FORAGER

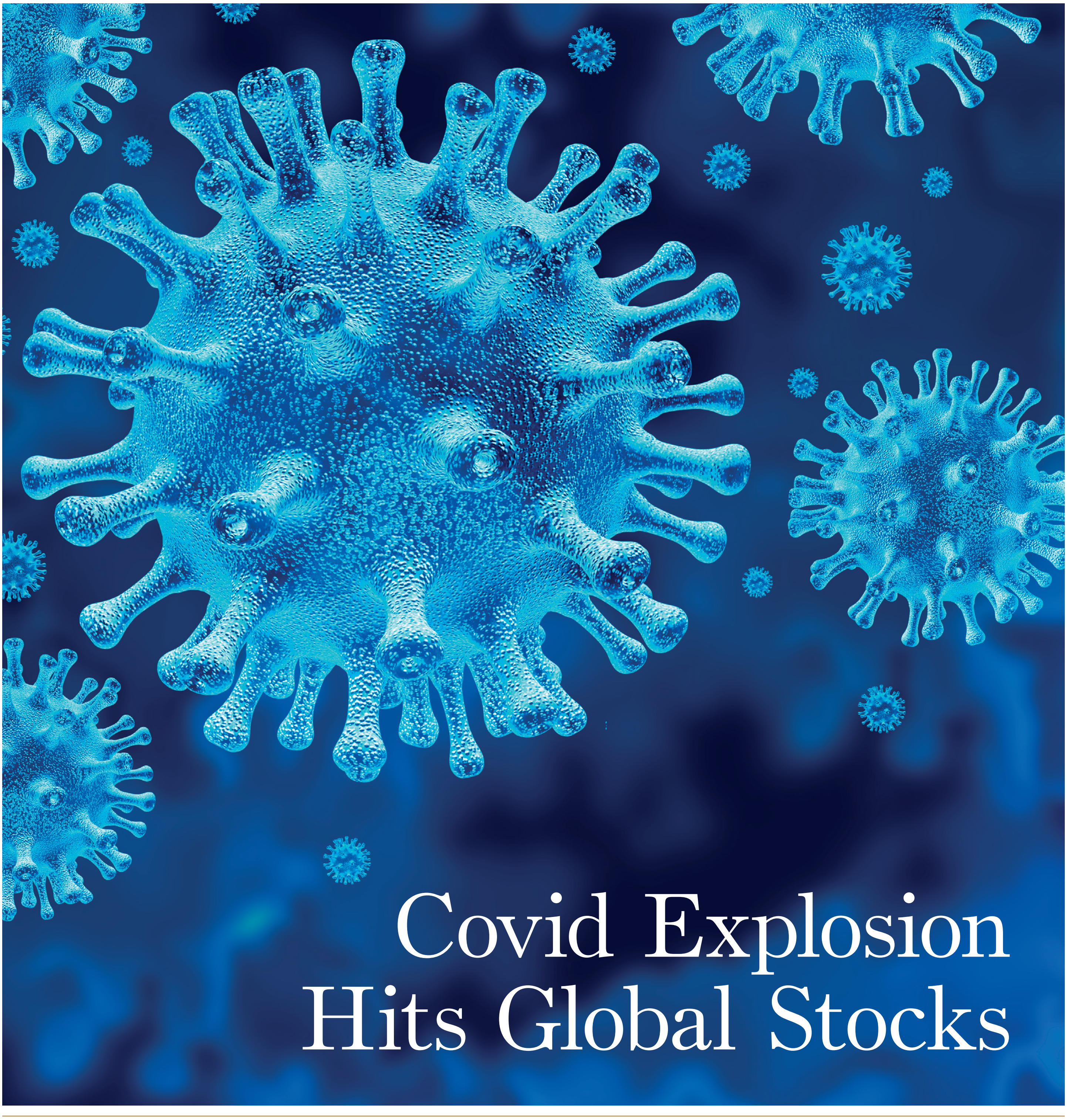
MARCH 2020 QUARTERLY REPORT

BETTER THAN FEARED
A strong response from government and the private sector means Australia is well-placed to recover from a COVID-19 calamity.

YUM CHINA OPEN FOR BUSINESS
Yum China is seeing signs of recovery, with 95% of stores back open for business.

WISH LIST TRIGGERED
Great businesses don't often sell at attractive prices. A market meltdown has created a welcome opportunity.

TOURISM TROUBLES
The global tourism industry has been hardest hit by virus-related travel restrictions. That has caused pain and opportunity.



Covid Explosion Hits Global Stocks

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MANAGING THROUGH A MARKET MELTDOWN

From equanimity to outright panic in the space of a month, investors experienced the full gamut of emotions during March. We're trying our best to take advantage of it.

This quarterly report is one I will read again in old age. It has been the most extraordinary three-month period of my life.

In the middle of February, the Australian sharemarket was trading at or near record highs, with the All Ordinaries Index above 7,000 points. COVID-19, the latest deadly coronavirus, had already erupted in China and started to recede.

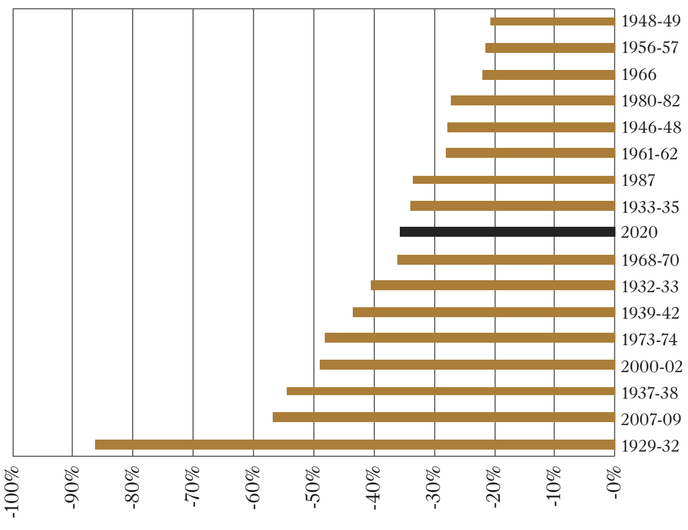
By Monday 23 March, Gareth Brown and I were running an investor webinar from isolation in our houses. The shutters had been pulled down on the entire retail and hospitality sectors in Australia. The ASX All Ordinaries Index closed that day at 4,564, down 37% from its peak.

