

# **Forager Australian Shares Fund**

ARSN 139 641 491

## **Appendix 4D**

### **Half-Year Report**

**For the half-year ended 31 December 2016**

## Half-year report

This half-year report is for the reporting period from 1 July 2016 to 31 December 2016. The previous corresponding half-year period was 1 July 2015 to 31 December 2015.

### Results for announcement to the market

|  | <b>2016</b>   | <b>Percentage increase/<br/>(decrease) over<br/>corresponding period</b> |
|--|---------------|--|
|  | <b>\$'000</b> |  |
| Increase in net assets attributable to unitholders | 140,533       | 60.23%   |
| Revenues from continuing operations                | 9,897         | 14.46%   |
| Profit for the half-year                           | 8,327         | 7.89%  |

### Brief explanation of results

The \$8.3m operating profit for the period represented a 7.89% increase on the six months ended 31 December 2015. Both the increase in revenue (14.46%) and increase in profit were a function of an increase in the average net tangible assets of the Fund. Net portfolio performance for the period of 9.8% was slightly lower than the 11.6% return for the previous corresponding period.

As of 31 December 2016, the net assets of the Fund were \$140.5m, a 60.23% increase from the balance as at 31 December 2015. The increase in assets was a result of portfolio appreciation and an increase in the number of units on issue.

### Distribution (dividend) information

No distributions were paid or payable during the period. The dividend or distribution reinvestment plan in operation is not applicable.

### Net tangible assets

|                                  | <b>2016</b> | <b>2015</b> |
|----------------------------------|-------------|-------------|
| Net tangible assets per security | \$1.6035    | \$1.5490    |

### Other information

There was no gain or loss of control of entities during the current period.

The Fund does not have associates or joint venture entities.

The Fund is not a foreign entity.

### Audit

This report is based on accounts which have been reviewed by the Fund's Auditors - Ernst & Young.

# **Forager Australian Shares Fund**

ARSN 139 641 491

## **Interim report**

**For the half-year ended 31 December 2016**

# Forager Australian Shares Fund

ARSN 139 641 491

## Interim report

## For the half-year ended 31 December 2016

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This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the annual report for the period ended 30 June 2016 and any public announcements made in respect of Forager Australian Shares Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim report covers Forager Australian Shares Fund as an individual entity.

The Responsible Entity of Forager Australian Shares Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150).

The Responsible Entity's registered office is:

Level 18  
123 Pitt Street  
Sydney NSW 2000

## **Directors' Report**

The Directors of The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL 235150), the Responsible Entity of Forager Australian Shares Fund (FOR), present their report together with the interim financial statements of Forager Australian Shares Fund ('the Fund') for the half-year ended 31 December 2016.

The Trust Company (RE Services) Limited was appointed Responsible Entity on 17 October 2016 following the retirement of Fundhost Limited who acted as Responsible Entity from the inception of the Fund until 16 October 2016. The Responsible Entity is a wholly owned subsidiary in the Perpetual Limited Group (ASX: PPT).

The Responsible Entity's registered office is Level 18, 123 Pitt Street, Sydney, NSW 2000.

Forager Funds Management Pty Ltd (ABN 78 138 351 345, AFSL 459312) is the Investment Manager of FOR.

The financial report has been prepared for the Forager Australian Shares Fund as it is a disclosing entity under the *Corporations Act 2001*.

### **Directors**

The following persons held office as Directors of Fundhost Limited from 1 July 2016 to 16 October 2016:

Valerie Anne Monge  
Paul Ernest Dortkamp  
Robert H Nagel

The following persons held office as Directors of The Trust Company (RE Services) Limited from 17 October 2016 and up to the date of this report:

Andrew Vincent Cannane  
Christopher Green  
Michael Henry Vainauskas  
Glenn Foster  
Vicki Riggio (Alternate Director) (appointed 1 November 2016)  
Rodney Garth Ellwood (Alternate Director)  
Neil Wesley (Alternate Director) (appointed 13 January 2017)  
Andrew McIver (Alternate Director) (appointed 13 January 2017)

### **Principal activities**

The Fund invests predominantly in securities listed on the ASX and investments that are likely to be listed on the ASX in the future and Australian denominated cash. The Fund's goal is to produce superior long-term returns from a select number of underlying investments, irrespective of short term price movements.

The Fund did not have any employees during the half-year.

The Fund is currently listed on the Australian Security Exchange (ASX).

