

# Forager Australian Shares Fund

ASX Code: "FOR"

Listing Date: 11am Friday 16 December 2016

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# FINDING OPPORTUNITY IN UNLIKELY PLACES

## Key Facts

What's being listed?	The Forager Australian Shares Fund
ASX Code:	FOR
Listing date:	Friday 16 December 2016
Fund inception:	October 2009
What structure is being used?	Listed Investment Trust (LIT) (not LIC, see differences slide)
What are the investments?	Approximately \$140m Australian Shares, unlisted securities and cash^

^as at 30 November, total invested in strategy approximately \$160m

## A long road to listing

1	Phase 1 Initial investor canvassing	Complete
2	Phase 2 investor canvassing LIC v LIT	Complete
3	Explanatory Memorandum – changing RE	Complete
4	Unitholder vote 1	Complete
5	Explanatory Memorandum – listing mechanics	Complete
6	Unitholder vote 2	Complete
7	New PDS	Complete
8	ASX Listing	16 December 2016



A FUND  
STRUCTURE  
WE ARE  
PROUD OF

## Friendly features of Forager LIT

Challenges for some listed funds	Forager LIT features
Sub-scale vehicles have high costs as a percentage of assets	Enough scale to operate as cost effectively as an unlisted fund
Requirement for ongoing share issuance to increase asset base	Natural growth should take vehicle to Forager's current strategy limit of \$200m
Large discounts or large premiums, very low trading volumes and lack of genuine price discovery	More than 1,600 existing investors create a natural market. Daily valuation estimates should create an orderly and well informed market, with some long term relationship between price and NAV/NTA per unit
Large upfront hit to investor funds	Manager has absorbed all of the listing costs
No follow-up marketing or investor communications	Manager has a proven ability to communicate with existing and potential investors through regular reports and investor events.
Clean skins have 100% cash to deploy	Forager LIT has an existing portfolio
Mostly new investors with minimal history with manager	Longer term existing client base that understand the manager

## Key features – Company versus Trust

	<b>LIC</b>	<b>LIT</b>
Corp Governance	Board	Responsible Entity
Assets	Assets of company	Held in trust
Conversion issues	Complex from trust to corporation to LIC	More straight-forward listing process
Tax - general	Pays tax, declares dividend and franking	Passes through tax liability and any franking to investors
Tax – capital gains	Unlikely concessional CGT available, likely on income account	Expectation current capital election available
Forager specific	Not an approach or investment style lending itself to regular fully franked returns	Suits Forager's longer term, lumpy capital gain focus.



FORAGER

# A FUND UPDATE

## Performance Update - Australian Shares

	1-year return	3-year return (p.a.)	5-year return (p.a.)	Since inception (p.a.) [31 October 2009]
Forager Australian Shares Fund	14.34%	12.01%	20.37%	13.77%
All Ords Accumulation Index	10.01%	5.64%	10.33%	6.92%
<b>Value Added</b>	<b>4.32%</b>	<b>6.37%</b>	<b>10.03%</b>	<b>6.86%</b>

