

F RAGER

FORAGER AUSTRALIAN SHARES FUND

ARSN 139 641 491

APPENDIX 4E

FOR THE YEAR ENDED 30 JUNE 2020

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)

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Preliminary Final Report

This preliminary final report is for the year ended 30 June 2020. The previous corresponding year end was 30 June 2019.

The Directors of The Trust Company (RE Services) Limited, the Responsible Entity of Forager Australian Shares Fund (the "Fund") announce the audited results of the Fund for the year ended 30 June 2020 as follows:

Results for announcement to the market

	Year ended		Increase/(decrease)	
	30 June 2020 \$'000	30 June 2019 \$'000	over corresponding period \$'000	%
Net assets attributable to unitholders	117,310	145,249	(27,939)	(19.24)%
Total investment income/(loss)	(24,656)	(33,356)	8,700	26.08%
Operating profit/(loss) for the year	(26,733)	(35,631)	8,898	24.97%

Brief explanation of results

The operating loss for the year of \$26,733,000 represented a decrease from the \$35,631,000 operating loss in the prior year. The decrease in investment loss and operating loss were a function of the decrease in the net negative portfolio performance of the Fund compared to the year ended 30 June 2019. Net portfolio performance for the year of (18.36%) was a decrease to the (19.66%) negative return for the previous year.

As of 30 June 2020, the net assets of the Fund were \$117,310,000, a 19.24% decrease from the balance as at 30 June 2019.

Distribution information

	Cents per unit	Total Amount \$'000	Record Date	Date of Payment
June 2020	0.8054	914	30/06/2020	17/07/2020
June 2019	2.1696	2,470	28/06/2019	19/07/2019

Net tangible assets

	As at	
	30 June 2020	30 June 2019
Net tangible assets per security	\$1.03	\$1.28

Control gained or lost over entities during the year

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

Details of associates and joint venture entities

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

Other information

The Fund is not a foreign entity.

Independent audit report

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

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FORAGER AUSTRALIAN SHARES FUND

ARSN 139 641 491

ANNUAL REPORT

FOR THE YEAR ENDED 30 JUNE 2020

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 2020

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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 Angel Place, 123 Pitt Street, Sydney, NSW 2000.

Investment manager's report

INTRODUCTION

The Forager Australian Shares Fund delivered a return of negative 18.36% for the year ended June 2020, underperforming the benchmark 11.15%. An investor that reinvested their dividends would have grown \$100,000 from inception in 2009 to \$202,266 at 30 June 2020 (ignoring taxes), compared to \$201,800 for the index.

Summary of fund returns as at 30 June 2020 (net of all fees)

	Australian Shares Fund (ASX:FOR)	All Ordinaries Accumulation Index	Outperformance
1 year	-18.36%	-7.21%	-11.15%
2 year (p.a.)	-19.01%	1.51%	-20.52%
3 year (p.a.)	-11.27%	5.43%	-16.70%
4 year (p.a.)	-3.30%	7.30%	-10.60%
5 year (p.a.)	0.64%	6.22%	-5.58%
6 year (p.a.)	2.49%	6.13%	-3.64%
7 year (p.a.)	4.54%	7.70%	-3.16%
8 year (p.a.)	8.12%	9.24%	-1.12%
9 year (p.a.)	8.08%	7.30%	0.78%
10 year (p.a.)	7.78%	7.78%	0.00%
Return since inception (p.a)	6.82%	6.80%	0.02%

*Inception 30 October 2009

The value of your investments can rise or fall. Performance is calculated using Net Asset Value (NAV), not the market price. Past performance is not indicative of future performance.

A Challenging Year

It has been a challenging year for the Forager Australian Shares Fund. After a poor year in 2019, our aim was to reverse a good portion of the loss. The plan was to influence change at some of our underperforming investments and improve the quality and liquidity of the remainder of the portfolio. In 2020, we made significant progress on those fronts and saw improving operational performance across the first half of the year. The portfolio, however, fell significantly when COVID-19 hit and hasn't fully recovered those losses despite a strong bounce. Over the year, the portfolio fell 18%, versus a decline for the All Ordinaries Accumulation Index of 7%. In combination with last year, that has erased all of the returns over the past five years and leaves the Fund returns only a touch ahead of the index since inception.

Poor Performers Again This Year

Some of this year's poor performers were also there last year. Thorn Group (TGA) alone cost investors 5.4% of the portfolio as its share price fell 71% over the year. Its small business equipment financing division has likely been wiped out by COVID-19, making the decision not to sell it last year a sub-optimal decision. Procrastination over the future of Radio Rentals has eroded the value of that division. The entire board and Thorn's CEO has been replaced and the new board has moved quickly to cut costs and finally decided Radio Rentals is worth more by being wound up, than continuing in its previous format. With a growing cash balance much larger than the current market capitalisation, it is time for shareholders to see some return. Fellow problem investment MSL Solutions (MSL) also had a complete board makeover at our instigation. Like Thorn, though, the issues left behind have taken some fixing. New Chairman Tony Toohey, formerly of eBet fame, and CEO Pat Howard have moved quickly to cut costs and focus the business on a narrower range of growth options. While it looks to have turned the corner, the share price fell 53% over the year and detracted 1.0% from the Fund.

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Infected by COVID-19

Other companies heavily impacted by COVID include Experience Co (EXP), NZME (NZM) and WPP AUNZ (WPP). Experience's skydiving operations and barrier reef tours have both been shuttered. Management moved quickly to minimise the cash impact on the balance sheet and it should be an early beneficiary from any resumption of domestic tourism. It is going to be several years, though, until the business is any hope of achieving historical profitability. Having been down 85% at its March lows, EXP's share price ended the year down 46%.

NZME and WPP have both been impacted by a collapse in advertising spend in Australia and New Zealand. The share price falls, both down 44%, look overcooked.

NZME, owner of the NZ Herald and Kiwi radio assets, has said it expects to improve on last year's profitability in the first half of 2020, thanks to cost cutting and government support. WPP will do it tougher, but has also moved quickly to adjust its cost base. Both companies should bounce back quickly and return to paying dividends over the next 18 months. They were cheap prior to the selloff, and are more so now.

The same names atop the leaderboard

On the positive side of the ledger, there are some familiar names in 2020. Like the previous year, however, it is too short of a list and the magnitude of the wins have been less than our successful years.

Two long-held stocks making back-to-back appearances are Macmahon (MAH) and Enero (EGG). Both companies' turnarounds started to gain traction five years ago and the momentum has continued into 2020. Macmahon was struggling to turn a profit back in 2014. In the 2018 and 2019 financial years it made \$34m and \$57m of earnings before interest and tax, respectively. This year it has reiterated guidance of \$90-95m. Its order book of future work looks healthy and Macmahon can grow further from here. Alongside a few timely sales and purchases, the 39% share price rise added 2.5% to fund performance.

