AUSTRALIAN SHARES FUND

JUNE 2023 FINANCIAL YEAR PERFORMANCE REPORT

FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 30 June 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)	0.34%	3.31%	0.38%	17.13%	16.46%	0.71%	7.98%	8.87%
All Ordinaries Accumulation Index	1.94%	1.01%	4.65%	14.75%	11.42%	7.35%	8.80%	7.80%

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

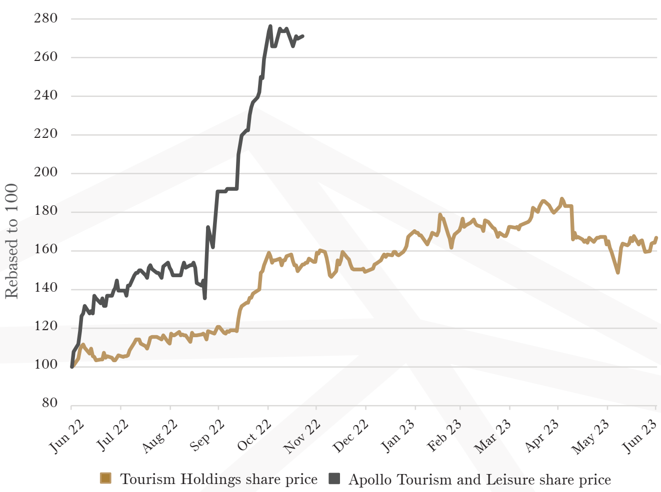
The Forager Australian Shares Fund (FOR) delivered a pleasing result for the year to June 2023. The Fund rose 17.1% while the All Ordinaries Accumulation Index rose 14.8%. A significant majority of the Fund's portfolio is invested in smaller stocks, which continued to underperform larger stocks. The Small Ordinaries Accumulation Index rose 8.4% for the year.

Major positive contributors dominated the year, with only one poor performer costing the Fund more than 1% of capital, against 10 contributing more than 1% to portfolio performance. Some key investments delivered a meaningful performance boost, while a handful of takeovers and some investments in larger stocks bolstered the numbers.

TOURISM TAKING OFF

A major contributor for the year was the recreational vehicle powerhouse **Tourism Holdings** (THL). The business manufactures, rents and sells RVs in Australia, New Zealand, North America and Europe. The year saw two key milestones: the completion of the Apollo merger and the return of international tourism to Australia and New Zealand.

TOURISM HOLDINGS & APOLLO SHARE PRICE



Source: Bloomberg

The Tourism Holdings and Apollo merger saga began way back in December 2021. Competition authorities were uneasy and progress stalled until a deal to sell some fleet allayed concerns. The deal was finally completed in November 2022. As shareholders of both businesses, we were pleased to see this attractive combination go ahead. Combined cost savings are now estimated at between $27m and $31m, greater than the profits produced by the Apollo business standalone pre-COVID.

Also helping business performance is an influx of tourists eager to explore Australia and New Zealand in an RV. The financial year started with Australian short-term visitor arrivals down 59% on 2019 levels. By April 2023, arrivals had recovered to only down 22%. For the half-year to December 2022, Australian rental revenue for the merged business rose 135% from the same half last year. Total revenue was up 43% while earnings before interest and tax rose to $84m from breakeven.

Less profit from sales of used fleet, which helped the business stave off a capital raise during COVID, will see margins fall to more normal levels over the next few years. And while rental prices will fall slightly from current levels, they are likely to be a lot higher than pre-COVID levels on a fast recovering number of rental days. THL will emerge from COVID-related disruptions a much stronger business than when it went in. THL and Apollo's contributions last year totalled 6.2%.

SOFTWARE DELIVERING THE GOODS

Gentrack (GTK), a software provider to utilities and airports, was another significant contributor during the 2023 financial year. The utility and airport software business's share price was up 200% during the year and contributed 5.3% to portfolio performance.

