



# F RAGER

FORAGER AUSTRALIAN SHARES FUND

ARSN 139 641 491

## **APPENDIX 4E**

FOR THE YEAR ENDED 30 JUNE 2018

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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 reporting period from 1 July 2017 to 30 June 2018. The previous corresponding year end was 30 June 2017.

### Results for announcement to the market

	<b>30 June 2018 \$'000</b>	<b>30 June 2017 \$'000</b>	<b>Percentage increase/ (decrease) over corresponding year end</b>
Net assets attributable to unitholders	147,276	150,424	(2.09%)
Revenues from ordinary activities	13,420	32,460	(58.66%)
Net profit attributable to unitholders	10,178	28,017	(63.67%)

### Brief explanation of results

The \$10,178,000 net profit attributable to unitholders for the year represented a 63.67% decrease on the year ended 30 June 2018. Both the decrease in revenue and decrease in net profit were a function of the net portfolio performance for the year of 6.50% which was lower than the 25.16% return for the year ended 30 June 2017.

As of 30 June 2018, the net assets of the Fund were \$147,276,000, a 2.09% decrease from the balance as at 30 June 2017. The decrease in assets was a result of the large distribution payable as at 30 June 2018 which was offset somewhat by the net portfolio performance and additional units issued through the 2017 Distribution Reinvestment Plan.

### Distribution information

	<b>Cents per unit</b>	<b>Total Amount \$'000</b>	<b>Record Date</b>	<b>Date of Payment</b>	<b>Percentage Franked</b>
June 2018	21.2917	19,416	29/06/2018	20/07/2018	4.5%

### Net tangible assets

	<b>30 June 2018</b>	<b>30 June 2017</b>
Net tangible assets per security	\$1.62	\$1.72

### Other information

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

The Fund does not have associates or joint venture entities.

The Fund is not a foreign entity.

Additional Appendix 4E disclosure requirements can be found in the Notes to the Financial Statements for the year ended 30 June 2018.

### Audit

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

Sydney  
29 August 2018



FORAGER AUSTRALIAN SHARES FUND

ARSN 139 641 491

# ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2018


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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 2018

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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  
123 Pitt Street  
Sydney NSW 2000

## Investment Manager's Report

### INTRODUCTION

The Australian Shares Fund delivered a return of 6.5% for the year ended June 2018, underperforming the All Ordinaries Accumulation Index by 7.2%. Over the last five years, an investor's capital has compounded at a rate of 15.8% p.a. against 10.3% p.a. for the benchmark.

Early investors that reinvested their dividends would have grown \$100,000 from inception in 2009 to \$308,389 at 30 June 2018 (ignoring taxes but after all fees and expenses).

*Summary of fund returns as at 30 June 2018 (net of all fees)*

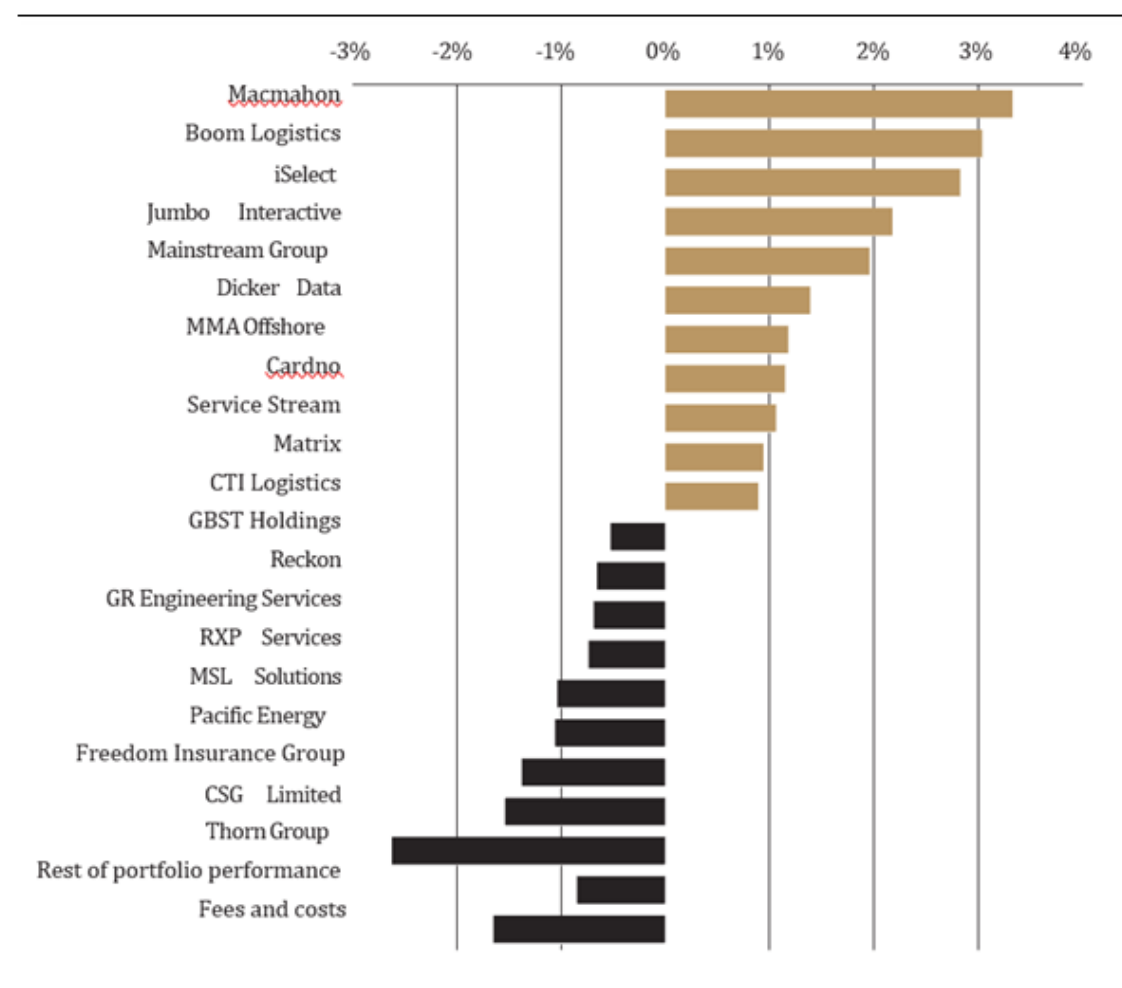
	FASFNAV	S&P All Ords. Accum. Index	Outperformance
1 year	6.50%	13.73%	-7.23%
2 year (p.a.)	15.45%	13.42%	2.03%
3 year (p.a.)	16.32%	9.48%	6.83%
4 year (p.a.)	15.30%	8.52%	6.78%
5 year (p.a.)	15.78%	10.28%	5.50%
6 year (p.a.)	19.06%	11.95%	7.11%
7 year (p.a.)	17.37%	9.02%	8.36%
Since inception (p.a.)	13.87%	8.06%	5.81%
Cumulative	208.39%	95.85%	112.54%

\*Inception 30 October 2009  
Returns use the Net Asset Value (NAV) mid-point and assume reinvestment of all distributions. Investments can go up and down. Past performance is not necessarily indicative of future performance.

The 2018 financial year was a difficult one for value investors in general. Cheap stocks, defined as those trading on low earnings multiples and at low multiples of their book value, have underperformed so-called growth stocks for a number of years now. In the past 12 months, the difference has been stark. The Standard & Poor's Australian Growth Index rose 15.3% in the last financial year. The comparable value index managed only 1.7%. Many of the biggest winners in Australian small stocks were popular growth names like A2 Milk (A2M). This is not an area where we spend much time prospecting for new ideas.