Enero isn't growing that quickly but it, too, has become regularly profitable and reliable. Unlike WPP, it expects the impact of COVID-19 to be minor and could even grow a touch in 2020. With the departure of respected CEO Matt Melhuish, though, and a new Chair of the board, our confidence around Enero's future has fallen. While the share price finished the year roughly where it started, our sales at much higher prices led to a 1.7% positive contribution to performance.

One stock we think can be a great investment is mining software company RPM Global (RUL). This company's profitability and growth is being clouded by a transition from upfront lifetime software sales to subscription-based monthly revenue. It has invested a lot in rewriting its software and is now reaping the benefits.

Management made solid progress on new sales throughout the year and incremental profitability should become obvious to all through 2021 and 2022. Despite a 35% share price rise from first purchase to the end of the financial year, it remains the Fund's largest investment by some margin.

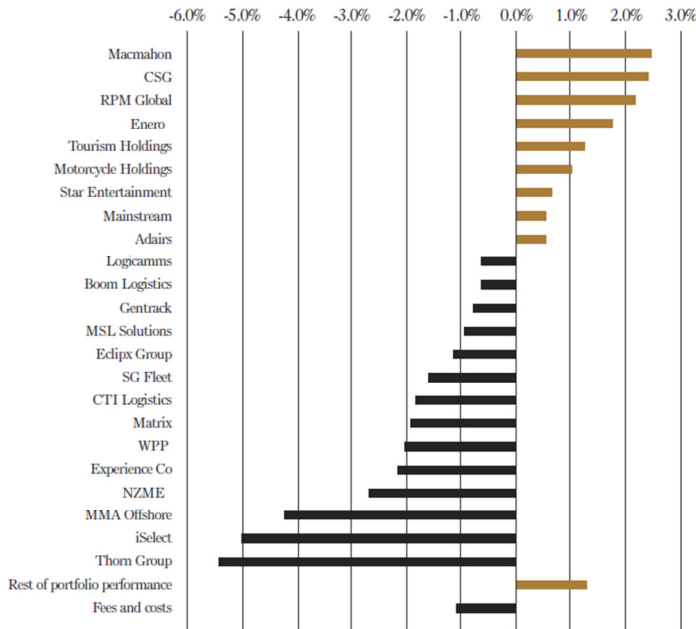
Covid opportunities

The rest of the positive contributors were a result of well-timed purchases in March and April's volatile markets. Adairs (ADH) and Star Entertainment (SGR) added 0.5% and 0.6% to fund returns respectively. Adairs ended the year 219% up on our initial purchase, however the first purchase was only small and the weighting at 30 June was still only 1.3%. Star Entertainment rose a more modest 42% but was a larger investment and retains its place in the portfolio.

Tourism Holdings (NZSE:THL) and Motorcycle Holdings (MTO) both ended the year with share prices slightly lower than our initial purchase. But we bought both aggressively at much lower prices. Recent trading updates have been positive and both have regained most of their losses, leaving us with meaningful positive contributions. Tourism Holdings added 1.2% and Motorcycle Holdings 1.1%.

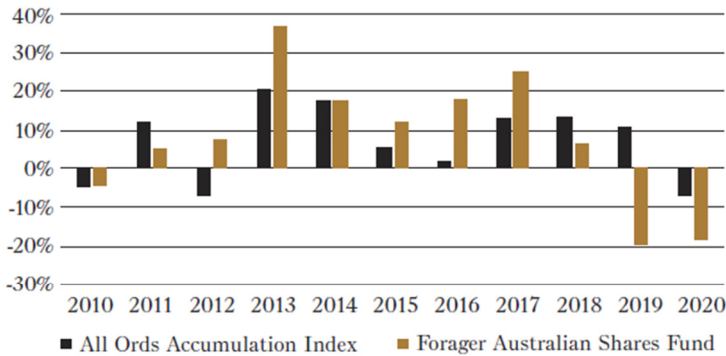
The Fund also participated in a number of emergency capital raisings throughout the year and made some profits on small holdings that were purchased in anticipation of needing fresh money. The net impact of these trades, none of which were still owned at the end of the year, was approximately 0.6% of positive contribution.

FASF Contribution for the 12 months ending 30 June 2020



Forager Returns In Context

While the Fund's performance has poor in the recent period, it is worthwhile putting it in some historical context. Over the past 10 years, the annual 12-month performance of FOR has seen periods of meaningful outperformance and underperformance, with less correlation with the wider market than a typical fund. The concentrated nature of the FOR portfolio means that individual stock performance can have large impact on the portfolio returns. While the past three years' returns have been disappointing, we remain of the view that a concentrated portfolio is the best way to deliver long-term outperformance.



*Including distributions
 Source: Forager, S&P Capital IQ

Outlook

March's selloff has enabled us to accelerate desired portfolio changes and we start the year with a much better balanced portfolio. The combination of attractively priced, well run businesses with turnarounds that are well underway augurs well for the year ahead.

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**Forager Australian Shares Fund
Investments at Market Value
As at 30 June 2020**

