



The net sum of a tumultuous month was a hefty 7% fall for the All Ordinaries Accumulation Index, a broad benchmark of Australian shares. The Forager Wholesale Value Fund also fell, but less so.

Worries mostly surround the Chinese economy. Having already worried plenty about that when China was booming, we're still concerned, but no more troubled than we were.

You know this, but it is worth repeating. The Fund's long term profits depend on the earning power of the businesses we own and also, crucially, on our ability to find new opportunities. Falling share prices don't concern us much, nor need they you, because they scarcely impact earning power and they really help with finding new ideas.

With new opportunities becoming more widespread, and reporting season also in full swing, it's been a busy month. Not all the news was good, unfortunately. **Boom Logistics** (BOL), **Brierty** (BYL), **Coffey International** (COF) and **Hughes Drilling** (HDX) reported disappointing results, all showing higher than expected debt. Hughes in particular is vexing because profits are healthy, but heavy capital expenditure continues to increase its debt burden.

Still, cheap as they are, anything less than total disaster for these mining and industrial contractors should prove profitable for the Fund. The news was better from constructor **Watpac** (WTP) which has a far stronger balance sheet. Business in the eastern states is booming and the company even managed a new contract win in its mining division. With spare cash and no franking credits, the company has cut its dividend and will undertake a share buyback instead. That's an excellent use of capital at today's depressed share price.

There were good results, too, from fellow contractor **Service Stream** (SSM), which performs blue-collar services for utilities. The company is thriving under new management and trades on a modest multiple of this year's \$12m earnings. With the rollout of the National Broadband Network still gathering pace, the outlook is bright. It's one of the Fund's largest investments and still looks great value.

Readers of our Bristlemouth blog will also be aware that the board of one the Fund's other large investments, eye health specialist **Vision Eye Institute** (VEI), has recommended an offer for the company at \$1.10 per share. That's a significant premium to the previous offer from **Pulse Health** (PHG) of \$0.87 and, importantly, the new bid is in cash rather than scrip.

Suspecting an offer was on the way when the new bidder, **Jangho Group**, showed up as a substantial shareholder, the Fund managed to eke out a little more profit purchasing extra shares prior to the bid arriving. Looking to keep on 'eking' more from the deal, we also lobbied Vision to distribute its \$0.20 a share in franking credits as part of the takeover. Unfortunately the company put out a fairly limp announcement that this would be too hard.

Boards in Australia remain depressingly uninformed on the potential value of franking credits. Still, this shouldn't cloud an outstanding result for our investment in Vision, whose shares we first purchased at \$0.27.

On new opportunities, we'll have more to say in the September quarterly report. But it's worth noting the directors and senior

managers of miner **South32** (S32), one of the Fund's newer investments, have been buying shares recently. They are doing so on-market, with their own money, and in meaningful amounts. That's always a promising sign.

FACTS

Fund commenced	02 September 2013 ⁴
Minimum investment	\$10,000
Income distribution	Quarterly
Applications/Redemption	Weekly

UNIT PRICE SUMMARY

Date	31 August 2015
Buy Price	\$1.3689
Redemption Price	\$1.3621
Mid Price	\$1.3655
Portfolio value	\$22.8m

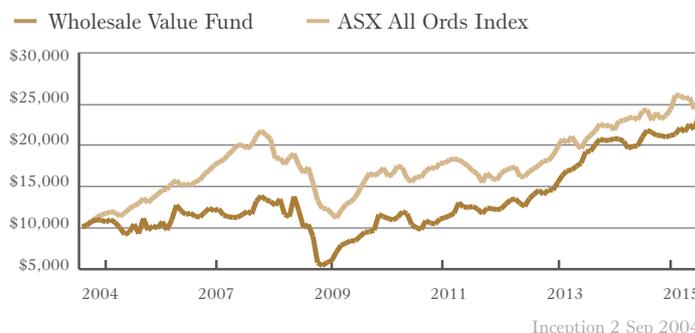
PERFORMANCE

Forager Wholesale Fund Performance Summary (as at 31 August 2015)

	Wholesale Value Fund	All Ords. Accum. Index
1 mth return	-4.73%	-7.30%
3 mth return	-0.21%	-8.59%
6 mth return	5.45%	-9.44%
1 year return	3.14%	-2.98%
3 year return	16.74% p.a.	11.01% p.a.
5 year return	17.92% p.a.	7.87% p.a.
Since inception*	7.50% p.a.	7.95% p.a.

*2 September 2004

COMPARISON OF \$10,000 INVESTED IN THE WHOLESALE FUND AND ASX ALL ORDS INDEX



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