### **Units on Issue**

Units on issue in the Fund at half-year are set out below:

|                | <b>31 December<br/>2016<br/>No.</b> | 30 June<br>2016<br>No. |
|----------------|-------------------------------------|------------------------|
| Units on issue | <b>87,640,000</b>                   | 60,049,000             |

**Forager Australian Shares Fund**  
**Directors' Report**  
**For the half-year ended 31 December 2016**  
(continued)

**Review and results of operations**

During the half-year, the Fund continued to invest its funds in accordance with target asset allocations as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The performance of the Fund, as represented by the results of its operations, was as follows:

|  | <b>Half-year ended</b>      |                     |
|--|-----------------------------|---------------------|
|  | <b>31 December<br/>2016</b> | 31 December<br>2015 |
| Operating profit before finance costs attributable to unitholders (\$'000) | <b>8,327</b>                | 7,718               |

No distributions were paid or payable during the period.

**Financial Position**

As at 31 December 2016, the Fund's total assets amounted to \$141,594,000 (30 June 2016: \$100,056,000).

Net Tangible Assets (NTA) per unit as disclosed to the ASX, from the period of listing on 16 December 2016 through to 31 December 2016 was, as follows:

|                     | <b>31 December 2016</b> |
|---------------------|-------------------------|
|                     | <b>\$</b>               |
| At reporting period | <b>1.6035</b>           |
| High during period  | <b>1.6053</b>           |
| Low during period   | <b>1.5709</b>           |

**Significant changes in state of affairs**

Following a resolution passed at a meeting of members on 14 October 2016, The Trust Company (RE Services) Limited was appointed as the Responsible Entity of the Fund. ASIC approved the appointment of the new Responsible Entity on 17 October 2016.

Under the proposed changes at the members meeting, White Outsourcing Pty Ltd replaced FundHost Limited to provide administration services to the Fund on 17 October 2016.

On 14 December 2016, the Fund was admitted to the official list of ASX Limited and official quotation of its securities commenced on 16 December 2016 traded under the code FOR.

In the opinion of the Directors, there were no other significant changes in the state of affairs of the Fund that occurred during the financial period.

**Matters subsequent to the end of the financial period**

On 13 January 2017, Neil Wesley and Andrew McIver were appointed alternate directors of The Trust Company (RE Services) Limited.

No other matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect:

- the operations of the Fund in future financial period, or
- the results of those operations in future financial period, or
- the state of affairs of the Fund in future financial period.

**Likely developments and expected results of operations**

The Fund will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

**Environmental regulation**

The operations of the Fund are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

**Rounding of amounts to the nearest thousand dollars**

The Fund is an entity of a kind referred to in Corporations Instrument 2016/191 issued by ASIC relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that Corporations Instrument, unless otherwise indicated.

**Auditor's Independence Declaration**

A copy of the Auditor's Independence Declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.

A handwritten signature in blue ink, appearing to read 'R. Ellwood', with a long horizontal flourish extending to the right.

Director

Sydney  
27 February 2017



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## Auditor's Independence Declaration to the Directors of The Trust Company (RE Services) Limited

As lead auditor for the review of Forager Australian Shares Fund for the half-year ended 31 December 2016, I declare to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

Ernst & Young

Rohit Khanna  
Partner  
Sydney  
27 February 2017



**Forager Australian Shares Fund**  
**Condensed Statement of Comprehensive Income**  
**For the half-year ended 31 December 2016**

**Condensed Statement of Comprehensive Income**

|   |       | Half-year ended     |                     |
|---|-------|---------------------|---------------------|
|   |       | 31 December<br>2016 | 31 December<br>2015 |
|   | Notes | \$'000              | \$'000              |
| <b>Investment income</b>  |       |                     |                     |
| Interest income   |       | 226                 | 39                  |
| Dividend and distribution income  |       | 1,215               | 935                 |
| Net gains/(losses) on financial instruments held at fair value through profit or loss | 4     | 8,304               | 7,657               |
| Expense reimbursement income  |       | 97                  | 16                  |
| Other operating income  |       | 55                  | -                   |
| <b>Total net investment income</b>  |       | <b>9,897</b>        | <b>8,647</b>        |
| <b>Expenses</b>   |       |                     |                     |
| Responsible Entity's fees   | 11    | 61                  | 30                  |
| Management fees   |       | 588                 | 293                 |
| Performance fees  |       | 750                 | 536                 |
| Administration fees   |       | 64                  | 48                  |
| Custody fees  |       | 12                  | 5                   |
| Remuneration of auditors  | 8     | 16                  | 14                  |
| Other operating expenses  |       | 79                  | 3                   |
| <b>Total operating expenses</b>   |       | <b>1,570</b>        | <b>929</b>          |
| <b>Operating profit</b>   |       | <b>8,327</b>        | <b>7,718</b>        |
| <b>Finance costs attributable to unitholders</b>                                      |       |                     |                     |
| Distributions to unitholders  | 7     | -                   | -                   |
| Increase in net assets attributable to unitholders                                    | 6     | (8,327)             | (7,718)             |
| <b>Profit/(loss) for the half-year</b>  |       | <b>-</b>            | <b>-</b>            |
| <b>Other comprehensive income</b>   |       | <b>-</b>            | <b>-</b>            |
| <b>Total comprehensive income for the half-year</b>                                   |       | <b>-</b>            | <b>-</b>            |
|   |       | <b>Cents</b>        | <b>Cents *</b>      |
| <b>Earnings per unit for profit attributable to unitholders of the Fund</b>           |       |                     |                     |
| Basic earnings per unit   |       | 10.49               | -                   |
| Diluted earnings per unit   |       | 10.49               | -                   |

\* There is no comparative data as the Fund was admitted to ASX on 14 December 2016.