In the US, the Dow Jones Industrial average suffered the fastest bear market on record, falling 36% in the month to that same black Monday.

That, as it turned out, was peak panic day.

The Dow Jones's 21% rally over the next three days constituted the fastest bull market on record (the generally accepted rule for a bull or bear market is a rise or fall of more than 20%).

Chart 1: Peak to Trough Movement S&P 500 Bear Markets



Source: S&P Capital IQ

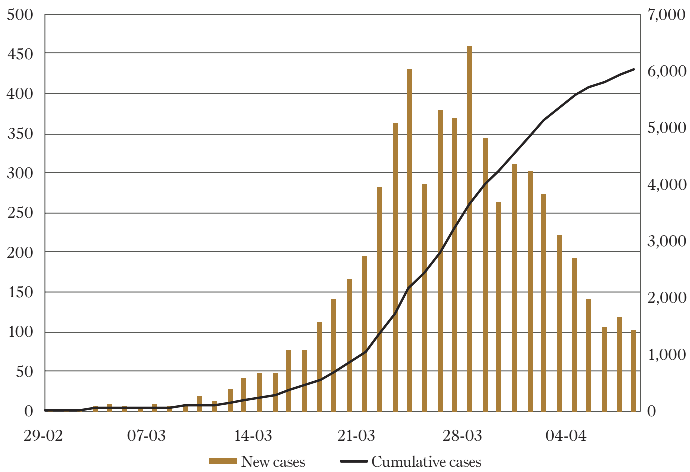
Much remains unknown. How long until a vaccine is widely available? How long will our economy remain in hibernation? How do you bring the economy out of hibernation without suffering a resurgence in infections?

LOCKDOWN WORKING

But there are more pieces of the puzzle in place than just a few weeks ago. And, for the most part, the signs are positive.

From Wuhan to Bergamo and Sydney, lockdowns are working in every city in which they have been implemented. Within a few weeks, the number of infections starts to decline. Within a few months, restrictions can start to be lifted. In China that has (apparently) been managed successfully. Denmark and Austria have both recently announced plans for a phased reduction in restrictions. Australia won't be far behind given the lower starting point and rapid drop in the number of new COVID-19 infections.

Chart 2: New and Cumulative Confirmed COVID-19 Cases in Australia by Notification Date



Source: Wikipeda

You won't be heading to packed nightclubs any time soon, but you may be walking around a retail store within the next few months.

Most importantly, there is going to be a retail store for you to head back to. That wasn't a certainty a few weeks ago.

THE MULTIPLIER EFFECT

Economies are fragile, interconnected systems. If one person loses their job, they stop spending money. That means someone else loses their job too, and so does the person making a living off the second person's expenditure. Economists' rough rule of thumb for this economic "multiplier effect" is five. For every one dollar of exogenous shock to the system, the economic impact is five dollars.

Australia has shut down the most of its discretionary retail and hospitality industries. This is not a recessionary slowdown. They are dead. And they are a significant percentage of the economy. Apply a multiplier to that and the impacts are not worth thinking about.

"YOU WON'T BE HEADING TO PACKED NIGHTCLUBS ANY TIME SOON, BUT YOU MAY BE WALKING AROUND A RETAIL STORE WITHIN THE NEXT FEW MONTHS."

Thankfully, the response from the government has been appropriately immense. The Federal Government has underwritten the living costs of all Australians while the lockdown is in place. Importantly, they have tried to do it through employers where possible. Broker Shaw and Partners estimates the $1,500 per fortnight Jobkeeper allowance will result in some one million Australians being paid more than they were when they were working. When the shops open again, they will have a job to go to and money to spend.

State governments have added significant payroll tax relief and other small business assistance in an attempt to keep as many small businesses alive as possible.

The Reserve Bank of Australia has provided substantial backstops to the banking sector. And equity markets have provided fresh capital to viable businesses with short-term funding issues. **Flight Centre** and **Webjet** have raised more than $1bn between them.

While the economy is clearly going to take a massive hit over the coming months, the combined impact of these actions is that the core infrastructure of the economy is being maintained. We should be able to return to full production as quickly and efficiently as possible.

The government can't fund everyone's salaries forever but, especially given Australia's low starting levels of government debt, it is able to do so for a meaningful amount of time.

NECESSARY AND APPROPRIATE GOVERNMENT RESPONSE

There has been plenty of criticism of the response. Some seem to see this as another government bailout of the irresponsible and reckless.

I disagree. This is not like the financial crisis, where the problem was caused by private sector excess. It's an exogenous shock. One that caused the government to (rightly) close the economy down. And one where the government should do everything it can to mitigate the damage. Some businesses were carrying too much debt, sure. But their shareholders have largely borne the brunt. And expecting any company to carry its full cost base for a year without revenue is absurd. A business that operates at 5% profit margins has 95 cents of expenses for every one dollar of revenue, meaning its expenses are 19 times the profits. One would need 19 years' worth of profits as cash in the bank to fund the full expense base for a year.

It is easy to nitpick. But from the health authorities to the government, central banks and CEOs, Australia's response so far has been speedy, meaningful and effective.

While there is much that remains to be done—recent outbreaks of COVID-19 in Singapore and Japan show that returning to normal won't be easy—we are as well placed as could be hoped.

FINANCIAL MARKETS RECOVER FIRST

A more optimistic outlook is certainly reflected in share prices. Here in Australia, the All Ordinaries Index is almost 20% higher than its lows*. The US market is up even more, despite a COVID-19 crisis in that country that is yet to hit its peak.

