30 SEPTEMBER 2024

Quarterly Report

Forager

Chief Investment Officer letter

Forager Funds performance summary (as at 30 September 2024. 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.)
Forager Australian Shares Fund	3.29%	6.18%	8.72%	19.82%	-0.55%	8.10%	7.88%	9.78%
Forager International Shares Fund	-0.81%	3.09%	3.03%	24.59%	-0.14%	13.07%	11.26%	12.57%

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

*8 February 2013 for FISF

*30 October 2009 for FASF

The art of portfolio management

In preparation for writing this letter, I re-read my CIO letter from December 2019. Forager had just turned 10 and we were emerging from two very difficult years of investor returns.

On 31 October this year, Forager will turn 15. How is the scorecard looking mid-way through our second decade?

My Oma, now 96, is still going strong (much to her disgust), and Forager is in a much better place. I identified two key things we needed to do better: staff development and a better mix of businesses in both Fund portfolios. The scorecard on those two fronts is looking good.

Three of the analysts working for Forager back then are now Portfolio Managers. Alex Shevelev, now more than seven years with Forager, is co-portfolio manager of the Australian Fund alongside me. Gareth Brown and Harvey Migotti are now a combined 16 years with Forager and have been doing a stellar job managing the International Fund for the past four plus years. Attracting, retaining and getting the most out of talented investment staff was one of my biggest challenges in that first decade. It will never cease being a challenge, but we are now managing it better than ever.

Second, I wanted to get back to owning some better quality businesses. While the likes of **ARB** (ARB) and **Sydney Airport** (SYD) did very well for our Australian Fund in the early years, by the end of the first decade we had drifted into a portfolio of almost exclusively deeply distressed businesses.

"The big returns are still going to come from small, unloved and contrarian ideas. But there's nothing wrong with higher quality, reasonably priced investments while we wait for those ideas to present themselves."—*December 2019 Quarterly Report.*

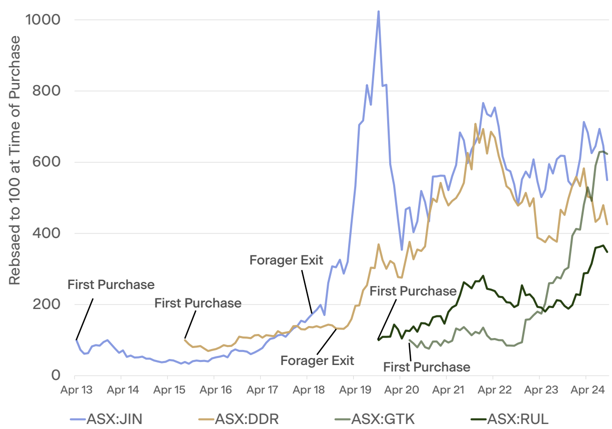
There will always be a place for unloved stocks within Forager's philosophy, and we have made investments in a few in both funds recently. But a better balance has been of enormous benefit to both portfolios.

These better quality businesses have generated the bulk of portfolio returns in recent years. **Blancco** (LON:BLTG), **Norbit** (NORBT.OL), **Celsius** (NASDAQ:CELH), **APi** (NASDAQ:API), **Gentrack** (GTK) and **RPM Global** (RUL) are all examples of companies that have seen healthy revenue and profit growth translate to the funds making more than three times their initial investments.

Not only have we benefited from reintroducing better quality businesses, we have done a much better job of maximising our profits from those where our thesis has played out. Gentrack and RPMGlobal, two Australian Fund holdings bought when their value was less than $200 million and traded volumes were tiny, have seen share price appreciation rewarded with inclusion in the ASX 300 index. **CRH** (NYSE:CRH), **Ferguson** (NYSE:FERG) and **Flutter** (NYSE:FLUT), three International Fund investments, are on the verge of potential inclusion in the S&P 500.

That we still own all four of them is a result of an intentional effort to recognise when we are on a winner and make the most of it. Two early Australian Fund investments, **Dicker Data** (DDR) and **Jumbo Interactive** (JIN), are also in the ASX 300 today. We left a lot of money on the table by exiting too early. It is never going to be perfect, but we have done a much better job in recent years.

Leaving less on the table



Source: S&P Capital IQ

The one area we didn't get right was risk management. The 2022 financial year is a blight on this part of the scorecard. We gave back far too much of 2021's outstanding profits and ensuring that doesn't happen again has been our primary concern and goal over the past few years.

Chief Investment Officer letter

A confidence beating

When working for *Intelligent Investor* in my mid 20s, we received a letter from a client. She wrote I have never met you, but I know you are young and male. Only young males could be that confident. Sexist? Yes. Accurate? Perhaps.

At 46 years old, I've had most of my overconfidence beaten out of me by the market. We are trying to predict the future and, as one of my good friend's father puts it, "When it comes to the future, you just don't know...". He places those three dots at the end of most of his opinions and I love it as a philosophy. It's a view as things stand, but the sentence is not finished.

