31 MARCH 2025

Quarterly Report

Forager

QUARTERLY REPORT MARCH 2025

Chief Investment Officer letter

Forager Funds performance summary (as at 31 March 2025. 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	-2.87%	-0.89%	10.67%	20.32%	6.29%	25.13%	8.37%	10.16%
Forager International Shares Fund	-4.84%	-2.96%	2.13%	5.23%	9.60%	15.67%	10.46%	12.22%

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

Trumpian Pain: How to Navigate the Market Turmoil

What a difference a month can make. On the 19th of February, the Nasdaq index of US tech stocks closed at another all time high. It had risen 28% in the previous 12 months. When markets closed on the 4th of April, it was 22% lower than that peak. The broader S&P 500 fell 17% over the same period and the US small cap index, the Russell 2000, fell 20%.

US President Donald Trump is on a one-man crusade to upend 80 years of global economic integration. While investors initially brushed off the bluster as a negotiating tactic, they are now taking him seriously. He has slapped tariffs on the entire world, including uninhabited islands (if you need a chuckle in these difficult times, search online for Trump penguin memes). The unstructured, ad-hoc calculations behind which country gets whacked with what tariffs have erased what little confidence there was remaining that there is a grand strategy in mind. And the US's famed "checks and balances" don't seem to be doing much checking or balancing.

Implications for the Real Economy

It is worth noting that this market turmoil is not just driven by a change in investor sentiment. Trump's erratic tariff measures represent the largest upheaval to global trade since the Second World War. Putting to one side the fact that the US economy was already running close to full employment and is one of the most productive economies in the world, building the infrastructure required to bring manufacturing back to the US is going to take decades.

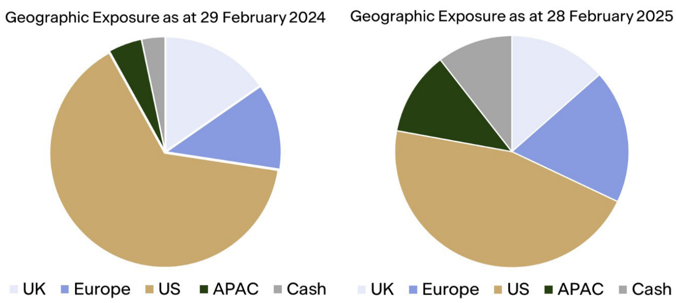
In the short-term, the tariffs represent an enormous tax on already-struggling US consumers and plummeting consumer and business confidence are themselves likely to cause a recession. The University of Michigan's survey of US consumer sentiment registered its lowest reading since October 2022 last month, while inflation expectations have jumped significantly.

Well Prepared Portfolios

While we didn't expect economic sabotage of this magnitude, our portfolios are intentionally better placed to effectively navigate a more difficult environment.

We have been preparing for the next downturn for the past year or so. It's no secret that Forager's performance hurt during the 2021/22 small-cap correction. These are concentrated portfolios of mostly smaller companies—you can expect some volatility. But we have the mandate flexibility to offer better downside protection than we did in the 2022 financial year, and we have been using that flexibility to better prepare our portfolios this time around.

A Better Positioned Portfolio



Source: S&P Capital IQ

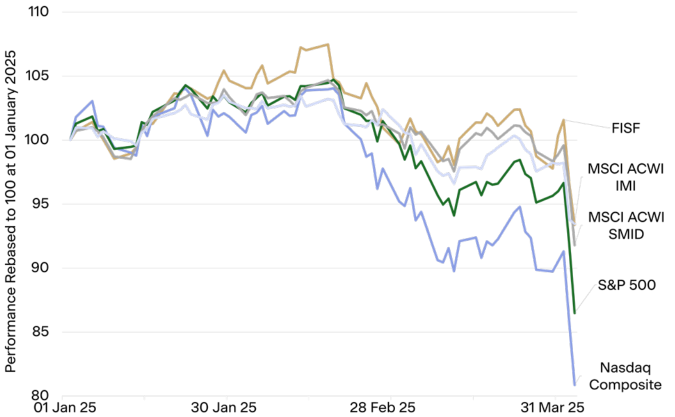
The Forager International Shares Fund's exposure to the US had fallen from 64.6% a year prior to 45.8% at the end of February this year. Its exposure to Japanese stocks has increased and the cash weighting for both portfolios was above 10% at the start of March.

That is not going to erase portfolio volatility. We still have significant investments in small companies like **Catapult** (ASX:CAT) and **Nutex** (NASDAQ:NUTX) that are vulnerable to a pullback after significant recent share price appreciation (we think the long-term prospects for both make the volatility well worth stomaching).

Chief Investment Officer letter

But the International Fund in particular is showing some nice resilience. As of Friday, the 4th of April, the unit price was down 8.9% from its peak and down 4.1% since the start of the calendar year. Our European and UK stocks have performed relatively well and the portfolio of Japanese tech companies is so far trading independently of what's happening in the US.

