FORAGER

AUSTRALIAN SHARES FUND

MONTHLY REPORT MARCH 2024

FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 31 March 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.)
Australian Shares Fund (ASX:FOR)	1.59%	4.96%	10.21%	19.76%	4.13%	6.75%	7.56%	9.50%
All Ordinaries Accumulation Index	3.13%	5.45%	14.59%	14.98%	9.52%	9.52%	8.50%	8.35%

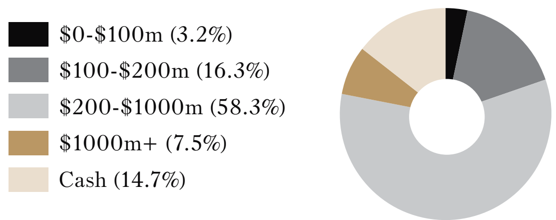
The value of your investments can rise or fall. Performance is calculated using Net Asset Value (NAV), not the market price. Past performance is not indicative of future performance.

*30 October 2009

The All Ordinaries Accumulation Index rose 3.1% in March, taking the gain for the financial year so far to 13.8%. Consistent with global markets, gains have been widespread in recent months, with small cap stocks in general performing better and some of them experiencing stellar share price appreciation.

For the Forager Australian Shares Fund, the net asset value increased 1.6% for the month and 15.9% for the financial year to date. We, too, have seen stellar share price appreciation for a number of stocks and have been reducing holdings in those trading closer to fair value.

PORTFOLIO DISTRIBUTION ACCORDING TO MARKET CAPITALISATION



Source: S&P Capital IQ

Share price appreciation for smaller companies has been patchy, with a significant number of stocks not participating in the rally and plenty experiencing significant share price declines when results have not met investor expectations. For now, that leaves plenty of opportunity to reinvest capital into new and existing investments.

On the latter front, we have meaningfully increased the Fund's investment in **Paragon Care** (PGC) during March. Cobbled together through acquisitions over the past decade, Paragon is one of Australia's largest healthcare suppliers. Most acquisitions didn't live up to expectations and the share price was languishing at a level that suggested the whole was worth substantially less than the shareholder capital spent putting it together.

The inevitable fix-it job was already underway. In early 2022, John Walstab merged his business, Quantum Health, with Paragon and ended up owning 19% of the combined company. Since the merger Paragon has been a small investment in the Fund. By the end of 2023, frustrated with its performance, Walstab had taken over management of the whole business. His efforts over the past six months were showing signs of progress in Paragon's half-year result.

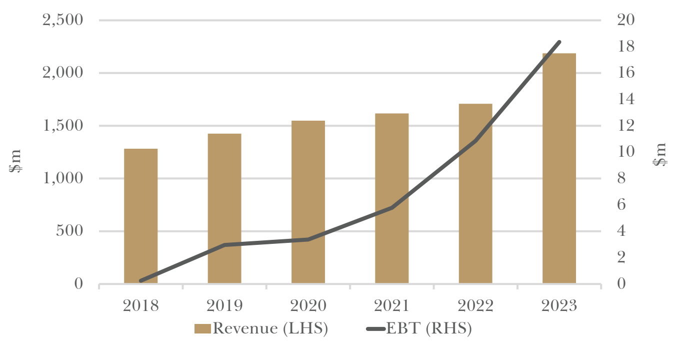
That was completely overshadowed by an announcement that Paragon would be merging with another distribution company, CH2. This is a deal that we like. A lot.

CH2 is a privately owned company that has become one of Australia's largest distributors of medicine and medical consumables. You might be familiar with the big players in this market: **Sigma Healthcare** (SIG), **Wesfarmers's** (WES) API and Symbion, owned by New Zealand's **EBOS** (EBO). They deliver everything from drugs to bandages and vitamin pills to the country's pharmacies and hospitals every day.

These companies, including CH2, have been around a long time — replicating their distribution networks is almost impossible. CH2 was owned by Spotless in the early 2000s and part of a private equity/API joint venture until 2015, when it was sold to prior management.

That's when everything changed for the company. API's ownership of CH2 meant CH2 was unable to compete with API in retail pharmacy distribution — a market several times larger than the hospital market. Freed from those shackles, CH2 was granted a license to distribute drugs to pharmacies from 2017. From a standing start, it has picked up 7% of Australia's $18 billion pharmacy wholesaling market and, in total, is expected to generate almost $3 billion in revenue this financial year.

CH2 REVENUE AND EARNINGS BEFORE TAX



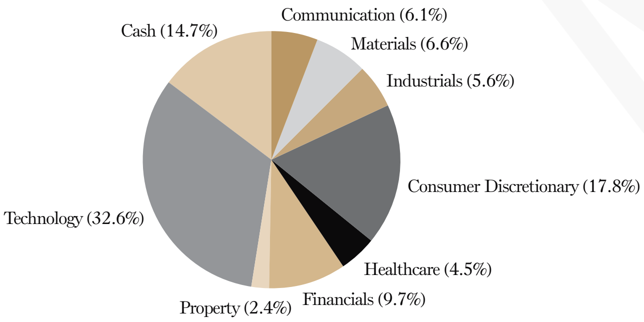
Source: Bloomberg

This is a low-margin business with relatively fixed overhead costs. As it has grown, CH2 has become increasingly profitable. It made $12.8 million of net profit in the 2023 financial year and is on track to make $16.8 million this year. We are confident that trajectory can continue.

