



The Forager Australian Shares Fund unit price rose 6.7% in the month of July, well ahead of the All Ordinaries Accumulation Index's 4.5% return (the one-year return remains 2.8% below the index). While positive contributors included portfolio mainstays **GBST, Hansen** and **RNY Property Trust**, the most significant contribution came from a new addition to the portfolio – civil and mining company **Brierty**. Those gains were partly offset by declines in **Infigen Energy** and **Hughes Drilling**.

GOOD NEWS IN TECHNOLOGY

Our two IT investments, GBST and Hansen, both reported minor but positive operational news.

Hansen announced that it will continue providing its billing services to Direct TV for another seven years, and that the new contract has scope for more services to be provided. GBST announced that the implementation of its ~Syn middle office software has been successfully completed at two US clients, stock broker Raymond James and an unnamed 'top 10 global investment bank'. We have valued this division of the company at zero, hoping at the very least it could stem the losses of recent years. Yet if these first ~Syn implementations are successful it could be a significant contributor to profitability. GBST's share price rose 15% for the month while Hansen was up 10%. After the end of the month Hansen also announced a profit upgrade.

MINING SERVICES BRUISED BUT NOT DEAD

There is now approximately 17% of the fund invested in a collection of businesses either directly or partially exposed to mining services. The sector remains under intense pressure, and a couple of these investments have been a significant drag on performance over the past 12 months.

Investors with us for most of the past five years will welcome such an extended period of depressed stock prices. When stocks that we already think are cheap get cheaper, you should anticipate us putting more money to work, as has been the case with these companies.

In July, the rest of the market started to wake up to the value on offer. First, **Boom Logistics** announced that, despite not making an accounting profit, it had repaid \$26m of its outstanding debt balance in the past 12 months. This adds weight to our thesis that it is cashflow, not accounting profit, that is going to make us a lot of money in the space (see the **December 2013 quarterly report**) and we added a very small position to the portfolio before the share price shot up.

Second, two smaller players in the space announced profit upgrades. One the Fund doesn't own, **Mining and Civil Australia** (MACA), announced it expects a 'meaningful increase' on last year's profit and that it has a record order book heading into the 2015 financial year. And Brierty, a company we had only just added to the portfolio, announced its 2014 profit would be ahead of analyst forecasts, and forecast a 28% increase in revenue for 2014. Signs, it would seem, that all is not dead in mining services.

Don't be surprised if we end up with at least one disaster out of this basket of mining services companies (this reporting season is going to be crucial for **MacMahon** and **Hughes Drilling** in particular). But the value on offer is extraordinary and, on the whole, we expect to do very well. Brierty ended the month up 34% on the Fund's \$0.40 purchase price. It has net

cash on the balance sheet, still trades at 6 times earnings and sports a 5.6% fully franked dividend yield. QED?

FACTS

Fund commenced	31 October 2009
Minimum investment	\$10,000
Monthly Investment	Min. \$100/mth
Income distribution	Annual, 30 June
Applications/Redemption	Weekly

UNIT PRICE SUMMARY

Date	31 July 2014
Buy Price	\$1.4518
Redemption Price	\$1.4403
Mid Price	\$1.4461
Portfolio value	\$56.0m

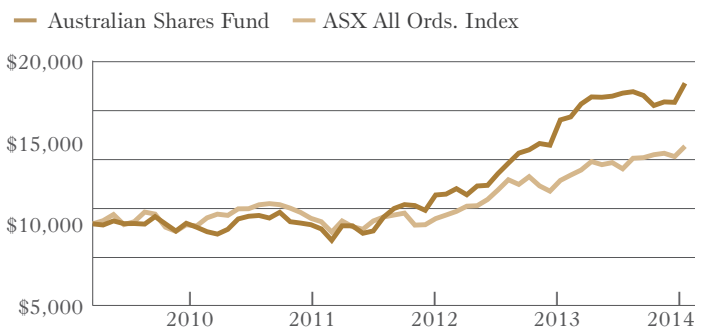
PERFORMANCE

Forager Australian Shares Fund Performance Summary
(as at 31 July 2014)

	Australian Shares Fund	All Ords. Accum. Index
1 mth return	6.70%	4.49%
3 mth return	7.91%	3.64%
6 mth return	3.36%	10.34%
1 year return	13.73%	16.56%
2 year return	25.77% p.a.	19.58% p.a.
3 year return	23.23% p.a.	12.59% p.a.
Since inception*	13.98% p.a.	8.54% p.a.

*31 October 2009

COMPARISON OF \$10,000 INVESTED IN AUSTRALIAN SHARES FUND VS ASX ALL ORDINARIES ACCUM INDEX



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