



# F RAGER

FORAGER AUSTRALIAN SHARES FUND ARSN 139 641 491  
PRODUCT DISCLOSURE STATEMENT  
2 DECEMBER 2016

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

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



**IMPORTANT NOTICES**

This is an important document which should be read in its entirety before making any investment decision. You should obtain independent advice if you have any questions about any of the matters contained in this product disclosure statement (PDS).

Forager Australian Shares Fund ARSN 139 641 491 (Fund) is an Australian registered managed investment scheme.

This document is a product disclosure statement for the purposes of Part 7.9 of the Corporations Act and has been issued by the Responsible Entity.

**LODGEMENT AND LISTING**

This PDS is dated 2 December 2016 and a copy of this PDS was lodged with ASIC on that date. The Responsible Entity will apply to ASX within seven days after the date of this PDS for admission to the official list of ASX and for official quotation of the Units on ASX. Neither ASIC, ASX or their officers take any responsibility for the contents of this PDS. Admission to the official list of ASX is in no way an indication of the merits of the Fund.

**RESPONSIBLE ENTITY**

The Trust Company (RE Services) Limited (AFSL 235150) is the responsible entity of the Fund.

**FORWARD-LOOKING STATEMENTS**

This PDS contains forward-looking statements, statements identified by use of the words 'believes', 'estimates', 'anticipates', 'expects', 'predicts', 'intends', 'targets', 'plans', 'goals', 'outlook', 'aims', 'guidance', 'forecasts', 'may', 'will', 'would', 'could' or 'should' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions and contingencies that are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of the Responsible Entity, the Manager, their directors and their management. They are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance.

As set out above, the Responsible Entity and the Manager do not make any representation, express or implied, in relation to forward-looking statements and you are cautioned not to place undue reliance on these statements. The Responsible Entity and the Manager do not intend to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this PDS, except where required by law.

These statements are subject to various risk factors that could cause the Fund's actual results to differ materially from the results expressed or anticipated in these statements. Key risk factors are set out in section 5. These and other factors could cause actual results to differ materially from those expressed in any statement contained in this PDS.

**FEES AND COSTS INFORMATION**

As part of the disclosures of fees and costs required by ASIC, certain fees and costs information disclosed within this PDS are based upon the actual fees and costs incurred by the Fund from prior Financial Years. Such fees and costs information are not indicative of the fees and costs that you may actually incur for your investment.

**NOTICE TO INVESTORS**

No person is authorised to provide any information, or to make any representation, about the Fund that is not contained in this PDS. Potential investors should only rely on the information contained in this PDS. Any information or representation not contained in the PDS may not be relied on as having been authorised by the Responsible Entity in connection with the Fund. Except as required by law and only to the extent required by such law, neither the Responsible Entity, the Manager nor any other person associated with the Fund guarantees or warrants the future performance of the Fund, the return on an investment made under this PDS, the repayment of capital or the payment of distributions on the Units.

Before deciding to invest in the Fund, investors should read the entire PDS. The information contained in individual sections is not intended to and does not provide a comprehensive review of the business and the financial affairs of the Fund. The information in this PDS does not take into account the investment objectives, financial situation or particular needs of individual investors. An investment in the Fund should be considered speculative. You should carefully consider the risks (including those set out in section 5) that impact on the Fund in the context of your personal requirements (including your financial and taxation position) and, if required, seek professional guidance from your stockbroker, solicitor, accountant or other professional adviser prior to deciding to invest in the Fund. No cooling-off regime (whether provided for by law or otherwise) applies to the Fund.

**NO OFFER WHERE OFFER WOULD BE ILLEGAL**

This PDS does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register or qualify the Units in any jurisdiction outside Australia. The distribution of this PDS outside Australia may be restricted by law and persons who come into possession of this PDS outside Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

**EXPOSURE PERIOD**

Pursuant to the Corporations Act, this PDS is subject to an exposure period of seven days after the date of the PDS, which period may be extended by ASIC by a further period of seven days.

The Exposure Period enables this PDS to be examined by market participants. The examination may result in the identification of deficiencies in this PDS. If deficiencies are detected, the Responsible Entity will provide a supplementary or replacement PDS that corrects the deficiency.

This PDS will be made generally available to Australian residents during the Exposure Period by being posted on the following website: [www.foragerfunds.com](http://www.foragerfunds.com).

### **RIGHTS AND OBLIGATIONS ATTACHED TO THE UNITS**

Details of the rights and obligations attached to each Unit are summarised in section 11.2 and set out in the Constitution. The material provisions of the Constitution are also summarised in section 11.2. A copy of the Constitution is available, free of charge on request from the Manager

### **ELECTRONIC PDS**

The PDS may be viewed online at [www.foragerfunds.com](http://www.foragerfunds.com). Any person accessing the electronic version of this PDS, for the purpose of making an investment in the Fund, must only access the PDS from within Australia, or any jurisdiction outside Australia where the distribution of the electronic version of this PDS is not restricted by law.

Any eligible person may obtain a paper copy of this PDS by contacting the Manager on +612 8305 6050.

### **INFORMATION ABOUT THE MANAGER**

This PDS contains certain information about the Manager, some of its personnel and business. It also contains details of its investment approach, strategy and philosophy. To the extent that the PDS includes statements by the Manager or includes statements based on any statement of, or information provided by, the Manager, the Manager consents to each such statement being included in the PDS in the form and context in which it is included and has not withdrawn that consent at any time prior to the lodgement of this PDS.

### **UPDATED INFORMATION**

Information in this PDS may need to be updated from time to time. Any updated information that is considered not materially adverse to investors will be made available on the following website: [www.foragerfunds.com](http://www.foragerfunds.com) and the Responsible Entity will provide a copy of the updated information, free of charge to any investor who requests a copy by contacting the Manager on +612 8305 6050.

In accordance with its obligations under the Corporations Act, the Responsible Entity may issue a supplementary PDS to supplement any relevant information not disclosed in this PDS. You should read any supplementary disclosures made in conjunction with this PDS prior to making any investment decision.

### **PRIVACY**

The Responsible Entity may collect personal information from you when you contact the Responsible Entity and from any other relevant forms to be able to administer your investment and comply with any relevant laws. If you do not provide us with your relevant personal information, the Responsible Entity may not be able to properly administer your investment.

Privacy laws apply to the handling of personal information and the Responsible Entity will collect, use and disclose your personal information in accordance with its privacy policy, which includes details about the following matters:

- the kinds of personal information the Responsible Entity collects and holds;
- how the Responsible Entity collects and holds personal information;
- the purposes for which the Responsible Entity collects, holds, uses and discloses personal information;
- how you may access personal information that the

Responsible Entity holds about you and seek correction of such information (note that exceptions apply in some circumstances);

- how you may complain about a breach of the Australian Privacy Principles (APP), or a registered APP code (if any) that binds the Responsible Entity, and how the Responsible Entity will deal with such a complaint; and
- whether the Responsible Entity is likely to disclose personal information to overseas recipients and, if so, the countries in which such recipients are likely to be located if it is practicable for the Responsible Entity to specify those countries.

The privacy policy of the Responsible Entity is publicly available at its website at [www.perpetual.com.au](http://www.perpetual.com.au) or you can obtain a copy free of charge by contacting the Responsible Entity.

The Manager may also collect, use and disclose your personal information, including personal information provided to the Manager by the Responsible Entity, for investor relations purposes in accordance with its privacy policy. A copy of the Manager's privacy policy is publically available at [www.foragerfunds.com](http://www.foragerfunds.com).

### **CURRENCY**

References in this PDS to currency are to Australian dollars unless otherwise indicated.

### **TIME**

All references to time in this PDS refer to the local time in Sydney, Australia unless stated otherwise.

### **GLOSSARY**

Certain terms and abbreviations in this PDS have defined meanings that are explained in section 12. Defined terms are generally identifiable by the use of an upper case first letter.

### **DIAGRAMS**

Diagrams used in this PDS are illustrative only.

### **FUND WEBSITE**

Any references to documents included on the Fund or Manager's website are provided for convenience only, and none of the documents or other information on those websites is incorporated by reference into this PDS.

### **DATA**

All data contained in charts, graphs and tables is based on information available as at 31 October 2016 unless otherwise stated.

FORAGER  
AUSTRALIAN  
SHARES FUND  
PRODUCT  
DISCLOSURE  
STATEMENT



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**IMPORTANT DATES**

Lodgement of the PDS with ASIC	2 December 2016
Lodgement of listing application and the PDS with ASX	2 December 2016
Final Redemptions from the unlisted Fund	2 December 2016
Trading of Units commences on ASX (on a normal settlement basis)	16 December 2016

The above timetable is indicative only. The Responsible Entity reserves the right to vary the dates and times set out above subject to the Corporations Act and other applicable law.

**KEY STATISTICS**

Fund	Forager Australian Shares Fund ARSN 139 641 491
Proposed ASX Code	FOR
Fund Registration Date	6 October 2009
Fund Size (as at 31 October 2016)	\$146,256,566
Distributions	Annually <sup>^</sup>
Publication of the Fund's NAV per Unit	Weekly (unless advised otherwise by the Fund), and month end

<sup>^</sup> Unless an interim distribution is declared or no distribution is declared. See section 3.9 for further details.



## 1. INVESTMENT OVERVIEW

The information set out in this section is intended to be a summary only and should be read in conjunction with the more detailed information appearing elsewhere in this PDS. In deciding whether to invest in the Fund, you should read this PDS carefully and in its entirety. If you are in doubt as to the course you should follow, please consult your professional advisers.

### ABOUT THE FORAGER AUSTRALIAN SHARES FUND

Question	Answer	Further information
What is the Fund?	<p>The Fund is a unit trust. This means your interest in the Fund is represented by units. Certain rights (such as a right to any income and a right to vote) attach to your units.</p> <p>It is proposed that the Fund will be listed on ASX and its Units will trade on ASX under the code FOR.</p>	Section 3
What is the Fund's investment objective?	The Fund's investment objective is to outperform the S&P/ASX All Ordinaries Accumulation Index over a rolling 5 year period. This investment objective is not a forecast and returns are not guaranteed.	Section 2.2
What is the Fund's investment strategy?	<p>The Fund targets securities that the Manager believes are undervalued. The Fund invests predominately in securities listed on ASX. The Fund may also invest in securities that are likely to be listed on ASX in the future and Australian denominated cash. The Fund will not invest more than 10% of the Portfolio in investments that are not listed. There is no restriction placed on the proportion of the Portfolio that is held in cash at any given time and the proportion of the Portfolio held in cash could be higher than usual at times when there is a lack of attractive investment opportunities, or following the issue of a large number of Units.</p> <p>The Fund's goal is to produce superior long-term returns from a select number of underlying investments, irrespective of short-term price movements. Although the S&amp;P/ASX All Ordinaries Accumulation Index benchmark largely represents the available listed investment universe for the Fund, the concentrated nature of the Portfolio and the Fund's ability to invest in securities that are not included in this index means the Fund's results may not be correlated with this index.</p>	Section 2.4
What are the key highlights of the Fund?	<p>The key highlights of the Fund include:</p> <ul style="list-style-type: none"> <li>– Access to the investment expertise of the Manager;</li> <li>– The assets of the Fund are invested in line with the Manager's investment approach;</li> <li>– The Fund may offer diversification benefits to your overall investment portfolio;</li> <li>– The Fund's investments are expected to be concentrated in a relatively small number of securities (generally between 15 and 25);</li> <li>– The Fund is able to invest in securities with both small and large market capitalisations; and</li> <li>– The Fund is a closed-ended fund which means underlying investments are not required to be sold to meet regular Unitholder redemptions as may be the case with an open-ended fund.</li> </ul>	Section 2 and section 3

Question	Answer	Further information
<p>What are the key risks associated with the Fund's Investment Strategy?</p>	<p>The key risks associated with the Fund's Investment Strategy are outlined in section 5.2. They include the following:</p> <ul style="list-style-type: none"> <li>- Asset risk – All investments carry risk. Different investments may carry different levels of risk. Investments to which the Fund is exposed can and do fall in value for many reasons. Adverse movements in the price of investments held by the Fund will have an adverse impact on the NAV per Unit;</li> <li>- Broad investment mandate – The Manager has a broad investment mandate so it may be difficult for investors to assess the risk associated with the Fund's underlying investments.</li> <li>- Concentration risk – The Fund will invest its assets in a limited number of securities (generally between 15 and 25) which may cause the value of the Fund's investments to be more affected by any single adverse business, economic, political or regulatory event than the investments of a more diversified portfolio. The concentrated nature of the Portfolio also means the movement in an individual security's price may have a material impact on the value of the Portfolio;</li> <li>- Small business investment risk – Small businesses generally have less diversified income streams, less stable funding sources and weaker bargaining positions with their counterparties when compared to larger businesses. The securities of small businesses may also be less liquid than those of larger businesses;</li> <li>- Cash weight risk – There is no restriction placed on the proportion of the Portfolio that is held in cash. There is a risk that the cash portion of the Portfolio underperforms the securities portion which may result in the return on the Portfolio being lower; and</li> <li>- Investment liquidity risk - The Fund can (and as at the date of this PDS, does) hold unlisted securities. There may be limited or no willing buyers for these securities. This risk can also apply to securities held by the Fund that are listed on ASX.</li> </ul>	<p>Section 5.2</p>
<p>What are the key risks associated with Units being listed on ASX?</p>	<p>The key risks associated with the Units being listed on ASX are outlined in section 5.3. They include the following:</p> <ul style="list-style-type: none"> <li>- Unit trading price risk – Unitholders should expect that for periods of time, sometimes extended periods, the Units may not trade at or near the stated underlying NAV per Unit;</li> <li>- Volatility of Units risk – Units when listed on ASX may be thinly or heavily traded, and can be very volatile, irrespective of the underlying value of the investments held by the Fund. Units may also trade at a discount to the NAV per Unit; and</li> <li>- ASX liquidity risk – Units in the Fund are intended to be listed on ASX. Although liquidity is generally expected to exist in this secondary market, there are no guarantees that an active trading market with sufficient liquidity will develop, or should it develop after listing, that such a secondary market will sustain a price representative of the NAV per Unit.</li> </ul>	<p>Section 5.3</p>

Question	Answer	Further information
What are the key risks associated with the Fund and its operations?	<p>The key risks associated with the Fund and its operations are outlined in section 5.4. They include the following:</p> <ul style="list-style-type: none"> <li>– Manager risk – The Manager can be wound up or liquidated, the Manager can also cease to manage the Fund and be replaced, the Manager can poorly manage operational risks and its funds could perform poorly. A small number of investment professionals are responsible for managing the Fund and any one of them could make a poor decision or error that could adversely impact the Fund;</li> <li>– Key man and personnel risk – If any one or more of the Manager’s key personnel were to cease to be employed by the Manager, the Manager’s overall capabilities would decrease;</li> <li>– Pre-tax pricing risk – Prior to the ex-entitlement date for the payment of a distribution, the NAV per Unit could be comprised of a significant amount of taxable income components. If an investor acquires Units at such a time, they may be entitled to receive a distribution which may result in them being liable for a payment of tax; and</li> <li>– Cyber risk – There is a risk of fraud, data loss, business disruption or damage to the information of the Fund or to investors’ personal information as a result of a threat or failure to protect this information or data.</li> </ul>	Section 5.4
What is the financial position of the Fund?	As at 31 October 2016 the total NAV of the Fund’s investments (including cash) was \$146,256,566. The Fund has not borrowed any funds.	Key Statistics, section 8
Will any related party of the Responsible Entity have a significant interest in the Fund?	No related party of the Responsible Entity has a significant interest in the Fund.	Section 11.5 and section 11.6
Does the Responsible Entity approve investments?	<p>The Responsible Entity’s approval is not required for investments undertaken by the Manager in accordance with the Investment Strategy. However, the Responsible Entity has conducted due diligence on the Manager to ensure that the investments relating to the Fund have been made in accordance with the Investment Strategy. The Responsible Entity also has an ongoing review framework in place to review the investment process that the Manager has in place for the Fund.</p> <p>Any investments that the Manager proposes outside of the Investment Strategy must be approved by the Responsible Entity.</p>	Section 3.4, section 10.1
Will the Fund pay distributions?	If the Fund pays a distribution to Unitholders, it is generally expected to be paid on an annual basis. The Responsible Entity currently intends to pay an annual distribution which will be approximately equal to the taxable income components of the Fund for the period that the distribution relates to. The Responsible Entity may also declare an interim distribution or may not declare any distribution in relation to any given period.	Section 3.9, section 9
Who is the Responsible Entity of the Fund?	<p>The responsible entity of the Fund is The Trust Company (RE Services) Limited (AFSL 235150). The Responsible Entity is a wholly owned subsidiary of Perpetual Limited. Perpetual Limited has been in operation for approximately 130 years. Perpetual Limited is an Australian public company that has been listed on ASX for over 50 years.</p> <p>The Responsible Entity holds an AFSL issued by ASIC, which authorises it to operate the Fund.</p>	Section 3