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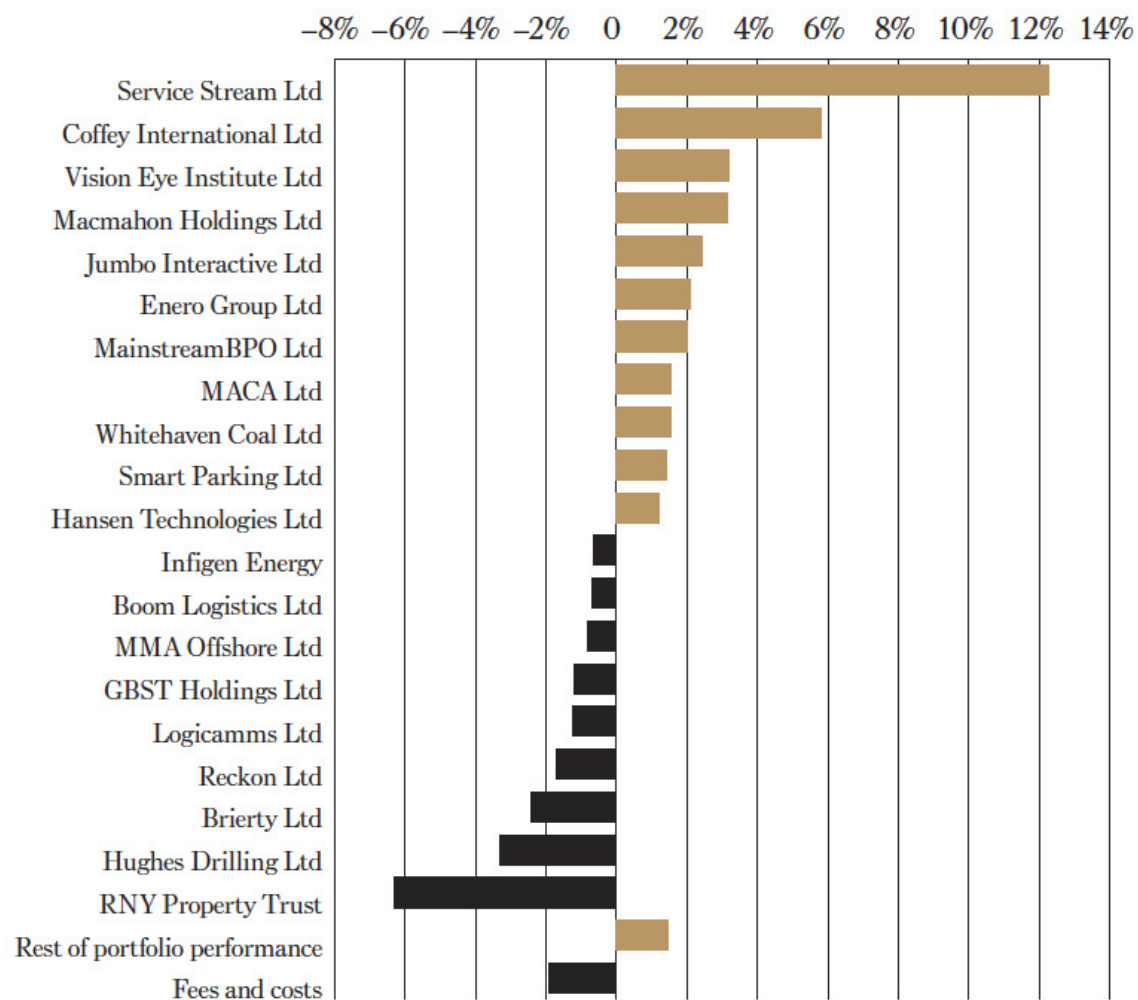
## Top 6 Holdings – Forager Aust. Shares Fund

(12/12/16)

- Reckon Ltd (7.47%)
- MacMahon Holdings Limited (5.80%)
- Jumbo Interactive Ltd (5.45%)
- Cardno Ltd (5.40%)
- Service Stream Ltd (5.19%)
- NZME Ltd (5.17%)



## Forager Australian Fund Contribution Financial Year Ended 30 June 16



➤ Broad mix of good performers

➤ Service Stream key positive, RNY key negative

➤ Mixed bag from mining services

# Idea Summaries

## Service Stream

- Telco and utilities contractor recapitalised in 2013
- 7 consecutive halves of revenue and profit growth
- Locked in revenue growth in FY17 & FY18
- Excellent cash flow generation (2x old market cap in past 24 months)
- Tax-friendly capital returns

## Reckon

- Ugly duckling of the accounting software space (roughly one tenth the market cap of MYOB and Xero)
- Well behind the curve with its cloud-based solution
- Shareholder angst over cash investment
- BUT ....
- Corp business probably worth the current market cap itself
- Established user base is a huge asset
- Targeting an interesting niche with Reckon One. We reckon 20% conversion rate makes for a very cheap business

