

# FORAGER

# AUSTRALIAN SHARES FUND

MONTHLY REPORT JANUARY 2021

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## FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 31 January 2021. Net of all fees and expenses)

	1 month return	3 month return	6 month return	1 year return	3 year return (p.a.)	5 year return (p.a.)	10 year return (p.a.)	Since inception* (p.a.)
<b>Australian Shares Fund (ASX:FOR)</b>	-3.05%	13.67%	48.48%	15.09%	-0.42%	7.61%	11.52%	10.62%
<b>All Ordinaries Accumulation Index</b>	0.30%	12.43%	14.95%	-0.71%	7.67%	10.55%	7.92%	7.85%

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 contrast with the frantic speculation seen in a number of US stocks, January was a relatively quiet month for the All Ordinaries Accumulation Index, which rose a modest 0.3%. The net asset value of the Forager Australian Shares Fund fell 3%, despite some positive trading updates from the Fund's investments.

Family tracking app **Life360** (360) announced the appointment of a familiar name to the board of directors. Randi Zuckerberg, sister of Mark and an early **Facebook** (NASDAQ:FB) employee and author, will lift Life360's profile across the tech space. The company also delivered a largely expected set of financial metrics for the December quarter.

User numbers in the US grew 4% from a year ago as COVID-19 raged and teenage kids spent less time out of the house. Revenue for the quarter grew 25% from a year ago as more free users started paying for subscription plans. Losses were lower than the company expected as costs were better controlled. The business has successfully navigated the COVID-19 disruption, improved the functionality of the app, and launched more expensive new subscription plans. As vaccines help the USA to get moving again, user numbers should resume more rapid growth and revenue should grow faster.

**AMA Group** (AMA), owner of panel beating shops around Australia, looked to be restoring investors' confidence when it announced lower debt levels and higher profit margin expectations for next financial year. There was even hope that further acquisitions, a key growth driver for the business, would resume.

The enthusiasm was short-lived. In late January, AMA's CEO was dismissed for bonus and expense overpayments totalling \$1m. This followed an investigation which began in September. The stock fell 14% on the news. The company was quick to reassure investors of a continued recovery. Carl Bizon, board member for the last year, will step in as CEO. It was not the news we were looking for from AMA. Half year financial results, due later this month, should put the focus back on the operations of the business.

**National Tyre** (NTD) continued a stellar streak of super performance. It's a good time to be a seller of tyres as Australians set about exploring the country rather than flying overseas. Management's preferred measure of profit is now expected to be more than \$15m for the half

year, triple the prior year's result. That is up from expectations of more than \$11.5m announced just two months ago.

Part of the improvement comes from a recent acquisition, with cost reduction and revenue benefits of \$5.5m still to come. Net debt taken on for the acquisition has been quickly paid down to only \$18m. And the company sounds confident of good times continuing into the second half of the financial year. After rising 14% on the day of the announcement, National Tyre has risen five-fold since the March nadir and has more than doubled from the Fund's initial investment.

Lastly, software distributor **Rhipe** (RHP) announced that revenue had risen 15% for the half year while operating profit rose 34%. It's a continuation of growth for a business well positioned to take advantage of the Microsoft-ication of the workplace. Rhipe's partners are buying more Office365 products and Azure computing power for their small and medium business clients. The company now clips the ticket on over 720,000 Office365 licenses in Australia and Asia.

Costs rose only 3% despite investing to grow the services segment and opening up in Japan. And with a cash pile of \$58m from a recent capital raising, a fifth of the current market capitalisation, Rhipe has the firepower to sensibly acquire similar businesses. Providing full year profit growth guidance of 27%, the company clearly believes there is plenty more to come.

