FORAGER

JUNE 2023 FINANCIAL YEAR PERFORMANCE REPORT

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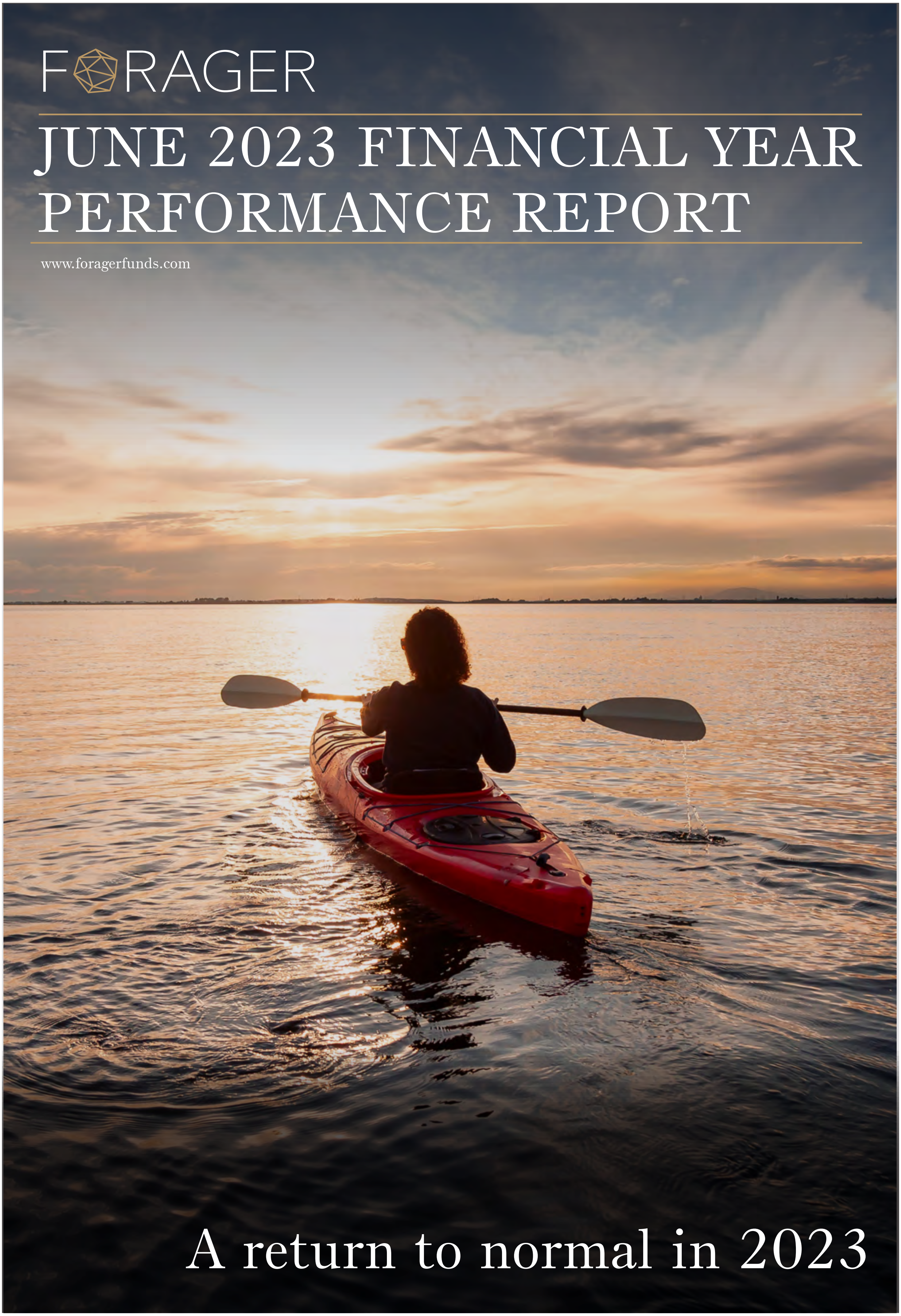


A return to normal in 2023

INTERNATIONAL SHARES FUND

JUNE 2023 FINANCIAL YEAR PERFORMANCE REPORT

FORAGER INTERNATIONAL SHARES FUND PERFORMANCE SUMMARY (as at 30 June 2023. 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.)
International Shares Fund	2.51%	5.88%	17.23%	19.01%	9.64%	7.71%	10.75%	11.79%
MSCI AC World Net Index in $A	2.89%	6.54%	15.37%	19.98%	12.22%	9.92%	12.13%	13.08%

MSCI AC World Net Index in $A is an abbreviation of MSCI All Country World Investable Market Index (Net) in Australian dollars. Past performance is not indicative of future performance and the value of your investments can rise or fall.

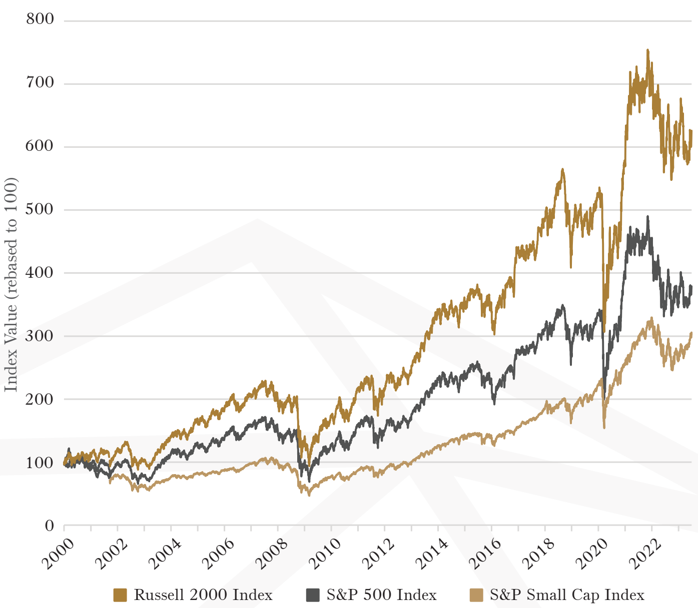
*8 February 2013

Over the year to 30 June 2023, the Forager International Shares Fund returned 19%. Despite slightly underperforming its benchmark index over the year, it's a result our team can be proud of.

This portfolio—by design—is invariably weighted towards smaller companies. Smaller companies garner less attention from investors and research houses. They tend to grow faster than more mature counterparts. Furthermore, mergers and acquisitions tend to be a more important tailwind for these companies given their size. The results? Smaller stocks have historically achieved higher returns over the full business cycle.