Investments at Market Value

	\$	%		\$	%
ENERGY			CAPITAL GOODS		
MATRIX COMPOSITES & ENGINEERING LIMITED	2,399,571	2.05%	MACMAHON HOLDINGS LTD	6,044,015	5.16%
	2,399,571	2.05%	BOOM LOGISTICS LIMITED	2,702,298	2.31%
MEDIA			LOGICAMMS LIMITED	1,901,084	1.62%
ENERO GROUP LIMITED	7,630,664	6.51%	RHIPE LIMITED	1,196,775	1.02%
NZME LTD	4,290,137	3.67%		11,844,172	10.11%
WPP AUNZ LIMITED	3,520,788	3.01%	COMMERCIAL SERVICES & SUPPLIES		
	15,441,588	13.19%	TOURISM HOLDINGS LTD	6,028,038	5.15%
DIVERSIFIED FINANCIALS			THE STAR ENTERTAINMENT GROUP LIMITED	3,730,544	3.19%
MAINSTREAM GROUP HOLDINGS LIMITED	7,432,604	6.35%		9,758,582	8.34%
ECLIPX GROUP LIMITED	6,856,144	5.86%	CONSUMER DURABLES & APPAREL		
SG FLEET GROUP LIMITED	5,100,563	4.36%	EXPERIENCE CO LIMITED	3,892,618	3.33%
VIRGIN MONEY UK PLC	2,471,987	2.11%		3,892,618	3.33%
	21,861,299	18.68%	RETAILING		
SOFTWARE & SERVICES			AMA GROUP LIMITED	6,084,797	5.20%
GENTRACK GROUP LIMITED	2,211,392	1.89%	MOTORCYCLE HOLDINGS LIMITED	4,387,811	3.75%
LIFE360 INC.	1,750,665	1.50%	THORN GROUP LIMITED	4,172,065	3.56%
MSL SOLUTIONS LIMITED	1,384,700	1.18%	NATIONAL TYRE AND WHEEL LIMITED	2,939,123	2.51%
	5,346,757	4.57%	ADAIRS LIMITED	1,580,344	1.35%
INSURANCE				19,164,140	16.37%
ISELECT LTD	3,906,044	3.34%	COMMERCIAL AND PROFESSIONAL SERVICES		
	3,906,044	3.34%	CML GROUP LIMITED	1,740,293	1.49%
AUTOMOBILE & COMPONENTS				1,740,293	1.49%
APOLLO TOURISM & LEISURE LIMITED	1,144,615	0.98%	TRANSPORTATION		
	1,144,615	0.98%	CTI LOGISTICS LTD	3,190,595	2.72%
UNLISTED				3,190,595	2.72%
BROOKFIELD AUSTRALIAN OPPORTUNITIES TRUST UNLISTED	2,464	0.00%	MATERIALS		
CENTREBET INTERNATIONAL LIMITED LITIGATION CLAIM UNIT	-	0.00%	RPMGLOBAL HOLDING LIMITED	15,447,628	13.20%
CENTREBET INTERNATIONAL LIMITED LITIGATION CLAIM RIGHT	-	0.00%	PERENTI GLOBAL LIMITED	1,911,535	1.63%
FREEDOM INSURANCE GROUP LIMITED	-	0.00%		17,359,164	14.83%
	2,464	0.00%	TOTAL	117,051,902	100.00%

Background

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

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

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

In operating the Fund, the Responsible Entity's overarching principle is to always act in good faith and in the best interests of the Funds unitholders, in accordance with our fiduciary duty. The Responsible Entity's duties and obligations in relation to the Fund principally arise from: the Fund's Constitution; the Compliance Plan for the Fund; 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 Corporate Governance Principles and Recommendations 3rd Edition ("Principles").

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

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

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

Principle 1 - Lay solid foundations for management and oversight

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

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

The Responsible Entity has appointed agents ("Service Providers") to provide investment management, administration, custody and other specialist services and functions in relation to the Fund.

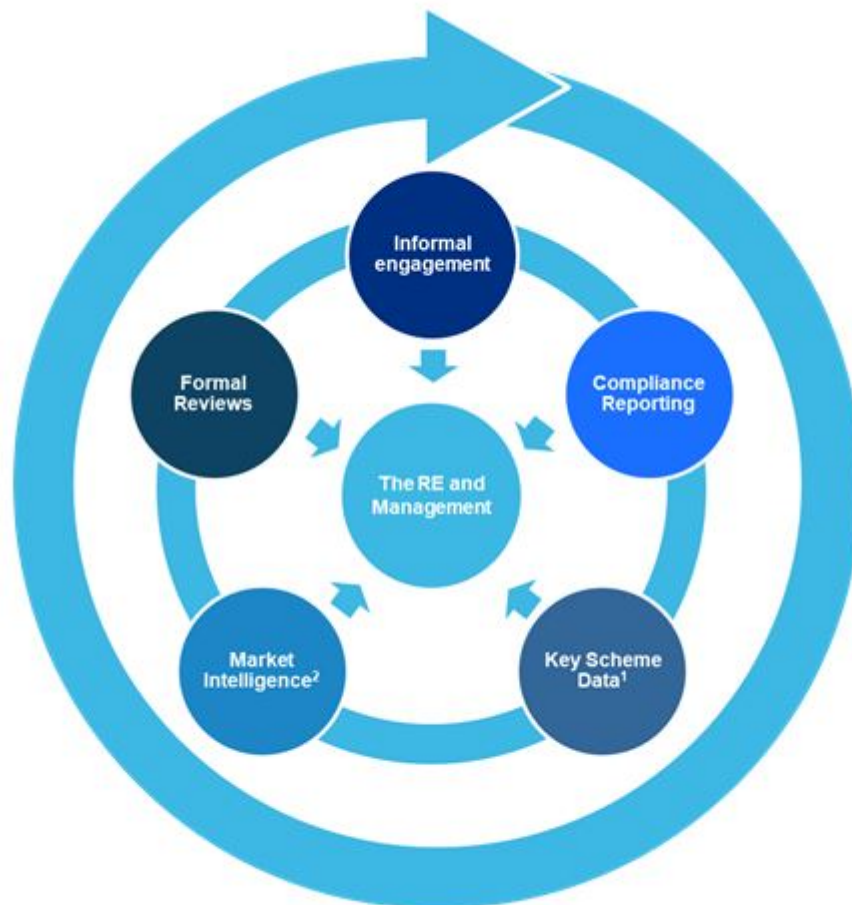
Effective processes for monitoring Service Providers are integral to the Responsible Entity's operations, given that substantial operational activities are outsourced to third parties. The Management of the Responsible Entity ensure a systematic and rigorous approach is applied with respect to monitoring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

Principle 1 - Lay solid foundations for management and oversight (continued)

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

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

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



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

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Principle 1 - Lay solid foundations for management and oversight (continued)

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

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

Principle 2 - Structure the board to add value

At present the Responsible Entity Board consists of four executive directors and one alternate director. The names of the current directors and year of appointment are provided below:

Name of Director	Year of appointment
Glenn Foster	2015
Richard McCarthy	2018
Vicki Riggio	2018
Philip Blackmore (Alternate for Vicki Riggio)	2018
Simone Mosse	2019

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

Principle 3 - Acting ethically and responsibly

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

- policies and procedures: a Code of Conduct which articulates and discloses Perpetual's values, cyclical mandatory training, a Whistleblowing Policy and a Gifts, Political Donations, Bribery and Corrupt Practices Policy (further details noted below);
- "The Way We Work" behaviour framework, and risk ratings that are intertwined into its annual performance, remuneration and hiring processes; and
- employee engagement surveys and action planning conducted annually to address any gaps or concerns in culture.

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

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

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

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

Principle 3 - Acting ethically and responsibly (continued)

Perpetual also has a Whistleblowing Policy to protect directors, executives, employees, contractors and suppliers who report misconduct, including:

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

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

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

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

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

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

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

Principle 4 - Safeguard the integrity of corporate reports

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

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

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

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

Principle 5 - Make timely and balanced disclosure

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

Principle 6 - Respect the rights of unitholders

The Responsible Entity is committed to ensuring timely and accurate information about the Fund is available to security holders via the Fund's website. All ASX announcements are promptly posted on the Fund's website: www.foragerfunds.com. 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 Fund.