FISF Relative Performance



Source: Forager, Bloomberg, MSCI

Past performance is not an indicator of future performance and the value of your investment can rise or fall

To the 4th of April the Australian Fund too is down 9.9% from late-February peaks and 5.9% from the start of the calendar year. Cash levels started the month of March at 12.7%, alongside holdings of mostly resilient businesses with recurring revenues and healthy balance sheets.

So far, so good, and we are turning our minds to how to make the most of the volatility.

Firing the First Bullets

We are expecting economic activity to deteriorate rapidly in the US and are baking near-term recessionary conditions into our valuations. That is leading to wariness about economically sensitive US companies and even reducing the weighting of one particularly exposed Canadian manufacturing business.

There are opportunities emerging already, though. As in all corrections, the market reaction is not uniform and plenty of babies get thrown out with the bathwater. We have deployed some incremental capital into shares that have been unjustly treated. **Flutter** (LSE:FLTR) is a good international example of an opportunity to add back some of the money that has been taken off the table recently. And Catapult has traded down in line with the US index despite its resilient revenue and continued growth prospects. We have added modestly to this investment and in total have deployed roughly a quarter of the Australian Fund's cash since the start of the month. For the International Fund, it's been around one-sixth of the cash so far.

These are fairly modest portfolio changes and that's reflective of the fact that this has mostly been an orderly market unwind. The most expensive and most exposed parts of the market have been hit hardest.

Deploying Cash in a Downturn

Bear markets come in all shapes and sizes and there is no way of knowing in advance whether this is a 20% correction or the start of a 30% meltdown. Hence we have fired a couple of bullets and kept plenty in the chamber in case things get worse.

If you are waiting to deploy cash, a similar approach could be appropriate. Many of you have heard my thoughts on the damage investors do to their long-term returns by trying to time markets. The allure of cash should largely be ignored. Focus on getting your portfolio allocation right and stick with it through thick and thin. The Dollar Cost Averaging approach also works well when investing through markets in turmoil.

Many of you also continue to ignore me. If that's you, consider adopting a similar strategy to us. My pessimism radar is nowhere near extreme yet. But there's no guarantee it gets there. We have two portfolios of stocks we think offer healthy long-term returns and have been able to deploy some incremental capital in recent weeks. If your aim is to deploy more cash through the cycle, there's nothing wrong with doing the same. If this is as bad as it gets, you have put a little money to work. If it gets much worse, you have plenty of your own bullets left to fire.

Kind regards,

Steve Johnson
Chief Investment Officer

International Shares Fund

Forager International Shares Fund performance summary (as at 31 March 2025. 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	-4.84%	-2.96%	2.13%	5.23%	9.60%	15.67%	10.46%	12.22%
MSCI AC World Net Index in $A	-4.08%	-2.24%	8.19%	11.29%	13.14%	14.60%	10.79%	13.61%

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. The above figure assume all distributions have been reinvested *8 February 2013

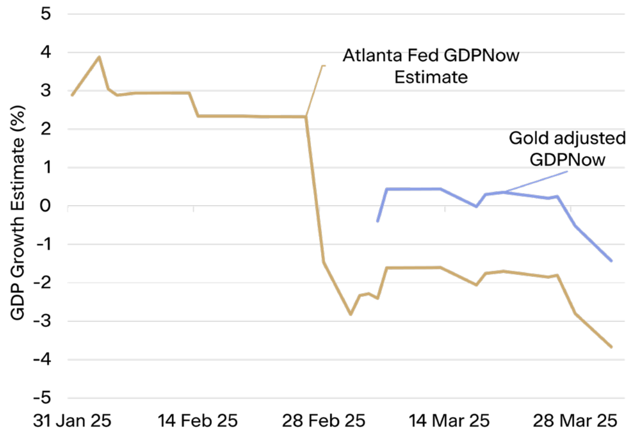
The Forager International Shares Fund fell 4.8% in March and 3.0% for the quarter. Performance was slightly worse than the benchmark, the MSCI ACWI IMI, which fell 4.1% and 2.2% for the month and quarter respectively.

The Fund maintains a long-term tilt towards small and mid-cap companies—a structural feature that reflects a belief in their potential for long-run outperformance from earnings growth and less efficient pricing. However, this positioning has been a headwind in recent months. The small-cap-heavy Russell 2000 declined 10% over the quarter, compared to a 5% fall in the S&P 500. Similarly, the MSCI World Small Cap Index fell by 4.59%.

Trump's Tariff Turmoil

The December 2024 quarterly update highlighted growing caution toward North American equities, with valuation multiples elevated and US index weights ballooning over the past decade. That caution intensified through the first quarter as US economic data deteriorated meaningfully.