The best we can do is take a sensible probabilistic view of the future and wait for the market to give us opportunities where those probabilities are heavily skewed in our favour. Things are still going to go wrong.

For that reason, we need to be careful about the proportion of your investment we have exposed to lady luck going against us. This is not an attempt to minimise share price volatility. Passive or ETF funds are now more than 50% of the market in the US and are getting close to that in Australia. The number of options for people to punt on the latest trends has proliferated. If you want to bet on artificial intelligence or cybersecurity, there's an ETF for you. When the money floods in, share prices of everything included in the relevant index rise. When it recedes, everything falls in sync. That volatility is not a risk for us long-term investors. It is an opportunity.

Our risk is that we get the intrinsic value of a company wrong and that it ends up being worth significantly less (or more) than our investment price. That has happened often enough over the past 15 years to confirm that valuation is an inexact science and strange things happen in the world.

Portfolio management enhancements

We have tweaked our portfolio management to better reflect this inherent uncertainty. Limits on portfolio liquidity, sector, country and currency exposure are set to reflect the current environment and to make both portfolios more resilient to any single macroeconomic risk.

Whilst we are still running concentrated portfolios and you should expect up to 10% of the funds to be invested in the best opportunities, we are reserving the bazooka for situations where we believe the risk of a significant valuation error is low. We will usually have owned such an investment for at least a year, met management several times, been able to observe whether they deliver what they promise and monitored the business itself through a difficult external environment. Waiting for our investment thesis to have more certainty before upsizing the portfolio weight will likely increase the average purchase price of an investment. It will also mitigate the impact of inevitable mistakes.

The decades ahead

The failure rate is high in funds management. Few businesses make it to 15 years old. Fewer still make it to 15 while their founder is only 46. Early investors in both funds, many of whom we met on our recent investor roadshow, now have up to four times their initial investment assuming reinvestment. I want the results over the next 15 years to be better. We have the team, experience and process to give us every chance.

Steven Johnson
Chief Investment Officer

Kind regards,

Steve Johnson

International Shares Fund

Forager International Shares Fund performance summary (as at 30 September 2024. 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	-0.81%	3.09%	3.03%	24.59%	-0.14%	13.07%	11.26%	12.57%
MSCI AC World Net Index in $A	0.05%	2.86%	2.87%	21.83%	8.90%	11.24%	11.77%	13.47%

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.

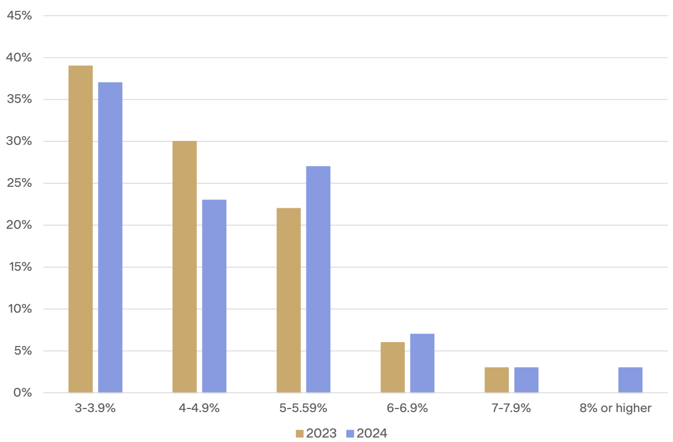
*8 February 2013

The Forager International Shares Fund returned 3.09% during the quarter. That's slightly ahead of the MSCI ACW Index.

In the US, the Federal Reserve kicked off the first interest rate cutting cycle since 2019/2020, surprising markets with a 50 basis point (0.50%) cut when 25 basis points had been expected. It's a matter that Steve and Gareth talk about in more detail in the recent episode of the Stocks Neat podcast.

Two of our quality compounders that benefit from lower interest rates via the expected increase in housing construction and transactions are **Installed Building Products** (NYSE:IBP) and **Fortune Brands Innovations Inc** (NYSE:FBIN). The stock prices of these companies increased by 18% and 16% respectively in September alone. The chart below from a Jefferies consumer survey conducted in June 2024 suggests that if mortgage rates dropped below 6% it would bring significantly more buyers into the market.