The S&P SmallCap 600 Index has outperformed the large cap S&P 500 by more than two times since the turn of the millennium. When seeking an analytical or behavioural edge in order to scoop a bargain, small caps are an evergreen hunting ground.

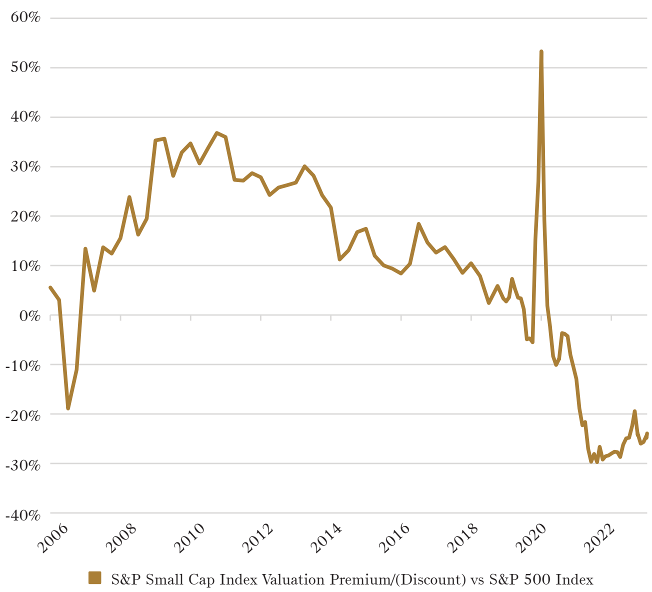
RUSSELL 2000 INDEX VS S&P 500 INDEX VS S&P SMALL CAP INDEX



Source: Bloomberg

But that hunting ground is currently even more fertile than usual. In the decades prior to 2021, small caps traded at a premium multiple to the S&P 500 (higher growth is the reason they typically deliver higher returns). They are currently trading at a 25% discount—a multi year low.

S&P SMALL CAP INDEX VALUATION PREMIUM/ (DISCOUNT) VS S&P 500 INDEX



Source: Bloomberg

History suggests that small and mid cap stocks tend to get hit hardest in the period prior to a recession or slowdown. But they also tend to recover quickest, often rallying from around the time a recession officially starts, or even beforehand (markets are anticipatory in nature).

After significantly underperforming the past few years versus larger peers, it's our opinion that our small cap investments are like coiled springs—ready to bounce higher when sentiment turns.

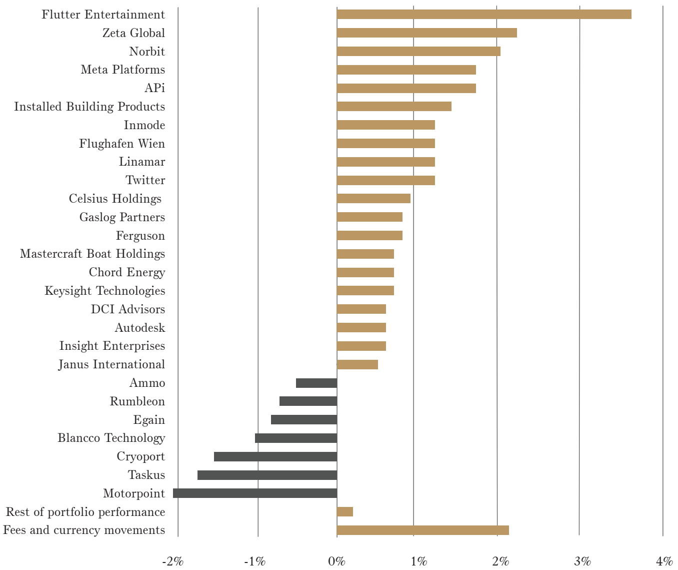
So we own a lot of them and we think that's the right way to maximise risk-adjusted returns from the current opportunity set. That's why today almost two thirds of the Fund is invested in stocks smaller than US$10bn, far higher than our comparable index.

STILL A HEADWIND

But that positioning wasn't a tailwind over the past financial year. In fact, it remained a headwind, at least in a relative sense. For example, over the past year the S&P 500, a capitalisation-weighted measure of the stockmarket performance of the largest 500 companies in the US, returned 16%. The small cap focused S&P SmallCap 600 returned a more pedestrian 7% over the same period.

We're positioned to do well if and when small caps outperform, which wasn't 2023. And yet the Fund managed to almost keep up with its benchmark. That's a good year.

FISF PERFORMANCE CONTRIBUTION FOR THE YEAR ENDING 30 JUNE 2023



BIGGEST LOSERS

After last year's *annus horribilis*, it's pleasing to once again report a year where our list of losing stocks was short and contained. The Fund had three investments that cost us more than one percentage point of total return.

UK used car dealer **Motorpoint** (LSE:MOTR) disappointed a second year running, clipping 2% from Fund returns. Motorpoint's skill is efficiently moving large numbers of near-new vehicles acquired cheaply from industrial-scale sellers such as short-term car hire companies.

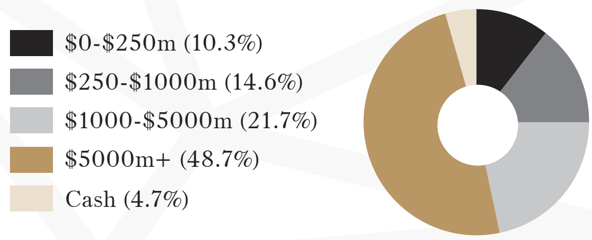
Covid interruptions and the follow-on chip shortage that decimated new car production over 2020-22 have led to a dearth of the one to three-year-old cars that Motorpoint specialises in reselling. This was predictable but we underestimated the depth and duration of the impact in a business heavily dependent on volume. Market conditions have morphed Motorpoint from a highly profitable operator to one that will trade around breakeven for a few years. If the longer-term future looks anything like the pre-Covid past, the business will once again be profitable and today's stock price will prove much too cheap. There are risks. But it's an example of the sort of coiled spring we're seeing elsewhere in smaller cap stocks around the world. At least some of them will pay off handsomely.

IT outsourcing company **Taskus** (NASDAQ:TASK) has had a tough couple of months. The market is concerned about its major customers (high-growth tech companies such as Meta and Uber) cutting costs and reducing their outsourcing spend.

Despite this, the company's recent results demonstrated resilient profit margins and management has committed to a $200m share buyback.

