

# FORAGER

# AUSTRALIAN SHARES FUND

MONTHLY REPORT FEBRUARY 2022 [www.foragerfunds.com](http://www.foragerfunds.com)

## FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 28 February 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.)
<b>Australian Shares Fund (ASX:FOR)</b>	-7.48%	-12.06%	-11.49%	11.32%	10.18%	5.52%	13.23%	10.96%
<b>All Ordinaries Accumulation Index</b>	1.73%	-2.41%	-4.13%	10.00%	9.27%	9.03%	9.62%	8.10%

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 net asset value of the Forager Australian Shares Fund fell 7.5% in February. Share price falls were widespread, in parallel with weak global markets. However, the All Ordinaries Accumulation Index held up well, posting a rise of 1.7% for the month.

While half-yearly results were reported by most ASX-listed companies, they were not the main drivers of share prices. The month started with a lot of focus on increasingly concerning signs of inflation and the prospect of higher interest rates, and ended with Russia mounting a full-scale military invasion of Ukraine. The latter event caused the prices of already scarce commodities like oil, gas and fertiliser to soar, which would explain the relatively good performance of the resources-heavy ASX.

Any war is a senseless waste of life. One in a country many of us have travelled and have personal connections to is particularly gut-wrenching. When it comes to investing your money, though, we don't have a geopolitical insight worth listening to. Our focus remains on finding businesses that are significantly undervalued and where we expect that value to be realised within three to five years. For these reasons, February's results were more important to us than they were to the market.

The share price performance of mining services stocks **Perenti** (PRN) and **Macmahon** (MAH) has us scratching our heads. Both companies delivered perfectly acceptable half-year results. Both have a newfound commitment to capital-allocation discipline. Macmahon, in particular, has been delivering consistent and improving results for the past four years. The sector they both operate in is buoyant, with commodity prices high and a significant pipeline of new potential mines in the offing. And yet their share prices seem to only go down.

Macmahon and Perenti's share prices have almost halved since the end of 2020, leaving both valued at roughly six times next year's expected earnings. Something has to give. Either they live up to their reputation for regular calamity or the share prices at some point reflect their profitability. While suitably cautious given past experience in the sector, we are betting on the latter scenario and have increased the Fund's holdings in both through February. Combined they represent 6% of the portfolio.

It's not the only sector on a collision course between fundamentals and share prices. The Fund's collection of higher-growth technology stocks

has been pummelled over recent months. We have intentionally kept the exposure to this sector modest, sticking to the small subset of stocks in which we have high confidence in future prospects. Still, the magnitude of the falls has had a meaningful negative impact on the Fund's returns.

There is nothing to suggest that is permanent. Results reported throughout February were good. Some large investments in this segment of the market, **Whispir** (WSP) and **Bigtincan** (BTH), both reported better-than-expected results and strong outlooks for the current year. While less obvious, they are also showing their potential to be highly profitable once the growth taps are turned down. If they keep getting pummelled in the short term, you should expect a substantially increased allocation to these and other businesses suffering similarly.

Another stock price that was punished was **iSelect** (ISU). In this case, unfortunately, it is perfectly understandable. The company announced a poor result for the six months ended 31 December, roughly breaking even. That was the good news. It also announced a signed deal to acquire 49% of tech company CIMET for up to \$26.6 million (that's roughly 40% of iSelect's market capitalisation prior to the deal's announcement). This business, only four years old, generated just \$5 million in revenue last year.

The price being paid is alarmingly high. The rationale—that it is needed because iSelect's own technology is not up to scratch—is equally alarming. And the change in strategy, with the dividend program being cancelled, left us fuming. Thankfully, this disappointing investment has become a small part of the portfolio.

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

<b>RPM Global Holdings Limited</b>	(ASX:RUL)	6.6%
<b>Unibail-Rodamco-Westfield</b>	(ASX:URW)	4.4%
<b>Experience Co Limited</b>	(ASX:EXP)	4.4%
<b>Seven West Media Ltd</b>	(ASX:SWM)	4.2%
<b>Tourism Holdings Ltd</b>	(NZE:THL)	3.8%
<b>Cash</b>		1.6%

## 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%	-1.35%	2.81%	-7.55%	-7.48%					-4.66%

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## FACTS

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

## UNIT PRICE SUMMARY

As at	28 February 2022
NAV	\$1.78
Market Price	\$1.69
Portfolio Value	\$187.5 million

## ABOUT FORAGER

With approximately \$409 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.

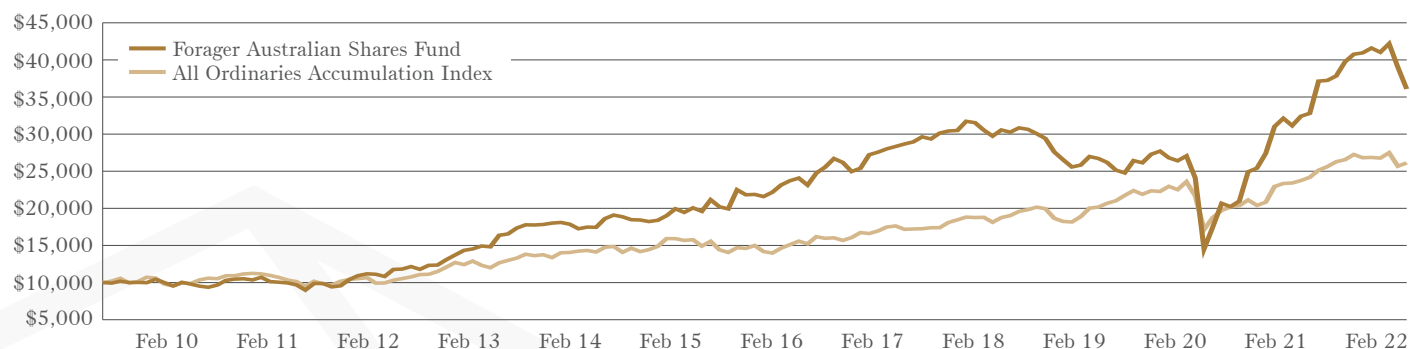
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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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