



# Forager Funds Management

Forager Australian Shares Fund Delisting Proposal

Webinar 15 April 2024 12pm AEST

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# Important information

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## Disclaimer

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## Forward-looking statements

This presentation contains some forward-looking statements which reflect the expectations of Forager Funds Management about the future prospects of companies held within the portfolios of the funds. While Forager Funds Management considers its expectations to be based on reasonable grounds, there is no guarantee that those expectations will be met. Actual performance of the portfolio companies will be impacted by a variety of factors, including circumstances that cannot be foreseen, and could differ significantly from the expectations of Forager Funds Management. These statements should therefore not be relied upon as an accurate representation or prediction as to any future matters. Where portfolio companies do not perform in line with Forager Funds Management's expectations, the funds could be adversely impacted.

## General advice only

Forager Funds Management Pty Ltd (ABN 78 138 351 345, AFSL 459312) provides general information to help you understand our investment approach. Any financial advice we provide has not considered your personal circumstances and may not be suitable for you.

## Product Disclosure Statement

The Trust Company (RE Services) Limited (ABN 45 003 278 831 and AFSL No. 235150) is the Responsible Entity and the issuer of the Forager Australian Shares Fund (ARSN No. 139 641 491) and the Forager International Shares Fund (ARSN No. 161 843 778). Before deciding whether to acquire or continue to hold the product, you should read the relevant Product Disclosure Statement (PDS), any ASX notices, and seek advice from investment and taxation professionals to determine if the product is appropriate for your needs. The International Shares Fund Target Market Determination can be found at <https://documents.feprecisionplus.com/tmd/pct/tmd/jcse-fht0032au.pdf>. The Target Market Determination for the Forager Australian Shares Fund will be available from [www.foragerfunds.com](http://www.foragerfunds.com) when required by law. The relevant PDS can be accessed on the website (<https://foragerfunds.com/international-sharesfund-pds/> and <https://foragerfunds.com/australian-shares-fund-pds/>) or by calling +61 (2) 8320 0555.

## Performance

Past performance is not a reliable indicator of future performance. The Trust Company (RE Services) and Forager Funds Management do not guarantee investment performance or distributions, and the value of your investment may rise or fall. Total returns and estimated valuations have been calculated using the mid-point of unit prices, before taxation, after ongoing fees, and assuming reinvestment of distributions. We encourage you to think of investing as a long-term pursuit.

## Defined terms

Terms used in this presentation have the same meaning as those used in the Notice of Meeting and Explanatory Memorandum released to ASX on 5 April 2024. You should read both documents in their entirety.

# Australian Shares Fund Team

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**STEVE JOHNSON**  
CIO & Portfolio  
Manager  
(since fund inception)  
24 years' experience