<b>Question</b>	<b>Answer</b>	<b>Further information</b>
Who are the directors of the Responsible Entity?	The directors of the Responsible Entity are: – Christopher Green; – Michael Henry Vainauskas; – Andrew Vincent Cannane; – Glenn Foster; – Rodney Garth Ellwood (Alternate Director); and – Vicki Riggio (Alternate Director). See section 3.5 for more details on the background of the Directors.	Section 3.5

Question	Answer	Further information
<b>ABOUT THE MANAGER</b>		
Who is the Manager of the Fund?	Forager Funds Management Pty Ltd (AFSL 459312).	Section 4
Who will manage the investments of the Fund?	Steve Johnson, the Chief Investment Officer of the Manager, has primary responsibility for the investment decisions of the Fund. He is supported by two other investment professionals.	Section 4
What are the key terms of the Investment Management Agreement?	<p>Under the IMA, the Manager is responsible for investing and managing the Portfolio in accordance with the Investment Strategy.</p> <p>Subject to any reductions set out in the paragraph immediately below, the Fund will incur a Manager Fee of up to 1% (inclusive of GST net of RITC) per annum multiplied by the daily value of the Fund's NAV. If the Fund's NAV is not calculated daily, the Fund's NAV on a valuation day will be taken to apply to each day between that valuation day and the preceding valuation day. The Manager Fee is payable monthly in arrears to the Manager.</p> <p>The Manager Fee will be reduced to the extent necessary to ensure the management fee amount and expense recoveries cap (excluding abnormal or extraordinary expenses) set out in section 6 are not exceeded.</p> <p>See section 10.1 for worked examples of how the Manager Fee will be calculated.</p> <p>The Fund will incur a Manager Performance Fee equal to 10% (inclusive of GST net of RITC) of the net return of the Fund in excess of 8% per annum (i.e. after the deduction of any fees (except for the Manager Performance Fees) costs, expenses or taxes), which is calculated and paid semi-annually in arrears based on the average net asset value of the Fund over the relevant Performance Fee Period.</p> <p>Where the net return of the Fund is less than 8% per annum for a Performance Fee Period, no Manager Performance Fee is payable and a negative Manager Performance Fee amount is calculated. No Manager Performance Fee will be payable until any negative Manager Performance Fee from prior Performance Fee Periods has been made up. If payable, the Manager Performance Fee is payable to the Manager.</p> <p>See section 10.1 for worked examples of how the Manager Performance Fee will be calculated.</p> <p>The IMA does not have a fixed term and will continue until terminated by the parties. The IMA can be terminated under the circumstances set out in section 10.1. Some important termination and other events for Unitholders are:</p> <ul style="list-style-type: none"> <li>- The Responsible Entity may terminate the IMA, on giving three months' notice, if an ordinary resolution terminating the appointment of the Manager is passed by Unitholders; and</li> <li>- Subject to complying with the law, the Responsible Entity must convene a meeting of the Unitholders to put forward a proposal, which must without limitation include the ongoing management of the Fund and the orderly termination of the Fund if: <ul style="list-style-type: none"> <li>• Steve Johnson ceases to be actively involved in the management of the Fund within five years of 14 October 2016;</li> <li>• A Change of Control occurs in relation to the Manager; or</li> <li>• The Manager ceases to be investment manager of the Fund.</li> </ul> </li> </ul>	Section 10.1

## 2. OVERVIEW OF THE INVESTMENT STRATEGY

### 2.1 Overview

The Fund invests predominately in securities listed on ASX and aims to generate capital growth and occasionally some income from investments it holds. The Fund will invest no more than 10% of its assets into unlisted investments. The Fund holds a relatively small number of securities, generally between 15 and 25. Although the Fund's wide mandate gives the Manager the flexibility to find opportunities in all parts of the market, the focus has tended to be on securities with smaller market capitalisations.

### 2.2 Investment objective

The Fund aims to outperform the S&P/ASX All Ordinaries Accumulation Index over a rolling 5 year period. This investment objective is not a forecast and returns are not guaranteed.

### 2.3 Foundation of the investment strategy

Value investing is at the heart of the Manager's investment philosophy. A value investor takes the view that security prices represent what it costs, at one point in time, to buy a proportion of a business listed on a securities exchange – a business that employs people, produces goods or services and, hopefully, generates revenue, profit and cash flow. Alongside this quoted security price, value investors like the Manager take account of a business's underlying or intrinsic value. Unlike the security price, the Manager believes that you can never get an exact fix on this figure but you can sometimes make a reasonable estimate by looking at a business's financial statements over time and making an assessment of its management, markets and growth potential.

Security prices can vary enormously over the course of a year but a business's revenue, profit and cash flow rarely change as much as its security price. The Manager believes the reason for this is that the price of a business's securities is only a reflection of what people are willing to pay for them at any given time and is influenced by investors' emotions that can swing from greed to fear. These emotions can push the security price a long way from the assessed intrinsic value of the underlying business, or what a rational person might be expected to pay for the business. The Manager aims to benefit from this by buying securities where the estimated intrinsic value is substantially higher than the security price.

Through the analysis of many businesses and with the value investing philosophy as its foundation, the Manager aims to construct a portfolio of securities that are assessed to be substantially undervalued at the point of investment. The Manager believes that both risks and returns of the Portfolio can be improved by concentrating on the most prospective investments, which means that the portfolios it manages are relatively concentrated.

### 2.4 Investment strategy

The Manager's process of putting together a portfolio of undervalued businesses is accomplished by analysing securities on an individual basis to determine whether they are attractively priced (a "bottom-up" approach). This contrasts with other investment approaches such as using macro-economic predictions to determine a portfolio weighting to certain investment themes (a "top-down" approach) or processes that pay consideration to index weighting (a "benchmarking" approach). Of hundreds of individual securities analysed by the Manager, only a small number will make it through to become actual portfolio candidates.

#### Investment analysis

Preliminary findings are presented to the research team and an initial decision is made – based on the prospective attractiveness of the opportunity – as to whether to conduct a full analysis or not. Once a potential investment opportunity has been identified, it is put through a rigorous investment analysis framework that analyses the competitive landscape, business strategy, management team, historical financial record, balance sheet structure, threats and opportunities and ultimately, the security valuation. A security that offers an attractive return relative to the risk of capital impairment is added to the list of candidates.

Investment ideas are always founded on internal research, although external research is read and referenced if useful. The investment thesis must be internally understood and backed by the investment team's analysis.

#### Portfolio analysis

Whether or not to add a candidate to the Portfolio and how much of the Portfolio to invest in any one idea depends on:

- The risk/reward trade-off relative to other candidates and existing securities in the Portfolio;
- The perceived risk correlations between the individual securities and the existing Portfolio; and
- The impact on the overall risk and expected return of the Portfolio. A security is only added to the extent it increases the expected return and/or reduces the overall assessed portfolio risk.

#### Regular reviews

Once a security has been added to the Portfolio it is subject to a process of ongoing review and reassessment. Here the investment team looks for changes to the fundamentals of a holding (whether it has deteriorated or become more attractive), changes to the risk/reward trade-off relative to other candidates and Portfolio holdings, and changes to the position size.

### 2.5 Investment guidelines and managing risk

The Manager defines risk as the likelihood of suffering significant and permanent impairments to capital. This is the risk that the intrinsic value is less than the original assessment.

#### Individual position risks

The Manager seeks out investments that can be purchased at a wide discount to assessed intrinsic value, and therefore offer outsized expected returns. These opportunities are hard to find, and the Manager strives to exploit these opportunities effectively when and while they are available. Most investments, even when they represent good value, have a wide range of potential outcomes, some of which can be unfavourable. As a percentage of the Portfolio the size of an investment should be large enough to ensure attractive opportunities make a healthy

contribution to Portfolio returns, but small enough to ensure a series of poor investments does not permanently impair the Portfolio.

The Manager analyses the individual position risk by considering the fundamentals of the investment. For example, the following factors are considered:

- The nature of the underlying business;
- The industry in which it operates;
- The quality of management stewarding investors' capital in that business;
- The nature of the security register or ownership structure; and
- The terms of issue for the securities.

In selecting individual position sizes, the Manager endeavours to maximise the return and minimise the risk of the Portfolio as a whole.

#### **Portfolio risk analysis**

Individual position analysis looks to correctly size a position based on the internal risk of the investment position, without considering the potential correlation of outcomes with other positions in the Portfolio. The purpose of portfolio risk analysis is to manage the common risks.

The Manager's portfolio risk assessment involves identifying potential macro-economic, micro-economic and sector specific risks across the Portfolio and managing portfolio weightings so as to leave the Portfolio with an acceptable exposure to each individual risk.

The Manager has no limits on sector allocations or quality ratings, however these are reviewed as part of Portfolio risk analysis.

#### **2.6 Permitted investments**

The Fund will typically invest in ASX listed securities, unlisted securities, and Australian denominated cash. The Fund will invest no more than 10% of the Portfolio in 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. There is no restriction placed on the proportion of the Portfolio that is held in cash at any given time and the proportion of the Portfolio held in cash could be higher than usual at times when there is a lack of attractive investment opportunities, or following the issue of a large number of Units.

#### **2.7 Labour standards or environmental, social or ethical considerations**

Decisions about the selection, retention or realisation of investments for the Fund are primarily made by the Manager. The Manager does not take into account labour standards, environmental, social or ethical issues when making these decisions except to the extent that these issues have a material impact on either investment risk or return.

#### **2.8 Changes to Investment Strategy**

The Responsible Entity and the Manager do not expect to change the Investment Strategy. However, any changes to the Investment Strategy would need the approval of the Responsible Entity, after consultation with the Manager, before being implemented by the Manager. Unitholders will be notified of any material changes to the Investment Strategy through the Fund's website and ASX.

### 3. ABOUT THE FORAGER AUSTRALIAN SHARES FUND

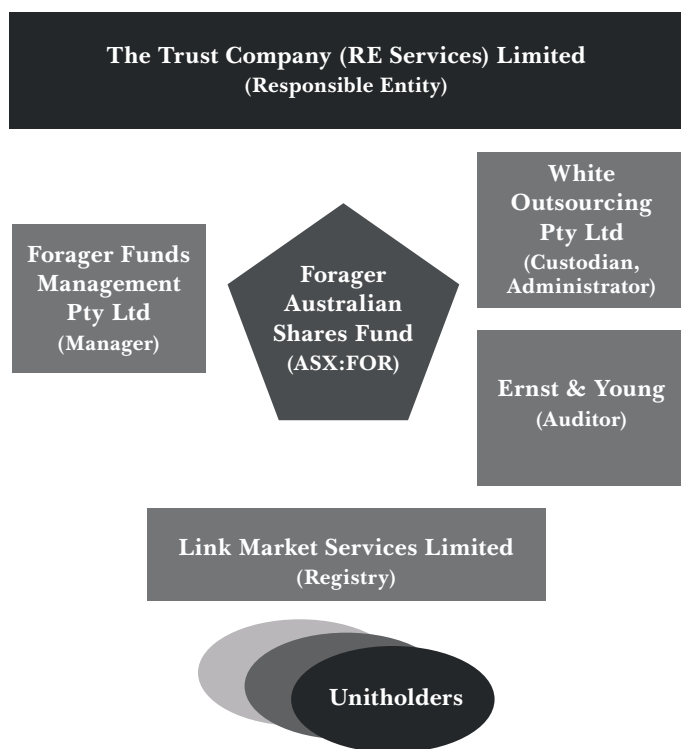
#### 3.1 Overview

The Fund is an Australian managed investment scheme structured as a unit trust, which has been registered with ASIC and expected to be admitted to the official list of ASX on or around 16 December 2016. The registration date of the Fund is 6 October 2009 and, prior to admission to the official list of ASX, the Fund has operated as an unlisted fund.

The Fund offers investors exposure to a portfolio of securities that have been purchased by the Fund at prices the Manager believed were below the value of the securities. The Manager is the investment manager of the Fund and has acted as investment manager of the Fund since the Fund’s inception date. Further information about the Manager is set out in section 4.

#### 3.2 Fund structure

The following fund structure diagram sets out the structure of the Fund and its service providers as at the date of this PDS.



#### 3.3 About the Responsible Entity

The responsible entity of the Fund is The Trust Company (RE Services) Limited. The Responsible Entity is a wholly owned subsidiary of Perpetual Limited. Perpetual Limited has been in operation for approximately 130 years. Perpetual Limited is an Australian public company that has been listed on ASX for over 50 years.

The Responsible Entity holds an AFSL issued by ASIC, which authorises it to operate the Fund.

#### 3.4 Role of the Responsible Entity

The Responsible Entity is bound by the constitution of the Fund, the Corporations Act and the Listing Rules. The Responsible Entity has lodged a compliance plan with ASIC which sets out the key measures which the Responsible Entity will apply to comply with the Constitution, the Corporations Act and the Listing Rules. The Responsible Entity has established a Compliance Committee with a majority of external members. The compliance plan is overseen by the Compliance Committee and is audited annually with the audit report being lodged with ASIC.

The Responsible Entity has the power to delegate certain aspects of its duties.

The Responsible Entity has appointed the Manager as the investment manager of the Fund. There are no unusual or materially onerous terms in the agreement under which the Manager has been appointed. The Responsible Entity has conducted due diligence on the Manager to ensure that the investments relating to the Fund have been made in accordance with the Investment Strategy. The Responsible Entity also has an ongoing review framework in place to review the investment process that the Manager has in place for the Fund.

The Responsible Entity has appointed White Outsourcing Pty Ltd as custodian and administrator of the Fund.

The material agreements of the Fund are set out in section 10.



### 3.5 Board of the Responsible Entity

The Board of the Responsible Entity has a broad range of experience in financial services combined with financial and commercial expertise. The Board currently comprises four directors and two alternate directors.

Details of the current Board are set out below:

#### CHRISTOPHER GREEN

##### Group Executive, Perpetual Corporate Trust

Executive Director — appointed in March 2014

Chris joined Perpetual Limited in 2006 and has held the roles of General Manager — Trust & Fund Services, and from 2008, Group Executive Corporate Trust.

Before joining Perpetual Limited, Chris was with J.P.Morgan & Co. where he spent 9 years in London as Vice President, Account Management & Analytics of Institutional Trust Services and a year as head of that business for the Australasian region.

Chris is Chairman of the Australian Securitisation Forum. He is currently completing a BA in Philosophy at the University of London.

#### MICHAEL HENRY VAINAUSKAS

##### General Manager, Risk & Internal Audit, Corporate Services — Risk Group

Executive Director — appointed in March 2015

Michael joined Perpetual Limited as the Chief Risk Officer (CRO) in October 2014. In this role he is responsible for both risk management and internal audit functions across the Group.

Previous to his current role, Michael was the Head of Risk Operations within the International Financial Services (IFS) Division of the Commonwealth Bank of Australia (CBA) where he was responsible for managing and supporting all risk management functions (other than large credit approvals) of the IFS businesses which include China, India, Indonesia, Japan and Vietnam. Michael was previously the CRO for PT Commonwealth Bank Indonesia, a subsidiary of CBA and was responsible for all risk and legal areas across the subsidiary.

Prior to this, Michael was the General Manager/CRO with both Westpac Banking Corporation in the Retail and Business Bank, and St George Bank in the Retail Bank and Wealth Management businesses. Michael previously worked in a number of senior consumer risk management roles for the Westpac Banking Corporation group of companies in both the bank and its former finance company subsidiary Australian Guarantee Corporation Limited.

Michael's background in finance extends back to 1983 and covers business, operational, compliance, legal and risk related responsibilities, from line-staff positions through to executive management level within a decentralised and centralised framework. Michael previously worked for 15 years at Household Finance Ltd which was subsequently acquired by AVCO Financial Services Ltd.

Michael has been involved in consumer risk management since 1991 and has performed functions in sales, lending, collections, area management, compliance, systems development/implementation and project management within Australia, Indonesia and the United States.

Michael holds a Master of Business in Finance from the University of Technology Sydney.

#### ANDREW VINCENT CANNANE

##### General Manager, Managed Funds Services

Executive Director — appointed in March 2011

Andrew Cannane is General Manager, Managed Funds Services and has responsibility for responsible entity services, wholesale trustee and custodial services for registered and unregistered funds and Perpetual Limited's Singapore Corporate Trustee business.

Prior to Perpetual's acquisition of The Trust Company Limited, Andrew was the General Manager of Corporate Client Services for The Trust Company Limited where he was responsible for business development and client relationship management.

He was an Executive Director on The Trust Company Limited's Responsible Entity and Debt Capital Markets boards. Prior to this, Andrew established The Trust Company Limited's office in Singapore and has led the strategic direction of The Trust Company Limited's international business for the past seven years.

Before joining The Trust Company Limited, Andrew spent 15 years in wealth management, financial markets and retail banking in Australia, Singapore, and the UK.

He holds a MBA (Executive) degree from the Australian Graduate School of Management, a Bachelor of Economics degree from Sydney University and he is a Fellow of the Financial Services Institute of Australasia.

**GLENN FOSTER**

**Group General Manager Finance, Corporate Services — Finance Group**

Executive Director — appointed in July 2015 (previously an alternate director from March 2014 to July 2015)

Glenn is responsible for the Perpetual Limited group finance function including external, regulatory and statutory reporting, financial operations, corporate tax compliance, treasury and capital management. He is also responsible for Business Support Services, including Facilities Management. He is a director of a number of Perpetual Limited's controlled entities (including those licensed with ASIC) and is also Alternate Director for Gillian Larkins, the Group Chief Financial Officer, who is a director of a number of controlled entities of Perpetual Limited (including those licensed with APRA and ASIC).