A Rapidly Falling US GDP



Source: Atlanta Fed GDPNow

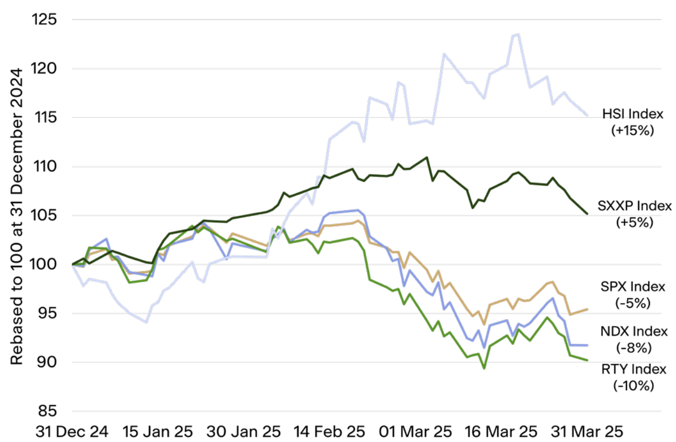
Key indicators point to a weakening outlook. Consumer sentiment has dropped to multi-year lows, in line with recent underperformance among consumer-facing stocks. Manufacturing new orders fell materially between January and March, while inflation expectations jumped. The Federal Reserve Bank of Atlanta's GDPNow model revised first-quarter growth from positive 3% in early February to negative 4% by the end of March. Some of the decline stems from a one-off surge in imports, likely linked to businesses anticipating upcoming tariffs, as well as a jump in gold imports. Even adjusting for this distortion, the outlook has deteriorated.

By the end of February, cash levels in the Fund reached a five-year high, and US equity exposure fell to multi-year lows. This repositioning helped cushion some of the volatility, although small and mid-cap underperformance still weighed on short-term returns. As you can read below, one of the Fund's largest holdings delayed its results until after the market closed on 31 March. Investors punished the stock over the last few trading days, assuming the worst, but the fears were unfounded.

The US sell-off has been driven by an ongoing US political circus, particularly flip-flopping discussions on tariffs and trade. Concerns are also emerging around the durability of US leadership in technology and artificial intelligence. In contrast, Chinese technology stocks have staged a strong rebound, benefiting from more attractive valuations and improving sentiment.

As a result of these dynamics, US indices posted their weakest relative performance in years. The S&P 500, Nasdaq, and Russell 2000 each declined between 5% and 10% over the quarter. Meanwhile, European and Asian markets performed strongly, with the Euro Stoxx 600 rising 5% and the Hang Seng Index gaining 15%.

The Impact of Tariffs



Source: Bloomberg

International Shares Fund

Europoors Are Back

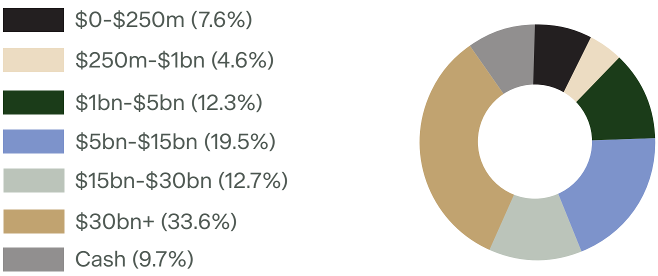
After years of being treated as a global investment backwater—aptly captured by the "Europoor" meme—the narrative has shifted with surprising speed. As recently as January and February, global attention was fixed on semiconductor chips, artificial intelligence and American exceptionalism. By March, much of the discussion had turned to German fiscal stimulus and military rearmament. As with all narratives, this one may pass just as quickly.

Still, a clear rotation is underway, with capital flowing out of US equities and back into Europe. Economic data has surprised to the upside, particularly against a backdrop of muted expectations—the reverse of the US experience. Sentiment has also improved on growing hopes of an eventual resolution to the war in Ukraine.

Portfolio News & Update

European investments in the portfolio are not predicated on a rapid economic recovery, but rather on the disconnect between valuation and underlying fundamentals. European banks exemplify this. Acquired on annual shareholder yields (dividends plus buybacks) of around 15%, investment success rested on economic conditions not getting dramatically worse. Economic improvement would be the cherry on top.

Stock Exposure by Market Cap



Source: S&P Capital IQ

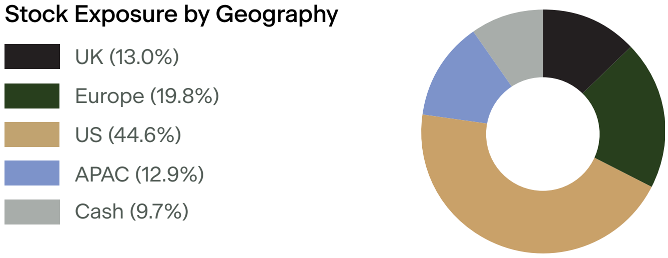
They are now emerging from a long period of underperformance. Regulatory headwinds have eased and the burden of ultra-low interest rates have lifted. Higher rates are now feeding into wider margins, customer credit remains healthy and capital returns via dividends and buybacks continue. For the first time in over a decade, there is market discussion around loan growth potential rather than merely treading water. **ING Groep** (ENXTAM:INGA) rose 19% over the quarter, while **Lloyds** (LSE:LLOY) gained 32%.

