

# FORAGER

# AUSTRALIAN SHARES FUND

MONTHLY REPORT FEBRUARY 2024



## FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 29 February 2024. 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>	4.43%	10.70%	7.90%	13.34%	4.00%	6.21%	7.25%	9.44%
<b>All Ordinaries Accumulation Index</b>	1.17%	9.86%	7.97%	11.30%	9.07%	9.00%	8.19%	8.16%

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.

With the net asset value increasing by 4.4%, February was a good month for the Forager Australian Shares Fund. The ASX All Ordinaries Index increased 1.2%.

Most of the portfolio reported half or full-year results for the December period. With a couple of small exceptions, there weren't many surprises. As we said in last month's report, however, most of the Fund's investments have made good progress for the past three years without seeing it reflected in their share prices. February was an inflection point for some.

**RPMGlobal (RUL)**, the Fund's largest investment, saw its share price jump 24% in February. Revenue was up 21% and earnings before interest and tax more than tripled, thanks to a relatively fixed cost base. But that should not have been a surprise. The mining software company had previously released updated guidance for the full 2024 financial year and didn't add much with its December half-year results. We expect revenue to continue growing for a long while yet and profit to keep growing faster. The company now has a \$500 million market capitalisation and trading volumes in its shares have increased markedly over the past month, making it potentially appealing to a wider range of institutional investors.

Tradie platform **Hipages (HPG)** was the second largest contributor with a 39% increase. As recently as October, we were adding to this investment at about \$0.80 per share. Its share price ended February at \$1.12. Again, the company has been fairly transparent with its progress. It is growing, cash generative and has the opportunity to add a lot more value to its platform for both tradies and consumers. There wasn't anything inconsistent with that in the half-year results but it is becoming more obvious.

Revenue grew 15% and the business was free cashflow neutral for the half. With help from the recent sale of an investment, Hipages now has \$19 million of cash in the bank. Providing tradies with a platform to manage their business, alongside leads for new work, will improve pricing and reduce churn. As the dominant platform in the tradies market, Hipages has the cash and the right owner-manager mentality to make the most of its dominance.

There were surprises elsewhere in the portfolio. We only added an investment in **Bravura Solutions (BVS)** to the portfolio in January. The share price is up more than 50% since, thanks to an extraordinary turnaround in profitability. Long-term investors in the Fund will remember we have owned this stock before. We've long had an appreciation of the quality of its revenue but frustration with management's inability to turn that revenue into profit.

In the middle of 2023, new management arrived and took an axe to the expense base. Frankly, we should have taken notice earlier than we did. Just through cost-cutting last year's \$8 million operating loss will become a guided \$13 million operating profit, with more improvements to come. The stock was a screaming bargain at \$0.40 a share in late 2023, a bargain at \$0.80 per share when we first invested in January and still cheap today at more than three times that 2023 price.

On the negative side of the ledger, both **Fineos (FCL)** and **Bigtincan (BTH)** could do with a Bravura-like shakeup. Both companies remain unprofitable, are still burning cash and keep making promises they can't deliver on. Bigtincan's share price was already in the gutter but Fineos saw its share price fall 19% for the month.

**Seven West Media (SMW)** and **Motorcycle Holdings (MTO)** are both navigating their way through slumps in demand. Both delivered weak results and saw their share prices fall. For the latter we are expecting a recovery at some point. For Seven West, the problems are structural and management is fighting a losing battle.

We also disposed of the Fund's investment in **Lovisa Holdings (LOV)** in February. Lovisa's result was good and its long-term prospects are excellent. While a larger investment would have been nice, the 45% share price increase since the Fund's investment less than four months ago means you need a bright future and more to do well from here.

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

<b>RPM Global Holdings</b>	(ASX:RUL)	10.4%
<b>Readytech Holdings Ltd</b>	(ASX:RDY)	6.1%
<b>Tourism Holdings Ltd</b>	(NZX:THL)	5.4%
<b>Hipages Group Ltd</b>	(ASX:HPG)	4.0%
<b>Catapult Group Ltd</b>	(ASX:CAT)	3.6%
<b>Cash</b>		18.4%

## 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%	-1.07%	4.43%					14.10%

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## FACTS

Fund inception	30 October 2009
ASX Code	FOR
Distribution	Semi-Annual, 31 December and 30 June

## UNIT PRICE SUMMARY

As at	29 February 2024
NAV	\$1.59
Market Price	\$1.43
Portfolio Value	\$159.2 million

## ABOUT FORAGER

With approximately \$380 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.

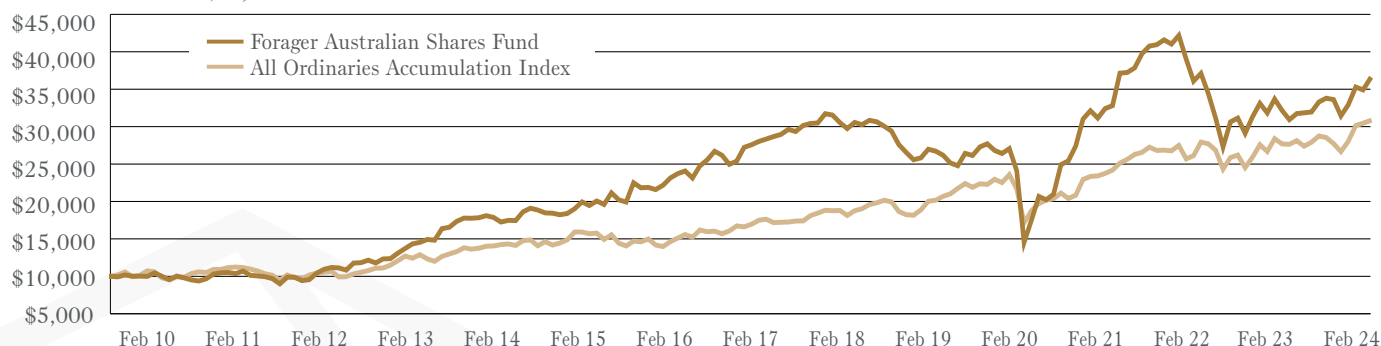
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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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