

FORAGER

AUSTRALIAN SHARES FUND

MONTHLY REPORT JULY 2022



FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 31 July 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)	12.28%	-10.98%	-21.46%	-22.93%	5.04%	0.67%	10.04%	9.17%
All Ordinaries Accumulation Index	6.34%	-6.62%	0.73%	-2.60%	4.93%	8.44%	9.62%	7.74%

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

During July, the Forager Australian Shares Fund rose 12.3%, above the All Ordinaries Accumulation Index's 6.3% return. After three negative months for both the Fund and the market, July saw a strong bounce-back. Tax loss selling, especially among the most beaten-down stocks, abated. The strong rebound in the Fund's net asset value was led by many of the worst performers over the last few months.

For most of 2022 inflation concerns have been driving interest rates higher and dragging markets lower, especially for those stocks with cashflows in the distant future. In July this reversed somewhat. The yield on ten-year Australian government bonds fell for the first time this calendar year, to levels last seen in April.

It was against this backdrop that the Fund's investments in higher-growth businesses released quarterly cash flow summaries. While share prices have come roaring back, results were mixed.

Communications technology business **Whispir** (WSP) burned through \$5.2m of cash for the June quarter and ended it with \$26.1m in its bank account. But the pure cashflow numbers belie the progress the business has been making. While the full results won't be released for a couple of weeks, commentary in the cash flow summary suggested revenue will exceed prior guidance of 42% growth and that costs are well controlled. Next financial year should already see free cash flow generation.

It was a similar story over at sales and training software provider **Bigtincan** (BTH). The business finished with a \$39m cash pile after using \$4.9m in the past three months. Growing revenue and a falling cost base should result in free cash flow this financial year. The annual revenue run-rate rose a healthy 25% organically to \$120m, slightly above prior guidance and setting the business up well for future years.

The disappointment was PDF and e-signing business **Nitro** (NTO). The company shocked the market with only \$0.5m of incremental sales during the June quarter, when expectations were for about \$5m. The "tougher macro environment", which had seemingly bypassed Whispir and Bigtincan, and poor sales team execution was blamed for the shortfall. Nitro reduced its expectations for new sales in the second half of the calendar year and cut \$10m of costs. Despite the slowdown, Nitro still grew its recurring revenue 32% organically over the year and is headed for free cash flow generation late next calendar year. While it is only three months and shouldn't be extrapolated, we

have reduced Nitro's weighting in the portfolio until further evidence is received.

Meanwhile, tradies job platform **Hipages** (HPG) continued to see slower growth, with recurring revenue rising only 5% from the prior year. During the past few quarters tradies have been too busy to focus on acquiring new customers, with Hipages suffering as a result. But a more uncertain economic situation is bringing balance back to the market. Tradie registrations are up and churn is reducing, with the benefits to be felt over the coming year.

Shopping mall owner and operator **Unibail-Rodamco-Westfield** (URW) continues to make its gradual recovery from the depths of the pandemic. Sales are almost back to pre-COVID levels and vacancies are trending lower. Debt levels continue to fall, benefiting from delayed investments, a dividend suspension and asset sales. The big unknown still remains the timing and quantum of a US business disposal. The higher the price achieved, the lower the resulting indebtedness of the firm, and the sooner dividends will resume.

By the time you read this, August reporting season will be underway. While some backward looking results will move stock prices, the focus will be clearly on the current financial year's performance and any forward guidance the braver management teams will provide.

Current share prices suggest market expectations are low for many of the businesses in the Forager Australian Shares Fund. Low share prices and low expectations are usually a good recipe for future investment returns.

TOP 5 HOLDINGS (as % of NAV)

Bigtincan Holdings Limited	(ASX:BTH)	6.6%
RPMGlobal Holdings Limited	(ASX:RUL)	6.5%
Whispir Limited	(ASX:WSP)	5.9%
Readytech Holdings	(ASX:RDY)	4.8%
Integral Diagnostics Limited	(ASX:IDX)	4.8%
Cash		2.5%

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%	2.86%	-7.29%	-9.60%	-12.30%	-27.91%
2023	12.28%												12.28%

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 July 2022
NAV	\$1.42
Market Price	\$1.32
Portfolio Value	\$150.3 million

ABOUT FORAGER

With approximately \$335 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.

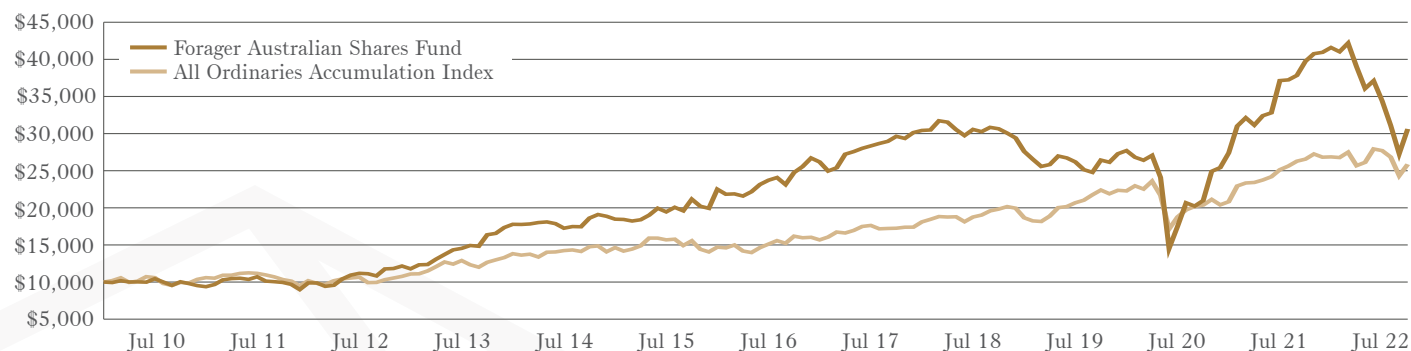
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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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