

FORAGER

AUSTRALIAN SHARES FUND

MONTHLY REPORT MAY 2020

www.foragerfunds.com

PERFORMANCE (Net of all fees and expenses)

FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 31 May 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)	18.04%	-14.19%	-22.90%	-17.78%	-10.33%	0.60%	7.53%	7.10%
All Ordinaries Accumulation Index	5.04%	-9.04%	-14.12%	-6.21%	4.72%	4.56%	7.25%	6.62%

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 ASX All Ordinaries Index continued its recovery in May, rising 5%. The index is now 18% off its February peak, having been down 36% at the coronavirus nadir on the 23rd of March.

Having fallen much more than the index, the net asset value of Forager's Australian Shares Fund also bounced back faster. The unit value rose 18% in May thanks to a combination of diminished fear and relatively positive updates from companies with extremely depressed share prices.

Leading the latter was leasing company **Eclix** (ECX). Having released three reassuring announcements about operating performance and access to finance over the past few months, investors finally got the message with the release of Eclix's half-year results in the middle of May.

While the headline results were messy thanks to ongoing restructuring, Eclix's core leasing business grew its earnings 11%. More importantly, the second-hand car market is improving rapidly as the Australian economy begins to recover. Eclix typically leases new cars for two to three years and a chunk of its earnings come from selling those cars into the second hand market at the end of the lease.

After a hiatus in April as potential consumers stayed home, more recent activity has seen Eclix selling the normal number of cars at pre-coronavirus prices. New CEO Julian Russell has been doing an outstanding job turning this business around and we think the recovery has a ways to go.

The survival of smash repairer **AMA Group** (AMA) was being questioned in March, with the share price troughing down more than 70%. In May the company released a welcome update. With support from its banks and an improved environment, AMA was able to rule out the need for fresh funds.

As accident numbers declined AMA shrank its business. The workforce has been reduced, leases recut and other costs curtailed. Improving payments from insurers, an issue affecting the business since late last year, is close to being finalised. With drivers back on the roads, AMA should see bingles rise from here.

Thorn (TGA) released its annual results in May. It didn't make for good reading. COVID-19 has dramatically affected

Thorn's small business equipment finance segment. More than a quarter of its \$323m loan book is not being repaid. Losses for the division reached \$19m. And as the situation worsened, Thorn's own funder refused to accept new loans.

The news was better for Thorn's Radio Rentals consumer leasing division, now in run-down. Stores have been closed and 300 staff have been made redundant. The company will now collect as much as it can from the \$146m owed by customers. Costs will need to be trimmed to realise the most cash from the process while a new online offering is being relaunched.

The company's \$30m-odd net cash pile is set to grow. How much cash is eventually realised will depend on the actions that the Board and management team take over the next few months.

Marketing services group **Enero** (EGG) announced a new CEO in May. He has some big shoes to fill. Former CEO Matt Melhuish took on a struggling Enero in 2012 and left in December last year with the business performing strongly.

Despite most companies dramatically cutting marketing over the last few months, Enero continues to be well positioned as spend recovers. That will leave Brent Scrimshaw, formerly with big advertiser Nike and more recently the founder of a startup, with some interesting options on where to take Enero in a post COVID-19 world.

TOP 5 HOLDINGS (as % of NAV)

RPM Global Holdings Limited	(ASX:RUL)	12.5%
Enero Group Limited	(ASX:EGG)	6.9%
Eclix Group Limited	(ASX:ECX)	6.8%
Mainstream Group Holdings Ltd	(ASX:MAI)	6.0%
Macmahon Holdings Limited	(ASX:MAH)	5.9%
Cash		0.4%

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 May 2020

NAV \$1.06

Market Price \$0.93

Portfolio Value \$121.0m

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.

