



# F RAGER

FORAGER AUSTRALIAN SHARES FUND

ARSN 139 641 491

## APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2021

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### MANAGER

FORAGER FUNDS MANAGEMENT PTY LTD  
(ABN 78 138 351 345, AFSL 459312)

### RESPONSIBLE ENTITY

THE TRUST COMPANY (RE SERVICES) LIMITED  
(ABN 45 003 278 831, AFSL 235150)



## Preliminary Final Report

This preliminary final report is for the year ended 30 June 2021. The previous corresponding year end was 30 June 2020.

The Directors of The Trust Company (RE Services) Limited, the Responsible Entity of Forager Australian Shares Fund (the "Fund") announce the audited results of the Fund for the year ended 30 June 2021 as follows:

### Results for announcement to the market

	<b>Year ended</b>		<b>Increase/(decrease)</b>	
	<b>30 June</b>	<b>30 June</b>	<b>over corresponding</b>	
	<b>2021</b>	<b>2020</b>	<b>period</b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
Net assets attributable to unitholders	<b>207,353</b>	117,310	<b>90,043</b>	<b>76.76%</b>
Total investment income/(loss)	<b>104,695</b>	(24,656)	<b>129,351</b>	<b>524.62%</b>
Operating profit/(loss) for the year	<b>99,162</b>	(26,733)	<b>125,895</b>	<b>470.93%</b>

### Brief explanation of results

The operating profit for the year of \$99,162,000 represented a large increase from the \$26,733,000 operating loss in the prior year. The increase in investment income and operating profit were a function of the improvement in the net portfolio performance of the Fund compared to the year ended 30 June 2020. Net portfolio performance for the year of 87.09% was higher than the (18.36%) negative return for the previous year.

As of 30 June 2021, the net assets of the Fund were \$207,353,000, a 76.76% increase from the balance as at 30 June 2020.

### Distribution information

The distributions for the year were as follows:

	<b>Cents per unit</b>	<b>Total Amount \$'000</b>	<b>Record Date</b>	<b>Date of Payment</b>
<b>June 2021</b>	<b>3.5585</b>	<b>3,887</b>	<b>30/06/2021</b>	<b>16/07/2021</b>
June 2020	0.8054	914	30/06/2020	17/07/2020

\* Distribution is expressed as cents per unit amount in the Australian Dollar.

### Net tangible assets

	<b>As at</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
Net tangible assets per security	<b>\$1.90</b>	\$1.03

### Control gained or lost over entities during the year

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

### Details of associates and joint venture entities

The Fund did not have any interest in associates and joint venture entities during the current year.

**Other information**

The Fund is not a foreign entity.

**Independent audit report**

This Appendix 4E is based on the year end financial statements which have been audited by the Fund's Auditors  
- Ernst & Young.



FORAGER AUSTRALIAN SHARES FUND

ARSN 139 641 491

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2021


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**MANAGER**

FORAGER FUNDS MANAGEMENT PTY LTD  
(ABN 78 138 351 345, AFSL 459312)

**RESPONSIBLE ENTITY**

THE TRUST COMPANY (RE SERVICES) LIMITED  
(ABN 45 003 278 831, AFSL 235150)



# Forager Australian Shares Fund

ARSN 139 641 491

## Annual report

### For the year ended 30 June 2021

#### Contents

	<b>Page</b>
Investment manager's report	2
Investments at market value	7
Corporate governance statement	8
Directors' report	16
Auditor's independence declaration	20
Statement of comprehensive income	21
Statement of financial position	22
Statement of changes in equity	23
Statement of cash flows	24
Notes to the financial statements	25
Directors' declaration	46
Independent auditor's report to the unitholders of Forager Australian Shares Fund	47

These financial statements cover 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 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

## Investment Manager's Report

### Summary of fund returns as at 30 June 2021 (net of all fees)

<b>FORAGER AUSTRALIAN SHARES FUND SUMMARY OF RETURNS</b> (as at 30 June 2021. Net of all fees and expenses)											
	1 year	2 year (p.a.)	3 year (p.a.)	4 year (p.a.)	5 year (p.a.)	6 year (p.a.)	7 year (p.a.)	8 year (p.a.)	9 year (p.a.)	10 year (p.a.)	Return since inception* (p.a.)
<b>Australian Shares Fund</b>	87.09%	23.59%	7.06%	6.92%	10.34%	11.59%	11.69%	12.43%	14.92%	14.18%	12.08%
<b>All Ordinaries Accumulation Index</b>	30.24%	9.93%	10.30%	11.15%	11.54%	9.89%	9.28%	10.29%	11.40%	9.40%	8.63%
<b>Outperformance</b>	56.85%	13.65%	-3.24%	-4.23%	-1.20%	1.70%	2.42%	2.14%	3.52%	4.78%	3.45%

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 indicative of future performance.

\*30 October 2009

## INTRODUCTION

The Forager Australian Shares Fund's 87% return for the 2021 financial year was the best in the Fund's twelve year history. The All Ordinaries Accumulation Index rose 30%.

An investment of \$10,000 in the Fund at inception in October 2009 would now be worth close to \$38,000 at net asset value, a return of 12.1% per year. During the same period an investor in the index would have seen an 8.6% per year return and ended up with a little over \$26,000. Outperformance of 3.5% per year over more than a decade has compounded into a handy lead for the Fund's investors.

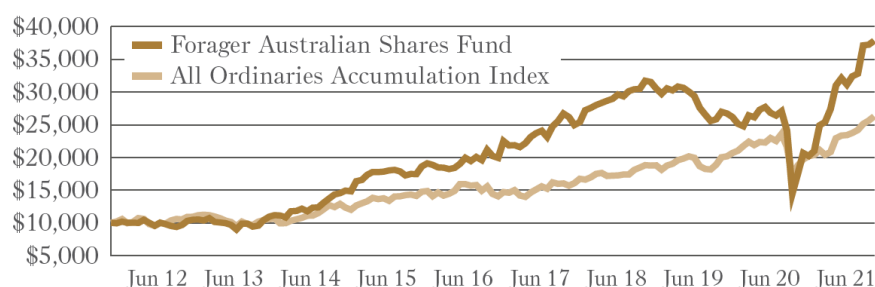
In last year's performance report we wrote:

"We start the year with a much better balanced portfolio. The combination of attractively priced, well run businesses with turnarounds that are well underway augurs well for the year ahead. It needs to deliver on the promise."

And so it has.

### Comparison of \$10,000 Investment over time

#### COMPARISON OF \$10,000 INVESTMENT OVER TIME



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 indicative of future performance.

### Those that have fallen will rise again

Many of the difficult investments of the past few years recovered strongly in 2021. These businesses were not performing well, but they are not as bad as the share prices suggested this time last year.

Lender Thorn Group (TGA) contributed 10% to performance thanks to a more than 200% total shareholder return in the year.

Readers of the Forager reports will have seen our continued efforts to realise value from Thorn. In October 2020, Forager applied to the Takeovers Panel, a body which resolves corporate takeover disputes, suggesting that the company's dividend reinvestment plan could hand control of the company to Thorn's largest shareholder Somers Limited. The Panel forced Thorn to pay Somers' dividend mostly in cash instead of shares, which would have been issued at about \$0.15 per share. At Thorn's November 2020 extraordinary general meeting Forager voted to replace two of the company's board members, though the resolutions were very narrowly defeated.

Had the resolutions passed, Thorn investors would have likely seen dividends and capital returns. Instead investors are now considering a bid for the business from Somers. The price, at \$0.21, is close to a 50% premium above the dividend reinvestment plan issue price. This has presented an opportunity for Thorn shareholders not keen on backing the board's new strategy to sell their shares to Somers. The Fund sold its entire Thorn holding in early July 2021.

NZ media outfit NZME (NZM) was another strong contributor, rising nearly 180% and contributing 7% to the Fund's performance. Not many would have thought NZME's print, radio and online business would have rebounded so well from COVID's grasp. Despite revenue dropping 11% in the 2020 calendar year, operating net profit was up 27%. At the heart of the change was a permanent cost reduction of NZ\$20m. Net debt dropped to much more manageable levels. Growth in digital subscriptions to NZM's leading NZ Herald masthead and progress in growing the OneRoof online property portal helps set the business up well for this year. Still valued like a business in perpetual decline, investors may wake up one day to find overall revenue returning to consistent growth.

Being dependent on the number of international tourists into Australia has not helped the profitability of our travel exposed investments. Skydiving business Experience Co (EXP) and recreational vehicle operators Tourism Holdings (NZX:THL) and Apollo (ATL) cost the Fund in the 2020 financial year.

For Experience Co the pre-COVID period was disrupted by fires and the reconstruction of the business after some errant acquisitions by prior management. Despite COVID, the business is now in better operational and financial shape, is making acquisitions and has the financial firepower to survive to the eventual resumption of international travel.

An oversupply of recreational vehicles in the US market has turned into a shortage as COVID pushed holiday-makers into domestic and socially-distant getaways. Some players, Apollo included, sold their fleets and exited the market. For Apollo, removing the drag of the loss-making US fleet was a positive. For Tourism Holdings it leaves a less competitive market.

All three are now trading in line or higher than the stock prices seen pre-COVID but they should also see higher earnings after the pandemic than before. With the world looking through to an eventual return to normal travel patterns, all three contributed positively in the 2021 financial year, to the total tune of 6.5%.

Much like the recreational vehicle operators, a move towards domestic and socially distant holidays helped tyre distributor National Tyre (NTD) recover well. The investment contributed 3.7% to performance for the year thanks to an almost tripling of the share price. Reported profits in the first half of the financial year rose four-fold. A major acquisition in late 2020 improved National Tyre's distribution network and gave the business a bigger exposure to truck, bus and agricultural tyres. With the business firing on all cylinders, management has guided for earnings of \$0.17 per share for the 2021 financial year.

But the acquisition of National Tyre's major supplier Cooper (NYSE:CTB) by the much larger Goodyear (NASDAQ:GT) has created a lot of uncertainty around future earnings. Goodyear has a large distribution network in Australia and will be keen to get synergies from its purchase. The valuation might be cheap, but not cheap enough to compensate for the dual risks of normalising tyre sales and the threat of cut supply. The Fund sold the last of its National Tyre shares in June 2021.

Online comparison website iSelect (ISU) doubled during the year, adding 3.8% to portfolio performance. Two health care rate rises during the financial year will help the group capture the attention of savings-hungry private health buyers. The energy comparison market, zapped by regulatory moves, looks to have stabilised. And deals with big media partners will put the iSelect brand in front of even more consumers.

The company is still due \$120m from partners for originating health and life insurance policies in the past. This cash, accumulated over future years, will begin to be released in the 2022 financial year. Compare the Market, the company's largest competitor and largest shareholder has been waiting in the wings some time now. Will this be the year the two businesses combine to realise the significant synergies on offer?

Logistics company CTI Logistics (CLX) improved profits in the last reported half year as the West Australian economy rebounded. And its flooring storage business continues to benefit from COVID-induced border closures and a strong housing market. The property portfolio remains an attractive asset. But with the recent rally taking the share price to pre-COVID highs and the valuation fair the Fund sold the entire holding in late June. CTI contributed 2.4% to returns.

### **Last year's winners rolling on**

Last year's winners, RPMGlobal (RUL) and Enero (EGG) are back as big contributors this year.

RPMGlobal, a supplier of enterprise software to mining companies, faced some headwinds early in the pandemic. With mining companies dealing with COVID outbreaks, sales of new software slowed in the second half of the 2020 calendar year. But new sales roared back in 2021. In the half to June, RPMGlobal generated

its strongest sales ever, signing up \$7.1m of new recurring revenue.

CEO Richard Matthews, a veteran of the Australian enterprise software space, continues to drive growth, while investing in its state of the art products. With recent sales momentum, RPMGlobal should continue to add to its very valuable cashflows. The business looks to finally be attracting the attention of more stock market investors. With time, it might draw the attention of some potential acquirers too. RPMGlobal contributed 6.1% to the year's results.

Marketing services business Enero has been a Fund investment for over a decade. In the last year we have seen some of the most dramatic changes in the business. A new CEO was appointed and started to put his mark on the business. The business braved COVID remarkably well, growing revenue in its marketing agencies for the first half of the 2021 financial year. But the real highlight was the group's half share of marketing tech business OBMedia. It contributed nearly 40% of the group's net profit and the vast majority of recent growth.

