FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 31 March 2021. 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 (ASX:FOR)	1.21%	2.11%	29.05%	125.82%	3.33%	7.22%	12.22%	10.96%
All Ordinaries Accumulation Index	1.84%	3.61%	18.56%	41.14%	10.09%	10.57%	7.97%	8.04%

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

During March the Fund rose 1% bringing the quarter's performance to 2%, shy of the All Ordinaries Accumulation Index's 4% return. This time last year, we encouraged you to ignore the dramatic drawdown in prices during the March 2020, as it was driven by large share price movements on tiny volumes in a highly dysfunctional market.

Likewise, we believe you should largely ignore the 125% return showing as the Fund's one year number in this monthly report. Those dysfunctional markets are the starting point 12 months ago, and we don't think they were at all reflective of the underlying portfolio.

Still, the underlying companies were making good progress prior to that March meltdown and the good news continued throughout 2020 and further into the March quarter of this year.

After the frenzy of February reporting season, March is usually a quiet period. That was not so this year. A takeover was announced for one of the Fund's largest investments, another significant holding clocked a record quarter of new sales and a smaller one stitched up a transformational deal.

FINALLY IN THE MAINSTREAM

At the last quarterly report, having just received a bid for **WPP AUNZ** (WPP), we discussed other Fund investments that may draw the attention of acquirers. Fund administrator **Mainstream** (MAI) was one we described as 'more valuable in the hands of an acquirer'.

And so it was that Mainstream received a takeover bid from global administration group Vistra in early March. We'd like to think that a little prodding from Forager helped set the business on the current path.

In early 2020, before COVID-19 sent investors back to school for their virology degrees, the Forager team sat down with the board of Mainstream. The Fund had been a long term supporter of the company, holding the shares since listing in late 2015. And we continued to see that the business's value was not being appreciated by the stock market.

The title of the presentation that day was "opportunity to deliver significant shareholder wealth". A clearer strategy, clearly communicated, would draw the attention of stock market investors. And a higher share price would force potential acquirers to pay more when it finally came time to realise the full value of the business in a sale. Since then the Fund has seen the value of its investment in Mainstream more than double.

The Vistra bid came in at $1.20 per share, a skinny 12% premium to the pre-bid price. Not much of a premium in the usual scheme of takeovers. Not much at all when considering the highly recurring nature of Mainstream's revenue, strategically important domestic business and plenty of growth opportunities.

The bid featured a clause rarely used in takeovers. The 'go shop' clause allows a target more flexibility in seeking a higher bid from a different party. Mainstream had until midnight on 11 April to seek a higher bid from other parties under this clause. Global behemoth **SS&C** (NASDAQ:SSNC) came to the party with a $2 per share bid, a stunning 67% premium on the Vistra offer.

Mainstream's share price rise and subsequent bid is another case of value being unlocked among the Fund's investments.

A COVID-19 HIT TO AN ENTERPRISING SECTOR

Predicting COVID-19 effects was not an easy task. A home furnishings boom in the middle of a recession? Nope. A motorbike retailer more than doubling profits? Unlikely. Funeral homes seeing a terrible year? Surely not.

Everything is easy to rationalise after the event. But the way different sectors were impacted by COVID-19 was surprising.

One of those is the enterprise software sector. These companies sell software to other companies. Think accounting, customer relationship management and project planning software. Unlike software sold to individuals or small businesses, where the user simply buys the product and starts using it, most enterprise software is heavily integrated into a company's operations and often customised for each client.

Forager has owned a few of these businesses over the years, including **Hansen** (HSN) and GBST. Once ingrained in a customer's operations, they are almost impossible to remove, making for sticky revenues and attractive long-term investments.

It wasn't any surprise, then, that they were viewed as something of a safe haven in the early months of the COVID-19 panic. In a world where some companies weren't generating any revenue at all, recurring reliable revenues from large corporates looked relatively attractive.

Yet look at the table below. On the ASX at least, many of these companies are today trading well below their pre- COVID-19 prices.

Name	Ticker	Mkt Cap (AUD m)	20 Feb 20 to 30 Mar 21
Bravura	BVS	665	-55%
Elmo	ELM	461	-37%
Gentrak	GTK	138	-36%
Appen	APX	2,250	-35%
LiveTiles	LVT	192	-33%
Iress	IRE	1,780	-30%
Altium	ALU	3,530	-27%
Infomedia	IFM	567	-25%
Integrated Research	IRI	389	-20%
Readytech	RDY	170	-15%
Bigtincan	BTH	382	-7%

It turns out that this prediction wasn't right either. Apparently, some of the revenue isn't as recurring or reliable as investors had come to believe.

Most enterprise software companies earn significant amounts of upfront implementation revenue. That depends on winning new clients. And some of the "recurring" revenue is related to clients requesting changes or introducing new features. With employees working from home and much bigger problems to deal with, most corporates have moved IT system upgrades down their lists of priorities.

