

# FORAGER

# AUSTRALIAN SHARES FUND

MONTHLY REPORT OCTOBER 2023



## FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 31 October 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>  | -6.45%         | -5.56%         | -0.94%         | 0.40%         | 4.69%                | 2.64%                | 5.87%                 | 8.52%                   |
| <b>All Ordinaries Accumulation Index</b> | -3.85%         | -7.26%         | -5.19%         | 2.89%         | 8.58%                | 7.40%                | 6.79%                 | 7.25%                   |

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 prices tumbled in October. The All Ordinaries Accumulation Index fell 3.9% and the net asset value of the Forager Australian Shares Fund fell 6.5%. That leaves the index down 4.5% for FY24 while the Fund was down 1.6%.

Share price falls were widespread across the portfolio with new addition **Tyro Payments** (TYR) amongst the worst. Tyro held its investor day midway through the month and didn't say much new. It also didn't provide a trading update, saying it will do so at its AGM in November.

Other investors were clearly expecting more (jettisoning its banking arm was one rumoured possibility). The Tyro share price fell for nine days straight after the event, with a downgrade by European payment giant **Worldline** (EPA:WLN) adding to the sector pessimism and sending that company's share price tumbling more than 50% in a day.

We haven't made any changes to our valuation of the business. An understated management team is a good thing, in our view, and a continuation of the existing strategy—continued growth and a strong focus on cost control—is all we need for a successful investment. The Fund's initial investment was relatively modest and we have used the selloff to meaningfully increase the position during the month.

After saying it would be "cash accretive from next quarter onwards" in November 2022, messaging company **Whispir** (WSP) announced an emergency capital raise in late October. It hasn't been cashflow positive in any quarter since that 2022 announcement and burned another \$2m in the September quarter of 2023.

While the September quarter represents a seasonal high for outflows and there are some signs of revenue stabilisation, management's position had become untenable. Founder Jeromy Wells has built a meaningful company and we continue to believe it can be a growing and profitable business. But it's time for Wells and his board to find someone with a different skill set.

To Wells' credit, he and his board have recognised this and announced his transition out of the CEO role and the search has begun for a new CEO. The company also announced it intends to appoint a new director in the near future.

We have constructive ideas on both fronts and, having participated in the capital raise on the basis of change, the Fund is now the company's largest shareholder. While there is much still to be done and we will remain closely engaged with the company, we are hopeful that October 2023 is finally Whispir's turning point.\*

The Fund's largest investment, **RPMGlobal** (RUL), announced a healthy start to the new financial year. The first three months are typically the quietest for this mining software company but the start to the 2024 financial year saw enough sales for RPM to upgrade its full-year guidance to \$18.5m–\$20.5m of earnings before interest, tax, depreciation and amortisation. The mid-point of that range would be a 30% increase on the 2023 financial year.

The ongoing buyback makes it even better on a per share basis as RPM has bought back roughly 2% of its outstanding shares since May. The company is growing, generating cash and buying back shares. While the share price hasn't yet responded, time is our friend at RPM.

*\*Please note that, subsequent to the month-end, Whispir announced that it is the subject of an unconditional takeover offer at \$0.48 per share. We will discuss this further in our November Monthly Report.*

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

|                               |           |      |
|-------------------------------|-----------|------|
| <b>RPM Global Holdings</b>    | (ASX:RUL) | 7.6% |
| <b>Readytech Holdings Ltd</b> | (ASX:RDY) | 6.2% |
| <b>Tourism Holdings Ltd</b>   | (NZX:THL) | 5.6% |
| <b>Healthia Ltd</b>           | (ASX:HLA) | 5.4% |
| <b>Gentrack Group Limited</b> | (ASX:GTK) | 4.4% |
| <b>Cash</b>                   |           | 7.8% |

## 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%  | 1.51%  | -0.54% | -6.45% |        |        |        |         |         |        |        |         | -1.61%       |

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## FACTS

**Fund inception** 30 October 2009

**ASX Code** FOR

**Distribution** Annual, 30 June

## UNIT PRICE SUMMARY

**As at** 31 October 2023

**NAV** \$1.40

**Market Price** \$1.27

**Portfolio Value** \$139.9 million

## ABOUT FORAGER

With approximately \$330 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.

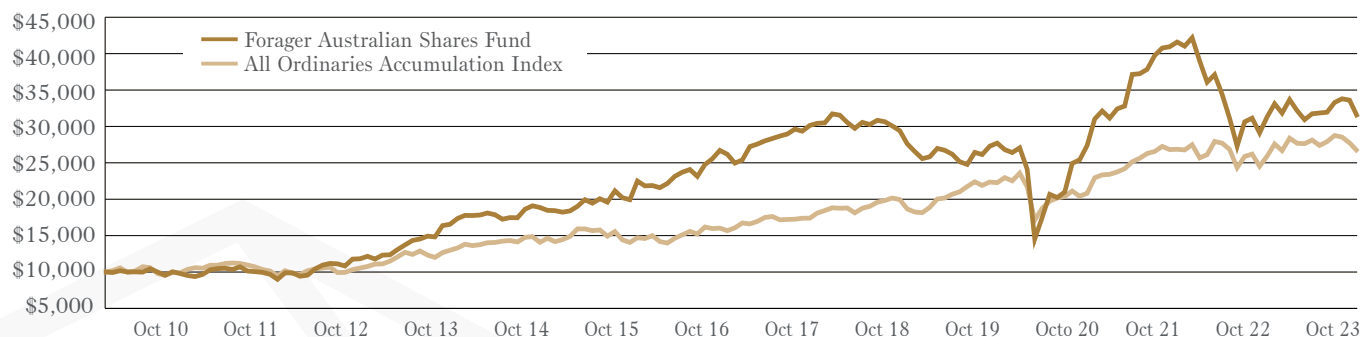
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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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