Cash was another drag. With equity prices rising, 25% of the Fund was sitting in cash on average throughout the year. Another 2% return could have been achieved by putting that cash to work, but it is not that simple. During the year, 46% of the portfolio was sold and only 36% reinvested into new or existing opportunities. In a year of relatively high turnover and buoyant markets, we couldn't find a home for the extra cash. There is more selling of successful investments to come, but we continue to work to identify attractive opportunities to shrink the cash pile.

*FASF Contribution for the 12 months ended 30 June 2018*



### Portfolio Highlights

Towards the end of the financial year the Fund sold the last of its investments in Jumbo Interactive (JIN) and Service Stream (SSM). Service Stream has been the Fund's most successful investment ever but with the looming completion of the NBN network it will need to transition towards earnings maintenance revenues. Jumbo has had a stellar run over the past year and the current level of profitability is in line with our expectations and the business is likely to keep growing but the gap between price and value has now dwindled.

The Fund's investments in mining and oil and gas services businesses contributed 12.5% to last year's performance. At 8%, this year's contribution was more reserved, but nothing to sneeze at. Top of the list once again was mining contractor Macmahon (MAH) with a 30% share price appreciation and 3.3% contribution. This performance came at the beginning of the year, when the tussle with CIMIC (CIM) came to an end and the company finalised its contract to work on the giant Indonesian Batu Hijau gold and copper mining project.

## **Portfolio Lowlights**

As with any year, there are stocks for which the investment thesis didn't work out. For most we reassessed and moved on early.

Reckon (RKN) was the biggest of these. It started the year as an investment worth 8.1% of the portfolio. By late July its weighting was zero. Reckon's accounting software is losing out to bigger competitors in the small business space and the company went through a convoluted transaction to list a small unit in London. On reviewing our valuation for Reckon's software for large accounting practices, we found that it was unlikely to be worth as much as first thought. Despite that, a bid by MYOB (MYO) valued that unit at what seemed like a sky-high sum. With concerns about approvals from competition authorities on both sides of the Tasman though, MYOB walked away from the deal in May. It now leaves Reckon in trouble and with a share price 38% below the start of the year.

Smart Parking (SPZ) was another where we rethought our thesis and moved on. And that was before the stock doubled, then halved. Over the next few years the company will have to make good on its promises and deliver strong growth. Another in this bucket was RXP (RXP). Having accumulated a small holding in what seemed like an attractively priced capital raising, a management update left us doubting our estimates of sustainable profitability. We sold and moved on. Together these two stocks cost the Fund 0.9%.

The thesis has also been questioned for Thorn Group (TGA), where we continue to add to our investment. Thorn was true to its name this year, costing the Fund 2.6%. It was the greatest detractor from performance in the portfolio. A litany of issues faced the business but its core unit, Radio Rentals, has a place in the world. With net tangible assets double the current market capitalisation and plenty of upside if things go well, we remain holders.

## **New Stocks Already Contributing**

While not as many as we would have liked, the Fund did add a few large new positions in the past year. Three have made it into the top five holdings at year-end: iSelect (ISU), Freedom Insurance (FIG) and MMA Offshore, already discussed above.

iSelect, the comparison website, is the largest of the group, and at year end was 8.4% of the Fund. Despite buying the stock in late April it contributed 2.8% to the year's performance. We were prepared to wait for value to be realised, but corporate interest from the biggest competitor brought some heat to the share price. For more on this one please see the June Quarterly Report.

Freedom Insurance's share price went the other way, costing the Fund 1.4%. This insurance distributor is a young and growing business, underpinned by assets and launching new products. A large and attractively priced acquisition in April should give the business more flexibility to grow.

For both of these stocks it is too early to make a call on whether our investment thesis was correct. Both are working their way through problems, but we expect to be rewarded for holding them over time.

## **Large Distribution**

The distribution for the past year was 21.29 cents per unit, which sounds high when compared to returns of 6.5% for the year. The difference lies in the Fund selling stocks that have positively contributed to performance over a few years. These sales cause the Fund to actually distribute those realised gains to our unitholders.

Investors shouldn't expect distributions of this magnitude every year. The Fund invests in stocks mostly for capital gains. Returns and distributions are likely to be lumpy.

While the 2018 financial year was a relatively disappointing year of performance, it comes at the end of a six-year run of outstanding returns. Running a concentrated portfolio and often investing in unloved stocks, we fully expect periods of underperformance. Indeed, it is these periods which allow us to put cash to work at attractive rates of return and we look forward to doing more of that over the coming 12 months.

**Forager Australian Shares Fund**  
**Investments at Market Value**  
**As at 30 June 2018**

**Investments at Market Value**

	\$	%		\$	%
<b>ENERGY</b>			<b>CAPITAL GOODS</b>		
MATRIX COMPOSITES & ENGINEERING LIMITED	5,529,530	4.46%	BOOM LOGISTICS LIMITED	4,292,611	3.46%
	<b>5,529,530</b>	<b>4.46%</b>	CARDNO LIMITED	2,961,926	2.39%
<b>MEDIA</b>			LOGICAMMS LIMITED	1,402,934	1.13%
ENERO GROUP LIMITED	10,672,305	8.62%	MACMAHON HOLDINGS LTD	15,700,540	12.80%
NZME LIMITED	7,991,744	6.45%		<b>24,358,011</b>	<b>19.78%</b>
	<b>18,664,049</b>	<b>15.07%</b>	<b>COMMERCIAL AND PROF. SERVICES</b>		
<b>DIVERSIFIED FINANCIALS</b>			3P LEARNING LIMITED	2,260,268	1.82%
MAINSTREAM GROUP HOLDINGS LIMITED	7,536,489	6.08%		<b>2,260,268</b>	<b>1.82%</b>
	<b>7,536,489</b>	<b>6.08%</b>	<b>RETAILING</b>		
<b>REAL ESTATE</b>			THORN GROUP LIMITED	7,680,176	6.20%
DEVINE LIMITED	389,027	0.31%		<b>7,680,176</b>	<b>6.20%</b>
	<b>389,027</b>	<b>0.31%</b>	<b>TECHNOLOGY HARDWARE &amp; EQUIPMENT</b>		
<b>SOFTWARE &amp; SERVICES</b>			DICKER DATA LIMITED	5,174,537	4.18%
GBST HOLDINGS LIMITED	3,648,516	2.94%		<b>5,174,537</b>	<b>4.18%</b>
MSL SOLUTIONS LIMITED	4,175,837	3.37%	<b>TELECOMMUNICATION SERVICES</b>		
RECKON LIMITED	880,188	0.71%	CSG LIMITED	4,808,168	3.88%
	<b>8,704,541</b>	<b>7.02%</b>		<b>4,808,168</b>	<b>3.88%</b>
<b>INSURANCE</b>			<b>TRANSPORTATION</b>		
FREEDOM INSURANCE GROUP LIMITED	10,038,006	8.11%	CTI LOGISTICS LTD	6,342,200	5.12%
ISELECT LTD	13,445,218	10.86%	MMA OFFSHORE LIMITED	8,810,906	7.11%
	<b>23,483,224</b>	<b>18.97%</b>		<b>15,153,106</b>	<b>12.23%</b>
<b>UNLISTED</b>			<b>TOTAL</b>	<b>123,767,350</b>	<b>100%</b>
CENTREBET INTERNATIONAL LIMITED LITIGATION CLAIM UNIT	11,880	0.00%			
CENTREBET INTERNATIONAL LIMITED LITIGATION CLAIM RIGHT	11,880	0.00%			
BROOKFIELD AUSTRALIAN OPPORTUNITIES TRUST UNLISTED	2,464	0.00%			
	<b>26,224</b>	<b>0.00%</b>			



## Forager Australian Shares Fund ARSN 139 641 491

### Corporate Governance Statement

For the year ended 30 June 2018

#### Background

The Trust Company (RE Services) Limited ("**Responsible Entity**") is the responsible entity for the Forager Australian Shares Fund ("**Trust**"), 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 and risk, finance) and financial resources. During the year and up to the date of this report, Perpetual has at all times made such resources available to the Responsible Entity.