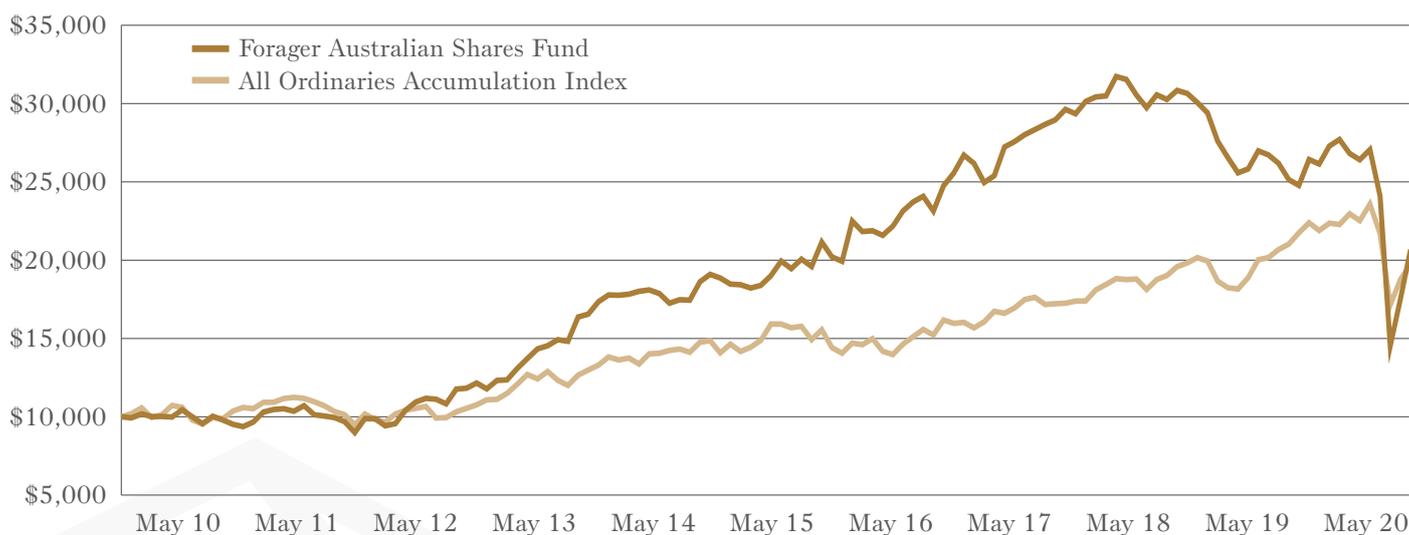
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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.

WARNING The information given by Forager Funds Management is general information only and is not intended to be advice. You should therefore consider whether the information is appropriate to your needs before acting on it, seeking advice from a financial adviser or stockbroker as necessary. This presentation may contain some forward-looking statements which reflect the expectations of Forager Funds Management about the future prospects of companies held within the portfolios of the funds. While Forager Funds Management considers its expectations to be based on reasonable grounds, there is no guarantee that those expectations will be met. **DISCLAIMER** Forager Funds Management Pty Ltd operates under AFSL No: 459312. The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL No: 235 150) is the responsible entity and the issuer of the Forager Australian Shares Fund (ARSN 139 641 491). You should obtain and consider a copy of the product disclosure statement relating to the Forager Australian Shares Fund before acquiring the financial product. You may obtain a product disclosure statement from The Trust Company (RE Services) Limited, or download a copy at www.foragerfunds.com. To the extent permitted by law, The Trust Company (RE Services) Limited and Forager Funds Management Pty Limited, its employees, consultants, advisers, officers and authorised representatives are not liable for any loss or damage arising as a result of reliance placed on the contents of this document. [^] Although the All Ordinaries Accumulation Index benchmark largely represents the available listed investment universe for the Fund, the concentrated nature of the Portfolio and the Fund's ability to invest in securities that are not included in this index means the Fund's results may not be correlated with this index. This investment objective is not a forecast and returns are not guaranteed.