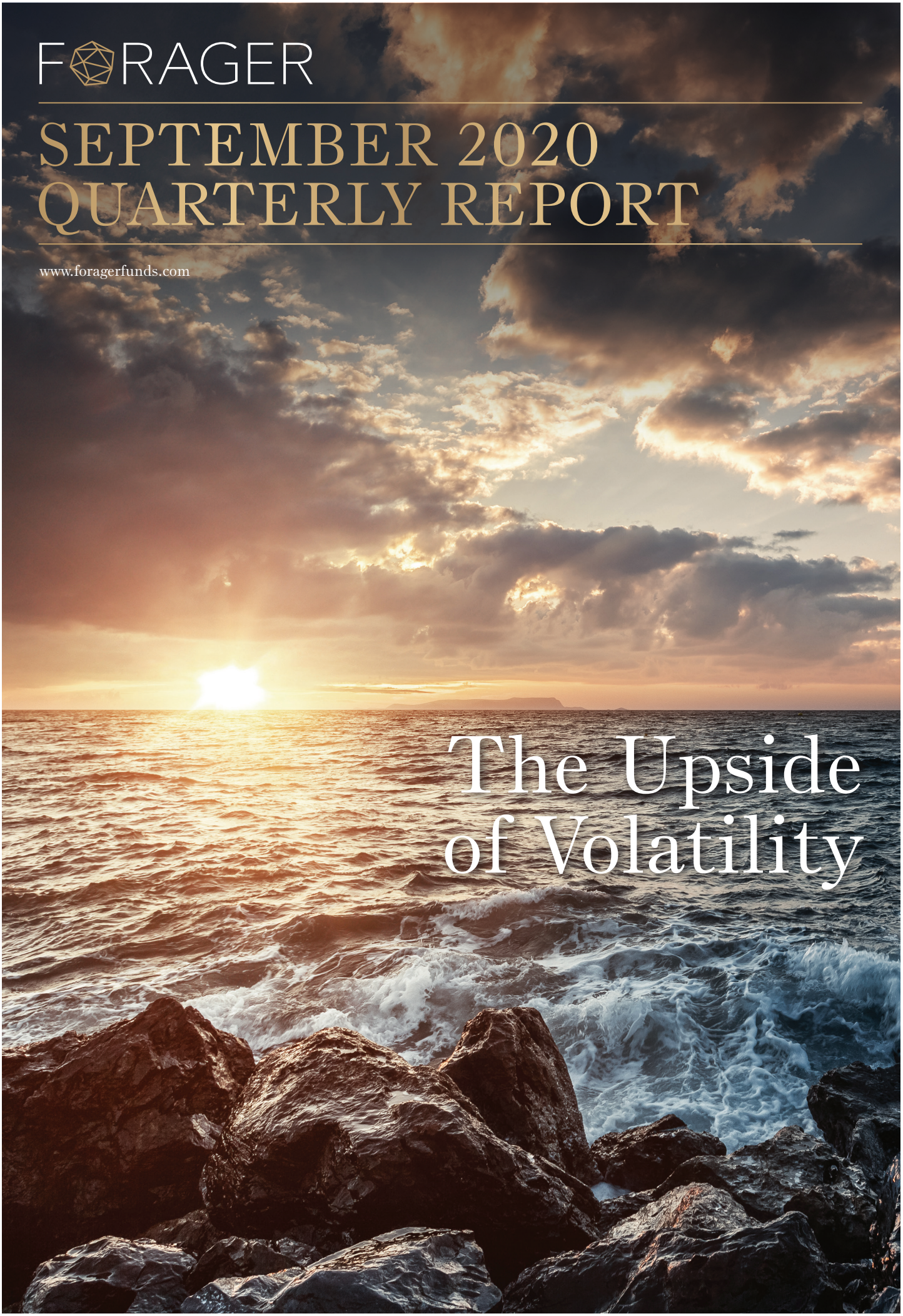
FORAGER

SEPTEMBER 2020 QUARTERLY REPORT

www.foragerfunds.com



The Upside of Volatility

FORAGER

CHIEF INVESTMENT OFFICER LETTER

QUARTERLY LETTER SEPTEMBER 2020

www.foragerfunds.com

FORAGER FUNDS PERFORMANCE SUMMARY (as at 30 September 2020)

	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	2.00%	25.66%	74.99%	-6.85%	-5.52%	4.98%	10.32%	8.92%
Forager International Shares Fund	1.63%	13.36%	39.82%	27.43%	9.70%	10.98%	-	14.08%

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

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

THE UPSIDE OF VOLATILITY

In 2020, each quarter has felt like a year. After March's meltdown, both funds added significantly to the June quarter's stupendous recovery in the past three months. The Australian and International Funds delivered quarterly returns of 26% and 13%, respectively. Those are numbers most of us would be happy with over a full year.

I doubt the end of the year is going to be any quieter. We still have a US election, final Brexit negotiations and decisive news on several of the most promising COVID-19 vaccines to come.