Whether the rally is justified remains to be seen. For now at least, the forced selling has abated.

I'm sure we will look back and think we could have done better. Some of our stocks have more than doubled from their lows already, and hindsight will probably say we should have been more aggressive.

But, overall, I'm extremely happy with how the team and investors have reacted. We've added new stocks to both portfolios (you'll find summaries in both fund reports). We've been fully invested at the market low point (too early in both too, of course). And we haven't had to deal with investor redemptions, thanks to a loyal and long-term client base.

The listed Forager Australian Shares Fund has traded at a discount to its underlying net asset value (NTA) for some time. But the volume of units traded was healthy through the market crash. There were more than 350,000 units traded on that peak-panic Monday and some Forager faithful picked up exposure to some heavily discounted shares at a further heavily discounted price.

Irrespective of how this plays out over the coming months, we have a huge amount of work to do. The performance of the Australian Fund has been extremely disappointing over the past few years and we need to deliver you high returns out of a market like this.

But we have prepared for dysfunctional markets and you have given us every chance. Thanks, and I look forward to reporting the fruits of our labour over the coming months.

Kind regards,

STEVEN JOHNSON
Chief Investment Officer

*As of 9 April 2020

INTERNATIONAL SHARES FUND

FACTS

Inception date	8 February 2013
Minimum investment	$20,000
Monthly investment	Min. $200/mth
Income distribution	Annual, 30 June
Applications/redemptions	Weekly

UNIT PRICE SUMMARY

Date	31 March 2020
Buy price	$1.4187
Redemption price	$1.4131
Mid price	$1.4159
Portfolio value	$138.8m

A WILD RIDE FOR INTERNATIONAL STOCKS

Panic and distress hit global stock markets hard in March. While the Fund's holdings weren't immune, it is a well-balanced portfolio and the impact was muted by a weak Australian dollar.

Table 1: Summary of Returns as at 31 March 2020

	International Fund (Net of fees)	MSCI ACWI IMI
1 month return	-15.53%	-9.82%
3 month return	-17.76%	-10.92%
6 month return	-8.86%	-6.80%
1 year return	-4.22%	1.29%
3 year return (p.a.)	-0.28%	8.43%
5 year return (p.a.)	5.48%	7.09%
Since inception* (p.a.)	9.86%	12.93%

*Inception 8 February 2013
The value of your investments can rise or fall. Past performance is not necessarily indicative of future performance.

The Forager International Shares Fund saw its unit price fall 15.5% in March and 17.8% during the quarter. While the falls were widespread, the underlying share price movements varied significantly depending on company balance sheets and the respective degree of exposure to the economic impacts of COVID-19 around the world.

With only a few exceptions, which you will read about below, the portfolio is a collection of well capitalised businesses with strong market positions. That doesn't save them from the immediate impacts of an economic meltdown, but it does mean most come out the other side with even stronger hands.

The portfolio impact of share price falls was muted by a significant fall in the Australian dollar. It traded at an intraday low of $0.55 to the US dollar in March, a level not seen since the 2001 bubble in technology stocks, before rebounding alongside stock markets to end the month at $0.61.

Chart 3: AUD/USD Exchange Rate

Source: S&P Capital IQ

With a plethora of news to report, we have kept this report mostly about stocks. Below you can read an update about the most affected, our largest investments and the new additions to the portfolio.

RETAIL AND AIRPORTS GROUNDED INDEFINITELY

Consumer confidence suffers in times of uncertainty. Add forced store closures and you have a bleak environment for discretionary retailers. **Ulta Beauty** (NASDAQ:ULTA) and **Hallenstein Glasson Holdings** (NZE:HLG) are not exceptions.

Ulta released its fourth quarter results earlier this month. Sales were up 8.5% for the quarter to 1 February, with comparable store sales up 4%. Profit margins declined slightly due to investments in growth and marketing. At the time of release all stores were still open and management had only just made the decision to stop providing makeup services. All Ulta stores have since been closed indefinitely. Distribution centres have been granted essential status in the US, so the online channel remains open for now.

Revenue for the current year will take a significant hit. Management is trying to balance cost reductions with supporting staff—a workforce will be needed when it's time to reopen stores. All capital investments have been put on hold. Ulta has the resources to withstand an extended period of store closures. The company had $1.3bn cash on hand in the middle of March. The next year or two is likely to be tough. Beyond that, consumers should continue spending more on skincare and makeup. Ulta has done a great job of taking share from competitors and will likely continue to do so.

Hallenstein also reported a strong first half result to 1 February 2020. Sales were up 5.7% overall, and 10.9% at Glassons Australia. COVID-19-related restrictions in New Zealand have closed all stores (including the online store) since 26 March. Stores in Australia are also closed, although online remains open at the time of writing.

Hallenstein isn't heavily indebted, but it does not have enough cash to cover operating costs in the current sales environment for long. That's where government subsidies and flexible landlords come in. Both the Australian and New Zealand governments are assisting with staff costs. And landlords want their retail tenants to survive this crisis, if only so they can be bled for rent further down the track. This will be a difficult period. But Hallenstein has been a well-run, profitable business for a long time, it remains debt free and it will be profitable again.

Revenue may fall more than 90% for **Flughafen Wien** (WBAG:FLU) for the period of this shut down. That's an astounding thing to write about a piece of essential infrastructure—Vienna Airport. But these are astounding times.

"WE THINK MOTORPOINT IS BETTER PLACED THAN ANYONE ELSE IN THE UK DEALERSHIP INDUSTRY, AND THE RECOVERY PERIOD WILL BE AN EXCELLENT TIME TO TAKE SHARE FROM STRUGGLING RIVALS."

Few peers globally are as well placed, with zero net debt and enough cash in the bank to cover costs at normal run rate for at least six months. Those costs are falling sharply, aided by an Austrian government package for furloughed staff. With the European Central Bank flooding the system with cash, bankers are again knocking on the company's door offering loans, should it ever be wanted.