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 Australian Financial Complaints Authority (AFCA), an independent dispute resolution body, which is available to unitholders in the event that any complaints cannot be satisfactorily resolved by the Responsible Entity.

The Responsible Entity is also committed to communicating with shareholders electronically in relation to communications from the share registry. Shareholders may elect to receive information from the Company's share registry electronically.

Principle 7 - Recognise and manage risk

The Responsible Entity values the importance of robust risk and compliance management systems and maintains a current risk register as part of its formal risk management program. The systems supporting the business have been designed to ensure our risks are managed within the boundaries of the Perpetual Risk Appetite Statement and consistent with our core values built on integrity, partnership and excellence.

The Responsible Entity has established a Compliance Committee, comprised of Johanna Turner (Chair), Virginia Malley and Simone Mosse.

The Compliance Committee meets at least quarterly. The Compliance Committee Terms of Reference sets out its role and responsibilities, which is available on request. The Compliance Committee is responsible for compliance matters regarding the Responsible Entity's Compliance Plan, Constitution and the Corporations Act.

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 Responsible Entity also receives appropriate declarations from the service providers involved in financial reporting.

The Responsible Entity manages the engagement and monitoring of independent external auditors for the Fund. The Responsible Entity's board receives periodic reports in relation to financial reporting and the compliance plan audit outcomes for the Fund.

The Perpetual Board has the responsibility and commitment to monitor that the organisation has a framework in place to manage risk. The Board's commitment is reflected through the establishment of, and investment in the Perpetual Group Risk, Group Compliance and Internal Audit functions, led by the Chief Risk Officer. The Chief Risk Officer has the mandate to design and implement this Risk Management Framework (RMF).

Principle 7 - Recognise and manage risk (continued)

Perpetual's Audit, Risk and Compliance Committee (ARCC) is responsible for oversight and monitoring of the Perpetual's risk appetite statement, compliance and risk management frameworks and internal control systems, and risk culture. The ARCC is also responsible for monitoring overall legal and regulatory compliance across Perpetual including the Responsible Entity. The RMF was reviewed, updated and approved by the Audit, Risk and Compliance Committee during the 2020 financial year. The RMF consists of programs and policies which are designed to address specific risk categories - strategic, financial, operational, outsourcing, investment, reputation, people and compliance, legal and conduct risk. Programs supporting the RMF are regularly reviewed to confirm their appropriateness. The Audit, Risk and Compliance Committee is comprised of Ian Hammond (Chair), Nancy Fox, Craig Ueland and Gregory Cooper. The Audit, Risk and Compliance Committee Terms of Reference sets out its role and responsibilities. This can be obtained on the Perpetual website. All members of the Perpetual Audit, Risk and Compliance Committee members are independent non-executive directors of Perpetual Limited. A majority of the Responsible Entity Compliance Committee is comprised of external members, including an external Chair.

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

The RMF is underpinned by the "Three Lines of Defence" model. This model sees the first line, being business unit management, accountable for the day to day identification and management of risks. The Risk and Compliance function represents the second line and consists of risk management professionals who provide the framework, tools, advice and assistance to enable management to effectively identify, assess and manage risk and is responsible for overseeing first line activities. Internal Audit provides independent assurance, representing the third line, and reports to the ARCC.

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

Principle 8 - Remunerate fairly and responsibly

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

Directors' report

The Trust Company (RE Services) Limited (ABN 45 003 278 831) is the responsible entity (the "Responsible Entity") of Forager Australian Shares Fund (the "Fund"). The directors of the Responsible Entity (the "Directors") present their report together with the financial statements of the Fund for the year ended 30 June 2020.

Principal activities

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

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

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

The Fund did not have any employees during the year.

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

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

Directors

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

Glenn Foster

Michael Vainauskas (resigned 27 September 2019)

Andrew McIver (Alternate Director for Michael Vainauskas) (resigned 2 September 2019)

Andrew McIver (Alternate Director for Glenn Foster) (appointed 2 September 2019, resigned 27 September 2019)

Vicki Riggio

Phillip Blackmore (Alternate Director for Vicki Riggio)

Richard McCarthy

Simone Mosse (appointed 27 September 2019)

Units on Issue

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

	As at	
	30 June 2020 No.	30 June 2019 No.
Units on issue	113,498,157	113,843,839

Review and results of operations

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

Results

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

	Year ended	
	30 June 2020	30 June 2019
Operating profit/(loss) (\$'000)	(26,733)	(35,631)
Distributions paid and payable (\$'000)	914	2,470
Distributions (cents per unit)	0.8054	2.1696

Financial Position

As at 30 June 2020, the Fund's total assets amounted to \$119,124,000 (30 June 2019: \$148,379,000).

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

	As at	
	30 June 2020 \$	30 June 2019 \$
At reporting period*	1.04	1.30
High during period	1.44	1.83
Low during period	0.62	1.29

*The above NTA per unit was the cum-price which includes 0.81 cents per unit distribution (2019: 2.17 cents per unit).

Significant changes in state of affairs

On 24 March 2020, the Fund announced a 12-month on-market buy-back program. During the year ended 30 June 2020, 345,682 units were bought back at an average buy back of \$0.84 per unit.

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

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

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

Matters subsequent to the end of the financial year

No matter or circumstance has arisen since 30 June 2020 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.

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Likely developments and expected results of operations

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

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

Indemnification and insurance of officers and auditors

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

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

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

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

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

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

Units in the Fund

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

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

Environmental regulation

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

Rounding of amounts to the nearest thousand dollars

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

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 15.

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
28 August 2020



**Building a better
working world**

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Auditor's Independence Declaration to the Directors of The Trust Company (RE Services) Limited as Responsible Entity for Forager Australian Shares Fund

As lead auditor for the audit of the financial report of Forager Australian Shares Fund for the year ended 30 June 2020, I declare to the best of my knowledge and belief, there have been:

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

Ernst & Young

Ernst & Young

Rohit Khanna
Partner
28 August 2020

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Forager Australian Shares Fund
Statement of comprehensive income
For the year ended 30 June 2020

