

FORAGER

AUSTRALIAN SHARES FUND

MONTHLY REPORT APRIL 2021

www.foragerfunds.com

FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 30 April 2021. 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)	13.23%	19.25%	35.56%	112.06%	6.72%	9.38%	13.24%	12.08%
All Ordinaries Accumulation Index	3.92%	7.34%	20.69%	33.89%	10.24%	10.71%	8.44%	8.34%

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 net asset value of the Forager Australian Shares Fund rose 13% in April, bettering the All Ordinaries Accumulation Index's 4% return. Gains in the portfolio were widespread but the Fund's investment in **Mainstream** (MAI) contributed the bulk of the upside.

Shareholders in Mainstream had a month to remember. On 12 April, the fund administrator announced that global behemoth **SS&C Technologies** (NASDAQ:SSNC) had trumped a \$1.20 bid for the company with a \$2.00 bid. The 67% premium looked like a knockout bid. And it was for the original bidder, **Vistra Group**.

But, on 27 April, a new party entered the ring with the firepower to match SS&C. Fellow global funds giant **Apex Group** offered \$2.20 per share in cash and SS&C countered with \$2.25. Two days later, Apex bid \$2.35. SS&C came back with a \$2.35 offer of its own and removed some of the conditions attached to its bid. The latest bid, which might well be dated by the time you read this, was a \$2.55 offer from Apex.

Mainstream's management, helmed by Managing Director **Martin Smith**, not only built the business into an attractive target but also expertly navigated the auction process. To entice the original bidder, management and board member shareholders gave **Vistra** a conditional option over 20% of the company. The insiders gave up some gains to get the process started. And in negotiating the original deal, Mainstream's management agreed a 'go shop' clause. This allowed the company to seek competing bids and helped to get more potential acquirers into the auction.

As Mainstream's largest institutional shareholder, it has been a sensational outcome for the Fund. The shares traded at less than \$0.60 for most of our five-year ownership period. We have sold a portion of the investment for risk mitigation purposes but it remains the Fund's largest holding.

Family tracking company **Life360** (360) announced a small acquisition and a positive start to the year. The acquisition of **Jiobit** brings pets and grandparents into Life 360's GPS tracking offering. It also announced healthy growth in its core business for the first quarter of 2021, despite most of the world still being impacted by lockdowns associated with COVID-19. Run rate revenue grew 26% as US-based user numbers climbed to a record.

With the vaccination rollout progressing at pace in Life360's most important market, the United States, growth should accelerate in the back half of the year.

A quarterly update from **MSL Solutions** (MSL) set its share price alight. A new management team has made excellent progress at MSL, ripping

unnecessary costs out of the business, making an important acquisition and winning new contracts. For the third consecutive quarter, **MSL** generated more than \$1m of operating cashflow. That might not sound like much, but it is a sharp turnaround from \$6m of cash burn in the 2019 financial year. And, with a market capitalisation of just \$56m, a bit more progress might make it look cheap.

iSelect (ISU) announced a special unfranked dividend of \$0.01 per share and its intention to pay an annual dividend of \$0.02 starting in the 2022 financial year. iSelect's main asset is a book of commissions due to it from insurance companies over the coming decade. For years the company's accounting profits were less than the cashflow it generated, with the difference accruing on the balance sheet. That trend will start to reverse in 2022, freeing up cash to be paid to shareholders.

The dividend news also came soon after an announcement from the ACCC that it would not oppose iSelect's largest shareholder increasing its shareholding up to 35%. That shareholder, **Innovation Holdings Australia**, owns iSelect's main competitor, **Compare the Market**. The ACCC announcement suggests it could wave a full takeover through, something that would be of substantial value to both sets of shareholders.

While Fund performance has been strong this financial year, we do not anticipate that there will be a material distribution for the year ended 30 June 2021, as there have been capital losses realised from some long-term investments. An estimate of the distribution will be provided in early June.

TOP 5 HOLDINGS (as % of NAV)

Mainstream Group Holdings Ltd	(ASX:MAI)	11.4%
RPM Global Holdings Limited	(ASX:RUL)	8.2%
Enero Group Limited	(ASX:EGG)	4.4%
Thorn Group Holdings Limited	(ASX:TGA)	3.9%
AMA Group Limited	(ASX:AMA)	3.9%
Cash		3.1%

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%	2.00%	7.79%	13.22%	3.56%	-3.05%	4.07%	1.21%	13.23%			83.62%

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FACTS

Fund inception	30 October 2009
ASX Code	FOR
Distribution	Annual, 30 June

UNIT PRICE SUMMARY

As at	30 April 2021
NAV	\$1.90
Market Price	\$1.69
Portfolio Value	\$207.3m

ABOUT FORAGER

With approximately \$450 million of funds under management and a focus on long-term investing, Forager Funds is a unique Australian asset management company.

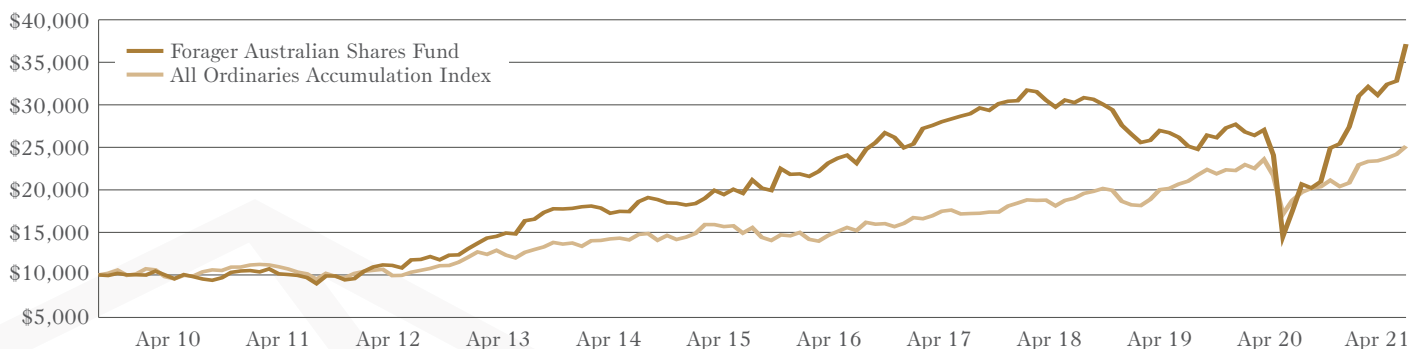
Following a strong ten-year track record, Forager is a sustainable business but is nimble enough to invest in smaller listed companies not accessible to many investment managers.

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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