Table 2: Airports–How cheap did they get and how much have they rallied?

	Fall from 31/12/19 to low		EV/EBITDA (2019) at lows	Rally from low to 9/4/20
	Share price	Enterprise value		
Flughafen Wien (Vienna)	-55%	-54%	3.9x	60%
Sydney Airport	-50%	-33%	15.0x	31%
Auckland International Airport	-51%	-42%	13.6x	35%
Fraport (Frankfurt)	-64%	-38%	6.6x	46%
Flughafen Zurich	-53%	-45%	5.5x	48%
Groupe ADP (Paris)	-60%	-46%	6.8x	31%
Københavns Lufthavne (Copenhagen)	-34%	-28%	17.0x	31%
AENA (Madrid, Barcelona)	-48%	-38%	7.5x	36%
Airports of Thailand	-39%	-42%	16.1x	25%

Source: S&P Capital IQ, Company filings

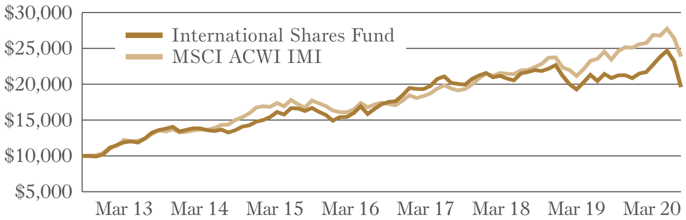
The rest of the year looks tough. A rebound will take time. But come 2025, more travellers than ever will pass through its terminals. Despite being better placed than peers, the stock got sold off more aggressively. Most airports stocks approximately halved in market capitalisation over the first three weeks of March, but fell much less in enterprise value terms (due to the high debt levels of most airport companies, the combined value of debt and equity is less influenced by falls in the equity value). Flughafen Wien, being debt free, halved in both market capitalisation and enterprise value. At one stage it traded at an enterprise value to 2019 earnings before interest, tax, depreciation and amortisation (EV/EBITDA) ratio of less than four to one. We'd taken some off the table at full prices in December 2019, and bought them back in mid March at bargain prices. It's since rebounded strongly and outperformed global peers.

The collapse of air travel hit **SkyWest** (NYSE:SKYW) even harder. The stock has fallen more than 60%. It was down more than 80% at its lows. A sigh of relief emerged with the US government's $2 trillion stimulus plan, which earmarked $58bn in loans and guarantees for passenger airlines and cargo carriers.

SkyWest is different from other airlines. Most of its revenue comes from mainline carriers such as **Delta** (NYSE:DAL) and **United Airlines** (NASDAQ:UAL) rather than direct ticket sales. Long-term contractual minimum payments more than cover SkyWest's operating costs and interest expense, leaving a baseline level of profit.

So why the fall? Mainline airlines are suffering mightily and their survival is not assured. Some contracts might need reworking. How this all shakes out remains to be seen. But there will also be opportunities for survivors. Two smaller regional competitors have already filed for Chapter 11 (bankruptcy) in recent weeks. When restrictions are lifted and air travel returns, domestic routes will recover the fastest, as they did after the September 11 terrorist attacks. US infrastructure is poor and air travel is more critical than in many other countries.

Chart 4: Comparison of $10,000 Invested in the Forager International Shares Fund and MSCI ACWI IMI



Source: S&P Capital IQ
The value of your investments can rise or fall. Past performance is not necessarily indicative of future performance. Assumes distributions are reinvested.

BLANCCO HOLDS THE FORT

Restrictions on travel will make new clients harder to find. And the rate of recycling of electronic devices will slow at some point. But **Blancco Technology Group** (AIM:ALTG) is one of the least affected companies in the portfolio. The data erasure software company's own small workforce is already spread out around the world and used to working from home. Much of its revenue is repeat deals with existing customers and demand remains healthy.

With institutional investors becoming more interested in the Blancco story after its good recent results, demand for the shares had been strong and the stock held up well at the beginning of the March rout. We took the opportunity to sell a

> "CDW IS THE LARGEST PLAYER IN A HIGHLY FRAGMENTED MARKET, WHERE IT CONTINUES TO GAIN MARKET SHARE."

meaningful chunk of our investment in the early weeks of the selloff above £2 per share and deploy that capital elsewhere (see New Investments below). It remains the Fund's largest investment and we remain excited about its prospects, but today's weighting of 7.8% is about right given the relative value on offer elsewhere.

Motorpoint (LSE:MOTR), like Blancco, held up very well over the first weeks of March and then promptly fell more than 30% like everything else. We sold a little before the fall. The economic realities of used car dealerships can't be escaped —it is a low margin business selling a big ticket, largely discretionary item. So even once the company's 13 dealerships are able to reopen doors, sales will likely be poor for a period. But the company is well placed to deal with the period of closure, aided by the UK's very generous support for furloughed staff. Motorpoint currently plans no layoffs. Much of its other cash costs, like marketing, will melt down quickly. Bigger picture, we think Motorpoint is better placed than anyone else in the UK dealership industry, and the recovery period will be an excellent time to take share from struggling rivals.

Yum China (NYSE:YUMC) provided an encouraging update recently, perhaps showing the rest of the world the path to COVID-19 recovery. The operator of KFC in China is seeing early signs of a recovery with 95% of their stores open for business, well up from more than a third of their stores closed in February. Many now have reopened to only provide take-away and delivery services, providing a cushion to subdued store traffic. Not surprisingly, sales are still down by around 20% compared to a year ago, but have improved from being down 40-50% at the peak of the outbreak. Steered by a savvy management team and supported by its cash rich balance sheet, it's KFC and Pizza Hut stores are likely to be even more dominant in a recovery scenario. It was one of the Fund's best performers in the quarter, an unlikely scenario at the start of January.