Solar tracker company **Nextracker** (NASDAQ:NXT) reported another strong quarter, with improvements across revenue, margins, and backlog. Gross margins remained steady despite an increasing proportion of lower-margin international sales, supported by falling freight costs and a more localised supply chain. Management upgraded long-term margin guidance from the 20% range to the low 30s and highlighted a robust order pipeline that is rapidly converting to revenue. With solar now the cheapest and fastest-to-deploy energy source in many regions, demand is rising across Europe, Australia, and the Middle East. A strong balance sheet and consistent cash flow generation position the business well for potential share buybacks later in the year.

Defensive compounders in the portfolio continue to deliver—growing earnings, expanding margins, and returning capital to shareholders. In 2024, **Fiserv** (NASDAQ:FI) marked its 39th consecutive year of adjusted earnings-per-share growth in excess of 10%, an astounding achievement. The Merchant Solutions segment continues to do the heavy lifting, with its small business payments product Clover growing 29%, supported by increased penetration of value-added services and international expansion. The company returned US$5.5 billion through share buybacks during the year, with another year of double-digit earnings growth forecast for 2025.

OBIC Business Consultants (JP:4733), a Japanese software company specialising in accounting and payroll solutions for small and mid-sized businesses, also delivered another strong quarter. Sales increased 10%, with operating profit up 14% thanks to improved cost control. Growth was driven by higher-priced cloud offerings and the next-generation release of its core Enterprise Resource Planning (ERP) platform, as customers prepare for the end of support on older systems. Cloud revenue per customer continues to climb, and recurring revenue is growing at more than 17% annually. Net cash still accounts for nearly a third of the market capitalisation. Adjusted for this fact, the stock trades on approximately 20 times earnings—a meaningful discount to global software peers, despite comparable growth and superior unit economics.

Stock Exposure by Geography



Source: S&P Capital IQ

As was the case in the December quarter, consumer weakness continues to weigh on a few of our holdings. UK-listed sports-fashion retailer **JD Sports** (LSE:JD) warned on earnings again, citing soft trading. Well-executed quarters from **Yeti** (NYSE:YETI) and **Crocs** (NASDAQ:CROX)—both delivering good numbers, initiating large buybacks and providing solid 2025 forecasts—were similarly met with lukewarm share price performance. The Fund used the pullback to increase its weighting in Yeti and a friendly activist has since appeared on the register and taken up board positions.

Zebra Technologies (NASDAQ:ZBRA) and **Shift4 Payments** (NYSE:FOUR) both saw share prices decline by 20% over the quarter, despite reporting results broadly in line with expectations. In Shift4's case, the departure of the CEO to a role in the Trump administration and the announcement of a sizable acquisition—Global Blue, a shopping tax rebate platform—introduced some uncertainty. Nonetheless, underlying business performance remains impressive.

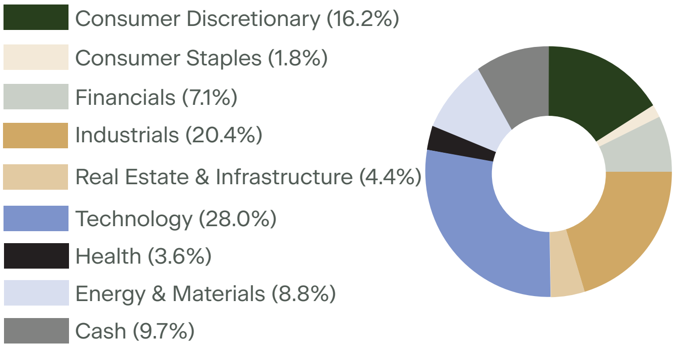
Stock in focus - Nutex Health

One of our newer holdings, although it predates this quarter just passed, is **Nutex Health** (NASDAQ:NUTX). This micro-cap US healthcare provider was first purchased in August 2024 and now sits among the portfolio's largest positions. The Fund acquired it during a period of turmoil, when the stock was priced for insolvency after falling some 99% from its 2022 peak. Today, it stands as one of the portfolio's largest contributors, both for the quarter and over the past year.

International Shares Fund

Since listing via a backdoor merger in 2022, Nutex has faced significant challenges: falling insurance reimbursements, inconsistent shareholder communication, and two reverse stock splits just to maintain its NASDAQ listing. Despite that, a viable and increasingly valuable business has begun to emerge.