Glenn is a Chartered Accountant and commenced his career with Coopers and Lybrand (now part of PricewaterhouseCoopers) before entering the financial services industry in 1994.

Prior to joining Perpetual in 2003, Glenn worked in a number of senior finance roles with AIDC Ltd, Babcock & Brown Limited, State Street Bank, The Trust Company Limited and RAMS Home Loans.

Glenn has a Bachelor of Commerce degree from the University of New South Wales, has been a member of the Institute of Chartered Accountants in Australia since 1989 and is a graduate of the Australian Institute of Company Directors.

**RODNEY GARTH ELLWOOD**

**General Manager, Debt Market Services**

Alternate Director — appointed in December 2015

Rod Ellwood is General Manager — Debt Market Services and has responsibility for all debt market transactions.

He has over 20 years' experience in the securitisation and debt capital markets industry.

Prior to joining Perpetual in September 2013, Rod was Senior Manager, Structured Funding at ANZ Group Treasury, which is part of the Australia and New Zealand Banking Group Limited. He was responsible for securitisation funding including the development and execution of the first covered bond issue in Australia.

During his earlier career, Rod was General Manager Finance and Treasurer of RAMS Home Loans, and was also involved with the establishment of RAMS Home Loans.

In 1998 he founded Longreach Global Capital Pty Limited which was Australia's first independent asset backed conduit where he served as the CEO for nine years, before returning to the mortgage industry as Treasurer of Bluestone Group until he joined Australia and New Zealand Banking Group Limited in 2008.

Rod has a Bachelor of Commerce and is a qualified Chartered Accountant with a number of post graduate qualifications in securitisation.

**VICKI RIGGIO**

**General Manager, Management Services Perpetual Corporate Trust**

Alternate Director — appointed in November 2016

Vicki Riggio is General Manager, Management Services, Perpetual Corporate Trust having responsibility for trust management, accounting and investment management services offered to the debt capital markets and managed fund clients in Australia and offshore.

Prior to this, Vicki was the Head of Wholesale Trustee responsible for the delivery of trustee services to a portfolio of funds in excess of \$40bn, primarily supporting offshore investment into Australian real assets through managed investment trust structures. She has also previously been responsible for Perpetual Limited's debt markets trustee operations and ongoing trustee compliance arrangements. Having worked in the financial services industry for close to 20 years, Vicki has extensive experience across a variety of asset classes and trust structures with knowledge across tax, law and accounting.

Vicki is a Responsible Manager for an Australian Financial Services Licence held by a subsidiary of Perpetual Limited and has a Bachelor of Land Economics from the University of Technology, Sydney.

### 3.6 Valuation, location and custody of assets

The Fund will typically invest in ASX listed (or expected to be listed) securities, unlisted securities, and Australian denominated cash. The Fund may also hold securities that were at one time ASX listed but are no longer ASX listed.

In determining the Fund's NAV, the assets of the Fund will be valued in accordance with the following policies and principles:

- (a) any security which is listed or quoted on any securities exchange or similar electronic system and regularly traded will be valued at its last traded price on the relevant valuation day or, if no trades occurred on such day, at the closing bid price as at the relevant valuation day, or as adjusted in such manner as the Responsible Entity, in its sole discretion, thinks fit, having regard to the size of the holding, and where prices are available on more than one exchange or system for a particular security the price will be the last traded price or closing bid price, as the case may be, on the exchange which constitutes the main market for such security or the one which the Responsible Entity in its sole discretion determines provides the fairest criteria in ascribing a value to such security;
- (b) investments, other than securities, which are dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued by reference to the most recent official settlement price quoted by that clearing house, exchange or financial institution. If there is no such price, then the average will be taken between the lowest offer price and the highest bid price at the close of business on any market on which such investments are or can be dealt in or traded, provided that where such investments are dealt in or traded on more than one market, the Responsible Entity may determine at its discretion which market shall prevail;
- (c) any security which is not listed or quoted on any securities exchange or similar electronic system or if, being so listed or quoted, is not regularly traded thereon or in respect of which no prices as described above are available, will be valued at its probable realisation value as determined by the Responsible Entity in good faith having regard to its cost price, the price at which any recent transaction in the security may have been effected, the size of the holding having regard to the total amount of such security in issue, and such other factors as the Responsible Entity in its sole discretion deems relevant in considering a positive or negative adjustment to the valuation;
- (d) investments, other than securities, which are not dealt in or traded through a clearing firm or an exchange or through a financial institution will be valued on the basis of the latest available valuation provided by the relevant counterparty;
- (e) deposits will be valued at their cost plus accrued interest;
- (f) any value (whether of an investment or cash) not in Australian dollars will be converted into Australian dollars at the rate (whether official or otherwise) which the Responsible Entity in its absolute discretion deems applicable as at close of business on the relevant valuation day, having regard, among other things, to any premium or discount which they consider may be

relevant and to costs of exchange. i.e. the Responsible Entity may, at its discretion, permit any other method of valuation to be used if it is in accordance with its written discretionary policy in determining the value of assets and liabilities and such method of valuation better reflects the market value.

A copy of the policy and, where applicable and to the extent required, any other relevant documents in relation to the policy will be made available to Unitholders free of charge on request. The Responsible Entity has delegated to the Administrator the determination of the NAV of the Fund and the NAV per Unit. In determining the NAV of the Fund and the NAV per Unit, the Administrator will follow the valuation policies and procedures set by the Responsible Entity. For the purpose of calculating the NAV of the Fund, the Administrator will, and is entitled to, rely on, and will not be responsible for the accuracy of, financial data furnished to it by market makers and/or independent third party pricing services. i.e. the Administrator may also use and rely on industry standard financial models in pricing any of the Fund's securities or other assets.

The Custodian holds the Fund's assets. Cash may also be held on deposit with one or more Australian authorised deposit taking institutions.

### 3.7 Liquidity

Units are not able to be redeemed except under a withdrawal offer under the Corporations Act or a buy-back of units under the Corporations Act and Listing Rules while the Fund is listed.

Once the Fund is admitted to the official list of ASX and Units are quoted on ASX, Unitholders will be able to sell their Units on ASX, subject to there being sufficient buyers of Units at a price that is satisfactory to the selling Unitholder, ASX being open for trading and the Units not being suspended from trading. Units may be sold on ASX by Unitholders instructing their stockbroker.

As at the date of this PDS, the Responsible Entity does not offer any liquidity options to Unitholders, but Unitholders may sell their Units on ASX after Units are quoted on ASX (subject to there being sufficient liquidity). However, the Responsible Entity may offer liquidity options to Unitholders in the future.

### 3.8 Further issues of Units

The Responsible Entity is permitted, subject to the Constitution, the Corporations Act, the Listing Rules and applicable laws, to issue further units after the Fund is admitted to the official list of ASX. The Responsible Entity will only issue further Units after the Fund is listed if it determines (after consultation with the Manager) such issues are in the best interests of Unitholders. This may take the form of a distribution reinvestment plan, rights issue or placement of Units.

### **3.9 Distribution policy**

If the Fund pays a distribution to Unitholders, it is generally expected to be paid on an annual basis. The amount of the distribution will be at the discretion of the Responsible Entity but it is the current intention of the Responsible Entity to distribute an amount approximately equal to the taxable income components of the Fund for the period that the distribution relates to, usually the preceding Financial Year. In some years it is possible that no distribution will be paid, for example when there are no or very little net taxable income components earned by the Fund. The Responsible Entity may also elect to pay an interim distribution in relation to a period other than a full Financial Year. An example of when this may occur is if the Fund were to realise significant capital gains and wished to distribute some or all of these gains.

Since the Fund is a listed trust, the Responsible Entity is required to announce to ASX an estimated distribution amount per Unit prior to the Units trading on ASX on an ex-entitlement basis. Whilst there is no guarantee that the actual distribution will be exactly equal to the estimated distribution, the Responsible Entity will endeavour to ensure that these amounts are equal. The amount taxable in the hands of Unitholders each year does not necessarily follow the amount distributed from the Fund, and therefore Unitholders may be subject to tax on an amount different from the amount actually distributed.

Further information in relation to the taxation implications for Unitholders can be found in section 9.

### **3.10 Report to Unitholders**

The Fund is a disclosing entity, and is required to meet the continuous disclosure requirements of the Corporations Act and Listing Rules. Accordingly, the Fund will:

- (a) Prepare and lodge with ASIC both yearly and half yearly financial statements accompanied by a Directors' statement and report and an audit or review report;
- (b) Within 14 days after the end of each month, tell ASX of the NAV backing of its Units as at the end of that month; and
- (c) Immediately notify ASX of any information concerning the Fund of which it is, or becomes aware and which a reasonable person would expect to have a material effect on the price or value of Units, subject to certain limited exceptions related mainly to confidential information.

Copies of documents set out above that are lodged by the Fund with ASIC or ASX may be obtained from ASIC or ASX (respectively), or from the Manager.

The Manager will also produce monthly investment reports, which will be lodged with ASX, and quarterly and annual investment reports, which will be lodged with ASX and sent to Unitholders. All reports will be available at [www.foragerfunds.com](http://www.foragerfunds.com).

The Manager expects to conduct an annual series of investor presentations in the second half of each calendar year that Unitholders will be welcome to attend. Notification of which locations the roadshow will visit, along with copies of any presentations to be given, will be available to Unitholders through ASX.

## 4. ABOUT THE MANAGER

### 4.1 About the Manager

The Manager is the investment manager of the Fund and operates under AFSL 459312. The Manager was launched by Steve Johnson in 2009 as Intelligent Investor Funds Management Pty Ltd, as part of the Intelligent Investor Group, which has provided advice to retail investors through a subscription-based publishing business for the past 18 years.

At the date of this PDS the Manager has seven full-time personnel, five of whom contribute to the investment process, and over \$250m in funds under management. In 2014 the Intelligent Investor Group (excluding the Manager) was sold to a new owner, and the Manager was renamed Forager Funds Management Pty Ltd. The Manager's Chief Investment Officer is Steve Johnson. Steve is a director and holds a beneficial interest in the Manager.

### 4.2 Historical Performance of the Fund

The following information about the historical performance of the Fund is set out in this section:

1. A graph illustrating the Fund's annual return for each Financial Year, net of fees since the Fund's investment inception date on 30 October 2009 with a comparison against the Fund's benchmark, being the S&P/ASX All Ordinaries Accumulation Index; and
2. A table illustrating the historical performance returns of the Fund, net of fees, relative to its benchmark, being the S&P/ASX All Ordinaries Accumulation Index.

The graph and table have been prepared as at 31 October 2016.

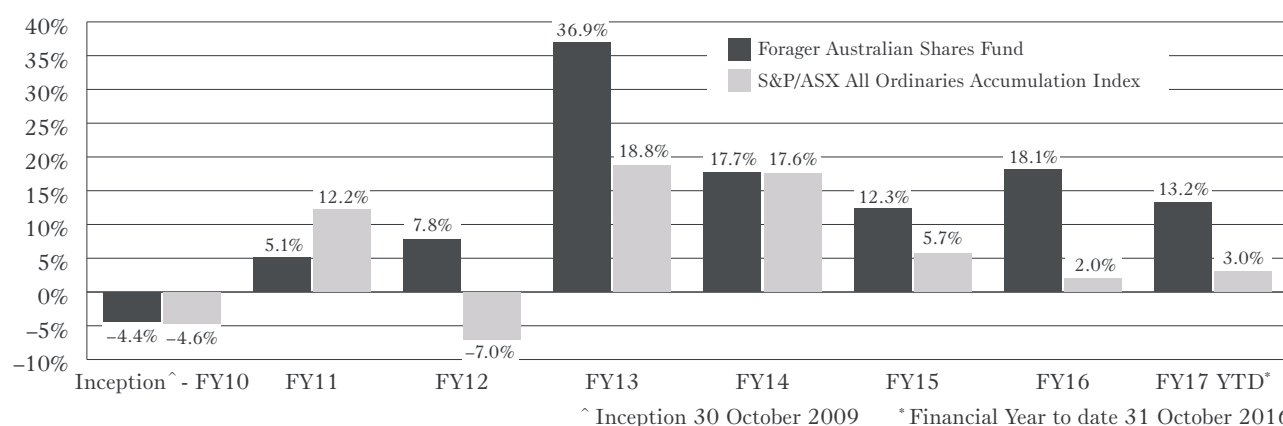
The return shown for the 2017 Financial Year represents the return from 30 June 2016 to 31 October 2016. Past performance is not a reliable indicator of future performance.

The historical performance of the Fund is based on the Fund's performance when it was structured as an unlisted fund and open-ended. Since the Fund is expected to be admitted to the official list of ASX on or around 16 December 2016, the Fund will be closed-ended and subject to some different expenses compared to when it operated as an unlisted fund. The returns of unlisted funds can be affected by cashflows in and out of the fund (e.g. applications and withdrawals). Unitholders in the Fund when listed on ASX do not have withdrawal rights. Unless a withdrawal offer has been made, the Fund when listed is not required to fund withdrawals or sell assets in poor market conditions or other circumstances to satisfy withdrawals.

The historical performance of the Fund is net of the fees applicable to the Fund but excluding individual tax. The historical performance of the Fund is calculated based on the movement in the NAV per Unit and assumes all distributions have been reinvested in additional Units in the Fund.

The performance returns of the Fund as at 31 October 2016, which are set out in this section, are the historical performance of the Fund and are not indicative of the future performance of the Fund. The information in this section should not be relied upon and is not an indication of the future performance of the Fund. In addition, when the Fund is listed, it is not required to satisfy withdrawals and this can also have an impact on the way the Fund is managed and therefore the actual return of the Fund could differ materially from the historical performance of the Fund as set out in this section.

**Graph: Annual Financial Year returns of the Fund vs benchmark since investment inception**



Source: Forager Funds Management Pty Ltd

**Table: Percentage returns of the Fund vs benchmark**

Returns to: 31 October 2016	1 Year Return	3 Year Return (p.a.)	5 Year Return (p.a.)	Since Inception Annualised (30 October 2009)	Since Inception Cummulative
Forager Australian Shares Fund	16.35%	13.76%	21.51%	14.72%	161.76%
S&P/ASX All Ordinaries Accumulation Index	6.63%	4.30%	9.03%	6.63%	56.81%
Value Added	9.72%	9.46%	12.48%	8.09%	104.95%

Source: Forager Funds Management Pty Ltd

#### 4.3 Key Investment Personnel for the Fund

The Key Investment Personnel responsible for the Fund are:

##### MR STEVE JOHNSON

###### Chief Investment Officer

Steve is the founder of and holds the largest beneficial interest in the Manager. After a short investment banking career in the early 2000s, Steve decided to pursue his passion for value investing. In 2004 entities related to him, his business partner and other shareholders purchased the Intelligent Investor Group from its founders and he was Managing Director of that business until 2009.

With the support of the Intelligent Investor Group shareholders and brand, he then founded the Manager, then known as Intelligent Investor Funds Management Pty Ltd and launched the Fund in October 2009.

Steve has been Chief Investment Officer of the Manager since and, under his guidance, the Fund has built an excellent track record and the Manager manages more than \$250m at the date of this PDS.

He has a Bachelor of Economics (Econometrics and Finance) from the University of NSW and is a CFA Charterholder.

##### MR DANIEL MUELLER

###### Senior Analyst

Daniel joined the Manager in April 2016 as a senior analyst/portfolio manager for the Fund. He is an avid value investor and has been researching the stock market from a young age.

He has a Bachelor of Commerce degree (Accounting and Finance) from the University of New South Wales, and is both a qualified Chartered Accountant and a CFA Charterholder.

Daniel brings a wealth of investing and portfolio management experience to the Manager, with previous roles at Investors Mutual Limited and MMC Asset Management Limited. His most recent position was at Morningstar Australasia Pty Ltd where he performed company specific research and managed model portfolios.

##### MR ALVISE PEGGION

###### Junior Analyst

Alvise joined the Manager in 2013 and is a junior analyst who provides support to the team and is an aspiring value investor.

He has passed all 3 levels of the CFA Program and is currently completing the relevant work experience required to become Chartered. Alvise has a degree in Finance (Honours) from the University of Adelaide and speaks Italian, Mandarin and English.

#### 4.4 Key business management personnel for the Manager

The key business management personnel for the Manager are:

##### MR JEFF WEEDEN

###### Chief Executive Officer

Jeff joined the Manager in 2016 as the Chief Executive Officer. One of the key reasons for Jeff joining the Manager was to allow Steve Johnson to dedicate more time to the investment focussed parts of the Manager's business.

Prior to joining the Manager, Jeff had an extensive career in the investment banking and finance industry, specifically equity markets and specialist funds.

Jeff has a Bachelor of Economics degree from Sydney University.

##### MRS ALEX LARKMAN

###### Business Development Manager

Alex joined the Manager in 2014 as the Business Development Manager and is responsible for marketing, investor communications and business operations for the Manager.

Prior to joining the Manager, Alex worked for investment banks in both London and Sydney.