In operating the Trust the Responsible Entity's overarching principle is to always act in good faith and in the best interests of the Trust's unitholders, in accordance with our fiduciary duty. The Responsible Entity's duties and obligations in relation to the Trust principally arise from: the Constitution of the Trust; the Compliance Plan for the Trust; the Corporations Act 2001 ("**Act**"); the ASX Listing Rules; the Responsible Entity's Australian Financial Services License; 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 Principles and Recommendations (ASX Principles).

The Directors of the Responsible Entity are committed to implementing high standards of corporate governance in operating the Trust and, to the extent applicable to registered schemes, are guided by the values and principles set out in Perpetual's Corporate Responsibility Statement and the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("**Principles**"). The Responsible Entity is pleased to advise that, to the extent the Principles are applicable to registered schemes; its practices are largely consistent with the Principles.

As a leading independent responsible entity, the Responsible Entity operates a number of registered managed investment schemes ("**Schemes**"). The Schemes include the Trust as well as other schemes that are listed on the ASX. The Responsible Entity's approach in relation to corporate governance in operating the Trust 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 Trust, for the year ended 30 June 2017. This corporate governance statement is current as at the date of the Trust's financial report and has been approved by the Responsible Entity board.

### Principle 1 – Lay solid foundations for management and oversight

The role of the Responsible Entity's Board ("RE 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 acting in the best interests of the unitholders of each of the Schemes. The RE Board is accountable to the unitholders of each of the Schemes, and is responsible for approving the Responsible Entity's overall objectives and overseeing their implementation in discharging their duties and obligations and operating the Schemes.

The role of the Responsible Entity's management is to manage the business of the Responsible Entity in operating the Schemes. The RE Board delegates to management all matters not reserved to the RE Board, including the day-to-day management of the Responsible Entity and the operation of the Schemes. Directors, management and staff are guided by Perpetual's Code of Conduct which is designed to assist them in making ethical business decisions.

### Principle 2 – Structure the board to add value

At present the RE Board consists of four executive directors and three alternate directors. The names of the current Directors and year of appointment is provided below:

Name of Director	Year of appointment
Christopher Green	2014
Michael Vainauskas	2015
Glenn Foster	2015
Vicki Riggio	2018
Gillian Larkins (Alternate)	2017
Andrew McIver (CFO) ex D	2017
Phillip Blackmore (CFO) ex D	2018

As the RE Board consists of only executive directors, a Compliance Committee is appointed in relation to each of the Schemes (refer to Principle 7). The Committee has a majority of independent members and is chaired by an independent member who is not the chair of the RE Board.

### Principle 3 – Promote ethical and responsible decision-making

The Responsible Entity has a Code of Conduct and espoused Core Values and a further values framework known as the "Way we Work" within which it carries on its business and deals with its stakeholders. These apply to all directors and employees of Perpetual, and the Responsible Entity. The Code of Conduct 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 is available on Perpetual's website ([www.perpetual.com.au](http://www.perpetual.com.au)).

### Principle 4 – Safeguard integrity in financial reporting

The functions of an audit committee are undertaken by the full board of the RE with assistance from RE's management.

The declarations under section 295A of the *Corporations Act 2001* (the Act) provide formal statements to the RE Board in relation to the Trust (refer to Principle 7). The declarations confirm the matters required by the Act in connection with financial reporting. The Responsible Entity receives confirmations from the service providers involved in financial reporting and management of the Trust, including the Investment Manager, which assist its staff in making the declarations provided under section 295A of the Act.

The Responsible Entity manages the engagement and monitoring of independent 'external' auditors for the Trust. The RE Board receives periodic reports from the external auditors in relation to financial reporting and the compliance plan for the Trust.

## **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 Act and the ASX Listing Rules in relation to the Trust. 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 Trust, is disclosed to the market. The Responsible Entity's employees assist management and/or the Directors in making disclosures to the ASX after appropriate consultation. The Responsible Entity requires service providers, including the Investment Manager, to comply with its policy in relation to continuous disclosure for the Trust.

## **Principle 6 – Respect the rights of unitholders**

The Responsible Entity is committed to ensuring timely and accurate information about the Trust is available to security holders via the Trust's website. All ASX announcements are promptly posted on the Trust'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 Responsible Entity has an active program for effective communication with the unitholders and other stakeholders in relation to Trust.

The Responsible Entity handles any complaints received from unitholders in accordance with Perpetual's Complaints Handling Policy. The Responsible Entity is a member of the Financial Ombudsman Service, an independent dispute resolution body, which is available to unitholders in the event that any complaints cannot be satisfactorily resolved by the Responsible Entity in relation to the Trust.

## **Principle 7 – Recognise and manage risk**

The RE values the importance of robust risk management systems and maintains a current risk register as part of its formal risk management program. The RE has established a Compliance Committee, comprised of Virginia Malley (Chairperson), Michelene Collopy and Michael Vainauskas. The Compliance Committee meets at least quarterly. In 2017/18 financial reporting period all four meetings held were attended by all Compliance Committee members. The Compliance Committee Charter sets out its role and responsibilities, which is available upon request to this statement. The Compliance Committee is responsible for compliance matters regarding the RE's Compliance Plan and Constitution and the Corporations Act. Perpetual's Audit, Risk and Compliance Committee is responsible for oversight of the Perpetuals risk management and internal control systems. The Audit, Risk and Compliance Committee is comprised of Ian Hammond, Philip Bullock, Nancy Fox, P Craig Ueland. In 2017/18 financial reporting period there were six meetings held which were attended by all members. The Audit, Risk and Compliance Committee terms of reference sets out its role and responsibilities. This can be obtained on the Perpetual website. The majority of the Compliance Committee and the Audit, Risk and Compliance Committee members are independent. They are chaired by independent members.

The RE manages the engagement and monitoring of independent external auditors for the Trust. The RE board receives periodic reports in relation to financial reporting and the compliance plan audit outcomes for the Trust.

Perpetual has a risk management framework in place which is reviewed annually. The declarations under section 295A of the Act provide assurance regarding sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. The RE also receives appropriate declarations from the service providers involved in financial reporting.

Perpetual has an internal audit function which reports to Perpetual's Audit and Risk Compliance Committee, and for administrative purposes, the Perpetual Chief Risk Officer and is independent from the external auditor. Perpetual's Audit and Risk Compliance Committee reviews the annual Internal Audit Plan and also reviews reports issued by the Head of Internal Audit.

The Fund currently has no material exposure to economic, environmental and sustainability risk.



**Principle 8 – Remunerate fairly and responsibly**

The fees and expenses which the RE is permitted to pay out of the assets of the Trust are set out in the Trust constitution. The Trust financial statements provide details of all fees and expenses paid by the Trust during the financial period.

## Directors' Report

The Directors of The Trust Company (RE Services) Limited (part of Perpetual Limited) (ABN 45 003 278 831, AFSL 235150), the Responsible Entity of Forager Australian Shares Fund ("FOR"), present their report together with the financial statements of Forager Australian Shares Fund (the "Fund") for the year ended 30 June 2018.

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

### Principal activities

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

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

The Fund did not have any employees during the year.

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

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

### Directors

The following persons held office as Directors of The Trust Company (RE Services) Limited during the year or since the end of the year and up to the date of this report:

Andrew Cannane (resigned 23 February 2018)  
 Glenn Foster  
 Christopher Green  
 Michael Vainauskas  
 Andrew McIver (Alternate Director for Michael Vainauskas)  
 Vicki Riggio (appointed 20 April 2018)  
 Vicki Riggio (Alternate Director for Christopher Green) (appointed 24 November 2017, resigned 20 April 2018)  
 Vicki Riggio (Alternate Director for Andrew Cannane) (resigned 23 February 2018)  
 Rodney Ellwood (Alternate Director for Christopher Green) (resigned 24 November 2017)  
 Gillian Larkins (Alternate Director for Glenn Foster) (appointed 14 July 2017)  
 Neil Wesley (Alternate Director for Glenn Foster) (resigned 14 July 2017)  
 Philip Blackmore (Alternate Director for Christopher Green and Vicki Riggio) (appointed 6 July 2018)

Directors were in office for this entire period except where stated otherwise.