Despite limited disclosure, OBMedia's potential is being digested by the market. The share price rallied almost 80%, providing a 4.4% contribution to the year's performance. Further growth in OBMedia or tech PR business Hotwire will continue to make the group look cheap.

### COVID bargains

With the COVID market panic in full force in March 2020, opportunities were extreme. The Fund took advantage of some amazing bargains.

UK bank Virgin Money (VUK) was trading at only one quarter of the value of its net tangible assets after falling 70% as the pandemic took hold. The UK economy was being ravaged by COVID-19. Investors were concerned that borrowers would not repay loans.

But UK regulators and the Bank of England acted quickly. Interest rates were cut, banks were told to stop the payment of dividends and were offered access to more funding. The UK government stepped up to help borrowers by paying some wages and extending credit and grants to small businesses and the self-employed.

With 82% of the loan book in mortgage lending, where banks have traditionally not lost much money, Virgin bounced back quickly. Another boost came from mooted cost reductions and an increase in market mortgage lending rates. The small investment netted the Fund a 1.8% contribution during the year.

Casino operators Star Entertainment (SGR) and Skycity (SKC) closed their doors early in the pandemic, standing down staff and winding back any available spending. Both lost more than 60% of their market value in the space of a month.

The recovery took quite a bit longer. The reopening process started in mid-2020, but has been punctured with frequent snap lockdowns. Domestic visitors have returned quickly. With gambling junkets facing a regulatory backlash, international visitors are unlikely to return in the same way as pre-COVID. But the core characteristics of these assets shone through: high quality, long-term cashflows from local monopolies. The casino operators contributed 2.1% to portfolio performance and were sold by July 2021.

Car leasing businesses Eclix (ECX) and SG Fleet (SGF) were buffeted by the pandemic but eventually confirmed our suspicions: these are higher quality businesses than many investors give them credit for.

The new management team at Eclix, led by CEO Julian Russell, navigated the business through a radical process of asset sales, deleveraging and refocusing on the attractive fleet management segment. Competitor SG Fleet was impacted to a greater degree, but managed to do a deal with foreign-owned competitor Leaseplan to begin to consolidate the industry. Scale will bring more efficiency. There is possibly one deal to be done in the sector before the ACCC starts to cast a disapproving gaze. And Eclix is more likely to be prey than predator.

Family tracking company Life360 (360) was cast aside by investors as the usage of its app declined in a world under lockdown. As vaccines helped to get some countries moving again, the company started growing new users. New membership plans are increasing the value of new members. The company is making acquisitions and has plans to list in the US, where valuations are likely to be higher.

At a forecast December 2021 revenue run-rate of more than US\$110m and more than 28 million users, the company now has the scale to step up to the US exchanges. The share price has more than tripled since the Fund's first investment in June 2020, contributing 3.6% to returns during the year.

### Value realised through takeovers

Alongside Thorn, the Fund saw another two takeovers during the year.

Marketing services business WPP AUNZ (WPP) received a bid from its parent company WPP plc (LSE:WPP) in late 2020. New management had successfully been turning the business around after being walloped by COVID. Permanent cost cuts were significant. Revenue from customers was returning.

The Brits already owned 62% of the business and the local arm worked within the sprawling 130,000-person international empire. The first bid, at \$0.55 per share, was opportunistically low. The second, at \$0.70 including \$0.20 of fully franked dividends, hit the spot. The final price was at a 71% premium over where the local WPP shares were trading before the bid and a 54% return on our initial purchase, including dividends. WPP added 4.6% to performance for the year.

The Mainstream (MAI) takeover saga, stretching for three months and fifteen bids, seems to have finally come



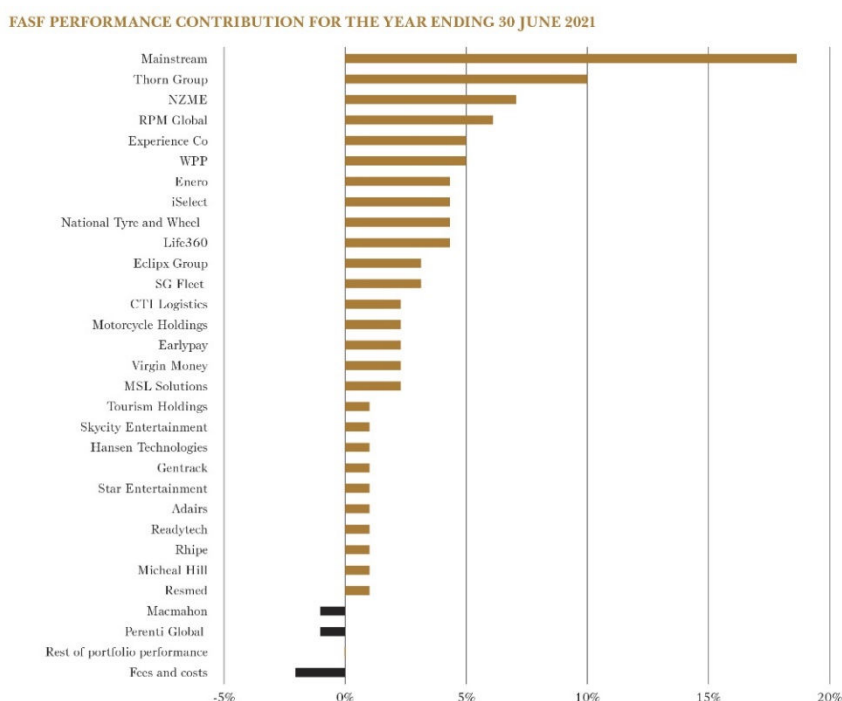
to a close. The last bid for the fund administration provider from Apex Group, at \$2.80 per share, now looks to have won the day. Behemoth SS&C (NASDAQ:SSNC) flinched at paying the required price to continue in the auction.

The highly recurring and strategic nature of the revenues at Mainstream have been building for years. But its importance has only been recognised as these two behemoths went head to head to win control of the business.

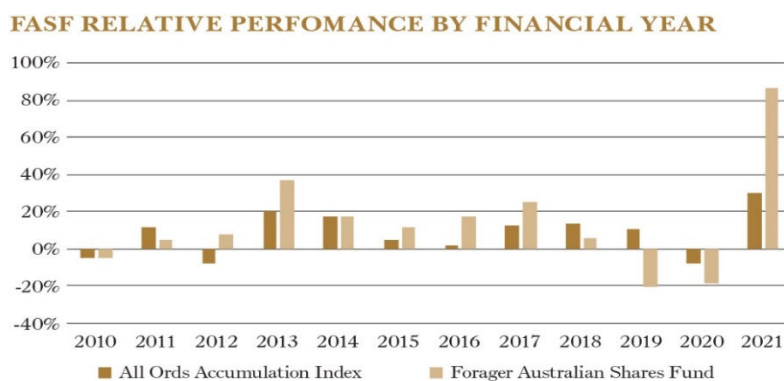
Mainstream's management, helmed by Managing Director Martin Smith, not only built the business into an attractive target but also expertly navigated the auction process. To kick start the process, management- and director-shareholders gave initial bidder Vistra a conditional option over 20% of the company. The insiders gave up some gains to get the auction process started. And in negotiating the original deal, Mainstream's management agreed a 'go shop' clause. This allowed the company to seek competing bids and helped to get more potential acquirers into the auction. The final result was a 133% premium offered by Apex, over and above the initial offer tabled by Vistra.

This has been a stellar outcome for the Fund, Mainstream's largest institutional shareholder. In June 2020 Mainstream's share price was trading at \$0.57. The current bid represents a 391% increase. Mainstream contributed 19% to the Fund's performance last year.

### **FASF Contribution for the 12 months ending 30 June 2021**



### **Forager Returns In Context**



Source: Forager, S&P Capital IQ

### ***Outlook***

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Key portfolio investments are well placed to continue their encouraging recent performance in the coming year. With a number of underperforming investments recently sold and takeover offers received for some of the Fund's largest investments, the Fund has a significant amount of capital for deployment into new ideas or to take advantage of any market dysfunction.

**Forager Australian Shares Fund**  
**Investments at Market Value**  
**As at 30 June 2021**

**Investments at Market Value**

	\$	%		\$	%
<b>ENERGY</b>			<b>CAPITAL GOODS</b>		
MATRIX COMPOSITES & ENGINEERING LIMITED	2,064,704	1.02%	RHIPE LIMITED	6,287,046	3.12%
PERENTI GLOBAL LIMITED	2,668,333	1.32%	VERBREC LIMITED	2,301,690	1.14%
	<b>4,733,038</b>	<b>2.34%</b>	MACMAHON HOLDINGS LTD	4,590,173	2.28%
<b>MEDIA</b>				<b>13,178,909</b>	<b>6.54%</b>
ENERO GROUP LIMITED	7,264,555	3.60%	<b>COMMERCIAL SERVICES &amp; SUPPLIES</b>		
NZME LTD	4,791,135	2.38%	DOWNER EDI LTD	4,323,485	2.14%
HIPAGES GROUP HOLDINGS LTD	1,815,026	0.90%	THE STAR ENTERTAINMENT GROUP LIMITED	1,937,339	0.96%
	<b>13,870,716</b>	<b>6.88%</b>	TOURISM HOLDINGS LTD	7,259,368	3.60%
<b>DIVERSIFIED FINANCIALS</b>				<b>13,520,191</b>	<b>6.70%</b>
MAINSTREAM GROUP HOLDINGS LIMITED	23,222,960	11.52%	<b>CONSUMER DURABLES &amp; APPAREL</b>		
SG FLEET GROUP LIMITED	5,543,904	2.75%	EXPERIENCE CO LIMITED	8,442,284	4.19%
ECLIPX GROUP LIMITED	4,864,106	2.41%		<b>8,442,284</b>	<b>4.19%</b>
EARLYPAY LTD	3,220,004	1.60%	<b>RETAILING</b>		
WISR LIMITED	3,465,525	1.72%	THORN GROUP LIMITED	5,211,482	2.58%
	<b>40,316,500</b>	<b>20.00%</b>	ADORE BEAUTY GROUP LIMITED	4,057,337	2.01%
<b>SOFTWARE &amp; SERVICES</b>			AMA GROUP LIMITED	8,628,627	4.28%
MSL SOLUTIONS LIMITED	3,338,117	1.66%	MOTORCYCLE HOLDINGS LIMITED	5,714,853	2.83%
LIFE360 INC.	4,526,702	2.25%	SHAVER SHOP GROUP LIMITED	3,188,339	1.58%
FINEOS CORPORATION HOLDINGS PLC	7,431,333	3.69%		<b>26,800,639</b>	<b>13.28%</b>
GENTRACK GROUP LIMITED	5,567,105	2.76%	<b>FOOD BEVERAGE &amp; TOBACCO</b>		
READYTECH HOLDINGS	4,690,296	2.33%	TASSAL GROUP LIMITED	3,519,541	1.75%
WHISPIR LIMITED	5,295,450	2.63%		<b>3,519,541</b>	<b>1.75%</b>
	<b>30,849,003</b>	<b>15.32%</b>	<b>TELECOMMUNICATION SERVICES</b>		
<b>INSURANCE</b>			TPG TELECOM LIMITED	4,663,700	2.31%
ISELECT LTD	5,985,652	2.97%		<b>4,663,700</b>	<b>2.31%</b>
	<b>5,985,652</b>	<b>2.97%</b>	<b>MATERIALS</b>		
<b>UNLISTED</b>			GOLD ROAD RESOURCES LIMITED	4,095,000	2.03%
CENTREBET INTERNATIONAL LIMITED LITIGATION CLAIM UNIT	-	0.00%	RPMGLOBAL HOLDING LIMITED	18,137,751	9.00%
CENTREBET INTERNATIONAL LIMITED LITIGATION CLAIM RIGHT	-	0.00%		<b>22,232,751</b>	<b>11.03%</b>
	-	<b>0.00%</b>	<b>HEALTH CARE EQUIPMENT &amp; SERVICES</b>		
<b>REAL ESTATE</b>			PLENTI GROUP LIMITED	1,817,116	0.90%
GDI PROPERTY GROUP	4,247,322	2.11%		<b>1,817,116</b>	<b>0.90%</b>
UNIBAIL-RODAMCO-WESTFIELD	3,904,512	1.94%	<b>TECHNOLOGY HARDWARE &amp; EQUIPMENT</b>		
	<b>8,151,834</b>	<b>4.05%</b>	CATAPULT GROUP INTERNATIONAL LIMITED	1,194,652	0.59%
				<b>1,194,652</b>	<b>0.59%</b>
			<b>AUTOMOBILE &amp; COMPONENTS</b>		
			APOLLO TOURISM & LEISURE LIMITED	2,354,153	1.17%
				<b>2,354,153</b>	<b>1.17%</b>
			<b>TOTAL</b>	<b>201,630,679</b>	<b>100.00%</b>



# CORPORATE GOVERNANCE STATEMENT

## FORAGER AUSTRALIAN SHARES FUND ARSN 139 641 491

As at 30 June 2021

### BACKGROUND

The Trust Company (RE Services) Limited ("Responsible Entity") is the responsible entity for the Forager Australian Shares Fund ("Fund"), a registered managed investment scheme that is listed on the Australian Securities Exchange ("ASX").

