

FORAGER

AUSTRALIAN SHARES FUND

MONTHLY REPORT JANUARY 2022

www.foragerfunds.com

FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 31 January 2022. 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)	-7.55%	-6.24%	-1.87%	25.21%	14.72%	7.45%	15.09%	11.74%
All Ordinaries Accumulation Index	-6.56%	-4.39%	-3.30%	9.68%	10.79%	9.11%	9.70%	8.00%

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 January, the Forager Australian Shares Fund unit price fell 7.6%. By month's end, the All Ordinaries Index had also declined (down 6.6%) while the Small Ordinaries, an index of smaller stocks, had fallen 9%, making for the largest market sell-off seen since the initial COVID-induced panic of 2020.

Macro factors were partly at play, including higher inflation and rising interest rates. Underlying inflation was the highest in eight years in the December quarter. And the yield on Australian government three-year bonds rose from 0.9% to 1.4%, which was a substantially higher rate than the 0.1% seen in early 2021. Restrictions on physical movement, supply chain issues and employee availability all muddied the short-term investment picture.

Meanwhile, we continue to focus on the operational performance of our investments heading into February's reporting season. And pleasingly, the quarterly results and earnings pre-releases have been largely positive.

Fintech lenders **Plenti** (PLT) and **Wisr** (WZR) saw new lending volumes grow 135% and 62% respectively from the prior year. Both businesses have continued their charge towards larger loan books, with Plenti ticking over the \$1 billion mark during the quarter. Bad debts remained low and both moved to cash profitability – a key milestone.

With interest rates higher and with elevated costs involved with funding further lending, interest rates charged to customers have already risen for automotive loans and are likely to move higher for personal loans over the next few months. In the meantime, these fintech lenders will continue to drive higher loan balances by providing a simple and quick lending experience to good quality borrowers.

Our investment in communications platform **Whispir** (WSP) defied all the doom and gloom in the technology sector, being up nearly 40% during January and settling 7% higher by month's end. Whispir reported another solid quarter of growth, with recurring revenue 27% higher than the prior year. The company added a record number of customers, including in the important North American market where Whispir is making good inroads. And a recently signed deal with Singaporean telecommunications giant Singtel bodes well for continued growth in Asia over the next few years.

Bigtican (BTH) is another beaten up small-cap growth business that continues to execute well. The sales enablement software vendor comfortably beat estimates for the first half, adding \$13 million in recurring revenue and annualising growth of nearly 30%. Its acquisition of sales coaching provider Brainshark is well advanced. The business generated positive operating cash flow for the quarter and has nearly \$50 million in cash available to fund future growth.

Not all the Fund's investments provided good news.

Panel beater **AMA** (AMA) has had a torrid two years. From COVID-induced movement restrictions, labour availability issues and management

upheaval, the business has not presented investors with a clean result in years. That won't change this financial year as the Omicron variant will continue to impact the business. A quarterly report showed AMA burned \$10 million in operating cash flows for the three months to December last year. After what now appears to be a well-timed capital raising, AMA has \$81 million in cash available to weather the storm until conditions return to normal. After a brief reduction in driving during the Omicron spread in early January, drivers are back behind the wheel already. With accidents sure to follow, we might see AMA finally present a clean result to investors next financial year.

The radiology services provider **Integral Diagnostics** (IDX) gave a trading update acknowledging COVID-related disruptions to its business. Despite widespread lockdowns in the first quarter of the financial year, its Australian business managed to grow 5% organically in the half. However, with the more stringent lockdown in New Zealand, organic revenue was 18% lower in that country. While the near term is highly uncertain given Omicron, the defensive nature of Integral's business means radiology volumes are likely to snap back quickly once the current wave subsides.

hipages (HPG), the tradie marketplace, provided a slightly weaker-than-expected update for the second quarter of the financial year. Monthly recurring revenue grew 15% in the quarter compared to last year, though the revenue increase was only 10% as the company extended discounts and paused contracts for tradies whose work became disrupted by the surging Omicron wave. When the pandemic disruption abates, the undisputed market leader should continue growing its 5% share of tradie marketing spend.

The market fall of the last month has given us an opportunity to deploy some of the cash the Fund had accumulated last year. Cash levels dropped from 9.2% in December to 6% by the end of January. As more opportunities present themselves, this cash level may fall further.

TOP 5 HOLDINGS (as % of NAV)

RPM Global Holdings Limited	(ASX:RUL)	6.4%
Unibail-Rodamco-Westfield	(ASX:URW)	4.1%
AMA Group Limited	(ASX:AMA)	4.0%
Experience Co Limited	(ASX:EXP)	4.0%
Seven West Media Ltd	(ASX:SWM)	3.9%
Cash		6.0%

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%	-1.35%	2.81%	-7.55%						3.05%

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	31 January 2022
NAV	\$1.92
Market Price	\$1.72
Portfolio Value	\$205.1 million

ABOUT FORAGER

With approximately \$438.5 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.

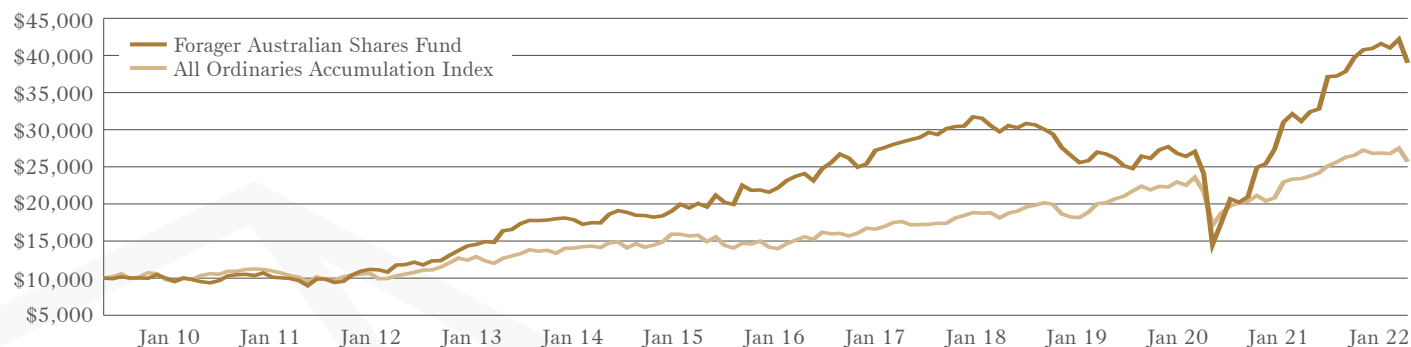
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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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