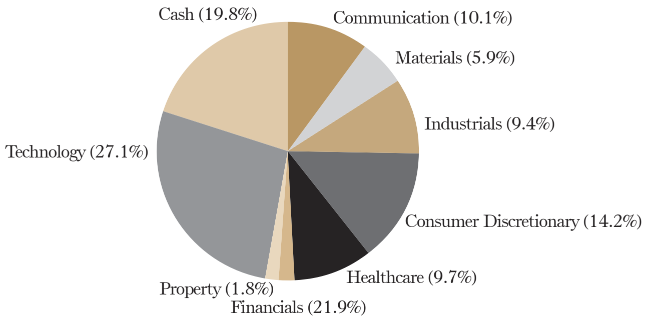
Despite the business trumpeting a "return to growth and winning" in early 2022, investors were skeptical of the turnaround. When reporting earnings for the six months to March 2022, the business was still mid-turnaround. Revenue grew 12% but higher costs meant Gentrack was loss-making. Future revenue from UK energy customers was under a cloud, while cash finished at a mere $16.5m.

Just twelve months later, the business has migrated from a turnaround candidate to a profitable, high-quality, growing business.

Revenue increased 48%, as work from UK energy customers increased. A $6m loss swung to an $8m profit. The business generated more than $25m of free cash flow during the year to March 2023 and finished with $42m of cash on the balance sheet. New and existing client wins mean the 2023 profits, despite being boosted by some once-off revenues, are due to grow into 2024 and beyond.

Another big software winner last year was insurance software and service provider **Fineos** (FCL). Although the company's share price rose 50% and contributed 1.8% to portfolio performance last year, we continue to expect more in the years to come. While its high-margin software subscription offering continued to see very healthy levels of growth, low-margin professional services shrank, leading to lower overall revenue growth. The good news is that each dollar of new software revenue is multiple times more valuable than a dollar of services revenue.

STOCK EXPOSURE BY SECTOR



Source: S&P Capital

It's also been a particularly volatile year for the Fineos share price. The shares halved between February and March when investors got spooked that a sudden decline in cash balances could lead to a capital raise. But all's well that ends well. Balance sheet concerns were put to rest (for now, at least) when the company released its third quarter update. This type of volatility is not unusual in the smaller, more illiquid side of small cap investing and you should expect us to take advantage of it.

The year finished with a bang as Fineos announced the win of Guardian Life as a major client. The first year of revenues from this contract is similar to our expectation of revenue growth for the entire 2024 financial year. But it's not just good for revenue and profits now. The deal serves as validation of the company's software offering, the size of new client opportunities, and how the insurance industry is finally following the rest of the world to off-the-shelf software. The Guardian Life win will underpin growth for years to come, while Fineos continues to secure other new clients.

GONE BUT NOT FORGOTTEN

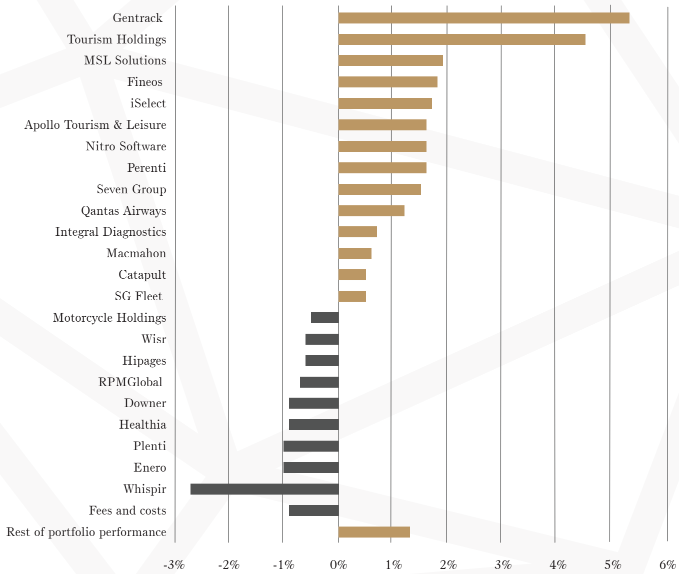
Apollo was not the only takeover in the portfolio last year. The Fund benefited from a raft of takeovers, as private equity and industry buyers recognised the value on offer in Australia's beaten-down small companies.