The stock currently trades on eight to nine times expected earnings for 2023, well below most outsourcing peers. And this is from a business that can continue growing. Outsourcing companies tend to be early winners once the economy stabilises and clients begin to ramp up investment. As demand for products and services improves, outsourcing tasks and customer support functions is a far more efficient solution than hiring full-time internal employees. Taskus fell 33% in 2023 and deducted 1.7% from overall returns.

PORTFOLIO DISTRIBUTION ACCORDING TO MARKET CAPITALISATION



Source: S&P Capital IQ

Cryoport (NASDAQ:CYRX) fell 44% over the year, with most of the damage done in the back half of 2022. It crimped results by 1.5%. The market environment for rapidly-growing smaller companies hasn't helped, but the pain has been compounded by a profit warning due to softer demand for their high-end cryogenic storage freezers. Thankfully, the following two profit results showed signs of recovery in growth. It's hardly a deep-value bargain. But it's the market leader in a vital business where scale matters immensely. Providing cryogenic transportation for the rapidly growing cell and gene therapy market is likely to prove a good business over the coming decades.

In recent months, we've added to two of these three poor performers. Each thesis has risks, but we believe the upside potential more than compensates. Averaging down on stocks that have underperformed is tricky business—it's a category that invariably holds some of your biggest winners and silliest losses. We don't do it lightly. There are several investments that generated small losses this year that could have been uglier had we doubled down rather than, in the case of **RumbleOn** (Nasdaq:RMBL), **Tremor International** (AIM:TRMR), and **AMMO** (Nasdaq:POWW), sold and moved on when we felt the thesis was not playing out as expected.

WINNER'S CIRCLE

Twelve months ago, global online gambling giant **Flutter** (LSE:FLTR) was one of the Fund's largest positions and we outlined our investment case during the 2022 roadshow. Our variant perception centred around a belief that online gambling is a winner-take-most business, with evidence mounting monthly that Flutter's FanDuel operation was going to be that winner in the nascent but already huge US market.

That evidence has continued to pile up and the market has taken note, with the stock price doubling over the year and contributing 3.6% to Fund returns. We think there's more upside to come, which is why Flutter remains an important investment. But our viewpoint is now no longer so starkly contrarian, and we've taken a lot of profit off the table over the past few months to reinvest elsewhere.

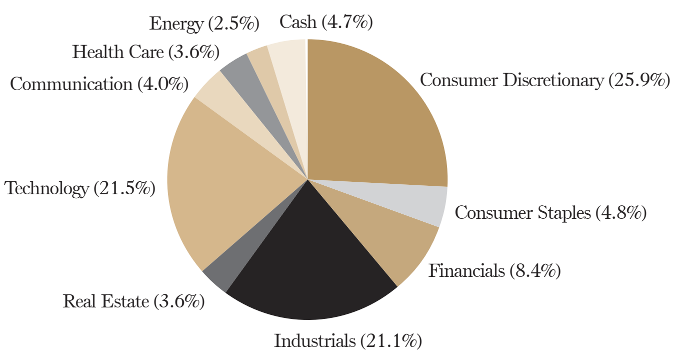
Zeta Global (NASDAQ:ZETA) was another significant contributor to the fund over the past year. The prior year, the stock fell more than 60% despite strong underlying performance, with the business continuing to report 20%-plus annual revenue growth. We increased the position significantly in July 2022.

The share price has almost doubled since and added 2.2% to portfolio returns. We have cashed out some of those gains, retaining a smaller position given an attractive valuation, good growth prospects and a management team building a track record of delivering on their promises.

Famed fund manager Peter Lynch said that most often, he made his money in the third or fourth year of holding an underpriced security. So it's been with Norwegian high-tech manufacturer **Norbit** (OB:NORBT), bought via an Initial Public Offering in 2019. The share price has almost doubled since and added 2.2% to portfolio returns. We have cashed out some of those gains, retaining a smaller position given an attractive valuation, good growth prospects and a management team building a track record of delivering on their promises.

Three years later, the stock hadn't delivered much, starkly contrasting the business itself which was going from strength to strength. But in this fourth year of ownership, the coiled spring unloaded, with the stock almost doubling and adding nearly 2% to returns. The Fund has sold more than 40% of the shares it held 12 months ago. The easiest money has been made, but Norbit remains an important investment.

STOCK EXPOSURE BY SECTOR



Source: S&P Capital IQ

Meta Platforms (NASDAQ:META) was one of the biggest detractors to fund performance last year and one of the biggest contributors this year. The original investment was meant to provide portfolio resilience in a market where finding value was difficult. If you had slept the past two years, you might think Meta had done its job, with the share price roughly where it was. For those of us awake, however, it has been a wild ride. The share price is up 216% from the November 2022 lows under $90, showing just how much pessimism was priced in at that point.

The rally was sparked by a series of cost cuts. More recently, Meta's advertising revenue has recommenced growing after three consecutive quarters of declines. Artificial Intelligence (AI) recommendation tools have been responsible for a large chunk of its increased investment but they are starting to pay off. As outlined in the first quarter results, users were sharing Reels twice as much as just six months earlier and AI tools drove a 24% increase in time spent on Instagram. We added to our investment near the lows in late 2022 and have been selling down our stake as the price increases to fair value. Meta added 1.7% to returns this year.

APi Group (NASDAQ:APG) is another investment we've held for a few years (since 2020) that really hit its stride this year. It came to market via a dreaded SPAC but, unlike most of its peers, it had a very long history of organic growth and attractive margins. The company is predominantly focused on the fire and safety market with a lot of repeat business. Often forced by regulation, customers tend to refresh fire extinguishers and new smoke detector systems every few years.

Management has a strong track record of acquiring smaller businesses in a way that adds value for shareholders. When the team announced the acquisition of Chubb for $3.1bn at the start of 2022, we were nervous. It was a much larger target and one that had been mismanaged for years.

So far, the evidence has been positive - Chubb is growing again and margins have been improving. The stock rallied 80% over the year and added 1.7% to overall returns. The valuation remains attractive, with APG currently among the Fund's top five holdings.