I'm up to the very first US election in *These Truths*, Jill Lepore's excellent history of the United States of America. She writes that the peaceful transfer of power from the first elected president, John Adams, to the second, Thomas Jefferson, was "remarkable" and that the two-party system "insures the peaceful transfer of power, in which the losing party willingly, and without hesitation, surrenders its power to the winning party". Might she need to rewrite that section shortly?

We don't have a strong view about the likely US election outcome, what sort of Brexit will unfold or whether there will be a COVID-19 vaccine. We do know that all of this uncertainty is creating a lot of stock market volatility. And that can be a wonderful thing.

VOLATILITY: RISK FOR WHO?

"Risk adjusted returns". That's one of the common phrases you'll see on fund manager websites. After all, it's what the whole industry is trying to do: provide maximum returns for minimal risk.

The return part of that equation is a straightforward number. But how do we measure risk? And who should we minimise it for? These are difficult questions. Certainly more difficult than the industry would have you believe.

In finance theory, the main measure of risk is volatility. The theory goes that the more a share price bounces around, the higher the chance that it will be at a low point when you need the cash. This is true if you need the money in the near future. But it's not true for everyone.

Firstly, your time horizon is crucial. If you need to sell your shares next week, then stock price variability is a significant risk for you. But if you have the capacity and intent to hold an investment for five or 10 years, what happens next week doesn't matter. In fact, your average return over that period becomes far more important than variability along the way.

Secondly, volatility is itself a variable. A stock that has historically shown very little volatility can suddenly become highly volatile, and vice versa. Look no further than March's meltdown, where shares in airports went from trading like infrastructure safe-havens to highly volatile tourism stocks.

Most importantly though, for an investor with a long time horizon, volatility can be more friend than foe.

LOW PRICES EQUAL LOWER RISK

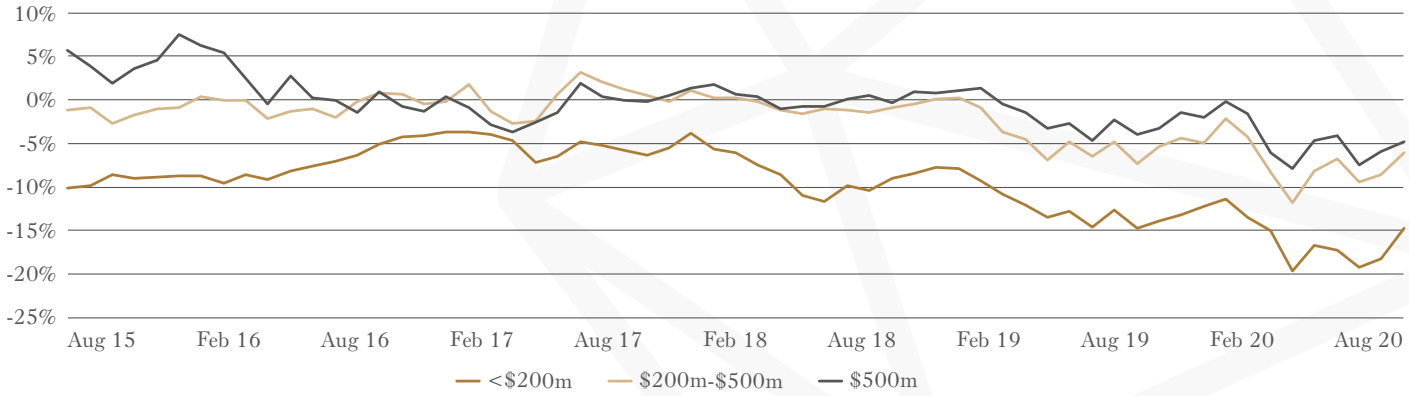
We want to buy shares at highly attractive prices. The more a share price bounces around, the more chance that, at some point in time, it trades well below its fair value.

Further, the larger the gap between your purchase price and fair value, the lower the risk of permanent capital impairment. And that's the long-term investor's version of risk. Our valuations typically include a base case, worst case and best case. For a top quality stock like **Autodesk**, we have a valuation pencilled in at $270 per share as a central case, $160 downside and $340 best case. At $150, where we recently purchased it, we can afford for plenty to go wrong and still make money over the long term.

When used to invest at low purchase prices, higher volatility can actually reduce investment risk for the long term investor. But it can be stomach churning. It's hard to enjoy your breakfast when reading about the billions of dollars "lost" on global sharemarkets.

But all of this volatility has been wonderful for Forager's funds' returns. As a Forager client, you should cross your fingers for a messy US election and anything else that might lead to panic. With volatility comes the genuine opportunity for higher risk-adjusted returns.

LIC/LIT AVERAGE PREMIUM/(DISCOUNT) TO NTA BY MARKET CAPITALISATION



Source: Bell Potter

LICS NOT SO LIT IN 2020

It used to mean someone was slightly drunk. Now, the kids tell me, "lit" means something is excellent. That's not what they are saying about LITs (Listed Investment Trusts) this year. Or LICs (Listed Investment Companies), for that matter.

These investment vehicles are listed on the stock exchange. Rather than the fund manager issuing or redeeming units to meet investor demand, investors buy and sell their units (or shares) to other investors on the stock exchange.