The Responsible Entity is a wholly owned subsidiary of Perpetual Limited (ASX: PPT) ("Perpetual").

The Responsible Entity is reliant on Perpetual for access to adequate resources including directors, management, staff, functional support (such as company secretarial, responsible managers, legal, compliance, risk and finance) and financial resources. As at the date of this Corporate Governance Statement, Perpetual has at all times made such resources available to the Responsible Entity.

In operating the Fund, the Responsible Entity's overarching principle is to always act in good faith and in the best interests of the Fund's unitholders, in accordance with our fiduciary duty. The Responsible Entity's duties and obligations in relation to the Fund principally arise from: the Constitution of the Fund; the Compliance Plan for the Fund; the Corporations Act 2001 ("Act"); the ASX Listing Rules; the Responsible Entity's Australian Financial Services Licence; relevant regulatory guidance; relevant contractual arrangements; and other applicable laws and regulations.

### CORPORATE GOVERNANCE

At Perpetual, good corporate governance includes a genuine commitment to the ASX Corporate Governance Council Corporate Governance Principles and Recommendations 4th Edition ("**Principles**").

The directors of the Responsible Entity are committed to implementing high standards of corporate governance in operating the Fund and, to the extent applicable to registered managed investment schemes, are guided by the values and principles set out in Perpetual's Corporate Responsibility Statement and the Principles. The Responsible Entity is pleased to advise that, to the extent the Principles are applicable to registered managed investment schemes, its practices are largely consistent with the Principles.

As a leading responsible entity, the Responsible Entity operates a number of registered managed investment schemes ("**Schemes**"). The Schemes include the Fund as well as other schemes that are listed on the ASX. The Responsible Entity's approach in relation to corporate governance in operating the Fund is consistent with its approach in relation to the Schemes generally.

The Responsible Entity addresses each of the Principles that are applicable to externally managed listed entities in relation to the Schemes, including the Fund, as at the date of this Corporate Governance Statement.

## PRINCIPLE 1 – LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The role of the Responsible Entity's Board is generally to set objectives and goals for the operation of the Responsible Entity and the Schemes, to oversee the Responsible Entity's management, to regularly review performance and to monitor the Responsible Entity's affairs and act in the best interests of the unitholders of the Fund. The Responsible Entity's Board is accountable to the unitholders of the Fund, and is responsible for approving the Responsible Entity's overall objectives and overseeing their implementation in discharging their duties and obligations and operating the Fund.

Directors, management and staff are guided by Perpetual's Code of Conduct and Perpetual Risk Appetite Statement which is designed to assist them in making ethical business decisions.

The role of the Responsible Entity's management is to manage the business of the Responsible Entity in operating the Fund. The Responsible Entity Board delegates to management all matters not reserved to the Responsible Entity's Board, including the day-to-day management of the Responsible Entity and the operation of the Fund.

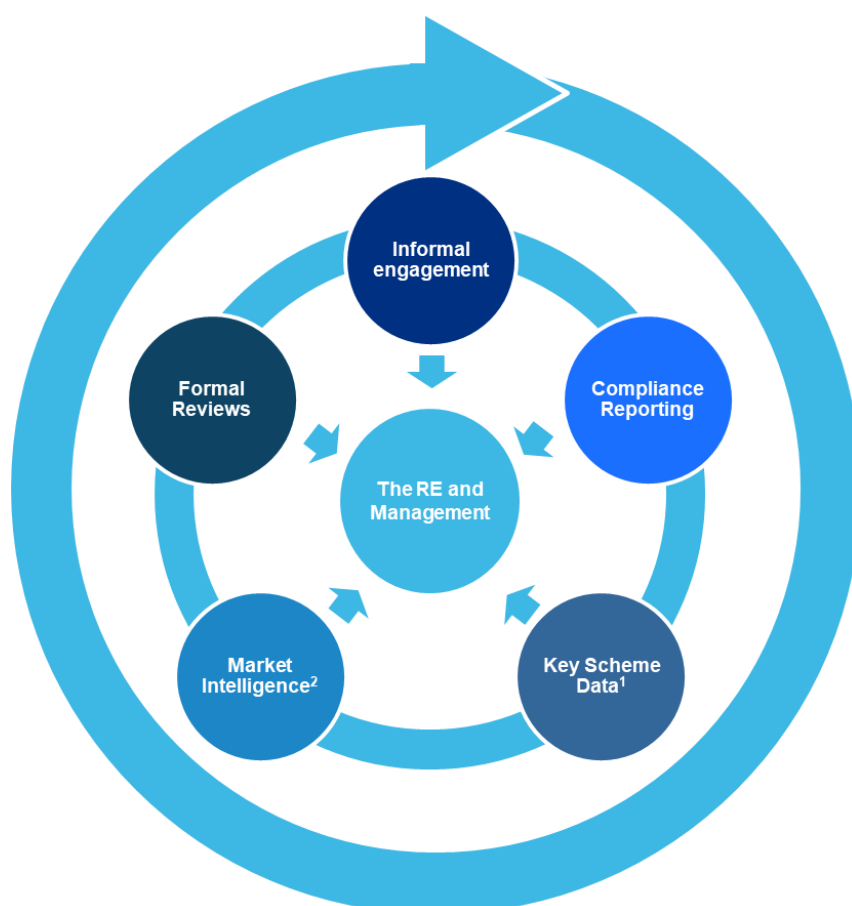
The Responsible Entity appoints agents ("**Service Providers**") to manage the key operations of the Fund which include investment management, administration, custody and other specialist services and functions as required depending on the nature of the Fund. The RE obtains relevant services from third party service providers under outsourcing agreements.

Effective processes for monitoring Service Providers are integral to the Responsible Entity's operations, given that substantial operational activities are outsourced to third parties. The Management of the Responsible Entity ensure a systematic and rigorous approach is applied with respect to monitoring the performance of outsourced Service Providers to the Fund.

The Responsible Entity views all interactions with Service Providers as a monitoring opportunity, from the informal discussions that regularly occur with Service Providers, to more formalised monitoring reviews. The outcomes of all interactions with Service Providers inform the Responsible Entity's view as to the extent to which the Service Provider is complying with their operational obligations to the Responsible Entity.

Prior to appointment, all Service Providers are subject to operational due diligence, to verify that the Service Provider can deliver the outsourced services in an efficient, effective and compliant manner. All Service Providers are assigned an initial operational risk rating.

The Responsible Entity's approach to Service Provider monitoring is outlined in the diagram below. In addition to the continuous monitoring that occurs through day to day interactions with Service Providers in the regular course of business, all Service Providers are required to periodically report to the Responsible Entity as to the extent to which they have met their obligations. Periodically, the Service Provider's risk rating is reviewed by the stakeholders within the business, based on the outcomes of all interactions that have occurred with the Service Provider during the review period.



1. Includes information regarding investment performance, actual versus strategic asset allocation, liquidity where applicable and complaints, incidents and issues arising with respect to the operation of the Fund
2. Information from secondary sources, including the media and analysts and rating house reports.

The Responsible Entity maintains policy, procedure and program documents that determine the nature and frequency of formal service provider monitoring reviews. Service providers are typically subject to reviews every 18 months.

The Service Provider risk rating dictates any additional monitoring measures required to be put in place – for example a Service Provider assessed as ‘low to medium risk’ will be subject to the standard monitoring measures the Responsible Entity utilises under the Service Provider Monitoring Framework. Service Providers risk rated ‘high to very high’ may be subject to additional oversight measures to deal with the factors that caused the Service Providers risk rating to be high or very high. In addition, management and stakeholders utilise the risk assessment rating in determining if any action is required when considering information and the outcomes of all interactions that have occurred with the Service Provider during the review period.

## PRINCIPLE 2 – STRUCTURE THE BOARD TO BE EFFECTIVE AND ADD VALUE

At present the Responsible Entity Board consists of three executive directors, one non-executive director and one alternate director. The names of the current directors and year of appointment is provided below:



Name of Director	Year of Appointment
Glenn Foster	Resigned 23 October 2020 as an Executive Director Appointed on 1 February 2021 as a Non-executive Director
Simone Mosse	2019
Richard McCarthy	2018
Vicki Riggio	2018
Phillip Blackmore (Alternate for Vicki Riggio)	2018

As the Responsible Entity's Board consists of a majority of executive directors, a Compliance Committee is appointed in relation to the Fund (refer to Principle 7). None of the directors of the Responsible Entity are independent and they are not remunerated by the Responsible Entity. The Compliance Committee comprises a majority of external members and is chaired by an external member who is not the chair of the Responsible Entity Board.

### PRINCIPLE 3 – INSTIL A CULTURE OF ACTING LAWFULLY, ETHICALLY AND RESPONSIBLY

The Responsible Entity relies on a variety of mechanisms to monitor and maintain a culture of acting lawfully, ethically and responsibly:

- policies and procedures: a Code of Conduct which articulates and discloses Perpetual's values, cyclical mandatory training, a Whistleblowing Policy and a Gifts, Political Donations, Bribery and Corrupt Practices Policy (further details noted below);
- "The Way We Work" behaviour framework, and risk ratings that are intertwined into its annual performance, remuneration and hiring processes; and
- a regular feedback mechanism in place to assess employee sentiment, with actions implemented in response to results.

These apply to all directors and employees of Perpetual, and the Responsible Entity. The Code of Conduct, The Way We Work and core values supports all aspects of the way the Responsible Entity conducts its business and is embedded into Perpetual's performance management process.

The Code of Conduct draws from and expands on Perpetual's Core Values of integrity, partnership and excellence. The Code of Conduct underpins Perpetual's culture. The Responsible Entity Board and the Compliance Committee are informed of material breaches of the Code of Conduct which relate to the Scheme and the Responsible Entity.

Additional policies deal with a range of issues such as the obligation to maintain client confidentiality and to protect confidential information, the need to make full and timely disclosure of any price sensitive information and to provide a safe workplace for employees, which is free from discrimination. Compliance with Perpetual's Code of Conduct is mandatory for all employees. A breach is considered to be a serious matter that may impact an employee's performance and reward outcomes and may result in disciplinary action, including dismissal.

A full copy of the Code of Conduct is available on Perpetual's website: (<https://www.perpetual.com.au/about/corporate-governance/code-of-conduct>).

Perpetual also has a Whistleblowing Policy to protect directors, executives, employees (including current and former), contractors and suppliers (and relatives and dependants of any of these people) who report misconduct, including:

- conduct that breaches any law, regulation, regulatory licence or code that applies to Perpetual;
- fraud, corrupt practices or unethical behaviour;
- bribery;
- unethical behaviour which breaches Perpetual's Code of Conduct or policies;
- inappropriate accounting, control or audit activity; including the irregular use of Perpetual or client monies;
- any conduct that amounts to modern slavery, such as debt bondage and human trafficking of employees; and
- any other conduct which could cause loss to, or be detrimental to the interests or reputation of, Perpetual or its clients.

As part of Perpetual's Whistleblowing Policy, a third party has been engaged to provide an independent and confidential hotline for whistle-blowers who prefer to raise their concern with an external organisation.

A full copy of the Whistleblowing Policy is available on Perpetual's website: (<https://www.perpetual.com.au/about/corporate-governance/code-of-conduct>).

As part of Perpetual's commitment to promoting good corporate conduct and to conducting business in accordance with the highest ethical and legal standards, bribery and corrupt practices will not be tolerated by Perpetual under any circumstances. Perpetual's Gifts, Political Donations, Bribery and Corrupt Practices Policy supports Perpetual's commitment by:

- prohibiting the payment of political donations;
- instituting proper procedures regarding the exchange of gifts;
- clearly outlining Perpetual's zero tolerance for bribery and corruption; and
- including avenues where concerns may be raised.

