

FORAGER

AUSTRALIAN SHARES FUND

MONTHLY REPORT JULY 2020

www.foragerfunds.com

PERFORMANCE (Net of all fees and expenses)

FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 31 July 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)	3.70%	19.76%	-22.49%	-20.64%	-10.88%	-0.17%	7.65%	7.13%
All Ordinaries Accumulation Index	0.95%	8.51%	-13.62%	-9.02%	5.70%	5.54%	7.43%	6.84%

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 2021 financial year started quietly, with the All Ordinaries Index little changed through July. There was plenty of portfolio news, though.

Tyre distribution company **National Tyre and Wheel (NTD)** announced the acquisition of Tyres4U, a competitor of roughly similar size. Tyres4U has been unprofitable the past couple of years and was carrying too much debt, making for an attractive purchase price for NTD. The combined entity should generate some \$480m of revenue and there is plenty of expense overlap to be extracted.

NTD's previously cash rich balance sheet will be sporting some debt after funding the deal, and that increases the investment risk. But we also think it can double the company's per-share earnings over time. After a positive trading update at the end of June, it's a piece of news that further increases our confidence in the investment.

Fund administrator **Mainstream (MAI)** announced a fourth quarter increase in funds under administration of \$9.4bn, taking the full year increase to 14%. The company continues to attract a diverse range of new clients, with particularly pleasing growth in US private equity. Mainstream has shown its resilience through difficult equity markets and looks set to grow further through 2021 and beyond, hopefully translating into substantial increases in profitability.

It was a muted end to an otherwise successful financial year for mining software company **RPMGlobal (RUL)**. For the year it added \$8.4m of annual subscription revenue to the business and sold an additional \$7.5m of perpetual licences. Both numbers were in line with our expectations a year ago but, up until COVID-related travel restrictions and project deferrals from March, it had been tracking well ahead of those hopes.

We will hear more when the full year results come out. Some of its potential new clients are in rude health, particularly in the gold sector. Others, coal miners for example, are doing it tough. On balance, we are expecting growth for many years to come.

Eclix (ECX) managing director Julian Russell has been fixing past misdemeanors since taking control of this car leasing company a little over a year ago. The last of his clean up jobs—the sale of its loss-making Right2Drive business—was completed in July. The sale price was a small discount to the already written down book value but adds \$15m to Eclix's bank balance immediately, with another \$11.5m due over time and depending on business performance.

That gets its debt down closer to desired levels and puts the resumption of dividends within sight.

Dividends are what we want to see from **Thorn Group (TGA)**, too. Thorn's quarterly cashflow statement—released at the end of July—suggests that its shrinking Radio Rentals business is throwing off healthy (albeit expected) amounts of cash. The \$44m of net cash sitting in Thorn's bank account at 30 June was almost 50% higher than its market capitalisation just prior to the release. If left alone it will increase substantially over the next 18 months, but we hope that is not the case. It is better in our coffers than theirs and we are pushing for its distribution sooner rather than later.

While reporting season often results in share price volatility, this August is likely to be even more important. With expectations extremely low for most of our investments, we're hoping the volatility is on the upside.

TOP 5 HOLDINGS (as % of NAV)

RPM Global Holdings Limited	(ASX:RUL)	9.9%
Mainstream Group Holdings Ltd	(ASX:MAI)	7.3%
Enero Group Limited	(ASX:EGG)	6.5%
Thorn Group Holdings Limited	(ASX:TGA)	5.3%
AMA Group Limited	(ASX:AMA)	4.8%
Cash		2.2%

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[^].

FACTS

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

UNIT PRICE SUMMARY

As at	31 July 2020
NAV	\$1.07
Market Price	\$0.86
Portfolio Value	\$121.4m

ABOUT FORAGER

With approximately \$285 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.

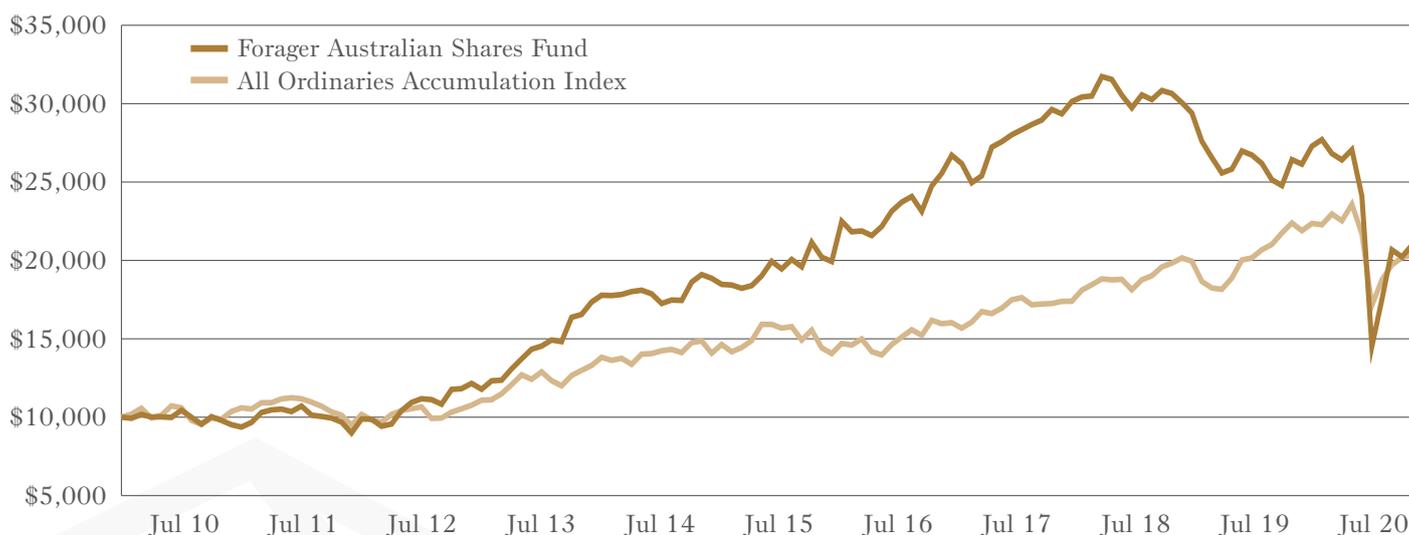
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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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