**ALEX SHEVELEV**  
Portfolio Manager  
(since July 2017)  
18 years' experience



**NICHOLAS PLESSAS**  
Analyst  
(since August 2023)



# Why the delisting proposal?

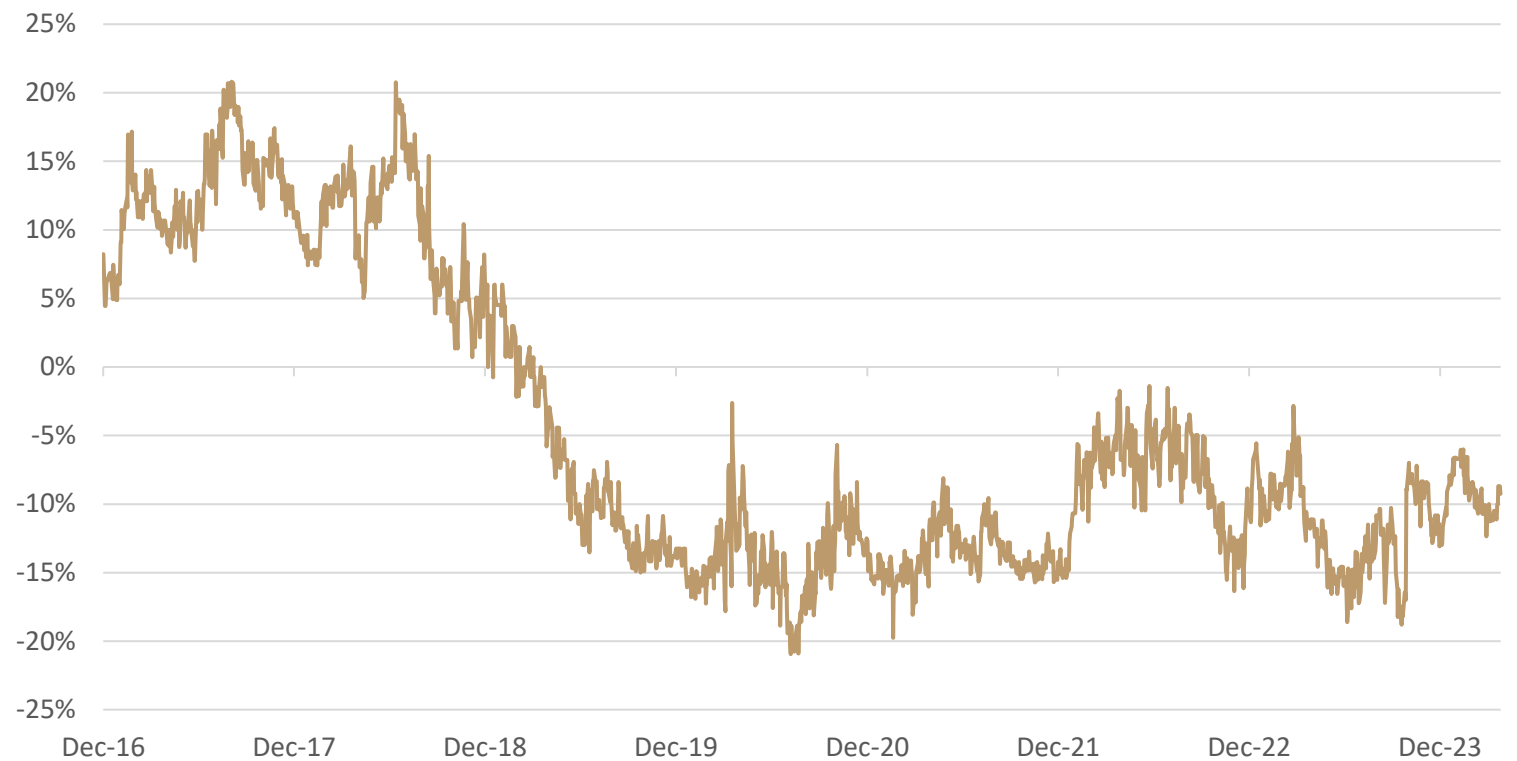
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- Low levels of liquidity in the Units on ASX
- Persistent discount of the market price to the Net Asset Value (NAV)
- Fund better placed to manage liquidity aspects of an open-ended fund

# Discount to NAV

- Net Asset Value of \$1.62, last traded price \$1.48, which is an 8.6% discount (as at 12 April 2024)
- Average discount in the six months prior to announcing the intention to delist was more than 14% to NAV

Premium/discount of the last traded ASX price to the Net Asset Value (NAV) of the Forager Australian Shares Fund