Long-held golf, stadium and club software company MSL Solutions was taken over by private equity group Pemba at a 64% premium in February 2023. A few years ago it was burning cash and generating losses, forcing us to instigate board changes and the new board to install new management.

Experienced operator Tony Toohey stepped in as executive chair and began the process of cleaning up the company, with a view to simplifying disparate software products and moving the business to free cash flow positive.

For the 2022 financial year, MSL grew organic revenue by 16%, was winning new customers, and generating free cash flow. The takeover, at an appropriate price, is testament to this successful turnaround.

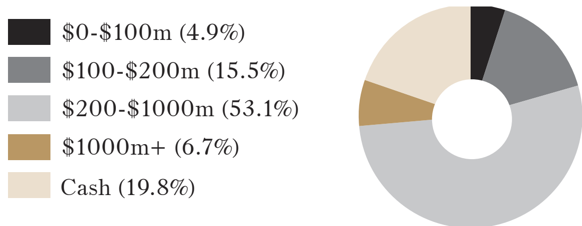
FASF PERFORMANCE CONTRIBUTION FOR THE YEAR ENDING 30 JUNE 2023



Another of the Fund's investments to leave the exchange was comparison website iSelect. The year to June 2022 was a disappointing one for the business. Health funds deferred premium increases. Energy retailers were less keen to put discounted offers to customers through the company. Revenue was down 16% and the business lost money. Worse still, the acquisition of a young and unprofitable business at an alarming price scuttled the return of iSelect's trail asset into shareholders' hands.

Into this disappointing situation came the long-anticipated bid by Innovation Holdings, already a major shareholder and owner of competitor Compare the Market. The 88% premium on the pre-bid price was healthy and put a bittersweet final note on what was a disappointing investment.

PORTFOLIO DISTRIBUTION ACCORDING TO MARKET CAPITALISATION



Source: S&P Capital IQ

Nitro Software was one of a handful of fallen technology stars to leave the ASX boards for good. After a poor quarterly result sent the shares down around 25% in July 2022, things took an unexpected turn for the better the next month when news emerged that private equity group Potentia was accumulating a stake with the aim of bidding for the whole business.

Shareholders in Nitro can thank the entrance of rival bidder Alludo for driving up the share price for Potentia, which took out the hotly contested bidding war at $2.20 per share in April 2023. This was nearly 40% higher than their opening bid at $1.58.

While it contributed to returns last financial year, our total investment return and holding duration will remain only a fraction of what we expected it to be. From here Potentia's investors will reap the rewards.

In total, the Fund's contribution from these acquired businesses last year was 5.2%.

Two other portfolio holdings received bids that were ultimately not successful. Education, payroll and government software business **Readytech** (RDY) received interest from private equity outfit Pacific Equity Partners at a nearly 40% premium. After weeks of back-and-forth, a substantial shareholder cemented their demand for a higher price and the bidder walked away.

Another to field an approach was sales and training software provider **Bigtincan** (BTH). The $0.80 per share bid in December was opportunistic, but investors rightly interrogated management when the company raised equity just a week later at $0.60 per share. Bigtincan was bid for again by multiple parties by May, but finished the year trading at $0.51 per share.

A LARGE PRIZE

On the large cap side of the portfolio, **Qantas** (QAN) and **Seven Group** (SVW) were two sizeable contributors. Together they accounted for 2.7% of portfolio performance.

The 2023 financial year will go down as a big recovery period for Qantas. The airline's share price closed the year almost 40% higher than where it started. Love him or hate him, outgoing CEO Alan Joyce finished his stint at the helm of the flying kangaroo with a bang.