Stock Exposure by Sector



Source: Forager

The model is straightforward in theory, though complex in execution. Nutex operates 24 micro-hospitals in suburban areas underserved by traditional healthcare infrastructure. It aims to offer faster service and more patient-friendly experiences, while focusing on the less complex (read more profitable) segments of emergency care. A major inflection point came with a structural shift in its reimbursement model. A federal piece of legislation, the No Surprises Act (NSA), upended the reimbursement model, initially hitting Nutex hard.

The Act's objective was to protect patients from large surprise medical bills where they had been treated outside their insurance company's approved list of providers ("out-of-network"). While it achieved that objective, it also gave insurance companies cover to pay the hospitals substantially less than they were previously paid. Nutex's revenue per patient dropped more than 30% and, in a relatively fixed-cost business, wiped out all of its profits.

By closing underperforming hospitals, renegotiating supplier contracts and performing an increasing proportion of high-value treatment in its own hospitals, Nutex had already taken steps towards a sustainable future. Forager's numbers had it pencilled to generate US$20 million of free cashflow in 2024, an attractive proposition relative to the US$70 million market capitalisation at the time of our first purchase. But there was an enormous amount of upside if Nutex could somehow return to prior levels of profitability. That "if" is becoming a reality.

Nutex and other healthcare providers have been in a battle with insurance companies to get what is argued to be their rightful payments ever since the legislation came into effect. Having exhausted the commercial options available to it, in July 2024 Nutex began pursuing claims through a binding federal arbitration process, a last resort included in the Act to protect providers.

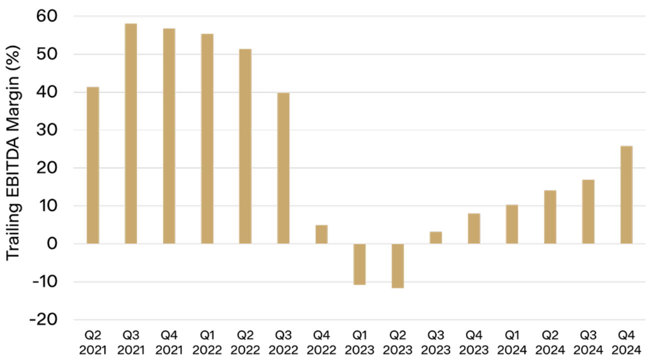
Nutex has been submitting 60-70% of its patient visits to arbitration and disclosed a fourth-quarter success rate exceeding 80% on these claims. The payment awarded to it has ranged from 150% to 250% of the amount it initially received—an outcome with material financial implications. Importantly, these outcomes are consistent with the experience of other providers (the number of claims processed and awarded is in the hundreds of thousands and publicly disclosed every six months).

Transformational Outcomes

Following market close on the 31st of March, Nutex released an outstanding fourth-quarter result, far exceeding even optimistic expectations. The company booked US$170 million in arbitration-related revenue—taking its total revenue to more than US$3,000 per patient.

Most of the arbitration revenue remains uncollected (receivables rose to US$232 million), but the cash should start flowing in the first quarter of this year. Margins remained strong despite substantial arbitration-related legal and processing costs, and full-year pre-tax profit attributable to shareholders reached US$71 million.

Rapidly Improving Margins



Source: Bloomberg, Nutex
**EBITDA is an abbreviation for earnings before interest, taxes, depreciation and amortisation*

Even after a fivefold share price increase since the Fund's initial purchase—including a 50% rise post-result (after month-end)—the business continues to trade at a very attractive valuation. A market capitalisation of US$388 million represents roughly four times the pre-tax earnings we expect it to make in 2025. Assuming a bit of catch up from last year, we expect it to have something like US$100 million of net cash by this time next year.

It remains a high-risk investment. Arbitration rules could change. A single tweet from the White House could move the share price violently. New competition will emerge if margins persist.

But each passing quarter reveals a more profitable, scalable business trading at what remains an attractive valuation. This is a business that has gone from loss-making to generating significant cash and has a nice organic growth plan, including four new hospitals in 2025. The market has yet to fully adjust.

Top 5 holdings (as % of NAV)

Motorpoint Group PLC	(LSE:MOTR)	4.0%
ING Groep NV	(ENXTAM:INGA)	3.9%
Clean Harbors Inc	(NYSE:CLH)	3.8%
Nutex Health Inc	(NASDAQ:NUTX)	3.6%
CRH PLC	(NYSE:CRH)	3.3%
Cash		9.7%

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 (Net of all fees and expenses)

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%	0.55%	4.78%	-0.09%	4.33%	-2.26%	-4.84%				5.29%

Past performance is not indicative of future performance and the value of your investments can rise or fall. The above figure assume all distributions have been reinvested. 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	31 March 2025
Buy Price	$1.9131
Redemption Price	$1.9055
Mid Price	$1.9093
Portfolio Value	$217.2 million

About Forager

With approximately $390 million of funds under management and a focus on long-term investing, Forager Funds is a unique Australian asset management company.