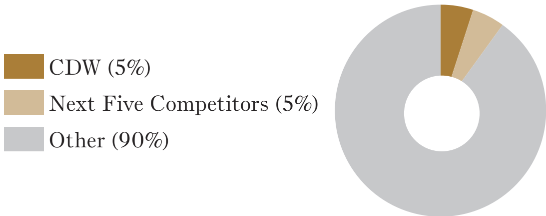
NEW INVESTMENTS

Three new US investments made it into our portfolio this month.

CDW (NASDAQ:CDW) is the market-leading provider of IT hardware, solutions and services in the United States. It has a lot of the characteristics that we like to see in an investment.

CDW is the largest player in a highly fragmented market, where it continues to gain market share. The company's 5% share is larger than the five next largest competitors combined, and it continues to outgrow the industry by 3-5% every year. It has a strong track record of growth, with ample runway ahead of it. With returns on equity of around 50% and strong cash flow generation, it doesn't need much capital to grow. And its market implied valuation recently approached just 10 times earnings.

Chart 5: CDW Market Share

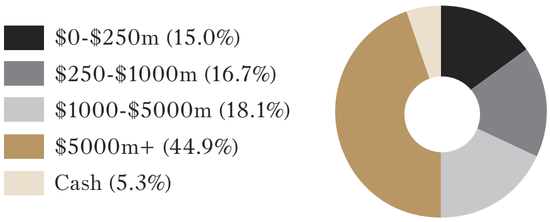


Source: Credit Suisse

Keysight Technologies (NASDAQ:KEYS), too, is a wonderful business. Keysight is the world's leading communications and electronics testing company, with a strong foothold in new technologies such as 5G and new WiFi standards. It was separated from **Agilent Technologies** (NYSE:A) five years ago and currently holds 25% of the $16bn testing equipment market.

Keysight offers the broadest electronics testing portfolio, enabling customers to design, simulate, prototype and manufacture next generation electronic products, components and networks. Its customers are all seeing accelerating secular growth over the coming years—5G infrastructure build-outs are likely to span a decade, while new use cases such as connected cars, Advanced Driver-Assisted Systems and the Internet of Things all result in the company's addressable market expanding from here.

Chart 6: Portfolio Distribution According to Market Capitalisation

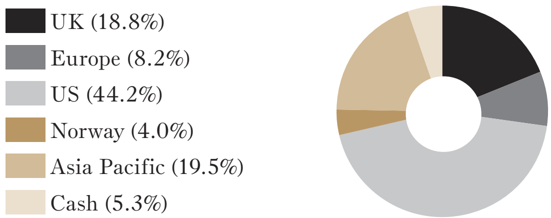


These trends increase the need for software-based test and measurement tools, which Keysight offers. This is an industry with huge barriers to entry—the company spends over $650m in research and development every year (which is much higher than most of its competitors) and has the largest installed base in the industry, combined with longstanding key customer relationships. The company is still not very well covered by larger equity research houses, despite management having done a tremendous job at growing market share, structurally improving profit margins and revitalising its product portfolio since it became independent. People tend to underestimate just how much a business can evolve and improve when one removes the "shackles" of being a smaller division of a larger conglomerate.

“WITH THE BENEFIT OF HINDSIGHT, THOUGH, WE WISH WE HADN’T INVESTED JUST WEEKS BEFORE EVERY MAJOR SPORTING LEAGUE IN THE US SHUT DOWN.”

Finally in the US, we added a stock that will surprise many, ridesharing company **Uber Technologies** (NYSE:UBER). This one needs a full write up to address the widely held bear views of the stock, but the much maligned business has undergone a significant transformation in recent years.

Chart 7: Stock Exposure by Geography



At its core Uber is a highly profitable technology company that benefits from network effects and scale. Those benefits have been squandered seeking new markets to conquer and new products, such as driverless cars. Founder Travis Kalanick was a necessary evil to gain Uber’s initial leg up, but his replacement Dara Khosrowshahi is the reason our interest was piqued. His focus on core markets, cash flow and profitability have led to rapidly improving performance in recent years. As the world recovers from COVID-19, we expect that improvement to continue. A recent share price fall of more than 60% was enough for an initial investment.

In the UK we’ve added **GAN plc** (AIM:GAN) to the portfolio. Listed in the UK but with an increasingly US focused business, GAN is an orphan stock. That’s being rectified soon with a relisting on the Nasdaq. GAN provides mission critical software to online casino and sportsbook operators, including player account management systems and many services essential to this heavily regulated industry. GAN’s revenue has been growing fast, since the overturning of a decades old federal ban. Online sports betting and gaming is now legal in New Jersey, Pennsylvania and Indiana. Much of GAN’s revenue is directly linked to its customers’ online revenue, thus it shares in the upside (and downside). With many states on the cusp of legalisation, the tailwind has been strong.

Management long claimed profitability would rise rapidly as revenue increased. The half year to 31 December 2019 proved the concept. With the benefit of hindsight, though, we wish we hadn’t invested just weeks before every major sporting league in the US shut down. The stock more than halved on our average purchase price but it has since doubled off the lows. Investors increasingly recognise sports betting will come roaring back after life returns to normal, and in the meantime higher margin online gaming should be going gangbusters as an alternative. Casinos around the country are quickly recognising the benefits of a strong online presence, and GAN has been signing up new customers rapidly.

Over in Asia the fund made two new investments.

Listed in Hong Kong, **VTech** (HKSE:303) is a manufacturer and owner of brands such as VTech and LeapFrog in the electronic learning toy category. Headline growth in recent years had been held back due to its legacy business in fixed-line telephones, which has been in decline but is now a very small component of its revenue. With the strong push into contract manufacturing services in recent years, the company is back on a path to overall growth. Shareholders are also rewarded by its commitment (and ability) to maintain a near 100% dividend payout in the meantime.

Dominant power tool and floor care company **Techtronic** (HKSE: 669) was another addition to the Fund. The owner of brands such as Ryobi and Hoover is the market leader in a consolidated market. Its success to date has been underpinned by continued innovation and highly efficient manufacturing. We have had the stock on the wishlist for years, and the recent selloff gave us the opportunity we were waiting for.