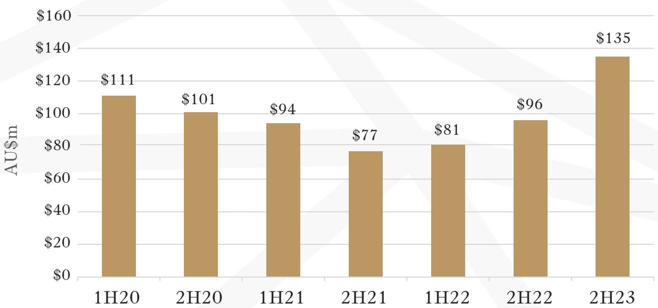
It was a year of record profits and cash generation, leaving the airline with a strong balance sheet and ready to embark on its new adventure. If you think things can hardly get any better than strong pent-up demand, limited airline supply, limited competition and strong pricing, we would not disagree with you. Consequently, the Fund has recently reduced its investment and only had a small fraction of its initial holding by the end of June.

Our investment in **Seven Group** (SVW) was another large positive contributor in the year, with the shares closing up more than 50%. The year started with mounting concerns around the economic cycle and the recently acquired **Boral** (BLD) operation reporting a terrible result, driven by a combination of extreme weather and cost pressures.

Seven's initial profit guidance for the 2023 financial year was met with a combination of disappointment and concern. Yet by its half-year results in February, it became apparent that the core engines of the company's profitability were firing on all cylinders. Caterpillar mining equipment dealer Westrac and equipment rental business Coates have been supported by strong mining, construction and infrastructure activity across Australia.

Finally for the winners, mining service group **Perenti** (PRN) saw a recovery from difficult COVID-induced conditions. At the profitability nadir in the six months to June 2021, the business generated $77m of earnings before interest and tax. A string of profit upgrades, rarely seen in mining services, dominated the end of the 2022 calendar year. Perenti produced an improvement in this metric to $135m by the first half of the 2023 financial year.

PERENTI HALF YEARLY EARNINGS BEFORE INTEREST AND TAX



Source: Bloomberg

New contract wins have been progressing well. Labour shocks, both cost and availability, either dissipated or were gradually passed on to customers. Challenges in African surface mining subsided somewhat. Significant free cash flow generation is within reach.

In a sour endnote to the year, Perenti announced an acquisition of drilling business **DDH1** (DDH). The acquisition should increase Perenti's earnings per share, reduce the group's African reliance and deleverages the balance sheet. But investors were justifiably concerned about the timing of the bid and the more cyclical nature of the target. The share price fell 20% over the last week of the financial year, though Perenti still contributed 1.6% to the year's performance.

LAST BUT NOT LEAST

Whispir (WSP) was the single biggest detractor to our performance last year with the share price down 68%, costing the Fund 2.7%. Coming off the back of a very strong 2022 financial year where revenue grew almost 50%, the business was hit by the sudden unwind of pandemic-induced revenue and management's tardy reaction to right-size the company's bloated cost base.

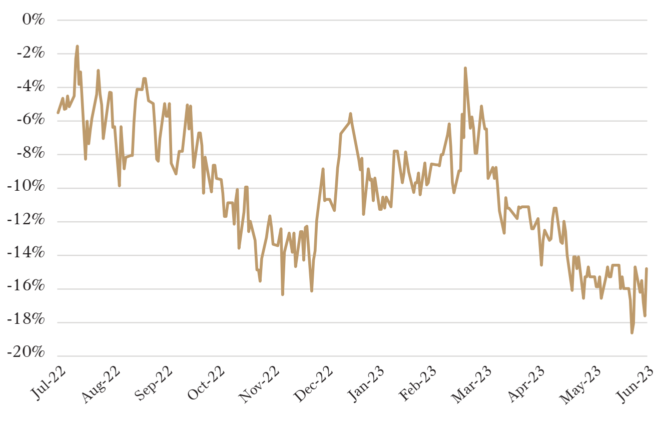
The situation was compounded by communication gaffes and constant promises that cash profitability was just a few months away. Management's inaction, forecasting error, or both, resulted in the business almost running out of cash by December. As of the third quarter of the 2023 financial year, Whispir's monthly revenue was still shrinking and the company has resorted to expensive convertible debt financing.