Material breaches of the Code of Conduct or the Gifts, Political Donations, Bribery and Corrupt Practice policy are managed in accordance with Perpetual's usual issues management process which would include reporting to the Responsible Entity Board and Compliance Committee where the breach relates to a product or service offered by the Responsible Entity.

A full copy of the Gifts, Political Donations, Bribery and Corrupt Practices Policy is available on Perpetual's website: (<https://www.perpetual.com.au/about/corporate-governance/code-of-conduct>).

Mechanisms are in place to ensure the Responsible Entity Board and the Compliance Committee are informed of material breaches which impact the Fund and the Responsible Entity which would include material breaches of the Code of Conduct and material incidences reported under the Whistleblowing Policy.

## PRINCIPLE 4 – SAFEGUARD THE INTEGRITY OF CORPORATE REPORTS

The functions of an audit committee are undertaken by the full Responsible Entity Board with assistance from management. The Responsible Entity has policies and procedures designed to ensure that the Fund's:

- financial reports are true and fair and meet high standards of disclosure and audit integrity; and
- other reports released on ASX are materially accurate and balanced.

This includes policies relating to the preparation, review and sign off process required for the Fund's financial reports, the engagement of the Fund's independent auditors and the review and release of certain reports on the ASX.

The declarations under section 295A of the Corporations Act 2001 provide formal statements to the Responsible Entity Board in relation to the Fund (refer to Principle 7). The declarations confirm the matters required by the Corporations Act in connection with financial reporting. The Responsible Entity receives confirmations from the service providers involved in financial reporting and management of the Fund, including the Investment Manager. These confirmations together with the Responsible Entity's Risk and Compliance Framework which includes the service provider oversight framework, assist its staff in making the declarations provided under section 295A of the Corporations Act. The Responsible Entity manages the engagement and monitoring of independent 'external' auditors for the Fund. The Responsible Entity Board receives periodic reports from the external auditors in relation to financial reporting and the compliance plans for the Fund.

## PRINCIPLE 5 – MAKE TIMELY AND BALANCED DISCLOSURE

The Responsible Entity has a continuous disclosure policy to ensure compliance with the continuous disclosure requirements of the Corporations Act and the ASX Listing Rules in relation to the Fund which sets out the processes to review and authorise market announcements and which is periodically reviewed to ensure that it is operating effectively. The policy requires timely disclosure of information to be reported to the Responsible Entity's management and/or directors to ensure that, information that a reasonable person would expect to have a material effect on the unit price or would influence an investment decision in relation to any of the Fund, is disclosed to the market. The Responsible Entity's Company Secretary may assist management and/or the directors in making disclosures to the ASX after appropriate Responsible Entity's Board consultation for material market announcements. The Responsible Entity requires service providers, including the Investment Manager, to comply with its policy in relation to continuous disclosure for the Fund.

The Responsible Entity's Company Secretary is the Continuous Disclosure Officer for the Fund in accordance with the ASX Listing Rules.

## PRINCIPLE 6 – RESPECT THE RIGHTS OF UNITHOLDERS

The Responsible Entity is committed to ensuring timely and accurate information about the Fund is available to security holders via the Fund's website. All ASX announcements are promptly posted on the Fund's website: [www.foragerfunds.com](http://www.foragerfunds.com). The annual and half year results financial statements and other communication materials are also published on the website.



In addition to the continuous disclosure obligations, the Responsible Entity receives and responds to formal and informal communications from unitholders and convenes formal and informal meetings of unitholders as requested or required. The meetings are held in accordance with the requirements of the Corporations Act that apply to a registered managed investment scheme. The Responsible Entity has an active program for effective communication with the unitholders and other stakeholders in relation to Fund.

The Responsible Entity is ultimately responsible for ensuring that any complaints received from unitholders are handled in accordance with its policy settings and regulatory requirements. The Responsible Entity is a member of the Australian Financial Complaints Authority (“AFCA”) external dispute resolution scheme and, if unitholders are dissatisfied with the handling of their complaint by the Responsible Entity, AFCA may be able to assist unitholders achieve resolution to their complaint.

The Responsible Entity is also committed to communicating with unitholders electronically in relation to communications from the unit registry. Unitholders may elect to receive information from the Fund’s unit registry electronically.

## PRINCIPLE 7 – RECOGNISE AND MANAGE RISK

The Responsible Entity has established a Compliance Committee, comprised of Johanna Turner (“Chair”), Virginia Malley and Simone Mosse. A majority of the Responsible Entity Compliance Committee is comprised of external members, including an external independent Chair.

The Compliance Committee meets at least quarterly. The Compliance Committee Terms of Reference sets out its role and responsibilities, which is available on request. The Compliance Committee is responsible for monitoring compliance by the Responsible Entity of the Compliance Plan for the Fund, Fund Constitution and the Corporations Act. It is also responsible for assessing the adequacy of the Compliance Plan for the Fund and making recommendations to the Responsible Entity board.

The Responsible Entity values the importance of robust risk and compliance management. The Responsible Entity operates under the Perpetual Risk Management Framework (“RMF”) which applies to all the activities Perpetual undertakes as Responsible Entity. The RMF aligns to International Standard ISO 31000:2018 ‘Risk Management Guidelines’ and consists of supporting frameworks, programs and policies which have been developed, implemented and are regularly assessed for effectiveness to support the management of the following risk categories considered material to Perpetual: Strategic, People, Financial, Investment, Operational, IT & Cyber Security, Outsourcing, Environmental, Social & Governance, Compliance & Legal and Conduct Risk.

At Perpetual a current risk register is maintained as part of our formal risk management program. The systems supporting the business have been designed to ensure risks are managed within the boundaries of the Perpetual Risk Appetite Statement (“RAS”) which articulates the expected behaviours, measures and tolerances that management are to take into account when setting and implementing strategy and running their day-day areas of responsibility.

Perpetual’s RMF is reviewed annually and was last updated and approved by the Perpetual Board in June 2021, with other programs and policies supporting the RMF regularly reviewed to ensure they remain fit-for purpose and effective.

All Perpetual Group Executives are accountable for managing risk within their area of responsibility, including the extent to which the Responsible Entity is effectively applying and acting in accordance with the RMF. They are also required to manage risk as part of their business objectives with risk management integrated across business processes.

The RMF is underpinned by the “Three Lines of Defence” model to implement best practice risk management. This model sees the first line, being business unit management, accountable for the day to day identification, ownership and management of risks. The Group Risk, Compliance and Client Advocacy functions represent the second line and consists of risk and compliance management professionals who provide the framework, tools, advice and assistance to enable management to effectively identify, assess and manage risk and meet their compliance obligations, and is responsible for overseeing and monitoring first line activities. Internal Audit provides independent assurance, representing the third line, and reports to the Audit, Risk and Compliance Committee (“ARCC”).

The Perpetual Board has the responsibility and commitment to monitor that the organisation has a framework in place to manage risk. The Board’s commitment is reflected through the establishment of, and investment in the Perpetual Group Risk, Group Compliance and Internal Audit functions, led by the Chief Risk Officer.

Internal Audit is an integral part of Perpetual’s governance and risk management culture and aims to protect Perpetual’s earnings, reputation and customers. Perpetual’s Internal Audit function reports functionality to the Perpetual Limited Audit, Risk & Compliance Committee, and for administrative purposes, through the Perpetual Chief Risk Officer and is independent from the External Auditor and from Perpetual Executive Management. Internal Audit provides independent and objective assurance, a disciplined approach to the assessment and improvement of risk management and monitoring and reporting on audit findings and recommendations. The Internal Audit Plan (“Plan”) is approved formally by the ARCC each year and re-assessed quarterly to ensure it is dynamic and continues to address the key risks faced by the Group. Progress against the Plan, changes to the Plan and results of audit activity are reported quarterly to the ARCC.

Perpetual’s Audit, Risk and Compliance Committee is responsible for oversight and monitoring of the Perpetual’s risk appetite statement, compliance and risk management frameworks and internal control systems, and risk culture. The ARCC is also responsible for monitoring overall legal and regulatory compliance across Perpetual including the Responsible Entity. The RMF was reviewed, updated and approved by the Perpetual Limited Board during the 2021 financial year. The RMF consists of programs and policies which are designed to address specific risk categories - strategic, financial, operational, outsourcing, investment, reputation, people and compliance, legal and conduct risk. Programs supporting the RMF are regularly reviewed to confirm their appropriateness. The Audit, Risk and Compliance Committee is comprised of Ian Hammond (Chair), Nancy Fox, Craig Ueland and Gregory Cooper. The Audit, Risk and Compliance Committee Terms of Reference sets out its role and responsibilities. This can be obtained on the Perpetual website.

In respect of social and ethical considerations, the Fund invests predominantly in securities listed on the ASX. The companies in which the Fund invests may have a material exposure to economic, environmental or social sustainability risks and these risks are evaluated as part of the investment decision making process.

## PRINCIPLE 8 - REMUNERATE FAIRLY AND RESPONSIBLY

The Responsible Entity does not have a Remuneration Committee. The fees and expenses which the Responsible Entity is permitted to pay out of the assets of the Fund are set out in the Fund constitution. The Fund financial statements provide details of all fees and expenses paid by the Fund during a financial period.

## Directors' report

The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150) is the responsible entity (the "Responsible Entity") of Forager Australian Shares Fund (the "Fund"). The directors of the Responsible Entity (the "Directors") present their report together with the financial statements of the Fund for the year ended 30 June 2021.

### Principal activities

The Fund is a registered managed investment scheme domiciled in Australia.

The Fund invests predominantly in securities listed on the ASX, investments that are likely to be listed on the ASX in the future and Australian denominated cash but may also invest up to 20% of its assets in securities that are listed on the New Zealand Exchange ("NZX"). The Fund's goal is to produce superior long-term returns from a selected number of underlying investments, irrespective of short term price movements.

The Fund was constituted on 22 September 2009 and commenced operations on 30 October 2009.

The Fund did not have any employees during the year.

There were no significant changes in the nature of the Fund's activities during the year.

The Fund is currently listed on the ASX under the ASX code FOR.

### Directors

The Directors of The Trust Company (RE Services) Limited during the year and up to the date of this report are shown below. The Directors were in office for this entire period except where stated otherwise:

Glenn Foster (resigned as Director on 23 October 2020) (appointed as a Non-executive Director on 1 February 2021)

Richard McCarthy

Simone Mosse

Vicki Riggio

Phillip Blackmore (Alternate Director for Vicki Riggio)

### Units on Issue

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

	<b>As at</b>	
	<b>30 June</b>	30 June
	<b>2021</b>	2020
	<b>No.</b>	No.
Units on issue	<b>109,240,961</b>	113,498,157

**Forager Australian Shares Fund**  
**Directors' report**  
**For the year ended 30 June 2021**  
**(continued)**

**Review and results of operations**

During the year, the Fund invested in accordance with the investment objective and guidelines as set out in the governing documents of the Fund and in accordance with the provision of the Fund's Constitution.

**Results**

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

	<b>Year ended</b>	
	<b>30 June</b>	30 June
	<b>2021</b>	2020
Operating profit/(loss) (\$'000)	<b>99,162</b>	(26,733)
Distributions paid and payable (\$'000)	<b>3,887</b>	914
Distributions (cents per unit)	<b>3.5585</b>	0.8054

**Financial Position**

As at 30 June 2021, the Fund's total assets amounted to \$220,031,000 (30 June 2020: \$119,124,000).

Net Tangible Assets ("NTA") per unit as disclosed to the ASX were as follows:

	<b>As at</b>	
	<b>30 June</b>	30 June
	<b>2021</b>	2020
	<b>\$</b>	<b>\$</b>
At reporting period*	<b>1.93</b>	1.04
High during period	<b>1.94</b>	1.44
Low during period	<b>1.01</b>	0.62

\*The above NTA per unit was the cum-price which includes 3.56 cents per unit distribution (2020: 0.81 cents per unit).

**Significant changes in state of affairs**

The Directors continue to assess the potential financial and other impacts of the coronavirus ("COVID-19") outbreak to the Fund. The current high-level of uncertainty regarding the severity and length of COVID-19 on investment markets has impacted investment outcomes and increased volatility in investment performance during the year.

At the date of signing, the future impacts of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Fund are uncertain. The Directors and management will continue to monitor this situation.

On 1 February 2021, Glenn Foster was appointed as a Non-executive Director.

