

# FORAGER

# AUSTRALIAN SHARES FUND

MONTHLY REPORT AUGUST 2023



## FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 31 August 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>	1.51%	6.11%	5.04%	8.51%	10.68%	2.36%	7.39%	9.20%
<b>All Ordinaries Accumulation Index</b>	-0.74%	4.21%	3.08%	8.92%	10.54%	7.19%	8.19%	7.87%

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.

Until the last two days of the month, the August reporting season was relatively uneventful for the Forager Australian Shares Fund.

There were puts and takes amongst some of the smaller investments in the portfolio. Healthcare distributor **Paragon Care** (PGC) delivered a disappointing result, as did sales software company **Bigtincan** (BTH). Mining services company **Perenti** (PRN) delivered a good result but told investors to expect a 2024 that could be worse than we were expecting.

On the other side of the ledger, **Motorcycle Holdings** (MTO) reported a result that was much better than feared, Perenti's competitor **Macmahon** (MAH) is delivering profitability and growth and gym operator **Viva Leisure** (VVA) reported nice 2023 results and looks on track to show its full potential in 2024.

Amongst the Fund's largest holdings, results were in line with our expectations - a good outcome in the current patchy economic environment.

**Readytech** (RDY), a software provider to the education, workforce and government and justice industries, announced results largely in-line with expectations and painted a picture of continual growth, improving profit margins and increased cash operating leverage.

Total revenue climbed 32% for the year while organic revenue (excluding acquisitions) was up 13%. This continues the company's strong organic growth, sourced from higher prices, selling more software modules to existing customers and adding new clients.

If everything goes to management's targets, by 2026 the business will be generating cash profit margins of roughly 25% of revenue. That would be good enough to drop about \$25m of free cash flow into the business, a very attractive 6% free cash flow yield on today's price, while still growing healthily. With results like these Readytech is knocking on the door of the Australian technology big leagues.

Mining software company **RPMGlobal** (RUL) continued its revenue growth during the year. New clients included the likes of **BHP** (BHP), **Worley** (WOR) and **Mineral Resources** (MIN), again cementing the quality of the product.

The added revenue helped RPM to significantly increase its profit and cash generation. Software revenue rose more than 50%, with 56% of that dropping through to the segment profit line. This is despite the company paying a management incentive during the year for software sales that will be mostly recognised as revenue in subsequent years.

While both Readytech and RPM have been successful long-term investments for the Fund, shares price for both have stagnated. That leaves them at very sensible valuations and we expect further growth to translate to share price growth from here.

Things haven't been stagnant at **Tourism Holdings** (THL). The campervan rental company delivered a great result and provided commentary that gives us confidence in further profit growth into 2024 and beyond.

Forager's profit expectations are higher than broker estimates and, despite a strong rise over the past year, would make the current price look very attractive. We will find out more at the upcoming annual meeting, but management commentary about permanently higher yields and the continued recovery of international tourism arrivals into Australia and New Zealand supports our view.

The net of all of those results added up to not much. Then, on the final trading day of the month, private equity firm Pacific Equity Partners (PEP) lobbed a takeover offer for allied health company **Healthia** (HLA). The price, \$1.80 per share, represented an 84% premium over the prior day's closing price. While that's a big premium, the share price has been hammered in recent months.

The offer has the support of Healthia's board and a number of larger shareholders, making its success likely. It's not the upside we anticipated when first investing in the stock and PEP is likely to do well with its investment. But the small-cap market is awash with opportunity and the price is fair for Healthia's current state. In the absence of a better offer, we are likely to support the deal too and deploy the money elsewhere.

Healthia's share price jump after the takeover announcement added more than 2% to the Fund's net asset value and a similar amount of outperformance for the month. The Fund's net asset value rose 1.5% in August, while the All Ordinaries Index fell 0.7%.

## TOP 5 HOLDINGS (as % of NAV)

<b>RPMGlobal Holding Limited</b>	<b>(ASX:RUL)</b>	8.1%
<b>Readytech Holdings</b>	<b>(ASX:RDY)</b>	6.4%
<b>Tourism Holdings Limited</b>	<b>(ASX:THL)</b>	6.1%
<b>Pointsbet Holdings Limited</b>	<b>(ASX:PBH)</b>	5.7%
<b>Healthia Limited</b>	<b>(ASX:HLA)</b>	4.9%
<b>Cash</b>		12.3%

## 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%	1.51%											5.75%

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## FACTS

**Fund inception** 30 October 2009

**ASX Code** FOR

**Distribution** Annual, 30 June

## UNIT PRICE SUMMARY

**As at** 31 August 2023

**NAV** \$1.51

**Market Price** \$1.28

**Portfolio Value** \$150.6 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.

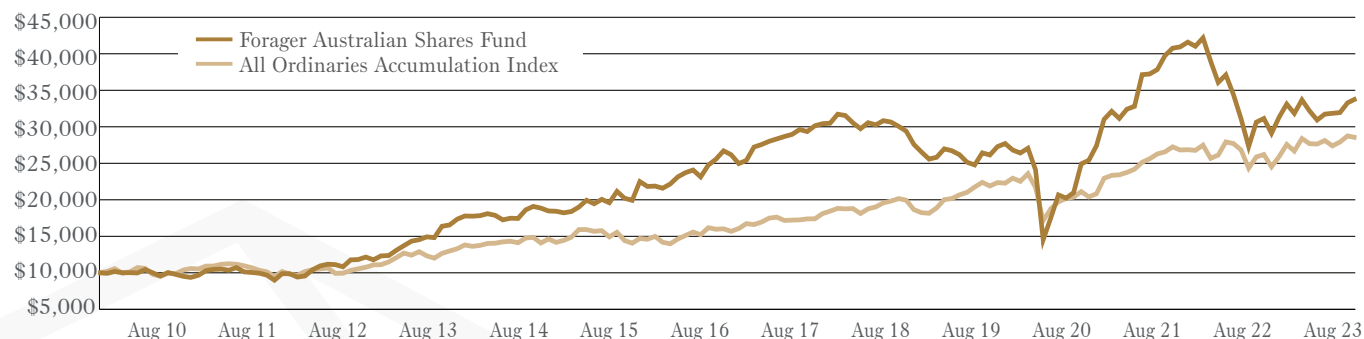
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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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