*The above Condensed Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

**Forager Australian Shares Fund**  
**Condensed Statement of Financial Position**  
**As at 31 December 2016**

**Condensed Statement of Financial Position**

|   | <b>As at</b>        |                |
|---|---------------------|----------------|
|   | <b>31</b>           | <b>30 June</b> |
|   | <b>December</b>     | <b>2016</b>    |
| Notes   | <b>\$'000</b>       | <b>\$'000</b>  |
| <b>Assets</b>   |                     |                |
| Cash and cash equivalents   | 40,669              | 24,815         |
| Receivables   | 175                 | 80             |
| Due from brokers - receivable for securities sold                           | -                   | 178            |
| Financial assets held at fair value through profit or loss                  | 3, 5    100,726     | 74,983         |
| Other assets  | 24                  | -              |
| <b>Total assets</b>   | <b>141,594</b>      | <b>100,056</b> |
| <b>Liabilities</b>  |                     |                |
| Payables  | 1,061               | 295            |
| Distributions payable   | -                   | 10,656         |
| Due to brokers - payable for securities purchased                           | -                   | 1,398          |
| <b>Total liabilities (excluding net assets attributable to unitholders)</b> | <b>1,061</b>        | <b>12,349</b>  |
| <b>Net assets attributable to unitholders - liability</b>                   | <b>6    140,533</b> | <b>87,707</b>  |

*The above Condensed Statement of Financial Position should be read in conjunction with the accompanying notes.*

**Forager Australian Shares Fund**  
**Condensed Statement of Changes in Equity**  
**For the half-year ended 31 December 2016**

**Condensed Statement of Changes in Equity**

|   | Half-year ended |             |
|---|-----------------|-------------|
|   | 31 December     | 31 December |
|   | 2016            | 2015        |
|   | \$'000          | \$'000      |
| <b>Total equity at the beginning of the half-year</b> | -               | -           |
| Profit/(loss) for the half-year                       | -               | -           |
| Other comprehensive income                            | -               | -           |
| <b>Total comprehensive income</b>                     | -               | -           |
| Transactions with owners in their capacity as owners  | -               | -           |
| <b>Total equity at the end of the half-year</b>       | -               | -           |

Under Australian Accounting Standards, net assets attributable to unitholders are classified as a liability rather than equity. As a result, there was no equity at the start or the end of the half-year.

*The above Condensed Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**Forager Australian Shares Fund**  
**Condensed Statement of Cash Flows**  
**For the half-year ended 31 December 2016**

**Condensed Statement of Cash Flows**

|   | Half-year ended |                |
|---|-----------------|----------------|
|   | 31 December     | 31 December    |
|   | 2016            | 2015           |
|   | \$'000          | \$'000         |
| <b>Cash flows from operating activities</b>   |                 |                |
| Proceeds from sale of financial instruments held at fair value through profit or loss | 18,537          | 17,796         |
| Purchase of financial instruments held at fair value through profit or loss           | (37,068)        | (23,496)       |
| Interest income received  | 191             | 39             |
| Dividend and distributions received   | 1,087           | 935            |
| Other operating income received   | 55              | -              |
| Responsible Entity's fees paid  | (29)            | (75)           |
| Management fees paid  | (541)           | (281)          |
| Performance fees paid   | (133)           | -              |
| Other operating expenses paid   | (134)           | (27)           |
| <b>Net cash outflow from operating activities</b>                                     | <b>(18,035)</b> | <b>(5,109)</b> |
| <b>Cash flows from financing activities</b>   |                 |                |
| Proceeds from applications by unitholders   | 42,377          | 12,656         |
| Payments for redemptions by unitholders   | (4,842)         | (1,307)        |
| Distributions paid  | (3,646)         | (1,991)        |
| <b>Net cash inflow from financing activities</b>                                      | <b>33,889</b>   | <b>9,358</b>   |
| <b>Net increase in cash and cash equivalents</b>                                      | <b>15,854</b>   | <b>4,249</b>   |
| Cash and cash equivalents at the beginning of the half-year                           | 24,815          | 2,862          |
| <b>Cash and cash equivalents at the end of the half-year</b>                          | <b>40,669</b>   | <b>7,111</b>   |

*The above Condensed Statement of Cash Flows should be read in conjunction with the accompanying notes.*

## **Notes to the financial statements**

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## **1 General information**

These interim financial statements cover Forager Australian Shares Fund ('the Fund') as an individual entity. The Fund is an Australian registered managed scheme under the *Corporations Act 2001*, which was constituted on 22 September 2009 and was admitted to the Australian Stock Exchange ('ASX') on 14 December 2016.

