



February provided a mixed bag of results for the Forager Wholesale Value Fund. Fortunately, expectations are low for our out-of-favour stocks so a mixed bag does the job.

On the ledger's troubled side, office landlord **RNY Property Trust** (RNY) had a shocker. Net asset value per unit plunged 35% from \$0.54 to \$0.35 in Australian currency. Writedowns were taken as a result of a 'structural shift' in its suburban New York leasing markets. Businesses are preferring central locations connected to public transport over suburban office properties with large car parks. A demographic migration towards urban areas is underway.

That means our assets will struggle to produce the income expected over the coming decades. Though RNY has been one of the Fund's best investments, this is a big blow. Management believe they can liquidate the trust at the new net asset value over the next two years, which would produce a good return on the current \$0.155 unit price, but with the leverage involved here we are a little circumspect.

No prizes for guessing the other struggling performers were mostly our engineering and mining contractors. Between **Boom Logistics** (BOL), **Brierty** (BYL), **Logicamms** (LCM), **Matrix Composites & Engineering** (MCE), **Mining and Civil Australia** (MACA/MLD), **MMA Offshore** (MRM) and **Watpac** (WTP), only Matrix and MACA actually managed a statutory profit. Even they announced profit down 70% and 65% respectively.

It's a very tough environment out there. The jury is still out on whether we've made the right call buying in to these sectors, despite favourable (eventual) experiences from **Macmahon Holdings** (MAH) and **Coffey International** (COF).

Speaking of Macmahon, it falls into a category of stocks that announced weak financial results but saw their share prices rally. The company's revenue fell more than 50%, and earnings before interest, tax and impairments more than 60%. But expectations were extremely low.

For this mining contractor, which has survived a torrid run of contract losses, impairments and redundancies, the results showed a business stabilising. Macmahon has net cash of \$69m, and should be able to produce at least \$20m free cash flow for the foreseeable future. The market capitalisation of \$137m still doesn't ask a whole lot of the business.

Joining it in this low expectations category were **South32** (S32) and a new portfolio addition, **Whitehaven Coal** (WHC). Both companies are doing it tough but showing impressive cost reduction skills (hence the pain in mining services).

On the unequivocally good side of the ledger, telecommunications contractor **Service Stream** (SSM) continued its path to redemption under chief executive Leigh Mackender, reporting higher revenue and profit for the fifth half-year in a row. The company also announced a 1c fully franked dividend and a capital distribution of 5c per share, returning more than 10% of the company's market capitalisation to shareholders.

And marketing agency **Enero Group** (EGG) produced a good result, which must bring joy to its indefatigable boss

Matthew Melhuish who has toiled hard for many years. Enero has a market capitalisation of just \$89m. For that investors get around \$7m per year earnings, cash of \$34m, \$22m in franking credits and \$39m of tax losses. If the earnings can be maintained or — deep breath required — grow, that looks a good deal.

FACTS

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

UNIT PRICE SUMMARY

Date	29 February 2016
Buy Price	\$1.4705
Redemption Price	\$1.4631
Mid Price	\$1.4668
Portfolio Value	\$23.3m

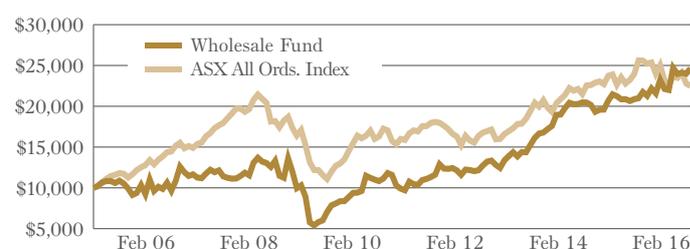
PERFORMANCE

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

	Wholesale Value Fund	S&P All Ords. Accum. Index
1 month return	2.71%	-1.47%
3 month return	2.81%	-4.31%
6 month return	11.35%	-3.09%
1 year return	17.41%	-12.23%
3 year return	15.20% p.a.	3.23% p.a.
5 year return	16.83% p.a.	4.59% p.a.
Since inception*	8.17% p.a.	7.30% p.a.

*2 September 2004

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



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