



The Forager Australian Shares Fund unit price jumped in July, with fairly widespread gains across the portfolio. The main piece of news was a takeover offer for **Vision Eye Institute (VEI)**, detailed below.

During the previous few months, the Fund had experienced significant gains from **Macmahon (MAH)** and **Service Stream (SSM)** that weren't reflected in overall gains because the rest of the portfolio had traded down with the wider market. As the market bounced back in July and took some of our larger holdings with it, those gains are now showing up in the overall numbers for the year.

Our focus is long term value, not monthly prices, and on that front we had a set back with **Infigen Energy (IFN)** during the month. As anticipated this wind-farm owner sold its remaining American assets in July to repay debt. The sale price of US\$270m was less than expected, however, by around US\$100m.

Infigen's whole market capitalisation is only \$207m, so that's a meaningful shortfall. The unit price hasn't fallen much in response but real damage has been done. The value we had estimated, and waited years for, now won't be realised in full. Infigen may still be a reasonable investment, but the case isn't as clear as previously assessed.

Better news came from online lottery vendor **Jumbo Interactive (JIN)** which released its key results for financial year 2015. Jumbo's business model involves upfront marketing spend to attract customers that go on to generate commissions over many years. Once signed up, ongoing customers cost little and are very profitable, meaning the existing customer database is a valuable asset.

It's generally not wise to rely much on any one period, especially in lotteries where ticket sales are influenced by random jackpot runs. But Jumbo's ticket sales this year of \$128m were very impressive, easily eclipsing last year's \$105m. Evidence is mounting that Jumbo's customer database, its 'valuable asset', is still growing at a decent rate, and that's a very promising sign.

There are risks, Jumbo has a nascent website in Germany that loses money, and it relies on **Tatts Group (TTS)** to allow it to sell tickets in Australia, but the value on offer here is far above the company's \$0.97 share price.

Lastly for the month, one of our best investments, **Vision Eye Institute (VEI)**, has become a takeover target. The company, which specialises in eye healthcare known as ophthalmology, received a bid from **Pulse Health (PHG)** valuing it at \$0.88 per share.

That's a healthy 33% premium to the prior \$0.68 share price, but it's not as good as it looks and is unlikely to succeed in its current form. Pulse, a much smaller company than Vision, is offering shares rather than cash. Because Pulse is smaller, 'new Pulse' following the acquisition will look an awful lot like Vision Eye Institute. Vision shareholders will also end up owning most of the shares, 64%, in 'new Pulse' after the merger. There's no sound reason for investors to value 'new Pulse' much differently from the current Vision, so the 33% premium is illusory.

A long string of conditions to the bid also hurts Pulse's credibility, and Vision's Board is rightly refusing to engage at this point. In a twist, however, major shareholder **Primary Health Care (PRY)** sold its entire 20% shareholding in Vision to a Jangho Group for \$0.94 per share.

That's a better price, in cash, and it probably signals further intentions. There are no guarantees but we expect the Chinese-

listed Jangho is more likely to end up buying Vision than Pulse. Vision's shares ended July at \$0.85, still an interesting price for those confident of takeover activity.

#### FACTS

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

#### UNIT PRICE SUMMARY

<b>Date</b>	31 July 2015
<b>Buy Price</b>	\$1.5015
<b>Redemption Price</b>	\$1.4940
<b>Mid Price</b>	\$1.4978
<b>Portfolio value</b>	\$69.3m

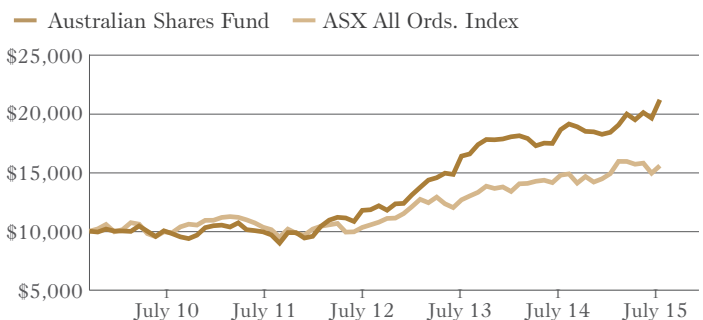
#### PERFORMANCE

##### Forager Australian Shares Fund Performance Summary (as at 31 July 2015)

	Australian Shares Fund	All Ords. Accum. Index
1 mth return	7.94%	4.23%
3 mth return	8.71%	-0.82%
6 mth return	15.01%	4.53%
1 year return	13.61%	5.41%
3 year return (p.a.)	21.58%	14.65%
5 year return (p.a.)	16.08%	9.36%
Since inception* (p.a.)	13.91%	7.99%

\*31 October 2009

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



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