Proportion of survey respondents who would consider buying a home at various interest rates

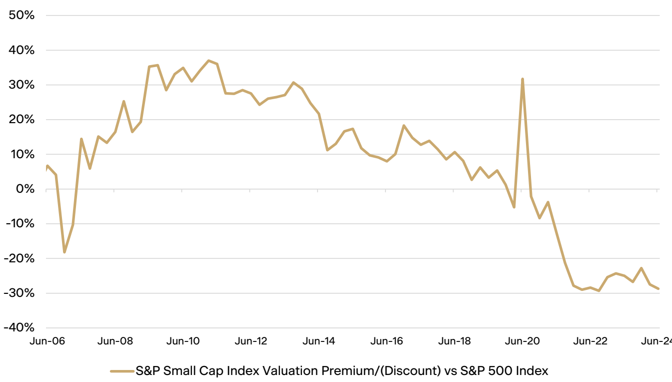


Source: Jefferies

The US is entering a more favourable cycle for real estate supported by a large housing deficit, favourable demographics and existing home sales at historical lows. We expect to see a recovery in the construction of single family homes first, with improvements in repair and remodelling activity to follow. While these companies are not the bargains they were earlier in the year, we still see upside.

Falling interest rates should be good for smaller companies in general. Small caps continue to trade at a significant discount to their large cap counterparts in the US, offering exciting investment opportunities. This gap should eventually close.

S&P Small Cap Index valuation premium/(discount) vs. S&P 500 Index



Source: Bloomberg

Election looms large

The upcoming US elections continue dominating the news cycle. While we feel election results generally have little impact on long term sharemarket returns, there's no doubt it can move markets in the short run, particularly within exposed industries as we saw during Donald Trump's win in 2016. After falling alongside Joe Biden's chances of re-election, portfolio investment **Nextracker** (Nasdaq:NXT) rocketed 8% the day after the latest presidential debate, which was widely considered to have been won by new democratic candidate, Kamala Harris. It was up 14% over three days, along with everything else exposed to the US solar industry.

Opportunities in Japan

The team undertook a research trip to Japan this month, meeting more than 50 companies. The sentiment was positive, with management teams excited about inflation returning and interesting anecdotes about how they can finally increase prices for their products and services. Moreover, salary inflation is becoming more widespread. Almost every company we met discussed hiring

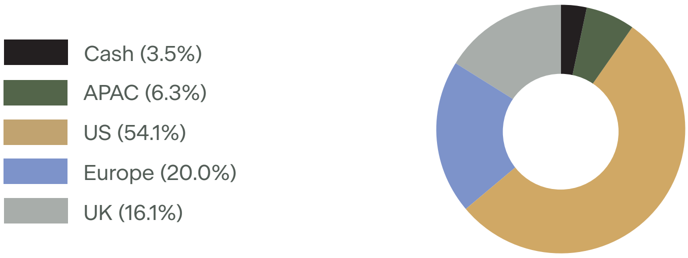
International Shares Fund

additional employees across sales, IT and engineering functions. How they will all achieve this, given domestic labour shortages and ageing demographics, remains to be seen.

One thing clear is that Japan's technology sector is now undergoing a digital revolution aimed at combating decades of deflation and demographic challenges. This shift has been spurred by numerous government and private sector initiatives to modernise outdated systems. While some programs have buzzword names ("Society 5.0"), underlying it is a genuine push from the highest levels to integrate advanced technology across industries, creating significant opportunities in software, cloud computing, and IT services.

As Japanese companies ramp up IT spending to improve efficiency, and a labour shortage accelerates automation, the software market is projected to grow at 10% annually over the next five years. Cloud spending in Japan currently accounts for only 12% of total IT spending, versus 37% globally. Additionally, Japan's e-commerce market continues to lag behind countries such as the US and UK, with e-commerce penetration at just 9%, compared to 26% in the UK and 15% in the US.

Stock exposure by geography



Source: S&P Capital IQ

Japan's cashless payment market has expanded from 13% of total payments in 2010 to 39% in 2023. That still substantially trails markets like South Korea (95%) and the UK (65%). Government policy is targeting 80% over the medium term.

The Fund took advantage of the Japanese market meltdown at the beginning of August to add two attractively priced investments well positioned to benefit from this growth.

As part of Japan's digital transformation, organisations across many sectors have increased their IT budgets, fueling a surge in software development. The Fund's new position in **Shift Inc.** (TYO:3697), a leader in domestic software testing and inspection services, benefits from this trend. The growing complexity of software development and Japan's chronic shortage of skilled IT engineers is creating demand for testing and inspection services. The company has a track record of successful acquisitions, utilising them to improve its service offerings, attract skilled talent and expand its customer base.

OBIC Business Consultants (TYO:4733) is a leading player in enterprise software, focusing on accounting and payroll solutions for small and medium-sized businesses—think of it as the **Xero** (ASX:XRO) of Japan. The company is well positioned to capitalise on the shift to Software as a Service and cloud solutions. The government's push towards digital invoicing and receipts over the past few years provides an additional tailwind to OBC's growth over the coming years. The company has significant cash reserves and has largely transitioned to a recurring revenue SaaS business model, with 76% of total revenues now recurring. OBC should have years of strong sales and earnings growth ahead of it.

