



# WHERE TO FIND VALUE IN THE CURRENT MARKET



Investor behaviour can change in bull markets from fear of loss to fear of missing out. With investor confidence rising and investment markets gaining further grounds, finding value in the markets can be a challenge.



---

## What does a bull market look like?

There are a couple of clear signs for investors that the market is heading into a bull market, mainly when share prices are rising. Technically a bull market is when there is a 20% rise in the market from its previous low. It also means a bull market comes to an end when the market falls 20% from its peak.

Multiple expansion is often used as a sign for investors that things are getting expensive. This refers to a higher price to earnings, or the age old buy low sell high. However in bull markets it's not just about the multiple, keep an eye on the company earnings as at times these can be greater than one would expect for a company over the long term especially if they are leveraged.

Another consideration is the Volatility Index (VIX). It's a real-time market that represents the market's expectation for volatility over the coming 30 days and is used to understand the level of fear or stress in the market.





## Seeking value when the markets seem expensive

Often in bull markets bubble type environments occur where everyone wants the latest and hottest security, which can often suck the oxygen from elsewhere. Think the dotcom bubble in the 1990s when the internet took off. This means that many investors don't want to own other companies, and that's where we believe opportunities are created.

Not all sectors are correlated, some sectors can be sold down in bull markets providing potential opportunities, but also consider what sectors are likely to rise over the next three years.



Our investment expertise lies in understanding business and investor behaviour, spotting patterns and trends that are unique but can be applied across markets and sectors. We do this in situations where we feel we have an edge, such as IPOs, market dysfunction, misunderstood or emerging business models and even orphan stocks where a company is not listed on its natural market.

It's important for investors to stick to their strategy and remain true to their objectives during these market conditions. This means looking to buy real businesses that give us double digit returns over a long period of time. As markets get expensive it becomes harder to do but it's important to stick to that process.



## Key elements when investing

1. Look for businesses that you understand
2. Focus on companies where you can value the business, ie where you can make a reasonably confident estimate of cash flow.
3. Buy stocks at a margin of safety - ie when the market value is well below our base case valuation of the stock. If a stock's margin of safety isn't quite right now, it doesn't mean it won't be in the future. Consider the knowledge accumulated in that company and when the time does come around you have the ability to act quickly.

This process doesn't change at Forager no matter the type of market conditions we're investing in. The overlap of these key elements might get smaller but we focus on maintaining our discipline and stick to our investment strategy.

---

## Using cash optimistically

When the margin of safety drifts in bull markets, then investors can take the opportunity to hold more cash. For Forager this can provide us with the flexibility to use cash when opportunities arise, such as participating in IPOs. When market sentiment changes or during volatile markets, our cash position gives us opportunities to invest at greater discounts to the fair value and we can act quickly.

In low interest rate markets an investor does need to weigh up how large that cash holding should be versus the return that could be earned investing in the market, however not having the cash position at all comes with the risk of not having the flexibility to participate in an opportunity when it arises.

There can always be pockets of opportunity found in bull markets if you look hard enough and remain patient about finding this value. Above all, it is really important not to change your process just in fear of missing out.

Interested in investing outside of the ASX?  
We find opportunities in unlikely places.  
Talk to us today on **+61 2 8277 4812** or visit  
**[foragerfunds.com](https://foragerfunds.com)**





Finding opportunity in unlikely places



**foragerfunds.com**

+61 2 8277 4812

#### **General advice only**

Forager Funds Management Pty Ltd (ABN 78 138 351 345 and AFSL No. 495312) provides general information to help you understand our investment approach. Any financial advice we provide has not taken into account your considered your personal objectives, financial situation or needs and may not be suitable for you.

#### **Product Disclosure Statement**

The Trust Company (RE Services) Limited (ABN 45 003 278 831 and AFSL No. 235150) is the Responsible Entity and the issuer of the Forager Australian Shares Fund (ARSN No. 139 641 491). Fundhost Limited (ABN 69 092 517 087 and AFSL No. 233045) is the Responsible Entity and the issuer of the Forager International Shares Fund (ARSN No. 161 843 778). Both of these funds are managed by Forager Funds Management. Before investing you should read the relevant Product Disclosure Statement and seek advice from investment and taxation professionals to determine if the product is appropriate for your needs.

#### **Disclaimer**

Forager Funds Management is solely responsible for the content of this document and it is not approved or endorsed by any other party. To the extent permitted by law, Forager Funds Management, its officers, employees, consultants, advisers and authorised representatives, are not liable for any loss or damage arising as a result of any reliance placed on this document. Information has been obtained from sources believed to be reliable, but we do not represent it is accurate or complete, and it should not be relied upon as such.

#### **Security & Privacy**

Beware of Email Phishing – Unless notified in advance, Forager Funds Management do not request personal or financial information via email and will never send links or attachments asking you to send us this information. If you believe you have received a suspicious email, please contact us asap.