


FORAGER

AUSTRALIAN SHARES FUND

MONTHLY REPORT SEPTEMBER 2021

www.foragerfunds.com

FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 30 September 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.)
Australian Shares Fund (ASX:FOR)	0.45%	8.20%	24.83%	61.10%	11.67%	8.92%	16.37%	12.55%
All Ordinaries Accumulation Index	-1.58%	2.05%	10.88%	31.46%	10.37%	10.84%	10.94%	8.63%

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

*30 October 2009

The numbers suggest September was a quiet month, with the Fund up 0.5% while the index sank 1.6%. It was a busy month for your investment team, however.

Reporting season gave way to what looks to be the final few hurdles of Australia's initial COVID vaccination program. The light at the end of the tunnel grows brighter as restrictions on movement are set to ease by mid-November in the most populous states, Victoria and New South Wales. Investors' minds turned to what consumers will do with their new-found freedoms—get out of the house and travel.

The share prices of the larger travel exposed stocks, such as **Webjet** (WEB) and **Flight Centre** (FLT) took off in mid-August, up 27% and 49% respectively by the end of September. The Fund's holdings, in smaller stocks exposed to similar trends, rose also.

For years recreational vehicle operator **Apollo Tourism** (ATL) had investors wondering "will they or won't they?". Will the company need to raise equity to reduce its debt burden? Or will its unique funding arrangements allow the business to weather the storm? We believed the company was more likely than not to get through COVID without raising equity. So far that has been both right and profitable.

The company's full year results presentation in August allayed some balance sheet concerns and showed that management is focused on securing new recreational vehicle supply for its overseas operations. Canada, which looks to be reopening in time for the northern hemisphere summer, has been a big profit contributor to Apollo in the past. The Fund's investment in Apollo was small, mitigating the balance sheet risk of the investment but, with the stock up by more than

two-thirds since mid-August, it has been a tidy contributor.

Another travel-exposed investment to make headlines last month was skydiving and Great Barrier Reef adventure business **Experience Co** (EXP). The company's main operations have been conserving cash while awaiting the resumption of interstate and international travel. Head office, helmed by former Tourism Australia CEO John O'Sullivan, was also preparing a large acquisition.

The purchase of treetop and ziplining adventure company **Trees Adventure** for \$46.9m moves Experience Co towards activities for locals rather than interstate or international visitors. It reduces the reliance the business had on Queensland. And it doubles the client database, introducing the ability to cross sell experiences. All for a reasonable price, partially paid in Experience Co shares. The equity component should keep the former Trees Adventure owners focused on growing this high return-on-capital business over the next few years.

Travel won't be the only sector positively impacted by the opening up of the physical economy. Gym junkies will be working out before long and car accidents are sure to follow. Gyms owner **Viva Leisure** (VVA), a recent addition to the portfolio, will benefit. As will panel beater **AMA Group** (AMA).

Thinking the world was getting back to normal before the most recent lockdowns, Viva was back buying and building new gyms. The business presented a brave face to investors in August, despite their gyms being mostly closed and cash going out the door for staff and lease payments. With reopening on the horizon, the company raised \$11.7m at \$1.55 and put

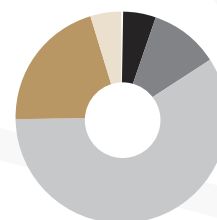
balance sheet concerns behind them. By the end of the month Viva was trading 50% higher than the placement price.

A potential capital raise at AMA Group had been discussed in the press for months. The panel beater is dealing with reduced repair volumes, rental payments and a pile of debt held by nervous banks. AMA finally pulled the trigger in September and raised \$100m in equity and a further \$50m by issuing convertible notes. The quantum of the raise surprised many, us included. As a result, AMA's banks adjusted debt terms and the company will have plenty of cash to deploy buying panel beating businesses when lockdowns lift. The raise was well received and AMA's share price was up almost 20% from the raise price by month's end.

TOP 5 HOLDINGS (as % of NAV)

Mainstream Group Holdings Ltd	(ASX:MAI)	6.2%
RPMGlobal Holdings Limited	(ASX:RUL)	6.0%
Experience Co Limited	(ASX:EXP)	4.5%
Fineos Corporation Holdings Plc	(ASX:FCL)	3.9%
Ama Group Limited	(ASX:AMA)	3.6%
Cash		5.0%

PORTFOLIO DISTRIBUTION ACCORDING TO MARKET CAPITALISATION



FUND OBJECTIVE

The Fund targets securities that Forager believes are undervalued and invests predominately in securities listed on the ASX. Its investment objective is to outperform the All Ordinaries Accumulation Index over a rolling 5-year period and its goal is to produce superior long-term returns from a select number of underlying investments, irrespective of short-term price movements[^]. The portfolio has historically generally held 15 to 25 securities but in recent times the number of investments has increased to around 35 securities. This has reflected the fact that the Fund has grown, the investment team has grown and the Manager has enhanced the portfolio liquidity requirements as a result. We expect that the portfolio will remain relatively concentrated and the number of portfolio investments will generally be in the 15 to 50 range.