Alex has a Bachelor of Science (Hons) from Nottingham University and she is a CIMA Chartered Management Accountant.

#### 4.5 Other investment personnel for the Manager

The other key investment personnel employed by the Manager (who are not directly involved with the Fund) are:

##### MR GARETH BROWN

###### Senior Analyst

Gareth joined the Manager in 2013 as a senior analyst focussed on the Manager's international equities fund.

Gareth began his career with Commonwealth Bank of Australia before joining the Intelligent Investor Group in 2002 as an analyst.

Gareth has a Bachelor of Business Degree from the University of Technology, Sydney

##### MR KEVIN ROSE

###### Senior Analyst

Kevin is based in New York and joined the Manager in 2013, under contract. He is a senior analyst and is focussed on the Manager's international equities fund.

Kevin began his career with an investment bank in New York before joining Atari Inc. In 2009 he commenced work with a hedge fund where he worked before later joining the Manager.

Kevin has a Bachelor of Arts in Economics cum laude from Vanderbilt University as well as an MBA from the Columbia Business School.

## 5. RISK FACTORS

### 5.1 Introduction

Prior to investing you should assess whether this is a suitable investment for you, and whether it meets your individual investment objectives and financial circumstances. For example, you should consider your financial targets, investment timeframe, how the risks of this Fund compare to your other investments and what degree of risk you will accept in order to achieve your targets. All investments are subject to varying amounts of risks.

You should be aware that an investment in the Fund contains risk and neither the Responsible Entity nor the Manager guarantee the amount of any income or capital return from the Units, the performance of the Fund, that there will be satisfactory liquidity in Units once they are listed on ASX, that the market price of the Units when listed on ASX will be similar to the NAV per Unit or the security of your investment. Past performance is not indicative of future performance.

This section sets out the significant risks associated with investing in the Fund. Nevertheless, other risks will exist, which may ultimately become material, and may result in material financial loss. Before investing you should consider seeking advice from your stockbroker, solicitor, accountant or other professional adviser about the risks involved in the Fund and how they might impact your individual financial circumstances.

### 5.2 Investment Strategy risk

The Manager considers itself to be a value investor, therefore it tries to identify securities that are out of favour with other investors and are able to be purchased at prices below the Manager's assessed valuation. Whilst the Manager believes that value investing should produce superior long term returns, it also means the performance of the Fund may differ materially from that of the broader securities market.

The risks associated with the Investment Strategy of the Fund include:

Type of risk	Description of risk
Asset risk	All investments carry risk. Different investments may carry different levels of risk. Assets with the highest long-term returns may also carry the highest level of short-term risk. Investments to which the Fund is exposed, like securities on a securities exchange, can (and do) fall in value for many reasons, such as changes in a business's internal operations or management, or in its business environment. Adverse movements in the price of investments held by the Fund will have an adverse impact on the NAV per Unit.  From time to time the Fund may enter into an agreement in relation to a capital raising to be undertaken by an entity which is seeking to raise capital. Under this agreement, the Fund will agree to purchase an amount of securities, generally at a fixed price. There is a risk that the price paid to purchase these securities is higher than the market price of the securities at the time that they are purchased.
Broad investment mandate	The Manager has a broad investment mandate. Accordingly, it may be difficult for investors to assess the risk associated with the type of underlying investments that may be made by the Fund.
Concentration risk	The Fund will invest its assets in a limited number of securities (generally between 15 and 25) which may cause the value of the Fund's investments to be more affected by any single adverse business, economic, political or regulatory event than the investments of a more diversified portfolio. The concentrated nature of the Portfolio also means that movement in the price of an individual security held in the Fund may have a material impact on the value of the Portfolio.
Small business investment risk	Historically, the Portfolio has been skewed towards investments outside the S&P/ASX 100. Small businesses generally have less diversified income streams, less stable funding sources and weaker bargaining positions with their counterparties when compared to larger businesses. The securities of small businesses may also be less liquid than those of larger businesses.
Cash weight risk	There is no restriction placed on the proportion of the Portfolio that is held in cash at any given time. There is a risk that the cash portion of the Portfolio underperforms the portion invested in securities, resulting in the return on the Portfolio being lower than it would have been if the cash weighting was lower.
Investment liquidity risk	The Fund can (and as at the date of this PDS, does) hold unlisted securities. There may be limited or no willing buyers for these securities. This risk can also apply to securities held by the Fund that are listed on ASX.
Capacity risk	The Manager believes that there is a limit to the maximum amount of assets it can manage in the Investment Strategy employed by the Fund, based on market size and prevailing investment opportunities. There is a risk that due to performance of the Fund and/or the issuance of additional Units in the Fund, or as a result of actions of the Manager in implementing the same or a similar strategy in relation to another fund or vehicle, that the Manager deploys more funds in total in the Investment Strategy than it believes is optimal which may detract from the performance of the Fund.

Type of risk	Description of risk
Market risk	Economic, technological, political or legal conditions, interest rates and even market sentiment, can (and do) change, and changes in the value of investment markets can affect the value of the investments in the Fund.
Interest rate risk	The capital value or income of a security may be adversely affected when interest rates rise or fall.

### 5.3 ASX related market risks

Investors should be aware that there are a number of specific risks associated with Units being listed on ASX. These risks include:

Type of risk	Description of risk
Unit trading price	The trading price of any listed security may change, related to performance and matters inherent to the investment performance of the securities, but also due to external factors such as market sentiment, or a range of other factors including the presence of larger buying or selling interest in the Units. Therefore Unitholders should expect that for periods of time, sometimes extended periods, the Units may not trade at or near the stated underlying NAV per Unit.
Volatility of Units	Units in the Fund when listed on ASX may be thinly or heavily traded, and could be very volatile, irrespective of any changes in the underlying value of the investments held by the Fund. Units may also trade at a discount to the NAV per Unit. There can be no guarantee that Unitholders will be able to buy or sell Units for a price which they or the Responsible Entity believe fairly reflects the value of the Units. In addition, the NAV per Unit will fluctuate with changes in the value of the underlying investments held by the Fund.
ASX liquidity risk	Units in the Fund are intended to be listed on ASX. Although liquidity is generally expected to exist in this secondary market, there are no guarantees that an active trading market with sufficient liquidity will develop, nor that such a secondary market will sustain a price representative of the NAV per Unit. As a listed investment trust, there is no regular redemption facility for Units. That is, if a Unitholder no longer wishes to be invested in the Fund with respect to some or all of their Units, they will not have the ability to simply redeem their Units. They will be required to sell their Units on ASX. Whilst a listed investment trust can make a withdrawal offer from time to time, it is not the current intention of the Responsible Entity to do so.
ASX counterparty risk	ASX counterparty risk is the risk that when a Unitholder sells their Units on market they are relying on CHESS, the central system for clearing and settling trades on ASX, to ensure they receive their settlement proceeds as well as the risk that arises as a result of Unitholders relying on the creditworthiness of their broker when making trades on ASX.

### 5.4 Risks associated with the Fund and its operation

Investing in the Fund may give different results compared to investing individually due to various factors including the income or capital gains accrued in the Fund and the consequences of investment and withdrawal (where available) by other investors.

The risks set out below represent the key risk factors associated with the Fund and its operation (which are not exhaustive):

Type of risk	Description of risk
Manager risk	Investment managers can be wound up or liquidated, they can cease to manage the relevant fund and be replaced, they can poorly manage operational risks and their funds can perform poorly. Further, a small number of investment professionals are responsible for managing the Fund and any one of them could make a poor decision or error that could adversely impact the Fund. Unitholders with at least 5% of the votes that may be cast on a resolution can request the Responsible Entity to call a meeting of Unitholders for the purpose of voting on the termination of the IMA with the Manager. If a majority of Unitholders who vote on this resolution vote in favour of the termination of the IMA, the Manager will be terminated as investment manager of the Fund.
Key man and personnel risk	The Key Investment Personnel of the Manager for the Fund are set out in section 4.3. If any one or more of these key personnel were to cease to be employed by the Manager, the overall capabilities of the Manager would decrease.
Pre-tax pricing risk	The NAV per Unit is calculated on a pre-tax basis. Prior to the ex-entitlement date for the payment of a distribution, the NAV per Unit could be comprised of a significant amount of taxable income components. If a Unitholder acquires Units at such a time, they may be entitled to receive a distribution that reduces the NAV per Unit by an equivalent amount and may result in them being liable for a payment of tax. See section 9 for more detail on taxation.



Type of risk	Description of risk
Cyber risk	There is a risk of fraud, data loss, business disruption or damage to the information of the Fund or to investors' personal information as a result of a threat or failure to protect the information or personal data stored within the IT systems and networks of the Responsible Entity, Manager or other service providers.
Potential conflicts of interest	The Manager is the investment manager of three individual funds as at the date of this PDS. There is a risk that the Manager may prioritise one or more of the other funds that it manages over the Fund. There is a risk that employees, directors or agents of the Manager, the Responsible Entity or any of the service providers to the Fund may use information they have about the Fund to gain a personal financial advantage. If they do this, it could be to the detriment of the Fund. However the Manager and the Responsible Entity have controls in place to ensure that the Fund is managed in accordance with this PDS.
Counterparty risk	Counterparty risk is the risk that the counterparty to a transaction or contract (such as a broker or other agent of the Responsible Entity) may default on their obligations and that the Fund may, as a result, experience an adverse investment outcome or liability.
Performance Fee incentive	The Manager is entitled to earn a Manager Performance Fee as set out in section 10.1. The more the performance of the Fund exceeds the hurdle of 8% per annum, the greater the Manager Performance Fee. This may result in the Manager being incentivised to invest in securities with a higher perceived risk and return potential in an attempt to maximise the Manager Performance Fee payable to the Manager. However the Manager and the Responsible Entity have controls in place to ensure that the Fund is managed in accordance with this PDS.
Currency risk	Whilst the Fund invests in securities listed on ASX and Australian unlisted securities, these investments may have significant functional exposure to other currencies which exposes the Fund to currency risk. Foreign investors should understand that the Fund is denominated in Australian dollars, and so the value of their investment may go up or down according to the changes in the exchange rate between Australian dollars and their own currency. These changes may be significant.
Performance history of the Fund	Past performance is not a reliable indicator of future performance. The Responsible Entity and the Manager do not guarantee investment performance or distributions, and the value of Units in the Fund may rise or fall.
Distribution risk	The Fund generally intends to pay an annual distribution as set out in section 3.9. This distribution is not of a fixed amount, and, in some years, and potentially for an extended period of time, no distribution may be paid. In some years there may be more than one distribution paid. No guarantee can be given concerning the distributions made by the Fund, the future earnings of the Fund, the income and capital appreciation of the Portfolio or the return of capital invested by Unitholders.
Operational costs	The costs of operating the Fund could increase in the future. While there is a limit applied to the recoverable expenses as set out in section 6.4, there is no cap on abnormal or extraordinary expenses that may be borne by the Fund.
Accounting policy risk	Changes to accounting policies may influence the approach in determining the fair value of investments held by the Fund and may have a detrimental impact on the fair value of investments.
Future capital requirements of the Fund	As a closed-ended vehicle, the Fund will not be open to regular applications for new Units. The Responsible Entity may however offer a distribution reinvestment plan in the future (which does not result in an inflow of cash into the Fund), as well as some form of capital raising such as a placement of Units and/or a rights issue. If new Units are issued in exchange for cash, the Fund will receive an inflow of funds that will be available to be invested. This inflow of cash may detract from investment performance of the Fund as it may result in the Fund being less fully invested than it would otherwise be.
Regulatory risk including changes in taxation laws and policies	The value or tax treatment of either the Fund itself or investments of the Fund, or the effectiveness of the Fund's trading or investment strategy, may be adversely affected either by changes in, or the applicability of, government (including taxation) policies, regulations and laws affecting registered managed investment schemes, or changes in generally accepted accounting policies or valuation methods.
Dilution risk	The Fund has the ability to issue new Units in the future. If Unitholders do not participate (and Unitholders may not be able to participate) or do not participate in proportion to their unitholding (at the time of the capital raising) in any future capital raising for the Fund, the value of their unitholding may be diluted.

<b>Type of risk</b>	<b>Description of risk</b>
Fund termination risk	<p>There is a risk that the Fund could terminate (for example, at a date determined by the Responsible Entity). The Manager has also agreed with the Responsible Entity under the IMA that in the following circumstances, and subject to complying with the law, the Responsible Entity will convene a meeting of Unitholders to consider a proposal which must without limitation include the ongoing management of the Fund and the orderly termination of the Fund which would see the underlying investments of the Fund sold and the proceeds returned to Unitholders:</p> <ul style="list-style-type: none"><li>- If Steve Johnson ceases to be actively involved with the management of the Fund before 14 October 2021;</li><li>- If there is a Change of Control in relation to the Manager; or</li><li>- If the Manager ceases to be the investment manager of the Fund.</li></ul>

## 6. FEES AND OTHER COSTS

### 6.1 Consumer advisory warning

#### DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

#### TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website ([www.moneySMART.gov.au](http://www.moneySMART.gov.au)) has a managed funds fee calculator to help you check out different fee options.

### 6.2 Fees and other costs

This section shows the fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the assets of the managed investment scheme as a whole.

Taxes are set out in another part of this PDS. Refer to the 'Taxation' section of this PDS.

You should read all of the information about fees and costs because it is important to understand their impact on your investment.

**Table 1**

Type of fee or cost	Amount	How and when paid
Fees when your money moves in or out of the managed investment product		
<b>Establishment fee</b> The fee to open your investment	Nil	Not applicable
<b>Contribution fee</b> The fee on each amount contributed to your investment by you	Nil	Not applicable
<b>Withdrawal fee</b> The fee on each amount you take out of your investment	Nil	Not applicable
<b>Exit fee</b> The fee to close your investment	Nil	Not applicable
Management costs <sup>1</sup>		
The fees and costs for managing your investment	1.88% per annum of the Fund's NAV	Management costs are comprised of: 1.00% per annum <b>management fee</b> — calculated at least weekly and paid monthly in arrears from the Fund's assets. 0.85% per annum <b>performance fee</b> <sup>2</sup> — calculated and paid semi-annually in arrears where the net return (excluding the impact of the performance fee) of the Fund is in excess of 8% per annum. Calculation periods are the six month periods to 30 June and 31 December each year. 0.03% per annum <b>expense recoveries</b> <sup>3</sup> (excluding abnormal or extraordinary expenses) — paid out of the Fund's assets once the cost is incurred and capped at 0.10% per annum (excluding abnormal or extraordinary expenses). 0% per annum <b>indirect costs</b> <sup>4</sup> — calculated on the basis of the Responsible Entity's reasonable estimate of such costs and paid out of the Fund's assets or interposed vehicle's <sup>5</sup> assets once the cost is incurred.

Type of fee or cost	Amount	How and when paid
Service fees		
<b>Investment switching fee</b> The fee for changing investment options	Nil	Not applicable

<sup>1</sup> This amount comprises the management fee, performance fee, recoverable expenses and indirect costs. The sum of these figures may differ to the total management costs due to rounding. The management costs and the components of the management costs set out in the table above are inclusive of GST net of RITC. For more information about management costs, please refer to 'Management costs' under section 6.4.

<sup>2</sup> A performance fee may not be payable if the net return (excluding the impact of the performance fee) of the Fund over the relevant period is less than 8% per annum. The performance fee is an estimate calculated based on the actual performance fees payable for the year ended 30 June 2016. For more information about the calculation of the performance fee, please refer to 'Performance fees' under section 6.4.

<sup>3</sup> For more information about the expense recoveries, please refer to 'Expense recoveries' under section 6.4.

<sup>4</sup> For more information on the meaning and calculation of indirect costs, please refer to 'Indirect costs' under section 6.4.

<sup>5</sup> For more information on the meaning of interposed vehicles, please refer to 'Indirect costs' under section 6.4.

### 6.3 Example of annual fees and costs for the Fund

Table 2 gives an example of how the fees and costs for the Fund can affect your investment over a one year period. You should use this table to compare this product with other managed investment products. The fees shown in this table are an example only and are not additional to the fees described in Table 1.

**Table 2**

<b>Example – Balance of \$50,000 with a contribution of \$5,000 during the year<sup>1</sup></b>		
Contribution fees	Nil	For every additional \$5,000 you put in you will not be charged any contribution fee.
PLUS Management costs <sup>2</sup>	1.88% per annum of the Fund's NAV	<b>And</b> , for every \$50,000 you have in the Fund, you will be charged \$940 each year.
EQUALS Cost of the Fund		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees of:  <b>\$940</b>  <b>What it costs you will depend on the fees you negotiate with the Fund or your financial adviser.</b>

<sup>1</sup> This example assumes the \$5,000 contribution occurs at the end of the year, therefore management costs are calculated using the \$50,000 balance only.

<sup>2</sup> Management costs are expressed as a percentage of the Fund's NAV. Management costs are made up of a management fee of \$500 per annum, an estimated performance fee of \$425 per annum\*, estimated expense recoveries of \$15 per annum (with no abnormal or extraordinary expenses incurred by the Fund) and estimated indirect costs of \$0 per annum. The sum of these figures may differ to total management costs due to rounding.

