

FORAGER

AUSTRALIAN SHARES FUND

MONTHLY REPORT OCTOBER 2021

www.foragerfunds.com

FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 31 October 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)	1.57%	4.66%	11.98%	51.80%	14.65%	9.70%	15.46%	12.60%
All Ordinaries Accumulation Index	0.15%	1.13%	6.87%	28.97%	12.91%	11.37%	10.19%	8.58%

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 Forager Australian Shares Fund returned 1.57% in October and outperformed the index, which rose 0.15%. Over the month, a handful of the Fund's investments reported quarterly results and some provided Annual General Meeting (AGM) updates. Increasing interest rates also put a dampener on the more growth-oriented investments in the portfolio.

The Fund's investment in insurance software company **Fineos** (FCL) and sports tech provider **Catapult** (CAT) share some similarities. Both are growing businesses. Both have highly sticky revenue yet currently lose money. And both, alongside a few other growth-oriented investments, were small detractors to performance last month. With growing but currently cash-burning businesses, higher interest rates mean more of a discount to their more distant cash flows.

And, with interest rates on Australian 10-year government bonds rising by more than 0.60% over the past few months, investors have cast a more cautious eye over businesses like these. However, we are more concerned about their underlying business performance.

In that department, Fineos announced a quarterly result largely in line with expectations, with continued growth and improved cash collections. And Catapult saw contracted revenue grow 30% organically from the prior year, while revenue churn dropped to only 4.10%. Both are good indications that the investment theses are playing out as expected despite the macro headwind.

Positives outweighed the negatives over the month.

Mining services company **Perenti** (PRN) held an AGM where it confirmed its financial guidance for the current year. Despite the 27% run up during the month, Perenti remains cheap on nine times current year's after-tax earnings. But it is not really about this year. Staff inflation cost concerns seem to finally be abating as borders reopen. And in the 2023 financial year, the benefits of recent contract wins in Australia, Botswana and Canada will be fully contributing to earnings. At that point, Perenti will look cheaper still at only seven times after-tax earnings. With other parts of the market growing more expensive, headwinds abating and more contract wins to come, investors may once again become excited about mining services.

Enero (EGG) took another step in the right direction at the company's AGM. Revenue for the first quarter continued to grow quickly, with particular strength at its ad-tech American affiliate OB Media. The contribution from OB, the highest-margin business unit, drove profit margins higher still. Later in the year, more travel and entertainment spend will weigh on margins, while staff will likely demand higher wages in a tight labour market. But Enero remains intent on organic growth, driven mostly by OB. And the purchases of new businesses, funded by its \$31m war chest, appear imminent.

Seven West Media (SWM), the traditional media business, has been busy over the last few weeks. Once overleveraged, the Seven West management team has worked hard on bringing debt down to a more reasonable level of \$240m. With a lower level of debt, the company's bankers have provided a new debt facility at half the prior funding cost, with more flexible terms and a maturity extended to 2024.

And Seven West didn't waste any time making use of this new facility. Just three days later, the company agreed to the acquisition of its regional affiliate **Prime Media** (PRT). By spending \$72m to fully own Prime, Seven has paid just under three times earnings before interest, tax, depreciation and amortisation. And even after the recent 30% rise, Seven West shares are trading at only six times this year's net profits. With dividend payments resuming and the balance sheet in good shape, things are starting to get better for the company.

TOP 5 HOLDINGS (as % of NAV)

RPM Global Holdings Limited	(ASX:RUL)	5.9%
Experience Co Limited	(ASX:EXP)	4.3%
AMA Group Limited	(ASX:AMA)	4.1%
Fineos Corporation Holdings Plc	(ASX:FCL)	3.6%
Tourism Holdings Ltd	(NZX:THL)	3.6%
Cash		10.6%

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[^].

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%	1.57%									9.90%

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FACTS

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

UNIT PRICE SUMMARY

As at	31 October 2021
NAV	\$2.09
Market Price	\$1.78
Portfolio Value	\$225.9m

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.

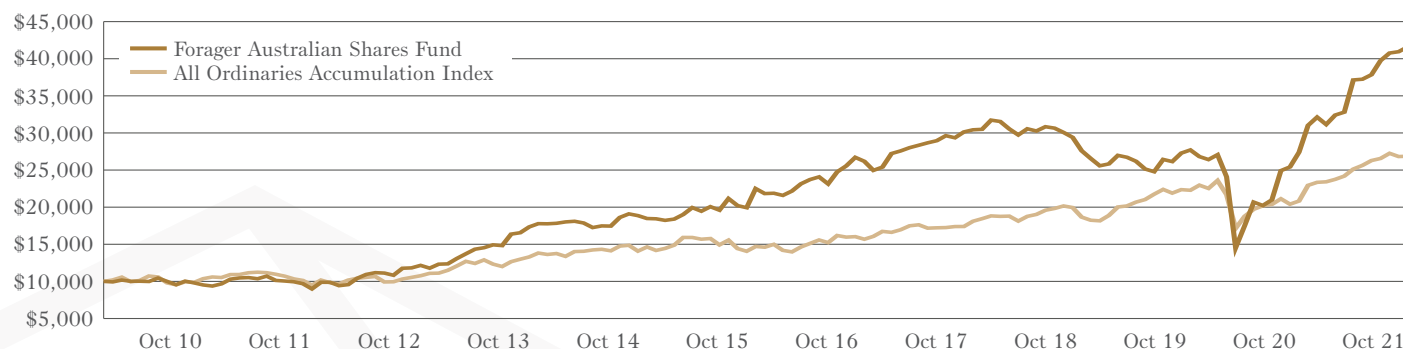
Following a strong ten-year track record, Forager is a sustainable business but is nimble enough to invest in smaller listed companies not accessible to many investment managers.

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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