The Responsible Entity of the Fund is The Trust Company (RE Services) Limited (the 'Responsible Entity'). The Trust Company (RE Services) Limited was appointed Responsible Entity on 17 October 2016 following the retirement of Fundhost Limited who acted as Responsible Entity until 16 October 2016. The Responsible Entity's registered office is Level 18, 123 Pitt Street, Sydney, NSW 2000. The Responsible Entity is incorporated and domiciled in Australia.

The interim financial statements are for the half-year ended 31 December 2016. The interim financial statements are presented in the Australian currency.

The interim financial statements were authorised for issue by the Directors of the Responsible Entity on the date the Directors' Declaration was signed. The Directors of the Responsible Entity have the power to amend and reissue the interim financial statements.

These interim financial statements do not include full note disclosures of the type normally included in the annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the 30 June 2016 annual financial statements.

## **2 Basis of preparation**

The interim financial statements are general purpose financial statements and have been prepared in accordance with Australian Accounting Standard AASB 134 *Interim Financial Reporting* issued by the Accounting Standards Board and the *Corporations Act 2001* in Australia. Forager Australian Shares Fund is a for-profit unit trust for the purpose of preparing the financial statements.

The half-year financial report does not include all notes normally included within the annual financial report and therefore cannot be expected to provide a full understanding of the financial position and financial performance of the Fund as that given by the annual financial report. As a result, this financial report should be read in conjunction with the most recent annual financial report of the Fund and any public announcement in respect of the Fund during the half-year.

The interim financial statements are prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated.

The Condensed Statement of Financial Position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled more than twelve months after the end of each reporting period cannot be reliably determined.

### **(a) Significant accounting policies**

The principal accounting policies applied by the Fund in these interim financial statements are the same as those applied by the Fund for the year ended 30 June 2016, unless otherwise stated.

#### *(i) New and amended standards adopted by the Fund*

None of the new standards and amendments to standards that are mandatory for the first time for the financial period beginning 1 July 2016 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

## **2 Basis of preparation (continued)**

### **(a) Significant accounting policies (continued)**

*(ii) New standards and interpretations not yet adopted*

- *AASB 9 Financial Instruments (and applicable amendments) (effective from 1 January 2018)*

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities. It has now also introduced revised rules around hedge accounting and impairment. The standard is not applicable until 1 January 2018 but is available for early adoption. The Directors do not expect this to have a significant impact on the recognition and measurement of the Fund's financial instruments as they are carried at fair value through profit or loss. The derecognition rules have not changed from the previous requirements, and the Fund does not apply hedge accounting. AASB 9 introduces a new impairment model. However, as the Fund's investments are all held at fair value through profit or loss, the change in impairment rules will not impact the Fund. The Fund has not yet decided when to adopt AASB 9.

- *AASB 15 Revenue from Contract with Customers (effective from 1 January 2018)*

AASB 15 will replace AASB 118 *Revenue* which covers contracts for goods and services and AASB 111 *Construction Contracts* which covers construction contracts. AASB 15 is based on the principle that revenue is recognised when control of a good or service transfers to a customer - so the notion of control replaces the existing notion of risks and rewards.

The Fund's main sources of income are interest, dividends and distributions and gains on financial instruments held at fair value. All of these are outside the scope of the new revenue standard. As a consequence, the Directors do not expect the adoption of AASB 15 to have a significant impact on the Fund's accounting policies or the amounts recognised in the financial statements. The Fund has not yet decided when to adopt AASB 15.

There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

### **(b) Rounding of amounts**

The Fund is an entity of the kind referred to in Corporations Instrument 2016/191, issued by ASIC, relating to the 'rounding off' of amounts in the interim financial statements. Amounts in the interim financial statements have been rounded off to the nearest thousand dollars in accordance with that Corporations Instrument, unless otherwise indicated.