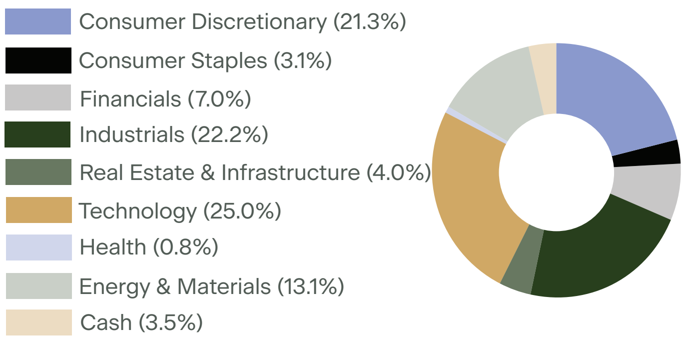
Portfolio news and updates

It's been a tougher period for oil and many other commodities-related stocks, with oil prices down 16% over the quarter and key commodities like iron ore following suit. **Pason Systems** (TSX:PSI)— a technology company reliant on the health of North American oil and gas drilling—and **Glencore** (LSE:GLEN) have both had difficult quarters. Pason fell 28%. Glencore was down only 5% in the end, but only after recovering almost 20% in recent weeks after China announced massive stimulus plans. A deepening war in the Middle East may have ramifications for the oil market in particular at some point.

It's been a much stronger month and quarter for the investments we collectively refer to as quality compounders. **Clean Harbors** (NYSE:CLH) continues benefitting from its entrenched market position, high barriers to entry, and tailwinds from reshoring, environmental regulation and infrastructure spending. The environmental services segment has been the powerhouse, supported by the recent HEPACO acquisition and growing demand for disposal and recycling services. Clean Harbors entered the second half of the year with a record backlog in its environmental services segment, a growing project pipeline and additional upside from the upcoming Kimball incinerator commercial launch and expanding PFAS (also known as "forever chemicals") disposal revenue.

Late last year, the market overreacted to a production issue in one of the aircraft manufacturing programs in which **MTU Aero Engines** (DB:MTX) is a partner. It wiped more than €3 billion from MTU's valuation and we estimated the total cost would be less than half that. The latest earnings result confirmed the business remains on track, with growth in so-called aftermarket (parts and services) rebounding and full year margin guidance upgraded. With the production issues now well understood, the share price has more than recovered all the losses incurred in 2023 (before we bought the stock), yet the discount versus European civil aviation peers remains steep. This remains an attractive investment although we have reduced the portfolio weighting.

Stock exposure by sector



Source: S&P Capital IQ

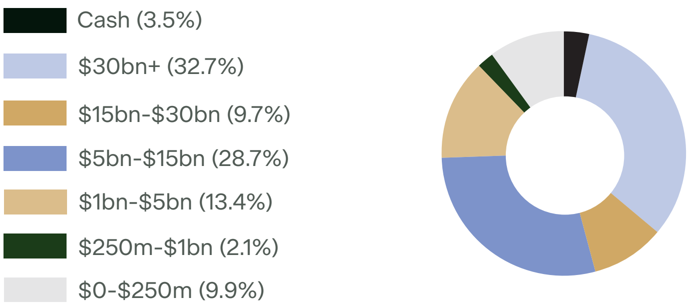
International Shares Fund

Online gambling market leader **Flutter** (NYSE:FLUT) is another quality compounder that continues delivering. Our thesis for Flutter in 2021 was significantly more optimistic than market expectations at the time for both revenue and profit. At nearly every turn since, Flutter has exceeded our hopes. It continued that trend in both the second quarter result and the recent investor day in New York, where it announced 2027 revenue guidance of $21 billion, adjusted Earnings before interest, tax, depreciation and amortisation (EBITDA) guidance of more than $5 billion and a $5 billion share buyback (to be executed over 3-4 years).

One of our recent small investments, **Bel Fuse** (NASDAQ:BELF.B) announced the acquisition of Enercon Technologies. It adds significant aerospace and defence exposure to its existing portfolio of connectors, fuses and electric components. The deal is reasonably accretive to earnings and will boost margins handsomely. The news was well received, with the share price rallying 15% on the day.

Zeta International (NASDAQ:ZETA) was our biggest contributor this quarter (and year to date). The share price has appreciated 70% over the past three months and over 230% since the start of 2024. This was driven by multiple earnings upgrades and strong business momentum. The excitement surrounding its annual Zeta Live event at the end of September, where attendees doubled versus last year, also helped. The market has developed a greater appreciation for the leading-edge customer data and AI infrastructure that is necessary for brands to deliver personalised marketing experiences but at scale. Given the share price appreciation, we have sold most of the investment.

