FORAGER

AUSTRALIAN SHARES FUND

MONTHLY REPORT DECEMBER 2023

FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 31 December 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)	7.14%	5.00%	10.44%	10.86%	3.18%	6.65%	7.07%	9.30%
All Ordinaries Accumulation Index	7.44%	8.67%	7.95%	12.98%	8.88%	10.66%	8.16%	8.09%

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 end of the 2023 calendar year saw a sharp rise in equity markets in Australia and around the world. Once again, macro considerations were the driving force. Longer-term interest rates fell as investors concluded that global inflation problems have waned. Yields on ten-year Australian government bonds had risen to nearly 5% from 4% at the end of August, then retreated to 4% again by year-end.

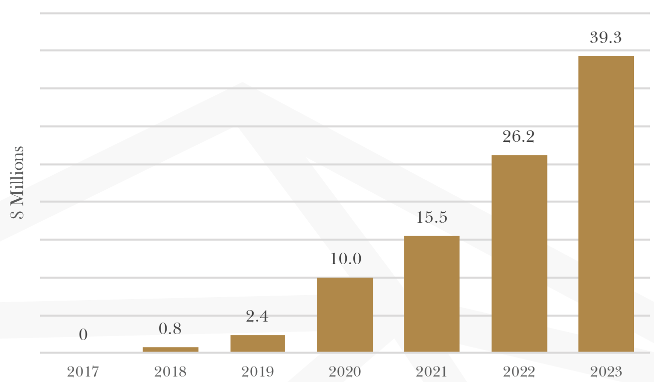
The late rally left the All Ordinaries Accumulation Index up 13.0% for the calendar year, while the Forager Australian Shares Fund returned 7.2% in December and 10.9% for the year.

Despite a 15.0% runup since late October, small caps once again underperformed their larger counterparts. Over the last three years, the Small Ordinaries Accumulation Index has returned just 2.9% including dividends, against a 29.1% return from the All Ordinaries Accumulation Index. Micro-cap stocks and those with shorter histories fared even worse.

While many small businesses have made progress over the last three years, the reward has often been lower valuations.

Take the Fund's largest investment, **RPMGlobal** (RUL). The company provides software to miners and mining services businesses. Many of the products are industry standard and key to the operations of a mine site, so very few clients stop using them. The business is run by an aligned management team, has net cash on the balance sheet and has been continuously buying back shares.

RPM GLOBAL RECOGNISED SUBSCRIPTION REVENUE

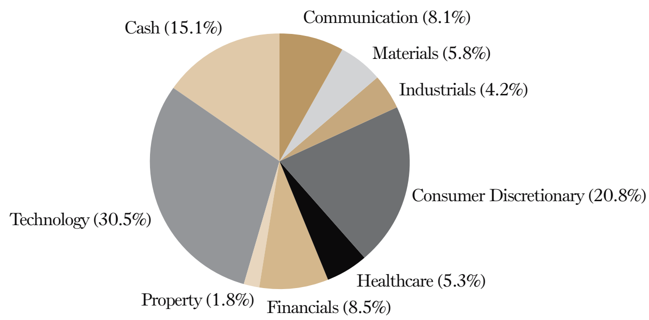


Source: Company filings

While some of those key attributes were there three years ago, there has been plenty of change under the surface. Annual subscription revenue was just $10 million in the 2020 financial year. By 2023 it had nearly quadrupled to $39 million. Profit before tax has become meaningfully positive and is due to climb again in 2024 as operating leverage kicks in. Despite all this, RPM's market capitalisation is only 34% higher than in 2020. The valuation is significantly more attractive today, and we already thought it was a bargain three years ago.

Viva Leisure (VVA) is another business that has made plenty of progress since 2020. Three years ago, the gym owner had just over 100k paying members. It now boasts more than 186k. Revenue had rebounded to $6.7 million a month post the first of the COVID lockdowns. That number was last pegged at $13.6 million. Furthermore, profit margins have climbed from 15% to 21%.