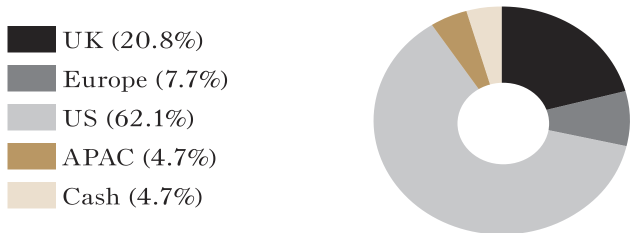
Exposure to US housing provided us with a nice tailwind over the past six months, with investments such as **Installed Building Products** (NYSE:IBP) and **Ferguson** (NYSE:FERG) contributing 2.3% to returns combined. New home sales had already begun to stabilise in late 2022, yet the market remained overly pessimistic. It was a simple and sharp bounceback—IBP, for example, is up 69% over the year, with most of that coming since Christmas. We have sold some but continue to see it as an attractive investment trading below historical norms.

Ferguson is currently the fund's largest holding for reasons discussed in previous reports. It holds market-leading positions across several categories of distribution. Sales to both the non-residential construction industry and the residential repair and remodel market make it more resilient than businesses focused on new residential markets. We await potential catalysts such as inclusion into the S&P 500 index after its relisting to the US, which will force index funds to buy. In the meantime, Ferguson offers a good balance of capital returns to shareholders via dividends and buybacks, and growth from both organic sources and acquisitions.

Aesthetic device company **InMode** (NASDAQ:INMD) is another investment reversing its negative contribution to performance last year. The share price increased more than 50%, adding 1.2% to returns. The company has continued to deliver in what should be a tough economic environment for its products. Investors have been sceptical of InMode's ability to continue growing revenues and maintain industry-leading margins. It's early days, but management has not seen any signs of a slowdown in procedure demand yet and profitability continues to hold up well.

Linamar (TSX:LNR) is a cyclical yet structurally growing manufacturer. It had a tough couple of years due to the massive reduction in new cars made globally in 2020-22 due to Covid and a computer chip shortage. The industry has now largely shaken that off, and Linamar finally gets a chance to fire on all cylinders. The stock added 1.2% to results, and we're betting there's more to come.

STOCK EXPOSURE BY GEOGRAPHY



Source: S&P Capital IQ

TAKE ME OUT

We think it's a good sign when portfolio investments are regularly receiving takeover bids. There were three that impacted this past year.

Elon Musk's bid for Twitter was the most welcome Get out of Jail Free card we've ever been dealt. It was also one of the more bizarre takeover cases in history.

Despite some of the most ridiculous legal opining on the case from Twitter users themselves, we were confident in the value of the signed contract even after Musk tried to pull out of the bid. The law won, as did the Fund, and Twitter added 1.4% to overall returns. It should have been more. We spoke long and hard about doubling down during the fractious court case, but failed to act meaningfully.

Liquefied natural gas (LNG) carrier business **GasLog Partners** (NYSE:GLOP) was bought as part of a basket of commodity stocks we've held for a few years. We bought it when it was way too cheap. We sold it, not entirely happily, to an acquirer when it was merely too cheap. It was a nice return off a small position, adding 0.8% to returns.

We've written extensively about our displeasure at the €33 per share price IFM Partners was offering minority shareholders of Vienna Airport owner **Flughafen Wien** (WBAG:FLU). We railed against the bid, which effectively held a liquidity gun to minority shareholders' heads. We outlined our case to both the board and the Austrian Takeovers Commission. The offer was ultimately hamstrung. Our convictions have been rewarded. The stock now trades at more than €47, up 56% over the year and adding 1.2% to the Fund's results.

One final contributor that didn't quite make the cutoff but deserves a mention is, once again, **Celsius** (NASDAQ:CELH), which added 0.9% to 2023 returns. It was already our most successful historical investment by some margin and we re-invested in the energy drink company for the third time when the share price pulled back dramatically in early 2022. The stock price more than doubled over the subsequent 12 months thanks, in no small part, to its distribution deal with **PepsiCo** (NASDAQ:PEP) and we have once again taken our profits here. It remains on our watchlist should the market give us yet another opportunity to buy back in at a more reasonable valuation.

DISTRIBUTIONS

We've fielded a few complaints from unitholders recently about the lack of distribution this year. We understand that income is an important aim for many investors. But you should not be relying on this investment for your predictable income stream.

Any distribution relating to the International Shares Fund relates to income on which all investors need to pay tax, depending on their taxation status. It also comes straight off the capital value of the Fund. For example, if the Fund pays a 10-cent distribution, the value of everyone's investment immediately falls by 10 cents per unit. We run the Fund with a predominant focus on pre-tax returns, but do keep a close eye on any tax consequences of our sales and try to avoid generating taxable income (and therefore distributions) where possible. Given that there were realised losses carried forward from the financial year ended 30 June 2022, we were able to offset any realised capital gains against these losses in order to prevent a taxable event for investors.

The investment strategy of the Fund is based on generating capital gains from investing in unloved and underappreciated stocks. While some of the underlying investments pay regular dividends, the yield on the portfolio is typically low. Most of the returns have historically come from capital gains and we expect that to be the case in future.

So the distributions are likely to be uneven and unpredictable and you should not rely on them as a regular source of income. The Forager International Shares Fund should be a component of the growth part of your portfolio and any distributions should be seen as a component of that growth.

You can read more about the distribution profile of the fund in this recent blog article.

NEW IDEAS

We've had a good year despite the lack of strong tailwinds in our preferred market corners. Numerous investments have paid off in a fairly idiosyncratic way and we've taken profits on a lot of it. Even more than usual, this is a time when it will pay to have a deep bench of attractive new ideas in which to deploy capital.

There is still plenty of pessimism at the small cap end of the market. We have added several new investments to the portfolio recently and are constantly adding new ideas to the watchlist. In the September quarterly report, we'll outline a few new ideas where your money has been put to work over recent months.

Our team thanks you for your patience and trust in us, it's a responsibility we don't take lightly.

TOP 5 HOLDINGS (as % of NAV)

Ferguson Plc	**(NYSE:FERG)**	3.9%
Linamar Corp	**(TSX:LNR)**	3.8%
Flutter Entertainment Plc	**(LSE:FLTR)**	3.6%
Blancco Technology Group Plc	**(AIM:BLTG)**	3.6%
APi Group Corporation	**(NYSE:APG)**	3.5%
Cash		4.7%

FUND OBJECTIVE

The Fund is an international equities fund, targeting undervalued securities on the world's stock markets. The Fund's investment objective is to outperform the MSCI All Country World Investable Market Index (Net) in Australian Dollars (MSCI AC World Net Index in $A) over a rolling 5-year period. The Fund's goal is to produce superior long-term returns from a portfolio of 20–40 businesses, irrespective of short-term share price movementsˆ.