Stock exposure by market cap



Source: S&P Capital IQ

New investment in JD Sports

Another recent investment for the Fund is UK-listed sports-fashion retailer **JD Sports** (LSE:JD). JD Sports is a leader in its key markets, the UK, Ireland and Australia, and has grown revenues at ~20% annually since 2000. The retailer has had a substantial presence in the US since 2019 and its recent acquisition of Hibbett Sports should help accelerate its plans. With a current market share of around 8% in the US and less than 8% across Europe, there is plenty of runway. JD Sports' competitive advantage comes from retailing done right, including its scale, site selection, relationship with key brands and differentiated product assortment. The share price is up more than 20% since our purchase, after the company reported significant improvements in like-for-like sales in the second quarter. Trading at just 12x earnings, this stock is still underappreciated.

Top 5 holdings (as % of NAV)

Motorpoint Group PLC	(LSE:MOTR)	4.0%
Flutter Entertainment PLC	(NYSE:FLUT)	3.9%
Linamar Corp	(TSX:LNR)	3.9%
CRH PLC	(NYSE:CRH)	3.9%
Clean Harbors Inc	(NYSE:CLH)	3.6%
Cash		3.5%

International Shares Fund

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 rolling 5-year periods. The Fund aims to produce superior long-term returns from a portfolio of 20–40 businesses, irrespective of short-term share price movements^.

Fund Performance by Month and Financial Year

FY	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total Returns
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%
2024	3.03%	0.94%	-3.73%	-3.41%	3.59%	8.07%	2.13%	5.38%	3.90%	-2.57%	4.16%	-1.52%	20.99%
2025	7.80%	-3.58%	-0.81%										3.09%

Past performance is not indicative of future performance and the value of your investments can rise or fall. This fund is appropriate for investors with "High" risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the pursuit of capital growth with a medium to long investment timeframe.

Facts	
Fund inception	8 February 2013
Minimum investment	$20,000
Monthly investment	Min. $1000/mth
Distribution	Semi-Annual, 30 June, 31 December
Applications/Redemption	Daily

Unit price summary	
As at	30 September 2024
Buy Price	$1.9065
Redemption Price	$1.8989
Mid Price	$1.9027
Portfolio Value	$222.4 million

About Forager

With approximately $395 million of funds under management and a focus on long-term investing, Forager Funds is a unique Australian asset management company.

Following a strong fourteen-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.

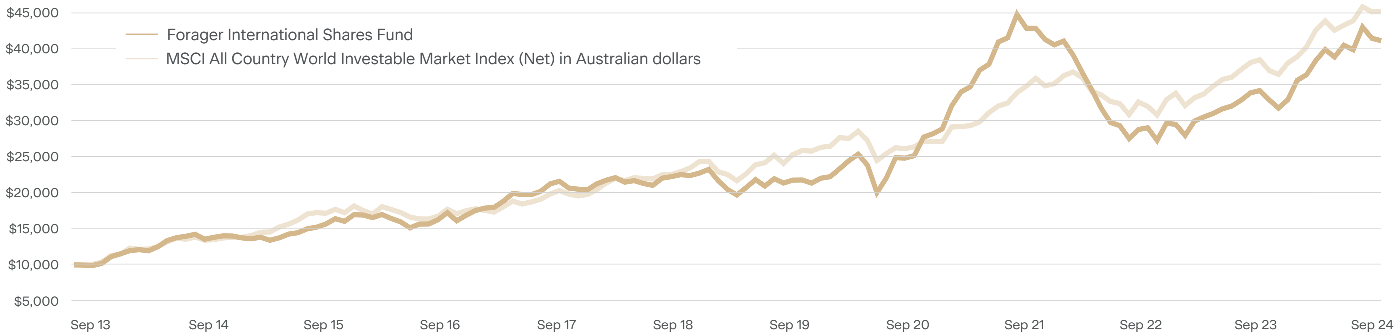
Key investment staff are strongly aligned with investors through co-investment and / or equity in the Forager business.

Fund characteristics

- Concentrated portfolio of global equities
- A combination of large liquid resilient businesses with smaller value based opportunities
- Investment team with deep pockets of expertise
- Strong focus on managing portfolio risks
- Daily applications and redemptions

International Shares Fund

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.

Australian Shares Fund

Forager Australian Shares Fund performance summary (as at 30 September 2024. 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	3.29%	6.18%	8.72%	19.82%	-0.55%	8.10%	7.88%	9.78%
All Ordinaries Accumulation Index	3.45%	7.85%	6.60%	22.15%	8.09%	8.66%	9.17%	8.52%

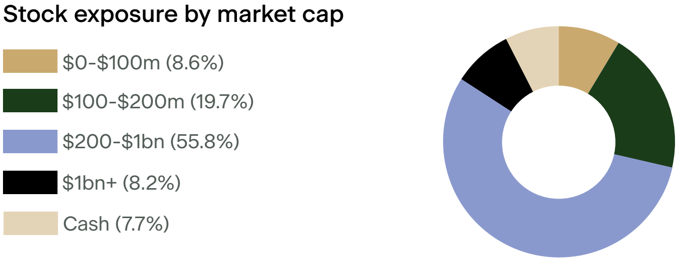
The value of your investments can rise or fall. Performance is calculated using Net Asset Value (NAV), not the market price. Past performance is not indicative of future performance.