Following a strong fifteen-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.

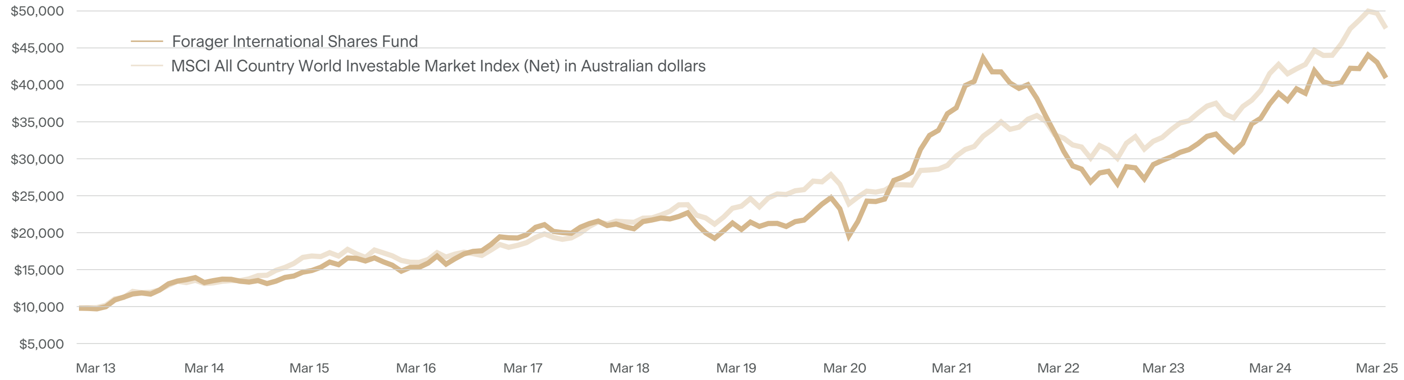
Key investment staff are strongly aligned with investors through co-investment and / or equity in the Forager business.

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 (returns are net of all fees and expenses)



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

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Australian Shares Fund	-2.87%	-0.89%	10.67%	20.32%	6.29%	25.13%	8.37%	10.16%
All Ordinaries Accumulation Index	-3.54%	-3.29%	-4.13%	2.20%	5.15%	13.64%	7.39%	7.94%

Past performance is not indicative of future performance and the value of your investments can rise or fall.
The above figures assume all distributions have been reinvested

*30 October 2009

The Forager Australian Shares Fund's unit price fell 2.9% during the month, while the All Ordinaries Accumulation Index fell 3.5%. March continued the volatility seen in late February with macro concerns around US tariffs and resulting impacts taking centre stage. Larger stocks and smaller stocks performed roughly in-line, though resources stocks outperformed industrial stocks markedly.

The Fund entered the month with cash levels of 12.7%, up from a trough of 6.7% in August 2024. At the end of March cash was 9.7%, having deployed (net of sales) 3.3% during the month on existing and new investments.

The portfolio continues to be exposed to businesses with recurring and sticky revenue. In total approximately 60% of the Fund's investments have revenue which Forager would class as mostly recurring. Some, like **Catapult's** (CAT) wearable and video products, are so sticky that over 96% of customers at the start of the year remain customers at the end. And while churn at **Hipages's** (HPG) tradies platform is substantially higher, it too benefits from a large cohort of continuing customers.

Stock Exposure by Sector

Communication Services (5.8%)
Industrials (9.9%)
Consumer Discretionary (19.4%)
Healthcare (5.5%)
Financials (28.2%)
Information Technology (21.5%)
Cash (9.7%)

Source: Forager

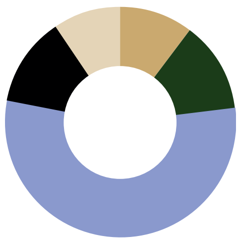
Conversely, the portfolio is light on particularly cyclical businesses, those more subject to the vagaries of the economic environment. These represent about 21% of the portfolio. This includes the Fund's (so far disappointing) investments in tourism businesses like **Experience Co** (EXP) alongside other smaller businesses like motorcycle retailer and wholesaler **Motorcycle Holdings** (MTO). Dominant market shares, stock specific drivers, and cheap valuations mean we are excited about their prospects over time.

The last few months have seen the full exit from a handful of the Fund's investments. The long and winding story of problematic software business **Bigtincan** (BTH) is covered in more detail below. Much more successful investments in terminal owner **Dalrymple Bay** (DBI) and trustee **Equity Trustees** (EQT) were also exited.

Our investment in Dalrymple Bay, essentially an inflation adjusted stream of cashflows resembling a fixed income investment, had run its course as the price of the security lifted by more than 30% from our entry price. The underlying business had not seen too much change, though investors grew to appreciate the business more fully. Improved liquidity after an investor sell down, paired with consistent growth in distributions and no surprises brought the business more front of mind for generalist equity investors.

