



The Forager Wholesale Value Fund purchased more shares in **South32** (S32) this month. The share price of the miner, which was spun-out of parent **BHP Billiton** (BHP) last year, has now fallen more than 50% since it listed on the stock exchange.

There is some rationale for this. The commodities that South32 produces, namely manganese, aluminium, coal, nickel, silver, zinc and lead, are all mired in deep depression, enough on our estimates to reduce this year's revenue by more than 10% or US\$1bn. The gloom, driven by weak Chinese demand, won't relent any time soon.

Still, with minimal debt and an assortment of high-quality assets, South32 remains exceptionally well placed to wait this out. The strong US dollar against the Australian, South African, Brazilian and Colombian currencies is helping to alleviate some of the damage from low prices, and US\$350m of cost savings to be delivered in the next three years will also help.

There's no way to know when conditions will actually improve but, eventually, recovery is inevitable. The diversified miner could plausibly be worth more than book value, and its shares are now for sale at just 40% of that. Directors also continue to buy shares with their own cash.

**Boom Logistics** (BOL) is a crane-hire business in which the Fund has a small investment. Its shares, reflecting a host of problems, sell for just 20% of book value, which readers might notice easily outdoes South32 on that not-always-useful metric.

News from the annual general meeting was unsurprising, trading conditions remain difficult in the resources industry which accounts for most of Boom's business. But the chairman did mention that asset sales are progressing well and debt repayment targets are on track, which eases the immediate pressure on the company.

Boom isn't out of the woods just yet but, if asset sales continue at recent levels, the situation does look appealing. Consolidation in this beaten-down industry would be an obvious development and could potentially realise considerable value for shareholders.

On the topic of consolidation, two of the Fund's investments are now the subject of takeover offers. The acquirer for geosciences business **Coffey International** (COF) has now received acceptances for 34% of the company's shares, still some way off from the current 90% acceptance condition. The offer closes on 23 December, and the Fund will take no action yet in case something better arises.

Property developer **Devine** (DVN) is the other takeover target. Majority shareholder **CIMIC Group** (CIM) has, in action that's actually quite consistent with a pattern of aggressive behaviour towards its other listed investments **Macmahon Holdings** (MAH) and **Sedgman** (SDM), lodged a low-ball takeover offer at \$0.75 cash per Devine share.

That's less than half the net tangible assets of this poorly performing business, which feebly issued a profit downgrade after month end. Since the offer was made, the Devine board has revealed a tentative competing proposal from real estate firm **Forum Partners** at \$0.90 per share, which CIMIC thus far has refused to countenance. Devine shares have been trading for more than CIMIC's offer, but less than Forum's, which suggests CIMIC won't get its prize on these terms.

No one can force CIMIC to engage with Forum's higher offer, but neither do CIMIC seem content with the status quo. Experience suggests something will give and a deal of some sort will be agreed.

## FACTS

<b>Fund commenced</b>	02 September 2004
<b>Minimum investment</b>	\$10,000
<b>Income distribution</b>	Quarterly
<b>Applications/Redemption</b>	Weekly

## UNIT PRICE SUMMARY

<b>Date</b>	30 November 2015
<b>Buy Price</b>	\$1.4552
<b>Redemption Price</b>	\$1.4480
<b>Mid Price</b>	\$1.4516
<b>Portfolio value</b>	\$23.2m

## PERFORMANCE

### Forager Wholesale Value Fund Performance Summary (as at 30-Nov-15)

	Wholesale Fund	S&P All Ords. Accum. Index
1 mth return	-3.01%	-0.69%
3 mth return	8.31%	1.27%
6 mth return	8.08%	-7.43%
1 year return	14.90%	3.05%
3 year return	18.57% p.a.	9.53% p.a.
5 year return	18.27% p.a.	6.78% p.a.
Since inception*	8.09% p.a.	7.89% p.a.

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

Inception 2 Sep 2004



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