*30 October 2009

The Forager Australian Shares Fund returned 6.18% for the first three months of the new financial year. The All Ordinaries Accumulation Index returned 7.85%. Underlying share price moves have been surprisingly muted in our concentrated portfolio of mostly smaller companies. US markets were particularly volatile during the quarter, but the Fund's returns were positive in July, August and September.

While we wouldn't expect that to be a permanent state of affairs, it was partly reflective of an earnings season that didn't contain many surprises and a preference in the current portfolio for businesses less exposed to the economic cycle. The three largest holdings in the Fund are all software companies with recurring, reliable revenue streams.

Stock exposure by market cap



Source: S&P Capital IQ

Two portfolio investments, **Gentrack** (GTK) and **RPMGlobal** (RUL), were added to the S&P ASX 300 Index during September. Index inclusion doesn't change the value of these two companies one iota. It does bring a significant amount of passive index fund buying, however, and has been a contributing factor behind both companies' strong share price performance this calendar year. In both cases, it reflects a graduation from an illiquid small-cap company when Forager first started buying, to widely held companies that are two of Australia's largest 300 listed companies.

The fact that Forager still owns them also reflects some of our process changes over the past eight years. These aren't our first investments to make the leap from tiny and unloved to larger index constituents. **Dicker Data** (DDR) and **Jumbo Interactive** (JIN) were two early investments for the Fund that now sport valuations of over $800 million and are the 197th and 257th largest companies on the ASX respectively. While we made good profits, we exited far too early and the Fund didn't participate in a significant portion of those highly profitable journeys.

As these growing companies build up a sustainable track record of profitable growth, they first attract new institutional investors willing to value companies with more aggressive assumptions and lower required returns than Forager. Ultimately, they also attract index fund buying that has no consideration for valuation at all. While managing our portfolio exposure and risks carefully, we have done a much better job of capturing a greater proportion of that upside with Gentrack and RPMGlobal than we did with Dicker Data and Jumbo. With good management execution, we see potential for portfolio investments **Catapult** (CAT) and **Readytech** (RDY) to be headed to the same destination.

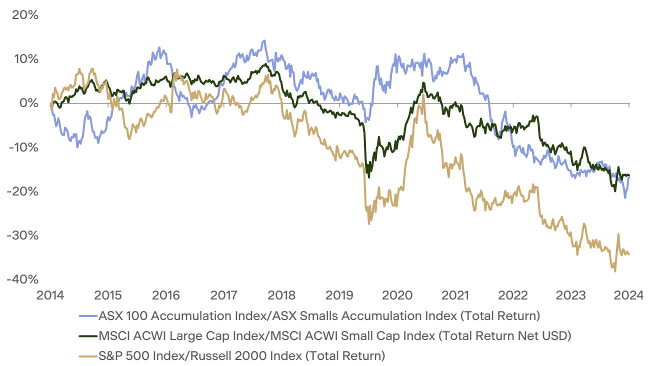
Why small caps?

You won't find too many cheerful small cap fund managers around the world.

The past three years have seen severe small cap underperformance. Larger stocks offshore have been driven by the **NVIDIA** (NASDAQ: NVDA) juggernaut and the rest of the Magnificent Seven tech favourites. In Australia, the **Commonwealth Bank** (CBA) made historical highs last quarter with the other big banks in tow.

Over the last three years, an investor in the Australian small cap index has underperformed large caps by 25%. In the US small caps have also underperformed by 25%. Globally that number is 17%.

Small cap performance has been ugly



Source: Bloomberg

Australian Shares Fund

So why bother investing in small-caps? And why now?

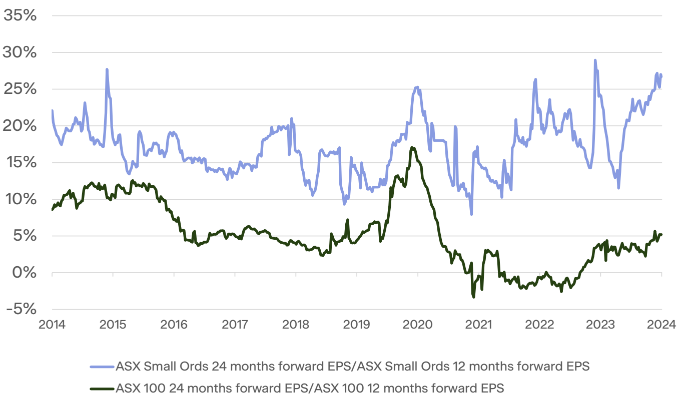
Valuations are More Attractive

Australian small companies have historically traded at a 10% price to earnings premium to the larger stocks. After a torrid three years (from elevated levels), they are now trading in-line.

Why should they trade at a premium?