After a frenzy of capital raisings in 2016 and 2017, most of them now trade at a significant discount to their underlying net asset value (NAV), including our own Forager Australian Shares Fund (ASX:FOR).

The reasons include poor performance, high expenses (particularly in smaller vehicles) and a lack of liquidity. But the discounts also tend to be largest when the wider market is most pessimistic, and at their narrowest when enthusiasm abounds. For investors looking to capitalise on pessimism, there are few simpler, more profitable places to look when markets are in turmoil. A LIC's underlying portfolio will often be trading at attractive prices, and you get to invest at a further substantial discount to that.

Our own Forager Australian Shares Fund (ASX: FOR) traded as low as 55 cents on the 23rd of March. The heavily beaten up NAV that day was 65 cents. Unlike many other vehicles, the manager of this fund absorbs listing fees and administration costs, so the maximum base fee of 1.1% represents the total running costs for an investor. There is no long-term management agreement. And the performance fee benchmark compounds at 8% per annum, so that person who bought at 55 cents won't be paying performance fees unless they have made a lot of money (the NAV would currently need to get back to $2.04 before performance fees apply).

The NAV was down by more than half and confidence in Forager was at a low ebb. But the principle applies across the sector. It's common for the discounts to be widest when the underlying portfolios are most attractive.

Even today, you can still buy FOR at a 10-15% discount. We have hopefully restored some confidence. Our returns have averaged almost 10% per annum since we started 11 years ago and, as those profits are realised, they get paid out to investors as distributions. Today's buyer gets a free 10-15% boost to whatever those distributions are in future.

That, we might say, is lit.

AUSTRALIAN ECONOMY

We've seen widespread good results from the companies in both funds. Consumers have remained remarkably resilient and companies remarkably adaptable. Some, like **Thorn Group** and **NZME**, got the shove they needed to make long overdue changes.

Much of the resilience, however, is due to unprecedented government assistance. Based on the Federal government budget released this month, it's a helping hand that is going to be pushing for several years to come.

It's easy to criticise the "bailouts". It's easy to whine about Australia's house prices and our obsession with keeping them high. But it struck me, again, on budget night. We are incredibly fortunate.

The Australian government's net debt position is expected to peak at around 50% of GDP, a level most Western governments would be envious of prior to the pandemic. We have the ability to support those most affected by this crisis and we have done so in a fast, mostly efficient manner.

Our stockmarket has performed much worse than the US this year but I think we are well placed to manage an unprecedented economic hit. It's been a good place to be invested for the past century and I don't expect that to change dramatically.

FISF FEE CUT

We have just signed a new agreement with Fundhost, the International Fund's administrator. The extended agreement includes a 0.05% p.a. reduction in administration costs, which has been passed on to investors in the form of a lower base fee.

It won't make an enormous difference, but it's another small improvement to add to the changes made over the past few years.

All fund managers go through rough trots. We've certainly had ours over the past few years. Rather than throw our toys, though, we've worked exceptionally hard and made some tough decisions. We've amended fee structures to more closely align ourselves with investors and pay our staff for success. We've improved our risk management and research processes, and attracted new talent. And when markets went haywire, we capitalised on the opportunity.

It is great to see some outstanding results.

Kind regards,

Steven Johnson
Chief Investment Officer

FORAGER

INTERNATIONAL SHARES FUND

MONTHLY REPORT SEPTEMBER 2020 www.foragerfunds.com

PERFORMANCE (Net of all fees and expenses)

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 30 September 2020)

	1 month return	3 month return	6 month return	1 year return	3 year return (p.a.)	5 year return (p.a.)	Since inception* (p.a.)
International Shares Fund	1.63%	13.36%	39.82%	27.43%	9.70%	10.98%	14.08%
MSCI AC World Net Index in $A	-0.02%	3.84%	10.62%	3.10%	9.73%	9.52%	13.52%

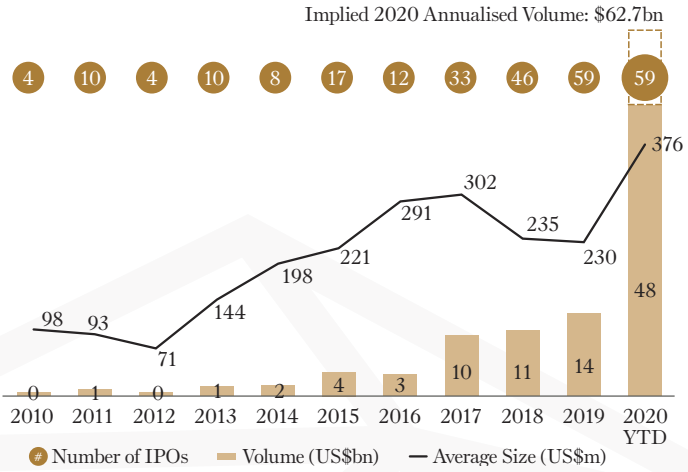
MSCI AC World Net Index in $A is an abbreviation of MSCI All Country World Investable Market Index (Net) in Australian dollars.
Past performance is not indicative of future performance and the value of your investments can rise or fall.