On 24 March 2020, the Fund announced a 12-month on-market buy-back program. At the end of the program, 4,549,301 units were bought back at an average buy back of \$1.21 per unit.

On 24 March 2021, the Fund announced a 12-month on-market buy-back program. During the year ended 30 June 2021, 53,577 units were bought back at an average buy back of \$1.42 per unit.

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



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

No matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

**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.

**Indemnification and insurance of officers and auditors**

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of the Responsible Entity or the auditors of the Fund. So long as the officers of the Responsible Entity act in accordance with the Fund's Constitution and the *Corporations Act 2001*, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

**Fees paid to and interests held in the Fund by the Responsible Entity and its associates**

Fees paid to the Responsible Entity and its associates out of the Fund's property during the year are disclosed in Note 12 to the financial statements.

No fees were paid out of Fund property to the Directors of the Responsible Entity during the year.

The number of units in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 12 to the financial statements.

**Units in the Fund**

The movement in units on issue in the Fund during the year is disclosed in Note 7 to the financial statements.

The value of the Fund's assets and liabilities is disclosed in the Statement of financial position and derived using the basis set out in Note 2 to the financial statements.

**Environmental regulation**

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

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

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' report) Instrument 2016/191* issued by the Australian Securities and Investments Commission ("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 *ASIC 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 20.

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



Director  
The Trust Company (RE Services) Limited

Sydney  
31 August 2021



**Building a better  
working world**

Ernst & Young  
200 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
ey.com/au

## **Auditor's independence declaration to the directors of The Trust Company (RE Services) Limited as Responsible Entity for Forager Australian Shares Fund**

As lead auditor for the audit of the financial report of Forager Australian Shares Fund for the financial year ended 30 June 2021, 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 audit; and
- b. no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

Rohit Khanna  
Partner  
31 August 2021

**Forager Australian Shares Fund**  
**Statement of comprehensive income**  
**For the year ended 30 June 2021**

**Statement of comprehensive income**

		<b>Year ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2021</b>	<b>2020</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Investment income</b>			
Interest income from financial assets at amortised cost		-	78
Dividend and distribution income		8,739	2,436
Net gains/(losses) on financial instruments at fair value through profit or loss	5	95,611	(27,620)
Expense reimbursement income	12	356	383
Net foreign exchange loss		(21)	(23)
Other investment income		10	90
<b>Total investment income/(loss)</b>		<b>104,695</b>	<b>(24,656)</b>
<b>Expenses</b>			
Responsible Entity's fees	12	163	160
Management fees	12	1,708	1,398
Performance fees	12	2,959	-
Administration and custody fees		130	118
Transaction costs		208	173
Registry fees		30	30
Remuneration of auditors	11	46	44
Other operating expenses		289	154
<b>Total operating expenses</b>		<b>5,533</b>	<b>2,077</b>
<b>Operating profit/(loss)</b>		<b>99,162</b>	<b>(26,733)</b>
Other comprehensive income		-	-
<b>Total comprehensive income/(loss) for the year</b>		<b>99,162</b>	<b>(26,733)</b>
<b>Earnings/(loss) per unit for profit/(loss) attributable to unitholders of the Fund</b>			
Basic earnings/(loss) per unit in cents	16	89.27	(23.49)
Diluted earnings/(loss) per unit in cents	16	89.27	(23.49)

*The above Statement of comprehensive income should be read in conjunction with the accompanying notes.*

**Forager Australian Shares Fund**  
**Statement of financial position**  
**As at 30 June 2021**

**Statement of financial position**

		<b>As at</b>	
		<b>30 June</b>	30 June
		<b>2021</b>	2020
	Notes	\$'000	\$'000
<b>Assets</b>			
Cash and cash equivalents	9	16,956	1,091
Due from brokers - receivable for securities sold		848	734
Dividends receivable		163	145
GST receivable		300	51
Receivable from Investment Manager	12	133	51
Financial assets at fair value through profit or loss	6	201,631	117,052
<b>Total assets</b>		<b>220,031</b>	119,124
<b>Liabilities</b>			
Responsible Entity's fees payable	12	82	82
Management fees payable	12	369	116
Performance fees payable	12	3,176	-
Administration and custody fees payable		50	39
Due to brokers - payable for securities purchased		4,962	571
Distributions payable	8	3,887	914
Other payables		152	92
<b>Total liabilities</b>		<b>12,678</b>	1,814
<b>Net assets attributable to unitholders - equity</b>	7	<b>207,353</b>	117,310

*The above Statement of financial position should be read in conjunction with the accompanying notes.*



**Forager Australian Shares Fund**  
**Statement of changes in equity**  
**For the year ended 30 June 2021**

**Statement of changes in equity**

	<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2021</b>	<b>2020</b>
Notes	<b>\$'000</b>	<b>\$'000</b>
<b>Total equity at the beginning of the year</b>	<b>117,310</b>	<b>145,249</b>
<b>Comprehensive income/(loss) for the year</b>		
Profit/(loss) for the year	<b>99,162</b>	(26,733)
Other comprehensive income	-	-
<b>Total comprehensive income/(loss) for the year</b>	<b>99,162</b>	<b>(26,733)</b>
<b>Transactions with unitholders</b>		
Units buy-back	7 <b>(5,232)</b>	(292)
Distributions paid and payable	7, 8 <b>(3,887)</b>	(914)
<b>Total transactions with unitholders</b>	<b>(9,119)</b>	<b>(1,206)</b>
<b>Total equity at the end of the year</b>	<b>207,353</b>	<b>117,310</b>

*The above Statement of changes in equity should be read in conjunction with the accompanying notes.*

**Forager Australian Shares Fund**  
**Statement of cash flows**  
**For the year ended 30 June 2021**

**Statement of cash flows**

	<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2021</b>	<b>2020</b>
Notes	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Proceeds from sale of financial instruments at fair value through profit or loss	123,497	85,892
Payments for purchase of financial instruments at fair value through profit or loss	(107,926)	(109,524)
Interest income received from financial assets at amortised cost	-	118
Dividends and distributions received	8,459	2,291
Expense reimbursement income received	274	558
Other investment income received	10	90
Responsible Entity's fees paid	(163)	(160)
Management fees paid	(1,478)	(1,541)
Transaction costs paid	(215)	(175)
Administration and custody fees paid	(121)	(175)
Other operating expenses paid	(305)	(208)
<b>Net cash inflow/(outflow) from operating activities</b>	10 <b>22,032</b>	<b>(22,834)</b>
<b>Cash flows from financing activities</b>		
Payments for units buy-back to unitholders	(5,232)	(292)
Distributions paid	(914)	(2,470)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>(6,146)</b>	<b>(2,762)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>15,886</b>	<b>(25,596)</b>
Cash and cash equivalents at the beginning of the year	1,091	26,710
Effects of foreign currency exchange rate changes on cash and cash equivalents	(21)	(23)
<b>Cash and cash equivalents at the end of the year</b>	9 <b>16,956</b>	<b>1,091</b>

*The above Statement of cash flows should be read in conjunction with the accompanying notes.*

## **Notes to the financial statements**

### **Contents**

	<b>Page</b>
1 General information	26
2 Summary of significant accounting policies	26
3 Financial risk management	31
4 Fair value measurement	36
5 Net gains/(losses) on financial instruments at fair value through profit or loss	39
6 Financial assets at fair value through profit or loss	39
7 Net assets attributable to unitholders	39
8 Distributions to unitholders	40
9 Cash and cash equivalents	40
10 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities	41
11 Remuneration of auditors	41
12 Related party transactions	42
13 Significant events during the year	44
14 Events occurring after year end	44
15 Contingent assets and liabilities and commitments	45
16 Earnings/(loss) per unit	45
17 Segment information	45

## **1 General information**

These financial statements cover Forager Australian Shares Fund (the "Fund") as an individual entity. The Fund was constituted on 22 September 2009 and commenced operations on 30 October 2009 and admitted to ASX on 14 December 2016. The Fund will terminate in accordance with the provisions of the Fund's Constitution.

The Trust Company (RE Services) Limited (ABN 45 003 278 831) (AFSL 235150) is the responsible entity of the Fund (the "Responsible Entity"). The Responsible Entity's registered office is Level 18 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

The investment manager of the fund is Forager Funds Management Pty Ltd (the "Investment Manager").

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 but may also invest up to 20% of its assets in securities that are listed on the NZX. The Fund's goal is to produce superior long-term returns from a selected number of underlying investments, irrespective of short term price movements.

The financial statements of the Fund are for the year ended 30 June 2021. The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the directors of the Responsible Entity (the "Directors of the Responsible Entity") on 31 August 2021. The Directors of the Responsible Entity have the power to amend and reissue the financial statements.

## **2 Summary of significant accounting policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated in the following text.

### **(a) Basis of preparation**

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and interpretations issued by the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001* in Australia. The Fund is a for-profit entity for the purpose of preparing the financial statements.

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

The Statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and financial liabilities at fair value through profit or loss.

The Fund manages financial assets at fair value through profit or loss and financial liabilities based on the economic circumstances at any given point in time, as well as to meet any liquidity requirements. As such, it is expected that a portion of the portfolio will be realised within twelve months, however, an estimate of that amount cannot be determined as at year end.

#### *(i) Compliance with International Financial Reporting Standards*

The financial statements of the Fund also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2020 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

## **2 Summary of significant accounting policies (continued)**

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

*(iii) New standards, amendments and interpretations effective after 1 July 2021 and have not been early adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2021, and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

### **(b) Financial instruments**

*(i) Classification*

- Financial assets

The Fund classifies its investments based on its business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The Fund's portfolio of financial assets is managed and performance is evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

For equity securities, the contractual cash flows of these instruments do not represent solely payments of principal and interest. Consequently, these investments are measured at fair value through profit or loss.

The financial assets measured at amortised cost are subject to the expected credit loss ("ECL") impairment model under AASB 9.

- Financial liabilities

For financial liabilities that are not classified and measured at fair value through profit or loss, these are classified as financial liabilities at amortised cost (Responsible Entity's fees payable, management fees payable, administration and custody fees payable, due to brokers, distributions payable and other payables).

*(ii) Recognition and derecognition*

The Fund recognises financial assets and financial liabilities on the date it becomes party to the contractual agreement (trade date) and recognises changes in fair value of the financial assets or financial liabilities from this date.

Investments are derecognised when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled, expired or when there is substantial modification.

*(iii) Measurement*

At initial recognition, the Fund measures financial assets at fair value. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of comprehensive income.

Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the financial assets or financial liabilities at fair value through profit or loss category are presented in the Statement of comprehensive income within 'net gains/(losses) on financial assets at fair value through profit or loss' in the period in which they arise.

Further details on how the fair value of financial instruments is determined are disclosed in Note 4.



## **2 Summary of significant accounting policies (continued)**

### **(b) Financial instruments (continued)**

#### *(iv) Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the Statement of financial position when the Fund has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

As at the end of the reporting period, there are no financial assets or liabilities offset or which could be offset in the Statement of financial position.

#### *(v) Impairment*

At each reporting date, the Fund shall measure the loss allowance on each of the financial assets at amortised cost (cash and cash equivalents, due from brokers and receivables) at an amount equal to the lifetime ECL if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12-month ECL. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that the asset is credit impaired. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the net carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due. Any contractual payment which is more than 90 days past due is considered credit impaired.

### **(c) Net assets attributable to unitholders**

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the units back to the Fund.

The Fund is a closed-end Fund and is not subject to applications and redemptions, other than those disclosed in Note 7.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial Instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Fund's liquidation;
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical;
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavourable conditions to the Fund, and is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

The Fund's units have been classified as equity as they satisfied all the above criteria. This has been consistently applied during the year.

### **(d) Cash and cash equivalents**

Cash comprises deposits held at custodian banks. Cash equivalents are short-term, highly liquid investments with an original maturity of three months or less that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value and are held for the purpose of meeting short-term cash commitments rather than for investments or other purposes.

Payments and receipts relating to the purchase and sale of investment securities are classified as cash flows from operating activities, as movements in the fair value of these securities represents the Fund's main income generating activity.

## **2 Summary of significant accounting policies (continued)**

### **(e) Investment income**

Interest income from financial assets at amortised cost is recognised on an accruals basis using the effective interest method and includes interest from cash and cash equivalents.

Dividend and distribution income from financial assets at fair value through profit or loss is recognised in the Statement of comprehensive income within dividend and distribution income when the Fund's right to receive payments is established.