The driver is mostly the faster earnings growth found amongst Australia's small caps. In normal years earnings growth expectations hover at or below 5% for large caps. For small caps, earnings growth expectations are more variable but regularly clock speedy growth north of 10%. While not all of this will be realised, the space to look for quickly growing businesses at attractive valuations is in small caps.

Higher earnings growth expectations



Source: Bloomberg

Sensitive small stocks

Smaller stocks are often more susceptible to tougher economic conditions. Smaller companies are less diversified by geography and end market. They also have higher levels of floating rate debt. A larger portion of smaller companies are loss-making.

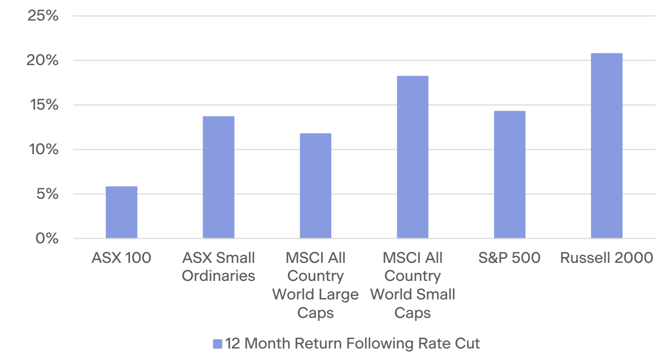
And whether in Australia or overseas, higher interest rates have tightened economic conditions.

Global central banks are now riding to the rescue of these difficult conditions. With inflation now more controlled, expectations are for rate reductions across the world.

In late September we got the first US rate cut of 0.5% to a range of 4.75% to 5%. By mid-2025, bond investors are predicting six rate cuts in both the US and the Eurozone. Australia is expected to see three rate cuts with the cash rate hitting 3.6%.

For the past 30 years the first US interest rate cut has ushered in a period of small cap outperformance of large caps. In Australia, the year after the first US cut saw small caps outperform large caps by 8%. In the US and globally the figure is 6%.

Rate cuts make for better times



Source: Refinitiv, Bell Potter (30 years of returns)

At Forager we focus on smaller companies. Over 80% of the Forager Australian Shares Fund is invested in stocks below $1 billion of market capitalisation. And over the past five years the Fund has bettered the performance of the Australian small cap index by 4.4% per year. Over the past year that number is 6.9%.

The portfolio stands to benefit greatly from any recovery in smaller stocks.

Portfolio news and changes

Bigtincan (BTH), seller of sales enablement software, announced the receipt of a takeover offer from private equity company Vector Capital for $0.20 per share. It is not the first bid received by Bigtincan but this one seems a little less indicative than the previous proposals, with Vector saying all they need is legal due diligence.

We will hopefully receive more information to assess the offer soon but are running a parallel campaign to appoint two new directors to Bigtincan's board at its upcoming annual meeting. We've nominated Tony Toohey and Earl Eddings for election, two directors who might be familiar to long term Forager investors. Tony and Earl oversaw the successful turnaround of **MSL Solutions** (MSL) a few years ago, a Forager investment with similarities to Bigtincan. The company's capacity to assess and respond to the Vector approach will be improved with these two experienced directors on board, as will its prospects as a standalone company.

Mining software business **RPMGlobal** (RUL) announced a result in late August that was in line with reduced guidance from early July. Subscription software revenue grew 16%, slower than expected due to late conclusion of deals. Perpetual revenue was lower. Neither of those are very detrimental to the long-term valuation of the business. Signing $9 million of new annual recurring software revenue was a good result, but slightly less than we had expected. Nonetheless, the result confirmed the quality of the company's products and growth trajectory. And getting onto the radar of larger investors helped RPM to rise 5% in the quarter despite plenty of volatility. We took the opportunity to reduce our portfolio weighting.

Payments terminal provider **Tyro** (TYR) reported 9% gross profit growth and a 32% increase in earnings before interest,

Australian Shares Fund

tax, depreciation and amortisation. The business has seen macro-driven headwinds for its discretionary payments business while the banking division saw lower deposits and originations. Better cost control improved margins, a trend set to continue this year and beyond. And an acceleration of gross profit growth to more than 10% from next year should support free cash flow growth.

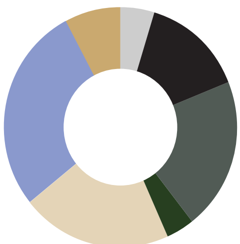
Macmahon (MAH), a long-held investment in the Fund, delivered an earnings result and a handful of contract announcements in the quarter. The rest was within expectations for this mining services contractor and confirmed the continued achievement of guidance by the current management team. The recently completed acquisition of Decmil will diversify the business and future work will be less capital intensive. Free cash flow generation was healthy and expected to remain strong. We took the opportunity to reduce the portfolio weighting and put the funds towards fellow mining services business **Perenti** (PRN), which also had a pleasing result.