## **3 Fair value measurements**

The Fund measures and recognises the following assets and liabilities at fair value on a recurring basis:

- Financial assets / liabilities at fair value through profit or loss (FVTPL)

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

### 3 Fair value measurements (continued)

(i) *Fair value in an active market (level 1)*

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and listed equity securities) is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

(ii) *Fair value in an inactive or unquoted market (level 2 and level 3)*

Investments in other unlisted unit trusts are recorded at the redemption value per unit net of discount rate applied as reported by the investment managers of such funds. The Fund may make adjustments to the value based on considerations such as: liquidity of the Investee Fund or its underlying investments, the value date of the net asset value provided, or any restrictions on redemptions and the basis of accounting.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

*Recognised fair value measurements*

The following table presents the Fund's financial assets measured and recognised at fair value as at 31 December 2016 and 30 June 2016.

| <b>At 31 December 2016</b>  | <b>Level 1<br/>\$'000</b> | <b>Level 2<br/>\$'000</b> | <b>Level 3<br/>\$'000</b> | <b>Total<br/>\$'000</b> |
|---|---------------------------|---------------------------|---------------------------|-------------------------|
| <b>Financial assets</b>   |                           |                           |                           |                         |
| Financial assets designated at fair value through profit or loss: |                           |                           |                           |                         |
| Equity securities and listed trusts                               | 100,267                   | -                         | -                         | 100,267                 |
| Unlisted unit trusts  | -                         | -                         | 459                       | 459                     |
| <b>Total</b>  | <b>100,267</b>            | <b>-</b>                  | <b>459</b>                | <b>100,726</b>          |

| At 30 June 2016   | Level 1<br>\$'000 | Level 2<br>\$'000 | Level 3<br>\$'000 | Total<br>\$'000 |
|---|-------------------|-------------------|-------------------|-----------------|
| <b>Financial assets</b>   |                   |                   |                   |                 |
| Financial assets designated at fair value through profit or loss: |                   |                   |                   |                 |
| Equity securities and listed trusts                               | 74,499            | -                 | -                 | 74,499          |
| Unlisted unit trusts  | -                 | -                 | 484               | 484             |
| <b>Total</b>  | <b>74,499</b>     | <b>-</b>          | <b>484</b>        | <b>74,983</b>   |

*Transfers between levels*

Management's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the half-year.



### 3 Fair value measurements (continued)

*Fair value measurements using significant unobservable inputs (level 3)*

The following table presents the movement in level 3 instruments for the half-year ended 31 December 2016 by class of financial instrument.

#### At 31 December 2016

|  | <b>Unlisted unit trust<br/>\$'000</b> |
|--|---------------------------------------|
| Opening balance - 1 July   | 484                                   |
| Gains and losses recognised in the Statement of Comprehensive Income | (25)                                  |
| Closing balance  | 459                                   |
| <br>   |                                       |
| At 31 December 2015  |                                       |
| Opening balance - 1 July   | 552                                   |
| Gains and losses recognised in the Statement of Comprehensive Income | (48)                                  |
| Closing balance  | 504                                   |

*Level 3 investments comprise:*

1. An investment was previously held in Centrebet International Limited, formerly listed on the ASX. A scheme of arrangement was entered into with all shareholders in August 2011 resulting in the shareholders receiving a cash payment as well as one litigation claim unit and one litigation claim right per share.

Following delisting of Centrebet International Limited and receipt of litigation claim units and litigation claim rights, the Fund's investment was reclassified from 'level 1' to 'level 3'. Additional units were purchased in August 2011.

For these financial instruments the fair value has been estimated using a valuation technique that uses non-market observable data. Payments are estimated to be completed by 2035. A discount rate of 12% has been applied.

2. An investment held in Brookfield Australian Opportunities Fund was delisted on 29 October 2012, and wound up on 30 October 2012. Unitholders in the Fund received one unit in BAO Trust for each unit held in the Fund. The security is unlisted and is valued at 1.690 cents.

#### *Valuation processes*

Valuation of level 3 securities is performed monthly, or when distribution payments are received from the underlying investments.

For Centrebet International Limited, a discounted cash flow method is applied when valuing the potential future value of the investment. This is based on the expected cash flow from the litigation claim discounted at a rate of 12%. Changing the discount rate would have the following impact on fair value:

|                   | <b>Effect on fair value<br/>Higher/(Lower)</b> |                           |
|-------------------|--|---------------------------|
|                   | <b>31 December<br/>2016<br/>\$'000</b>         | 30 June<br>2016<br>\$'000 |
| Discount rate +1% | (13)   | (13)                      |
| Discount rate -1% | 14   | 14                        |

### 3 Fair value measurements (continued)

*Fair value measurements using significant unobservable inputs (level 3) (continued)*

*Valuation processes (continued)*

For Brookfield Australian Opportunities Fund, the manager has determined that it is appropriate to discount the published net tangible asset value of the investment by 30% due to the investment trading at a 30% discount to net asset value prior to delisting. The table below demonstrates the impact of a 10% price movement to the discounted net asset value.

|                     | <b>Effect on fair value<br/>Higher/(Lower)</b> |                           |
|---------------------|--|---------------------------|
|                     | <b>31 December<br/>2016<br/>\$'000</b>         | 30 June<br>2016<br>\$'000 |
| Price movement +10% | <u>2</u>                                       | 6                         |
| Price movement -10% | <u>(2)</u>                                     | (6)                       |

*Financial instruments not carried at fair value*

The carrying value of trade receivables and trade payables are assumed to approximate their fair values.