STOCK EXPOSURE BY SECTOR



Source: S&P Capital IQ

Yet, Viva trades at half of its share price at the end of 2020. A few projects, like club upgrades, technology rollouts and vending machines at clubs will benefit the business in the 2024 financial year. And maturity has also led to larger and more flexible bank funding, providing further organic and acquired growth opportunities. Viva's valuation multiple has fallen to just eight times our estimate of next year's net profit.

Three years ago there was significant uncertainty around when Australian borders would open up to international arrivals, one of the main variables for skydiving and adventure provider **Experience Co** (EXP). At the time, Experience had stood down 90% of its staff, divested assets and shored up government support to keep operating. Hit by impairments, the business lost $40 million that year.

Fast forward to the end of 2023. Airline capacity into Australia is projected to rise to over 90% of pre-COVID levels. Experience's

Reef Adventures business has visitation approaching 2019 levels and skydive volumes are over 50% of historical levels and recovering quickly. Despite operations being hit by Cyclone Jasper, the company recently entered into a new $43 million flexible debt facility. The 2025 financial year is shaping up as a return to near-normality for Experience, yet the company's share price is still 15% below where it was at the end of 2020.

There are plenty more examples in the portfolio, including software company **Readytech** (RDY) and **Catapult** (CAT), a global leader in elite athlete monitoring technology (on a recent episode of Forager's Stocks Neat podcast, we hosted an interview with Catapult CEO Will Lopes).

The larger, more liquid companies in the small-cap index have performed best over the past few months. There have been some stellar returns from those that have been able to migrate from small and illiquid to having broader appeal, including Fund investment **Gentrack** (GTK) which experienced a 160% share price rise in 2023.

But there remains incredible value in those that are left behind. As enthusiasm for smaller companies continues to return, these businesses should see improved valuations and share price performance. As long as they continue growing their value, we don't mind if it takes the market some time to appreciate them fully.

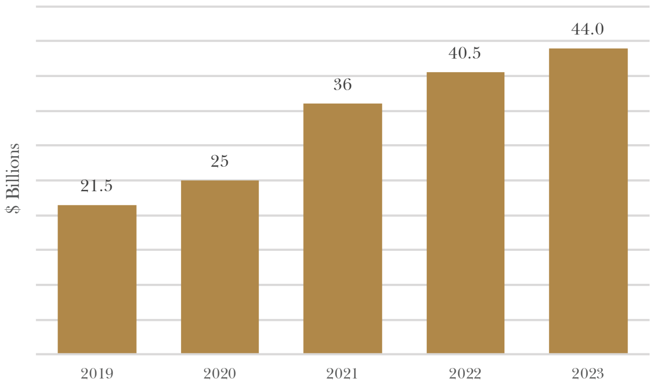
PRAEMIUM NEW ADDITION

If inflation is returning to normal, it will be good news for a lot of smaller companies, including new portfolio addition **Praemium** (PPS).

Praemium operates Australia's third-largest independent investment platform. While **Hub** (HUB) and **Netwealth** dominate the market, Praemium's $44 billion of funds under advice makes it a serious player and its strength in key niches has enabled it to grow in a competitive space.

New management, a refreshed board and the sale of a loss-making business in the UK had seemingly consigned the listed company's patchy operational performance to history. With its share price more than halving as financial markets swooned through 2022 and into 2023, we thought the valuation had become appealing.

PRAEMIUM TOTAL FUNDS UNDER ADVICE



Source: Company filings

Just two weeks after the Fund's modest initial investment, Praemium's AGM update indicated a serious cost inflation problem, with costs in the first half of this financial year expected to be 10% higher than the second half of last financial year. Combined with still sluggish financial markets in the first quarter of the new financial year, where trading volumes impact Praemium's revenue, the company now expects its first-half earnings before interest and tax to be 20% lower than the prior corresponding six-month period. The share price itself price ended November down 24%, having been down 34% at the lows. It has since stabilised and we have added further to the investment. The market recovery in November and December should help revenues. However, we will need to see more cost discipline before considering making it a larger investment.