The turnaround at software business **Bravura** (BVS) continues. Results for last year were healthy and guidance is much improved for this year, mainly on cost reductions. The cost base is now $67 million lower than when the current management team formulated their turnaround plans. Recurring software revenue is expected to rise this year while overall revenue falls. A $75 million capital return is due early next calendar year while the cash balance will be bolstered by a $56 million one off sale of software to large customer Fidelity.

The Fund has also made several new investments in beaten up micro caps. These have largely been small weightings to start but they have the potential to become larger over time as we gain more confidence that the investment theses are working out. Good examples include recruitment business **PeopleIn** (PPE), online beauty retailer **Adore Beauty** (ABY) and panel beater **AMA** (AMA), with August's results for all three companies giving us a touch more confidence.

Stock Exposure by Sector

- Communication Services (4.8%)
- Industrials (14.2%)
- Financials (20.9%)
- Healthcare (4.0%)
- Consumer Discretionary (20.5%)
- Information Technology (27.9%)
- Cash (7.7%)



Source: S&P Capital IQ

Top 5 holdings (as % of NAV)		
Catapult Group International Ltd	(ASX:CAT)	8.3%
RPMGlobal Holdings	(ASX:RUL)	5.7%
Readytech Holdings Ltd	(ASX:RDY)	5.6%
Tyro Payments Ltd	(ASX:TYR)	4.3%
Praemium Ltd	(ASX:PPS)	4.1%
Cash		7.7%

Australian Shares Fund

Fund Objective

The Fund targets securities that Forager believes are undervalued and invests predominately in securities listed on the ASX. The Fund's investment objective is to outperform the All Ordinaries Accumulation Index over rolling 5-year periods. The Fund aims to produce superior long-term returns from a portfolio of 15–50 businesses, irrespective of short-term share price movements^.

Fund Performance by Month and Financial Year

FY	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Total Returns
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%
2024	4.18%	1.51%	-0.54%	-6.45%	4.76%	7.14%	-1.07%	4.43%	1.59%	1.24%	-0.51%	1.66%	18.69%
2025	1.57%	1.22%	3.29%										6.18%

Past performance is not indicative of future performance and the value of your investments can rise or fall. This fund is appropriate for investors with "High" risk and return profiles. A suitable investor for this fund is prepared to accept high risk in the pursuit of capital growth with a medium to long investment timeframe.

Facts

Fund inception	8 February 2013
Minimum investment	$20,000
Monthly investment	Min. $1000/mth
Distribution	Semi-Annual, 30 June, 31 December
Applications/Redemption	Daily

Unit price summary

As at	30 September 2024
Buy Price	$1.7326
Redemption Price*	$1.6738
Mid Price	$1.7291
Portfolio Value	$171.7 million

inclusive of the existing transition fee on redemptions

About Forager

With approximately $395 million of funds under management and a focus on long-term investing, Forager Funds is a unique Australian asset management company.

Following a strong fourteen-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.

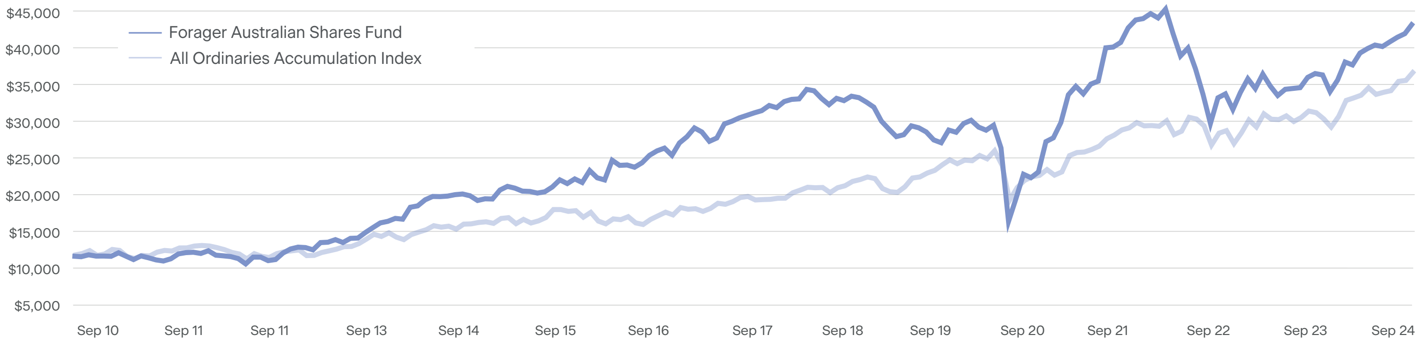
Key investment staff are strongly aligned with investors through co-investment and / or equity in the Forager business.

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
- Daily applications and redemptions

Australian Shares Fund

Comparison of $10,000 investment over time



Source (All Ords): S&P Capital IQ. The above figures assume that all distributions have been reinvested. Past performance is not indicative of future performance.