\* The estimated performance fee of \$425 per annum is an estimate of the performance fee calculated based on the actual performance fees payable for the year ended 30 June 2016. This estimate is inclusive of GST net of RITC. It is provided as an example only and is not a representation of likely future performance. The actual performance fee and total management costs will depend on the performance of the Manager and may vary from this example.

## 6.4 Additional explanation of fees and costs

### Management costs

Management costs are expressed as a percentage of the Fund's NAV and rounded to two decimal places. Management costs are comprised of a management fee, a performance fee (if applicable), expense recoveries and indirect costs. Any management fees, performance fees (if applicable), expense recoveries and indirect costs charged by interposed vehicles are included in the management costs Table 1 in section 6.2 but are not an additional cost to you.

### Management fee

The management fee is charged by the Responsible Entity for managing and operating the Fund. This includes the Manager Fee payable to the Manager and fees payable to the Administrator and Custodian. The management fee of 1.00% (inclusive of GST net of RITC) is charged on the Fund's NAV.

### Performance fee

A performance fee is charged by the Responsible Entity where the investment performance of the Fund exceeds 8% per annum. If a performance fee is charged by the Responsible Entity, it will be paid to the Manager. The performance fee is 10% (inclusive of GST net of RITC) of the net return (excluding the impact of the performance fee) of the Fund in excess of 8% per annum (i.e. after the deduction of any fees (other than the performance fee), costs, expenses or taxes), calculated and paid semi-annually in arrears based on the average net asset value of the Fund over the relevant six month period.

Where the net return (excluding the impact of the performance fee) of the Fund is less than 8% per annum, no performance fee is payable and a negative performance fee amount is calculated. No performance fee is payable until any negative performance fee, from prior periods has been made up (this feature is sometimes referred to as a high watermark). Estimated performance fees are included in the management costs in Table 1 in section 6.2 and, if payable, have the effect of increasing management costs.

### Performance fee example

If \$50,000 was invested in the Fund, the Fund's net return (excluding the impact of the performance fee) in excess of the 8% per annum hurdle was 8.50% (i.e. the Fund's total net return was 16.50% (excluding the impact of the performance fee)) and there is no accrued underperformance to be caught up, the performance fee would be 0.85%, being \$425.

This is an example only and is not a representation of likely future performance. It is calculated based on the actual performance fees payable for the year ended 30 June 2016. The actual performance fee and total management costs will depend on the performance of the Manager and may vary from this example.

### Expense recoveries

Under this PDS, the ordinary expenses for the Fund are capped at 0.10% per annum of the Fund's NAV. These are the ordinary and everyday expenses incurred in operating the Fund and are deducted from the assets of the Fund as and when they are incurred.

The amount of the total expense recoveries set out in Table 1 in section 6.2 is based on the expenses paid by the Fund in the Fund's previous Financial Year. As such, the actual expense recoveries may differ from the amount set out in Table

1 in section 6.2. Since the Fund is expected to be admitted to the official list of ASX and operate in a listed environment, the Fund may incur some additional expenses over time and additional fees will be payable to ASX. Once the Fund is admitted to the official list of ASX and operating in a listed environment, it is estimated that the Fund's expense recoveries will be approximately 0.08% per annum (excluding any abnormal or extraordinary expenses).

However, for the first three years after the Fund's listing date, the Manager has agreed to pay for any recoverable expenses incurred by the Fund when listed that are in excess of the Fund's average expense recoveries as a percentage of the Fund's NAV for each of the previous three full Financial Years prior to the Fund's listing date, excluding any abnormal or extraordinary expenses or resulting from changes to the current GST regime. Once this three year period from the Fund's listing date has elapsed, the Fund will bear any additional expenses incurred up to the 0.1% per annum expense recoveries cap.

The Constitution provides that expenses incurred by the Responsible Entity in relation to the proper performance of its duties in respect of the Fund are payable or reimbursable out of the assets of the Fund and are unlimited. While ordinary and everyday expenses are capped, the Responsible Entity reserves the right to recover abnormal or extraordinary expenses from the Fund. Abnormal or extraordinary expenses are expected to occur infrequently and may include (without limitation) costs of litigation to protect Unitholders' rights, costs to defend claims in relation to the Fund and termination and wind up costs.

### Indirect costs

Indirect costs are generally any amount the Responsible Entity knows or estimates will reduce the Fund's returns that are paid from the Fund's assets or the assets of interposed vehicles. Generally, an interposed vehicle is a body, trust or partnership in which the Fund's assets are invested. For example, an underlying fund or listed investment entity.

The amount of indirect costs include, but are not limited to management costs of an interposed vehicle (including performance related fees, recoverable expenses and any indirect costs of underlying managers or interposed vehicles in which the Fund invests).

As set out in Table 1 in section 6.2, the Fund currently does not have any indirect costs. However, the Fund may invest in interposed vehicles in the future and, if it does so, the amount of any indirect costs will be based on the Responsible Entity's knowledge of, or where required, reasonable estimate of such costs. Indirect costs are generally calculated on the basis of indirect costs paid by the Fund in the Fund's previous Financial Year. As such, the actual indirect costs may differ from the amount set out in Table 1 in section 6.2. Indirect costs are deducted from the returns on your investment or from the Fund's assets as a whole. They are not an additional cost to you. Estimated indirect costs are included in the management costs set out in Table 1 in section 6.2.

### Adviser remuneration

No commissions will be paid by the Responsible Entity to financial advisers. You may incur a fee for the advice provided to you by your adviser, but this does not represent a fee that the Responsible Entity has charged you for investing in the Fund and is not an amount paid out of the assets of the Fund. The amount of fees you will pay (if any) to your adviser should be

set out in a Statement of Advice given to you by your financial adviser. You are responsible for the payment of these fees and they are not paid by the Responsible Entity. The Responsible Entity recommends that you check with your adviser if you will be charged a fee for the provision of their advice.

### Can fees be different for different investors?

The Manager and the Responsible Entity may from time to time negotiate a different fee arrangement (by way of a rebate of fees) with “wholesale” investors or otherwise in accordance with ASIC requirements. Any fee rebates will be paid out of the assets of the Manager or the Responsible Entity (as applicable) and will not be paid from the assets of the Fund. The size of the investment and other relevant factors may be taken into account. The terms of these arrangements are at the discretion of the Manager and the Responsible Entity (as applicable).

### Transactional and operational costs

The Fund incurs transactional and operational costs when dealing with the assets of the Fund. Transactional and operational costs may include transactional brokerage, clearing costs, stamp duty, buy and sell spreads of any underlying fund and the costs of (or the transactional and operational costs associated with) derivatives. These costs will differ according to the type of assets in the Fund and will be paid out of the Fund's assets.

The Responsible Entity estimates the Fund's transactional and operational costs to be approximately 0.97% of the Fund's NAV. This estimate was calculated using the Fund's actual transactions during the last Financial Year and was based on the sum of:

- the actual brokerage costs incurred during the last Financial Year; and
- an estimate of the difference between the price paid for acquiring securities and the price that would be payable if they were disposed of at that time and an estimate of the difference between the price received for disposing securities and the price that would be payable if they were acquired at that time. This estimate was based the assumption that this cost was represented by one half of the spread between bid and offer prices of securities bought and sold at the close of ASX on the day of trading.

### Updated fees and costs information

The management costs components are based on the Responsible Entity's actual knowledge, or reasonable estimate of the particular fee or cost. Estimates may be based on a number of factors including (where relevant), previous Financial Year information, information provided by third parties or as a result of making reasonable enquiries, and typical costs of the relevant investment. As such, the actual fees and costs may differ and are subject to change from time to time. Updated information that is not materially adverse to Unitholders will be updated online at [www.foragerfunds.com](http://www.foragerfunds.com) or free of charge on request from the Manager. If a change is considered materially adverse to Unitholders, the Responsible Entity will issue a supplementary or replacement product disclosure statement, which will be available online or free of charge on request from the Manager.

### Can the fees change?

All fees can change. Reasons might include changing economic conditions and changes in regulation. Fees may also change due to an increase in GST payable or a change to RITC entitled to be claimed by the Fund. The Constitution sets the maximum amount the Responsible Entity can charge for all fees. If the Responsible Entity wished to raise fees above the amounts allowed for in the Constitution, the Responsible Entity would need the approval of Unitholders. The Responsible Entity will give Unitholders at least 30 days' advanced notice of any proposed change to these fees where practicable. The Responsible Entity may accept lower fees than those disclosed in the fee table in this section.

### Maximum fees

The maximum fees than can be charged under the Fund's Constitution (exclusive of GST) are:

- **Contribution fee** – 5% of the application amount. Currently, no contribution fee is charged.
- **Withdrawal fee** – 4% of the withdrawal amount. Currently, no withdrawal fee is charged.
- **Management fee** – 4% per annum of the value of the assets. The current management fee is 1% (inclusive of GST) per annum.

### Government charges and taxation

Government taxes such as GST will be applied to your account as appropriate. In addition to the fees and costs described in this section, standard government fees, duties and bank charges may also apply such as stamp duties. Some of these charges may include additional GST and will apply to your investments and withdrawals as appropriate. The fees outlined in this section take into account any reduced input tax credits which may be available.

## 7. MANAGEMENT AND CORPORATE GOVERNANCE

### 7.1 Compliance plan

The Fund has a compliance plan which sets out the procedures for the Responsibility Entity to comply with the Corporations Act and the Constitution. This plan is overseen by a Compliance Committee and the Responsible Entity's compliance with it is audited annually.

### 7.2 Compliance Committee

The Responsible Entity has established the Compliance Committee with a majority of external members. A Compliance Committee charter governs the key aspects of the Compliance Committee.

Details of the current members of the Compliance Committee are set out below:

#### **VIRGINIA MALLEY**

Virginia has 30 years' experience in the investment and banking sectors, including 15 years' experience as a company director. Her areas of expertise are regulatory compliance, financial and environmental markets and governance, and risk management.

Virginia is a non-executive director of Perpetual Superannuation Limited; a member of several Perpetual compliance committees and the Sydney Airport Trust compliance committee; and a director of the Nature Conservation Trust of New South Wales.

Virginia was previously the Chief Risk Officer and member of the Clean Technology, Asia/Pacific, Private Equity and Global/Advisory Investment Committees at Macquarie Funds Management Group. She oversaw the risk management of portfolios investing in clean technologies, listed equities, derivatives, currencies and private equity.

Virginia is a Fellow of the Australian Institute of Company Directors. She holds a Bachelor of Arts and a Master of Applied Finance from Macquarie University, a Master of Law from the University of Sydney, and a Juris Doctor from the University of Technology, Sydney.

#### **MICHELENE COLLOPY**

Michelene is Chair of Perpetual Superannuation Limited as an independent director and a member of its Audit and Risk Committee. Michelene is an experienced professional in funds management, treasury, risk management, compliance, and corporate governance, with over 20 years' experience in financial markets.

Michelene holds a Bachelor of Economics degree from Australian National University and is a Chartered Accountant. Michelene also holds a Financial Planning Accreditation from Deakin University, is a Financial Planning Specialist with the Institute of Chartered Accountants and a Fellow of the Australian Institute of Company Directors.

Michelene is a director of Teachers Mutual Bank and a Council Member of the University of Technology Sydney.

#### **MICHAEL VAINAUSKAS**

Please refer to Michael's biography in section 3.5.

### 7.3 Corporate governance

Responsibility for the Fund's proper corporate governance rests with the Responsible Entity. The Responsible Entity's guiding principle in meeting this responsibility is to act honestly, in good faith and in the best interests of the Fund as a whole, in accordance with the law and the Code of Conduct.

The Responsible Entity has entered into an IMA with the Manager pursuant to which the Manager will provide certain investment management services to the Fund.

The Responsible Entity, with reliance upon the Manager, will monitor the operational and financial position and performance of the Fund. The Responsible Entity is committed to maximising performance, generating appropriate levels of investor value and financial return, and sustaining the growth and success of the Fund. In conducting the Fund's business with these objectives, the Responsible Entity seeks to ensure that the Fund is properly managed to protect and enhance investor interests, and that the directors of the Responsible Entity operate in an appropriate environment of corporate governance.

Accordingly, the Responsible Entity has created a framework for managing the Fund, including adopting relevant internal controls, risk management processes and corporate governance policies and practices which it believes are appropriate for the Fund's business and which are designed to promote the responsible management and conduct of the Fund. Under the IMA, the Manager agrees to assist the Fund to comply with all relevant laws, including the Listing Rules and the Corporations Act.

### 7.4 Corporate governance policies

The ASX Corporate Governance Council has developed and released the ASX Guidelines for Australian listed entities in order to promote investor confidence and to assist entities to meet stakeholder expectations. The ASX Guidelines are not prescriptions, but guidelines. However, under the Listing Rules, the Fund will be required to provide a statement in its annual report disclosing the extent to which it has followed the ASX Guidelines in the reporting period. Where the Fund does not follow a recommendation, it must identify the recommendation that is not being followed and give reasons for not following it. Except as set out below, the Responsible Entity does not anticipate that it will depart from the ASX Guidelines; however, they may do so in the future if they consider that such departure would be reasonable.

The key elements of the Fund's corporate governance framework are set out below.

The Responsible Entity has adopted a number of corporate governance policies to ensure that the Fund is governed efficiently and effectively, and at a high level of integrity. These policies are summarised below:

- Code of Conduct – The Code of Conduct applies to all employees, officers and directors of the Responsible Entity and sets out certain principles on how the Responsible Entity conducts its business.
- Continuous Disclosure Policy – The Continuous Disclosure Policy sets out the accountability, policies and procedures that govern the Responsible Entity's handling of information, continuous disclosure and communications. The Responsible Entity aims to provide timely, transparent and accurate information to the Unitholders of the Fund, regulators and wider stakeholders.

- Risk Management Framework – The Risk Management Framework defines the Responsible Entity's processes for managing risk including the implementation, monitoring, reviewing and improvement of risk management.
- Securities Trading Policy – The Responsible Entity's Securities Trading Policy regulates dealings in the Fund's Units by certain restricted persons who may acquire inside information through their position or dealings with the Fund or the Responsible Entity.
- Securityholder Communication Policy - The Securityholder Communication Policy aims to promote effective communication with Unitholders and other stakeholders, and to encourage and facilitate participation at the Fund's general meetings and promptly deal with the enquiries from Unitholders and other stakeholders.

### 7.5 ASX corporate governance principles

#### (a) Principle 1 – Lay solid foundations for management and oversight

The Responsible Entity has not adopted a formal board charter in relation to the Fund. The Responsible Entity's Constitution sets out the procedures for the appointment, removal and remuneration of the Directors as well as the powers of the Board, which include to borrow money, charge any property or business of the Responsible Entity and appoint attorneys on terms the Board sees fit. The role of the Board is generally to set objectives and goals for the operation of the Responsible Entity and the Fund, 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 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 Board's management is to manage the business of the Responsible Entity in operating the Fund. The Board delegates to management all matters not reserved to the Board, including the day-to-day management of the Responsible Entity and the operation of the Fund. The Board in carrying out its functions has regard to the Code of Conduct to guide the Directors, management and staff in the performance of their roles.

The Board ensures that the performance of the Responsible Entity's management is evaluated against agreed plans and the key performance indicators that are set annually as part of Perpetual's performance management process. The performance of all management and staff of the Responsible Entity is evaluated on a six monthly basis against their key performance indicators that have been set annually and cover both financial and non-financial aspects of each person's role. For the Responsible Entity, the performance management process plays a key role in developing high performance teams and aligning employee and organisational behaviour with Perpetual's cultural values as set out in the Code of Conduct. The performance evaluation of the Responsible Entity's directors, management and staff has taken place in accordance with the above process.

#### (b) Principle 2 – Structure the board to add value

At present the Board consists of four executive directors and two alternate directors. Further information about the Directors is set out in section 3.5. The Board meets regularly and considers that the composition and mix of skills of



Directors are appropriate for the Directors to understand the Responsible Entity's business and to discharge their duties. The Board also ensures that it maintains independent judgement in Board decisions. A chairman is selected by the Directors at the start of each Board meeting. The Board may meet monthly and more frequently as required to consider matters in relation to the Fund.

The Responsible Entity adds value in terms of the best interests of the Fund's Unitholders through being completely independent of the Manager, who has been engaged by the Responsible Entity in relation to the Fund. There are no common directors and no related party interests between the Responsible Entity and the Manager. This independent structure avoids any conflicts of interest between the Responsible Entity and the Manager whenever discretionary decisions are required of either entity in their respective capacities.

As the Board consists of only executive directors, a Compliance Committee is appointed in relation to the Fund (refer to Principle 4). The Compliance Committee consists of only non-executive members, has a majority of independent members and is chaired by an independent member who is not the chair of the Board.

The nomination committee functions have traditionally been carried out by the Board. The Board makes an assessment in relation to the appointment of new Directors and in relation to itself, and ensures that it complies with the Responsible Entity's constitution.