Stock Exposure by Market Cap

$0-$100m (10.1%)
$100-$200m (12.7%)
$200-$1bn (55.2%)
$1bn+ (12.3%)
Cash (9.7%)



Source: S&P Capital IQ

Equity Trustees had also netted the Fund a tidy but not extraordinary profit before the Fund's exit during the month. Despite continuing revenue growth, up 6.5% in the half year just gone, cost increases have been more significant than expected. The business increased headcount to cope with new business and higher regulatory burdens and saw management's chosen measure of profitability fall nearly 6%. There is relief coming. Cost growth is due to moderate somewhat this year as synergies from a prior acquisition are realised. But with the stock price higher and our assessment of future cashflows lower than initially expected we exited the investment.

New stocks have mostly come from the ranks of the larger and higher quality.

Australian Shares Fund

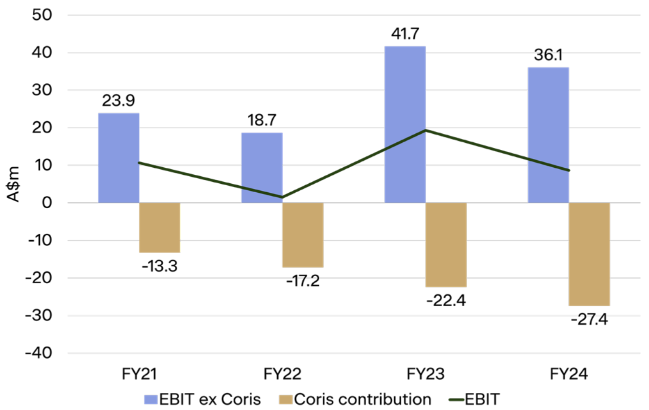
Nanosonics Captures Market Share

One of these is former market darling **Nanosonics** (NAN). Under the hood of this superficially expensive business is a high-margin, recurring revenue machine with a cash-rich balance sheet and a very credible plan for growth.

The company makes infection prevention equipment—the sole product being sold at the moment is a device for hospital-grade disinfection of ultrasound probes. The Trophon system, a razor-and-blade model, has steadily embedded itself in US healthcare settings. Over 35,000 units are installed globally with 87% of those in the US, where Nanosonics has now captured more than 50% of the available market. Quite an achievement for an Australian business based out of leafy Macquarie Park in Sydney.

Nanosonics captures recurring revenue each time a probe needs to be disinfected. And each time a new unit is sold the business seeks to attach a multi-year services contract. In the first half of the financial year, 74% of revenue came from these two revenue streams, with the rest from the sale of new devices. The consumables are proprietary and essential to the system, and are sold at greater than 80% gross margins.

Nanosonics EBIT Contribution of Trophon and Coris



Source: Nanosonics

**EBIT is an abbreviation for earnings before interest and taxes*

The core Trophon business grew revenue by 18% in the last half year, helped by more units in the field and healthy ultrasound procedure growth. With costs well controlled, earnings before interest and tax rose 43% as margins expanded. Longer term, revenue growth above cost growth will continue this margin expansion. When the Fund started buying Nanosonics at about $3 per share, the business was attractive on the value of the Trophon business alone.

Over the last few years profitability has been muddied by almost $100 million spent on a new product—a device for the disinfection of endoscopes called Coris. This spend has not seen a dollar of revenue so far. Yet with the company's technical expertise, distribution muscle and recent approvals, Coris has plenty of long-term value.

With the twin growth engines of consumables growth and services, supported by sales of Trophon hardware, the business should continue to grow strongly. Adding the long-term potential of Coris will supercharge growth.

Stock News

The Fund exited its investment in **Bigtincan** (BTH) during February. Prior to Christmas, Bigtincan's board agreed to a $0.22 takeover offer from private equity firm Vector Capital. Shareholders get the chance to vote on the deal in early April and are likely to jump at the chance.

Bigtincan's December half-year result was another shocker. Revenue fell 15% on the previous corresponding period and the company torched another $15 million of cash. It has only $25 million left, despite raising another $10 million from shareholders during the period.

The only question is whether Vector can use the woeful results to wrangle its way out of a binding agreement. There are enough material adverse change clauses to give us pause, including one that references $100 million of annual revenue (it was down to $50.5 million for the half). A higher bid is hard to imagine. We still think the deal is likely to go through, but given the opportunity to exit at an average price of 20.6 cents, 94% of the proceeds with none of the risk seemed an attractive proposition. It has been a sorry tale of mismanagement and we are relieved to have it behind us.

Betting company **Pointsbet** (PBH) announced a takeover offer from Tokyo-listed **MIXI** (TSE:2121) in February. Pointsbet's board is in favour of the $1.06 cash offer. MIXI has plenty of cash to fund the deal and doesn't have many backout clauses, making it a good fallback option.

But we are hopeful of something better.