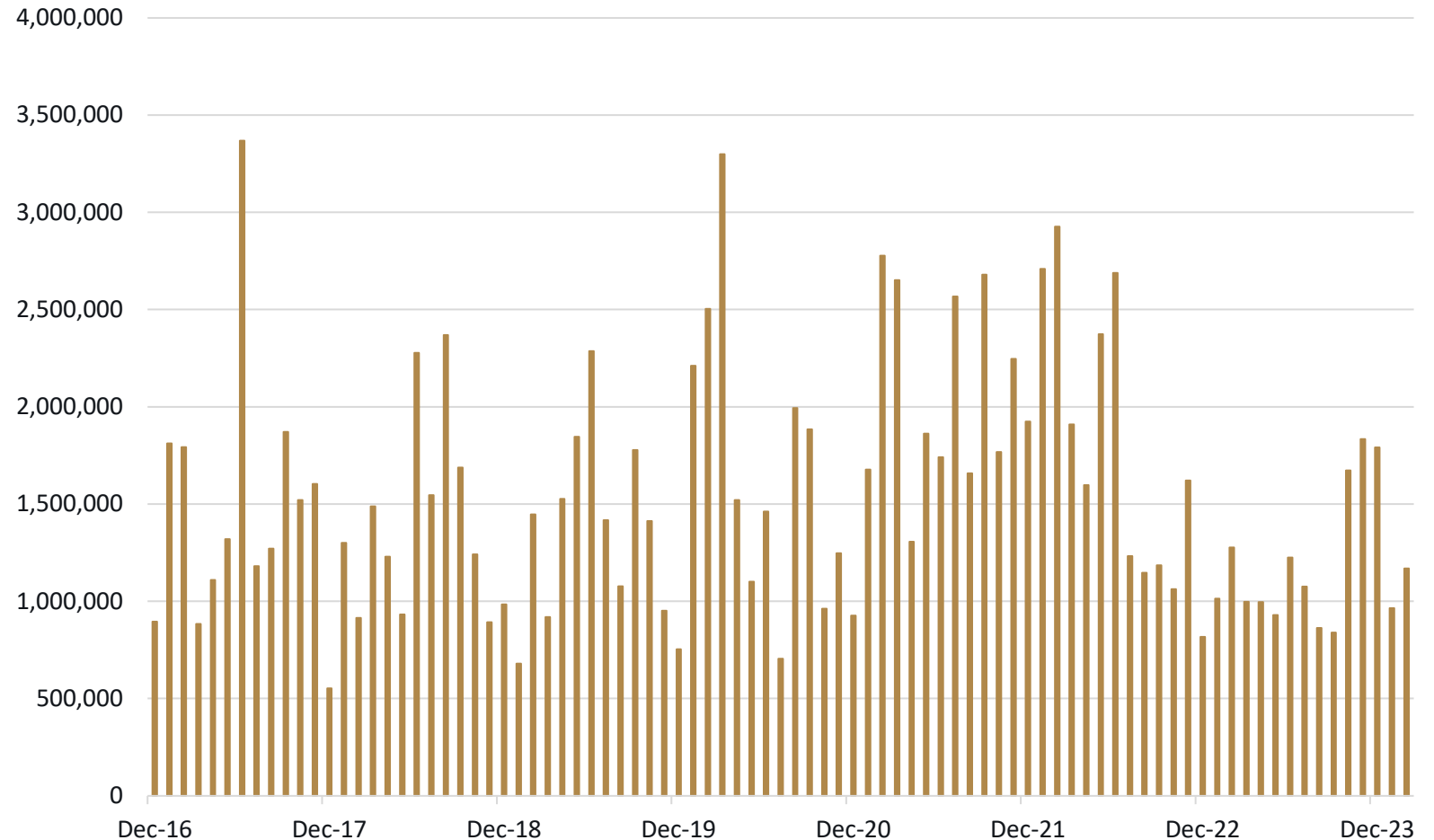


Source: ASX, Forager Funds Management

# Traded volume in FOR

- Traded volume has been low throughout the time the Fund has been listed
- In the six months prior to the RE announcing its intention to pursue a delisting, the average daily traded volume was 37,186 units