FUND PERFORMANCE BY MONTH AND FINANCIAL YEAR

FY	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total Return
2013								-0.26%	-0.62%	2.88%	8.74%	3.47%	**14.73%**
2014	3.61%	1.11%	-1.26%	4.59%	6.58%	2.82%	1.40%	1.92%	-4.64%	1.85%	1.46%	-0.16%	**20.54%**
2015	-1.81%	-0.82%	1.47%	-2.93%	2.43%	3.63%	1.33%	3.59%	1.47%	2.84%	4.54%	-2.17%	**14.06%**
2016	5.61%	-0.29%	-2.07%	2.55%	-3.19%	-2.74%	-5.08%	3.36%	0.09%	3.64%	5.84%	-6.36%	**0.44%**
2017	4.55%	3.84%	1.91%	0.52%	4.65%	5.55%	-0.63%	-0.13%	2.25%	4.97%	1.69%	-4.25%	**27.42%**
2018	-0.76%	-0.43%	3.99%	2.31%	1.62%	-2.76%	0.97%	-1.78%	-1.22%	4.64%	0.97%	1.21%	**8.81%**
2019	-0.55%	1.50%	2.22%	-6.62%	-5.49%	-3.66%	5.11%	5.19%	-4.03%	4.79%	-2.68%	1.85%	**-3.31%**
2020	0.07%	-1.92%	3.09%	0.95%	4.83%	4.73%	3.62%	-6.03%	-15.53%	9.78%	12.60%	-0.22%	**13.74%**
2021	1.36%	10.05%	1.63%	2.36%	10.85%	5.98%	2.07%	6.56%	2.20%	8.05%	1.41%	7.75%	**78.88%**
2022	-4.25%	-0.03%	-3.57%	-1.79%	1.27%	-4.61%	-6.24%	-6.32%	-7.29%	-6.24%	-1.50%	-5.98%	**-38.09%**
2023	4.46%	0.80%	-5.91%	8.57%	-0.52%	-5.13%	7.00%	1.88%	1.57%	2.04%	1.21%	2.51%	**19.01%**

Past performance is not indicative of future performance and the value of your investments can rise or fall.

FACTS

Fund inception	8 February 2013
Minimum investment	$20,000
Monthly investment	Min. $200/mth
Distribution	Annual, 30 June
Applications/Redemption	Weekly

UNIT PRICE SUMMARY

As at	30 June 2023
Buy Price	$1.5574
Redemption Price	$1.5512
Mid Price	$1.5543
Portfolio Value	$196.8 million

The Fund is forward-priced; you will receive the price struck subsequent to the receipt of your application/redemption.

ABOUT FORAGER

With approximately $340 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.

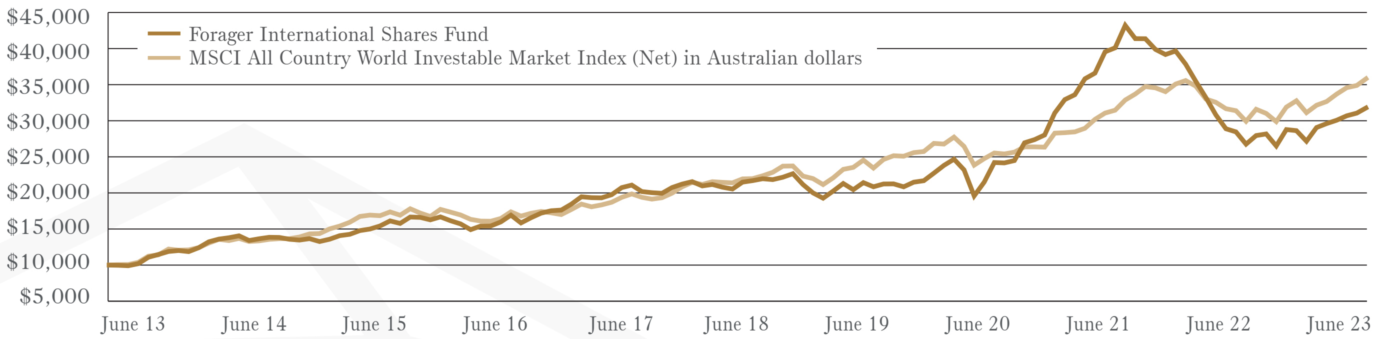
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

Key investment staff are strongly aligned with investors through co-investment and / or equity in the Forager business.

FUND CHARACTERISTICS

- Concentrated portfolio of global equities
- A combination of large liquid resilient businesses with smaller value based opportunities
- Flexible mandate allows for a wide range of markets
- Investment team with deep pockets of expertise
- Strong focus on managing portfolio risks
- Weekly applications and redemptions

COMPARISON OF $10,000 INVESTMENT OVER TIME



Source (MSCI AC World Net Index in $A): S&P Capital IQ. The above figures assume that all distributions have been reinvested. Past performance is not indicative of future performance.

FORAGER

AUSTRALIAN SHARES FUND

JUNE 2023 FINANCIAL YEAR PERFORMANCE REPORT

FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 30 June 2023. Net of all fees and expenses)

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Australian Shares Fund (ASX:FOR)	0.34%	3.31%	0.38%	17.13%	16.46%	0.71%	7.98%	8.87%
All Ordinaries Accumulation Index	1.94%	1.01%	4.65%	14.75%	11.42%	7.35%	8.80%	7.80%

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

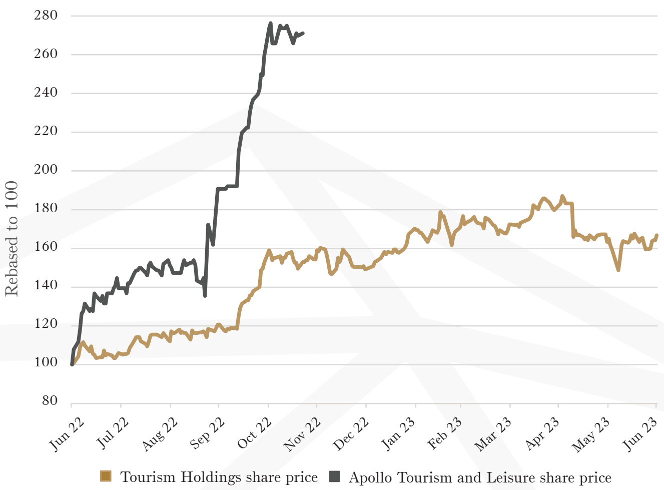
The Forager Australian Shares Fund (FOR) delivered a pleasing result for the year to June 2023. The Fund rose 17.1% while the All Ordinaries Accumulation Index rose 14.8%. A significant majority of the Fund's portfolio is invested in smaller stocks, which continued to underperform larger stocks. The Small Ordinaries Accumulation Index rose 8.4% for the year.