### Units on Issue

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

	<b>30 June 2018 No.</b>	30 June 2017 No.
Units on issue	<b>91,188,438</b>	87,639,682

### 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.

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

	<b>Year ended 30 June 2018</b>	30 June 2017
Operating profit/(loss) for the year (\$'000)	<b>10,178</b>	28,017

**Forager Australian Shares Fund**  
**Directors' Report**  
**For the year ended 30 June 2018**  
(continued)

**Review and results of operations (continued)**

	<b>Year ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
<i>Distributions</i>		
Distributions paid and payable (\$'000)	<b>19,416</b>	9,799
Distributions (cents per unit)	<b>21.2917</b>	11.1808

**Financial Position**

As at 30 June 2018, the Fund's total assets amounted to \$167,082,000 (30 June 2017: \$162,362,000).

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

	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
At reporting period*	<b>1.83</b>	1.83
High during period	<b>1.91</b>	1.84
Low during period	<b>1.73</b>	1.57

\* The above NTA per unit was the cum-price which includes 21.29 cents per unit distribution (2017: 11.18 cents per unit).

**Significant changes in state of affairs**

The Fund has amended its Constitution to change the obligation to distribute trust income to unitholders as at 30 June 2018 as part of a process to become eligible to elect into the new Attribution Managed Investment Trust ("AMIT") tax regime.

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

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

Phillip Blackmore was appointed as an alternate director for Christopher Green and Vicki Riggio on 6 July 2018.

No other matter or circumstance has arisen since 30 June 2018 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 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**

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to the officers of The Trust Company (RE Services) Limited. So long as the officers of The Trust Company (RE Services) Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.



**Indemnification of auditor**

The auditor of the Fund is 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 Fund property during the year are disclosed in Note 16 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 interests in the Fund held by the Responsible Entity or its associates as at the end of the financial year are disclosed in Note 16 to the financial statements.

**Interests 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.

**Non-audit services**

Ernst & Young continues as the Fund's auditor.

The non-audit services performed by the auditor are disclosed in Note 13 to the financial statements.

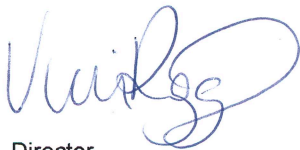
**Rounding of amounts to the nearest thousand dollars**

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 13.

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



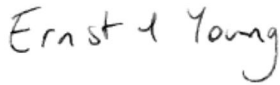
Director  
The Trust Company (RE Services) Limited

Sydney  
29 August 2018

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

As lead auditor for the audit of Forager Australian Shares Fund for the financial year ended 30 June 2018, 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



Rohit Khanna  
Partner  
Sydney  
29 August 2018

**Forager Australian Shares Fund**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2018**

**Statement of Comprehensive Income**

		<b>Year ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2018</b>	<b>2017</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Investment income</b>			
Interest income		<b>655</b>	401
Dividend and distribution income		<b>3,038</b>	3,732
Net gains/(losses) on financial instruments held at fair value through profit or loss	5	<b>9,260</b>	27,974
Expense reimbursement income	16	<b>467</b>	338
Other operating income		-	15
<b>Total investment income/(loss)</b>		<b>13,420</b>	32,460
<b>Expenses</b>			
Responsible Entity's fees	16	<b>153</b>	138
Management fees	16	<b>1,624</b>	1,377
Performance fees	16	<b>958</b>	2,504
Administration fees		<b>120</b>	105
Custody fees		<b>36</b>	30
Transaction costs		<b>104</b>	125
Registry fees		<b>26</b>	13
Other operating expenses		<b>221</b>	151
<b>Total operating expenses</b>		<b>3,242</b>	4,443
<b>Operating profit/(loss)</b>		<b>10,178</b>	28,017
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders*	8	<b>(19,416)</b>	(9,799)
(Increase)/decrease in net assets attributable to unitholders*	7	<b>9,238</b>	(18,218)
<b>Profit/(loss) for the year</b>		-	-
<b>Other comprehensive income</b>		-	-
<b>Total comprehensive income for the year</b>		-	-

\* Net assets attributable to unitholders are reclassified from liabilities to equity as at 30 June 2018. Refer to Note 1 and Note 7 for further detail.

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



**Forager Australian Shares Fund**  
**Statement of Comprehensive Income**  
**For the year ended 30 June 2018**  
(continued)

		<b>Year ended</b>	
		<b>30 June</b>	30 June
		<b>2018</b>	2017
		<b>Cents</b>	Cents
	Notes		
<b>Earnings per unit for profit attributable to unitholders of the Fund</b>			
Basic earnings per unit	14	<b>11.19</b>	33.55
Diluted earnings per unit	14	<b>11.19</b>	33.55

*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 2018**

**Statement of Financial Position**

		<b>As at</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2018</b>	<b>2017</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Assets</b>			
Cash and cash equivalents	9	<b>43,139</b>	29,692
Receivables	11	<b>175</b>	289
Financial assets held at fair value through profit or loss	6	<b>123,768</b>	132,381
<b>Total assets</b>		<b>167,082</b>	162,362
<b>Liabilities</b>			
Payables	12	<b>390</b>	2,139
Distributions payable	8	<b>19,416</b>	9,799
<b>Total liabilities (30 June 2017: excluding net assets attributable to unitholders)</b>		<b>19,806</b>	11,938
<b>Net assets attributable to unitholders - liability*</b>	7	-	150,424
<b>Net assets attributable to unitholders - equity*</b>	7	<b>147,276</b>	-

\* Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to Note 1 for further detail.

*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 2018**

**Statement of Changes in Equity**

	<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Total equity at the beginning of the year</b>	-	-
<b>Comprehensive income for the year</b>		
Profit/(loss) for the year	-	-
Other comprehensive income	-	-
<b>Total comprehensive income</b>	-	-
Transactions with owners in their capacity as owners	-	-
Reclassification due to AMIT tax regime implementation*	<b>147,276</b>	-
<b>Total equity at the end of the year*</b>	<b>147,276</b>	-

\* As at 30 June 2018, the Fund's units have been reclassified from financial liability to equity. Refer to Note 1 and Note 7 for further detail.

*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 2018**

**Statement of Cash Flows**

		<b>Year ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2018</b>	<b>2017</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		<b>77,097</b>	35,705
Purchase of financial instruments held at fair value through profit or loss		<b>(58,864)</b>	(66,028)
Interest income received		<b>639</b>	372
Dividends and distributions received		<b>2,678</b>	3,373
Expense reimbursement fees received		<b>473</b>	238
Other operating income received		<b>-</b>	15
Responsible Entity's fees paid		<b>(108)</b>	(106)
Management fees paid		<b>(1,623)</b>	(1,320)
Performance fees paid		<b>(2,712)</b>	(923)
Transaction costs paid		<b>(104)</b>	(126)
Other operating expenses paid		<b>(320)</b>	(212)
<b>Net cash inflow/(outflow) from operating activities</b>	10(a)	<b>17,156</b>	(29,012)
<b>Cash flows from financing activities</b>			
Proceeds from applications by unitholders		<b>-</b>	42,377
Payments for redemptions by unitholders		<b>-</b>	(4,842)
Distributions paid		<b>(3,709)</b>	(3,646)
<b>Net cash inflow/(outflow) from financing activities</b>		<b>(3,709)</b>	33,889
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>13,447</b>	4,877
Cash and cash equivalents at the beginning of the year		<b>29,692</b>	24,815
<b>Cash and cash equivalents at the end of the year</b>	9	<b>43,139</b>	29,692
Non-cash financing activities	10(b)	<b>6,090</b>	7,010

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

## **Notes to the Financial Statements**

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## **1 General information**

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

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

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

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the *Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016*. The Attribution Managed Investment Trust ("AMIT") regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. In order to allow the Fund to elect into the AMIT tax regime, the Fund's Constitution has been amended and the other conditions to adopt the AMIT tax regime have been met. The Responsible Entity is therefore no longer contractually obligated to pay distributions. Consequently the units in the Fund have been reclassified from a financial liability to equity on 30 June 2018, see Note 7 for further information.