Monthly traded volume of FOR since listing

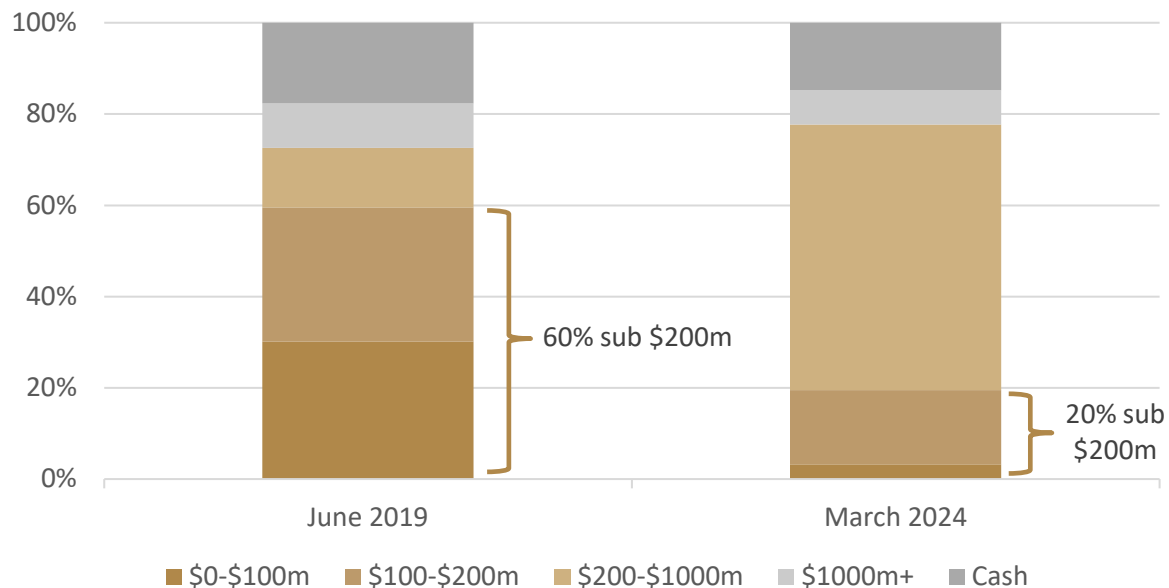


Source: Bloomberg

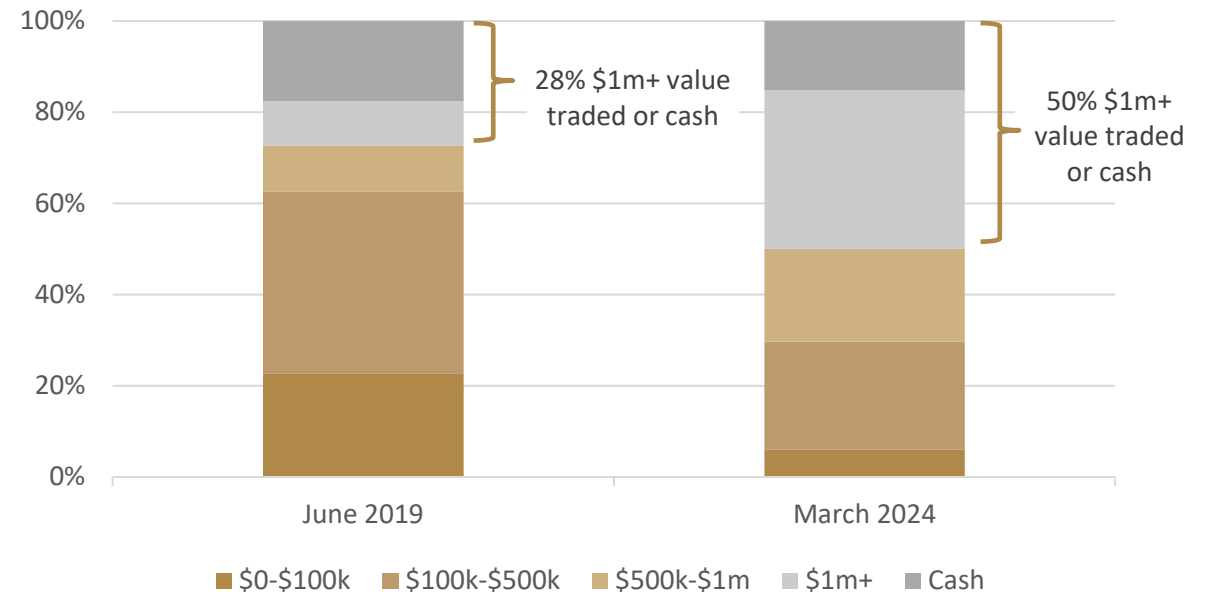
# Improved underlying portfolio liquidity

- Underlying portfolio liquidity has become an increasingly important consideration
- Forager believes underlying portfolio liquidity enhances fund performance by enabling more flexibility
- Added benefit of better protecting against redemption risk

