AUSTRALIAN SHARES FUND

MONTHLY REPORT SEPTEMBER 2022

FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 30 September 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)	-6.53%	6.70%	-21.57%	-28.92%	2.18%	-0.69%	9.12%	8.62%
All Ordinaries Accumulation Index	-6.41%	0.80%	-12.21%	-8.57%	3.12%	7.11%	8.58%	7.19%

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 September the net asset value of the Forager Australian Shares Fund fell 6.5%, in line with the All Ordinaries Index's decline of 6.4%. Smaller companies fared worse than the broader index, with the Small Ordinaries Index falling by 10.1% during the month. With reporting season already wrapped up for the Australian market, it was macroeconomic factors and weak offshore markets that dragged shares lower.

While September gave back some of the recent Fund performance recovery, it has still been a good start to the current financial year. That was mostly driven by company-specific positive developments across the portfolio.

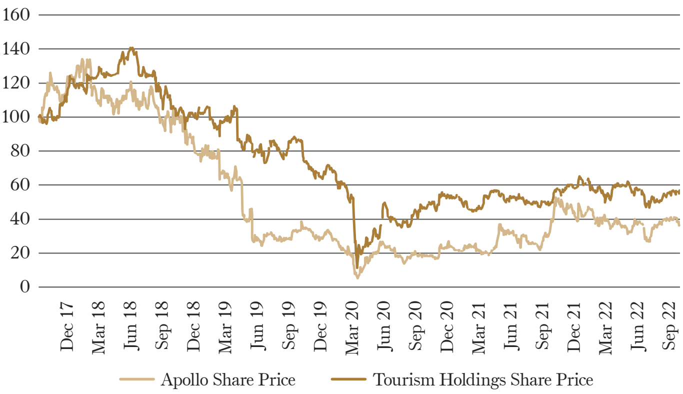
The long-awaited merger between **Apollo** (ATL) and **Tourism Holdings** (NZX:THL), both Fund investments, was finally approved by competition regulators on both sides of the Tasman. The recreational vehicle operators buy, build, rent and sell vehicles in Australia, New Zealand, North America and Europe.

When the deal was first proposed in December 2021, it was optimistically assumed to complete by June 2022. Then competition authorities, New Zealand's NZCC and Australia's ACCC, raised some yellow flags. The companies are close competitors and the authorities worried that consumers would end up paying more.

To assuage these concerns, the companies offered to divest more than 70% of Apollo's Australian and NZ fleets to Jucy Rentals, a small competitor. Jucy was recently acquired by private equity player Next Capital and will take on the campervans, locations and the Star RV brand from Apollo. It will become a legitimate competitor to the combined group.

During the long deal period Apollo's Australia-heavy operations recovered faster than THL's NZ rental-heavy business. So Apollo shareholders were given a sweetener and will now own 27.5% of the combined group, up from the original 25% ownership.

APOLLO AND TOURISM HOLDINGS SHARE PRICE



Source: Bloomberg

The benefits of the merger remain significant for both parties. Synergies were estimated to be NZ$17-19m, about two-thirds of Apollo's stand-alone profitability. The combined group will be able to buy better, build their own inventory in Australia and NZ, rent more effectively across the world and sell better through company-owned networks.

Combined, these two stocks represent the largest investment in the portfolio and have seen some share price appreciation as the merger has become more likely and operational improvement has become clearer. There is still plenty of value on offer.

The full impact of synergies and the recovery in international tourism will be in place by the start of the 2024 financial year. At that point, the larger, and we estimate more liquid, ASX-listed Tourism Holdings will be trading at a very attractive seven times after-tax earnings.

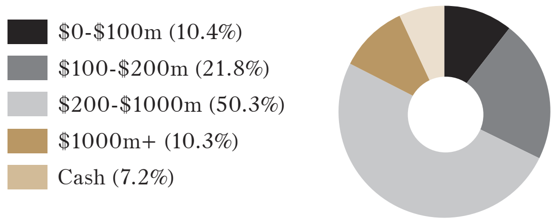
The recreational vehicle operators were not the only ones to stitch together a deal.

