

FORAGER

AUSTRALIAN SHARES FUND

MONTHLY REPORT MAY 2024

FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 31 May 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)	-0.51%	2.33%	13.28%	17.15%	0.06%	8.21%	7.88%	9.44%
All Ordinaries Accumulation Index	0.87%	1.22%	11.20%	13.89%	6.77%	8.21%	8.09%	8.11%

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.

While the net result was benign, May saw a mix of good and bad for the Forager Australian Shares Fund.

With the end of the financial year rapidly approaching, there were plenty of trading updates this month. The one from portfolio investment **Tourism Holdings** (THL) did not make for pleasant reading.

Having already booked NZ\$40m of profit in the first half of the year, we expected this campervan company to make more than NZ\$75m for the full 2024 financial year and grow into 2025. Management provided updated guidance suggesting it would only make NZ\$50m-\$53m this year and that, given current trading, investors should temper their expectations into the following financial year too.

The main business for Tourism Holdings is campervan rentals. That part of the business is currently a touch slow in Australia and the US. THL's business model, however, relies on selling used campervans at the end of their useful rental life. This part of the business has hit an air pocket, with the company now able to sell fewer vans in the June half year than originally anticipated. While an adjunct to the main rentals business, van sales represent a decent chunk of THL's current profitability and their reduction explains the majority of the downgrade.

While a hit to near-term profitability, we don't see this buyers' strike being long-term or reflective of the underlying economics of the business. The sector, like others including car and motorcycle retailers, is navigating choppy seas thanks to a reversal of excess demand during Covid. It is unpredictable for now, but there is every reason to expect campervan sales to revert to long-term trends eventually. It's disappointing but not catastrophic and we used the share price fall to add to the Fund's holding.

It was better news elsewhere in the portfolio with both **Gentrack** (GTK) and **Catapult** (CAT) reporting excellent results for their full years ended 31 March. We will write more about Gentrack in our June quarterly report as this highly successful investment deserves a decent review. We hope to be writing about Catapult for years to come.

For many years, we have admired the opportunity ahead of this company. Any avid sports-watcher will be familiar with Catapult's athlete tracking vests. You can see them through Pat Cummins' whites on a summer day at the SCG or at a training session for every single NRL and AFL team in Australia. And Australia is a side note for Catapult. While its origins were here at the Australian Institute of Sport, the giant sporting leagues of America and Europe are where the company generates most of its revenue today.

GPS trackers in those vests feed data back to Catapult's software, allowing coaches and managers to monitor performance, fatigue, strategy and injury. Catapult is five times the size of the next largest player and has a rapidly growing video analysis product. The number of professional sporting teams is proliferating, Catapult's penetration of the market continues to increase and, in our view, it still has plenty of room to increase the price it charges its customers. It should be able to grow at around 20% per annum for a long time.

After a series of dubious acquisitions, large operating losses and more than US\$50m of cash burn over the last five years, the perception was that shareholders would never see that potential translate to profits. When appointed in 2021, CEO Will Lopes didn't do much to change that perception. One of his first announcements was that the company needed to spend more, not less, in order to maximise its chances of success.

Over the subsequent three years, however, the evidence grew that Lopes was right that they needed to spend first, that he had a clear path to profitability, and that he is the right person to execute on it. The company's 2024 results represent a milestone along that path.

Revenue grew 19% for the year to US\$100m. Having burned US\$24m the prior year, Catapult made a small cash profit in 2024. Most importantly, more than 40% of the incremental revenue translated to incremental profit. The growth should be similar in 2025 and management expects that incremental profitability to increase further. It suggests a business that will be nicely profitable in a few years' time and highly profitable if it can grow for as long and as fast as we think it can.

The share price has reacted positively to the past few results announcements from Catapult but we still think it is a long way short of the company's true value.

TOP 5 HOLDINGS (as % of NAV)

RPM Global Holdings	(ASX:RUL)	10.1%
Catapult Group	(ASX:CAT)	6.4%
Readytech Holdings Ltd	(ASX:RDY)	6.1%
Paragon Care Ltd	(ASX:PGC)	3.6%
Experience Co Ltd	(ASX:EXP)	3.6%
Cash		10.6%

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%	-0.51%		16.76%

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 May 2024
NAV	\$1.63
Market Price	\$1.52
Portfolio Value	\$162.9 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.

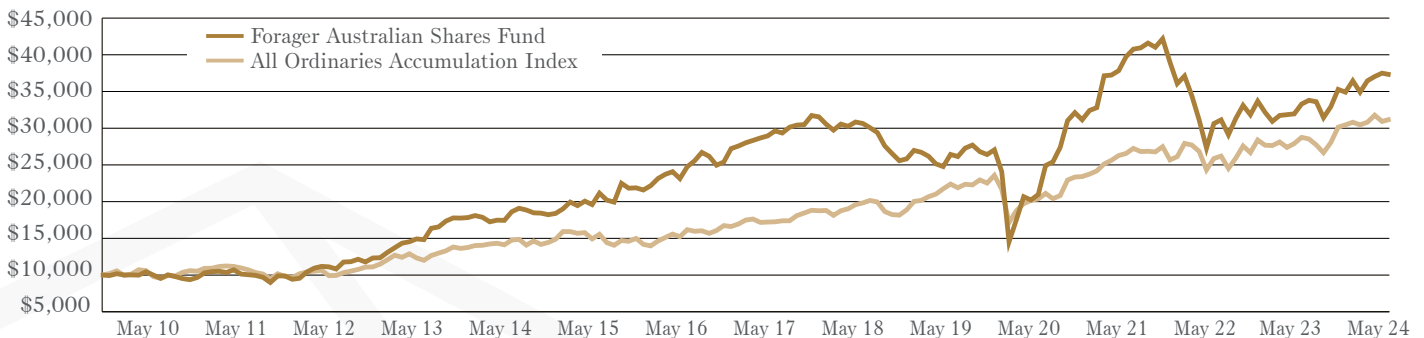
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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.

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