Major positive contributors dominated the year, with only one poor performer costing the Fund more than 1% of capital, against 10 contributing more than 1% to portfolio performance. Some key investments delivered a meaningful performance boost, while a handful of takeovers and some investments in larger stocks bolstered the numbers.

TOURISM TAKING OFF

A major contributor for the year was the recreational vehicle powerhouse **Tourism Holdings** (THL). The business manufactures, rents and sells RVs in Australia, New Zealand, North America and Europe. The year saw two key milestones: the completion of the Apollo merger and the return of international tourism to Australia and New Zealand.

TOURISM HOLDINGS & APOLLO SHARE PRICE



Source: Bloomberg

The Tourism Holdings and Apollo merger saga began way back in December 2021. Competition authorities were uneasy and progress stalled until a deal to sell some fleet allayed concerns. The deal was finally completed in November 2022. As shareholders of both businesses, we were pleased to see this attractive combination go ahead. Combined cost savings are now estimated at between $27m and $31m, greater than the profits produced by the Apollo business standalone pre-COVID.

Also helping business performance is an influx of tourists eager to explore Australia and New Zealand in an RV. The financial year started with Australian short-term visitor arrivals down 59% on 2019 levels. By April 2023, arrivals had recovered to only down 22%. For the half-year to December 2022, Australian rental revenue for the merged business rose 135% from the same half last year. Total revenue was up 43% while earnings before interest and tax rose to $84m from breakeven.

Less profit from sales of used fleet, which helped the business stave off a capital raise during COVID, will see margins fall to more normal levels over the next few years. And while rental prices will fall slightly from current levels, they are likely to be a lot higher than pre-COVID levels on a fast recovering number of rental days. THL will emerge from COVID-related disruptions a much stronger business than when it went in. THL and Apollo's contributions last year totalled 6.2%.

SOFTWARE DELIVERING THE GOODS

Gentrack (GTK), a software provider to utilities and airports, was another significant contributor during the 2023 financial year. The utility and airport software business's share price was up 200% during the year and contributed 5.3% to portfolio performance.

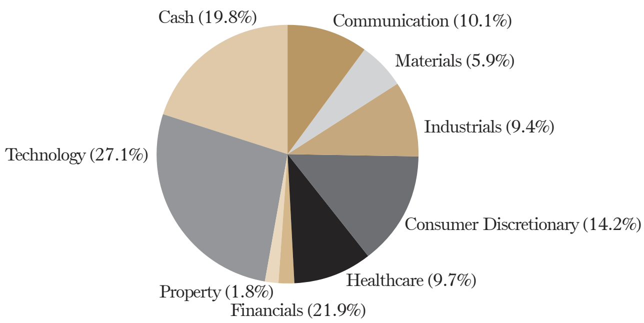
Despite the business trumpeting a "return to growth and winning" in early 2022, investors were skeptical of the turnaround. When reporting earnings for the six months to March 2022, the business was still mid-turnaround. Revenue grew 12% but higher costs meant Gentrack was loss-making. Future revenue from UK energy customers was under a cloud, while cash finished at a mere $16.5m.

Just twelve months later, the business has migrated from a turnaround candidate to a profitable, high-quality, growing business.

Revenue increased 48%, as work from UK energy customers increased. A $6m loss swung to an $8m profit. The business generated more than $25m of free cash flow during the year to March 2023 and finished with $42m of cash on the balance sheet. New and existing client wins mean the 2023 profits, despite being boosted by some once-off revenues, are due to grow into 2024 and beyond.

Another big software winner last year was insurance software and service provider **Fineos** (FCL). Although the company's share price rose 50% and contributed 1.8% to portfolio performance last year, we continue to expect more in the years to come. While its high-margin software subscription offering continued to see very healthy levels of growth, low-margin professional services shrank, leading to lower overall revenue growth. The good news is that each dollar of new software revenue is multiple times more valuable than a dollar of services revenue.

STOCK EXPOSURE BY SECTOR



Source: S&P Capital

It's also been a particularly volatile year for the Fineos share price. The shares halved between February and March when investors got spooked that a sudden decline in cash balances could lead to a capital raise. But all's well that ends well. Balance sheet concerns were put to rest (for now, at least) when the company released its third quarter update. This type of volatility is not unusual in the smaller, more illiquid side of small cap investing and you should expect us to take advantage of it.

The year finished with a bang as Fineos announced the win of Guardian Life as a major client. The first year of revenues from this contract is similar to our expectation of revenue growth for the entire 2024 financial year. But it's not just good for revenue and profits now. The deal serves as validation of the company's software offering, the size of new client opportunities, and how the insurance industry is finally following the rest of the world to off-the-shelf software. The Guardian Life win will underpin growth for years to come, while Fineos continues to secure other new clients.

GONE BUT NOT FORGOTTEN

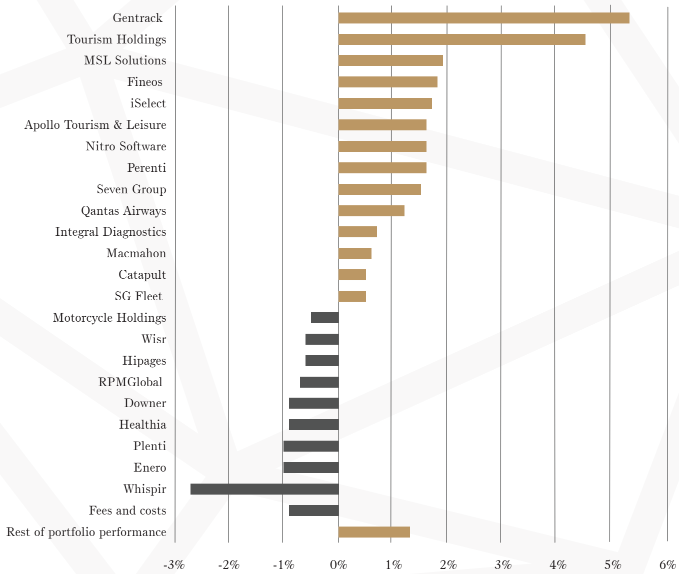
Apollo was not the only takeover in the portfolio last year. The Fund benefited from a raft of takeovers, as private equity and industry buyers recognised the value on offer in Australia's beaten-down small companies.

