

# FORAGER

## AUSTRALIAN SHARES FUND

MONTHLY REPORT MAY 2023



### FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 31 May 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.) |
|--|----------------|----------------|----------------|---------------|----------------------|----------------------|-----------------------|-------------------------|
| <b>Australian Shares Fund (ASX:FOR)</b>  | 0.34%          | -1.00%         | -3.83%         | 2.38%         | 15.49%               | 1.02%                | 8.16%                 | 8.90%                   |
| <b>All Ordinaries Accumulation Index</b> | -2.63%         | -1.08%         | -0.72%         | 2.04%         | 11.57%               | 7.56%                | 7.82%                 | 7.70%                   |

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.

May was a good month for the Forager Australian Shares Fund. The unit price rose 0.3%, while the All Ordinaries Accumulation Index fell 2.6%. It was an eventful month for the portfolio, with some positive earnings releases, one negative update and one business fielding a takeover approach.

**Gentrack** (GTK), a provider of mission-critical enterprise software to utilities and airports, reported earnings for the half year to March. It was a procession of good news. Revenue across the business rose by 48% and earnings before interest, tax, depreciation and amortisation moved from \$1m in the prior year to \$16m. The business generated \$15m of free cash flow and finished the period with a very healthy \$42m of cash.

Most importantly, earnings guidance was upgraded for both the 2023 and 2024 years ending September. Revenue expectations moved 7% and 6% higher respectively to just under \$160m in both years. Current-year earnings expectations are now expected to beat prior market expectations by 40%, while 2024 earnings expectations increased in line with the revenue uplift.

Keeping revenue stable is no mean feat, with \$25m of this year's revenue generated by now-defunct UK energy retailers. That won't be repeated in 2024. Existing client projects, new client wins and an accelerating airports business are making up the gap, with growth opportunities strong in the following year too.

Despite earnings upgrades being relatively minor in future years, increased confidence from investors in management's growth strategy saw the share price rise 29% on the day of the results. It is now up 165% during the past year.

Sales enablement software provider **Bigtincan** (BTH) saw some fireworks as the Australian Financial Review reported that the company had received another takeover offer at a price of \$0.80 per share, this time by well-funded private equity firm Siris Capital.

Bigtincan did not provide due diligence to the bidder or disclose the bid to shareholders until the article. Later, Bigtincan confirmed the bid, stating it was not in the best interests of shareholders, and that other bids had also been received. The share price rose 32% during the month to finish at \$0.54 per share, still a third less than the rejected bid price.

Early in the month, outdoor advertising leader **Ooh!Media** (OML) saw investors collectively gasp after it delivered an update suggesting that revenue for April had fallen 10% on the prior year.

The reaction was severe, with Ooh! losing nearly a quarter of its market value during the day.

An annual general meeting presentation the following week disclosed that April weakness was driven by government and media client spending falling off from an election-fueled prior period. May and June were both tracking to over 10% growth. But the damage was done. Investors will now be eagerly watching how advertising revenue pans out for the rest of the year.

**Catapult** (CAT), the sports technology group, was another to report earnings for the March period. Excluding currency headwinds, Catapult's revenue grew by 14%, supported by annualised contract value for its main wearables division growing 28%. Growth for the video division continued to be gradual at only 11%. With new video products recently released for new sports, the current northern hemisphere sports software contracting season should allow Catapult to accelerate future revenue growth.

The bigger changes were at the expense line though, with variable costs 24% lower and fixed costs 26% down in the second half of the year to March (when compared to the first). This has now positioned the company to be free cash flow breakeven in the 2024 year to March while continuing to grow sticky and valuable recurring revenue. While the reaction on the day of results was muted, Catapult shares rose by more than 28% during the month.

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

|                                     |           |       |
|-------------------------------------|-----------|-------|
| <b>RPMGlobal Holding Limited</b>    | (ASX:RUL) | 7.2%  |
| <b>Tourism Holdings Limited</b>     | (NZE:THL) | 6.0%  |
| <b>Readytech Holdings</b>           | (ASX:RDY) | 5.5%  |
| <b>Integral Diagnostics Limited</b> | (ASX:IDX) | 4.8%  |
| <b>Bigtincan Holdings Limited</b>   | (ASX:BTH) | 4.8%  |
| <b>Cash</b>                         |           | 18.1% |

## 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<sup>^</sup>.

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%  | -4.62%  | -3.85%  | 2.61%  | 0.34%  |         | 16.74%       |

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## FACTS

**Fund inception** 30 October 2009

**ASX Code** FOR

**Distribution** Annual, 30 June

## UNIT PRICE SUMMARY

**As at** 31 May 2023

**NAV** \$1.45

**Market Price** \$1.22

**Portfolio Value** \$146.4 million

## ABOUT FORAGER

With approximately \$340 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.

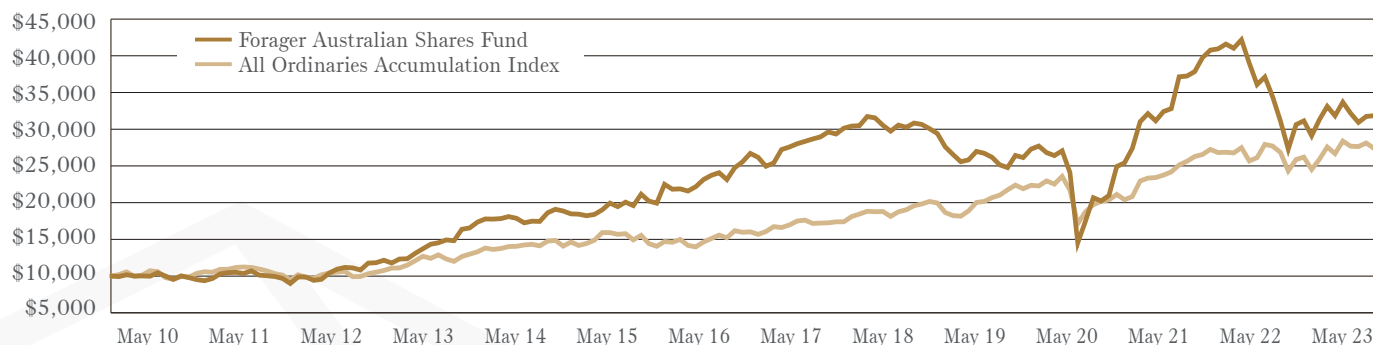
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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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