



The Australian Fund gained 3.4% in value in February, but was eclipsed by a fast-moving ASX All Ordinaries Accumulation benchmark that rose 7%.

Expectations of rock-bottom interest rates are causing investors to reach more vigorously for yield, propelling the blue-chip sector of the market upward. When this occurs it becomes tough for the Fund, which mostly owns unloved companies not paying dividends, to beat the benchmark in the short term.

During February most of the Fund's companies provided updates and, overall, we are very happy with the progress. Starting with the bad, **RNY Property Trust** (RNY) reported occupancy in its US office properties fell 4% to 75%, and net tangible assets fell 8% to US\$0.44 per unit. The culprit was low tenant renewals on lease expiry, which unfortunately have the double impact of draining free cash flow and adding to the cash required to attract new tenants. Management will, however, soon be free to sell assets and refinance debt at cheaper rates which will free up cash to use to improve occupancy. RNY's unit price finished the month unchanged at \$0.35.

The other shocker was Macmahon Holdings (MAH) whose cash flow, contrastingly, was about the only thing to like. Having lost a chief executive officer in January, Macmahon wrote-down its assets by 27% and ominously lost a key mining contract with **Fortescue Metals Group** (FMG). It was enough to cause a review event with lenders.

That's a serious development, and the already beaten-up share price went into a tailspin, falling 37% after the announcement. But though the contract loss puts a significant dent in Macmahon's value, the debt load still looks pretty comfortable. In the panic the market capitalisation became a bit silly and we took the opportunity to purchase a few more shares. That proved fortuitous, the company's shares rallied 50% from its low point to finish at \$0.051 per share, down 10% for the month, but resulting in a small net gain for the Fund.

On the good side of the ledger, **Hughes Drilling** (HDX) showed it is possible to actually *make* money in mining services, and the Fund's two information technology companies, **GBST Holdings** (GBT) and **Hansen Technologies** (HSN) continued their good form. International revenue in GBST's powerhouse Wealth Management segment, which provides software to managed funds and investor platform administrators, grew 46% and has now more than tripled in three years. As revenue from implementation projects converts to annuity license fees, growth will continue for some time yet.

Whereas the growth engine of GBST is fuelled by huge research and development expenditure, at Hansen moderate organic growth is supplemented by acquisitions of like-minded businesses in its invoicing and customer management niche. Revenue growth of 10% was only par due to contributions from an acquisition, but Hansen reported half year earnings before interest, tax, depreciation and amortisation (EBITDA) of \$15.9m, a nice increase of 23% from just six months ago.

With the Australian dollar weaker and significant overseas earnings, Hansen's full year guidance of \$95m revenue and 25-30% EBITDA margin should prove a low hurdle to step over. GBST and Hansen have been major contributors to Fund performance over the past 18 months, and the good run

continued with GBST's shares gaining a further 32% in February to a clean \$5 per share. Hansen's shares were up 27% to \$2.20.

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	27 February 2015
Buy Price	\$1.4827
Redemption Price	\$1.4709
Mid Price	\$1.4768
Portfolio value	\$60.6m

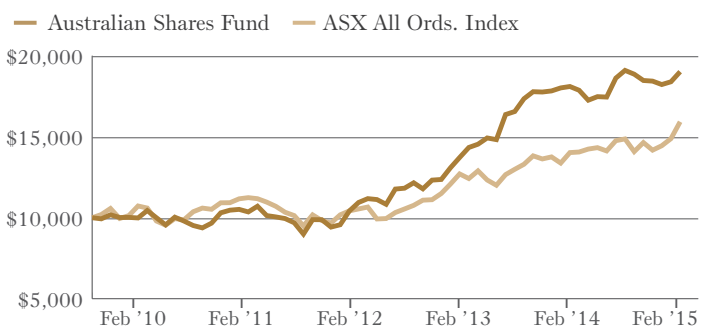
PERFORMANCE

Forager Australian Shares Fund Performance Summary (as at 27 February 2015)

	Australian Shares Fund	All Ords. Accum. Index
1 mth return	3.38%	7.00%
3 mth return	3.16%	12.36%
6 mth return	-0.42%	7.13%
1 year return	5.05%	13.57%
2 year return (p.a.)	17.73%	11.96%
3 year return (p.a.)	22.21%	15.17%
Since inception* (p.a.)	12.81%	9.11%

*31 October 2009

COMPARISON OF \$10,000 INVESTED IN AUSTRALIAN SHARES FUND VS ASX ALL ORDINARIES ACCUM 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. Fundhost Limited (ABN 69 092 517 087, AFSL No: 233 045) as the Responsible Entity is the issuer of the Forager International Shares Fund (ARSN No: 161 843 778) and the Forager Australian Shares Fund (ARSN 139 641 491). You should obtain and consider a copy of the product disclosure statement relating to the Forager International Shares Fund and the Forager Australian Shares Fund before acquiring the financial product. You may obtain a product disclosure statement from Fundhost or download a copy at www.foragerfunds.com. To the extent permitted by law, Fundhost Limited 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.