



January was an uneventful month for most of the companies in the Forager Wholesale Value Fund, but pleasingly the benchmark fell 5%. The ASX All Ordinaries has now fallen 15% since its high in April last year, and is now priced at a little under 16 times earnings. That's not an outright bargain, but it certainly makes finding new ideas easier.

We've added a couple of new investments to the portfolio, but won't name them yet until we've been able to buy all the shares we want. The Fund also purchased a few more shares in straggler **Hughes Drilling** (HDX) at bargain prices, but it remains a small holding.

Another investment that was topped up was **Macmahon Holdings** (MAH). This contract miner sits on a healthy cash balance and should produce plenty of free cash flow in the next few years. With a new boss and some new contracts starting soon, it's well placed to work through the current tough environment.

The aggressive behaviour of 20% shareholder **CIMIC Group** (CIM) towards Macmahon remains a concern, but its stake isn't large enough to seriously erode value for other shareholders. That distinguishes Macmahon from CIMIC's other listed investments, **Devine** (DVN) and **Sedgman** (SDM) where CIMIC is intent on increasing its stake with low-ball takeover offers. CIMIC voted down Macmahon's remuneration report, a little curious given CIMIC's representative on Macmahon's board actually *chairs* the remuneration committee, but this isn't likely to have serious consequences.

We keep lobbying Macmahon's board to distribute excess cash to shareholders through a return of capital, but so far the response has been luke-warm.

Elsewhere, New York landlord **RNY Property Trust** (RNY), one of the Fund's largest investments, announced the refinancing of a US\$72m loan with a new US\$97m mortgage. Covering a small portion of RNY's properties, this is modestly good news. The new loan has a slightly lower interest rate, and importantly provides an extra US\$25m of funding for building improvements and attracting new tenants.

That will improve the rent from the eight properties the new mortgage encumbers, and make them easier to sell. The new loan is also more flexible, allowing for early repayments, which gives management options if they wish to sell certain properties and not others.

Financial software expert **GBST Holdings** (GBT) announced the immediate departure of its chief financial officer, with chief operating officer Patrick Sallis to take over duties. This follows the exit of its chief executive last year after a profit downgrade, and it is hard to know if we should be expecting bad news at the upcoming half year results announcement.

Hopefully it's just a case of the new boss Rob De Dominicis making changes to suit his management style, but because the full year forecast, \$19–23m earnings before interest, tax, depreciation and amortisation, is dependent on a strong second half contribution, a downgrade wouldn't completely shock us. We'll keep our eyes peeled.

Lastly, as foreshadowed in the [December 2015 quarterly report](#), the takeover offer for geosciences consultant **Coffey**

**International** (COF) by Tetra Tech was declared final and unconditional in January. The Fund should soon receive its cash of \$0.425 per Coffey share. It's not quite the price we hoped for, but still a fantastic return on our average purchase price of \$0.246.

Most of the Fund's companies report results in the coming weeks so expect to hear more in the February report.

#### FACTS

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

#### UNIT PRICE SUMMARY

<b>Date</b>	29 January 2016
<b>Buy Price</b>	\$1.4317
<b>Redemption Price</b>	\$1.4245
<b>Mid Price</b>	\$1.4281
<b>Portfolio Value</b>	\$22.6m

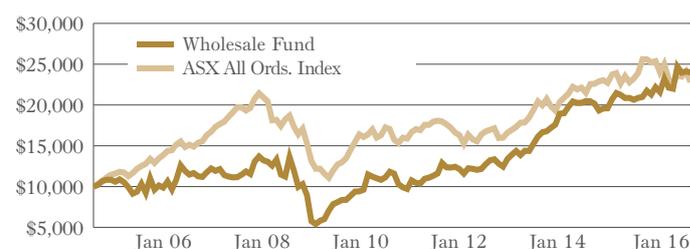
#### PERFORMANCE

##### Forager Wholesale Value Fund Performance Summary (as at 29 January 2016)

	Wholesale Value Fund	S&P All Ords. Accum. Index
1 month return	-0.51%	-5.38%
3 month return	-2.92%	-3.54%
6 month return	3.28%	-8.82%
1 year return	15.28%	-4.69%
3 year return	16.28% p.a.	5.50% p.a.
5 year return	16.70% p.a.	5.35% p.a.
Since inception*	7.98% p.a.	7.50% p.a.

\*2 September 2004

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



**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. **DISCLAIMER** Forager Funds Management Pty Ltd operates under AFSL No: 459312. Macro Capital Limited (ABN 14 145 321 928, AFSL No 392401) as the Responsible Entity is the issuer of the Forager Wholesale Value Fund (ARSN 110 619 488). You should obtain and consider a copy of the product disclosure statement relating to the Forager Wholesale Value Fund before acquiring the financial product. You may obtain a product disclosure statement from Macro Capital or download a copy at [www.macrofunds.com.au](http://www.macrofunds.com.au). To the extent permitted by law, Macro Capital 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.