The financial statements of the Fund are for the year ended 30 June 2018. The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the Directors on the date the Directors' Declaration was signed. 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 unit trust 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 do not distinguish between current and non-current. All balances are expected to be recovered or settled within twelve months, except for investments in financial assets and net assets attributable to unitholders. The amount expected to be recovered or settled within twelve months after the end of each reporting period cannot be reliably determined.

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

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

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

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2017 that have a material impact on the Fund.

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

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

#### *(iii) New standards and interpretations not yet adopted*

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2018 reporting period and have not been early adopted by the Fund. The Directors' assessment of the impact of these new standards (to the extent relevant to the Fund) and interpretations is set out below:

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

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

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

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

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

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

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

#### *(i) Classification*

The Fund's investments are classified as at fair value through profit or loss. They comprise:

- Financial instruments designated at fair value through profit or loss upon initial recognition

These include financial assets that are not held for trading purposes and which may be sold at any time prior to maturity. These are investments in Australian listed and unlisted securities.

Financial assets designated at fair value through profit or loss at inception are those that are managed and their performance 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.

#### *(ii) Recognition/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.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or the Fund has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognised when the obligation under the liabilities are discharged.

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

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

#### *(iii) Measurement*

##### *Financial instruments held at fair value through profit or loss*

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

Subsequent to initial recognition, all financial assets and financial liabilities 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 instruments held at fair value through profit or loss in the period in which they arise.

For further details on how the fair value of financial instruments is determined, please see Note 4 to the financial statements.

#### *(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.

### **(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 unit back to the Fund.

The Fund is a closed-end Fund and is not subject to applications and redemptions.

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.

As at 30 June 2017, net assets attributable to unitholders are classified as a financial liability. As at 30 June 2018, the Fund's units have been reclassified from financial liability to equity as they satisfied all the above criteria.

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

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents include cash on hand, deposits held at call with financial institutions, and other short term, highly liquid investments with original maturities of three months or less from the date of acquisition that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

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

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

Interest income on cash and cash equivalents is recognised in the Statement of Comprehensive Income on an accruals basis.

Changes in fair value of financial instruments held at fair value through profit or loss are recorded in accordance with the policies described in Note 2(b) to the financial statements.

Dividend 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.

Trust distributions are recognised on an entitlement basis.

Other income is recognised on an accruals basis.

### **(f) Expenses**

All expenses 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.

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

### **(h) Distributions**

The Fund may distribute its distributable income annually, in accordance with the Fund's Constitution, to unitholders by cash or reinvestment. The distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

### **(i) Increase/decrease in net assets attributable to unitholders**

Income not distributed is included in net assets attributable to unitholders. Where the Fund's units are classified as financial liabilities, movements in net assets attributable to unitholders are recognised in the Statement of Comprehensive Income as finance costs.

### **(j) Receivables**

Receivables may include amounts for dividends, interest and trust distributions. Dividends and trust distributions are accrued when the right to receive payment is established. Where applicable, interest is accrued on a daily basis. Amounts are generally received within 30 days of being recorded as receivables.

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

Collectability of receivables is reviewed on an ongoing basis. Receivables which are known to be uncollectable are written off by reducing the carrying amount directly. The amount of the impairment loss is recognised in the Statement of Comprehensive Income within other expenses. Subsequent recoveries of amounts previously written off are credited against other expenses in the Statement of Comprehensive Income.

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

### **(k) Payables**

Payables include liabilities, accrued expenses owed by the Fund and any distributions declared which are unpaid as at the end of the reporting period.

A separate distribution payable is recognised in the Statement of Financial Position.

Distributions declared effective 30 June in relation to unitholders who have previously elected to reinvest distributions are recognised as reinvested effective 1 July of the following financial year.

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

The GST incurred on the costs of various services provided to the Fund by third parties such as investment management fees have been passed onto the Fund. The Fund qualifies for Reduced Input Tax Credits (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.

### **(m) 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.

For more information on how fair value is calculated please refer to Note 4 to the financial statements.

### **(n) Rounding of amounts**

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

### **(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**

The Fund's activities expose it to a variety of financial risks: market risk including price risk and interest rate risk, credit risk and liquidity risk.

All securities investments present a risk of loss of capital. The maximum loss of capital on long equity is limited to the fair value of those positions.

The Fund's overall risk management programme focuses on ensuring compliance with the Fund's Product Disclosure Statement. It also seeks to maximise the returns derived for the level of risk to which the Fund is exposed and seeks to minimise potential adverse effects on the Fund's financial performance. The management of these risks is conducted by the Fund's Investment Manager who manages the Fund's assets in accordance with its investment objective.

The Investment Manager of the Fund is aware of the risks associated with the business of investment management. A financial risk management framework has been established by the Fund's Investment Manager who conducts regular assessment processes in order to ensure that procedures and controls are adequately managing the risks arising from the Fund's investment activities.



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

This framework includes:

- Integrated computer systems and processes with checks and balances;
- Policies and procedures covering operations;
- Post-trade investment compliance monitoring;
- Segregation of the dealing and investment management function from the administration and settlement function;
- An independent service provider for the valuation of securities; and
- A compliance function within the Investment Manager with a separate reporting line from the portfolio management team.

Compliance is integrated into the day to day operations of the Responsible Entity Services team, a Perpetual Corporate Trust (CT) business unit.

The Responsible Entity also has in place a framework to identify, control, report and manage compliance and business obligations, and to ensure that the interests of unitholders in the Fund are protected.

This framework includes:

- Policies and procedures;
- Committee and board reporting;
- Staff training;
- Formal service provider agreements;
- Compliance reporting by the Investment Manager, Investment Administrator and Custodian (the "Service Providers");
- Regular reviews of Service Providers; and
- Monitoring of Responsible Entity Services compliance in accordance with Risk and Control Self-Assessment methodology.

Responsible Entity Services team is ultimately responsible for compliance monitoring. The Responsible Entity Services team includes the roles of Head of Responsible Entity Services, Senior Risk Manager, Senior Manager - Corporate Clients and Client Manager - Corporate Clients.

Responsible Entity Services undertakes monitoring reviews of the Fund's Service Providers, focusing on the general control environment and investment management, administration and custodial functions as provided to the Responsible Entity of the Fund. This is conducted to ensure that the Service Providers continue to satisfy their obligations as detailed within the relevant service agreement entered into with the Responsible Entity.

The Fund uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of market risk and ratings analysis for credit risk.

#### **(a) 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.

The Fund is exposed to market risks influencing investment valuations.

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

Price risk is the risk that the value of an instrument will fluctuate as a result of changes in market prices, whether caused by factors specific to an individual investment, its issuer or all factors affecting instruments traded in the market.

As the majority of the Fund's investments are carried at fair value with fair value changes recognised in the Statement of Comprehensive Income, all changes in market conditions will directly affect net investment income.

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

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

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

At 30 June, the overall net market exposures were as follows:

	<b>As at</b>	
	<b>30 June 2018 \$'000</b>	<b>30 June 2017 \$'000</b>
Listed equity securities	<b>123,742</b>	131,922
Unlisted equity securities and unit trusts	<b>26</b>	459
	<b>123,768</b>	132,381

The Fund mitigates price risk and related concentration risk through diversification and a careful selection of securities and other financial instruments in accordance with the Fund's investment guidelines.