The Board is provided with regular detailed reports on the financial position, financial performance and business of the Responsible Entity and the Fund to allow the Board to effectively fulfil its responsibilities. The Directors have access to the management, staff and advisers of the Responsible Entity and Perpetual as necessary if they require additional information. The Directors also have access, as and when required, to the service providers engaged by the Responsible Entity, such as the Manager. Further, Perpetual has entered into arrangements with the Responsible Entity's directors in relation to access to information and advice as well as indemnity and insurance; these arrangements contemplate that the Directors are entitled to seek independent professional advice if required from time to time.

**(c) Principle 3 – Act ethically and responsibly**

Perpetual has a Code of Conduct and espoused core values and a further values framework known as the "Way we Work" within which it carries on its business and deals with its stakeholders. These apply to all directors and employees of Perpetual and the Responsible Entity. The Code of Conduct and core values support all aspects of the way the Responsible Entity conducts its business and is embedded into Perpetual's performance management process.

Perpetual's diversity policy recognises the contribution of people with differences in background, experiences and perspectives. The policy encompasses but is not limited to gender, age, ethnicity and cultural background. Perpetual's board of directors has established a measurable objective related to gender diversity to achieve 38% representation of woman in senior management roles.

A Securities Trading Policy for the Fund has been adopted which relates to trading in Units in the Fund. Directors, management and staff of the Responsible Entity are required to seek prior approval of any trading in Units in the Fund. The

Board and management ensure that any actual or potential conflicts are appropriately identified, managed and disclosed.

**(d) Principle 4 – Safeguard integrity in corporate reporting**

The Responsible Entity has a Compliance Committee. The Compliance Committee is comprised of three members. The members of the Compliance Committee are Michael Vainauskas, Michelene Collopy and Virginia Malley. Further information about the members of the Compliance Committee is set out in section 7.2. The Compliance Committee meets at least quarterly. The Compliance Committee may have such additional meetings as the chairman of the Compliance Committee may decide in order to fulfil its role. The Compliance Committee charter sets out its role and responsibilities. The Compliance Committee reports both to Perpetual's Audit Risk and Compliance Committee (ARCC) and the board of the Responsible Entity after each meeting under its charter.

A copy of the ARCC terms of reference is available on the Perpetual website.

The declarations under section 295A of the Corporations Act provide formal statements to the Board in relation to the Fund (refer to Principle 7). The declarations confirm the matters required by the Act in connection with financial reporting and is certified by the Chief Executive Officer and the Chief Financial Officer. The Responsible Entity receives confirmations from the service providers involved in financial reporting and management of the Fund, including the Manager, which 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 Board receives periodic reports from the external auditors in relation to financial reporting and the compliance plan for the Fund.

**(e) Principle 5 – Make timely and balanced disclosure**

In relation to the Fund, the Responsible Entity has adopted the Continuous Disclosure Policy for the Fund to ensure compliance with the continuous disclosure requirements of the Corporations Act and the Listing Rules. A copy of the Continuous Disclosure Policy is available on the following website: [www.foragerfunds.com](http://www.foragerfunds.com).

The Continuous Disclosure Policy requires timely disclosure of 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 the Fund, is disclosed to the market. The Responsible Entity and the Manager will review and formally sign off before making disclosures to ASX. The Responsible Entity requires service providers, including the Manager, to comply with its policy in relation to continuous disclosure for the Fund.

**(f) Principle 6 – Respect the rights of security holders**

The Responsible Entity is committed to providing both Unitholders and the market with timely information so that the market is continuously and sufficiently informed of all market sensitive information in relation to the Fund. In addition to the continuous disclosure obligations, the Responsible Entity receives and responds to formal and informal communications from investors and Unitholders. It also 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 the Fund. The Responsible Entity has adopted the Securityholder Communication Policy for the Fund to promote these objectives.

The Responsible Entity handles any complaints received from Unitholders in accordance with Perpetual's established procedures for handling complaints. The Responsible Entity is a member of the Financial Ombudsman Service, an independent dispute resolution body, which is available to Unitholders in the event that any complaints cannot be satisfactorily resolved by the Responsible Entity.

**(g) Principle 7 – Recognise and manage risk**

The Responsible Entity values the importance of robust risk management systems. The Responsible Entity has established a Compliance Committee for the Fund pursuant to Part 5C of the Corporations Act to assist the Board to discharge its risk management and compliance responsibilities.

As noted above, the Compliance Committee is responsible for the oversight of risk management, internal control systems and compliance matters for the Responsible Entity. It also reviews internal and external audit processes and reports. The Compliance Committee liaises regularly with the Responsible Entity's executive team, senior management and external advisers. The Responsible Entity's management regularly report any material business risks to the Board and to the Compliance Committee through its quarterly risk and compliance reporting process. Significant matters arising during a quarter are addressed by management and escalated as appropriate.

Perpetual has the Risk Management Framework in place, which is supported by a risk appetite statement. The framework includes policies and procedures to identify and address material financial and non-financial risks. The framework is reviewed on an annual basis. Perpetual's board of directors and the ARCC are responsible for overseeing compliance with the risk management program and its continuous evolution. Perpetual also historically maintained an independent 'internal' audit function which reported directly to the ARCC and Perpetual's board of directors if necessary. This Risk Management Framework applies to the Responsible Entity and the Responsible Entity has adopted this Risk Management Framework for the Fund.

The declarations under section 295A of the Corporations Act provide formal statements to the Board to confirm that the financial statements of the Fund are founded on a sound system of risk management, internal compliance and controls which implement the policies adopted by the Board. In addition they confirm the Responsible Entity's risk management and control system is operating efficiently and effectively in all material respects. The Responsible Entity receives appropriate declarations from the service providers involved in financial reporting for the Fund, including the Manager.

**(h) Principle 8 – Remunerate fairly and responsibly**

The fees and expenses which the Responsible Entity is permitted to pay out of the assets of the Fund are set out in the Constitution and in this PDS. Fees and expenses for the benefit of the Responsible Entity are required to be considered and disclosed as related party transactions. Fees and expenses paid out of the assets of the Fund are unrelated to the remuneration of the Responsible Entity's directors, management and staff which is separately determined by Perpetual. As noted above, the Responsible Entity's directors, management and staff are provided by Perpetual and are remunerated by Perpetual and not by the Responsible Entity or the Fund.

Perpetual has remuneration policies in place to maintain and attract talented and motivated directors and employees. The policies are designed to improve the performance of Perpetual.

## 8. FINANCIAL INFORMATION

### 8.1 Statements of financial position

The audited historic balance sheet, cash flow statement and income statement for the Fund for the 2016 Financial Year are shown below. The key significant accounting policies for these financial statements are set out in section 8.3.

#### Forager Australian Shares Fund - ARSN 139 641 491

#### Statement of Financial Position As at 30 June 2016

	Note	2016 \$'000	2015 \$'000
<b>Assets</b>			
Cash and cash equivalents	8(a)	24,815	2,862
Receivables	6	258	3,436
Financial assets held at fair value through profit or loss	5	74,983	59,933
<b>Total assets</b>		<u>100,056</u>	<u>66,231</u>
<b>Liabilities</b>			
Payables	7	1,693	1,248
Distribution payable	4	10,656	5,738
<b>Total liabilities (excluding net assets attributable to unitholders)</b>		<u>12,349</u>	<u>6,986</u>
<b>Net assets attributable to unitholders</b>		<u>87,707</u>	<u>59,245</u>

## Forager Australian Shares Fund - ARSN 139 641 491

Statement of Cash Flows  
For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
<b>Cash flows from operating activities</b>			
Dividends received		1,799	2,118
Interest received		130	127
Other income received		-	-
Other expenses paid		(41)	(39)
Management and performance fees paid		(1,330)	(597)
Net cash provided by operating activities	8(b)	558	1,609
<b>Cash flows from investing activities</b>			
Proceeds from sale of financial instruments held at fair value through profit or loss		37,846	26,814
Payment for financial instruments held at fair value through profit or loss		(39,654)	(39,621)
Net cash flow used in investing activities		(1,808)	(12,807)
<b>Cash flows from financing activities</b>			
Proceeds from issue of units		27,960	9,222
Payments for redemption of units		(2,766)	(4,529)
Distribution paid		(1,991)	(1,249)
Net cash provided by financing activities		23,203	3,444
Net increase / (decrease) in cash held		21,953	(7,754)
Cash and cash equivalents at beginning of year		2,862	10,616
Cash and cash equivalents at end of year	8(a)	24,815	2,862

**Forager Australian Shares Fund - ARSN 139 641 491**

**Statement of Comprehensive Income**  
For the year ended 30 June 2016

	Note	2016 \$'000	2015 \$'000
<b>Investment income</b>			
Dividend income		1,799	2,076
Interest income		141	121
Change in fair value of financial instruments		11,894	4,990
<b>Total investment income</b>		13,834	7,187
<b>Expenses</b>			
Management fees	2	823	602
Performance fees	2	709	-
Transaction fees		10	13
Other expenses		26	55
<b>Total expenses</b>		1,568	670
<b>Net operating profit before finance costs</b>		12,266	6,517
<b>Finance costs attributable to unitholders</b>			
Distributions to unitholders	4	(10,656)	(5,738)
<b>Net operating profit after finance costs</b>		1,610	779
Other comprehensive income		-	-
<b>Change in net assets attributable to unitholders</b>		1,610	779

## 8.2 Manager's update on statements of financial position

Between the finalisation of the financial statements shown above and 31 October 2016, the net assets of the Fund have increased to \$146,256,566. This is as a result of changes to the value of the Portfolio, a substantial reduction in liabilities following the payment of a distribution of \$10,648,838 to Unitholders in July 2016, fees and costs paid and accrued and net applications for Units totalling \$45,848,964 (including re-invested distributions). The cash and term deposits held by the Fund as at 31 October 2016 was \$47,505,052.

## 8.3 Key significant accounting policies for accounts

### Forager Australian Shares Fund - ARSN 139 641 491

#### Notes to the Financial Statements For the year ended 30 June 2016

##### **NOTE 1. Statement of Significant Accounting Policies**

This financial report covers Forager Australian Shares Fund ("the Fund") as an individual entity.

The Fund is a registered investment scheme under the Corporations Act 2001. The financial report of the Fund is for the year ended 30 June 2016.

The Fund was constituted and registered as a managed investment scheme on 6 October 2009 with the Australian Securities & Investments Commission ("ASIC").

The financial statements were approved by the Board of Directors of the Responsible Entity on 21 September 2016.

##### **Basis of preparation**

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB"), Australian Accounting Interpretations and the Corporations Act 2001.

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

On the face of the Statement of Financial Position all assets and liabilities are presented in decreasing order of liquidity and not distinguished between current and non-current.

The Fund is a for-profit entity for the purpose of preparing financial statements.

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

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards as issued by the International Accounting Standards Board.

##### *(ii) Reporting basis and conventions*

The financial report has been prepared on the basis of fair value measurement of assets and liabilities except where otherwise stated. The financial report is presented in Australian Dollars and all values are rounded to the nearest thousand dollars unless otherwise stated.

##### *(iii) Use of estimates and judgements*

In the application of accounting policies, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

**Forager Australian Shares Fund - ARSN 139 641 491****Notes to the Financial Statements  
For the year ended 30 June 2016****NOTE 1. Statement of Significant Accounting Policies (cont'd)****a. Financial instruments****(i) Classification**

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

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

These include financial assets that are not held for trading purposes and which may be sold. These are investments in Australian listed and unlisted securities.

Financial assets and financial liabilities designated at fair value through profit or loss at inception are those that are managed and their performance evaluated on a fair value basis in accordance with the Fund's documented investment strategy. The Fund's policy is for the Responsible Entity to evaluate the information about these financial assets on a fair value basis together with other related financial information.

**(ii) Recognition/derecognition**

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

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

**(iii) Measurement****(a) Financial assets and liabilities held at fair value through profit or loss**

Financial assets and liabilities held at fair value through profit or loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Transaction costs on financial assets and financial liabilities at fair value through profit or loss are expensed immediately. Subsequent to initial recognition, all instruments held at fair value through profit or loss are measured at fair value with changes in their fair value recognised in the Statement of Comprehensive Income.

- Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the balance date without any deduction for estimated future selling costs. Financial assets are priced at last sale prices, while financial liabilities are priced at current asking prices. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

- Fair value in an inactive or unquoted market

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

Forager Australian Shares Fund - ARSN 139 641 491

Notes to the Financial Statements  
For the year ended 30 June 2016

**NOTE 1. Statement of Significant Accounting Policies (cont'd)**

**a. Financial instruments (cont'd)**

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.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the balance date applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the balance date. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

(b) Loans and receivables

Loans and receivables are measured initially at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest rate method, less impairment losses if any.

**b. Impairment of assets**

At each reporting date the Responsible Entity assesses whether there is objective evidence that a financial instrument has been impaired.

Such assets are reviewed at each balance date to determine whether there is objective evidence of impairment. A significant or prolonged decline in the fair value below cost is evidence of impairment.

If any such indication of impairment exists, an impairment loss is recognised in the Statement of Comprehensive Income as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

If in a subsequent year the amount of an impairment loss recognised on a financial asset carried at amortised cost increases and the increase can be linked objectively to an event occurring after the write-down, the write-down is reversed through the Statement of Comprehensive Income.

**c. Investment income and expenses**

Unrealised gains and losses on revaluation of investments to fair value, are recognised in the Statement of Comprehensive Income.

Realised gains and losses on sale are recognised as investment income in the Statement of Comprehensive Income. Gross proceeds from sale of investments are disclosed in the Statement of Cash Flows.

Dividend income is recognised on a receivable basis on the date the shares are quoted ex dividend.



**Forager Australian Shares Fund - ARSN 139 641 491****Notes to the Financial Statements  
For the year ended 30 June 2016****NOTE 1. Statement of Significant Accounting Policies (cont'd)****c. Investment income and expenses (cont'd)**

Interest income and expenses are recognised in the Statement of Comprehensive Income for all financial instruments that are not held at fair value through profit or loss using the effective interest method. Interest income on assets held at fair value through the profit or loss is included in the net gains/(losses) on financial instruments. Other changes in fair value for such instruments are recorded in accordance with the policies described in Note 1(a).

All expenses including management fees are recognised on an accrual basis in the Statement of Comprehensive Income.

**d. Management fees**

In accordance with the Constitution, the Fund's managers are entitled to a management fee of 1.10% per annum of the value of the Fund payable on a monthly basis.

**e. Performance fees**

The Fund's managers are also entitled to a performance fee of 10% when the Fund outperforms the "benchmark", the benchmark being a return of 8% per annum. The performance fee is 10% of the return of the Fund in excess of 8%, calculated and paid semi-annually.

The method of calculating the fee is detailed in the Constitution and summarised in the current PDS.

**f. Income tax**

Under current legislation the Fund is not subject to income tax provided unitholders are presently entitled and taxable income including assessable capital gains is fully distributed to unitholders.

**g. Distributions**

In accordance with the Fund Constitution and applicable taxation legislation, the Fund fully distributes its distributable income to the unitholders by way of cash or reinvestment into the Fund.

The distributions are recognised in the Statement of Comprehensive Income as finance costs attributable to unitholders.

Distributions to unitholders comprise the net income of the Fund to which the unitholders are presently entitled. The distributions are payable at the end of June each year.

## 9. TAXATION

The summary below is general in nature and is intended as a guide only. It summarises the Australian income tax implications applicable to the Fund and investors, based on the tax laws applicable as at the date of this PDS, but it does not constitute tax advice. As the tax rules in Australia are complex and are continuously changing, it is strongly recommended that investors obtain specific tax advice pertaining to their own circumstances prior to investing in the Fund.

In particular, the implications summarised apply only where investors are residents of Australia for income tax purposes and hold their investment on capital account for income tax purposes. They do not apply where investors are not resident of Australia for income tax purposes or where any gain in respect of the disposal of Units would be regarded as ordinary income or otherwise taxed on revenue account. Investors should obtain specific tax advice pertaining to their own circumstances prior to investing in the Fund.

### HOW THE FUND IS TAXED

#### General

The Fund has been established as an Australian resident unit trust. In addition, it is the Responsible Entity's intention that the Fund's investments will not cause the Fund to be taxed as a public trading trust.

Investors should not be able to apply the Fund's tax losses or capital losses to reduce their other taxable capital gains or income, but such losses may accumulate in the Fund and may be offset against future assessable income or gains of the Fund provided certain loss recoupment tests are satisfied.

The Fund intends to continue to qualify as a 'managed investment trust' for Australian tax purposes. If the Fund so qualifies, it will be eligible to make a capital account election for the purposes of the managed investment trust regime under Australian income tax law. This election would mean gains and losses on the disposal of certain assets (such as shares in companies and units in unit trusts, rights and options over such assets but excluding assets that are debt interests or other financial arrangements) of the Fund will be subject to capital gains tax treatment.

#### The AMIT taxation regime

The AMIT regime has been introduced as a new tax system for managed investment trusts to increase certainty of income tax rules for such trusts and to ensure investors' rights to the income and capital of the Fund are clearly defined and cannot easily be materially diminished or expanded through the exercise of a power or right. Rather than determining taxation on a "present entitlement" basis, taxation under the AMIT rules is based on "attribution" of the Fund's income components to the investors without the investors necessarily having "present entitlements" to the income.

