

# FORAGER

## AUSTRALIAN SHARES FUND

MONTHLY REPORT NOVEMBER 2018 [www.foragerfunds.com](http://www.foragerfunds.com)

### PERFORMANCE (Net of all fees and expenses)

#### FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 30 November 2018)

	1 month return	3 month return	6 month return	1 year return	3 year return (p.a.)	5 year return (p.a.)	Since inception* (p.a.)
<b>Australian Shares Fund (ASX:FOR)</b>	-3.78%	-11.68%	-12.25%	-12.90%	6.75%	8.38%	11.35%
<b>S&amp;P All Ords. Accum. Index</b>	-2.24%	-9.54%	-4.12%	-1.13%	7.69%	6.00%	6.84%

\*30 October 2009. The value of your investments can rise or fall. Performance is calculated using Net Asset Value (NAV), not the market price. Past performance is not an indicator of future performance.

**Thorn (TGA)**, the provider of washing machines and TVs to cash strapped consumers, had an eventful month. The company reported its first half results in late November. It didn't make for great reading. Revenue was down 11% and earnings before interest and tax was down 44%. The important Radio Rentals consumer leasing business saw profits fall by two thirds and arrears rise. But there was some redemption in the detail.

First, Radio Rentals. The number of items installed for customers fell 14% from this time last year, but rose 31% from the last half. This isn't an accident or simple seasonality. New CEO Tim Luce joined the business early this year. Since then he's increased the range of products his stores are carrying, launched a new store layout and cut some costs. While the days of 20% returns on capital are gone, these steps are moving the business in the right direction.

Thorn's other business, funding equipment like trucks and fitness gear for small and medium businesses, has been shackled for a while. It has been continually bumping up against its debt facility limit. As part of an August debt reshuffle it now has \$80m in funds to deploy. But with more ammunition comes renewed responsibility. Competitors **Axesstoday (AXL)** and **Silver Chef (SIV)** have struggled with bad loans. Thorn will need to be even more careful when lending its money out.

Plenty of other threats remain. A Senate Committee is reviewing consumer leasing regulation, with findings due in February. And a class action continues to roll on costing the company millions in legal fees. There's a long way to go in the Thorn saga, but there are some early signs of a turnaround.

Offshore oil and gas support vessel owner **MMA Offshore (MRM)** provided some welcome guidance at its annual general meeting. The company now expects to be cash flow neutral for the current year. This doesn't sound like much, but it's a big improvement for a company that saw \$34m of cash go out the door two years ago. Vessels have been on a job 79% of the time this year with 62% of vessel working days either already contracted or 'highly probable' for the remainder of the year.

The seesawing oil price has not helped to bring confidence to the offshore exploration and production market that MMA

provides support to. But despite falling 28% from recent highs, oil prices are flat from this time last year. And at US\$62 per barrel, they are well above what major offshore oil producers claim are sufficient levels for them to start spending. The water hasn't been still for MMA over the last few years. But trading at half of its book value the business remains a compelling investment.

New Zealand media company **NZME (NZM)** surprised investors by cutting dividends and issuing guidance for the current year. NZME had some decisions to make. Growing digital revenue is not enough to compensate for print advertising declines so profits are falling. And those profits have been paid out to equity investors, not the banks, meaning net debt is due to finish the year at about NZ\$100m. To bring this back to a more manageable level, dividends have been cut.

We are supportive. Accounting for spending on NZME's property classifieds business, OneRoof, guidance for the full year wasn't far off expectations. Far from being dead money, the NZ\$11m the company is spending on the New Zealand property portal could end up being one of its better investments. A more conservative balance sheet should give it a much better chance of success.

#### TOP 5 HOLDINGS (as % of NAV)

<b>Macmahon Holdings Limited</b>	<b>(ASX:MAH)</b>	10.8%
<b>Enero Group Limited</b>	<b>(ASX:EGG)</b>	9.3%
<b>iSelect Limited</b>	<b>(ASX:ISU)</b>	8.4%
<b>Thorn Group Limited</b>	<b>(ASX:TGA)</b>	5.6%
<b>MMA Offshore Limited</b>	<b>(ASX:MRM)</b>	5.0%
<b>Cash</b>		25.8%

## FUND OBJECTIVE

The Fund targets securities that Forager believes are undervalued and invests predominately in securities listed on the ASX. Its investment objective is to outperform the S&P/ASX All Ordinaries Accumulation Index over a rolling 5-year period and its goal is to produce superior long-term returns from a select number of underlying investments, irrespective of short-term price movements<sup>^</sup>.