*8 February 2013

The Forager International Shares Fund rose 1.6% in September against an index that was broadly flat, continuing a strong run of recent results. The Fund has now returned 27.4% for the past year, versus 3.1% for the MSCI AC World Net Index in $A benchmark.

New investments were made at a rapid rate during the quarter. Two of them were thanks to the huge level of activity in the Special Purpose Acquisition Company ("SPAC") market. SPACs are publicly-traded vehicles formed to raise capital for the purpose of acquiring a single business down the track. It's like raising money for an Initial Public Offering (IPO) before you know what the investment will be.

SPAC CAPITAL RAISINGS



Source: Morgan Stanley

Investors park their capital for up to two years while the managers go looking for targets, in exchange for downside protection (redemption rights) and additional upside (fractional warrants). SPACs have been extremely active this year, with $48bn raised in 2020 to date—more than double last year's total volume—and there is currently more than $54bn of SPAC cash seeking acquisitions in the market.

There have been a number of highly successful SPAC transitions this year, such as **DraftKings** (NASDAQ:DKNG) and **Virgin Galactic** (NYSE:SPCE). Over 40% of IPOs this year have been through this avenue rather than the traditional public offering route.

We haven't any interest in putting in money blind, but Forager has invested in a few of these vehicles after the deal had been done, including **Open Lending** (NASDAQ:LPRO) and **APi Group** (NASDAQ:APG).

Navigating through a landscape of companies with limited public market history and only a few years of financials can sometimes be a minefield. It also allows funds such as Forager to get an edge versus the broader market and buy some high quality businesses at very attractive prices before the herd discovers them.

Open Lending owns a technology platform that provides lending enablement and risk analytics solutions to credit unions, regional banks and auto lenders in the United States. Their solutions include loan analytics, risk-based pricing, risk modeling and default insurance to help ensure profitable auto loan portfolios for financial institutions.

The US auto loan market has historically been bifurcated—you are either a prime customer and get very attractive interest rates or you are sub-prime and find yourself paying sky-high rates. There is a whole cohort of "near-prime" customers that have low default risks but are being charged sub-prime rates. It is these potential customers that Open Lending allows loan providers to target.

Open Lending has facilitated more than US$7bn automotive loans and currently serves over 300 automotive lenders. The company generates revenues through program fees that are paid by lenders as well as profit share and claims administration service fees paid

by insurance partners. We were drawn to the business due to its high margins, explosive revenue growth (expected to double in 2021) and a potential rebound in auto loan originations post COVID-19.

We expect the accelerated revenue growth to be sustained over the mid-term given a large US$250bn addressable market and secular growth driven by increased auto sales and the expansion of the near-prime customer market. In addition, its proprietary risk-based pricing model, based on more than 15 years of data and a fully integrated, cloud-based platform, provide a moat around the business. More importantly, when we first bought the shares a few days after the SPAC transaction closed at US$15, our entry price implied a price-to-earnings multiple of only 16 times, highly attractive for a business with these kinds of growth prospects.

APi Group is a slightly less exciting business, but its maintenance services in the fire safety, utilities and telecommunications sector provide predictable revenue and profitability, and its capacity to buy and improve smaller companies in the same sectors provides a long runway for growth. In fact, the company has grown revenues at an annual rate in excess of 12% over the past decade. APi also trades at an attractive valuation of just 12 times earnings. We feel this is far too low given the secular growth that it is exposed to.

These opportunities are COVID-related, with the SPACs able to make their acquisitions at attractive prices. The window is closing fast, though, and with so much money sloshing around it is almost certain to end in tears for investors that don't tread carefully.

COMPANY RESULTS

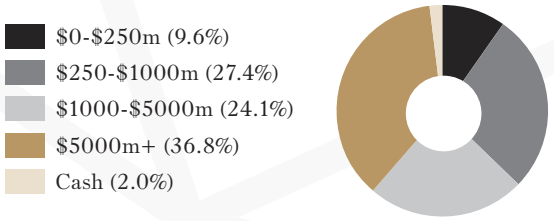
Data erasure and mobile diagnostics software business **Blancco** (AIM:BLTG) reported a decent increase in revenue for its full year to 30 June 2020, up 9% to £33.4m. A second half deceleration, with sales flat at £16.0m, was partly caused by the loss of a large customer last year. But the bigger impact was from COVID-19 interruptions. Fewer used mobile phones were processed by Blancco's customers, and it was also difficult to sell erasure software to new enterprise customers, who had more urgent things to deal with.

Geographic splits give a hint to the rebound potential. North American sales during the second half were down 22% versus the same period last year, impacted by that customer loss mentioned above. European sales were flat. Asia, the first region into lockdown and the first to emerge, saw sales grow 27%.

These days, the main asset of **ThinkSmart** (AIM:TSL) is a 6.5% stake in ClearPay, the operating name of **Afterpay**'s (ASX:APT) business in the UK. ThinkSmart's recent results to 30 June 2020 included little new operationally, but there was a big upward revaluation of the Clearpay stake in its books. The new book value of £53.7m and the methodology behind it lines up well with the assumptions we've been using the past two years. From 1 January to 30 June 2020, Afterpay rose 108% (a rocky ride to be sure), with a lot of its growth coming out of the UK. It struck us as absurd that ThinkSmart's share price fell 11% over the same period. Over the following quarter to 30 September, Afterpay rose 36% and ThinkSmart 105%, unwinding much of the silliness and slimming the discount. We've been trimming.

