

PERFORMANCE (Net of all fees and expenses)**FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY** (as at 31 January 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)	2.46%	-2.33%	2.39%	4.78%	-0.20%	8.03%	10.45%	10.19%
S&P All Ords. Accum. Index	4.69%	5.86%	5.33%	24.88%	12.40%	9.64%	9.01%	8.72%

*30 October 2009. 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 an indicator of future performance.

The Australian stock market rose 5% in January despite the continuation of disastrous bushfires and the outbreak of coronavirus. Retailers and car dealers have been feeling the impact. And with fewer international travellers, stock prices of companies dependent on tourism fell.

Experience Co (EXP), the operator of skydiving and adventure activities, is one of these. Management haven't made a formal announcement about the effects of the bushfires and the virus outbreak, but when they do the news won't be good. The company caters to skydivers in Australia and New Zealand and to reef visitors in Cairns. More than half are international tourists.

As the bushfires raged, estimates from a tourism industry organisation were for at least a 10% reduction in the number of international visitors. With Australia banning foreign travellers who have been in China, those estimates will head lower. Experience Co's revenue will be severely affected this year. With costs mainly fixed, profit will fall even further.

The impact of past viral outbreaks have been short lived. Australian tourist numbers recovered within seven months of the SARS outbreak, although this virus will probably hit harder. The bushfires may have a longer term effect, with significant media coverage globally. However, a multi-year impact seems unlikely. Extra government funding has already led to the "Holiday Here This Year" campaign.

Experience Co has almost no net debt. The business has an enviable market position in skydiving on both sides of the Tasman, flying seven of every ten jumpers. And a new management team, led by former Tourism Australia head John O'Sullivan, has already made some sensible capital allocation decisions. As these temporary challenges fade, a quality growing business will emerge.

Despite two large shocks to the business this summer, the Fund hasn't lost money on its investment in Experience Co. A low purchase price has provided a handy margin of safety.

Some better news came from the Fund's recent investment in mining software provider **RPMGlobal (RUL)**. A few years of high software development spending and a push into subscription software is paying off for RPM. By late November recurring subscription revenue had doubled from June and reached \$8m. In late January, having signed new contracts worth another \$7m, annual recurring revenue rose to \$10m.

This is only one source of the high quality recurring revenue that the company produces. Maintenance revenue for software sold on perpetual licenses was \$22m last year. And unlike many growing software companies, RPM is generating cash. About 5% of the current market cap (after adjusting for cash holdings) will be generated in free cash flow this year.

Mainstream (MAI), the funds management administration provider, grew total funds under administration to a record \$188bn in December. Rising global stock markets helped funds under administration rise 27% from the prior year. Even without market movements the company would have grown by \$12.6bn from new client funds and growth in existing funds.

Mainstream's custody product has now attracted \$7bn, growing 36% from the prior quarter. And the US private equity administration business, started only two years ago, now administers \$6.7bn. Continuing organic growth, and improved profit margins, over the next few years should allow Mainstream to be recognised for its high quality recurring revenue.

Vale **CSG (CSV)**. The print and technology services provider was acquired by giant Fuji Xerox in early February. With no other bidders emerging since the bid was announced in October, the acquisition was approved by CSG shareholders. Investors will receive the \$0.31 per share consideration in mid February. Proceeds will total 7% of the Fund.

TOP 5 HOLDINGS (as % of NAV)

Macmahon Holdings Limited	(ASX:MAH)	9.7%
RPMGlobal Holdings Limited	(ASX:RUL)	9.3%
Thorn Group Limited	(ASX:TGA)	7.0%
CSG Limited	(ASX:CSV)	7.0%
Enero Group Limited	(ASX:EGG)	6.8%
Cash		6.7%

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 S&P/ASX 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^.

FACTS

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

UNIT PRICE SUMMARY

As at	31 January 2020
NAV	\$1.39
Market Price	\$1.17
Portfolio Value	\$158.6m

ABOUT FORAGER

With over \$330 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.

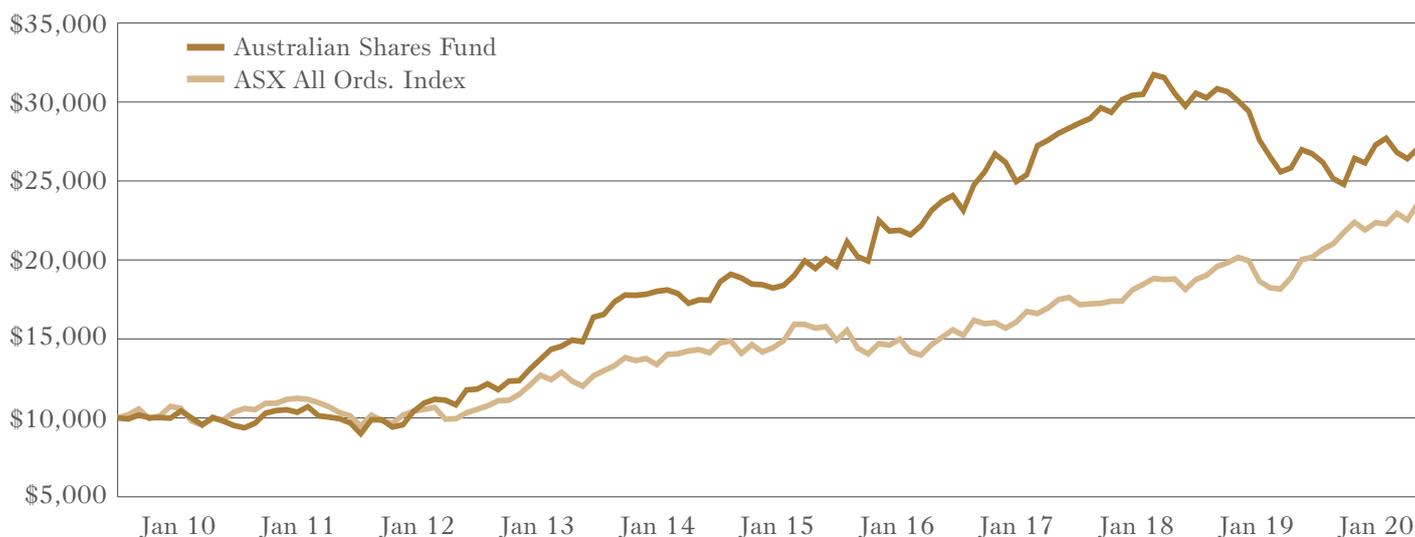
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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 IN THE FORAGER AUSTRALIAN SHARES FUND VS ASX ALL ORDS. INDEX



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 a reliable indicator of future performance and the value of your investments can rise or fall.

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