Net assets attributable to unitholders' carrying value does not differ from its fair value (deemed to be redemption price for individual units) due to no differences in valuation inputs.

### 4 Net gains/(losses) on financial instruments held at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets held at fair value through profit or loss:

|  | <b>Half-year ended</b>                 |                               |
|--|--|-------------------------------|
|  | <b>31 December<br/>2016<br/>\$'000</b> | 31 December<br>2015<br>\$'000 |
| <b>Financial assets</b>  |  |                               |
| Net gain/(loss) on financial assets designated as at fair value through profit or loss   | <u>8,304</u>                           | 7,657                         |
| Net gain/(loss) on financial assets held at fair value through profit or loss            | <u>8,304</u>                           | 7,657                         |
| Net realised gain/(loss) on financial assets at fair value through profit or loss        | <b>8,172</b>                           | 5,164                         |
| Net unrealised gain/(loss) on financial assets held at fair value through profit or loss | <u>132</u>                             | 2,493                         |
| Net gain/(loss) on financial assets held at fair value through profit or loss            | <u>8,304</u>                           | 7,657                         |

## 5 Financial assets held at fair value through profit or loss

|   | As at                                       |   |
|---|---|---|
|   | 31 December<br>2016<br>Fair value<br>\$'000 | 30 June<br>2016<br>Fair value<br>\$'000 |
| <b>Designated at fair value through profit or loss</b>                  |   |   |
| Equity securities   | 100,267                                     | 74,499                                  |
| Unlisted unit trusts  | 459   | 484                                     |
| Total designated at fair value through profit or loss                   | 100,726                                     | 74,983                                  |
| <b>Comprising:</b>  |   |   |
| <b>Equity securities</b>  |   |   |
| Australian listed equity securities                                     | 99,148                                      | 74,499                                  |
| Australian listed property trusts                                       | 1,119                                       | -                                       |
| Total equity securities   | 100,267                                     | 74,499                                  |
| <b>Unlisted unit trusts</b>   |   |   |
| Units in Australian equity trusts                                       | 459   | 484                                     |
| Total unlisted unit trusts  | 459   | 484                                     |
| <b>Total financial assets held at fair value through profit or loss</b> | <b>100,726</b>                              | <b>74,983</b>                           |

An overview of the fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3 to the interim financial statements.

## 6 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the half-year were as follows:

|  | 31 December<br>2016<br>Units | 31 December<br>2016<br>\$'000 | 30 June<br>2016<br>Units | 30 June<br>2016<br>\$'000 |
|--|------------------------------|-------------------------------|--------------------------|---------------------------|
| Opening balance                                    | 60,049,000                   | 87,707                        | 42,690,000               | 59,245                    |
| Applications                                       | 25,756,000                   | 42,328                        | 16,415,000               | 25,774                    |
| Redemptions  | (2,962,000)                  | (4,839)                       | (1,757,000)              | (2,669)                   |
| Reinvestment of distributions                      | 4,797,000                    | 7,010                         | 2,701,000                | 3,747                     |
| Decrease in net assets attributable to unitholders | -                            | 8,327                         | -                        | 1,610                     |
| Closing balance                                    | 87,640,000                   | 140,533                       | 60,049,000               | 87,707                    |

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund. There are no separate classes of units and each unit has the same rights attaching to it as all other units of the Fund.

## 7 Distributions to unitholders

No distributions have been paid or became payable for the half-year ended 31 December 2016 (31 December 2015: nil).

## 8 Remuneration of auditors

During the half-year the following fees were paid or payable for services provided by the auditor of the Fund:

|   | <b>Half-year ended</b>      |                     |
|---|-----------------------------|---------------------|
|   | <b>31 December<br/>2016</b> | 31 December<br>2015 |
| <b>Ernst &amp; Young Australian firm</b>                  |                             |                     |
| <i>Audit and other assurance services</i>                 |                             |                     |
| Review of financial statements                            | <b>16,000</b>               | 13,500              |
| Total remuneration for audit and other assurance services | <b>16,000</b>               | 13,500              |

## 9 Earnings per unit

Basic earnings per unit amounts are calculated by dividing net profit/(loss) attributable to unitholders before distributions by the weighted average number of units outstanding during the half-year.