The table in Note 3(b) summarises the impact of an increase/decrease of underlying investment prices on the Fund's operating profit and net assets attributable to unitholders. The analysis is based on the assumption that the underlying investment prices changed by +/- 10% (2017: +/- 10%) from the year end prices with all other variables held constant.

##### (ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The table below summarises the Fund's exposure to interest rate risks at the end of the reporting period.

#### As at 30 June 2018

	<b>Floating interest rate \$'000</b>	<b>Fixed interest rate \$'000</b>	<b>Non- interest bearing \$'000</b>	<b>Total \$'000</b>
<b>Assets</b>				
Cash and cash equivalents	<b>43,139</b>	-	-	<b>43,139</b>
Receivables	-	-	<b>175</b>	<b>175</b>
Financial assets held at fair value through profit or loss	-	-	<b>123,768</b>	<b>123,768</b>
<b>Total assets</b>	<b>43,139</b>	-	<b>123,943</b>	<b>167,082</b>
<b>Liabilities</b>				
Distributions payable	-	-	<b>19,416</b>	<b>19,416</b>
Payables	-	-	<b>390</b>	<b>390</b>
<b>Total liabilities</b>	-	-	<b>19,806</b>	<b>19,806</b>
<b>Net exposure</b>	<b>43,139</b>	-	<b>104,137</b>	<b>147,276</b>

### 3 Financial risk management (continued)

#### (a) Market risk (continued)

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

As at 30 June 2017

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
<b>Assets</b>				
Cash and cash equivalents	29,692	-	-	29,692
Receivables	-	-	289	289
Financial assets held at fair value through profit or loss	-	-	132,381	132,381
<b>Total assets</b>	<b>29,692</b>	<b>-</b>	<b>132,670</b>	<b>162,362</b>
<b>Liabilities</b>				
Distributions payable	-	-	9,799	9,799
Payables	-	-	2,139	2,139
<b>Total liabilities (excluding net assets attributable to unitholders)</b>	<b>-</b>	<b>-</b>	<b>11,938</b>	<b>11,938</b>
<b>Net exposure</b>	<b>29,692</b>	<b>-</b>	<b>120,732</b>	<b>150,424</b>

The table in Note 3(b) summarises the impact of an increase/decrease of interest rates on the Fund's operating profit 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 (2017: +/- 100 basis points) from the year end rates with all other variables held constant.

#### (b) 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>30 June 2018</b>	<b>(12,374)</b>	<b>12,374</b>	<b>(431)</b>	<b>431</b>
30 June 2017	(13,192)	13,192	(297)	297

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

#### **(c) Credit risk**

The Fund is exposed to credit risk, which is the risk that the counterparty will be unable to pay its obligations in full when they fall due, causing a financial loss to the Fund.

The Fund does not have a significant concentration of credit risk that arises from an exposure to a single counterparty or group of counterparties having similar characteristics. The main concentration of credit risk, to which the Fund is exposed, arises from cash and cash equivalents and amounts due from brokers balances. None of these assets are impaired nor past their due date. The maximum exposure to credit risk at the reporting date is the carrying amount of cash and cash equivalents and amounts due from brokers.

The Fund trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the Fund's policy to securitise its trade and other receivables.

#### **(d) 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 2018 and 2017, 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.

##### *(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 following financial assets and liabilities at fair value on a recurring basis:

- Financial assets designated 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 period.

AASB 13 *Fair Value Measurement* requires disclosure of fair value measurements by level of the following fair value measurement 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).

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, the Fund relies on information provided by independent pricing services for the valuation of its investments.

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

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

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

## 4 Fair value measurement (continued)

### (a) Fair value in an active market (level 1) (continued)

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

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

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

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

### (iii) Recognised fair value measurements

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

<b>At 30 June 2018</b>	<b>Level 1 \$'000</b>	<b>Level 2 \$'000</b>	<b>Level 3 \$'000</b>	<b>Total \$'000</b>
<b>Financial assets</b>				
Financial assets designated at fair value through profit or loss:				
Listed equity securities	<b>123,742</b>	-	-	<b>123,742</b>
Unlisted equity securities and unit trusts	-	-	<b>26</b>	<b>26</b>
<b>Total financial assets</b>	<b>123,742</b>	-	<b>26</b>	<b>123,768</b>

### Financial assets

Financial assets designated at fair value through profit or loss:

Listed equity securities	131,922	-	-	131,922
Unlisted equity securities and unit trusts	-	-	459	459
<b>Total financial assets</b>	<b>131,922</b>	-	<b>459</b>	<b>132,381</b>

### (iv) Transfers between levels

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

There were no transfers between levels at the end of the reporting period.



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

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

<b>At 30 June 2018</b>	<b>Unlisted unit trust \$'000</b>
Opening balance - 1 July	<b>459</b>
Return of capital	<b>(50)</b>
Gains and losses recognised in the Statement of Comprehensive Income	<b>(383)</b>
<b>Closing balance - 30 June</b>	<b>26</b>
<b>At 30 June 2017</b>	<b>Unlisted unit trust \$'000</b>
Opening balance - 1 July	484
Gains and losses recognised in the Statement of Comprehensive Income	(25)
Closing balance - 30 June	459

*Level 3 investments comprise:*

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

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

For these financial instruments the fair value has been estimated using a valuation technique that uses non-market observable data. Payments were completed in July 2018.

2. An investment held in Brookfield Australian Opportunities Fund was delisted on 29 October 2012, and wound up on 30 October 2012. Unitholders in the Fund received one unit in BAO Trust for each unit held in the Fund. The security is unlisted and is valued at 1.0 cents per unit.

##### *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.

(vi) *Financial instruments not carried at fair value*

The carrying value of receivables and payables are assumed to approximate their fair values due to their short-term nature.

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

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

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

	<b>Year ended</b>	
	<b>30 June 2018 \$'000</b>	<b>30 June 2017 \$'000</b>
<b>Financial assets</b>		
Net gain/(loss) on financial assets designated as at fair value through profit or loss	<b>9,260</b>	27,974
Net gains/(losses) on financial assets held at fair value through profit or loss	<b>9,260</b>	27,974
Net realised gain/(loss) on financial assets held at fair value through profit or loss	<b>19,354</b>	10,370
Net unrealised gain/(loss) on financial assets held at fair value through profit or loss	<b>(10,094)</b>	17,604
Net gains/(losses) on financial assets held at fair value through profit or loss	<b>9,260</b>	27,974
<b>Total net gains/(losses) on financial instruments held at fair value through profit or loss</b>	<b>9,260</b>	27,974

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

	<b>As at</b>	
	<b>30 June 2018 \$'000</b>	<b>30 June 2017 \$'000</b>
<b>Designated at fair value through profit or loss</b>		
Listed equity securities	<b>123,742</b>	131,922
Unlisted equity securities and unit trusts	<b>26</b>	459
Total designated at fair value through profit or loss	<b>123,768</b>	132,381
<b>Total financial assets held at fair value through profit or loss</b>	<b>123,768</b>	132,381

The market values of all investments as at 30 June 2018 are disclosed on page 5 of the Annual Report. Listed securities are readily saleable with no fixed terms.

Changes in fair values of financial assets at fair value through profit or loss are recorded in investment income in the Statement of Comprehensive Income.

### **(a) Risk exposure and fair value measurements**

An overview of the risk exposures and fair value measurements relating to financial assets at fair value through profit or loss is included in Note 3 and 4 to the financial statements.