The AMIT rules may be applicable to the Fund from 1 July 2016 subject to the Fund satisfying the relevant eligibility requirements both as a managed investment trust and an AMIT, and making an election to apply the AMIT rules. The Responsible Entity will assess whether the Fund qualifies as an AMIT and whether it will make an election to apply the AMIT rules to the Fund.

If the Fund elects into the AMIT regime, the Fund will be subject to the new rules in this regime and this would impact

how the Fund and the investors are taxed. The Fund will be deemed to be a 'fixed trust' for income tax purposes, and the Fund's income components will be 'attributed' to investors on a fair and reasonable basis. The Fund can also rely on specific legislative provisions to make adjustments to reflect any prior periods' under-attributions or over-attributions of taxable income components, although administrative penalties may apply in certain circumstances. In broad terms, the income tax consequences under the AMIT rules are otherwise expected to be similar to the income tax consequences under the current general taxation rules on trusts.

It is noted that the AMIT rules codify an "unders and overs" provision, which means that any errors in determining taxable income can be carried forward to the following income year. This means that any incoming or outgoing investors may be taxable on these carried over forward amounts.

The Responsible Entity will monitor the impact of these proposed changes on the Fund to determine whether the Fund should elect to be an AMIT.

If the Fund cannot or does not elect into the AMIT rules, the general taxation rules on trusts will continue to apply to the Fund. If this is the case, it is intended that investors will be presently entitled to all of the income of the Fund for each Financial Year such that no taxation liability will accrue to the Responsible Entity.

### HOW AUSTRALIAN RESIDENT INVESTORS ARE TAXED

#### Income from the Fund

As it is the Fund's intention to either attribute (if the Fund is an AMIT) or otherwise distribute (if the Fund is not an AMIT) all income of the Fund to investors during each Financial Year, the Fund should not be subject to any Australian income tax.

Proceeds from withdrawals may also contain a component of taxable income as determined by the Responsible Entity.

The taxable components of (if the Fund is an AMIT) attributions or (if the Fund is not an AMIT) distributions – whether reinvested back into the Fund or not – should be taxable in the hands of the investors for the Financial Year to which the attributions or distributions relate. That is, investors will include their share of the taxable components of the Fund (i.e. the taxable income of the Fund) in their assessable income for that year.

Investors will be provided with a statement each year outlining the various components of the attribution or distribution, as the case may be. For example, the components of the distribution may include dividends, trading or capital gains, tax deferred income, any taxes withheld or franking credits attached.

#### Capital gains or losses made by the Fund

To the extent that an investor's share of the income of the Fund is attributable to a net capital gain made by the Fund after utilising available current year or carried forward capital losses in the Fund, the investor will be treated as having made a net capital gain equal to that amount. Where such an amount qualifies as a discount capital gain, the investor's distribution and taxation statement will indicate a taxable component and a capital gains tax concession component. The concession component generally represents the capital gains discount (currently 50%) claimed by the Fund. For individuals and trusts that are entitled to the same capital gains tax discount percentage (50%) as the Fund, effectively the concession component is not assessable and does not reduce the cost base

of units held. However, for companies and superannuation funds, the concession component is effectively wholly or partly assessable. Where the Fund is in an overall capital losses position, such capital losses cannot be attributed to the investor but can only be carried forward in the Fund to offset against future capital gains of the Fund.

#### **Franked dividends and franking credits**

Any franking credits derived by the Fund should generally be available to be distributed to investors in the Fund. However, the eligibility of the Fund to distribute franking credits is subject to certain conditions such as whether the Fund is in a tax loss position and the holding period rule. An investor's individual circumstances will also be relevant in determining whether an entitlement to franking credits exists.

Where franking credits are distributed to an investor which is a resident individual or a complying superannuation entity, and those franking credits exceed the income tax otherwise payable by the investor, the excess franking credits may be refundable (i.e. the investor may get a cash refund rather than paying tax). In the case of corporate investors, in certain circumstances excess franking credits may give rise to tax losses.

#### **Foreign income**

The Fund may derive income from sources outside Australia. An investor's share of the gross foreign income will be treated as foreign income in their hands. Any foreign taxes paid by the Fund may be able to be attributed to investors. Investors may be able to claim a foreign income tax offset for these amounts.

#### **Taxation of Financial Arrangements regime**

The TOFA rules may apply to certain "financial arrangements" held by the Fund. In broad terms, in calculating the net income of the Fund, returns on certain financial arrangements may be recognised on an accruals basis rather than a realisation basis, and on revenue account rather than on capital account.

#### **Cost base adjustments**

The cash distribution that an investor receives (including distribution reinvested back into the Fund) may include amounts not otherwise assessable income in the income year received. The non-assessable cash distribution component of distributions received by investors is commonly referred to as a tax deferred distribution, unless it relates to a discount capital gain that has been made by the Fund.

If the Fund has elected into the AMIT rules, the cost base and reduced cost base of an investor's investment in the Fund will need to be adjusted upwards or downwards, based on the attributed amounts of the Fund's income to the investor and the distribution being made to the investor.

If the Fund is not an AMIT, a tax deferred distribution received will result in a reduction in the cost base of Units.

Investors may have a capital gain once the cost base in the Units has been reduced to nil. An investor should confirm the treatment of tax deferred distributions with their taxation adviser as this will depend on their individual circumstances.

#### **Disposal of units in the Fund**

Investors who hold their Units on capital account may also crystallise a capital gain or capital loss on disposal or redemption of their Units in the Fund. Any capital gains tax liability that arises may be reduced by the applicable capital gains tax discount where the Units disposed of or redeemed have been held for more than 12 months. The capital gains tax discount varies depending on whether the investor is an

individual, trust or complying superannuation fund. Investors should seek their own taxation advice in relation to the capital gains implications that arise on disposal or redemption of Units.

Any capital losses arising from the disposal of the investment may be used to offset other capital gains the investor may have derived.

#### **Goods and Services Tax**

GST is not imposed on the acquisition or redemption of Units in the Fund. However, the services for which any fees are payable under the "Fees and other costs" section of this PDS, are likely to be subject to GST. The Fund is unlikely to be entitled to claim a full input tax credit for any GST paid on fees and other costs payable by it. The Fund may be entitled to claim a reduced input tax credit in relation to some of the GST payable in respect of certain expenses.

Any denial of input tax credit will be an additional cost to the Fund, which may affect the net income of the Fund and the distributions (if any) made by the Fund to investors.

#### **Duty**

Neither the acquisition of Units on initial application, nor the redemption of Units on a withdrawal, should attract stamp duty. However stamp duty may apply when transferring Units. Investors should confirm the duty consequences of transferring Units with their taxation adviser.

#### **Tax File Number or Australian Business Number**

It is not compulsory for an investor to quote their TFN or ABN. However, unless exempted, investors who have not provided a TFN, an ABN or details as to why the investor is exempt from being required to have a TFN or ABN, may have tax deducted from their distributions at the highest marginal tax rate plus any levies (such as the Medicare Levy) which may apply from time to time. Investors may be able to claim a credit in the investors' tax return for any TFN/ABN tax withheld.

#### **The Responsible Entity's reporting obligations**

The Responsible Entity is required to lodge annually an Annual Investment Income Report (AIIR) to the ATO containing investor identity details and investment income paid to investors for the relevant Financial Year.

FATCA in the US imposes certain due diligence and reporting obligations on non-US financial institutions, including Australian institutions, to report to the US Internal Revenue Service (IRS) information on US citizens with financial accounts. Australia and the US has signed an intergovernmental agreement to assist in the facilitation of FATCA for Australian financial institutions, including reporting the information via the ATO under the existing Australia-US tax treaty arrangements. In addition, under the new Common Reporting Standard (CRS) which is the single global standard for the collection, reporting and exchange of financial account information on non-residents, banks and other financial institutions will need to collect and report to the ATO financial account information on non-residents and the ATO will exchange this information with the participating foreign tax authorities of those non-residents.

The Responsible Entity may therefore be required to report information in relation to non-resident Unitholders to the ATO, to be provided to foreign tax authorities.

## 10. MATERIAL CONTRACTS

The Responsible Entity considers that the material contracts described below are those which an investor would reasonably regard as material and which investors and their professional advisers would reasonably expect to find described in this PDS for the purpose of making an informed assessment of an investment in the Fund.

This section contains a summary of the material contracts and their substantive terms which are not otherwise disclosed elsewhere in this PDS.

### 10.1 Investment management agreement

The Responsible Entity has appointed the Manager as the investment manager of the Fund under the IMA. A summary of the material terms of the IMA are set out below.

#### Services

Pursuant to the IMA, the Manager agrees to promote, administer, invest and manage the Portfolio in accordance with the Investment Strategy and the terms of the IMA. The investment objective of the Fund is to outperform the S&P/ASX All Ordinaries Accumulation Index over a rolling 5 year period.

The other services provided by the Manager under the IMA include, but are not limited to:

- (a) Arranging the valuation of the Portfolio and all other assets and liabilities of the Fund in accordance with the Constitution and this PDS;
- (b) Preparing all documents required for the Fund to satisfy its financial reporting obligations under the Corporations Act and the Listing Rules;
- (c) Ensuring compliance with the Fund's obligations under the Corporations Act and the Listing Rules;
- (d) Preparing ASX announcements and other communications with investors;
- (e) Maintaining the Fund's website and all information on the website; and
- (f) Assisting the Responsible Entity with any fundraising activities, including the preparation of any disclosure document or marketing materials.

#### Powers and discretions of Manager

For the purpose of carrying out its functions and duties under the IMA, the Manager is responsible for all investment decisions of the Fund and exercises day-to-day control over the Fund's assets.

The Responsible Entity may, at any time, instruct the Manager or vary any decision of the Manager in the performance of the services provided by the Manager under the IMA from that time, in which circumstances the Responsible Entity has the sole responsibility for the consequences of that instruction or variation. However, the Manager may complete any transaction already commenced provided it does not act contrary to any reasonable direction by the Responsible Entity.

#### Delegation

The Manager may not delegate its duties, responsibilities, functions and powers under the IMA to an agent without the prior written consent of the Responsible Entity. The Manager must also exercise due care and skill in selecting, appointing and reviewing the performance of any agent appointed in connection with the Portfolio or any broker engaged by the Manager.

The Manager may also invest in, deal with, or engage the services of its related bodies corporate engaged in separate business activities after providing notice to the Responsible Entity. These related bodies corporate are entitled to charge fees, brokerage and commissions provided such fees are in the ordinary course of business, on arm's length terms and are approved by the Responsible Entity.

#### Exclusivity

The Manager may from time to time perform similar management or investment services for itself and other persons to the services performed for the Responsible Entity under the IMA.

#### Management of conflicts

To the extent permitted by law, the Manager must, under the terms of the IMA:

- (a) Subject to the use of related bodies corporate set out under 'Delegation' above, not permit the acquisition, disposal, transfer or any other dealing of any part of the Fund's Portfolio from, to or with a related party of the Manager;
- (b) Comply with its policy regarding the receipt by the Manager or by an associate or a related body corporate of the Manager, of benefits in the nature of soft dollar receipts, in relation to the investment or management of the Portfolio, and provide a copy of the policy to the Responsible Entity upon request; and
- (c) Account to the Fund for any monetary benefits, fees, commissions received by the Manager or any related body corporate of the Manager in relation to the investment of the Fund's Portfolio, other than benefits permitted to be received in accordance with the IMA.

#### Term

The IMA does not have a fixed term and will continue until terminated by the parties (see below).

#### Termination

##### *Termination by the Responsible Entity*

Under the IMA, the Responsible Entity has the right to immediately terminate the IMA and remove the Manager by written notice if:

- (a) A receiver, receiver and manager, administrator or similar person is appointed with respect to the assets and undertakings of the Manager;
- (b) The Manager goes into liquidation;
- (c) The Manager is placed under official management or an administrator is appointed to its affairs;
- (d) The Manager ceases to carry on business in relation to its activities as an investment manager;
- (e) The Manager breaches or fails to observe or perform any duty, obligation, representation, warranty or undertaking required under the IMA that, in the opinion of the Responsible Entity acting reasonably, materially adversely affects the rights of Unitholders, and fails to rectify the breach or failure to the reasonable satisfaction of the Responsible Entity within a reasonable period;
- (f) The Responsible Entity considers it reasonably necessary to do so in order to ensure compliance with its duties and obligations under the relevant law; or
- (g) The Fund terminates in accordance with the Constitution or the Corporations Act.

The Responsible Entity may also terminate the IMA, on giving three months' notice if an ordinary resolution terminating the appointment of the Manager is passed by Unitholders.

Subject to the Responsible Entity's right to terminate the IMA above, the Responsible Entity must not terminate the IMA or the appointment of the Manager under the IMA or appoint a new investment manager for the Fund unless the Responsible Entity has received the Manager's consent and a related body corporate of the Manager is appointed as the new investment manager or the Responsible Entity obtains the approval of an ordinary resolution of Unitholders.

#### *Termination by the Manager*

The Manager may terminate the IMA by giving at least six months' written notice to the Responsible Entity (or such other lesser period that is no less than three months agreed by the Responsible Entity).

#### **Retirement of Responsible Entity**

The IMA provides that the Responsible Entity will retire as responsible entity of the Fund after being requested to retire by the Manager, provided that:

- (a) The Responsible Entity considers that retirement is appropriate having regard to its duties under the Constitution, the Corporations Act, trust law or any other relevant law; and
- (b) Such retirement must take place in accordance with the procedure set out in the relevant law.

#### **Fees**

##### *Manager Fee*

Subject to any reductions set out in the paragraph immediately below the Fund will incur a Manager Fee up to 1% (inclusive of GST net of RITC) per annum multiplied by the daily value of the Fund's NAV. If the Fund's NAV is not calculated daily, the Fund's NAV on a valuation day will be taken to apply to each day between that valuation day and the preceding valuation day. The Manager Fee is payable monthly in arrears to the Manager.

The Manager Fee will be reduced to the extent necessary to ensure the management fee amount and expense recoveries cap (excluding abnormal or extraordinary expenses) set out in section 6 are not exceeded.

As a worked example, the estimated Manager Fee incurred by the Fund based on the Fund's NAV being \$146,256,566 (which is the Fund's NAV as at 31 October 2016) and the Manager Fee being equal to 1% (inclusive of GST net of RITC) per annum multiplied by the daily value of the Fund's NAV is set out below:

- Estimated monthly Manager Fee: \$121,880
- Estimated annual Manager Fee: \$1,462,566.

This is an example only and is not a representation of likely future performance. The actual Manager Fee will depend on the Fund's NAV and other fees and expenses incurred by the Fund and may vary from this example.

##### *Manager Performance Fee*

The Fund will incur a Manager Performance Fee equal to 10% (inclusive of GST net of RITC) of the net return of the Fund in excess of 8% per annum (i.e. after the deduction of any fees (except for the Manager Performance Fee), costs, expenses or taxes), which is calculated and paid semi-annually in arrears based on the average net asset value of the Fund over the relevant Performance Fee Period. The Performance Fee Periods

are the six month periods ending on 30 June and 31 December in each year.

Where the net return (excluding the impact of the Manager Performance Fee) of the Fund is less than 8% per annum, no Manager Performance Fee is payable and a negative Manager Performance Fee amount is calculated. No Manager Performance Fee is payable until any negative Manager Performance Fee from prior Performance Fee Periods has been made up. If payable, the Manager Performance Fee is payable to the Manager.

As a worked example, assuming the Fund's average NAV over the Performance Fee Period was \$146,256,566.

	<b>Example 1</b>	<b>Example 2</b>
Net return of the Fund	10%	6%
Net return of the Fund in excess of 8% per annum (Excess Return)	2%	-2%
Excess Return (\$)	\$146,256,566 x 2% = \$2,925,131	\$146,256,566 x -2% = -\$2,925,131
Manager Performance Fee (\$)	\$2,925,131 x 10% = \$292,513	-\$2,925,131 x 10% = -\$292,513
	A Manager Performance Fee of \$292,513 (inclusive of GST net of RITC) is incurred by the Fund.	Since the Manager Performance Fee is negative, no Manager Performance Fee is payable to the Manager. The negative Manager Performance Fee is carried forward and must be made up before the Manager Performance Fee becomes payable for any subsequent Performance Fee Period.

This is an example only and is not a representation of likely future performance. The actual Manager Performance Fee will depend on the performance of the Fund and may vary from this example.

#### **Expenses**

Under the IMA, the Manager is entitled to be reimbursed for all expenses it reasonably and properly incurs in performing the services under the IMA provided that the Manager gives the Responsible Entity written notice of the expenses together with invoices or supporting documents.

#### **Responsible Entity indemnity**

The Responsible Entity indemnifies and holds harmless the Manager against any liability, loss, cost, expense or charge reasonably incurred by the Manager arising out of, or in connection with the Manager or any of its officers or agents properly acting under the IMA except to the extent caused by the negligence, fraud, default or dishonesty of the Manager or its officers, employees or agents, the Manager's breach of the IMA, the Manager's failure to meet the standard of care set out in the IMA or any act or omission of the Manager or any of its officers, employees or agents that cause the Responsible Entity to be liable to Unitholders. This obligation continues after

termination of the IMA.