Long-held golf, stadium and club software company MSL Solutions was taken over by private equity group Pemba at a 64% premium in February 2023. A few years ago it was burning cash and generating losses, forcing us to instigate board changes and the new board to install new management.

Experienced operator Tony Toohey stepped in as executive chair and began the process of cleaning up the company, with a view to simplifying disparate software products and moving the business to free cash flow positive.

For the 2022 financial year, MSL grew organic revenue by 16%, was winning new customers, and generating free cash flow. The takeover, at an appropriate price, is testament to this successful turnaround.

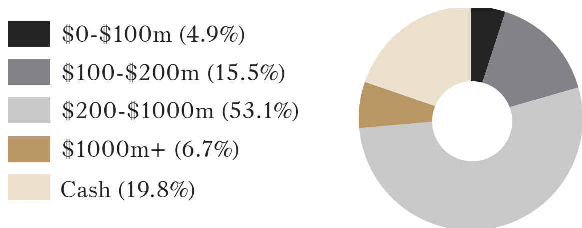
FASF PERFORMANCE CONTRIBUTION FOR THE YEAR ENDING 30 JUNE 2023



Another of the Fund's investments to leave the exchange was comparison website iSelect. The year to June 2022 was a disappointing one for the business. Health funds deferred premium increases. Energy retailers were less keen to put discounted offers to customers through the company. Revenue was down 16% and the business lost money. Worse still, the acquisition of a young and unprofitable business at an alarming price scuttled the return of iSelect's trail asset into shareholders' hands.

Into this disappointing situation came the long-anticipated bid by Innovation Holdings, already a major shareholder and owner of competitor Compare the Market. The 88% premium on the pre-bid price was healthy and put a bittersweet final note on what was a disappointing investment.

PORTFOLIO DISTRIBUTION ACCORDING TO MARKET CAPITALISATION



Source: S&P Capital IQ

Nitro Software was one of a handful of fallen technology stars to leave the ASX boards for good. After a poor quarterly result sent the shares down around 25% in July 2022, things took an unexpected turn for the better the next month when news emerged that private equity group Potentia was accumulating a stake with the aim of bidding for the whole business.

Shareholders in Nitro can thank the entrance of rival bidder Alludo for driving up the share price for Potentia, which took out the hotly contested bidding war at $2.20 per share in April 2023. This was nearly 40% higher than their opening bid at $1.58.

While it contributed to returns last financial year, our total investment return and holding duration will remain only a fraction of what we expected it to be. From here Potentia's investors will reap the rewards.

In total, the Fund's contribution from these acquired businesses last year was 5.2%.

Two other portfolio holdings received bids that were ultimately not successful. Education, payroll and government software business **Readytech** (RDY) received interest from private equity outfit Pacific Equity Partners at a nearly 40% premium. After weeks of back-and-forth, a substantial shareholder cemented their demand for a higher price and the bidder walked away.

Another to field an approach was sales and training software provider **Bigtincan** (BTH). The $0.80 per share bid in December was opportunistic, but investors rightly interrogated management when the company raised equity just a week later at $0.60 per share. Bigtincan was bid for again by multiple parties by May, but finished the year trading at $0.51 per share.

A LARGE PRIZE

On the large cap side of the portfolio, **Qantas** (QAN) and **Seven Group** (SVW) were two sizeable contributors. Together they accounted for 2.7% of portfolio performance.

The 2023 financial year will go down as a big recovery period for Qantas. The airline's share price closed the year almost 40% higher than where it started. Love him or hate him, outgoing CEO Alan Joyce finished his stint at the helm of the flying kangaroo with a bang.

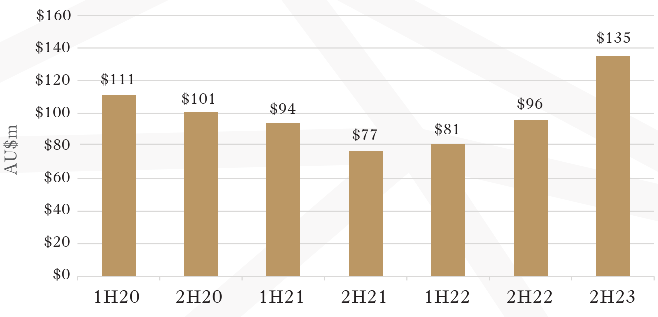
It was a year of record profits and cash generation, leaving the airline with a strong balance sheet and ready to embark on its new adventure. If you think things can hardly get any better than strong pent-up demand, limited airline supply, limited competition and strong pricing, we would not disagree with you. Consequently, the Fund has recently reduced its investment and only had a small fraction of its initial holding by the end of June.

Our investment in **Seven Group** (SVW) was another large positive contributor in the year, with the shares closing up more than 50%. The year started with mounting concerns around the economic cycle and the recently acquired **Boral** (BLD) operation reporting a terrible result, driven by a combination of extreme weather and cost pressures.

Seven's initial profit guidance for the 2023 financial year was met with a combination of disappointment and concern. Yet by its half-year results in February, it became apparent that the core engines of the company's profitability were firing on all cylinders. Caterpillar mining equipment dealer Westrac and equipment rental business Coates have been supported by strong mining, construction and infrastructure activity across Australia.

Finally for the winners, mining service group **Perenti** (PRN) saw a recovery from difficult COVID-induced conditions. At the profitability nadir in the six months to June 2021, the business generated $77m of earnings before interest and tax. A string of profit upgrades, rarely seen in mining services, dominated the end of the 2022 calendar year. Perenti produced an improvement in this metric to $135m by the first half of the 2023 financial year.

PERENTI HALF YEARLY EARNINGS BEFORE INTEREST AND TAX



Source: Bloomberg

New contract wins have been progressing well. Labour shocks, both cost and availability, either dissipated or were gradually passed on to customers. Challenges in African surface mining subsided somewhat. Significant free cash flow generation is within reach.

In a sour endnote to the year, Perenti announced an acquisition of drilling business **DDH1** (DDH). The acquisition should increase Perenti's earnings per share, reduce the group's African reliance and deleverages the balance sheet. But investors were justifiably concerned about the timing of the bid and the more cyclical nature of the target. The share price fell 20% over the last week of the financial year, though Perenti still contributed 1.6% to the year's performance.