Table 3: Top 5 Investments

Blancco Technology Group Plc	7.8%
Zebra Technologies Corp	5.4%
Flughafen Wien AG	4.3%
Ulta Beauty Inc	4.1%
Sony Corporation	4.1%
Cash	5.3%

AUSTRALIAN SHARES FUND

FACTS

Inception date	30 October 2009
ASX Code	FOR
Income distribution	Annual, 30 June

UNIT PRICE SUMMARY

Date	31 March 2020
NAV	$0.75
Market price	$0.63
Portfolio value	$85.2m

COVID INFECTS AUSSIE STOCKS

In one of the worst months on record for Australian stocks there were not many places to hide. Almost all businesses felt an impact from COVID-19, with some having to plan for an unprecedented event—no revenue.

Table 4: Summary of Returns as at 31 March 2020

	Australian Fund (Net of fees)	S&P All Ords. Accum. Index
1 month return	-39.71%	-20.94%
3 month return	-45.00%	-23.92%
6 month return	-46.77%	-23.36%
1 year return	-45.64%	-15.02%
3 year return (p.a.)	-19.66%	-0.68%
5 year return (p.a.)	-6.14%	1.49%
10 year return (p.a.)	3.82%	4.80%
Since inception* (p.a.)	3.65%	5.30%

*Inception 30 October 2009
The value of your investments can rise or fall. Past performance is not necessarily indicative of future performance. Returns are calculated using NTA, not market price.

March marked one of the worst months on record for Australian stocks. The Fund's investments suffered share price declines that were worse than the market. Some, like tourism related investments, have been affected directly by border closures and travel restrictions. Others are being affected by the sudden economic shock. But even the relatively immune investments saw sharp share prices declines as investors panicked en mass.

SAILING THROUGH

The Fund's largest investment, mining software provider **RPM Global** (RUL), is one of these. Its mining clients remain healthy and are using the company's products for key tasks. At its last update in mid-March, management disclosed that sales of its subscription software products had continued to rise. After selling $4m worth of subscriptions in only three weeks, recurring revenue from subscriptions climbed to over $11m, in addition to more than $20m of annual maintenance revenue. More of the company's clients are now paying large annual subscription payments, growing a more valuable revenue stream. And RPM had a cash balance of $33m in February and continues to generate cash.

Despite this RPM's share price halved during March, later recovering to be down by a third from recent highs. Since first investing in the business six months ago RPM has achieved more than we expected. About 6.5% of the current market cap (after adjusting for cash holdings) will be generated in free cash flow this year. After three years of expected growth, some of which is already baked in thanks to this year's sales, that 6.5% should grow to 30%.

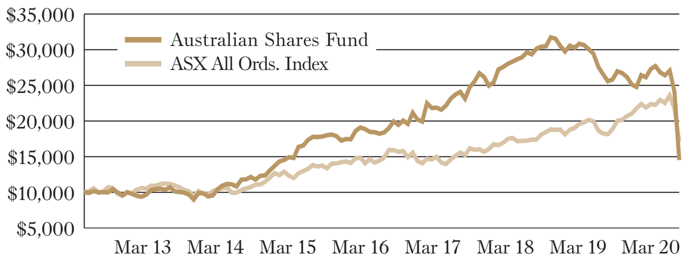
The second largest investment in the Fund is mining services provider **Macmahon** (MAH), a long time holding. With over 5,000 staff working on mines in Australia and Indonesia, often in close quarters, the company has had to be particularly careful to avoid the spread of COVID-19. Restrictions on the movement of people have meant more screening, longer work rosters and accommodating staff in the state they are working in. Some mine sites are requiring staff to self isolate for a fortnight before being allowed to work.

This has meant disruption. But Macmahon is managing the situation well. Management stuck to its most recent financial guidance, which was increased in late February. It is being prudent with spending. And in case the situation worsens the company has $155m of available cash and additional bank loans. Despite all this, Macmahon's share price almost halved during March, before also rebounding to be down by a third from recent highs.

Another large investment in the Fund is online comparison provider **iSelect** (ISU). The company has been silent on the impacts of COVID-19 to date, despite almost all listed companies commenting on the impacts of the virus.

One interesting comment during the month came from **NIB** (NHF), one of iSelect's largest customers. With virus and general health concerns front of mind for customers, NIB saw better private health insurance sales. As a comparison provider, any renewed interest in private health from consumers will be a positive for iSelect.

Chart 8: Comparison of $10,000 Invested in the Forager Australian Shares Fund and ASX All Ords. Index



Source: S&P Capital IQ
The value of your investments can rise or fall. Past performance is not necessarily indicative of future performance. Values are at NAV, not market price. Assumes distributions are reinvested.

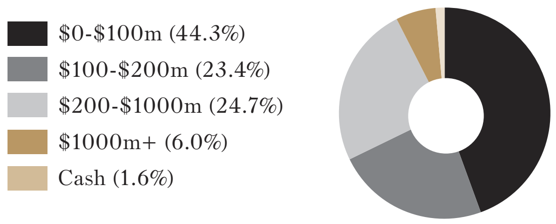
Yes, the past few years have been difficult. But the company continues to be a key destination for consumers wanting to compare health insurance policies, energy and telco services. The management team has improved marketing efficiency, navigated a difficult energy market and is looking to sell the South East Asian division. The largest shareholder, and main

"CREATIVE EMPLOYEES WORKING ON CLEVER NEW CAMPAIGNS WILL HAVE TO WAIT FOR THEIR IDEAS TO BE HEARD BY CLIENTS."

competitor, Compare The Market has continued to buy more shares in iSelect, now owning 29% of the company.

Most of iSelect's health inquiries come in March and June, so we will have to wait for iSelect management to comment on the recent month's activities. Despite a share price which has fallen 55%, this company has a large net cash balance and could be an investment that benefits during a difficult time.