Statement of comprehensive income

	Notes	Year ended	
		30 June 2020 \$'000	30 June 2019 \$'000
Investment income			
Interest income from financial assets at amortised cost		78	600
Dividend and distribution income		2,436	1,680
Net gains/(losses) on financial instruments at fair value through profit or loss	5	(27,620)	(36,191)
Expense reimbursement income	12	383	555
Net foreign exchange gain/(loss)		(23)	-
Other investment income		90	-
Total investment income/(loss)		(24,656)	(33,356)
Expenses			
Responsible Entity's fees	12	160	157
Management fees	12	1,398	1,565
Administration and custody fees		118	157
Transaction costs		173	67
Registry fees		30	55
Remuneration of auditors	11	42	40
Other operating expenses		156	234
Total operating expenses		2,077	2,275
Operating profit/(loss)		(26,733)	(35,631)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		(26,733)	(35,631)
Earnings/(loss) per unit for profit attributable to unitholders of the Fund			
Basic earnings/(loss) per unit in cents	16	(23.49)	(32.48)
Diluted earnings/(loss) per unit in cents	16	(23.49)	(32.48)

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 2020

Statement of financial position

		As at	
	Notes	30 June 2020 \$'000	30 June 2019 \$'000
Assets			
Cash and cash equivalents	9	1,091	26,710
Due from brokers - receivable for securities sold		734	220
Interest receivable		-	40
Dividends receivable		145	-
GST receivable		51	69
Receivable from Investment Manager	12	51	226
Financial assets at fair value through profit or loss	6	117,052	121,114
Total assets		119,124	148,379
Liabilities			
Responsible Entity's fees payable	12	82	82
Management fees payable	12	116	270
Administration and custody fees payable		39	105
Due to brokers - payable for securities purchased		571	131
Distributions payable	8	914	2,470
Other payables		92	72
Total liabilities		1,814	3,130
Net assets attributable to unitholders - equity	7	117,310	145,249

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

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Forager Australian Shares Fund
Statement of changes in equity
For the year ended 30 June 2020

Statement of changes in equity

	Notes	Year ended	
		30 June 2020 \$'000	30 June 2019 \$'000
Total equity at the beginning of the year		145,249	147,276
Comprehensive income/(loss) for the year			
Profit/(loss) for the year		(26,733)	(35,631)
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year		(26,733)	(35,631)
Transactions with unitholders			
Non-renounceable rights issue	7	-	23,265
Units buy-back	7	(292)	-
Units issued upon reinvestment of distributions	7	-	12,809
Distributions paid and payable	7, 8	(914)	(2,470)
Total transactions with unitholders		(1,206)	33,604
Total equity at the end of the year		117,310	145,249

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

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Forager Australian Shares Fund
Statement of cash flows
For the year ended 30 June 2020

Statement of cash flows

	Notes	Year ended	
		30 June 2020 \$'000	30 June 2019 \$'000
Cash flows from operating activities			
Proceeds from sale of financial instruments at fair value through profit or loss		85,892	28,563
Payments for purchase of financial instruments at fair value through profit or loss		(109,524)	(61,801)
Interest income received from financial assets at amortised cost		118	616
Dividend and distribution received		2,291	1,292
Expense reimbursement income received		558	386
Other investment income received		90	-
Responsible Entity's fees paid		(160)	(158)
Management fees paid		(1,541)	(1,440)
Transaction costs paid		(175)	(67)
Other operating expenses paid		(383)	(478)
Net cash inflow/(outflow) from operating activities	10(a)	(22,834)	(33,087)
Cash flows from financing activities			
Proceeds from non-renounceable rights issue and units issued upon reinvestment of distributions		-	36,074
Payments for units buy-back to unitholders		(292)	-
Distributions paid		(2,470)	(19,416)
Net cash inflow/(outflow) from financing activities		(2,762)	16,658
Net increase/(decrease) in cash and cash equivalents		(25,596)	(16,429)
Cash and cash equivalents at the beginning of the year		26,710	43,139
Effects of foreign currency exchange rate changes on cash and cash equivalents		(23)	-
Cash and cash equivalents at the end of the year	9	1,091	26,710
Non-cash financing activities	10(b)	-	12,809

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

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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 was constituted on 22 September 2009 and commenced operations on 30 October 2009 and admitted to the Australian Securities Exchange ("ASX") on 14 December 2016. The Fund will terminate in accordance with the provisions of the Fund's Constitution.

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

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

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

The financial statements of the Fund are for the year ended 30 June 2020. The financial statements are presented in the Australian currency.

The financial statements were authorised for issue by the directors of the Responsible Entity (the "Directors of the Responsible Entity") on 28 August 2020. 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.

(a) Basis of preparation

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

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

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

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

(i) Compliance with International Financial Reporting Standards

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

(ii) New and amended standards adopted by the Fund

There are no standards, interpretations or amendments to existing standards that are effective for the first time for the financial year beginning 1 July 2019 that have a material impact on the amounts recognised in the prior periods or will affect the current or future periods.

2 Summary of significant accounting policies (continued)

(b) Financial instruments

(i) Classification

- Financial assets

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

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

- Financial liabilities

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

(ii) Recognition and derecognition

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

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

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

(iii) Measurement

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 assets at fair value through profit or loss' in the period in which they arise.

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

(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.

2 Summary of significant accounting policies (continued)

(b) Financial instruments (continued)

(v) Impairment

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

(c) Net assets attributable to unitholders

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

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

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

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

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

(d) Cash and cash equivalents

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

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

2 Summary of significant accounting policies (continued)

(e) Investment income

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

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

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

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

Other income is recognised on an accruals basis.

(f) Expenses

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

(g) Income tax

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

(h) Distributions and dividends

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

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

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

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

(i) Receivables

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

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

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

2 Summary of significant accounting policies (continued)

(j) Payables

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

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

(k) Goods and Services Tax (GST)

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

(l) Use of estimates

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

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

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

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

(m) Rounding of amounts

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

(n) Due from/to brokers

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

(o) Comparative revisions

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

3 Financial risk management

(a) Overview

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

The Responsible Entity has in place a framework which includes:

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

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

(b) Market risk

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

(i) Price risk

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

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

The Investment Manager mitigates this price risk and related concentration risk through diversification and a careful selection of securities and other financial instruments within specified limits set by the Product Disclosure Statement. Between 70% and 100% of the net assets attributable to unitholders are invested in Australian shares. The Australian shares (being primarily smaller companies) are listed on the Australian Securities Exchange. The Fund has not invested in any derivatives during the financial year (2019: nil). The Fund is exposed, particularly through its equity portfolio, to concentration and market risks influencing investment valuations. These include Australian economic factors, changes in a company's internal operations or management, and also relate to changes in taxation policy, monetary policy, interest rates and statutory requirements.

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

3 Financial risk management (continued)

(b) Market risk (continued)

(i) Price risk (continued)

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

As at 30 June 2020	Fair value \$'000	% of net asset attributable to unitholders
Listed equity securities	117,050	99.778%
Unlisted equity securities and unit trusts	2	0.002%
Total	117,052	99.780%

As at 30 June 2019	Fair value \$'000	% of net asset attributable to unitholders
Listed equity securities	121,112	83.382%
Unlisted equity securities and unit trusts	2	0.001%
Total	121,114	83.383%

The table in Note 3(c) 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% (2019: +/- 10%) from the year end prices with all other variables held constant.