## 7 Net assets attributable to unitholders

Under AASB 132 *Financial Instruments: Presentation*, puttable financial instruments that meet the definition of a financial liability are to be classified as equity where certain strict criteria are met. The Fund shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

Prior to 30 June 2018 the Fund classified its net assets attributable to unitholders as liabilities in accordance with AASB 132. On 30 June 2018, the Fund has elected into the AMIT tax regime. The Fund's Constitution has been amended and it no longer has 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 as at 30 June 2018.

Going forward, as a result of the reclassification of net assets attributable to unitholders from liabilities to equity, the Fund's distributions will no longer be classified as finance costs in the Statement of Comprehensive Income, but rather as distributions paid in the Statement of Changes in Equity.

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

	<b>Year ended</b>			
	<b>30 June 2018</b>	<b>30 June 2018</b>	<b>30 June 2017</b>	<b>30 June 2017</b>
	<b>Units '000</b>	<b>\$'000</b>	<b>Units '000</b>	<b>\$'000</b>
Opening balance	87,640	150,424	60,049	87,707
Applications	-	-	25,756	42,328
Redemptions	-	-	(2,962)	(4,839)
Reinvestment of distributions	3,548	6,090	4,797	7,010
Increase/(decrease) in net assets attributable to unitholders	-	(9,238)	-	18,218
<b>Closing balance</b>	<b>91,188</b>	<b>147,276</b>	<b>87,640</b>	<b>150,424</b>

Net assets attributable to unitholders are classified as equity at 30 June 2018 and as a financial liability at 30 June 2017. Refer to Note 1 for further details.

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.

### Capital risk management

The Fund considers its net assets attributable to unitholders as capital.

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

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 additional units being allotted under the dividend reinvestment plan.

## 8 Distributions to unitholders

The distributions declared during the year were as follows:

	<b>Year ended</b>			
	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2018</b>	<b>2017</b>	<b>2017</b>
	<b>\$'000</b>	<b>CPU</b>	<b>\$'000</b>	<b>CPU</b>
Distributions paid and payable	<b>19,416</b>	<b>21.2917</b>	9,799	11.1808
	<b>19,416</b>	<b>21.2917</b>	9,799	11.1808

The distributions are largely comprised of discount capital gains, 30 June 2018 (94%) and 30 June 2017 (97%).

## 9 Cash and cash equivalents

	<b>As at</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Cash at bank	<b>43,139</b>	29,692
<b>Total cash and cash equivalents</b>	<b>43,139</b>	29,692

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

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

	<b>Year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit/(loss) for the year	-	-
Increase/(decrease) in net assets attributable to unitholders	<b>(9,238)</b>	18,218
Distributions to unitholders	<b>19,416</b>	9,799
Proceeds from sale of financial instruments held at fair value through profit or loss	<b>77,097</b>	35,705
Purchase of financial instruments held at fair value through profit or loss	<b>(58,864)</b>	(66,028)
Net losses/(gains) on financial instruments held at fair value through profit or loss	<b>(9,260)</b>	(27,974)
Dividends reinvested	<b>(360)</b>	(320)
Net change in receivables	<b>114</b>	(259)
Net change in payables	<b>(1,749)</b>	1,847
<b>Net cash inflow/(outflow) from operating activities</b>	<b>17,156</b>	(29,012)

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

### (b) Non-cash financing activities

	Year ended	
	30 June 2018 \$'000	30 June 2017 \$'000
The following distribution payments to unitholders were satisfied by the issue of units under the distribution reinvestment plan	6,090	7,010
<b>Total non-cash financing activities</b>	<b>6,090</b>	<b>7,010</b>

As described in Note 2(i), income not distributed is included in net assets attributable to unitholders. The change in this amount each year (as reported in (a) above) represents a non-cash financing cost as it is not settled in cash until such time as it becomes distributable.

## 11 Receivables

	As at	
	30 June 2018 \$'000	30 June 2017 \$'000
Interest receivable	56	40
GST receivable	62	186
Other receivables	57	63
<b>Total receivables</b>	<b>175</b>	<b>289</b>

## 12 Payables

	As at	
	30 June 2018 \$'000	30 June 2017 \$'000
Responsible Entity fees payable	83	38
Management fees payable	148	147
Performance fees payable	-	1,882
Other payables	159	72
	<b>390</b>	<b>2,139</b>

### 13 Remuneration of auditors

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

	<b>Year ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
<b>Ernst &amp; Young</b>		
<i>Audit and other assurance services</i>		
Audit and review of financial statements	<b>42,000</b>	40,000
Audit of compliance plan	-	4,500
Total remuneration of audit and other assurance services	<b>42,000</b>	44,500
<i>Other services</i>		
Non-audit services	-	11,000
<b>Total remuneration of Ernst &amp; Young</b>	<b>42,000</b>	55,500
 <b>PricewaterhouseCoopers Australian Firm</b>		
<i>Audit and other assurance services</i>		
Audit of compliance plan	<b>7,635</b>	3,465
Total remuneration of audit and other assurance services	<b>7,635</b>	3,465
 <b>Total remuneration of PricewaterhouseCoopers Australian Firm</b>	<b>7,635</b>	3,465

The auditor's remuneration is borne by the Fund. Fees are stated exclusive of GST.

### 14 Earnings per unit

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

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

	<b>Year ended</b>	
	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit attributable to unitholders (\$'000)	<b>10,178</b>	28,017
Weighted average number of units in issue ('000)	<b>90,973</b>	83,508
Basic and diluted earnings per unit in cents	<b>11.19</b>	33.55

### 15 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.

## **16 Related party transactions**

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 is a wholly owned subsidiary in the Perpetual Limited Group (ASX: PPT). Accordingly, transactions with entities related to The Trust Company (RE Services) Limited are disclosed below.

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

### **(a) Directors**

Key management personnel include persons who were Directors of The Trust Company (RE Services) Limited at any time during or since the end of the financial year and up to the date of this report.

Andrew Cannane (resigned 23 February 2018)  
Glenn Foster  
Christopher Green  
Michael Vainauskas  
Andrew McIver (Alternate Director for Michael Vainauskas)  
Vicki Riggio (appointed 20 April 2018)  
Vicki Riggio (Alternate Director for Christopher Green) (appointed 24 November 2017, resigned 20 April 2018)  
Vicki Riggio (Alternate Director for Andrew Cannane) (resigned 23 February 2018)  
Rodney Ellwood (Alternate Director for Christopher Green) (resigned 24 November 2017)  
Gillian Larkins (Alternate Director for Glenn Foster) (appointed 14 July 2017)  
Neil Wesley (Alternate Director for Glenn Foster) (resigned 14 July 2017)  
Philip Blackmore (Alternate Director for Christopher Green and Vicki Riggio) (appointed 6 July 2018)

### **(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.

### **(c) 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.

### **(d) Transactions with key management personnel**

Apart from those details disclosed in this note, there were no other transactions with key management personnel during the reporting period.

Key management personnel did not hold units in the Fund as at 30 June 2018 (30 June 2017: nil).

### **(e) Key management personnel compensation**

Key management personnel are paid by The Trust Company (RE Services) Limited. Payments made from the Fund to The Trust Company (RE Services) Limited do not include any amounts directly attributable to the compensation of key management personnel.

### **(f) Key management personnel loans**

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

### **(g) 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 key management personnel's interests existing at year end.

## 16 Related party transactions (continued)

### (h) Responsible Entity and Investment Manager's fees and other transactions

Under the terms of the Fund's Constitution and Product Disclosure Statement, the Responsible Entity and Investment Manager are 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>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
Investment management fees for the year	<b>1,624,040</b>	1,377,459
Performance fees for the year	<b>958,127</b>	2,503,738
Expense reimbursement income for the year	<b>(466,710)</b>	(338,116)
Responsible Entity fees for the year	<b>153,071</b>	137,940

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 14 December 2016, the Investment Manager has agreed to pay any expense recoveries incurred by the Fund that are in excess of the Fund's average expense recoveries for the previous three years. This expense recovery cap is 0.054% and the expense reimbursement income for the year noted above represent the monies put into the Fund to ensure that the Fund's overall management costs remain within that disclosed in the Product Disclosure Statement.