Motorcycle Holdings (MTO), a seller of motorcycles and accessories across its dealership, retail and wholesale channels acquired MOJO, an agriculture-focused all terrain vehicles and quad bikes distributor.

MOJO's key products are imported from China-based manufacturer CFMoto, one of the few manufacturers to install rollover protection on its quad bikes. With rival manufacturers unwilling to implement the recently-mandated safety measure and withdrawing from the Australian market, MOJO's sales have grown rapidly.

The Motorcycle Holdings management team, led by managing director and 19% shareholder Dave Ahmet, have struck a deal to buy MOJO for $60m, or six times after-tax earnings. The MOJO vendors are taking half the purchase price in stock and one of the founders is joining the company's board of directors, increasing the likelihood of a successful acquisition. The transaction will increase Motorcycle Holdings' earnings per share by 18%. There are also opportunities to better integrate MOJO into the group and improve sales and profits from the acquired business.

PORTFOLIO DISTRIBUTION ACCORDING TO MARKET CAPITALISATION



With economic conditions worsening but not yet impacting sales, concerns about next year's profitability have weighed on investor appetite for cyclical stocks like Motorcycle Holdings. The combined business would have made $33m in after-tax profit last financial year, trades at only six times after-tax profits and last year paid dividends equating to a 7.8% fully-franked yield.

There is little doubt conditions will deteriorate. We expect this well-run, founder-led business to continue growing the business through deals like this. Any market downturn will hurt short-term profitability but should assist the long-term objectives.

TOP 5 HOLDINGS (as % of NAV)

RPMGlobal Holdings Limited	**(ASX:RUL)**	6.6%
Tourism Holdings Ltd	**(NZE:THL)**	5.1%
Integral Diagnostics Limited	**(ASX:IDX)**	5.0%
Readytech Holdings	**(ASX:RDY)**	4.5%
Bigtincan Holdings Limited	**(ASX:BTH)**	4.3%
Cash		7.2%

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%	1.67%	-6.53%										**6.70%**

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FACTS

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

UNIT PRICE SUMMARY

As at	30 September 2022
NAV	$1.35
Market Price	$1.24
Portfolio Value	$141.7 million

ABOUT FORAGER

With approximately $320 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.

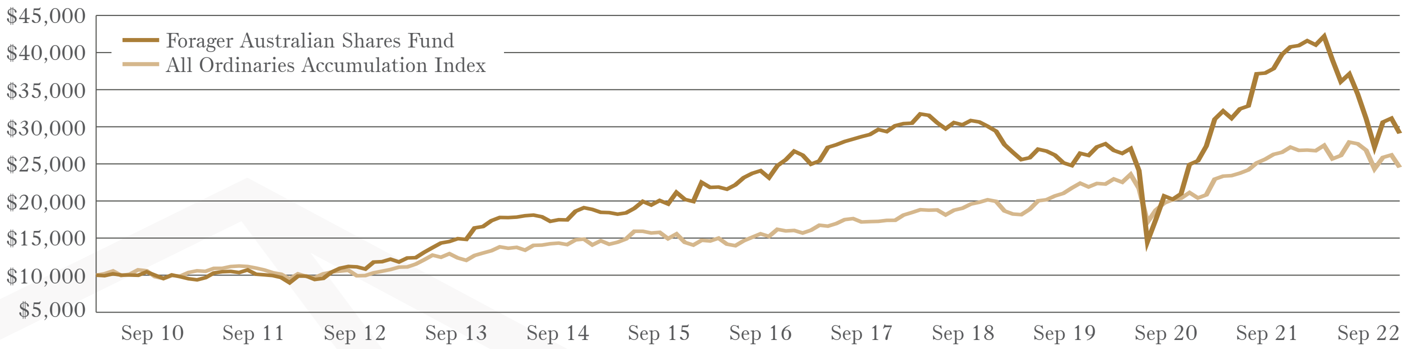
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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.
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