

FORAGER

AUSTRALIAN SHARES FUND

MONTHLY REPORT JULY 2023



FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 31 July 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)	4.18%	4.89%	-1.30%	8.69%	16.64%	1.67%	7.35%	9.14%
All Ordinaries Accumulation Index	2.99%	2.23%	1.27%	11.14%	12.17%	7.72%	8.55%	7.98%

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.

July was a good month for Fund performance, with the net asset value jumping 4.2% versus an increase in the All Ordinaries Accumulation Index of 3.0%.

There were a number of mostly encouraging trading updates and quarterly cashflow reports, with no notable detractors during the month. Tech companies **Whispir** (WSP) and **Catapult** (CAT) experienced July share price jumps of 77% and 19% respectively. Both are showing much needed cost announcement suggested it can return to growth in the 2024 financial year.

RPMGlobal (RUL), the mining software provider, updated the market on 2023 sales and profits. The business finished the year with a sticky recurring revenue run-rate of \$42m from subscription software, up 28% from the prior year, continuing the company's strong multi-year software sales track record.

The company's preferred measure of profit finished the year at \$15m, slightly exceeding guidance, though a further \$3m was allocated to "management incentives". Even after these extra costs, profits more than tripled during the year. While this is an extraordinary increase from a low base, we expect the next few years to deliver further profit growth from a combination of higher revenue and controlled cost base increases.

Sportsbetting company **PointsBet** (PBH) raised more than \$1.2bn from investors over the past five years. It has torched some \$800m of that and the losses haven't stopped yet.

An ill-fated foray into the nascent US sportsbetting market cost investors dearly. At peak investor optimism in February 2021, Pointsbet shares were changing hands for \$17 each. As of 31 July 2023, they traded at \$1.655.

With our International Fund colleagues confident that industry giants Draftkings and FanDuel would kill the smaller players in the US, we have watched this horror show from the sidelines. Today, however, we think the shares offer a compelling proposition.

Pointbet has agreed to sell its loss-making US business for US\$225m. Management have committed to returning that and some of the remaining cash on the balance sheet. In total, management estimates \$1.39-\$1.44 will be returned to shareholders over the next 12 months, with approximately \$1 of that due to be paid out in mid September.

So, assuming \$1.40 out of the current \$1.65 share price gets returned in short order, today's investor is only paying \$0.25 or so per share for what's left. And that's where Pointsbet gets interesting.

Shareholders will be left with a modestly profitable Australian business and a loss-making Canadian business, the combination of which is expected to deliver "positive group EBITDA by 2025". We don't have any expectations for this to become a thriving profitable business. Just that it owns a valuable asset and that shareholders can make good money from that asset at some point in the next few years.

Pointsbet has more than 260,000 customers who have placed a bet in the last 12 months. The net revenue they generated was more than \$200m. Sportsbetting customers are expensive to acquire (those NRL ads don't come cheap) and are becoming increasingly more so. Proposed new sportsbetting advertising regulation in Australia—as welcome as it is—will only make established customer bases more valuable. As we have seen with previously listed companies IASBet and Centrebet, subscale businesses get sold to larger competitors who add the customers to their existing infrastructure.

Pointsbet sold its US business for 1.3 times its revenue. Prior Australian transactions have been in the same ballpark and we expect the same to happen with Pointsbet's Australian business. Whether you cut it based on value per customer or as a multiple of revenue, Pointsbet's Australian business should be worth three times the value implied by today's share price.

The weighting you can see in the Top 5 Holdings Table below looks large. But we expect to get more than 80% of that back within the next 12 months. That should leave the Fund with about 1% of assets invested in the "rump".

TOP 5 HOLDINGS (as % of NAV)

RPMGlobal Holding Limited	(ASX:RUL)	7.6%
Readytech Holdings	(ASX:RDY)	6.0%
Tourism Holdings Limited	(NZE:THL)	5.6%
Pointsbet Holdings Limited	(ASX:PBH)	5.1%
Fineos Corporation Holdings	(ASX:FCL)	4.2%
Cash		11.8%

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%
2024	4.18%												4.18%

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FACTS

Fund inception 30 October 2009

ASX Code FOR

Distribution Annual, 30 June

UNIT PRICE SUMMARY

As at 31 July 2023

NAV \$1.48

Market Price \$1.31

Portfolio Value \$148.8 million

ABOUT FORAGER

With approximately \$350 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.

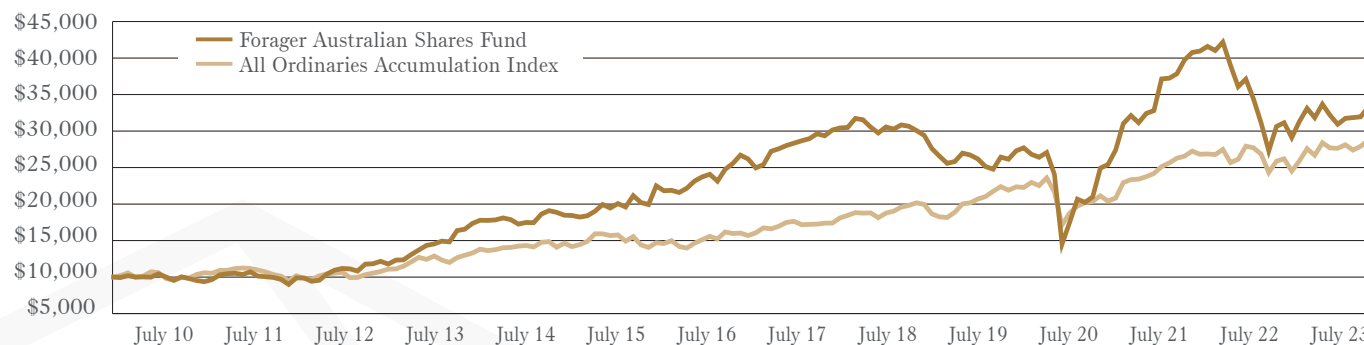
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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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