### TOP 5 HOLDINGS (as % of NAV)

<b>RPM Global Holdings Limited</b>	(ASX:RUL)	7.7%
<b>Mainstream Group Holdings Ltd</b>	(ASX:MAI)	6.9%
<b>Thorn Group Holdings Limited</b>	(ASX:TGA)	5.0%
<b>WPP AUNZ Limited</b>	(ASX:AMA)	4.9%
<b>NZME Limited</b>	(ASX:NZM)	4.6%
<b>Cash</b>		3.3%

**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<sup>^</sup>.

**FUND PERFORMANCE BY MONTH AND FINANCIAL YEAR**

FY	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total Return
2010					-0.69%	2.52%	-1.66%	0.08%	-0.34%	4.60%	-4.27%	-4.40%	-4.41%
2011	4.97%	-2.40%	-2.80%	-1.54%	3.12%	6.59%	1.58%	0.47%	-1.49%	3.40%	-5.39%	-0.82%	5.12%
2012	-1.00%	-2.61%	-7.20%	9.89%	-0.02%	-4.62%	1.53%	8.90%	5.02%	2.17%	-0.51%	-2.64%	7.76%
2013	8.70%	0.44%	2.83%	-3.07%	4.57%	0.33%	5.83%	4.86%	4.51%	1.41%	2.65%	-0.69%	36.87%
2014	10.45%	1.13%	4.77%	2.50%	-0.11%	0.38%	1.05%	0.48%	-1.28%	-3.44%	1.28%	-0.15%	17.73%
2015	6.70%	2.56%	-1.23%	-2.06%	-0.21%	-1.15%	0.94%	3.38%	4.87%	-2.42%	3.13%	-2.34%	12.31%
2016	7.94%	-4.46%	-1.38%	12.87%	-2.97%	0.22%	-1.33%	2.70%	4.40%	2.48%	1.51%	-3.91%	18.06%
2017	6.99%	3.25%	4.50%	-1.99%	-4.65%	1.76%	7.20%	1.29%	1.60%	1.16%	1.16%	1.00%	25.16%
2018	2.32%	-0.95%	2.69%	0.95%	0.21%	4.06%	-0.57%	-3.18%	-2.64%	2.77%	-0.97%	1.91%	6.50%
2019	-0.62%	-1.90%	-2.19%	-6.16%	-3.78%	-3.68%	0.98%	4.46%	-0.95%	-2.02%	-3.97%	-1.46%	-19.66%
2020	6.67%	-1.09%	4.38%	1.54%	-3.22%	-1.50%	2.46%	-10.97%	-39.71%	20.57%	18.04%	-2.16%	-18.36%
2021	3.70%	18.80%	2.00%	7.79%	13.22%	3.56%	-3.05%						53.97%

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**FACTS**

<b>Fund inception</b>	30 October 2009
<b>ASX Code</b>	FOR
<b>Distribution</b>	Annual, 30 June

**UNIT PRICE SUMMARY**

<b>As at</b>	31 January 2021
<b>NAV</b>	\$1.64
<b>Market Price</b>	\$1.37
<b>Portfolio Value</b>	\$182.3m

**ABOUT FORAGER**

With approximately \$400 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.

**WARNING** 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. **DISCLAIMER** Forager Funds Management Pty Ltd operates under AFSL No: 459312. The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL No: 235 150) is the responsible entity and the issuer of the Forager Australian Shares Fund (ARSN 139 641 491). You should obtain and consider a copy of the product disclosure statement relating to the Forager Australian Shares Fund before acquiring the financial product. You may obtain a product disclosure statement from The Trust Company (RE Services) Limited, or download a copy at [www.foragerfunds.com](http://www.foragerfunds.com). To the extent permitted by law, The Trust Company (RE Services) Limited and Forager Funds Management Pty Limited, its employees, consultants, advisers, officers and authorised representatives are not liable for any loss or damage arising as a result of reliance placed on the contents of this document. <sup>^</sup>Although the All Ordinaries Accumulation Index benchmark largely represents the available listed investment universe for the Fund, the concentrated nature of the Portfolio and the Fund's ability to invest in securities that are not included in this index means the Fund's results may not be correlated with this index. This investment objective is not a forecast and returns are not guaranteed.