Its three giant competitors all own or are aligned with retail brands. Sigma owns Amcal and intends to merge with Chemist Warehouse. API owns Priceline and Symbion owns TerryWhite Chemmart. CH2 is the only independent distributor and wants to stay that way, leaving it ideally placed to service a significant number of "non-aligned" pharmacies. Management estimates those non-aligned pharmacies represent some 44% of Australia's total retail pharmacy sales.

That share probably falls over time — Chemist Warehouse looks like a genuine category killer. But we think CH2 can keep growing its share of a growing market for many years to come.

STOCK EXPOSURE BY SECTOR



Source: S&P Capital IQ

Profitability in its hospital distribution business should be helped by its acquisition of Sigma's hospital business in mid 2023, leaving CH2 as one of only two players in that market. And, perhaps most importantly, the opportunities within Paragon's existing business look significant.

If the deal is approved by Paragon shareholders, CH2's two shareholders will end up owning 57% of the combined entity. David Collins, CH2's managing director, will take over management of the company and he and his co-owner will both take seats on the board. Walstab will keep his board seat and two independent directors will be appointed.

The ParagonCare Board, including Walstab, is supportive of the deal. Unless something significant changes, we are too, making it highly likely to proceed. At the stroke of a pen, Paragon will be transformed from a sub-scale distribution business with a patchy record of capital allocation to a profitable owner-manager company taking market share in a growing industry. And there should be significant synergies between the two companies.

Healthcare distribution is not an easy sector in which to operate. Sigma's return on capital has been sub-par for a long time and API hasn't been much better, even under the stewardship of Wesfarmers. There are risks associated with being a minority shareholder in a company controlled by management, including the inability to replace them if necessary. It might take several years for the benefits to become obvious and, given the insider ownership, the stock will remain illiquid for a long time to come.

On balance, though, this is a significant change for the better for Paragon shareholders. Collins is not taking a cent in cash as part of the transaction and will have his life's work tied up in Paragon, making him heavily incentivised to make a lot of wealth for all shareholders. We think we have finally found the right jockey for a horse that has been particularly difficult to ride, and have added meaningfully to the investment over the past month.

TOP 5 HOLDINGS (as % of NAV)		
RPM Global Holdings	**(ASX:RUL)**	9.7%
Readytech Holdings Ltd	**(ASX:RDY)**	6.2%
Tourism Holdings Ltd	**(NZX:THL)**	5.3%
Catapult Group Ltd	**(ASX:CAT)**	4.4%
Hipages Group Ltd	**(ASX:HPG)**	3.6%
Cash		14.7%

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%	1.59%				**15.92%**

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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	31 March 2024
NAV	$1.62
Market Price	$1.45
Portfolio Value	$161.7 million

ABOUT FORAGER

With approximately $390 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.

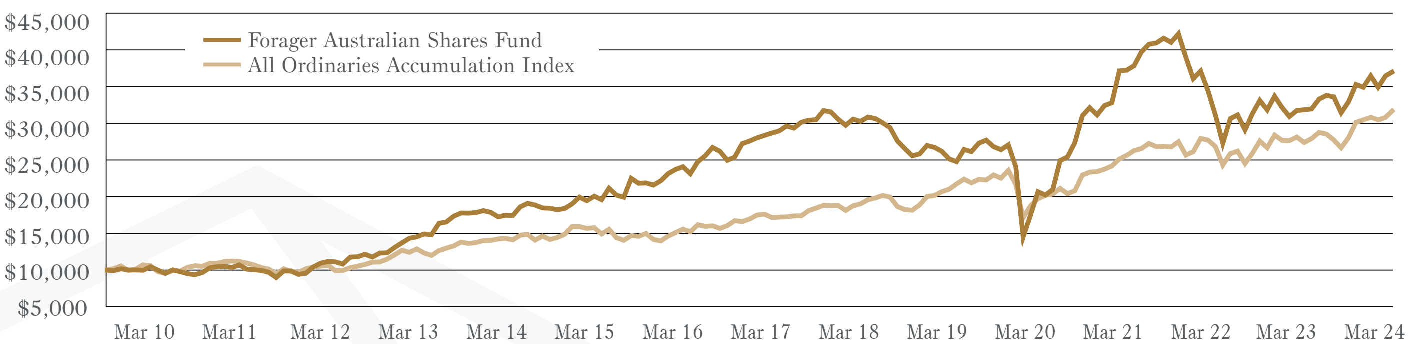
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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.