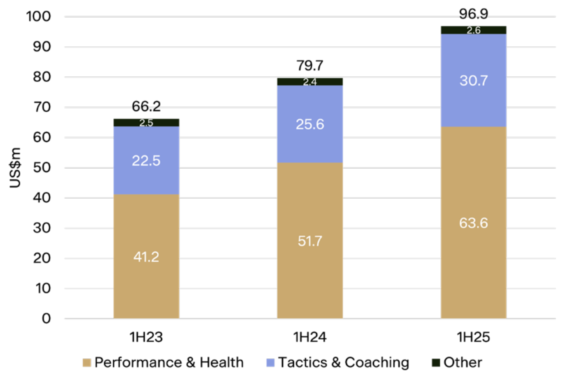
On the day of MIXI's announcement **Bluebet** (BBT) revealed it too had an offer for the firm in cash and scrip, believing it can realise at least $40 million of synergies by combining the businesses. The original Pointsbet investment thesis was predicated on the strategic value of the company's technology platform and customer base and we think there may be more bidding to play out.

If **Tabcorp** (TAH) isn't looking, it should be. And several cashed-up global players may attribute more value to Pointsbet's Canadian operations. Let the bidding begin.

Catapult's Investor Day

Sports wearables company **Catapult** (CAT) held their Investor Day in March, laying out a compelling picture of where the business is heading and how it plans to get there. The headline ambition is big: grow annual contract value (ACV) 10-fold to US$1 billion. But the more important takeaway was the detail behind it.

Catapult Contract Growth



Source: Catapult

Australian Shares Fund

Management reaffirmed its focus on increasing both the number of teams using its products and the revenue it earns per team. Progress on both fronts continues. The company now serves 3,470 professional teams globally, up from 2,200 in FY21. Average ACV per team has also risen steadily to US$26,000. The mid-term target is 5,000 teams, with around half of them using multiple Catapult products, like video and wearables together, pushing ACV to US$40,000 per team and beyond.

Margin expansion remains central to the plan. The company reiterated its long-term management earnings before interest, taxes, depreciation and amortisation (EBITDA) target of 30%. Paired with continued revenue growth of more than 15%, Catapult should soon be ranking very well on the industry standard "Rule of 40" benchmark. This benchmark sums the total of revenue growth and profit margin, capturing the cost tradeoffs required for high rates of growth.

Importantly, full-year ACV growth guidance was reaffirmed, suggesting the growth story remains intact. Management continues to steer towards profitable growth, and the latest half-year showed solid progress: free cash flow, cost control, and progress on video ACV.

We've long believed this is a better business than the market gave it credit for. Continuing to deliver on Catapult's promises will encourage other investors to come to a similar conclusion.

Tyro Acquiring

Tyro (TYR), a payment terminal provider, is back in the news with recent confirmation that it has made a non-binding bid for competing terminal provider **Smartpay** (SMP).

Smartpay is a smaller player in the payments space, focused on surcharging payment solutions for small merchants in Australia and New Zealand. The company fell out of favour following the RBA Payments Review and the contemplation of a full ban on surcharging in Australia.

Tyro is proposing to acquire 100% of Smartpay in a mostly scrip deal for NZ$1.00 per share. It would consolidate Tyro's position in the Australian terminal market. The real upside lies in the synergies: cost savings from Smartpay shifting onto Tyro's platform, plus back-office and engineering efficiencies. Analyst estimates suggest over $15 million in synergies. There's no certainty the deal will go ahead. Tyro faces competition from at least one international bidder, believed to be **Shift4** (NYSE:FOUR).

We've followed Tyro long enough to know integration is never risk-free. Its Bendigo partnership, though beneficial, has seen terminal churn. But Tyro is in a stronger position today, with a more focused management team, a cleaner cost base, and solid free cash flow generation.

The Smartpay offer adds optionality. And, if successful, it accelerates Tyro's path to scale. If not, the core business keeps performing. That's a good spot to be in.

Top 5 holdings (as % of NAV)		
Catapult Group International Ltd	(ASX:CAT)	9.2%
NZX Ltd	(ASX:NZX)	5.3%
EML Payments	(ASX:EML)	5.1%
Tyro Payments Ltd	(ASX:TYR)	4.9%
Praemium Ltd	(ASX:PPS)	4.7%
Cash		9.7%

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 (Net of all fees and expenses)

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%	1.58%	8.17%	1.63%	2.93%	-0.86%	-2.87%				17.51%

Past performance is not indicative of future performance and the value of your investments can rise or fall. The above figures assume all distributions have been reinvested. 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	31 March 2025
Buy Price	$1.8866
Redemption Price	$1.8790
Mid Price	$1.8828
Portfolio Value	$171.8 million

About Forager

With approximately $390 million of funds under management and a focus on long-term investing, Forager Funds is a unique Australian asset management company.

Following a strong fifteen-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 (returns are net of all fees and expenses)

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.