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

	<b>30 June 2018</b>	<b>30 June 2017</b>
	<b>\$</b>	<b>\$</b>
Total fees payable to the Investment Manager at year end	<b>148,108</b>	2,029,149
Total fees receivable for reimbursement income at year end	<b>(57,175)</b>	(62,679)
Total fees payable to the Responsible Entity at year end	<b>82,725</b>	38,228

The Fund has entered into a Management Agreement with Forager Funds Management Pty Ltd ("Investment Manager") 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.

### (i) 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:

#### 30 June 2018

<b>Unitholder</b>	<b>No. of units held opening (Units)</b>	<b>No. of units held closing (Units)</b>	<b>Interest held (%)</b>	<b>No. of units acquired (Units)</b>	<b>No. of units disposed (Units)</b>	<b>Distributions paid/payable by the Fund (\$)</b>
Senefelder Super Fund	485,281	641,892	0.70	156,611	-	136,670
The Senefelder Trust	168,457	54,430	0.06	10,973	(125,000)	11,589
Tema Super Fund	133,889	142,610	0.16	8,721	-	30,364



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

### **(i) Related party unitholdings (continued)**

30 June 2017

	No. of units held opening (Units)	No. of units held closing (Units)	Interest held (%)	No. of units acquired (Units)	No. of units disposed (Units)	Distributions paid/payable by the Fund (\$)
Senefelder Super Fund	356,859	485,281	0.53	128,422	-	54,258
The Senefelder Trust	226,063	168,457	0.19	-	(57,606)	18,835
Tema Super Fund	35,102	133,889	0.15	98,787	-	14,970

### **(j) Investments**

The Fund did not hold any investments in The Trust Company (RE Services) Limited or its related parties during the year (2017: nil).

## **17 Events occurring after the reporting period**

No significant events have occurred since the end of the year which would impact on the financial position of the Fund as disclosed in the Statement of Financial Position as at 30 June 2018 or on the results and cash flows of the Fund for the year ended on that date.

## **18 Contingent assets and liabilities and commitments**

There are no contingent assets, liabilities or commitments as at 30 June 2018 and 30 June 2017.

## Directors' Declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 14 to 38 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 2018 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  
29 August 2018

# 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 2018, the statement of comprehensive income, the statement of changes in equity and the 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 financial position of the Fund as at 30 June 2018 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 APES110 *Code of Ethics for Professional Accountants* (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.

## 1. Investment Existence and Valuation

### Why significant

As a listed investment Fund, the Fund has a significant investment portfolio consisting primarily of listed securities. As at 30 June 2018, the values of these financial assets, as set out in Note 6 of the financial report was \$123,768,000.

In accordance with the Fund's accounting policy, as 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

Existence and valuation of investment was a key audit matter as the investment portfolio comprises 84% of the net assets of the Fund.

### How our audit addressed the key audit matter

We considered the effectiveness of relevant controls relating to the recognition and valuation of investments, by evaluating the separate assurance report on the controls of the Fund's administrator, in relation to fund administration services.

We agreed all investment holdings to third party confirmations at 30 June 2018.

To assess the fair value of investment holdings, we agreed the quoted market prices of listed securities to independent pricing sources.

We assessed the adequacy of the related financial report disclosures.

## 2. Management and Performance Fees

### Why significant

The Fund's accounting policy for management and performance fees is described in Note 2 of the financial report. All expenses are recognised on an accruals basis, with performance fees 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 where certainty exists that the criteria have been met and the obligation has been crystallised.

As at 30 June 2018, management fees recorded were \$1,624,000 which represented 50% of total expenses.

As at 30 June 2018, performance fees recorded were \$958,000, which represented 30% of total expenses.

The assessment of performance fee arrangements can be complex and judgmental due to uncertainty around future performance.

The quantum of these expenses and the impact that variability of the market can have on the recognition and payment of performance fees resulted in this being considered a key audit matter.

### How our audit addressed the key audit matter

We considered the effectiveness of relevant controls relating to the calculation of management and performance fees, by evaluating the separate assurance report on the controls of the Fund's administrator, in relation to fund administration services.

We assessed the performance fee eligibility calculations and assessed whether the methodology and contract rate used was in accordance with the underlying service agreements.

We recalculated management and performance fees, based on the contractual arrangements.

We assessed the adequacy of the related financial report disclosure.

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

The directors are responsible for the other information. The other information comprises the information included in the Fund's 2018 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 for the Financial Report

The directors of the Fund 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 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 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 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:

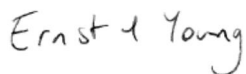
- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a 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 entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 entity'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.

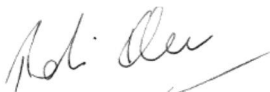
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors 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, related safeguards.

From the matters communicated to the directors, 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



Rohit Khanna  
Partner

Sydney  
29 August 2018

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

The information set out below was applicable as at 31 July 2018

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	124	66,250	0.07
1,001 to 5,000	291	888,169	0.90
5,001 to 10,000	316	2,407,145	2.43
10,001 to 100,000	1,258	43,220,338	43.60
100,001 and Over	176	52,537,424	53.00
<b>Total</b>	<b>2,165</b>	<b>99,119,326</b>	<b>100.00</b>

The number of unitholders holding less than a marketable parcel of \$500 worth of units is 20 and they hold a total 2,800 units.

**B. Largest unitholders**

*Twenty 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	4,420,979	4.46
TRANSFIELD FINANCE PTY LTD	2,928,342	2.95
CATRETA PTY LTD	1,475,319	1.49
MR AARON SHELLEY & MISS TENNILLE SHELLEY	1,384,519	1.40
MR IAN WILLIAM TURNBULL	1,322,700	1.33
JELLY PTY LTD <MACLEOD SUPER FUND>	1,185,023	1.20
BIG MAX INDUSTRIES PTY LTD	1,157,335	1.17
FORSYTH BARR CUSTODIANS LTD	928,340	0.94
SUPER SUPER NO 1 PTY LTD	905,464	0.91
JELLY PTY LTD <CHALE TRUST>	899,399	0.91
MR RICHARD COLLINS & MRS MARY MARION COLLINS	840,366	0.85
MR JOHN MICHAEL WOODHEAD & MRS TUTZ WOODHEAD	802,708	0.81
MR STEVEN JOHNSON & MR BRENDON JOHNSON	726,512	0.73
MR GAVIN GERARD DOUGLAS & MRS SALLY MAREE DOUGLAS	679,098	0.69
MR SCOTT PLUNKETT	678,467	0.68
MR JOHN REILLY	628,741	0.63
WRITEMAN PTY LIMITED	610,649	0.62
BNP PARIBAS NOMINEES PTY LTD	596,426	0.60
MR STEPHEN PATRICK COLES	576,558	0.58
PLATINUM MANAGEMENT GROUP PTY LTD	567,111	0.57
<b>Total</b>	<b>23,314,056</b>	<b>23.52</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 460. Each investment transaction may involve multiple contract notes.

The total brokerage paid on these contract notes was \$265,009.

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

The Fund's units are listed on the Australian Securities Exchange 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**

There is no current on-market buy-back.

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

The Trust Company (RE Services) Limited  
Level 18, 123 Pitt Street  
Sydney NSW 2000  
Telephone: 02 8295 8100

### **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](mailto:registrars@linkmarketservices.com.au)  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

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

Marianne Kopeinig  
Sylvie Dimarco





Forager Funds Management  
Level 14, 56 Pitt Street  
Sydney NSW 2000

P +61 (0) 2 8305 6050  
W [foragerfunds.com](http://foragerfunds.com)

**Forage**

*verb, for·aged, for·ag·ing.*

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