Kiwi fashion retailer **Hallenstein Glasson Holdings** (NZSE:HLG) released its full year results to 1 August 2020 this month. Despite significant challenges for all retailers throughout the period, the company managed to generate sales in line with last year and net profit only decreased 4%. While this is an impressive result, it wasn't the highlight of the release. HLG declared a final dividend of NZ$0.24 per share, with total dividends for the year representing a 9% yield on the stock price prior to the announcement. On top of that, sales in the first eight weeks of the current financial year grew 11% compared to the previous year. Not an easy feat with store closures continuing in New Zealand and Victoria.

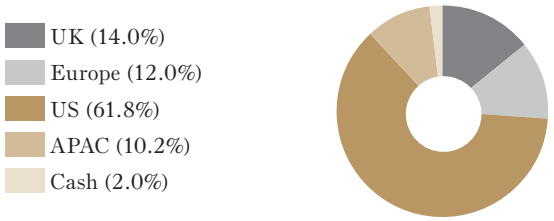
PORTFOLIO DISTRIBUTION ACCORDING TO MARKET CAPITALISATION



UK-listed online retailer **Boohoo** (AIM:BOO) is another one of the Fund's new investments. The business has been growing rapidly for almost a decade and generating lots of cash while doing so. The stock has been under pressure, though, due first to COVID-19 and then to allegations of wrongdoings within the company's supply chain (prior to our investment). Boohoo has since conducted an independent review of its Leicester supply chain and released the findings in full to the public. While the review found evidence of poor working conditions and low pay, the company has committed to actioning all recommendations in the report. There is a lot of work to be done, but the company's transparency demonstrates commitment to making the necessary improvements.

Boohoo also released results for the half year ended 31 August 2020. Revenue increased 45% in the half to £816.5m, with operating profit margin increasing to 9.7% (from 9.1%) despite increased freight and distribution costs. Management now expects revenue for the full year to increase by 28-32%. We think they're being conservative.

STOCK EXPOSURE BY GEOGRAPHY



TOP 5 HOLDINGS (as % of NAV)		
Blancco Technology Group Plc	**(AIM: BLTG)**	5.8%
Celsius Holdings Inc	**(Nasdaq:CELH)**	5.4%
Open Lending Corp	**(Nasdaq:LPRO)**	5.0%
Motorpoint Group Plc	**(LSE:MOTR)**	3.8%
eGain Corp	**(Nasdaq:EGAN)**	3.6%
Cash		2.0%

FUND OBJECTIVE

The Fund is an international equities fund, targeting undervalued securities on the world's stock markets. The Fund's investment objective is to outperform the MSCI All Country World Investable Market Index (Net) in Australian Dollars (MSCI AC World Net Index in $A) over a rolling 5-year period. The Fund's goal is to produce superior long-term returns from a portfolio of 20–40 businesses, irrespective of short-term share price movements^.

FUND PERFORMANCE BY MONTH AND FINANCIAL YEAR

FY	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total Return
2013								-0.26%	-0.62%	2.88%	8.74%	3.47%	**14.73%**
2014	3.61%	1.11%	-1.26%	4.59%	6.58%	2.82%	1.40%	1.92%	-4.64%	1.85%	1.46%	-0.16%	**20.54%**
2015	-1.81%	-0.82%	1.47%	-2.93%	2.43%	3.63%	1.33%	3.59%	1.47%	2.84%	4.54%	-2.17%	**14.06%**
2016	5.61%	-0.29%	-2.07%	2.55%	-3.19%	-2.74%	-5.08%	3.36%	0.09%	3.64%	5.84%	-6.36%	**0.44%**
2017	4.55%	3.84%	1.91%	0.52%	4.65%	5.55%	-0.63%	-0.13%	2.25%	4.97%	1.69%	-4.25%	**27.42%**
2018	-0.76%	-0.43%	3.99%	2.31%	1.62%	-2.76%	0.97%	-1.78%	-1.22%	4.64%	0.97%	1.21%	**8.81%**
2019	-0.55%	1.50%	2.22%	-6.62%	-5.49%	-3.66%	5.11%	5.19%	-4.03%	4.79%	-2.68%	1.85%	**-3.31%**
2020	0.07%	-1.92%	3.09%	0.95%	4.83%	4.73%	3.62%	-6.03%	-15.53%	9.78%	12.60%	-0.22%	**13.74%**
2021	1.36%	10.05%	1.63%										**13.36%**

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

FACTS

Fund inception	8 February 2013
Minimum investment	$20,000
Monthly investment	Min. $200/mth
Distribution	Annual, 30 June
Applications/Redemption	Weekly

UNIT PRICE SUMMARY

As at	30 September 2020
Buy Price	$1.7823
Redemption Price	$1.7752
Mid Price	$1.7787
Portfolio Value	$178.8m

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

ABOUT FORAGER

With approximately $320 million of funds under management and a focus on long-term investing, Forager Funds is a unique Australian asset management company.