Dividend and distribution income is recognised on the ex-dividend date with any related foreign withholding tax recorded as an expense. The Fund currently incurs withholding tax imposed by certain countries on investment income. Such income is recorded gross of withholding tax in the Statement of comprehensive income.

Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 2(b) to the financial statements.

Other income is recognised on an accruals basis.

### **(f) Expenses**

All expenses, including management fees, performance fees, Responsible Entity's fees, administration and custody fees, are recognised in the Statement of comprehensive income on an accruals basis.

### **(g) Income tax**

Under current legislation, the Fund is not subject to income tax provided it attributes the entirety of its taxable income to its unitholders.

### **(h) Distributions and dividends**

Distributions are payable as set out in the Fund's offering document. Such distributions are determined by the Responsible Entity of the Fund. Distributable income includes capital gains arising from the disposal of financial instruments. Unrealised gains and losses on financial instruments that are recognised as income are transferred to net assets attributable to unitholders and are not assessable and distributable until realised.

Financial instruments at fair value may include unrealised capital gains. Should such a gain be realised, that portion of the gain that is subject to capital gains tax will be distributed so that the Fund is not subject to capital gains tax.

Realised capital losses are not distributed to unitholders but are retained in the Fund to be offset against any realised capital gains. If realised capital gains exceed realised capital losses, the excess is distributed to unitholders.

The benefits of imputation credits and foreign tax paid are passed on to unitholders.

### **(i) Receivables**

Receivables may include amounts for dividends, interest, trust distributions and receivable from Investment Manager. Interest is accrued at each dealing date in accordance with policy set out in Note 2(e) above. Dividends and trust distributions are accrued when the right to receive payment is established. Amounts are generally received within 30 days of being recorded as receivables.

Receivables also include such items as Reduced Input Tax Credits ("RITC").

Receivables are recognised at amortised cost using the effective interest method, less any allowance for ECL. To measure the ECL, receivables have been grouped based on days overdue.

## **2 Summary of significant accounting policies (continued)**

### **(j) Payables**

Payables include liabilities and accrued expenses owed by the Fund which are unpaid as at the end of the reporting year.

The distribution amount payable to unitholders as at the end of each reporting year is recognised separately in the Statement of financial position.

### **(k) Goods and Services Tax (GST)**

The GST incurred on the costs of various services provided to the Fund by third parties such as audit fees, custodian services and management fees have been passed onto the Fund. The Fund qualifies for RITC at a rate of at least 55%, hence investment management fees and other expenses have been recognised in the Statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office ("ATO"). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the Statement of financial position. Cash flows relating to GST are included in the Statement of cash flows on a gross basis.

### **(l) Use of estimates**

The Fund makes estimates and assumptions that affect the reported amounts of assets and liabilities within the current and next financial year. Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

For the majority of the Fund's financial instruments, quoted market prices are readily available. However, certain financial instruments, including unquoted securities are fair valued using valuation techniques determined by the Investment Manager, in accordance with the valuation procedures approved by the Responsible Entity. Where valuation techniques (for example, pricing models) are used to determine fair values, they are validated and periodically reviewed by experienced personnel of the Investment Manager, independent of the area that created them.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require Investment Manager to make estimates. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

For certain other balances reported on Statement of financial position, including amounts due from/to brokers, receivables and payables, the carrying amounts approximate fair value due to the immediate or short-term nature of these financial instruments.

### **(m) Rounding of amounts**

The Fund is an entity of a kind referred to in *ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191* issued by the Australian Securities and Investments Commission ("ASIC") relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded to the nearest thousand dollars in accordance with the *ASIC Corporations Instrument*, unless otherwise indicated.

### **(n) Due from/to brokers**

Amounts due from/to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet delivered by the end of the year. The due from brokers balance is held for collection and is recognised initially at fair value and subsequently measured at amortised cost.

### **(o) Comparative revisions**

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

### **3 Financial risk management**

#### **(a) Overview**

The Fund's activities expose it to a variety of financial risks. The management of these risks is undertaken by the Fund's Investment Manager who has been appointed by the Responsible Entity under an Investment Management Agreement to manage the Fund's assets in accordance with the Investment Objective and Strategy.

The Responsible Entity has in place a framework which includes:

- The Investment Manager providing the Responsible Entity with regular reports on their compliance with the Investment Management Agreement;
- Completion of regular reviews on the Service Provider which may include a review of the investment managers risk management framework to manage the financial risks of the Fund; and
- Regular reporting on the liquidity of the Fund in accordance with the Fund's Liquidity Risk Management Statement.

The Fund's Investment Manager has in place a framework to identify and manage the financial risks in accordance with the investment objective and strategy. This includes an investment due diligence process and on-going monitoring of the investments in the Fund. Specific controls which the Investment Manager applies to manage the financial risks are detailed under each risk specified below.

#### **(b) Market risk**

Market risk is the risk that changes in market risk factors, such as equity prices, foreign exchange rates, interest rates and other market prices will affect the Fund's income or the carrying value of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

##### *(i) Price risk*

Market price risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market prices, whether those changes are caused by factors specific to the individual instrument or factors affecting all instruments in the market.

The Fund is exposed to equity securities listed or quoted on recognised securities exchanges price risk. This arises from investments held by the Fund for which prices in the future are uncertain. They are classified on the Statement of financial position as financial assets at fair value through profit or loss. All investments present a risk of loss of capital. The maximum risk resulting from financial instruments is determined by the fair value of the financial instruments.

The Investment Manager mitigates this price risk and related concentration risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Product Disclosure Statement. Between 70% and 100% of the net assets attributable to unitholders are invested in Australian shares. The Australian shares (being primarily smaller companies) are listed on ASX. The Fund has not invested in any derivatives during the financial year (2020: nil). The Fund is exposed, particularly through its equity portfolio, to concentration and market risks influencing investment valuations. These include Australian economic factors, changes in a company's internal operations or management, and also relate to changes in taxation policy, monetary policy, interest rates and statutory requirements.

The Fund has built in procedures to ensure adherence to the Fund's investment guidelines at all times.

### **3 Financial risk management (continued)**

#### **(b) Market risk (continued)**

##### *(i) Price risk (continued)*

As at year end, the overall market exposures were as follows:

<b>As at 30 June 2021</b>	<b>Fair value attributable to \$'000</b>	<b>% of net asset unitholders</b>
<b>Financial assets</b>		
Listed equity securities	197,726	95.357%
Listed property trusts	3,905	1.883%
<b>Total financial assets</b>	<b>201,631</b>	<b>97.240%</b>

As at 30 June 2020

Financial assets		
Listed equity securities	117,050	99.778%
Unlisted equity securities and unit trusts	2	0.002%
<b>Total financial assets</b>	<b>117,052</b>	<b>99.780%</b>

The table in Note 3(c) summarises the impact of an increase/decrease of underlying investment prices on the Fund's operating profit/(loss) and net assets attributable to unitholders. The analysis is based on the assumption that the underlying investment prices changed by +/- 10% (2020: +/- 10%) from the year end prices with all other variables held constant.

##### *(ii) Interest rate risk*

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The majority of the Fund's assets are held in equities which are non-interest bearing securities. Hence, the Fund is not exposed to significant interest rate risk. The impact of interest rate risk on net assets attributable to unitholder and operating profit is considered immaterial to the Fund.



### 3 Financial risk management (continued)

#### (b) Market risk (continued)

##### (ii) Interest rate risk (continued)

The table below summarises the Fund's exposure to interest rate risk.

#### As at 30 June 2021

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
<b>Financial assets</b>				
Cash and cash equivalents	268	-	16,688	16,956
Due from brokers - receivable for securities sold	-	-	848	848
Dividends receivable	-	-	163	163
GST receivable	-	-	300	300
Receivable from Investment Manager	-	-	133	133
Financial assets at fair value through profit or loss	-	-	201,631	201,631
<b>Total financial assets</b>	<b>268</b>	<b>-</b>	<b>219,763</b>	<b>220,031</b>
<b>Financial liabilities</b>				
Performance fees payables	-	-	3,176	3,176
Responsible Entity's fees payable	-	-	82	82
Management fees payable	-	-	369	369
Administration and custody fees payable	-	-	50	50
Due to brokers - payable for securities purchased	-	-	4,962	4,962
Distributions payable	-	-	3,887	3,887
Other payables	-	-	152	152
<b>Total financial liabilities</b>	<b>-</b>	<b>-</b>	<b>12,678</b>	<b>12,678</b>
<b>Net exposure</b>	<b>268</b>	<b>-</b>	<b>207,085</b>	<b>207,353</b>

#### As at 30 June 2020

<b>Financial assets</b>				
Cash and cash equivalents	47	-	1,044	1,091
Due from brokers - receivable for securities sold	-	-	734	734
Dividends receivable	-	-	145	145
GST receivable	-	-	51	51
Receivable from Investment Manager	-	-	51	51
Financial assets at fair value through profit or loss	-	-	117,052	117,052
<b>Total financial assets</b>	<b>47</b>	<b>-</b>	<b>119,077</b>	<b>119,124</b>

### 3 Financial risk management (continued)

#### (b) Market risk (continued)

##### (ii) Interest rate risk (continued)

As at 30 June 2020

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
Financial liabilities				
Responsible Entity's fees payable	-	-	82	82
Management fees payable	-	-	116	116
Administration and custody fees payable	-	-	39	39
Due to brokers - payable for securities purchased	-	-	571	571
Distributions payable	-	-	914	914
Other payables	-	-	92	92
Total financial liabilities	-	-	1,814	1,814
Net exposure	47	-	117,263	117,310

The table in Note 3(c) summarises the impact of an increase/decrease of interest rates on the Fund's operating profit/(loss) and net assets attributable to unitholders through changes in fair value or changes in future cash flows. The analysis is based on the assumption that interest rates changed by +/- 100 basis points (2020: +/- 100 basis points) from the year end rates with all other variables held constant.

##### (iii) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.

The Fund holds non-monetary assets denominated in currencies other than the Australian dollar. Foreign exchange risk arises as the value of monetary securities denominated in other currencies fluctuate due to changes in exchange rates. The foreign exchange risk relating to non-monetary assets and liabilities is a component of price risk and not foreign exchange risk. However, the Investment Manager monitors the exposure of all foreign currency denominated assets and liabilities.

The table below summarises the Fund's net exposure to different major currencies:

	<b>As at</b>	
	<b>30 June 2021 \$'000</b>	<b>30 June 2020 \$'000</b>
New Zealand Dollar	<b>12,051</b>	10,318

As the Fund does not hold monetary assets and liabilities denominated in foreign currencies, any reasonably possible shift of the Australian dollar does not have an impact on the operating income/(loss) and net assets attributable to unitholders.

### 3 Financial risk management (continued)

#### (c) Summarised sensitivity analysis

The following table summarises the sensitivity of the Fund's operating profit/(loss) and net assets attributable to unitholders to market risks. The reasonably possible movements in the risk variables have been determined based on management's best estimate having regard to a number of factors, including historical levels of changes in interest rates and the historical correlation of the Fund's investments with the relevant benchmark and market volatility. However, actual movements in the risk variables may be greater or less than anticipated due to a number of factors, including unusually large market movements resulting from changes in the performance of and/or correlation between the performances of the economies, markets and securities in which the Fund invests. As a result, historic variations in risk variables should not be used to predict future variances in the risk variables.

	Impact on operating profit/(loss)/ net assets attributable to unitholders			
	Price risk		Interest rate risk	
	-10%	+10%	-100bps	+100bps
	\$'000	\$'000	\$'000	\$'000
<b>As at 30 June 2021</b>	<b>(20,163)</b>	<b>20,163</b>	<b>(3)</b>	<b>3</b>
As at 30 June 2020	(11,705)	11,705	-	-

#### (d) Credit risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to pay amounts in full when due.

The maximum exposure to credit risk at the end of the reporting year is the carrying amount of the financial assets.

##### (i) Bank deposits, amounts due from brokers and assets held with the custodian

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of bank deposits, amounts due from brokers and assets held with the custodian.

The table below summarises these assets as at 30 June 2021 and 30 June 2020:

##### As at 30 June 2021

Bank, brokers and custodian	\$'000	Credit rating	Source of credit rating
Australia and New Zealand Banking Group Ltd	268	AA-	Standard and Poor's
JP Morgan Chase Bank N.A (Sydney Branch)	219,167	A+	Standard and Poor's

##### As at 30 June 2020

##### Bank, brokers and custodian

Australia and New Zealand Banking Group Ltd	47	AA-	Standard and Poor's
JP Morgan Chase Bank N.A (Sydney Branch)	118,830	A+	Standard and Poor's

The custody balance with JP Morgan Chase Bank N.A (Sydney Branch) includes investments in equities totalling \$201,631,000 as at 30 June 2021 (30 June 2020: \$117,052,000).