LAST BUT NOT LEAST

Whispir (WSP) was the single biggest detractor to our performance last year with the share price down 68%, costing the Fund 2.7%. Coming off the back of a very strong 2022 financial year where revenue grew almost 50%, the business was hit by the sudden unwind of pandemic-induced revenue and management's tardy reaction to right-size the company's bloated cost base.

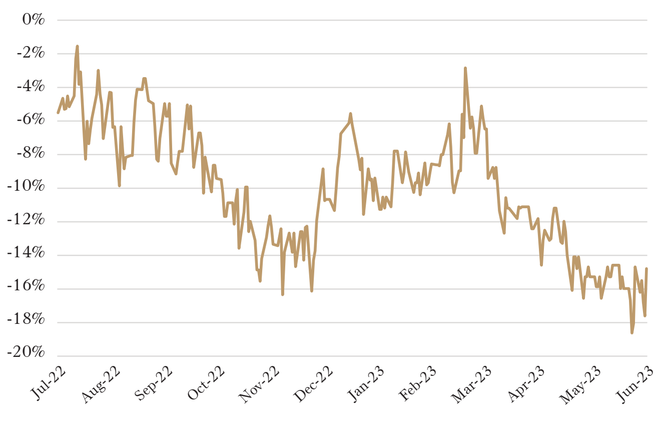
The situation was compounded by communication gaffes and constant promises that cash profitability was just a few months away. Management's inaction, forecasting error, or both, resulted in the business almost running out of cash by December. As of the third quarter of the 2023 financial year, Whispir's monthly revenue was still shrinking and the company has resorted to expensive convertible debt financing.

While management misread the stickiness of 2022 financial year revenues (as did we) and consequently approached the 2023 financial year with the wrong cost base, there is a core revenue base here that isn't going away and there have been several transactions in the sector at multiples considerably higher than where Whispir shares trade today. We undoubtedly got this one wrong, but it is a prime candidate to be another MSL.

DISTRIBUTIONS AND TRADED PRICE

During the 2023 financial year the discount between the Fund's net asset value and ASX-traded unit price ranged between 2% and 19%, and averaged 10%. Cash distributions to investors will total $0.06 per unit for the year with another $4.3m spent on buying back units. The buyback reduced the total units outstanding by 5% at a discount to net tangible assets of 10%.

FOR DISCOUNT OVER FINANCIAL YEAR 2023



Source: Bloomberg

The intention for the next financial year is for a payment of a further $0.06 per unit in two $0.03 semi-annual distributions in January 2024 and July 2024. This is in line with the distributions policy, which set ordinary distributions at approximately 4% of net asset value per annum.

An additional special distribution will be paid if the distributable income of the Fund is significantly in excess of the ordinary distributions. The objective of the special distribution will be to ensure that at least 50% of the distributable income of the Fund is paid to investors in cash.

THE YEAR AHEAD

The good thing about small caps underperforming is that there are still plenty of underperforming small caps. The combination of takeovers and profit taking on Gentrack and THL has led to portfolio cash holdings of 20% at the end of the year. The invested 80% is at the pointy end of the market and contains many exceptionally cheap stocks, so the ballast of relatively high cash holdings is warranted (it is even, would you believe it, generating some interest income). We have been sharpening the pencils across a number of beaten up sectors, including Australia's discretionary retailers and listed fund managers, though. With a bit more distress than what we've seen so far, you should expect more of that cash gets put to work.

TOP 5 HOLDINGS (as % of NAV)		
RPMGlobal Holding Limited	**(ASX:RUL)**	7.0%
Readytech Holdings	**(ASX:RDY)**	6.0%
Tourism Holdings Limited	**(NZE:THL)**	5.9%
Integral Diagnostics Limited	**(ASX:IDX)**	4.1%
Fineos Corporation Holdings	**(ASX:FCL)**	4.1%
Cash		19.8%

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^.

The portfolio has historically generally held 15 to 25 securities but in recent times the number of investments has increased to around 35 securities. This has reflected the fact that the Fund has grown, the investment team has grown and the Manager has enhanced the portfolio liquidity requirements as a result. We expect that the portfolio will remain relatively concentrated and the number of portfolio investments will generally be in the 15 to 50 range.

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%	0.26%	1.62%	**87.09%**
2022	5.01%	2.58%	0.45%	1.57%	-1.35%	2.81%	-7.55%	-7.48%	2.86%	-7.29%	-9.60%	-12.30%	**-27.91%**
2023	12.28%	1.67%	-6.53%	7.58%	5.75%	-3.87%	5.95%	-4.62%	-3.85%	2.61%	0.34%	0.34%	**17.13%**

Past performance is not indicative of future performance and the value of your investments can rise or fall. Performance is calculated using Net Asset Value (NAV), not the market price.

FACTS

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

UNIT PRICE SUMMARY

As at	30 June 2023
NAV (ex price)	$1.42
Distribution	$0.03
Market Price	$1.21
Portfolio Value	$146.5 million

ABOUT FORAGER

With approximately $340 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.

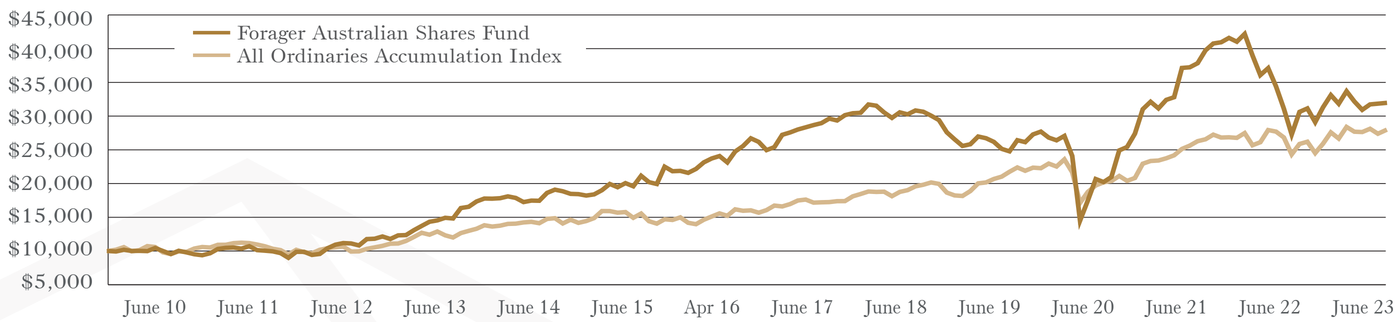
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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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