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

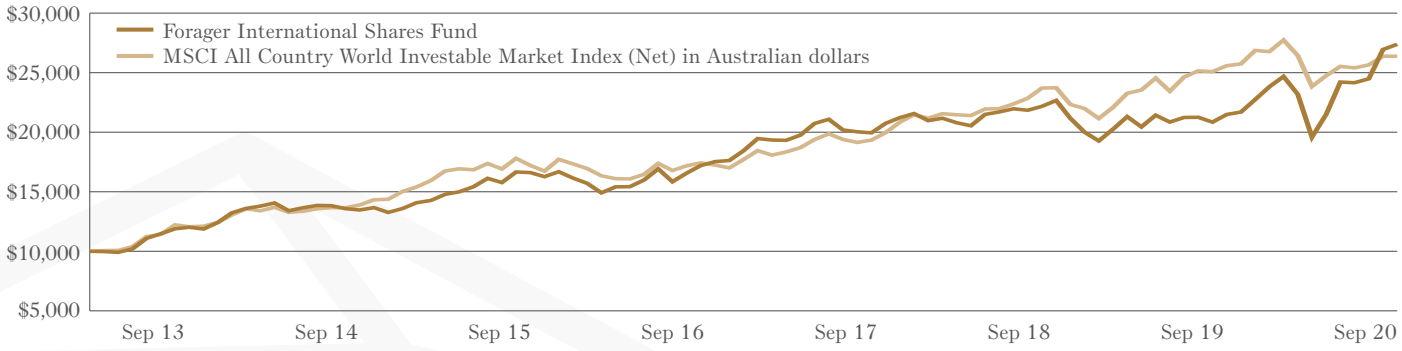
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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

FUND CHARACTERISTICS

- Concentrated portfolio of global equities
- Investments mainly in small and medium sized businesses
- Flexible mandate allows for a wide range of markets
- Investment team with deep pockets of expertise
- Strong focus on managing portfolio risks
- Potential complement to index or ETF funds
- Weekly applications and redemptions

COMPARISON OF $10,000 INVESTMENT OVER TIME



Source (MSCI AC World Net Index in $A): S&P Capital IQ. The above figures assume that all distributions have been reinvested. Past performance is not indicative of future performance.

FORAGER

AUSTRALIAN SHARES FUND

MONTHLY REPORT SEPTEMBER 2020

www.foragerfunds.com

PERFORMANCE (Net of all fees and expenses)

FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 30 September 2020)

	1 month return	3 month return	6 month return	1 year return	3 year return (p.a.)	5 year return (p.a.)	10 year return (p.a.)	Since inception* (p.a.)
Australian Shares Fund (ASX:FOR)	2.00%	25.66%	74.99%	-6.85%	-5.52%	4.98%	10.32%	8.92%
All Ordinaries Accumulation Index	-3.43%	1.10%	19.05%	-8.76%	5.46%	7.73%	7.00%	6.75%

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

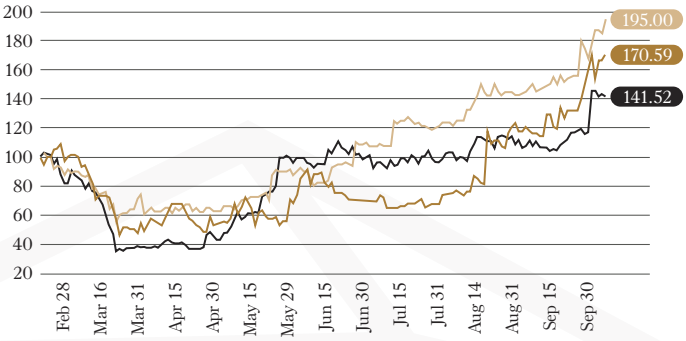
*30 October 2009

In September the Fund rose 2% while the index fell 3.4%. Continuing a pleasing trend, many of the investments in the portfolio announced strong recoveries from COVID-induced disruption. For some investments this is leading to changes in the way these businesses are viewed by investors. This change in investment narrative has seen stock prices rise substantially above pre-COVID levels.

NZME (NZM) is the owner of newspaper, radio and digital businesses in New Zealand. After first reeling from a near-halving of advertising spend in April, NZME made some important changes. Management quickly moved to cut costs by NZ$25m. An NZ$20m annual cost reduction will become permanent. For a business with $6.8m of net profit for the last half year this will be a significant change, and will help buffer NZME profits from reduced newspaper revenues.

PRICE CHANGES SINCE MARKET PEAK

Prices rebased to 100



Normalised as of 20/02/2020 — NZM — NTD — MTO

Source: Bloomberg

Earnings will still fall this calendar year. But with a post-COVID recovery already underway and the full impact of cost-cutting the company looks confident of growth next year. Over the next few years, shrinking print advertising revenues will be a smaller portion of the group's total revenue. Its growing radio and digital revenues will become more important.

The narrative may well shift from decline to slow growth. And at five times net profit, NZME is cheap for a growing, dividend paying company. Success with the property classifieds website OneRoof offers even more upside.