### **3 Financial risk management (continued)**

#### **(e) Liquidity risk**

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund will invest in no more than 10% of its assets into unlisted securities and will typically only do so if a security is expected to become listed in the future or was listed at the time of purchase but has delisted. During 2021 and 2020, the Fund's strategy was to hold at least 90% of the net assets attributable to unitholders in liquid assets, which include cash and cash equivalents and listed securities. Hence, the Fund is not exposed to significant liquidity risk.

To assess the impact of COVID-19 on the liquidity of the Fund, the Responsible Entity conducted frequent and enhanced monitoring of the liquidity of the Fund during the reporting year.

##### *(i) Maturities of non-derivative financial liabilities*

All non-derivative financial liabilities of the Fund in the current and prior year have maturities of less than one month.

### **4 Fair value measurement**

The Fund measures and recognises the financial assets at fair value on a recurring basis.

- Financial assets at fair value through profit or loss ("FVTPL") (see Note 6)

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

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value hierarchy:

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

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

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting year without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the financial statements. For the majority of its investments, information provided by independent pricing services is relied upon for valuation of investments.

The quoted market price used to fair value financial assets and financial liabilities held by the Fund is the last-traded prices.

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.

#### **4 Fair value measurement (continued)**

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

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This may be the case for certain unlisted shares, certain corporate debt securities and managed funds with suspended applications and withdrawals.

*(iii) Recognised fair value measurements*

The following table presents the Fund's assets measured and recognised at fair value as at 30 June 2021 and 30 June 2020.

<b>As at 30 June 2021</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets at fair value through profit or loss</b>				
Listed equity securities	<b>197,726</b>	-	-	<b>197,726</b>
Listed property trusts	<b>3,905</b>	-	-	<b>3,905</b>
<b>Total</b>	<b>201,631</b>	-	-	<b>201,631</b>

As at 30 June 2020

Financial assets at fair value through profit or loss

Listed equity securities	117,050	-	-	117,050
Unlisted equity securities and unit trusts	-	-	2	2
<b>Total</b>	<b>117,050</b>	-	<b>2</b>	<b>117,052</b>

*(iv) Transfers between levels*

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

There were no transfers between levels in the fair value hierarchy for the year ended 30 June 2021.



#### **4 Fair value measurement (continued)**

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

<b>As at 30 June 2021</b>	<b>Unlisted equity securities and unit trust \$'000</b>
Opening balance - 1 July	2
Gains and losses recognised in the Statement of comprehensive income	(2)
<b>Closing balance - 30 June</b>	<b>-</b>
<b>As at 30 June 2020</b>	
Opening balance - 1 July	2
Gains and losses recognised in the Statement of comprehensive income	-
<b>Closing balance - 30 June</b>	<b>2</b>

*Level 3 investments comprise:*

1. An investment held in Centrebet International Limited was delisted 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 and additional units were purchased.

For these financial instruments the fair value has been estimated using a valuation technique that uses non-market observable data. While payments were completed in July 2018 to Litigation Claims Participants, further work was being completed into additional amounts that may be claimed. On 14 April 2021, it was confirmed that an additional \$86,696.45 was recovered from Sbet Australia in this regard. This amount was transferred to the Trustee overseeing the Litigation Claim, and they have confirmed they held approximately \$825,000 (equals 0.89 cents per unit) at that time on trust, which has been retained to pay the legal and professional costs of verifying compliance with the Litigation Claim.

The security has been valued at \$0.0000.

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 was unlisted. Final distribution was received and shares were cancelled in February 2021 due to wind up of BAO Trust.

*(vi) Valuation processes*

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

The impact of changes in significant unobservable inputs of level 3 is not expected to be material to the Fund.

*(vii) Fair values of other financial instruments*

The Fund did not hold any financial instruments which were not measured at fair value in the Statement of financial position. Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate fair value.

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

	Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>Financial assets</b>		
Net realised gains/(losses) on financial assets at fair value through profit or loss	8,122	(1,494)
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	87,489	(26,126)
<b>Total net gains/(losses) on financial instruments at fair value through profit or loss</b>	<b>95,611</b>	<b>(27,620)</b>

## 6 Financial assets at fair value through profit or loss

	As at	
	30 June 2021 \$'000	30 June 2020 \$'000
<b>Financial assets at fair value through profit or loss</b>		
Listed equity securities	197,726	117,050
Listed property trusts	3,905	-
Unlisted equity securities and unit trusts	-	2
<b>Total financial assets at fair value through profit or loss</b>	<b>201,631</b>	<b>117,052</b>

The market values of all investments as at 30 June 2021 are disclosed on page 7 of the Annual Report. Listed securities are readily saleable with no fixed terms.

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

## 7 Net assets attributable to unitholders

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Fund has elected into the AMIT tax regime and consequently the Fund's Constitution has been amended. The Fund does not have a contractual obligation to pay distributions to unitholders. Therefore, the net assets attributable to unitholders of the Fund meet the criteria set out under AASB 132 and are classified as equity.

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

	Year ended			
	30 June 2021 Units '000	30 June 2021 \$'000	30 June 2020 Units '000	30 June 2020 \$'000
Opening balance	113,498	117,310	113,844	145,249
Units buy-back	(4,257)	(5,232)	(346)	(292)
Distributions paid and payable	-	(3,887)	-	(914)
Profit/(loss) for the year	-	99,162	-	(26,733)
<b>Closing balance</b>	<b>109,241</b>	<b>207,353</b>	<b>113,498</b>	<b>117,310</b>

## **7 Net assets attributable to unitholders (continued)**

As stipulated within the Fund's Constitution, each unit represents a right to an individual unit 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.

### **Units buy-back**

On 24 March 2020, the Fund announced a 12-month on-market buy-back program. At the end of the program, 4,549,301 units were bought back at an average buy back of \$1.21 per unit.

On 24 March 2021, the Fund announced a 12-month on-market buy-back program. During the year ended 30 June 2021, 53,577 units were bought back at an average buy back of \$1.42 per unit.

### **Capital risk management**

The Fund classifies its net assets attributable to unitholders as equity.

The Fund is a closed-end Fund and is not subject to applications and redemptions. The movements in the number of units during the year were as a result of units buy-back.

Generally, the Fund's strategy is to hold liquid investments. Liquid assets include cash and cash equivalents and listed investments.

## **8 Distributions to unitholders**

Distributions are payable at the end of each financial period. Such distributions are determined by reference to the net taxable income of the Fund.

The distributions for the year were as follows:

	<b>Year ended</b>			
	<b>30 June 2021</b>	<b>30 June 2021</b>	<b>30 June 2020</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>CPU*</b>	<b>\$'000</b>	<b>CPU*</b>
Distributions payable	<b>3,887</b>	<b>3.5585</b>	914	0.8054
<b>Total distributions payable</b>	<b>3,887</b>	<b>3.5585</b>	914	0.8054

\*Distribution is expressed as cents per unit amount in Australian Dollar.

## **9 Cash and cash equivalents**

	<b>As at</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash	<b>16,956</b>	1,091
<b>Total cash and cash equivalents</b>	<b>16,956</b>	1,091

## 10 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	Year ended	
	30 June 2021 \$'000	30 June 2020 \$'000
Profit/(loss) for the year	99,162	(26,733)
Proceeds from the sale of financial instruments at fair value through profit or loss	123,497	85,892
Payments for purchase of financial instruments at fair value through profit or loss	(107,926)	(109,524)
Net (gains)/losses on financial assets at fair value through profit or loss	(95,611)	27,620
Effects of foreign currency exchange rate changes on cash and cash equivalents	21	23
Dividend and distribution income reinvested	(262)	-
Net change in receivables	(349)	88
Net change in payables	3,500	(200)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>22,032</b>	<b>(22,834)</b>

## 11 Remuneration of auditors

During the year, the following fees were paid or payable for services provided by the auditors of the Fund:

	Year ended	
	30 June 2021 \$	30 June 2020 \$
<b>Ernst &amp; Young</b>		
<b>Audit and review of other assurance services</b>		
Audit and review of financial statements	43,260	42,000
Total remuneration for audit and other assurance services	43,260	42,000
<b>Total remuneration of Ernst &amp; Young</b>	<b>43,260</b>	<b>42,000</b>
<b>PricewaterhouseCoopers</b>		
<b>Audit and other assurance services</b>		
Audit of compliance plan	2,475	2,475
Total remuneration for audit and other assurance services	2,475	2,475
<b>Total remuneration of PricewaterhouseCoopers</b>	<b>2,475</b>	<b>2,475</b>

The remuneration of auditors is borne by the Fund. Fees are stated exclusive of GST.

## **12 Related party transactions**

For the purpose of these financial statements, parties are considered to be related to the Fund if they have the ability, directly or indirectly, to control or exercise significant influence over the Fund in making financial and operating disclosures. Related parties may be individuals or other entities.

### **Responsible Entity**

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

### **Key management personnel**

#### **(a) Directors**

Key management personnel include persons who were Directors of the Responsible Entity at any time during the financial year as follows:

Glenn Foster (resigned as Director on 23 October 2020) (appointed as a Non-executive Director on 1 February 2021)

Richard McCarthy

Simone Mosse

Vicki Riggio

Phillip Blackmore (Alternate Director for Vicki Riggio)

#### **(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 year.

### **Key management personnel unitholdings**

During or since the end of the year, none of the Directors or Director related entities held units in the Fund, either directly, indirectly or beneficially.

Neither the Responsible Entity nor its affiliates held units in the Fund at the end of the year.

### **Key management personnel compensation**

Key management personnel do not receive any remuneration directly from the Fund. They receive remuneration from a related party of the Responsible Entity in their capacity as Directors or employees of the Responsible Entity or its related parties. Consequently, the Fund does not pay any compensation to its key management personnel. Payments made from the Fund to the Responsible Entity do not include any amounts attributable to the compensation of key management personnel.

### **Key management personnel loan disclosures**

The Fund has not made, guaranteed or secured, directly or indirectly, any loans to the key management personnel or their personally related entities at any time during the reporting year.

### **Other transactions within the Fund**

Apart from those details disclosed in this note, no key management personnel have entered into a material contract with the Fund during the financial year and there were no material contracts involving Director's interests existing at year end.

## **12 Related party transactions (continued)**

### **Responsible Entity's/Investment Manager's fees and other transactions**

Under the terms of the Fund's Constitution, the Responsible Entity is entitled to receive a fee per annum calculated as a percentage of the gross asset value of the Fund. The Investment Manager of the Fund is Forager Funds Management Pty Ltd. The Investment Manager is entitled to receive management fees of up to 1% per annum (inclusive of GST and net of RITC) of the net assets of the Fund calculated and accrued daily and is payable monthly in arrears.

The Investment Manager is also entitled to a performance fee from the Fund. The performance fee is equal to 10% (inclusive of GST and net of RITC) of the return of the Fund in excess of 8% per annum, calculated and paid semi-annually in arrears based on the average net asset value of the Fund over the relevant six month period.

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

	<b>Year ended</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Management fees for the year paid and payable by the Fund to the Investment Manager	<b>1,707,539</b>	1,397,969
Performance fees for the year paid and payable by the Fund to the Investment Manager	<b>2,959,369</b>	-
Expense reimbursement income for the year received and receivable by the Fund from the Investment Manager	<b>355,614</b>	382,586
Responsible Entity's fees for the year paid and payable by the Fund to the Responsible Entity	<b>162,661</b>	160,063

The ordinary expenses for the Fund are capped at 0.10% per annum of the Fund's net asset value as per the Product Disclosure Statement. For the first three years after the Fund's listing date, which was on 14 December 2016, the Investment Manager paid for recoverable expenses incurred by the Fund that were in excess of 0.054% of the Fund's average expense recoveries for the previous three years.

	<b>As at</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
	<b>\$</b>	<b>\$</b>
Aggregate amounts payable to the Investment Manager at reporting date	<b>3,545,499</b>	116,132
Aggregate amounts receivable for expense reimbursement income at reporting date	<b>133,251</b>	50,510
Aggregate amounts payable to the Responsible Entity at reporting date	<b>81,821</b>	81,730

The Fund has entered into an Investment Management Agreement with Forager Funds Management Pty Ltd such that it will manage investments of the Fund, ensure regulatory compliance with all the relevant laws and regulations, and provide administrative and other services for a fee.