The impact was widespread. **Bravura**'s (BVS) UK wealth management clients have hit pause on new deployments. Sales of **Integrated Research**'s (IRI) performance monitoring solutions have been slow. **Infomedia** (IFM) cited timing delays on new sales of car-servicing software.

The problems are real. The timing of a recovery is often uncertain. But as COVID-19 subsides deals will return, and investor optimism will likely come back alongside them.

There are a handful of enterprise software names amongst the Fund's investments: **Gentrack** (GTK), **Fineos** (FCL), **Readytech** (RDY) and the Fund's largest investment **RPMGlobal** (RUL). The pandemic influenced the businesses in different ways and they remain at different stages of recovery.

The recovery at utilities and airports software provider Gentrack took a big step backwards during the pandemic. The airport software segment continues to be a no-fly zone. But utilities revenue looks to be growing. A new management team is formulating a recovery strategy.

For insurance software provider Fineos, COVID-19 caused a slowdown in new contract signings as its large North American insurance clients had bigger things to worry about. And with fewer new wins came less implementation revenue than had been expected. Despite the disruption Fineos still grew revenue by 30% last half. After a lull the company signed up American Public Life in early April.

Over at education and payroll supplier Readytech, revenue growth did not skip a beat. With 90% of revenue being mission critical software purchased by subscription, total revenue excluding acquisitions grew 9% last half. The company seems confident of similar growth ahead. Management also took the opportunity to size up the business, entering the government software market by acquisition.

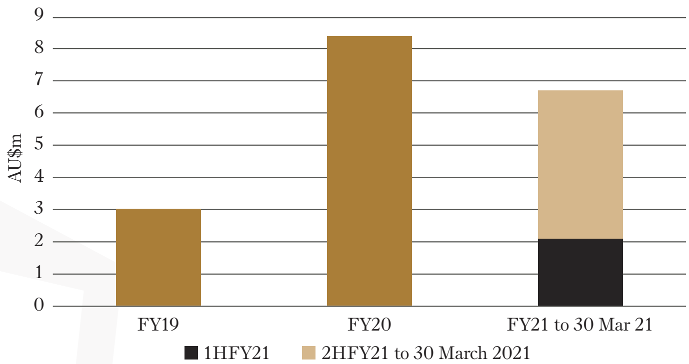
But it was the Fund's largest investment that is showing the brightest sparks of recovery.

STRIKING SOFTWARE GOLD

Management at mining software provider RPMGlobal highlighted the hit to new software sales in the company's annual report in August: *"We continue to see solid growth in the software sales pipeline however currently we are experiencing delays in finalising deals as miners reprioritise both their capital and operating expenditure in response to COVID-19."*

That lull at the end of last calendar year gave way to the company's biggest quarter of new software sales. Since December, RPM has added an annual $4.6m of high quality recurring revenue. That revenue will contractually last for three years, with some contracts dragging out to 5 years. The average miner will remain a client much longer than that. Some products are becoming industry standard, shutting the door on competition. With new software, mining clients flush with cash and motivated management, new contract wins are set to continue.

ADDITIONAL SUBSCRIPTION SOFTWARE ANNUAL RECURRING REVENUE



RPM, like Mainstream, is more valuable in the hands of an acquirer. CEO Richard Matthews has form running and selling software businesses: first Mincom and then eServeGlobal (which remains listed but sold a big division). The growing recurring revenue will be attractive to a range of large suitors. With a high corporate overhead, any sale will allow the acquirer to reduce costs dramatically. Owning $11m worth of RPMGlobal stock, all acquired on-market, Matthews has a big incentive to maximise value if any bidder shows interest.

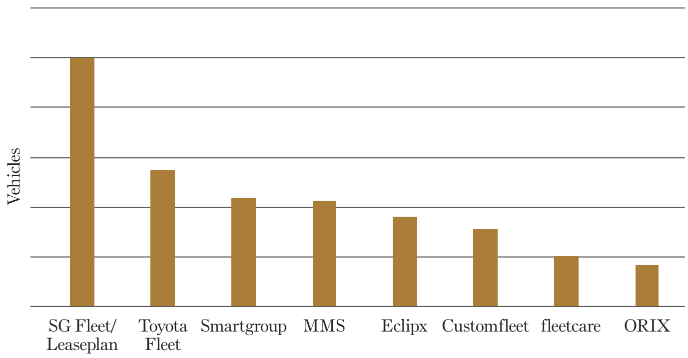
The whole enterprise software sector has been a recovery laggard. As RPM shows, however, share prices start to move when the deals start coming back. For all of these businesses, that is only a matter of time.

SG FLEET DOING THE TAKING OVER

SG Fleet (SGF), the fleet management and novated lease provider, struck a deal to buy the Australian and New Zealand assets of competitor Leaseplan for $387m. The case for consolidation among the fleet management and novated leasing players has been strong for years. Scale will bring more efficiency. It took time, but SG Fleet has finally managed to consummate a deal.