By taking advantage of the crisis, NZME is now on much better long term footing. The change in the narrative is starting to be priced in by investors. After tripling from the March trough, NZME's share price is more than 50% above February levels.

Tyre distributor **National Tyre** (NTD) and motorcycle and accessory retailer **Motorcycle Holdings** (MTO) are also seeing a change in narrative.

After bunkering down in April in the face of slowing tyre demand, National Tyre has seen a sharp reversal in fortunes. May and June sales improved sharply. Operating costs were reduced. JobKeeper benefits flowed in.

The latest update in early October showed National Tyre riding a wave of tyre replacement as Australians get on the road for their next holiday. Operating earnings before interest, tax, depreciation and amortisation was $11.8m last financial year. In the six months to December the company is forecasting $8m to $8.5m. That includes the contribution from a large acquisition, but excludes the cost benefits of combining the businesses.

The acquisition of Tyres4U nearly triples revenue. Synergies, though yet undisclosed, are likely to be significant. And a good first year will help to pay down the debt used to fund the acquisition.

The narrative has changed quickly from a small scale and single supplier distributor, to a business with more scale, diversification and growth potential. National Tyre has also tripled off the March trough and has almost doubled from pre-COVID share prices.

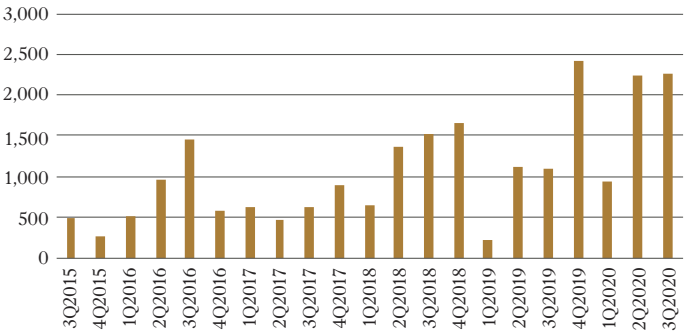
Motorcycle Holdings was another to see quick improvements. Industry sales of motorbikes rose 57% in July and 23% in August. As supply dwindled, margins improved. Sales of accessories through dealerships, wholesale and retail channels rose 20% from last year.

Off-road motorbike sales benefited from a move to fun socially distant activities. On-road bike sales are benefiting as commuters look to socially-distant travel options. Government stimulus has fuelled the move, with early super withdrawals providing consumers more cash to spend. And JobKeeper helped the company offset some labour costs. Net bank debt of $38m in February was down to $9m by June and has fallen since. A $0.05 special dividend was paid and dividends are likely to continue.

An overleveraged and struggling motorcycle dealer has come out of COVID with sensible net debt, prospects for organic growth and the continued ability to acquire further dealerships. This change in narrative saw Motorcycle's share price quadruple from March lows.

COVID has also benefited global gold miners and their suppliers. With the gold price rising 18% since February miners are quickly raising money for exploration and mine construction. The amount of money raised from investors in the sector has doubled in each of the last two quarters.

EQUITY RAISED ON THE ASX BY MINING COMPANIES (A$m)

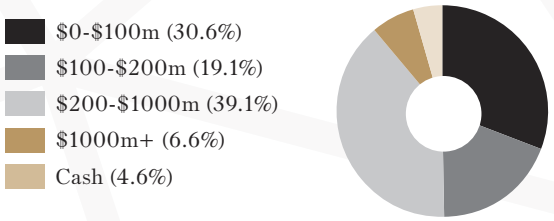


Source: Canaccord, Dealogic

For some gold companies this will mean more money for drilling existing tenements. For the further progressed ones, the extra funds will be going into mine construction. After construction, many of these mines will be using contract miners to move dirt with large machinery and specialist knowhow. The Fund owns two companies that will benefit from the increase in contract mining awards over the next 12 months. Investments in **Macmahon** (MAH) and **Perenti** (PRN) total 5% of the Fund.

Readers of these reports will be no stranger to our long term investment in Macmahon. The company mines the giant Batu Hijau copper/gold project in Indonesia and a handful of Australian projects, including Tropicana in Western Australia. At its recent earnings release, the company gave guidance for $1.4bn to $1.5bn in revenue this year. Of this, $1.2bn is already contracted with clients. But tender opportunities are worth a massive $7.5bn, mostly in Australian gold projects. Between $2bn and $4bn will be awarded before June next year. Macmahon is already off to a good start, securing the $220m Warrawoona project in September.

PORTFOLIO DISTRIBUTION ACCORDING TO MARKET CAPITALISATION



Perenti has been a more recent addition to the portfolio and contracts to mines in Australia and Africa, with gold miners making up nearly 70% of the business. It has $1.7bn of work secured for this financial year, with total revenue likely to come in at about $2.1bn. The pipeline here is a staggering $8.8bn with $5bn due to be awarded over the next year. Like Macmahon, Perenti has already secured two contract extensions and a new win in Western Australia.

With investors more interested in high-flying tech names, mining services companies have not seen much attention after COVID. Both Macmahon and Perenti trade at seven to eight times after tax earnings. Yet both came through COVID with little disruption and are due to see lots of new work awarded over the next year. It is shaping up as a golden time for contract miners.