(ii) Interest rate risk

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

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

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

As at 30 June 2020

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
Financial assets				
Cash and cash equivalents	1,091	-	-	1,091
Due from brokers - receivable for securities sold	-	-	734	734
Dividends receivable	-	-	145	145
GST receivable	-	-	51	51
Receivable from Investment Manager	-	-	51	51
Financial assets at fair value through profit or loss	-	-	117,052	117,052
Total financial assets	1,091	-	118,033	119,124

3 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

As at 30 June 2020

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

Net exposure	1,091	-	116,219	117,310
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As at 30 June 2019

Financial assets				
Cash and cash equivalents	26,710	-	-	26,710
Due from brokers - receivable for securities sold	-	-	220	220
Interest receivable	-	-	40	40
GST receivable	-	-	69	69
Receivable from Investment Manager	-	-	226	226
Financial assets at fair value through profit or loss	-	-	121,114	121,114
Total financial assets	26,710	-	121,669	148,379

3 Financial risk management (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

As at 30 June 2019

	Floating interest rate \$'000	Fixed interest rate \$'000	Non- interest bearing \$'000	Total \$'000
Financial liabilities				
Responsible Entity's fees payable	-	-	82	82
Management fees payable	-	-	270	270
Administration and custody fees payable	-	-	105	105
Due to brokers - payable for securities purchased	-	-	131	131
Distributions payable	-	-	2,470	2,470
Other payables	-	-	72	72
Total financial liabilities	-	-	3,130	3,130
Net exposure	26,710	-	118,539	145,249

The table in Note 3(c) 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 (2019: +/- 100 basis points) from the year end rates with all other variables held constant.

(iii) Currency risk

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

The Fund has assets and liabilities denominated in currencies other than Australian dollars, the Fund's functional and presentation currency. The Fund is therefore exposed to currency risk, as the value of the assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The Investment Manager may enter into forward foreign currency exchange contracts from time to time to hedge against the fluctuation in exchange rates.

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

	As at	
	30 June 2020 \$'000	30 June 2019 \$'000
New Zealand Dollar	10,318	-

The table at Note 3(c) summarises the sensitivities of the Fund's monetary assets and liabilities to foreign exchange risk. The analysis is based on the reasonably possible shift that the Australian dollar weakened and strengthened by +/- 10% (2019: nil) against the material foreign currencies to which the Fund is exposed.

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3 Financial risk management (continued)

(c) Summarised sensitivity analysis

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

	Impact on operating profit/(loss)/ net assets attributable to unitholders					
	Price risk		Interest rate risk		Currency risk	
	-10%	+10%	-100bps	+100bps	-10%	+10%
	\$'000	\$'000	\$'000	\$'000	NZ Dollar A\$'000	NZ Dollar A\$'000
As at 30 June 2020	(11,705)	11,705	(11)	11	(1,032)	1,032
As at 30 June 2019	(12,111)	12,111	(267)	267	-	-

(d) Credit risk

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

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

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

The Fund's financial assets which are potentially subject to concentrations of credit risk consist principally of bank deposits, amounts due from brokers, assets held with the custodian, derivative financial instruments and the related collateral pledged or received from counterparties.

The table below summarises these assets as at 30 June 2020 and 30 June 2019:

As at 30 June 2020

Bank, brokers and custodian	\$'000	Credit rating	Source of credit rating
Australia and New Zealand Banking Group Ltd	47	AA-	Standard and Poor's
JP Morgan Chase Bank N.A (Sydney Branch)	118,830	A+	Standard and Poor's

As at 30 June 2019

Bank, brokers and custodian

BankWest	10	A-1+	Standard and Poor's
Australia and New Zealand Banking Group Ltd	21,145	AA-	Standard and Poor's
JP Morgan Chase Bank N.A (Sydney Branch)	126,889	A+	Standard and Poor's

The custody balance with JP Morgan Chase Bank N.A (Sydney Branch) includes investments in equities totalling \$117,052,000 as at 30 June 2020 (30 June 2019: \$121,114,000).

3 Financial risk management (continued)

(e) Liquidity risk

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

The Fund will invest in no more than 10% of its assets into unlisted securities and will typically only do so if a security is expected to become listed in the future or was listed at the time of purchase but has delisted. During 2020 and 2019, the Fund's strategy was to hold at least 90% of the net assets attributable to unitholders in liquid assets, which include cash and cash equivalents and listed securities. Hence, the Fund is not exposed to significant liquidity risk.

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

(i) Maturities of non-derivative financial liabilities

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

4 Fair value measurement

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

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

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

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

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

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

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

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

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

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

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

4 Fair value measurement (continued)

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

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

(iii) Recognised fair value measurements

The following table presents the Fund's assets measured and recognised at fair value as at 30 June 2020 and 30 June 2019.

As at 30 June 2020	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Listed equity securities	117,050	-	-	117,050
Unlisted equity securities and unit trusts	-	-	2	2
Total	117,050	-	2	117,052

As at 30 June 2019

Financial assets at fair value through profit or loss				
Listed equity securities	121,112	-	-	121,112
Unlisted equity securities and unit trusts	-	-	2	2
Total	121,112	-	2	121,114

(iv) Transfers between levels

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

There were no transfers between levels in the fair value hierarchy for the year ended 30 June 2020.

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4 Fair value measurement (continued)

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

As at 30 June 2020	Unlisted unit trust \$'000
Opening balance - 1 July	2
Gains and losses recognised in the statement of comprehensive income	-
Return of capital	-
Closing balance - 30 June	2
As at 30 June 2019	
Opening balance - 1 July	26
Gains and losses recognised in the statement of comprehensive income	24
Return of capital	(48)
Closing balance - 30 June	2

Level 3 investments comprise:

1. An investment held in Centrebet International Limited was delisted in August 2011 resulting in the shareholders receiving a cash payment as well as one litigation claim unit and one litigation claim right per share and additional units were purchased.

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

The security has been valued at \$0.0000.

2. An investment held in Brookfield Australian Opportunities Fund was delisted on 29 October 2012, and wound up on 30 October 2012. Unitholders in the Fund received one unit in BAO Trust for each unit held in the Fund.

The security is unlisted and is valued at 0.0005 cents per unit.

3. An investment held in Freedom Insurance Group Ltd was suspended from quotation on the ASX on 7 February 2019, following a voluntary trading halt on 5 February 2019.

