

FORAGER

AUSTRALIAN SHARES FUND

MONTHLY REPORT JANUARY 2023



FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 31 January 2023. 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)	5.95%	7.70%	10.11%	-13.52%	7.62%	1.35%	10.56%	9.60%
All Ordinaries Accumulation Index	6.44%	9.55%	9.75%	10.54%	6.38%	8.64%	9.46%	8.19%

The value of your investments can rise or fall. Performance is calculated using Net Asset Value (NAV), not the market price. *30 October 2009
Past performance is not indicative of future performance.

Stock markets around the world had a strong month in January. Domestically, the All Ordinaries Accumulation Index rose by 6.4% with the Forager Australian Shares Fund close behind, delivering a 6.0% return. Expectations of peaking inflation drove interest rate expectations lower in January, with market prices now suggesting the Reserve Bank of Australia will cap its cash rate at 3.6% by mid-2023.

There was plenty of stock news too, with many companies reporting quarterly updates ahead of full- or half-year results in February.

Communication and workflow automation company **Whispir** (WSP) was a big winner during the pandemic, registering revenue growth of nearly 50% in the 2022 financial year. The flipside of that success is that revenue is now being compared against a very high watermark. The December quarter saw cash receipts reported in line with (recently reduced) expectations, but well below what the company suggested was "recurring revenue" six months ago. A big restructuring announced in November has reduced the cost base to roughly in line with revenue. What Whispir needs now is for revenue to resume its growth trajectory while letting some of those incremental dollars drop through to the profit line.

Sales enablement software maker **Bigtincan** (BTH), in the spotlight recently for rejecting a takeover offer at \$0.80 while raising capital at \$0.60, provided a trading update confirming the business is tracking well towards its recurring revenue guidance. As Bigtincan no longer reports quarterly cashflows we will have to wait for results in February to get a better picture of the past six months.

Reporting on the December quarter, too, were non-bank lenders **Plenti** (PLT) and **Wisr** (WZR). As funding rates rise, both have been increasing interest rates for customers on their personal and car loans during 2022. New loan volumes declined as a result: Plenti's December quarter lending volume was down 3% on the prior year, while Wisr reduced its new loans written by 15%.

Both are also lending mostly to higher credit quality customers, with Plenti's credit score of 833 nearing a level credit agency Equifax would term 'excellent'. So far, customers with loan payments more than 90 days in arrears have risen to 1.07% for Wisr and only 0.35% for Plenti, well within expectations. The true test for these businesses will come as economic conditions sour and bad debts rise later in the year. If they successfully navigate 2023, both, in our view, will be worth far more than their current share prices.

The owner of physio, podiatry and optical clinics **Healthia** (HLA) disclosed profits for the first half of the financial year and confirmed prior guidance for the full year. The company gave a monthly

trading update during the first half, giving investors some pause when October profits drifted despite a clearing up of the COVID disruptions seen earlier in 2022. But the business recovered strongly into December as private health fund members rushed to use benefits before they were lost.

Management has been busy recruiting graduates to increase staff numbers, adjusting prices up to offset inflation and working on acquisitions of more clinics. With only a 3% market share, Healthia has a long runway of growth ahead.

PDF and e-signature provider **Nitro** (NTO) continued to be the focus of a takeover battle between different private equity groups, however no new bids were tabled during January. As of the time of writing, KKR-backed Alludo's \$2.15 offer remains the winning bid. While the proposed Scheme of Arrangement failed to get the requisite 75% majority, the parallel takeover offer (with a 50.1% minimum required acceptance) remains open until March 3rd. Alludo has made this offer its 'best and final', leaving the door open for the other bidder to potentially increase its offer and take away the deal.

One business we won't be hearing any more from is **MSL Solutions** (MSL). At a meeting in late January, 98% of shareholders voted to sell the business to private equity group Pemba for \$0.295 per share. After Forager encouraged board and management changes in 2019, new executive chairman Tony Toohey reduced costs, cleaned up the balance sheet and made some prospective acquisitions. All these actions attracted the bid from Pemba at a fair price. The Fund will receive its proceeds from the sale in mid-February.

TOP 5 HOLDINGS (as % of NAV)

Tourism Holding Limited	(NZE:THL)	8.2%
RPMGlobal Holdings Limited	(ASX:RUL)	6.4%
Bigtincan Holdings Limited	(ASX:BTH)	5.7%
Readytech Holdings	(ASX:RDY)	5.5%
Gentrack Group Limited	(ASX:GTK)	5.3%
Cash		5.5%

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%	1.67%	-6.53%	7.58%	5.75%	-3.87%	5.95%						23.63%

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 2023

NAV \$1.54

Market Price \$1.40

Portfolio Value \$157.5 million

ABOUT FORAGER

With approximately \$345 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.

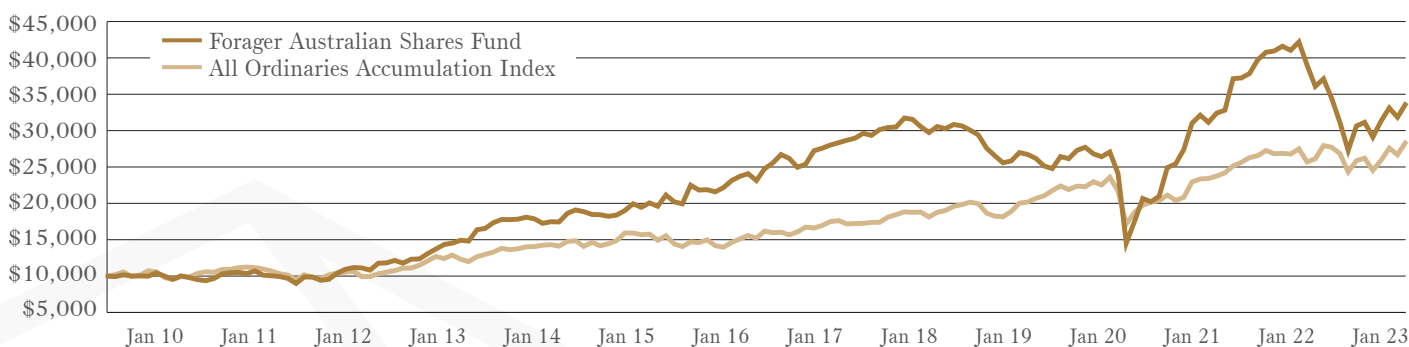
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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 undervalued 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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