TOP 5 HOLDINGS (as % of NAV)		
RPM Global Holdings Limited	**(ASX:RUL)**	8.2%
Thorn Group Holdings Limited	**(ASX:TGA)**	7.7%
Mainstream Group Holdings Ltd	**(ASX:MAI)**	6.2%
AMA Group Limited	**(ASX:AMA)**	5.6%
NZME Limited	**(ASX:NZM)**	5.1%
Cash		4.6%

FUND OBJECTIVE

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

FUND PERFORMANCE BY MONTH AND FINANCIAL YEAR

FY	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total Return
2010					-0.69%	2.52%	-1.66%	0.08%	-0.34%	4.60%	-4.27%	-4.40%	**-4.41%**
2011	4.97%	-2.40%	-2.80%	-1.54%	3.12%	6.59%	1.58%	0.47%	-1.49%	3.40%	-5.39%	-0.82%	**5.12%**
2012	-1.00%	-2.61%	-7.20%	9.89%	-0.02%	-4.62%	1.53%	8.90%	5.02%	2.17%	-0.51%	-2.64%	**7.76%**
2013	8.70%	0.44%	2.83%	-3.07%	4.57%	0.33%	5.83%	4.86%	4.51%	1.41%	2.65%	-0.69%	**36.87%**
2014	10.45%	1.13%	4.77%	2.50%	-0.11%	0.38%	1.05%	0.48%	-1.28%	-3.44%	1.28%	-0.15%	**17.73%**
2015	6.70%	2.56%	-1.23%	-2.06%	-0.21%	-1.15%	0.94%	3.38%	4.87%	-2.42%	3.13%	-2.34%	**12.31%**
2016	7.94%	-4.46%	-1.38%	12.87%	-2.97%	0.22%	-1.33%	2.70%	4.40%	2.48%	1.51%	-3.91%	**18.06%**
2017	6.99%	3.25%	4.50%	-1.99%	-4.65%	1.76%	7.20%	1.29%	1.60%	1.16%	1.16%	1.00%	**25.16%**
2018	2.32%	-0.95%	2.69%	0.95%	0.21%	4.06%	-0.57%	-3.18%	-2.64%	2.77%	-0.97%	1.91%	**6.50%**
2019	-0.62%	-1.90%	-2.19%	-6.16%	-3.78%	-3.68%	0.98%	4.46%	-0.95%	-2.02%	-3.97%	-1.46%	**-19.66%**
2020	6.67%	-1.09%	4.38%	1.54%	-3.22%	-1.50%	2.46%	-10.97%	-39.71%	20.57%	18.04%	-2.16%	**-18.36%**
2021	3.70%	18.80%	2.00%										**25.66%**

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

FACTS

Fund inception	30 October 2009
ASX Code	FOR
Distribution	Annual, 30 June

UNIT PRICE SUMMARY

As at	30 September 2020
NAV	$1.30
Market Price	$1.16
Portfolio Value	$145.1m

ABOUT FORAGER

With approximately $320 million of funds under management and a focus on long-term investing, Forager Funds is a unique Australian asset management company.

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

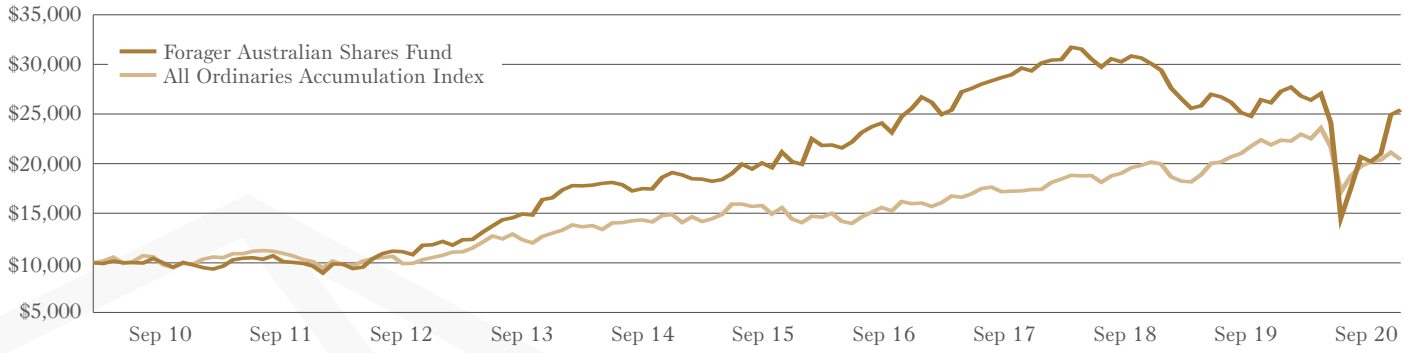
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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

FUND CHARACTERISTICS

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

COMPARISON OF $10,000 INVESTMENT OVER TIME



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

Forager Funds Management
Level 29, 85 Castlereagh Street, Sydney NSW 2000
+61 (0) 2 8277 4812
foragerfunds.com