## 12 Related party transactions (continued)

### Related party unitholdings

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

<b>As at 30 June 2021</b>	<b>No. of units held opening</b>	<b>No. of units held closing</b>	<b>Interest held (%)</b>	<b>No. of units acquired</b>	<b>No. of units disposed</b>	<b>Distributions paid/payable by the Fund (\$)</b>
<b>Unitholder</b>						
Senefelder Super Fund	912,598	912,598	0.84	-	-	32,474
The Senefelder Trust	89,873	89,873	0.08	-	-	3,198
Tema Super Fund	200,000	200,000	0.18	-	-	7,117
Equitas Nominees Pty Limited	758,146	758,146	0.69	-	-	26,978

As at 30 June 2020

<b>Unitholder</b>						
Senefelder Super Fund	847,598	912,598	0.80	65,000	-	7,350
The Senefelder Trust	89,873	89,873	0.08	-	-	724
Tema Super Fund	200,000	200,000	0.18	-	-	1,611
Equitas Nominees Pty Limited	381,456	758,146	0.67	376,690	-	6,106

### Investments

The Fund did not hold any investment in The Trust Company (RE Services) Limited or of its affiliates or funds managed by Forager Funds Management Pty Limited during the year (2020: nil).

## 13 Significant events during the year

The Directors continue to assess the potential financial and other impacts of the COVID-19 outbreak to the Fund. The current high-level of uncertainty regarding the severity and length of COVID-19 on investment markets has impacted investment outcomes and increased volatility in investment performance during the year.

At the date of signing, the future impacts of COVID-19 on global and domestic economies and investment market indices, and their resulting impact on the Fund are uncertain. The Directors and management will continue to monitor this situation.

On 1 February 2021, Glenn Foster was appointed as a Non-executive Director.

On 24 March 2020, the Fund announced a 12-month on-market buy-back program. At the end of the program, 4,549,301 units were bought back at an average buy back of \$1.21 per unit.

On 24 March 2021, the Fund announced a 12-month on-market buy-back program. During the year ended 30 June 2021, 53,577 units were bought back at an average buy back of \$1.42 per unit.

There were no other significant events during the year.

## 14 Events occurring after year end

The Directors are not aware of any event or circumstance since the end of the financial year not otherwise addressed within this report that has affected or may significantly affect the operations of the Fund, the results of those operations or the state of affairs of the Fund in subsequent years. The Fund continues to operate as a going concern.



## **15 Contingent assets and liabilities and commitments**

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2021 and 30 June 2020.

## **16 Earnings/(loss) per unit**

Basic earnings/(loss) 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 year.

Diluted earnings/(loss) per unit are the same as basic earnings/(loss) per unit.

	<b>Year ended</b>	
	<b>30 June 2021</b>	<b>30 June 2020</b>
Operating profit/(loss) for the year (\$'000)	<b>99,162</b>	(26,733)
Weighted average number of units in issue ('000)	<b>111,075</b>	113,819
Basic and diluted earnings/(loss) per unit in cents	<b>89.27</b>	(23.49)

## **17 Segment information**

The Fund has only one reportable segment. The Fund operates predominantly in Australia and is engaged solely in investment activities, deriving revenue from dividend and distribution income, interest income and from the sale of its investment portfolio.

## **Directors' declaration**

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 21 to 45 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, 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 30 June 2021 and of its performance for the financial year 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
- (c) Note 2(a) confirms that the financial statements also comply with the International Financial Reporting Standards as issued by the International Accounting Standards Board.

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



Director  
The Trust Company (RE Services) Limited  
Sydney  
31 August 2021



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Ernst & Young  
200 George Street  
Sydney NSW 2000 Australia  
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555  
Fax: +61 2 9248 5959  
ey.com/au

## **Independent Auditor's Report to the Unitholders of Forager Australian Shares Fund**

### **Report on the Audit of the Financial Report**

#### **Opinion**

We have audited the financial report of Forager Australian Shares Fund (the "Fund"), which comprises the statement of financial position as at 30 June 2021, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of Forager Australian Shares Fund is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Fund's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### **Basis for Opinion**

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Fund in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.



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## 1. Investment Existence and Valuation

### Why significant

The Fund has a significant investment portfolio consisting primarily of listed equity securities. As at 30 June 2021, the value of these financial assets, was \$201,631,000 which represented 92% of the total assets of the Fund.

As detailed in the Fund's accounting policy described in Note 2(b) of the financial report, these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standards.

Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and the financial report.

Accordingly, the existence and valuation of the investment portfolio was considered a key audit matter.

### How our audit addressed the key audit matter

We assessed the effectiveness of the controls relating to the existence and valuation of investments.

We obtained and considered the assurance report on the controls of the Fund's administrator in relation to the fund administration services for the year ended 30 June 2021 and considered the auditor's credentials, their objectivity and the results of their procedures.

We agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2021.

We assessed the fair value of all investments in the portfolio held at 30 June 2021. For listed equity securities, the values were verified against independently sourced market prices.

We assessed the adequacy of the disclosures in Note 4 of the financial report in accordance with the requirements of Australian Accounting Standards.

## 2. Management and Performance Fees

### Why significant

Management and performance fees, paid to the Investment Manager, Forager Funds Management Pty Ltd, are the most significant operating expenses for the Fund.

The Fund's accounting policy for management and performance fees is described in Note 12 of the financial report. Performance fees are recognised in the financial report if the performance hurdles for the Fund have been met at the end of the relevant measurement period, which is the date that the performance criteria are met and the obligation has crystallised. All expenses are recognised on an accruals basis.

### How our audit addressed the key audit matter

We assessed the effectiveness of the controls in relation to the calculation of management and performance fees of the Fund's administrator, who has responsibility for the calculations.

We recalculated management fees in accordance with the Fund's Product Disclosure Statement and the Fund's Constitution, including verifying the fee rate to such agreements.

We assessed the performance fee calculation, including testing the inputs into the calculation model and assessed whether the calculation was in line with the Fund's Product Disclosure Statement and the Fund's

## 2. Management and Performance Fees (continued)

Why significant	How our audit addressed the key audit matter
<p>For the year ended 30 June 2021, the management and performance fees totalled \$1,708,000 and \$2,959,000 respectively which represented 31% and 53% respectively of the total expenses.</p> <p>The assessment of the recognition of expenses relating to performance fee arrangements can be complex.</p> <p>Accordingly, the recognition of management and performance fees was considered a key audit matter.</p>	<p>Constitution, including verifying the fee rate to such agreements.</p> <p>We also assessed whether the criteria for accrual of a performance fee liability were met at 30 June 2021.</p> <p>We assessed the adequacy of the disclosures in Note 12 of the financial report in accordance with the requirements of Australian Accounting Standards.</p>

## Information Other than the Financial Report and Auditor's Report Thereon

The Directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Fund's 2021 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors of the Responsible Entity for the Financial Report

The Directors of the Responsible Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors of the Responsible Entity determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors of the Responsible Entity are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Directors of the Responsible Entity either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

## Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Responsible Entity.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the Responsible Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors of the Responsible Entity with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



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From the matters communicated to the Directors of the Responsible Entity, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*Ernst & Young*

Ernst & Young

Rohit Khanna  
Partner  
Sydney  
31 August 2021



**Forager Australian Shares Fund  
Unitholder and Other Information**

The information set out below was applicable as at 31 July 2021.

Additional information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report, is listed below.

**A. Distribution of unitholders**

Analysis of numbers of unitholders by size of holding:

Size of holding	Number of unitholders	Number of units	% of units issued
Ranges			
1 to 1,000	156	74,769	0.07
1,001 to 5,000	294	891,089	0.82
5,001 to 10,000	318	2,464,730	2.26
10,001 to 100,000	1,187	41,259,282	37.82
100,001 and Over	204	64,395,266	59.03
<b>Total</b>	<b>2,159</b>	<b>109,085,136</b>	<b>100.00</b>

The number of unitholders holding less than a marketable parcel of \$501 worth of units is 44 and they hold a total of 2,594 units.

**B. Largest unitholders**

The names of the twenty largest holders of quoted units are listed below:

Name of unitholder	Number of units	% of units issued
BRAZIL FARMING PTY LTD	4,917,882	4.51
TRANSFIELD FINANCE PTY LTD	2,965,051	2.72
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,616,658	2.40
MR IAN WILLIAM TURNBULL <SMALES TURNBULL FAMILY A/C>	1,500,000	1.38
CATRETA PTY LTD	1,475,319	1.35
BNP PARIBAS NOMS(NZ) LTD<DRP>	1,457,685	1.34
MR AARON SHELLEY + MISS TENNILLE SHELLEY <SHELLEY SUPER FUND A/C>	1,384,519	1.27
JELLY PTY LTD <MACLEOD SUPER FUND>	1,247,023	1.14
BIG MAX INDUSTRIES PTY LTD	1,157,335	1.06
SUPER SUPER NO 1 PTY LTD <A&H FIELDING PL STF S/F A/C>	1,035,214	0.95
JELLY PTY LTD <CHALE TRUST>	961,399	0.88
PLATINUM MANAGEMENT GROUP PTY LTD <DIAMOND ASSOCIATES A/C>	936,951	0.86
MR JOHN MICHAEL WOODHEAD + MRS TUTZ WOODHEAD <JT WOODHEAD SUPER FUND A/C>	936,493	0.86
SENEFELDER SERVICES PTY LTD <SENEFELDER SUPER FUND A/C>	912,598	0.84
TROBER NO 57 PTY LTD <KEVANS SUPER FUND A/C>	900,752	0.83
MR GAVIN GERARD DOUGLAS + MRS SALLY MAREE DOUGLAS <DOUGLAS FAMILY S/FUND A/C>	850,000	0.78
MR SCOTT PLUNKETT	791,545	0.73
EQUITAS NOMINEES PTY LIMITED <PB-600098 A/C>	758,146	0.70
ONEILCO PTY LTD <O'NEIL FAMILY SUPER A/C>	700,000	0.64
MR JOHN REILLY	628,741	0.58
<b>Total</b>	<b>28,133,311</b>	<b>25.82</b>

### **C. Substantial holders**

There are no substantial unitholders.

### **D. Voting rights**

Voting rights which may attach to or be imposed on any unit or class of units is as follows:

- (a) On a show of hands every unitholder present will have 1 vote; and
- (b) On a poll every unitholder present will have 1 vote for each dollar of the value of the total interests they have in the Fund.

### **E. Investment Transactions**

The total number of contract notes that were issued for transactions in securities during the financial year was 678. Each investment transaction may involve multiple contract notes.

The total brokerage paid on these contract notes was \$469,686.

### **F. Stock Exchange Listing**

The Fund's units are listed on ASX and are traded under the code "FOR".

### **G. Unquoted Units**

There are no unquoted units on issue.

### **H. Voluntary Escrow**

There are no restricted units in the Fund or units subject to voluntary escrow.

### **I. On-Market Buy-Back**

On 24 March 2020, the Fund announced a 12-month on-market buy-back program. At the end of the program, 4,549,301 units were bought back at an average buy back of \$1.21 per unit.

On 24 March 2021, the Fund announced a 12-month on-market buy-back program. During the year ended 30 June 2021, 53,577 units were bought back at an average buy back of \$1.42 per unit.

### **J. Registered Office of the Responsible Entity**

The Trust Company (RE Services) Limited  
Level 18 Angel Place  
123 Pitt Street  
Sydney NSW 2000  
Telephone: 02 9229 9000

### **K. Unit Registry**

Name:	Link Market Services Limited
Street address:	Level 12, 680 George Street Sydney NSW 2000
Postal address:	Locked Bag A14 Sydney South NSW 1235
Phone (inside Australia):	1800 502 355
Phone (outside Australia):	+61 2 8280 7111
Fax:	+61 2 9287 0303
Email:	registrars@linkmarketservices.com.au
Website	www.linkmarketservices.com.au

### **L. Responsible Entity Company Secretaries**

Sylvie Dimarco  
Gananatha Minithantri  
Mary Kapota



Forager Funds Management  
Level 29, 85 Castlereagh  
Street Sydney NSW 2000

P +61 (0) 2 8277 4812  
W [foragerfunds.com](http://foragerfunds.com)

**Forage**

*verb, for·aged, for·ag·ing.*

to search about; seek; rummage; hunt (for what one wants).