

# FORAGER

# AUSTRALIAN SHARES FUND

MONTHLY REPORT NOVEMBER 2020 [www.foragerfunds.com](http://www.foragerfunds.com)

## FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 30 November 2020. 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.) |
|--|----------------|----------------|----------------|---------------|----------------------|----------------------|-----------------------|-------------------------|
| <b>Australian Shares Fund (ASX:FOR)</b>  | 13.22%         | 24.49%         | 50.05%         | 15.69%        | 0.58%                | 7.28%                | 12.37%                | 10.75%                  |
| <b>All Ordinaries Accumulation Index</b> | 10.16%         | 8.60%          | 16.35%         | -0.08%        | 7.54%                | 9.46%                | 8.11%                 | 7.78%                   |

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 value of the Forager Australian Shares Fund's portfolio jumped 13.2% in November, the fourth best month in the Fund's history (and the fourth best month this year). The ASX All Ordinaries Accumulation Index climbed 10.2%. Having fallen dramatically through February and March, the unit value is now up 17% for the calendar year, against an index that is up a couple of percent.

Our portfolio benefitted broadly from vaccine news out of the US and the UK. Three separate vaccine candidates all reported outstanding efficacy results and are being fast-tracked for use around the world. Life could be back to normal by the middle of 2021.

While the operating performance of most of our stocks proved remarkably resilient this year, the portfolio remains skewed towards an increase in tourism and a general economic recovery. It was therefore no surprise that the portfolio surged following the vaccine announcements.

Travel stocks **Experience Co (EXP)**, **Tourism Holdings (NZSE:THL)** and **Apollo Tourism and Leisure (ATL)** all benefited from investor enthusiasm for the sector. The share price of UK Bank **Virgin Money (VUK)** surged 41%. Car leasing companies **SG Fleet (SGF)** and **Eclix (ECX)** both had strong months, benefitting from general economic optimism and sector consolidation rumours.

The portfolio also saw some stock specific news that added to the vaccine-related returns.

Family location app **Life360 (360)** announced a deal to provide access to the functionality of its app from Google's smart devices. After creating a free Life360 account, users can now ask phones or smart speakers "Hey Google, where's my family?". Google will also close its competing Trusted Contacts app.

The deal is another step forward for the business. The app is already embedded into the lives of 17 million Americans and a total of 26 million people around the world. More expensive paid plans have recently been introduced and come with more safety and security features. Life360 CEO Chris Hull has navigated COVID-induced shutdowns, cut costs, and handled a TikTok boycott. This bodes well for the business becoming a mainstay for concerned parents worldwide. The stock has doubled since the Fund's initial buying in June.

Motorcycle and accessory retailer **Motorcycle Holdings (MTO)** continued its streak of upgrades, increasing its profit expectations for the second time this financial year. International travel is still off the calendar. The super release scheme provided a spending boost early in

the current half year. With public transport remaining less desirable, motorcycles offer a cheap way to get around. While the first two of these factors will fade, the third will persevere for some time yet.

The company has also been busy making the most of the pandemic upheaval. Some temporary cost reductions will become permanent. An expanded range now features Indian motorcycles, Yamaha jetskis and Stihl chainsaws. Next financial year is unlikely to be as good as this year, but at the current valuation it remains an attractive investment.

Marketing services business **WPP AUNZ (WPP)** received a bid from its parent company **WPP plc (LSE:WPP)**. The Brits already own 62% of the business and the local arm works within the sprawling 130,000-person international empire. The \$0.55 per share bid price is still 11% below pre-COVID share price peaks. Franking credits totalling almost \$150m are up for grabs. WPP AUNZ's independent directors are considering the bid.

Recent results from WPP AUNZ have been pointing to a resurgence. Despite revenue falling 14% last quarter, profit was up 15% on big expense reductions. Some of the \$70m saving is temporary but large permanent benefits will remain. The pandemic provided WPP an opportunity to recover margins lost over the last few years. All of that makes the parent's bid look opportunistically timed.

There is further to go before the Fund's underperformance over the past few years has been rectified. But 2020 has, so far, been a big step in the right direction. With businesses currently owned performing well and remaining attractively priced, we're confident of more of the same in 2021.

## TOP 5 HOLDINGS (as % of NAV)

|                                      |                  |      |
|--------------------------------------|------------------|------|
| <b>Mainstream Group Holdings Ltd</b> | <b>(ASX:MAI)</b> | 7.6% |
| <b>RPM Global Holdings Limited</b>   | <b>(ASX:RUL)</b> | 7.3% |
| <b>NZME Limited</b>                  | <b>(ASX:NZM)</b> | 6.2% |
| <b>AMA Group Limited</b>             | <b>(ASX:AMA)</b> | 5.4% |
| <b>Thorn Group Holdings Limited</b>  | <b>(ASX:TGA)</b> | 4.6% |
| <b>Cash</b>                          |                  | 3.3% |

**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<sup>^</sup>.

**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% |        |        |         |         |        |        |        | 53.37%       |

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

**FACTS**

|                       |                 |
|-----------------------|-----------------|
| <b>Fund inception</b> | 30 October 2009 |
| <b>ASX Code</b>       | FOR             |
| <b>Distribution</b>   | Annual, 30 June |

**UNIT PRICE SUMMARY**

|                        |                  |
|------------------------|------------------|
| <b>As at</b>           | 30 November 2020 |
| <b>NAV</b>             | \$1.59           |
| <b>Market Price</b>    | \$1.39           |
| <b>Portfolio Value</b> | \$176.8m         |

**ABOUT FORAGER**

With approximately \$380 million of funds under management and a focus on long-term investing, Forager Funds is a unique Australian asset management company.

Following a strong ten-year track record, Forager is a sustainable business but is nimble enough to invest in smaller listed companies not accessible to many investment managers.

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

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

**FUND CHARACTERISTICS**

- Concentrated portfolio of ASX-listed stocks
- Long track record in identifying unloved gems
- Restricted fund size allows investment in smaller businesses
- Strong focus on managing portfolio risks
- Listed on ASX as a Listed Investment Trust (LIT)
- Structure offers Forager flexibility in distressed markets

**COMPARISON OF \$10,000 INVESTMENT OVER TIME**

Source (All Ords): S&P Capital IQ. The above figures assume that all distributions have been reinvested. Performance is calculated using Net Asset Value (NAV), not the market price. Past performance is not indicative of future performance.

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