

FORAGER

AUSTRALIAN SHARES FUND

MONTHLY REPORT AUGUST 2020

www.foragerfunds.com

PERFORMANCE (Net of all fees and expenses)

FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 31 August 2020)

	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)	18.80%	20.54%	3.43%	-4.68%	-5.31%	4.28%	9.79%	8.79%
All Ordinaries Accumulation Index	3.71%	7.14%	-2.54%	-3.51%	6.71%	7.94%	7.90%	7.14%

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

Having started the calendar year with a net asset value of \$1.36 per unit, the value of The Forager Australian Shares Fund hit a low of \$0.65 per unit on the 23rd of March, down more than 50%. At the end of August, it was worth \$1.27 per unit, up more than 90% from the low point.

Our job, of course, is to make you money, not just get it back. But this reporting season has shown that our portfolio investments are making profits, generating cashflow and still trading at highly attractive prices.

Most of March's share price movements now look like a dramatic overreaction.

Take Kiwi media company **NZME** (NZM) for example. Its share price hit a low of NZ\$0.18. At that price the whole company was valued at just NZ\$35m.

This month it reported its results for the period to 30 June 2020. NZME generated NZ\$20m of free cashflow, after debt service and capital expenditure. That's in one half of one year. Management is suggesting an increase in earnings in the second half of 2020 and further growth into 2021. Its net debt is down to just NZ\$55m and the company won't be far from debt free by 2022.

Or **National Tyre and Wheel** (NTD). We thought this company was cheap at \$0.40 a share and were happy with the first-half results released in February. That didn't stop its share price plummeting. At the March low of \$0.21, NTD's perceived worth was just \$22m.

It has since made a significant acquisition that will double the size of the business. But the most recent results don't reflect that. They do show the business generated \$12m of cash for the year. That increased the net cash balance to almost \$14m. We think there is plenty of upside to that if the most is made of the acquisition.

Those are just two extreme examples. Across the portfolio of investments made prior to the virus's arrival, it has largely been a story of eking out decent results in a very tough environment. Some have even managed to grow. **Enero** (EGG) and **Macmahon** (MAH) both posted an improvement on the prior year. In the latter's case, revenue grew 25% and its operating profit was 22% higher.

Mainstream Group grew its top line 11% and guided investors towards a similar amount of growth in 2021. Despite travel restrictions causing

a subdued end to the year for sales of its mining software, **RPM Global's** (RUL) revenue was still up a touch. The all-important recurring component of its fees grew 26%.

New investments made during the market meltdown have also added significantly to returns. **Adairs'** (ADH) share price is up more than fourfold from our first purchase and is more than double the average purchase price. The home furnishings retailer posted stellar results for the year, with its online business becoming significant in its own right. Family security application **Life360** (360) has also seen its share price double since the Fund's June purchase.

And our old friend **Hansen Technologies** (HSN) made a return to the portfolio recently. The last of the Fund's previous successful investment in this business was sold in late 2015 for more than \$3 per share. We have been able to buy it back for less than that almost five years later.

While the business has grown significantly since then, mostly via acquisitions, much remains the same. Andrew Hansen remains at the helm with a significant shareholding. Revenue for the company's billing software remains highly predictable. And its track record of successfully extracting more profit margin out of acquisitions remains intact.

We're not sure why the shares got so cheap. To us, it would seem exactly the sort of business you would want to own in a pandemic. And its results for the year only made us more perplexed. The share price jumped significantly after reporting modest revenue growth and healthy margin improvement. Nothing more or less than expected.

TOP 5 HOLDINGS (as % of NAV)

RPM Global Holdings Limited	(ASX:RUL)	8.7%
Thorn Group Holdings Limited	(ASX:TGA)	7.1%
Mainstream Group Holdings Ltd	(ASX:MAI)	6.4%
AMA Group Limited	(ASX:AMA)	5.9%
Enero Group Limited	(ASX:EGG)	4.9%
Cash		1.2%

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[^].

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%											22.50%

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FACTS

Fund inception 30 October 2009

ASX Code FOR

Distribution Annual, 30 June

UNIT PRICE SUMMARY

As at 31 August 2020

NAV \$1.27

Market Price \$1.08

Portfolio Value \$143.6m

ABOUT FORAGER

With approximately \$315 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.

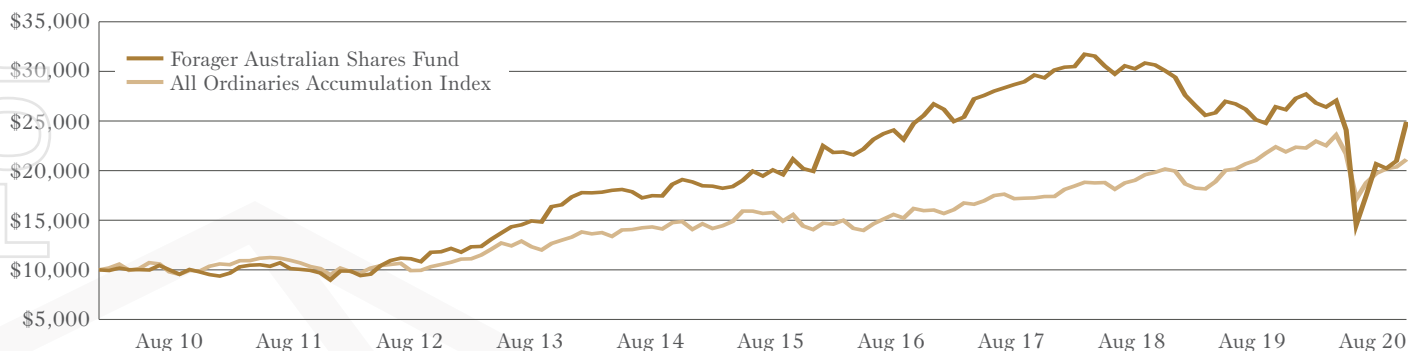
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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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