Following the trade suspension, Freedom Insurance Group Ltd announced its intention to wind down in response to the release of ASIC Report 587 following the findings of the Royal Commission into the misconduct in the Banking, Superannuation and Financial Services Industry.

The security has been valued at \$0.0000.

(vi) *Valuation processes*

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

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

(vii) *Fair values of other financial instruments*

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

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

	Year ended	
	30 June 2020 \$'000	30 June 2019 \$'000
Financial assets		
Net realised gains/(losses) on financial assets at fair value through profit or loss	(1,494)	2,634
Net unrealised gains/(losses) on financial assets at fair value through profit or loss	(26,126)	(38,825)
Total net gains/(losses) on financial instruments at fair value through profit or loss	(27,620)	(36,191)

6 Financial assets at fair value through profit or loss

	As at	
	30 June 2020 \$'000	30 June 2019 \$'000
Financial assets at fair value through profit or loss		
Listed equity securities	117,050	121,112
Unlisted equity securities and unit trusts	2	2
Total financial assets at fair value through profit or loss	117,052	121,114

The market values of all investments as at 30 June 2020 are disclosed on page 5 of the Annual Report. Listed securities are readily saleable with no fixed terms.

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

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7 Net assets attributable to unitholders

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

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

	Year ended			
	30 June 2020 Units '000	30 June 2020 \$'000	30 June 2019 Units '000	30 June 2019 \$'000
Opening balance	113,844	145,249	91,188	147,276
Non-renounceable rights issue	-	-	14,725	23,265
Units buy-back	(346)	(292)	-	-
Units issued upon reinvestment of distributions	-	-	7,931	12,809
Distributions paid and payable	-	(914)	-	(2,470)
Profit/(loss) for the year	-	(26,733)	-	(35,631)
Closing balance	113,498	117,310	113,844	145,249

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

Units buy-back

On 24 March 2020, the Fund announced a 12-month on-market buy-back program. During the year ended 30 June 2020, 345,682 units were bought back at an average buy back of \$0.84 per unit.

Rights

A non-renounceable rights issue offer to existing unitholders of the Fund of 1 new unit at an issue price of \$1.58 for every 6 units held was made on 30 August 2018. A total of \$23,265,000 was raised under this offer with 14,724,513 new units issued to unitholders.

Capital risk management

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

The Fund is a closed-end Fund and is not subject to applications and redemptions. The movements in the number of units during the year were as a result of additional units being allotted under the distribution reinvestment plan and rights issue.

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

8 Distributions to unitholders

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

The distributions for the year were as follows:

	Year ended			
	30 June 2020 \$'000	30 June 2020 CPU*	30 June 2019 \$'000	30 June 2019 CPU*
Distributions payable	914	0.8054	2,470	2.1696
Total distributions payable	914	0.8054	2,470	2.1696

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

9 Cash and cash equivalents

	As at	
	30 June 2020 \$'000	30 June 2019 \$'000
Cash	1,091	26,710
Total cash and cash equivalents	1,091	26,710

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

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

	Year ended	
	30 June 2020 \$'000	30 June 2019 \$'000
Profit/(loss) for the year	(26,733)	(35,631)
Proceeds from the sale of financial instruments at fair value through profit or loss	85,892	28,563
Payments for purchase of financial instruments at fair value through profit or loss	(109,524)	(61,801)
Net (gains)/losses on financial assets at fair value through profit or loss	27,620	36,191
Effects of foreign currency exchange rate changes on cash and cash equivalents	23	-
Dividend and distribution income reinvested	-	(388)
Net change in receivables	88	(160)
Net change in payables	(200)	139
Net cash inflow/(outflow) from operating activities	(22,834)	(33,087)

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

(b) Non-cash financing activities

	Year ended	
	30 June 2020 \$'000	30 June 2019 \$'000
The following distribution payments to unitholders were satisfied by the issue of units under the distribution reinvestment plan	-	12,809
Total non-cash financing activities	-	12,809

11 Remuneration of auditors

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

	Year ended	
	30 June 2020 \$	30 June 2019 \$
Fees to Ernst & Young (Australia)		
Fees for assurance services that are required by legislation to be provided by the auditor	42,000	38,000
Total fees to Ernst & Young (Australia)	42,000	38,000

Fees to PricewaterhouseCoopers (Australia)

Fees for other services - Audit of compliance plan	2,475	2,475
Total fees to PricewaterhouseCoopers (Australia)	2,475	2,475

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

12 Related party transactions

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

Responsible Entity

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

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12 Related party transactions (continued)

Key management personnel

(a) Directors

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

Glenn Foster
Michael Vainauskas (resigned 27 September 2019)
Andrew McIver (Alternate Director for Michael Vainauskas) (resigned 2 September 2019)
Andrew McIver (Alternate Director for Glenn Foster) (appointed 2 September 2019, resigned 27 September 2019)
Vicki Riggio
Phillip Blackmore (Alternate Director for Vicki Riggio)
Richard McCarthy
Simone Mosse (appointed 27 September 2019)

(b) Other key management personnel

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

Key management personnel unitholdings

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

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

Key management personnel compensation

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

Key management personnel loan disclosures

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

Other transactions within the Fund

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

Responsible Entity's/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.

12 Related party transactions (continued)

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

	Year ended	
	30 June 2020	30 June 2019
	\$	\$
Investment management fees for the year	1,397,969	1,564,597
Expense reimbursement income for the year	382,586	555,309
Responsible Entity's fees for the year	160,063	156,636

The ordinary expenses for the Fund are capped at 0.10% per annum of the Fund's net asset value as per the Product Disclosure Statement. For the first three years after the Fund's listing date, which was on 14 December 2016, the Investment Manager 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.

	As at	
	30 June 2020	30 June 2019
	\$	\$
Total fees payable to the Investment Manager at year end	116,132	270,186
Total fees receivable for expense reimbursement income at year end	50,510	225,810
Total fees payable to the Responsible Entity at year end	81,730	81,821

The Fund has entered into an Investment 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.

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:

As at 30 June 2020

Unitholder	No. of units held opening	No. of units held closing	Interest held (%)	No. of units acquired	No. of units disposed	Distributions paid/payable by the Fund (\$)
Senefelder Super Fund	847,598	847,598	0.75	-	-	18,390
The Senefelder Trust	89,873	89,873	0.08	-	-	1,950
Tema Super Fund	200,000	200,000	0.18	-	-	4,339
Equitas Nominees Pty Limited	381,456	758,146	0.67	376,690	-	8,276

12 Related party transactions (continued)

Related party unitholdings (continued)

As at 30 June 2019

Unitholder	No. of units held opening	No. of units held closing	Interest held (%)	No. of units acquired	No. of units disposed	Distributions paid/payable by the Fund (\$)
Senefelder Super Fund	641,892	847,598	0.74	205,706	-	18,390
The Senefelder Trust	54,430	89,873	0.08	35,443	-	1,950
Tema Super Fund	142,610	200,000	0.18	57,390	-	4,339
Equitas Nominees Pty Limited	-	381,456	0.34	381,456	-	8,276

Investments

The Fund did not hold any investment in The Trust Company (RE Services) Limited or of its affiliates or funds managed by Forager Funds Management Pty Limited during the year (2019: nil).

