



The Forager Australian Fund's unit price fell 2.1% in October and the Fund was soundly beaten by the 4.0% return of the benchmark ASX All Ordinaries Accumulation Index. The latter was itself down almost 3% in the first few weeks of the month but rebounded strongly thanks to a significant recovery in bank shares. As confidence continues to erode in mining, the Fund's mining services companies have done most of the damage, although it was a choppy month where the share price of several investments moved around without major news.

Weakness and volatility is perfect for the long-term investor. This month we bought companies whose share prices fell (a couple of which look particularly cheap now) and trimmed others where the share price rose. As a result the portfolio looks quite robust, and we're more excited about it now than we have been for a year.

As summer approaches we are voting on your behalf at company annual meetings. This year we voted against the re-election of two directors to the board of utilities contractor **Service Stream** (SSM). On any relevant metric, the directors' performance has been atrocious. They posted disappointing 2013 and 2014 financial results, hired a chief executive who then departed within 12 months, and were manoeuvred into a capital raise earlier this year which handed control of the company to the major shareholder.

While our vote wasn't enough to remove the directors, we're continuing to push for boardroom change and for stronger financial skills at Service Stream.

Elsewhere the Federal Government is pushing to reduce the target for 2020 renewable energy production by 40%, but it faces stiff political opposition to do so from Labor and the minor parties. For wind-farm owner **Infigen Energy** (IFN) this means the disastrous scenario originally doing the rounds – the RET target abolished without compensation – has been avoided. But the progress of negotiations from here is still crucial.

The higher target the better, but regulatory certainty is also needed to manage upcoming debt hurdles. Infigen's quarterly update showed the sale price for Australian electricity fell 6% from last year, and Australian revenue was down 28% due to less windy conditions. With debt covenants pressing, the last thing Infigen needs is the doldrums. The security price increased 4% in October.

Vision Eye Institute (VEI) asked investors in October for a \$10m contribution to fund potential acquisitions. We've been selling shares, so we declined to invest more in this eye health business at the asking price of \$0.60 per share. We like Vision but the share price is far above our early purchases and we need to get it to a comfortable size in the portfolio. Buying shares would have impeded the sell-down and we also worried the market would view the cash requirement as a sign of weakness rather than an exciting opportunity.

That didn't turn out to be an inspired move when the share price subsequently rallied from \$0.66 to close the month at \$0.745. We missed out on some gains, but the subsequent bout of optimism did at least give us an excellent opportunity to keep selling. Nevertheless, Vision remains a medium size investment in the Fund.

Lastly marketer **Enero Group** (EGG) provided a trading update for the September quarter, showing no signs yet of the revenue growth or improved margins it is potentially capable of.

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 October 2014
Buy Price	\$1.4404
Redemption Price	\$1.4289
Mid Price	\$1.4347
Portfolio value	\$57.6m

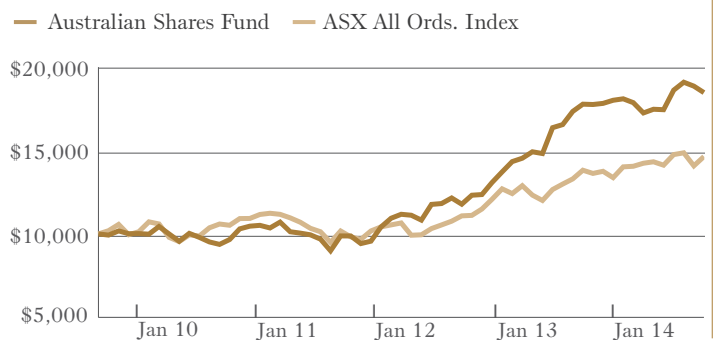
PERFORMANCE

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

	Australian Shares Fund	S&P All Ords. Accum. Index
1 mth return	-2.06%	3.96%
3 mth return	-0.79%	-0.80%
6 mth return	7.06%	2.82%
1 year return	3.89%	5.94%
2 year return p.a.	25.21%	14.93%
3 year return p.a.	23.19%	12.89%
Since inception* p.a.	13.05%	7.92%

*31 Oct 2009

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



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