### FACTS

**Fund inception** 30 October 2009

**ASX Code** FOR

**Distribution** Annual, 30 June

### UNIT PRICE SUMMARY

**As at** 30 November 2018

**NAV** \$1.39

**Market Price** \$1.45

**Portfolio Value** \$158.3m

### ABOUT FORAGER

With more than \$320 million of funds under management and a focus on long-term investing, Forager Funds is a unique Australian asset management company.

Following a strong eight-year track record, Forager is a sustainable business but is nimble enough to invest in smaller listed companies not accessible to many investment managers.

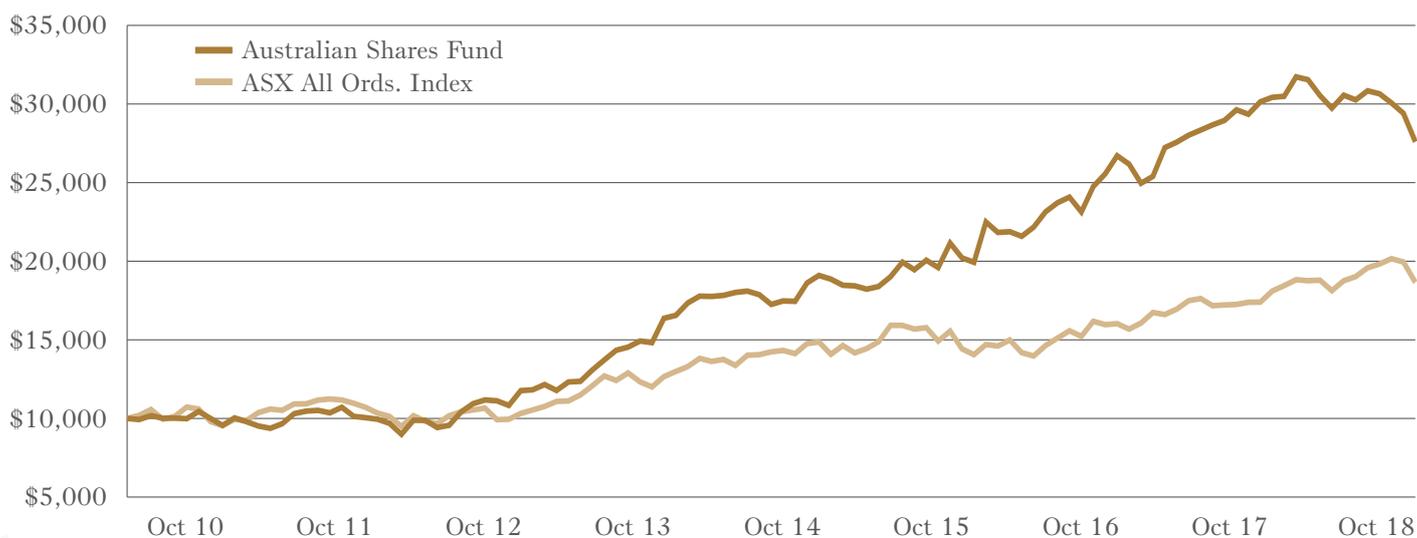
The company is majority owned by staff. Forager's shareholders support the desire to place performance before revenue. That means capping the size of funds before too much money becomes an impediment to performance.

Key investment staff are strongly aligned with investors through co-investment and / or equity in the Forager business.

### FUND CHARACTERISTICS

- Concentrated portfolio of ASX-listed stocks
- Long track record in identifying unloved gems
- Restricted fund size allows investment in smaller businesses
- Strong focus on managing portfolio risks
- Listed on ASX as a Listed Investment Trust (LIT)
- Structure offers Forager flexibility in distressed markets

## COMPARISON OF \$10,000 INVESTMENT IN THE FORAGER AUSTRALIAN SHARES FUND VS ASX ALL ORDS. INDEX



Source (All Ords): S&P Capital IQ. The above figures assume that all distributions have been reinvested. Performance is calculated using Net Asset Value (NAV), not the market price. Past performance is not a reliable indicator of future performance and the value of your investments can rise or fall.

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