Chart 9: Portfolio Distribution According to Market Capitalisation



BUSINESSES THAT GO SLOW

Given the wide economic impacts of COVID-19, the remainder of the Fund's investments have been directly or indirectly impacted. With many businesses moving to conserve cash, one of the first areas to suffer cutbacks was marketing.

For the marketing agencies, that means creative employees working on clever new campaigns will have to wait for their ideas to be heard by clients. Less appetite for digital, radio and television advertising has meant less work for middle-men media buyers. Public relations agencies, despite being better off, have not been immune.

But, as with many businesses that rely heavily on people, reduced revenue will mean a reduced workforce. Freelancers have been dismissed. Staff have been forced to work shorter weeks or take leave. If the situation continues, more widespread redundancies are likely.

That dependence on people, and the ability to reduce costs as clients stop spending, will allow these businesses to weather the current difficult times. While not a perfect comparison, marketing agency STW Communications saw revenue fall by 11% during the global financial crisis. Profit fell only 15% as employee costs were cut. Current share prices factor in much larger falls for much longer.

One of our agency holding companies, **Enero** (EGG), saw its share price decline more than 50%. Long-time CEO Matthew Melhuish departed in December, leaving the business without a CEO at a trying time. He was a key figure in an impressive turnaround for the business over the past few years.

But he departed a business well set to weather the difficult times ahead. In December the company had $37m of cash on hand. Recent acquisitions were sensible and well structured with Enero owing $25m, performance dependent, to vendors over the next few years. International operations, which make up half of the business, will benefit from a lower Australian dollar. Earnings will fall this year but Enero will survive. The current price represents only five times last year's earnings.

The Fund is also invested in **WPP AUNZ** (WPP). The local offshoot of UK giant **WPP Plc** (LSE:WPP) provides more than 10% of all marketing services in Australia and New Zealand.

The sale of its research business in December left WPP with a lower than usual debt load. Some of those proceeds were due to be paid to shareholders, but for now will be retained to cope with any fallout from COVID-19. A new CEO is trying to address a quickly changing marketing services landscape, while at the same time trimming costs. He now has an opportunity to accelerate the changes. The business will see earnings fall this year but should rebound strongly. The 70% fall in share price in March means WPP is now trading at only three and a half times last year's earnings.

Another to suffer from reduced advertising spend is New Zealand print, radio and classifieds group **NZME** (NZM). Costs will fall to partly compensate, but the impact on profit will be substantial. This overshadows last year's solid progress. Radio revenue was growing, more subscribers were paying for online access to the *NZ Herald*, and a valuable real estate classifieds business was taking shape. Debt was being quickly paid down, making way for a return to dividend payments. When advertising dollars return NZME will be well placed. For now the stock has halved, trading at just two times last year's earnings.

The Fund also owns salary packaging and fleet management businesses **Eclipx** (ECX), **SG Fleet** (SGF) and **Smartgroup** (SIQ).

Servicing mostly hospitals, charities and governments, Smartgroup will be the least affected if dire economic predictions come to pass. While SG Fleet and Eclipx, servicing mostly government departments and corporate customers who require big fleets of cars, will feel an effect if corporate customers cut costs permanently. Both came out to reassure investors that business was sustainable and funding facilities active, but it was not enough. From recent February highs, the share prices of SG Fleet and Eclipx fell 60% and almost 80% respectively during March, before recovering substantially.

These businesses have high levels of recurring revenue, provide key services to stable customers and carry manageable debt loads. Even if disruption is more severe over the next few months, when economic conditions improve they will be in a good position to thrive.

> "ALREADY IMPACTED BY BUSHFIRES IN AUSTRALIA AND AN OVERSUPPLY OF VEHICLES IN THE US, COVID-19 CAUSED A HALT TO INTERNATIONAL ARRIVALS AND A SHARP DROP IN LOCAL BOOKINGS."

Chart 10: Leverage for Salary Packaging and Fleet Management Companies

Source: Company Filings and Forager

CLOSED BORDERS. CLOSED BUSINESSES.

Tourism stocks were early decliners as borders closed and interstate travel was halted.

By far the largest of the Fund's investments in tourism is **Experience Co** (EXP). The business operates skydiving and great barrier reef trips for domestic and international travellers. With revenue shrinking to zero and costs reduced by 80%, the business is in hibernation.

A new management team, led by former Tourism Australia CEO John O'Sullivan, was quick to restructure the troubled parts of the business last year. A timely sale of the helicopter division added $17.5m to company coffers in January and left Experience carrying only $7m in net debt. Access to cash and additional bank debt should keep the business in hibernation for at least the next year. When it reawakens it will continue to be one of the few operators of skydiving and reef trips in Australia. During March, Experience Co's share price fell 85% from recent highs. A recovery still leaves the stock down 60%.

Tourism Holdings (NZX:THL) and **Apollo** (ATL) rent and sell recreational vehicles to domestic and international travellers. Both operate in Australia, New Zealand and North America and together have more than 60% market share in the antipodean markets.

Already impacted by bushfires in Australia and an oversupply of vehicles in the US, COVID-19 caused a halt to international arrivals and a sharp drop in local bookings. Both businesses are operating a fraction of the fleet they would have expected.

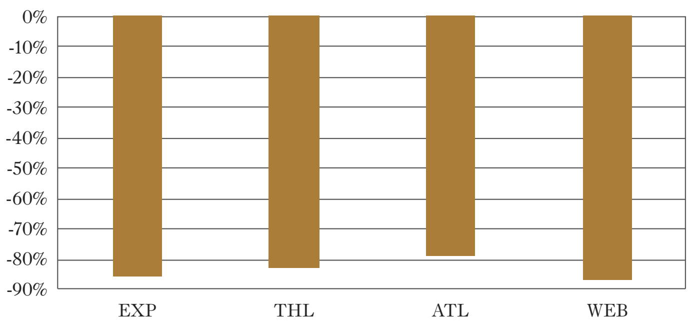
Apollo has been a small investment in the Fund since January. It has very high debt levels, but the debt funds a fleet of vehicles that can be sold if cash is required. And the Trouchet family, which has been running the business for 35 years, is no stranger to difficult economic times. If management can navigate through the most recent issues the payoff for shareholders will be very large. If they can't, the impact on the Fund will be small.