Diluted earnings per unit are the same as basic earnings per unit.

|  | <b>Half-year ended</b>      |
|--|-----------------------------|
|  | <b>31 December<br/>2016</b> |
|  | <b>\$'000</b>               |
| Profit attributable to unitholders (\$'000)      | <b>8,327</b>                |
| Weighted average number of units in issue ('000) | <b>79,400</b>               |
| <br>Basic and diluted earnings per unit in cents | <b>10.49</b>                |

There is no comparative data as the Fund was admitted to ASX on 14 December 2016.

## **10 Segment information**

The Fund has only one reportable segment. The Fund operates predominantly in Australia and in one industry being the securities industry, deriving revenue from dividend and distribution income, interest income and from the sale of its investment portfolio.

## **11 Related party transactions**

### **Responsible Entity**

The Responsible Entity of Forager Australian Shares Fund is The Trust Company (RE Services) Limited (ABN 45 003 278 831, AFSL 235150). The Trust Company (RE Services) Limited was appointed Responsible Entity on 17 October 2016 following the retirement of Fundhost Limited who acted as Responsible Entity from the inception of the Fund until 16 October 2016. The Responsible Entity is a wholly owned subsidiary in the Perpetual Limited Group (ASX: PPT). Accordingly, transactions with entities related to The Trust Company (RE Services) Limited and Fundhost Limited are disclosed below.

The Responsible Entity has contracted services to Forager Funds Management Pty Ltd to act as Investment Manager for the Fund, White Outsourcing Pty Ltd to act as Administrator and Custodian and J.P. Morgan Chase Bank, N.A. (Sydney Branch) to act as Sub-custodian for the Fund. The contracts are on normal commercial terms and conditions.

### **(a) Directors**

Key management personnel includes persons who were Directors of the Responsible Entity at any time during or since the end of the financial period up to the date of this report.

The following persons held office as Directors of Fundhost Limited from 1 July 2016 to 16 October 2016:

Valerie Anne Monge  
Paul Ernest Dortkamp  
Robert H Nagel

The following persons held office as Directors of The Trust Company (RE Services) Limited from 17 October 2016 and up to the date of this report:

Andrew Vincent Cannane  
Christopher Green  
Michael Henry Vainauskas  
Glenn Foster  
Vicki Riggio (Alternate Director) (appointed 1 November 2016)  
Rodney Garth Ellwood (Alternate Director)  
Neil Wesley (Alternate Director) (appointed 13 January 2017)  
Andrew Mclver (Alternate Director) (appointed 13 January 2017)

### **(b) Other key management personnel**

There were no other persons with responsibility for planning, directing and controlling the activities of the Fund, directly or indirectly during the financial period.

## 11 Related party transactions (continued)

### (c) Responsible Entity's/Manager's fees and other transactions

Under the terms of the Fund's Constitution and Product Disclosure Statement, the Responsible Entity and the Investment Manager are entitled to receive management fees. The Investment Manager is also entitled to a performance fee.

The transactions during the half-year between the Fund, the Responsible Entity and the Investment Manager were as follows:

|   | <b>31 December<br/>2016</b> | 31 December<br>2015 |
|---|-----------------------------|---------------------|
|   | \$                          | \$                  |
| Investment management fees for the half-year  | <b>588,252</b>              | 293,485             |
| Performance fees for the half-year  | <b>750,469</b>              | 535,810             |
| Expense reimbursement (income)/fees for the half-year   | <b>(96,869)</b>             | (16,244)            |
| Responsible Entity fees for the period 1 July to 16 October 2016 (Fundhost Limited)                             | <b>27,655</b>               | 29,508              |
| Responsible Entity fees for the period 17 October to 31 December 2016 (The Trust Company (RE Services) Limited) | <b>33,068</b>               | -                   |
| Administration fees charged by Fundhost Limited for the period 1 July to 16 October 2016                        | <b>45,209</b>               | 48,239              |

The amounts payable at half-year end between the Fund, the Responsible Entity and the Investment Manager were as follows:

|  | <b>31 December<br/>2016</b> | 31 December<br>2015 |
|--|-----------------------------|---------------------|
|  | \$                          | \$                  |
| Total fees payable to the Investment Manager at half-year end                    | <b>977,366</b>              | 237,602             |
| Total fees (receivable)/payable for reimbursement (income)/fees at half-year end | <b>(29,996)</b>             | 37,113              |
| Total fees payable to Fundhost Limited at half-year end                          | <b>11,327</b>               | 17,118              |
| Total fees payable to The Trust Company (RE Services) Limited at half-year end   | <b>28,257</b>               | -                   |

### (d) Related party unitholdings

Parties related to the Fund (FundHost Limited, its related parties and other schemes managed by FundHost Limited), held units in the Fund as follows:

#### 31 December 2016

| Unitholder                   | No. of<br>units held<br>opening<br>(Units) | No. of<br>units held<br>closing<br>(Units) | Interest<br>held<br>(%) | No. of<br>units<br>acquired<br>(Units) | No. of<br>units<br>disposed<br>(Units) | Distributions<br>paid/payable<br>by the Fund<br>(\$) |
|------------------------------|--|--|-------------------------|--|--|--|
| Robert H. Nagel Super Fund * | <b>79,396</b>                              | <b>89,041</b>                              | <b>0.10</b>             | <b>9,645</b>                           | -                                      | -  |

\* Robert H. Nagel Super Fund ceased to be a related party from 17 October 2016 as a result of the resignation of Fundhost Limited as the Responsible Entity of the Fund.