While management misread the stickiness of 2022 financial year revenues (as did we) and consequently approached the 2023 financial year with the wrong cost base, there is a core revenue base here that isn't going away and there have been several transactions in the sector at multiples considerably higher than where Whispir shares trade today. We undoubtedly got this one wrong, but it is a prime candidate to be another MSL.

DISTRIBUTIONS AND TRADED PRICE

During the 2023 financial year the discount between the Fund's net asset value and ASX-traded unit price ranged between 2% and 19%, and averaged 10%. Cash distributions to investors will total $0.06 per unit for the year with another $4.3m spent on buying back units. The buyback reduced the total units outstanding by 5% at a discount to net tangible assets of 10%.

FOR DISCOUNT OVER FINANCIAL YEAR 2023



Source: Bloomberg

The intention for the next financial year is for a payment of a further $0.06 per unit in two $0.03 semi-annual distributions in January 2024 and July 2024. This is in line with the distributions policy, which set ordinary distributions at approximately 4% of net asset value per annum.

An additional special distribution will be paid if the distributable income of the Fund is significantly in excess of the ordinary distributions. The objective of the special distribution will be to ensure that at least 50% of the distributable income of the Fund is paid to investors in cash.

THE YEAR AHEAD

The good thing about small caps underperforming is that there are still plenty of underperforming small caps. The combination of takeovers and profit taking on Gentrack and THL has led to portfolio cash holdings of 20% at the end of the year. The invested 80% is at the pointy end of the market and contains many exceptionally cheap stocks, so the ballast of relatively high cash holdings is warranted (it is even, would you believe it, generating some interest income). We have been sharpening the pencils across a number of beaten up sectors, including Australia's discretionary retailers and listed fund managers, though. With a bit more distress than what we've seen so far, you should expect more of that cash gets put to work.

TOP 5 HOLDINGS (as % of NAV)		
RPMGlobal Holding Limited	**(ASX:RUL)**	7.0%
Readytech Holdings	**(ASX:RDY)**	6.0%
Tourism Holdings Limited	**(NZE:THL)**	5.9%
Integral Diagnostics Limited	**(ASX:IDX)**	4.1%
Fineos Corporation Holdings	**(ASX:FCL)**	4.1%
Cash		19.8%

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%	-4.62%	-3.85%	2.61%	0.34%	0.34%	**17.13%**

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	30 June 2023
NAV (ex price)	$1.42
Distribution	$0.03
Market Price	$1.21
Portfolio Value	$146.5 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.

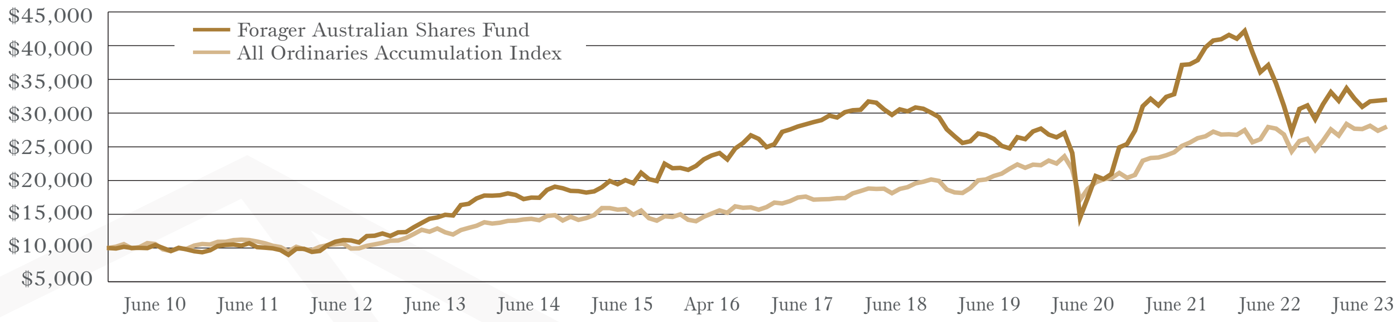
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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.