And what a deal it is. The combined group will be close to double the size of the next biggest Australian fleet manager and move into the top three in New Zealand. Recurring revenue will move to 70% of total, from 56% at the standalone SG Fleet. And it gives SG Fleet access to a flexible warehouse financing facility, something the company had identified as strategically important. Most importantly, the added scale brings synergies worth $20m a year, to be realised over the next two to three years. Earnings per share will rise by more than 20%, inclusive of synergies, following the merger. The Fund took up its entitlement in the capital raise to fund the deal and stands to buy more shares should retail shareholders not fully participate later this month.

AUSTRALIAN FLEET MANAGEMENT & LEASING



There is possibly one more major deal to be done before the ACCC starts to cast a disapproving gaze. With other dance partners either already engaged or staying firmly put, this leaves **McMillan Shakespeare** (MMS) and **Eclipx** (ECX) as the lone groovers. The Fund owns the latter and would welcome further consolidation.

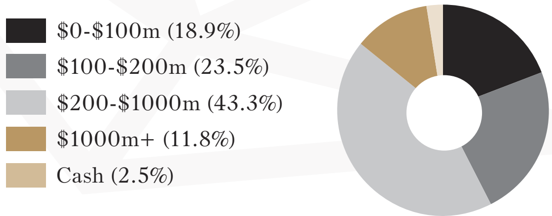
TOURISM SET TO TAKE FLIGHT

In the flurry of reporting season, tourism stocks were largely quiet. After all, there isn't much to report. For most players losses continued, though at a lower rate as domestic tourism returns. Cash cushions remain fluffy, able to absorb further travel disruption. And investors are in a holding pattern, eager to see Australia reopen to international tourists and looking forward to more normalised earnings starting to flow from the middle of next year.

The Fund's tourism investments are mostly in two businesses: skydive and Great Barrier Reef tour operator **Experience Co** (EXP) and campervan operator **Tourism Holdings** (NZX:THL).

Both have large operations in New Zealand and will benefit from the newly announced travel bubble with Australia. While New Zealanders are unlikely to help the domestic tourism industry too much, Australian made up 40% of New Zealand's international arrivals pre-COVID-19. While we don't stay as long and don't spend as much as some other travellers, the flood of travel-starved Australians across the ditch will be a boom to the New Zealand tourism industry. It's a first, and important, step towards the normalisation of global travel patterns and will be a good guide to how a global recovery unfolds in 2022.

PORTFOLIO DISTRIBUTION ACCORDING TO MARKET CAPITALISATION



TOP 5 HOLDINGS (as % of NAV)		
RPM Global Holdings Limited	**(ASX:RUL)**	8.9%
Mainstream Group Holdings Ltd	**(ASX:MAI)**	7.6%
Enero Group Limited	**(ASX:EGG)**	5.3%
Thorn Group Holdings Limited	**(ASX:TGA)**	4.9%
NZME Limited	**(ASX:NZM)**	4.0%
Cash		2.5%

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^.

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%				**62.17%**

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FACTS

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

UNIT PRICE SUMMARY

As at	31 March 2021
NAV	$1.68
Market Price	$1.48
Portfolio Value	$183.1m

ABOUT FORAGER

With approximately $400 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.

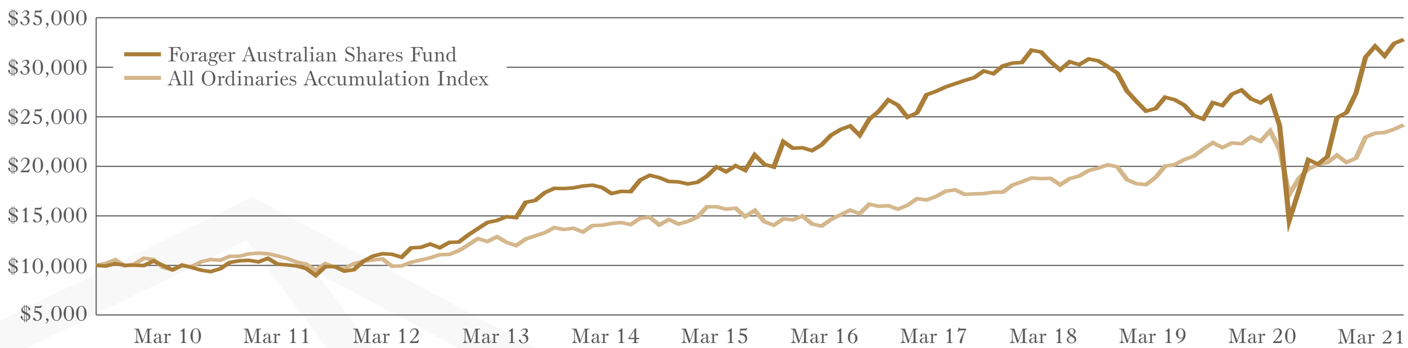
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

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.