Small 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 (Net of all fees and expenses)

FY	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total
2010					-0.69%	2.52%	-1.66%	0.08%	-0.34%	4.60%	-4.27%	-4.40%	-4.4%
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%	5.13%
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%	7.75%
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%	36.89%
2014	10.46%	1.13%	4.77%	2.50%	-0.11%	0.37%	1.05%	0.48%	-1.28%	-3.44%	1.28%	-0.15%	17.72%
2015	6.71%	2.56%	-1.22%	-2.06%	-0.21%	-1.15%	0.94%	3.38%	4.87%	-2.42%	3.13%	-2.34%	12.33%
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%	18.05%
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%	25.17%
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%	6.5%
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%	-27.92%
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%	2.93%	-0.86%	-2.87%	-0.29%	10.05%	1.64%	31.09%
2026	5.01%	7.70%	1.76%	2.42%	-3.65%	-0.60%							12.89%

Past performance is not indicative of future performance and the value of your investments can rise or fall. The above figure assume all distributions have been reinvested. 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	30 October 2009
Minimum investment	\$20,000
Monthly investment	Min. \$1000/mth
Distribution	Semi-Annual, 30 June, 31 December
Applications/Redemptions	Daily

## Unit price summary

As at	31 December 2025
Buy Price	\$2.2676
Redemption Price	\$2.2586
Mid Price	\$2.2631
Distribution	\$0.06 per unit
Portfolio Value	\$212.8 million

## About Forager

With approximately \$470 million of funds under management and a focus on long-term investing, Forager Funds is a unique Australian asset management company.

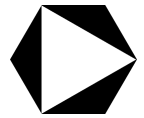
Following a strong 15-year track record, Forager is a sustainable business but is nimble enough to invest in smaller listed companies not accessible to many investment managers.

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 (returns are net of all fees and expenses)



Source (Small Ords): 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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