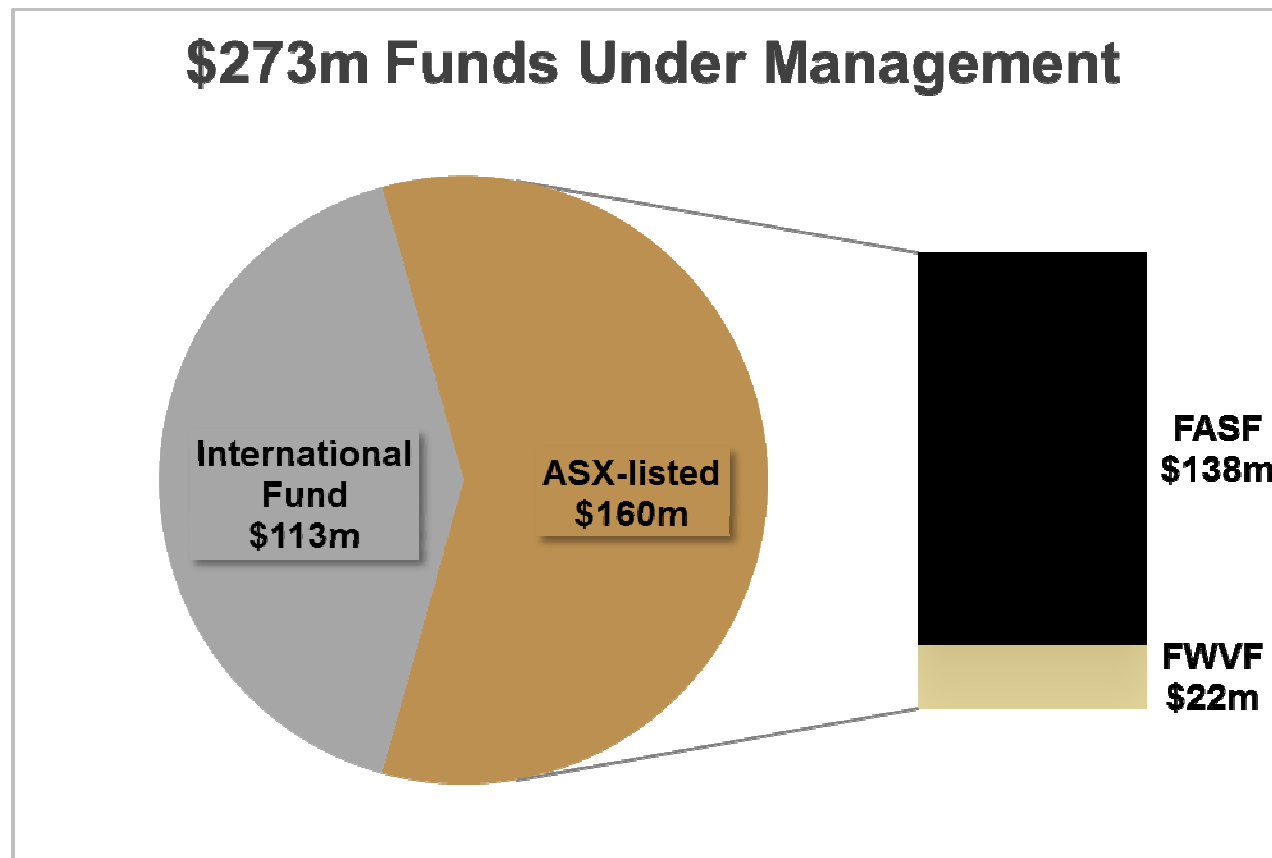
## MacMahon

- Mining contractor emerging from near death experience
- \$55m cash and no debt versus \$120m market cap
- Several long-term contracts with profitable gold miners in Australia and Indonesia
- New board and management team
- Significant scope for growth and shareholder returns
- Industry consolidation a necessity



# WHAT'S NEXT FOR FORAGER

## Two Core Strategies Australian and International value funds



## Performance Update - International Shares

	1-year return	2-year return (p.a.)	3-year return (p.a.)	Since inception (p.a.) [8 February 2013]
Forager International Shares Fund	14.20%	16.51%	11.71%	17.42%
MSCI ACWI IMI	2.09%	8.57%	10.69%	16.17%
<b>Value Added</b>	<b>12.11%</b>	<b>7.94%</b>	<b>1.03%</b>	<b>1.25%</b>

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## Our wish list – first 12 months listed FOR

### **Market environment**

- Orderly, well informed market
- Daily NAV/NTA being disclosed to market

### **Investor appeal**

- Compliment to a diversified Australian equities portfolio
- A complement to “wealth manager” broker / adviser

### **Broader Forager appeal**

- Aim to develop relationships with intermediaries that understand long-term approach and investment style
- Natural fit with core Australian and International portfolios
- Research coverage expected to commence