Tourism Holdings is in another category. It is larger, with lower debt levels and a management team that has successfully grown the business for 15 years. During that time consolidation in the rental market, led by Tourism Holdings, has meant much better returns on capital for the whole industry. The company raised equity from investors last June to reduce debt levels.

Management has made sensible decisions in the downturn: cutting staff, asking for rent relief from landlords, and reducing investment into a tech joint venture. The company has more than $100m of available cash and debt to weather the storm. The Fund first started buying shares during March. After accounting for the value of the loss-making tech joint venture, the company trades at only two and a half times last year's already depressed earnings. We're confident those earnings can grow over time.

Webjet (WEB), owner of the eponymous flight booking website and hotel booking database, saw revenue fall close to zero. Facing the prospect of months with no activity and refunds to be paid, Webjet was forced to raise close to $350m from investors, increasing its share count by 150%. The Fund had a small investment prior to the raising and was able to significantly increase the investment in the capital raising. Shares are up more than 70% from the equity raise price.

Chart 11: High to Low Moves for Travel Stocks During February and March



Source: Bloomberg

OPPORTUNITIES ALL AROUND

Outside of tourism-related businesses, the Fund made plenty of other new investments during the recent selloff.

The first was panel beater **AMA Group** (AMA). After recently acquiring **Suncorp's** (SUN) panel beating business AMA has $330m of debt. With fewer kilometers being driven while Australia is in lockdown, and even fewer accidents, panel beaters will suffer over the next few months. The slowdown and high debt levels forced the share price down by more than 70% during March. The recovery was just as fierce, with the share

"WITH SOME UNIQUE GLOBAL BUSINESSES LISTED ON THE OTHER SIDE OF THE DITCH THE FUND NOW HAS A LARGER UNIVERSE OF STOCKS TO CHOOSE FROM."

price more than tripling as management reassured investors that AMA had enough cash and available debt to meet its needs over the next few months.

Star City casino owner **Star Entertainment Group** (SGR) was another stock sharply sold off in March. With their casinos closed attention turned, as it had for many businesses, to survival. Star stood down 90% of their 9,000 employees, cut maintenance spending and suspended the dividend. The stock price halved.

But the company has enough cash and available debt facilities to manage through a lengthy shutdown. It's casino assets are high quality, long term and highly cash generative. More than 90% of the company's earnings come from domestic customers. These will return to the casino well before wealthy international gamblers start to fly in again.

The Fund also reinvested in **Service Stream** (SSM), formerly a large investment. The network maintenance company for the NBN, other telcos and utilities has not seen any financial impact from the recent COVID-19 disruptions. In fact, installations of NBN connections rose as more workers rushed to connect faster internet at home. Despite this, Service Stream fell 40% from February highs.

EXPANDING THE UNIVERSE

The disruption of the past month has seen many companies selling new shares to investors. The Fund has participated in many of these capital raisings and we expect many more as conditions stabilise and companies seek fresh funds to survive or grow. These often offer attractive prices for investors willing to put capital to work in businesses navigating temporary disruptions. We will seek to participate in more of these situations if prices remain attractive.

Over the past few years the Fund has been invested in a few New Zealand native businesses when these have also been listed in Australia, most recently **NZME** (NZM) and **Gentrack** (GTK). After a minor change to the Fund's investment strategy in late February, it can now invest in businesses solely listed in New Zealand. With some unique global businesses listed on the other side of the ditch, like Tourism Holdings discussed earlier, the Fund now has a larger universe of stocks to choose from.

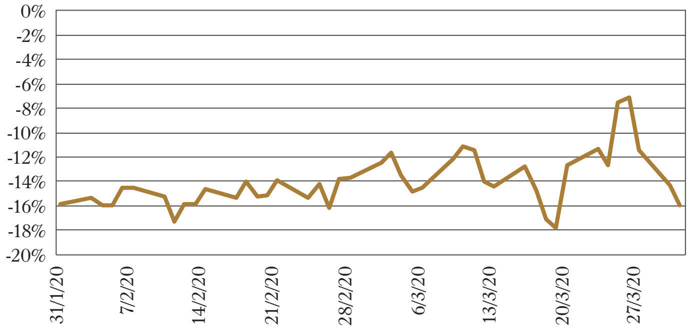
Most of these stocks have large operations in Australia and significant overlap with other companies listed on the ASX. It makes sense to research them with our Australian investment team. While there is nothing stopping us investing in Kiwi stocks in the International Fund (or Australian stocks for that matter), you should think of this as an ANZ fund and the other as our global offering.

BUYBACK OPTIONS

Finally, at our request the Fund's Responsible Entity announced a buyback for up to 10% of the Fund's units on market over the coming 12 months.

Our intention is to use this to opportunistically improve the net asset value for unitholders. Despite market volatility, the discount that the units trade at has not widened materially over the previous month. But there were days where there was larger than usual volume, at a significant discount to a net asset value that was particularly beaten up itself.

Chart 12: FOR Premium/(Discount)



Source: Forager/ASX

While you can always take advantage of that yourself, we would also like the opportunity to do so on behalf of all investors who want to stay the course. Don't expect us to be in the market every day. But, where we are happy with the weightings of the underlying portfolio, where the units trade at a significant discount to net asset value, and where we think we can buy a meaningful parcel of shares, you might see a few opportunistic purchases over the coming year.

Table 5: Top 5 Investments

RPM Global Holdings Limited	15.0%
Macmahon Holdings Limited	8.4%
Mainstream Group Holdings Limited	5.5%
Enero Group Limited	5.5%
iSelect Limited	5.1%
Cash	1.6%

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Forage
verb, for·aged, for·ag·ing.
to search about; seek; rummage; hunt (for what one wants).