**Market capitalisation of holdings in the Forager Australian Shares Fund**



**Average daily value traded of holdings in the Forager Australian Shares Fund**



Source: Bloomberg, Forager Funds Management

# Proposed changes to FASF

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To pass, the resolutions require 75% of Units voted to be lodged in favour of both resolutions (by number of Units). Should they be passed:

- The Fund will no longer be listed on the ASX and will become an open-ended unit trust
- Performance fee deficits will be amended to a percentage amount
- The recoverable expense fee cap will increase from 0.1% to 0.2%



# How will an open-ended fund work vs. ASX Listed?



Metric	Current (ASX Listed)	Proposed (Unlisted, open-ended)
<b>Liquidity</b>	Dependent on on-market volume and price	Daily liquidity
<b>Pricing</b>	Live market through the ASX trading platform, therefore price is dependent on supply and demand	Pricing is NAV per Unit plus or minus Buy/Sell Spread of +0.20%/-0.20%
<b>Valuation frequency</b>	NAV calculated and published weekly by Administrator; estimate calculated and published daily by Manager	NAV calculated and published daily by Administrator
<b>Settlement</b>	T+2 settlement	Redemption requests will generally be paid within approximately 5 Business Days following acceptance of such request
<b>Minimum trading value</b>	No minimum trading value	Minimum initial investment of \$20,000. Minimum additional investment of \$1,000. Minimum redemption amount of \$10,000
<b>DRP</b>	Currently suspended	Likely to be reinstated, subject to AML/CTF compliance. Unitholders must re-elect to participate in the DRP post Delisting

# Transition period

- There will be a transition fee on redemptions which has a sliding scale to 6 months post delisting
- The transition fee will be maintained as an asset of the Fund to benefit remaining Unitholders

<b>Time since the Units cease to be officially quoted on ASX</b>	<b>Transition Fee applied</b>
<i>Less than 1 month</i>	6%
<i>More than or equal to 1 month and less than 2 months</i>	5%
<i>More than or equal to 2 months and less than 3 months</i>	4%
<i>More than or equal to 3 months and less than 4 months</i>	3%
<i>More than or equal to 4 months and less than 5 months</i>	2%
<i>More than or equal to 5 months and less than 6 months</i>	1%
<i>More than or equal to 6 months</i>	0%

## Recoverable expenses cap

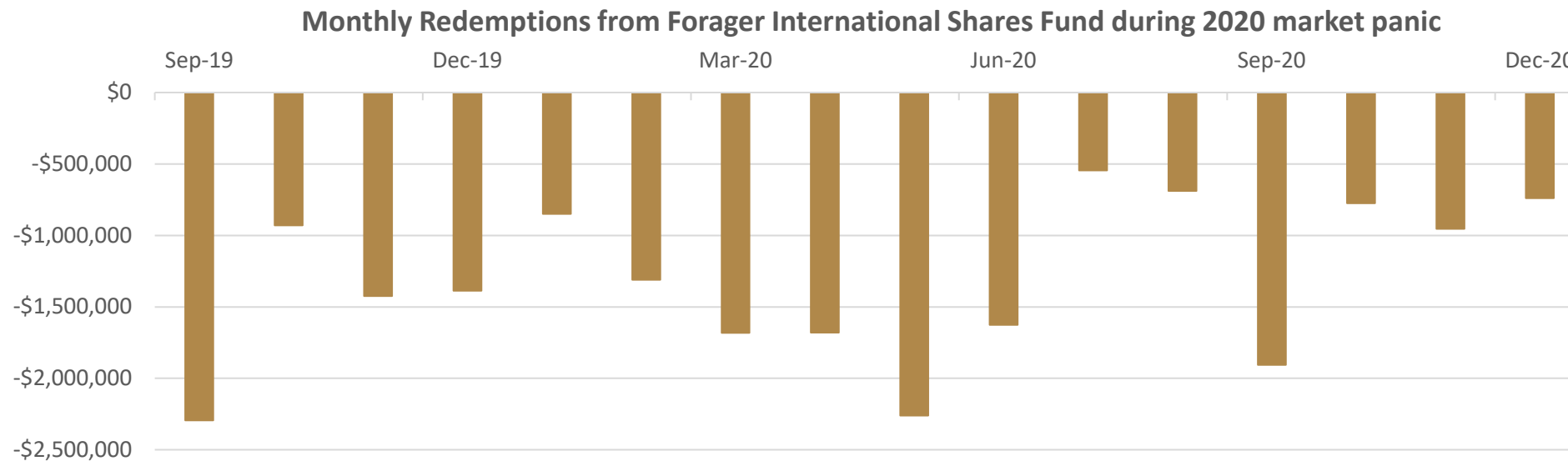
- The Fund is responsible for all fees and expenses associated with its operations, including custody, administration and Responsible Entity fees
- Historically, the ordinary expenses that have been paid by the Fund have been capped at 0.1% per annum of the Fund's net asset value (Recoverable Expenses Cap)
- Ordinary expenses incurred above the Recoverable Expenses Cap have been incurred by the Manager
- If the Delisting occurs, the Responsible Entity has agreed to increase the Recoverable Expenses Cap to 0.2% per annum of the Fund's net asset value
- The increase to the Recoverable Expenses Cap will enable the Manager to be paid the full Management Fee of 1.0% per annum at the current Fund size