FUND PERFORMANCE BY MONTH AND FINANCIAL YEAR

FY	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total Return
2010					-0.69%	2.52%	-1.66%	0.08%	-0.34%	4.60%	-4.27%	-4.40%	-4.41%
2011	4.97%	-2.40%	-2.80%	-1.54%	3.12%	6.59%	1.58%	0.47%	-1.49%	3.40%	-5.39%	-0.82%	5.12%
2012	-1.00%	-2.61%	-7.20%	9.89%	-0.02%	-4.62%	1.53%	8.90%	5.02%	2.17%	-0.51%	-2.64%	7.76%
2013	8.70%	0.44%	2.83%	-3.07%	4.57%	0.33%	5.83%	4.86%	4.51%	1.41%	2.65%	-0.69%	36.87%
2014	10.45%	1.13%	4.77%	2.50%	-0.11%	0.38%	1.05%	0.48%	-1.28%	-3.44%	1.28%	-0.15%	17.73%
2015	6.70%	2.56%	-1.23%	-2.06%	-0.21%	-1.15%	0.94%	3.38%	4.87%	-2.42%	3.13%	-2.34%	12.31%
2016	7.94%	-4.46%	-1.38%	12.87%	-2.97%	0.22%	-1.33%	2.70%	4.40%	2.48%	1.51%	-3.91%	18.06%
2017	6.99%	3.25%	4.50%	-1.99%	-4.65%	1.76%	7.20%	1.29%	1.60%	1.16%	1.16%	1.00%	25.16%
2018	2.32%	-0.95%	2.69%	0.95%	0.21%	4.06%	-0.57%	-3.18%	-2.64%	2.77%	-0.97%	1.91%	6.50%
2019	-0.62%	-1.90%	-2.19%	-6.16%	-3.78%	-3.68%	0.98%	4.46%	-0.95%	-2.02%	-3.97%	-1.46%	-19.66%
2020	6.67%	-1.09%	4.38%	1.54%	-3.22%	-1.50%	2.46%	-10.97%	-39.71%	20.57%	18.04%	-2.16%	-18.36%
2021	3.70%	18.80%	2.00%	7.79%	13.22%	3.56%	-3.05%	4.07%	1.21%	13.23%	0.26%	1.62%	87.09%
2022	5.01%	2.58%	0.45%										8.20%

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 2021
NAV (cum distribution)	\$2.05
Market Price	\$1.74
Portfolio Value	\$223.1m

ABOUT FORAGER

With approximately \$480 million of funds under management and a focus on long-term investing, Forager Funds is a unique Australian asset management company.

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

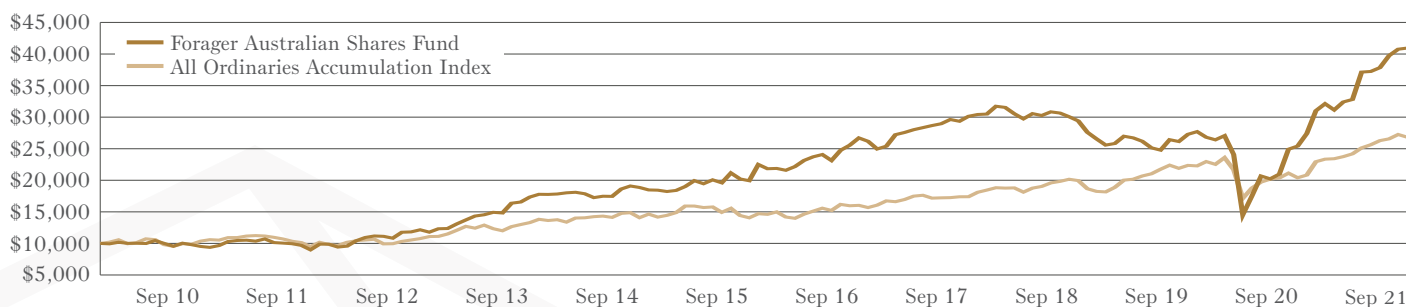
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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

FUND CHARACTERISTICS

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

COMPARISON OF \$10,000 INVESTMENT OVER TIME



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

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