## 11 Related party transactions (continued)

### (d) Related party unitholdings (continued)

30 June 2016

| Unitholder                 | No. of<br>units held<br>opening<br>(Units) | No. of<br>units held<br>closing<br>(Units) | Interest<br>held<br>(%) | No. of<br>units<br>acquired<br>(Units) | No. of<br>units<br>disposed<br>(Units) | Distributions<br>paid/payable<br>by the Fund<br>(\$) |
|----------------------------|--|--|-------------------------|--|--|--|
| Robert H. Nagel Super Fund | 53,314                                     | 79,396                                     | 0.13                    | 26,082                                 | -                                      | 14,089   |

Parties related to the Fund (including The Trust Company (RE Services) Limited, its related parties and other schemes managed by The Trust Company (RE Services) Limited and the Investment Manager), held units in the Fund as follows:

**31 December 2016**

| Unitholder            | No. of<br>units held<br>opening<br>(Units) | No. of<br>units held<br>closing<br>(Units) | Interest<br>held<br>(%) | No. of<br>units<br>acquired<br>(Units) | No. of<br>units<br>disposed<br>(Units) | Distributions<br>paid/payable<br>by the Fund<br>(\$) |
|-----------------------|--|--|-------------------------|--|--|--|
| Senefelder Super Fund | 356,859                                    | 400,212                                    | 0.46                    | 43,353                                 | -                                      | -  |
| The Senefelder Trust  | 226,063                                    | 253,526                                    | 0.29                    | 27,463                                 | -                                      | -  |
| Tema Super Fund       | 35,102                                     | 133,889                                    | 0.15                    | 98,787                                 | -                                      | -  |

30 June 2016

| Unitholder            | No. of<br>units held<br>opening<br>(Units) | No. of<br>units held<br>closing<br>(Units) | Interest<br>held<br>(%) | No. of<br>units<br>acquired<br>(Units) | No. of<br>units<br>disposed<br>(Units) | Distributions<br>paid/payable<br>by the Fund<br>(\$) |
|-----------------------|--|--|-------------------------|--|--|--|
| Senefelder Super Fund | 292,893                                    | 356,859                                    | 0.59                    | 63,966                                 | -                                      | 63,327   |
| The Senefelder Trust  | 226,063                                    | 226,063                                    | 0.38                    | -                                      | -                                      | 40,116   |
| Tema Super Fund       | 32,002                                     | 35,102                                     | 0.06                    | 3,100                                  | -                                      | 6,229  |

### (e) Investments

The Fund did not hold any investments in The Trust Company (RE Services) Limited or its related parties during the half-year. Prior to 17 October 2016, the Fund did not hold any investments in Fundhost Limited.

## 12 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund as disclosed in the Condensed Statement of Financial Position as at 31 December 2016 or on the results and cash flows of the Fund for the half-year ended on that date.

## 13 Contingent assets and liabilities and commitments

There are no contingent assets, liabilities or commitments as at 31 December 2016 and 31 December 2015.

**Directors' Declaration**

In the opinion of the Directors of the Responsible Entity:

- (a) the interim financial statements and notes set out on pages 6 to 20 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standard AASB 134 *Interim Financial Reporting*, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2016 and of its performance for the financial period ended on that date,
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable, and

This declaration is made in accordance with a resolution of the Directors of The Trust Company (RE Services) Limited.

A handwritten signature in blue ink, appearing to read 'P. Ellwood', with a long horizontal flourish extending to the right.

Director

Sydney  
27 February 2017



To the unitholders of Forager Australian Shares Fund

## Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Forager Australian Shares Fund (the "Fund"), which comprises the condensed statement of financial position as at 31 December 2016, condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

### Directors' Responsibility for the Half-Year Financial Report

The directors of The Trust Company (RE Services) Limited as the Responsible Entity of the Fund are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001*. The directors are also responsible for such internal controls that the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Fund's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Forager Australian Shares Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

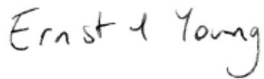
### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the Fund a written Auditor's Independence Declaration, a copy of which is attached to the Directors' Report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Forager Australian Shares Fund is not in accordance with the *Corporations Act 2001*, including:

- a) giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



Rohit Khanna  
Partner  
Sydney  
27 February 2017