## Performance fee deficit

- Currently, where the Fund's return is less than the 8% Hurdle, the Prior Period Deficit is calculated as a dollar value
- The proposed changes to the Performance Fee calculation mean the Prior Period Deficit will now be expressed as a percentage
- Therefore, the amount of future outperformance required to recoup the Prior Period Deficit will be independent of the number of Units on issue
- As at 31 March 2024 there was a Prior Period Deficit of \$4,104,951, or 2.54% of funds under management
- Changes to Constitution and PDS to allow the issuance of new Unit classes that do not benefit from current Prior Period Deficit

# Managing liquidity risks in open-ended Fund

- Underlying Fund liquidity has improved significantly since listing
- The Fund's investor base is diverse, with a wide spread of units held by individual investors, with no investor holding greater than 3% of units
- Forager's investor base has not historically been prone to panic: the redemption behaviour of clients in the Forager International Shares Fund was orderly during the 2020 dysfunctional market



Source: Forager Funds Management

# Timeline if delisting goes ahead





# What action you need to take

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- Please read the NOM and Explanatory Memorandum
- Please vote on the resolutions in the NOM
- Voting can be completed online by:
  - Clicking link within the NOM distribution email sent on 9 April 2024, and following the instructions
  - Logging into your Automic account and clicking “Meetings” on the left hand side, then follow instructions

# Opportunity for long-term investors

- Current NAV of \$1.62 trading at \$1.48 for an 8.6% discount / 9.5% uplift (as at 12 April 2024)
- Fund carrying a significant performance fee deficit – performance fee unlikely for the foreseeable future
- Rebuilding long-term outperformance

## Forager Australian Shares Fund

### PERFORMANCE BY FINANCIAL YEAR SINCE 30 JUNE 2019

	2024 YTD <sup>1</sup>	2023	2022	2021	2020	Cumulative return
<b>Forager Australian Shares Fund</b>	15.9%	17.1%	(27.9%)	87.1%	(18.4%)	49.5%
<b>All Ordinaries Accumulation Index</b>	13.8%	14.8%	(7.4%)	30.2%	(7.2%)	46.1%
<b>Outperformance</b>	<b>2.1%</b>	<b>2.3%</b>	<b>-20.5%</b>	<b>56.9%</b>	<b>-11.2%</b>	<b>3.4%</b>
<b>Small Ordinaries Accumulation Index<sup>2</sup></b>	14.4%	8.4%	(19.5%)	33.2%	(5.7%)	25.5%

Past performance is not indicative of future performance and the value of your investments can rise or fall. All performance figures for this fund are based on the Net Asset Value (NAV), not the market price. Performance returns are calculated net of all fees and expenses.

<sup>1</sup>9 months to 31 March 2024.

<sup>2</sup>Index provided for comparison purposes only. The risk/return profiles of the Fund and this index may differ due to differences in the constituents of each.

Source: S&P Capital IQ



# Questions

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