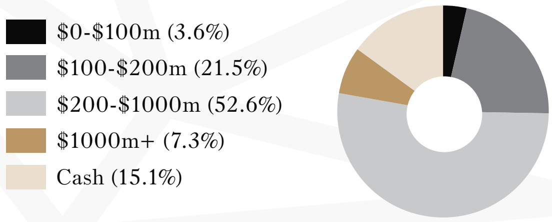
TWO WHISPIR BIDDERS ON THE SCENE

We summarised Sorpano's takeover offer for Whisper in the November Fund report and hoped for a competing offer to emerge. Those hopes became reality in December, with another bidder entering the picture.

Unlike Soprano's unconditional offer, the new indicative offer from private Australian company Pendula was just that, indicative. From what we can gather, Pendula is a relatively small company. How it expects to pay Whispir shareholders is still uncertain as of today. Still, competition is always good in the game of takeovers and the offer, $0.55 per share, was a decent improvement on Soprano's $0.48.

Subsequently, Soprano upped its offer to $0.52, Pendula to $0.60 and Soprano again to $0.55, at which point the independent board members gave their support to the unconditional Soprano bid. There is still time for Pendula to firm up its financing and give shareholders more certainty. Either way, it's going to be a decent result for the Fund given the disappointing operational performance over the past couple of years.

PORTFOLIO DISTRIBUTION ACCORDING TO MARKET CAPITALISATION



Source: S&P Capital IQ

TEAM CHANGES

As highlighted in the CIO letter, please note that Gaston Amoros, who was a Senior Analyst on the Forager Australian Shares Fund team, has left the Forager business. Alex Shevelev and Steve Johnson remain the Fund's portfolio managers and we are excited to announce that they are joined by new recruit Nicholas Plessas in a full-time analyst role.

DELISTING PROPOSAL

In October, Forager announced its intention to recommend delisting the Forager Australian Shares Fund from the ASX. If you missed the announcement, you can read the full details here. We are on track to finalise a proposal and hold a unitholder meeting in the first half of calendar-year 2024 (subject to relevant market conditions and applicable regulations which exist at the time). Please keep your eye out for further information in the coming weeks.

TOP 5 HOLDINGS (as % of NAV)		
RPM Global Holdings	**(ASX:RUL)**	8.2%
Tourism Holdings Limited	**(NZX:THL)**	6.1%
Readytech Holdings Ltd	**(ASX:RDY)**	5.4%
Viva Leisure Ltd	**(ASX:VVA)**	3.7%
Catapult Group International	**(ASX:CAT)**	3.6%
Cash		15.1%

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^.

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%	4.76%	7.14%							**10.44%**

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	Semi-Annual, 31 December and 30 June

UNIT PRICE SUMMARY

As at	31 December 2023
NAV (ex price)	$1.54
Distribution	$0.03
Market Price	$1.40
Portfolio Value	$154.1 million

ABOUT FORAGER

With approximately $360 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.

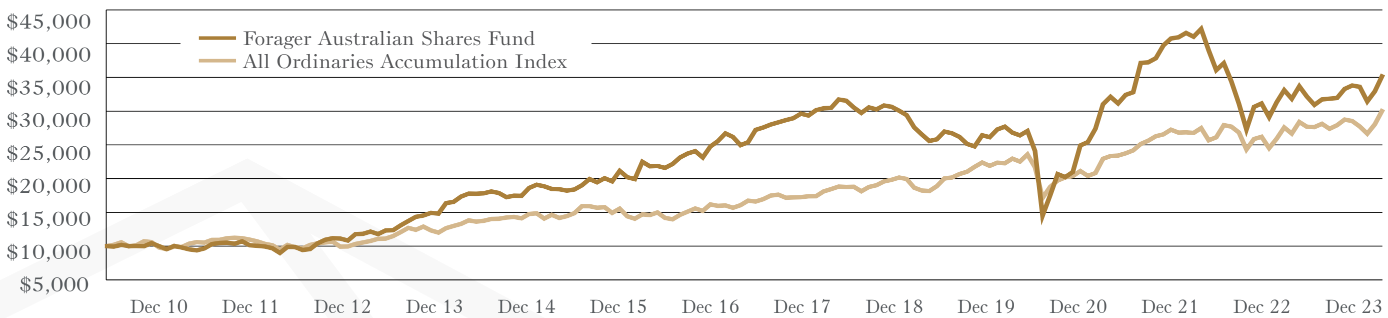
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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.