



The Forager Wholesale Value Fund gained 0.8% in value in February, but was eclipsed by a fast-moving ASX All Ordinaries Accumulation benchmark that rose 7%.

Expectations of rock-bottom interest rates are causing investors to reach more vigorously for yield, propelling the blue-chip sector of the market upward. When this occurs it becomes tough for the Fund, which mostly owns unloved companies not paying dividends, to beat the benchmark in the short term.

Sharemarket appreciation of this kind, whether justified or not, is a one-time profit boost rather than an ongoing source of investment returns (in fact it dampens future returns). This means if we do our job well, the gap with the benchmark can be made back and then some. The undervalued companies the Fund invests in offer vastly better potential returns than ritzy priced blue-chips like **Telstra** (TLS) or **Commonwealth Bank** (CBA).

During February most of the Fund's companies provided updates. Starting with the bad, **RNY Property Trust** (RNY) reported occupancy in its US office properties fell 4% to 75%, and net tangible assets fell 8% to US\$0.44 per unit. The culprit was low tenant renewals on lease expiry, which unfortunately have the double impact of draining free cash flow *and* adding to the cash required to attract new tenants. Management will however soon be free to sell assets and refinance debt at cheaper rates which will free up cash to use to improve occupancy. RNY's unit price finished the month unchanged at \$0.35.

The other shocker was **Macmahon Holdings** (MAH) whose cash flow, contrastingly, was about the only thing to like. Having lost a chief executive officer in January, Macmahon wrote-down its book value by 27% and ominously lost a key mining contract with Fortescue Metals Group (FMG). It was enough to cause a review event with lenders. That's a serious development but although the contract loss puts a significant dent in Macmahon's value, the debt load still looks pretty comfortable. The company's shares were down 10% for the month.

On the good side of the ledger, **Hughes Drilling** (HDX) showed it is possible to actually *make* money in mining services, and the Fund's two information technology companies, **GBST Holdings** (GBT) and **Hansen Technologies** (HSN) continued their good form. International revenue in GBST's powerhouse Wealth Management segment, which provides software to managed funds and investor platform administrators, grew 46% and has now more than tripled in three years. As revenue from implementation projects converts to annuity license fees, growth will continue for some time yet.

Whereas the growth engine of GBST is fuelled by huge research and development expenditure, at Hansen moderate organic growth is supplemented by acquisitions of like-minded businesses in its invoicing and customer management niche. Revenue growth of 10% was only par due to contributions from an acquisition, but Hansen reported half year earnings before interest, tax, depreciation and amortisation (EBITDA) of \$15.9m, a nice increase of 23% from just six months ago.

With the Australian dollar weaker and significant overseas earnings, Hansen's full year guidance of \$90m revenue and 25-30% EBITDA margin should prove a low hurdle to step over. GBST and Hansen have been major contributors to

Fund performance over the past 18 months, and the good run continued with GBST's shares gaining a further 32% in February to a clean \$5 per share. Hansen's shares were up 27% to \$2.20.

FACTS

Fund commenced	2 September 2004
Minimum investment	\$10,000
Income distribution	Quarterly
Applications/Redemption	Weekly

UNIT PRICE SUMMARY

Date	27 February 2015
Buy Price	\$1.4047
Redemption Price	\$1.3977
Mid Price	\$1.4012
Portfolio value	\$23.6m

PERFORMANCE

Forager Wholesale Value Fund Performance Summary
(as at 27 February 2015)

	Wholesale Value Fund	All Ords. Accum. Index
1 mth return	0.84%	7.00%
3 mth return	0.61%	12.36%
6 mth return	-2.19%	7.13%
1 year return	2.66%	13.57%
2 year return (p.a.)	14.11%	11.96%
3 year return (p.a.)	18.15%	15.17%
Since inception* (p.a.)	7.33%	9.38%

*2 September 2004

COMPARISON OF \$10,000 INVESTED IN WHOLESALE VALUE FUND VS ASX ALL ORDINARIES ACCUM INDEX



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