



A relatively quiet April provided respite from the market volatility of the first three months of the year, with minimal notable news from the portfolio. A few 2015 floats came crashing back to earth, however, and we spent some time scouring through the wreckage.

IT equipment and software distributor **Dicker Data** (ASX:DDR) provided a first quarter update, highlighting revenue and profit growth of more than 10%. The company, which has historically been mildly conservative, says it is on track for \$24.5m of net profit for the year, meaning it is currently trading at roughly 11 times 2016 earnings.

Most of the profit gets paid out as dividends, translating to a fully franked yield of 9%. The balance sheet is leaner than we would like and the lack of liquidity means our holding is small (more than 70% of the outstanding shares are still held by the founding shareholders) but the business is progressing nicely.

Another tiddler, technology company **Smart Parking** (ASX:SPZ), lodged its quarterly cashflow statement with the ASX. It showed positive operating earnings, which may not seem like much, but is a dramatic improvement on the past few years. The company's parking centre management business is growing quickly and providing cash flow with which to fund its more speculative endeavours in the smart parking space. The current price represents little more than the value of the profitable parking management operations but, for share price gains from here, we will need the investments to pay off at some point in the not-too-distant future.

Thanks to overly rosy prospectus forecasts that were subsequently not met, a few larger companies came onto the radar screen during the month. Dairy company Murray Goulburn announced that it will struggle to produce half its forecast results for the listed **MG Unit Trust** (ASX:MGC) and real estate agency **McGrath** (ASX:MEA) saw its shares punished as much for a relatively minor downgrade.

The latter is more interesting. We have seen corporate real estate agencies be very successful in the UK market and McGrath's success over the past decade suggest the model can work here too. Even accounting for the downgrade, the shares now trade at less than 10 times earnings, the company has net cash on the balance sheet and we can see it growing market share for a long time to come.

The question is how big that market will be. Estate agents generate revenue as a percentage of property sales, which are in turn a function of the number of transactions and the prices those properties sell for. Both of those metrics could tumble in a severe market downturn.

How likely is that scenario? The subject of countless dinner party conversations, *4Corners* exposes and probably one third of Twitter posts in Australia doesn't need us weighing in. When the average price of a house in Dubbo is almost twice the equivalent home in Atlanta, though, a downturn is a risk one needs to be thinking about when buying a stock like McGrath. All of our companies face risks and this is not one that would preclude an investment in McGrath. But it does mean we require a lower price than otherwise, something we may have to be patient waiting for.

The Forager Wholesale Value Fund's cash weighting has crept up to north of 20% over the past few months but that is due to the realisation of some mature investments like **Service Stream** (ASX:SSM) rather than any reflection on the market. As Murray Goulburn and McGrath show, Mr Market is in no mood to be disappointed, and as long as he remains in that state there will be plenty of potential opportunities.

FACTS

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

UNIT PRICE SUMMARY

Date	30 April 2016
Buy Price	\$1.5714
Redemption Price	\$1.5636
Mid Price	\$1.5675
Portfolio Value	\$24.6m

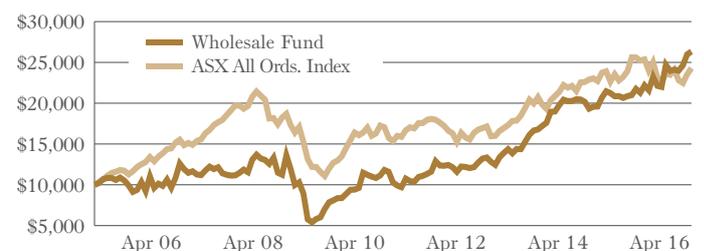
PERFORMANCE

Forager Wholesale Value Fund Performance Summary (as at 30 April 2016)

	Wholesale Value Fund	S&P All Ords. Accum. Index
1 month return	2.99%	3.24%
3 month return	11.57%	6.54%
6 month return	8.32%	2.76%
1 year return	25.77%	-3.65%
3 year return	16.85%	5.43%
5 year return	15.76%	6.22%
Since inception*	8.82%	7.92%

*2 September 2004

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



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