The Manager may enforce its rights under the IMA against the Responsible Entity only to the extent of the Responsible Entity's right of indemnity out of the assets of the Fund and the Responsible Entity cannot be held liable in its personal capacity except to the extent that any obligation or liability is not satisfied due to a reduction in the Responsible Entity's indemnification out of the assets of the Fund resulting from the Responsible Entity's failure to properly perform its duties as responsible entity.

**Manager indemnity**

The Manager indemnifies and holds harmless the Responsible Entity against any liability, loss, cost, expense or charge (including concerning or relating to any offer document, Unitholder communications or promotional activities) reasonably incurred by the Responsible Entity and the Fund arising out of, or in connection with, any negligence, fraud, default or dishonesty of the Manager or its officers, employees or agents, the Manager's breach of the IMA, the Manager's failure to meet the standard of care set out in the IMA or any act or omission of the Manager or any of its officers, employees or agents that cause the Responsible Entity to be liable to Unitholders. This obligation continues after termination of the IMA.

**Fund management proposal**

Subject to complying with the law, the Responsible Entity is required under the IMA to convene a meeting of Unitholders to put a proposal to Unitholders for consideration, which must without limitation include the ongoing management of the Fund and the orderly termination of the Fund, if:

- (a) Steve Johnson ceases to be actively involved in the management of the Fund within five years of 14 October 2016;
- (b) A Change of Control occurs in relation to the Manager; or
- (c) The Manager ceases to be investment manager of the Fund.

**Amendment**

The IMA may be amended by the agreement of the Responsible Entity and the Manager. However, it is generally expected that ASX will require the Responsible Entity to give an undertaking that it will only make material changes to the IMA if the Responsible Entity has obtained Unitholder approval to these material changes.

## 11. ADDITIONAL INFORMATION

### 11.1 Current capital structure

The capital structure of the Fund as at 31 October 2016 is set out below:

Class of Units	Number of Units on issue
Ordinary units	88,493,432.37

The number of Units on issue shown above has been rounded to two decimal places. When Units in the Fund are quoted on ASX on or about 16 December 2016, the number of Units on issue at that time will be different to the number of Units on issue as at 31 October 2016 due to redemptions from the Fund being accepted up to and including 2 December 2016 and the compulsory redemption of all fractions of Units to facilitate the listing of the Fund.

### 11.2 Summary of the Constitution

The Fund is governed by the Constitution. A summary of the key rights and obligations attaching to the Units and a description of the material provisions of the Constitution are set out below. This summary is not exhaustive nor does it constitute a definitive statement of the terms of the Constitution. The rights and obligations attaching to ownership of Units are also governed by the Corporations Act, the Listing Rules and general law.

If you invest in the Fund, you agree to be bound by the terms of the PDS and Constitution. Copies of the Constitution are available, free of charge on request from the Manager. Please consider the Constitution before investing in the Fund.

#### Units

The Fund is divided into Units, each of which confers a proportionate beneficial interest in the net assets of the Fund. Each Unit confers an equal interest in the Fund. A Unit does not confer any interest in a particular part or single asset of the Fund. A Unit does not confer any rights over the management of the Fund. A Unitholder holds a Unit subject to the rights and obligations attaching to that Unit.

The rights of Unitholders include rights to:

- Receive income and other distributions attributable to Units held;
- Transfer Units (subject to the Listing Rules and any permitted refusal by the Responsible Entity);
- Convene, or request that the Responsible Entity convene, a meeting of Unitholders;
- Attend and vote at meetings of Unitholders;
- Receive the annual audited accounts of the Fund; and
- Participate in the winding up of the Fund.

#### No redemption of Units

While the Fund is listed on ASX, Units are not able to be redeemed, except under a withdrawal offer or buy-back of Units which satisfies the Corporations Act and Listing Rules.

#### Amendments to Constitution

The Constitution may be amended by the Responsible Entity, provided that the Responsible Entity reasonably considers that the amendment will not adversely affect the rights of Unitholders, or by special resolution of Unitholders. Any

amendment to the Constitution will not be effected until the modification is lodged with ASIC.

#### Issue of Units

The Responsible Entity can issue new Units upon and subject to the terms and conditions of the Constitution, including by way of placement, rights issue or distribution reinvestment plan. The Constitution provides the Responsible Entity with the discretion to determine the issue price in relation to Units where permitted by ASIC exemptions and the Listing Rules.

#### Liability of Unitholders

A Unitholder's liability is limited to the amount (if any) which remains unpaid for their Units.

#### Responsible Entity's powers and duties

The Responsible Entity has all the power in respect of the Fund that can be conferred on a trustee under law and as though it was the absolute owner of the assets acting in its personal capacity. The Responsible Entity may borrow, obtain financial accommodation, incur obligations and liabilities, and may invest in, dispose of or otherwise deal with assets and liabilities.

In discharging its duties, the Responsible Entity is required to comply with the Constitution, the Corporations Act, the Listing Rules and the general law in Australia.

#### Responsible Entity's remuneration and recovery of expenses

The Constitution provides the Responsible Entity is entitled to charge the fees summarised in section 6 of this PDS. Additionally, all expenses incurred by the Responsible Entity in relation to the proper performance of its duties in respect of the Fund are payable or reimbursable out of the assets of the Fund and, if appropriate, such expenses may be attributed to a particular Unitholder or class of Unitholders.

#### Responsible Entity's indemnity

The Responsible Entity is indemnified out of the assets of the Fund against any liability (including tax liability) properly incurred by it, a delegate or an agent in relation to the trust. This indemnity is in addition to any indemnity under law. It continues to apply after the Responsible Entity retires or is removed as trustee.

#### Removal and retirement of the Responsible Entity

Unitholders do not have a right to remove the Responsible Entity other than the right granted by the Corporations Act. The Responsible Entity may retire in accordance with the Corporations Act.

#### Duration of the Fund

The Fund will continue until terminated:

- As required by operation of law; or
- By the Responsible Entity on a date specified in a notice given to Unitholders.

On termination of the Fund, the net proceeds from realisation of the property of the Fund will be distributed among the Unitholders in proportion to the number of Units they hold. Any proper costs, charges and expenses unpaid (or to be payable) and any expenses of termination will be deducted from the net proceeds from realisation before they are distributed to Unitholders.

#### Small holdings

In certain circumstances, the Responsible Entity may sell any Units held by a Unitholder which comprise less than a marketable parcel as provided in the Listing Rules.

### **11.3 Expenses of listing the Fund**

The Manager intends to bear the initial expenses associated with listing the Fund on ASX. These expenses include legal, tax, accounting and other services for implementing the proposal to list the Fund on ASX, any fees or costs imposed by a regulator and initial ASX listing fees.

### **11.4 Complaints resolution**

The Responsible Entity has established procedures for dealing with complaints. If an investor has a complaint, they can contact the Responsible Entity or the Manager during business hours.

The Responsible Entity will use reasonable endeavours to deal with and resolve the complaint within a reasonable time but in any case no later than 45 days after receipt of the complaint.

If an investor is not satisfied with the outcome, the complaint can be referred to the Financial Ombudsman Service (FOS), an external complaints resolution scheme of which the Responsible Entity and the Manager are members. FOS's postal address is GPO Box 3, Melbourne, Victoria 3001 and the toll free number is 1300 780 808. FOS' role and terms of reference are specified in FOS' Rules available from their website [www.fos.org.au](http://www.fos.org.au).

### **11.5 Related party transactions and conflicts of interest**

The Responsible Entity and the Manager may use the services of related parties in the management of the Fund and pay fees for their services at arm's length commercial rates.

From time to time, directors and employees of the Responsible Entity and the Manager may hold units in the Fund.

All related party transactions are conducted on arm's length normal commercial terms and conditions.

The Responsible Entity and the Manager may be subject to conflicts of interest when performing their duties in relation to the Fund. Both the Responsible Entity and the Manager have policies and procedures in place to appropriately manage these conflicts of interest.

### **11.6 Interest of Directors**

As at the date of this PDS, the Directors do not hold any interests in the Fund.

### **11.7 Remuneration of Directors**

The fees and expenses of the Directors are paid by the Responsible Entity in its own right and will not be reimbursed out of the assets of the Fund.

### **11.8 Consents**

To the extent that the PDS includes statements by the Manager or includes statements based on any statement of, or information provided by the Manager, the Manager consents to each such statement being included in the PDS, in the form and context in which it is included and has not withdrawn that consent at any time prior to the lodgement of this PDS.

Pitcher Partners, MinterEllison, the Administrator, the Registry and Ernst & Young (Consenting Parties) have given and, at the date of this PDS, not withdrawn their consent to be named in this PDS in the form and context in which they are named; and to the inclusion of the statements made about them and which are specifically attributed to them, in the form and context in which they appear.

Neither the Consenting Parties nor any related parties of the Responsible Entity will be liable for any loss to the Fund resulting from any act or omission in relation to the services unless such loss results directly from the negligence, wilful default, breach of contract or fraud of the indemnified person. The Consenting Parties are providers of services to the Fund and are not responsible for the preparation of this PDS or the activities of the Fund and have not caused the issue of this PDS, and therefore, accept no responsibility for any information contained in this PDS. The Consenting Parties will not participate in the investment decision-making process for the Fund. Part 7.9 of the Corporations Act imposes a liability regime on the Responsible Entity (as the offeror of the Units), the directors of the Responsible Entity, persons named in this PDS with their consent as having made a statement in this PDS and persons involved in a contravention in relation to this PDS with regard to misleading or deceptive statements made in the PDS. Although the Responsible Entity bears primary responsibility for this PDS, other parties involved in the preparation of this PDS can also be responsible for certain statements made in it.

In light of the above, each Consenting Party, to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this PDS other than the reference to its name and any statement or report included in this PDS with the consent of that party as described above.

### **11.9 Legal proceedings**

To the knowledge of the Directors, there is no material current, pending or threatened litigation with which the Responsible Entity or the Fund is directly or indirectly involved.



### 11.10 Anti-money laundering and counter terrorism financing

The AML Act and other applicable anti-money laundering and counter terrorism laws, regulations, rules and policies which apply to the Responsible Entity (AML Requirements), regulate financial services and transactions in a way that is designed to detect and prevent money laundering and terrorism financing. The AML Act is enforced by AUSTRAC. In order to comply with the AML Requirements, the Responsible Entity is required to, amongst other things:

- Verify an investor’s identity and the source of their application monies before providing services to them, and to re-identify them if they consider it necessary to do so; and
- Where an investor supplies documentation relating to the verification of their identity, keep a record of this documentation for 7 years.

The Responsible Entity and Administrator as its agent (collectively, the Entities) reserve the right to request such information as is necessary to verify the identity of an investor and the source of the payment. In the event of delay or failure by the investor to produce this information, the Entities, may refuse to accept an application and the application monies relating to such application or may suspend the payment of withdrawal proceeds if necessary to comply with AML Requirements applicable to them. Neither the Entities nor their delegates shall be liable to the investor for any loss suffered by the investor as a result of the rejection or delay of any subscription or payment of withdrawal proceeds.

The Entities have implemented a number of measures and controls to ensure they comply with their obligations under the AML Requirements, including carefully identifying and monitoring investors. As a result of the implementation of these measures and controls:

- Transactions may be delayed, blocked, frozen or refused where an Entity has reasonable grounds to believe that the transaction breaches the law or sanctions of Australia or any other country, including the AML Requirements;
- Where transactions are delayed, blocked, frozen or refused the Entities are not liable for any loss investors suffer (including consequential loss) caused by reason of any action taken or not taken by them as contemplated above, or as a result of their compliance with the AML Requirements as they apply to the Fund; and
- The Responsible Entity or Administrator may from time to time require additional information from investors to assist it in this process.

The Entities have certain reporting obligations under the AML Requirements and are prevented from informing you that any such reporting has taken place. Where required by law, an entity may disclose the information gathered to regulatory or law enforcement agencies, including AUSTRAC. The Entities are not liable for any loss an investor may suffer as a result of their compliance with the AML Requirements.

## 12. GLOSSARY

In this PDS:

**ABN** — Australian Business Number.

**Administrator** — White Outsourcing Pty Ltd ABN 44 114 914 215.

**AFSL** — Australian financial services licence.

**AMIT** — Attribution Managed Investment Trust.

**AML Act** — The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth).

**ASIC** — Australian Securities and Investments Commission.

**ASX** — ASX Limited ABN 98 008 624 691 or the market it operates, as the context requires.

**ASX Guidelines** — The corporate governance principles and recommendations of the ASX Corporate Governance Council as at the date of this PDS.

**ATO** — Australian Taxation Office.

**Auditor** — Ernst & Young.

**AUSTRAC** — Australian Transaction Reports and Analysis Centre.

**Board** — The board of directors of the Responsible Entity.

**Change of Control** — Where a person obtains 50% or more voting power in the Manager, except for a person who already has greater than 20% voting power in the Manager or where the ultimate holding company of the Manager does not change.

**Code of Conduct** — The code of conduct adopted by the Responsible Entity as set out in section 7.4.

**Compliance Committee** — The compliance committee of the Responsible Entity as set out in section 7.2.

**Continuous Disclosure Policy** — The continuous disclosure policy adopted by the Responsible Entity as set out in section 7.4.

**Constitution** — The constitution of the Fund dated 22 September 2009, as amended from time to time.

**Corporations Act** — The Corporations Act 2001 (Cth).

**Custodian** — White Outsourcing Pty Ltd ABN 44 114 914 215.

**Directors** — The directors (including any alternate directors) of the Responsible Entity as at the date of this PDS.

**Exposure Period** — The seven day period after the date of lodgement of this PDS with ASIC (as extended by ASIC (if applicable)).

**FATCA** — The U.S. Foreign Account Tax Compliance Act.

**Financial Ombudsman Service** — An independent dispute resolution body, which is available to investors in the event that any complaints cannot be satisfactorily resolved by the Responsible Entity, with contact details provided in section 11.4.

**Financial Year** — The period from 1 July in one year until 30 June in the following year.

**Fund** — Forager Australian Shares Fund.

**GST** — Goods and Services Tax.

**IMA** — The investment management agreement dated 14 October 2016 entered into between the Responsible Entity and the Manager, as amended from time to time.

**Intelligent Investor Group** — Intelligent Investor Holdings Pty Ltd and all group companies.

**Investment Strategy** — The investment objective, foundations of the investment strategy, investment strategy, investment guidelines and permitted investments set out in section 2.

**Key Investment Personnel** — The key investment personnel of the Manager for the Fund are set out in section 4.3.

**Listing Rules** — The official Listing Rules of ASX as amended or waived from time to time.

**Manager** — Forager Funds Management Pty Ltd ABN 78 138 351 345, AFSL 459312.

**Manager Fee** — The fee payable to the Manager by the Responsible Entity pursuant to the IMA for managing the Fund.

**Manager Performance Fee** — The performance fee payable to the Manager by the Responsible Entity pursuant to the IMA.

**NAV** — The net asset value of the Fund as calculated in accordance with the Constitution.

**PDS** — This product disclosure statement dated 2 December 2016.

**Performance Fee Period** — The period of six month ending on 30 June and 31 December in each calendar year.

**Perpetual** — Perpetual Limited and all group companies.

**Portfolio** — The portfolio of investments of the Fund from time to time.

**Registry** — Link Market Services Limited ABN 54 083 214 537.

**Responsible Entity** — The Trust Company (RE Services) Limited ABN 45 003 278 831, AFSL 235150.

**Risk Management Framework** — The risk management framework of Perpetual adopted by the Responsible Entity as set out in section 7.4.

**RITC** — Reduced input tax credits.

**Securities Trading Policy** — The securities trading policy adopted by the Responsible Entity as set out in section 7.4.

**Securityholder Communication Policy** — The securityholder communication policy adopted by the Responsible Entity as set out in section 7.4.

**TFN** — Tax File Number.

**TOFA** — The taxation of financial arrangements regime.

**Unit** — A fully paid unit in the Fund.

**Unitholder** — A registered holder of a Unit.

## DIRECTORY

### Responsible Entity

#### **The Trust Company (RE Services) Limited**

Level 18, 123 Pitt Street  
Sydney NSW 2000  
AFS Licence No 235150

### Manager

#### **Forager Funds Management Pty Ltd**

Suite 3.02, 66 King Street  
Sydney NSW 2000  
Australia  
AFS Licence No 459312  
Phone +612 8305 6050  
Email [admin@foragerfunds.com](mailto:admin@foragerfunds.com)  
Web [www.foragerfunds.com](http://www.foragerfunds.com)

### Proposed ASX Code

Units: **FOR**

### Auditor

#### **Ernst & Young**

The EY Centre  
200 George Street  
Sydney NSW 2000

### Australian Legal Adviser

#### **MinterEllison**

Level 40 Governor Macquarie Tower  
1 Farrer Place  
Sydney NSW 2000

### Australian Tax Adviser

#### **Pitcher Partners**

Level 22 MLC Centre  
19 Martin Place  
Sydney NSW 2000

### Registry

#### **Link Market Services Limited**

Level 12, 680 George Street  
Sydney NSW 2000

### Administrator

#### **White Outsourcing Pty Ltd**

Level 3, 99 Bathurst Street  
Sydney NSW 2000

### Custodian

#### **White Outsourcing Pty Ltd**

Level 3, 99 Bathurst Street  
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