13 Significant events during the year

On 24 March 2020, the Fund announced a 12-month on-market buy-back program. During the year ended 30 June 2020, 345,682 units were bought back at an average buy back of \$0.84 per unit.

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

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

There were no other significant events during the year.

14 Events occurring after year end

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

15 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 30 June 2020 and 30 June 2019.

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16 Earnings/(loss) per unit

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

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

	Year ended	
	30 June	30 June
	2020	2019
Operating profit/(loss) for the year (\$'000)	(26,733)	(35,631)
Weighted average number of units in issue ('000)	113,819	109,706
Basic and diluted earnings/(loss) per unit in cents	(23.49)	(32.48)

17 Segment information

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

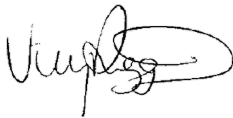
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Directors' declaration

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 16 to 41 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 2020 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
28 August 2020



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working world**

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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 2020, the statement comprehensive income, statement of changes in equity and statement of cash flows for the year ended 30 June 2020, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

- (i) giving a true and fair view of the Fund's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

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

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

Key Audit Matters

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

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



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1. Investment Existence and Valuation

Why significant

The Fund has a significant investment portfolio consisting primarily of listed equity securities. As at 30 June 2020, the value of these financial assets, was \$117,050,000 which represented 98% of the total assets of the Fund.

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

Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and the financial report. Accordingly, valuation of the investment portfolio was considered a key audit matter.

How our audit addressed the key audit matter

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

We obtained and considered the assurance report on the controls of the Fund's administrator in relation to the fund administration services for the year ended 30 June 2020 and considered the auditor's credentials, their objectivity and the results of their procedures.

We agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2020.

We assessed the fair value of all investments in the portfolio held at 30 June 2020. For listed equity securities, the values were verified against independently sourced market prices.

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

2. Management and Performance Fees

Why significant

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

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

How our audit addressed the key audit matter

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

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

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

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2. Management and Performance Fees (continued)

Why significant

For the year ended 30 June 2020, the management fees totalled \$1,398,000 which represented 67% of the total expenses.

For the year ended 30 June 2020, the Fund had no performance fees.

The assessment of the recognition of expenses relating to performance fee arrangements can be complex. Accordingly, this was considered a key audit matter.

How our audit addressed the key audit matter

Constitution, including verifying the fee rate to such agreements.

We also assessed whether the criteria for accrual of a performance fee liability were met at 30 June 2020.

We assessed the adequacy of the disclosures in Note 12 of the financial report in accordance with the requirements of Australian Accounting Standards.

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

The Directors of the Responsible Entity are responsible for the other information. The other information comprises the information included in the Fund's 2020 Annual Report, but does not include the financial report and our auditor's report thereon.

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

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

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

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

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

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

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Auditor's Responsibilities for the Audit of the Financial Report

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

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

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

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

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

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

Ernst & Young

Ernst & Young

Rohit Khanna

Rohit Khanna
Partner
Sydney
28 August 2020

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

The information set out below was applicable as at 31 July 2020

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	137	64,481	0.06
1,001 to 5,000	295	914,149	0.81
5,001 to 10,000	314	2,433,274	2.14
10,001 to 100,000	1,223	41,953,572	36.96
100,001 and Over	218	68,132,681	60.03
Total	2,187	113,498,157	100.00

The number of unitholders holding less than a marketable parcel of \$575 worth of units is 80 and they hold a total of 20,721 units.

B. Largest unitholders

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

Name of unitholder	Number of units	% of units issued
BRAZIL FARMING PTY LTD	4,917,882	4.33
TRANSFIELD FINANCE PTY LTD	2,965,051	2.61
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	2,407,048	2.12
MR IAN WILLIAM TURNBULL <SMALES TURNBULL FAMILY A/C>	1,500,000	1.32
CATRETA PTY LTD	1,475,319	1.30
BNP PARIBAS NOMS(NZ) LTD<DRP>	1,432,685	1.26
MR AARON SHELLEY + MISS TENNILLE SHELLEY <SHELLEY SUPER FUND A/C>	1,384,519	1.22
JELLY PTY LTD <MACLEOD SUPER FUND>	1,247,023	1.10
BIG MAX INDUSTRIES PTY LTD	1,157,335	1.02
SUPER SUPER NO 1 PTY LTD <A&H FIELDING PL STF S/F A/C>	1,035,214	0.91
JELLY PTY LTD <CHALE TRUST>	961,399	0.85
PLATINUM MANAGEMENT GROUP PTY LTD <DIAMOND ASSOCIATES A/C>	936,951	0.83
MR JOHN MICHAEL WOODHEAD + MRS TUTZ WOODHEAD <JT WOODHEAD SUPER FUND A/C>	936,493	0.83
TROBER NO 57 PTY LTD <KEVANS SUPER FUND A/C>	900,752	0.79
MR GAVIN GERARD DOUGLAS + MRS SALLY MAREE DOUGLAS <DOUGLAS FAMILY S/FUND A/C>	850,000	0.75
MR STEVEN JOHNSON + MR BRENDON JOHNSON <SENEFELDER SUPER FUND>	847,598	0.75
WRITEMAN PTY LIMITED <P L H A INVESTMENT A/C>	814,199	0.72
MR SCOTT PLUNKETT	791,545	0.70
EQUITAS NOMINEES PTY LIMITED <PB-600098 A/C>	758,146	0.67
CITICORP NOMINEES PTY LIMITED	646,281	0.57
Total	27,965,440	24.65

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 524. Each investment transaction may involve multiple contract notes.

The total brokerage paid on these contract notes was \$326,672.

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

On 24 March 2020, the Fund announced a 12-month on-market buy-back program. During the year ended 30 June 2020, 345,682 units were bought back at an average buy back of \$0.84 per unit.

J. Registered Office of the Responsible Entity

The Trust Company (RE Services) Limited
Level 18 Angel Place
123 Pitt Street
Sydney NSW 2000
Telephone: 02 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
Website: www.linkmarketservices.com.au

L. Responsible Entity Company Secretaries

Sylvie Dimarco
Gananatha Minithantri



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W foragerfunds.com

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Forage

verb, for·aged, for·ag·ing.

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