

FORAGER

AUSTRALIAN SHARES FUND

MONTHLY REPORT APRIL 2024



FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 30 April 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)	1.24%	7.42%	19.28%	18.16%	0.32%	7.45%	8.07%	9.54%
All Ordinaries Accumulation Index	-2.70%	1.52%	15.97%	9.94%	7.15%	8.38%	8.06%	8.09%

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.

April was a good relative month for the Forager Australian Shares Fund. The Fund's net asset value rose 1.2% while the All Ordinaries Accumulation Index fell 2.7%.

Mining services company **Macmahon** (MAH) announced a takeover offer for ASX-listed civil engineering company **Decmil** (DCG). It's a value stock making a value play. Including the company's outstanding debt, the offer values Decmil at approximately \$135 million. It brings more than \$400 million of revenue, an under-utilised accommodation asset, \$185 million of useable tax losses and \$54 million of franking credits.

It is also a notoriously difficult business. Plagued by problem contracts, Decmil has made a profit in just one of the last eight years and racked up cumulative losses of more than \$300 million (hence the tax losses). We are not surprised that large Decmil shareholders are in favour of the offer.

Macmahon management think Decmil's problems are behind it but, especially given they have only just started stringing consistent profits together themselves, splurging cash on Macmahon's own shareholders would have been our preferred course of action. Macmahon's share price ended the month at \$0.25, up 56% this financial year and much closer to our estimate of fair value.

The share price of **Experience Co** (EXP) has moved a similar magnitude but in the opposite direction. Experience Co's collection of businesses are showing improved results as international tourists return to Australia and New Zealand. For the first quarter of this calendar year, they collectively generated twice the amount of earnings before interest, tax, depreciation and amortisation (EBITDA) than the same period in 2023.

The number of tourist arrivals to Australia is still well below 2019 levels but recovering quickly. Management is sticking by its prediction that the company can generate \$40 million of annual EBITDA in a fully recovered environment.

Investors don't believe it. The share price traded as low as \$0.125 in March, less than half its level a year ago. Seemingly unhappy with the disconnect, the Experience Co board announced a "strategic review" alongside its quarterly update, which will include "potential change of control transactions". The company's two largest shareholders have representatives on the board and are open to a sale. We're confident this business is worth a lot more than the current share price and probably worth more to a private owner than as an ASX-listed company.

Still, we will find out what others are willing to pay over the next few months and can choose not to sell if we are unhappy with it. We were able to secure a meaningful amount of stock at the \$0.125 low during the month and, with a share price finishing the month up 36% from that point, it has become one of the Fund's largest holdings.

Pointsbet (PBH) announced final regulatory approvals for the sale of its US sports betting business. The receipt of the final US\$50 million in proceeds allowed Pointsbet to declare a \$0.39 capital return, taking the total shareholder returns to \$1.39 since the sale was announced in June 2023. Bizarrely, the stock's traded price bounced more than 15% on the day after both capital returns. That shouldn't happen in a modestly efficient market.

For those of us willing to purchase prior to the capital returns, it has been a good investment. The Fund has received \$1.39 back out of an average purchase price of \$1.64 per share, leaving an adjusted cost base of \$0.25. The share price ended April at \$0.51 and the remaining business is performing well. It is growing profitably in an Australian market that is shrinking from its Covid-induced highs and owns a nascent Canadian business that is rapidly approaching break even. We still think it will be worth more to an acquirer than as an ASX-listed company but it will at least generate modest profits from 2025 and the more it grows the more we should get in an eventual sale.

TOP 5 HOLDINGS (as % of NAV)

RPM Global Holdings	(ASX:RUL)	9.3%
Readytech Holdings Ltd	(ASX:RDY)	6.3%
Tourism Holdings Ltd	(NZX:THL)	4.9%
Experience Co Ltd	(ASX:EXP)	4.5%
Catapult Group Ltd	(ASX:CAT)	4.3%
Cash		13.2%

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%	1.24%			17.36%

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	30 April 2024
NAV	\$1.64
Market Price	\$1.53
Portfolio Value	\$163.7 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.

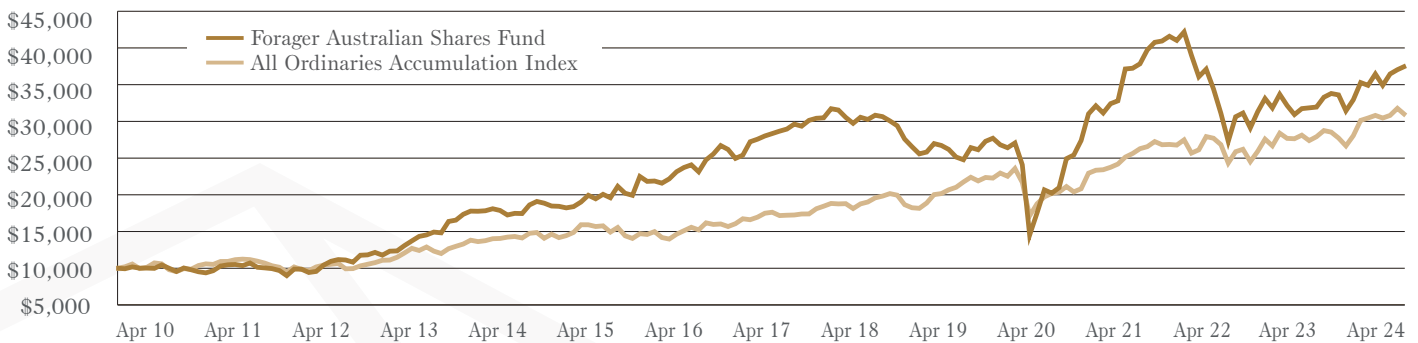
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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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