

## Update Regarding FOR Discount to NAV

12 October 2023

### FORAGER AUSTRALIAN SHARES FUND (ARSN 139 641 491) (ASX: FOR)

Dear Investor,

The Trust Company (RE Services) Limited (ABN 45 003 278 831) (“**Responsible Entity**”) is the responsible entity for Forager Australian Shares Fund ARSN (139 641 491) (“**FOR**”). Forager Funds Management Pty Ltd (ABN 78 138 351 345) (“**Forager**” or “**Manager**”) is the manager of FOR. The Manager would like to provide an update on efforts to reduce the gap between FOR’s traded price and its net asset value (“**NAV**”) per unit.

FOR welcomed its first investors almost fourteen years ago. For the first seven years, FOR was an “open-ended trust”, where investors could invest and redeem their units at NAV (plus or minus a spread).

In late 2016, investors voted in favour of Forager’s recommendation to convert FOR into a “closed-ended” listed investment trust (“**LIT**”). The main objective of this conversion was to enable FOR to run a concentrated portfolio without needing the liquidity required to meet investor redemptions, particularly in dysfunctional markets where it has historically been close to fully invested.

The Manager considers that the LIT structure served this purpose well through several market cycles in the subsequent seven years.

In the past four years, FOR’s units have been trading at a meaningful discount to the underlying NAV. FOR has implemented a number of initiatives in an effort to address this gap, including a semi-annual distribution policy and undertaking a regular buyback. Whilst there have been some periods of improved trading since those actions commenced, it has not been sustained and FOR’s units have recently been trading at an average discount of more than 15% to NAV.

It is the Manager’s view that investor apathy towards closed-ended investment vehicles has become entrenched and that smaller, less liquid vehicles like FOR are unlikely to trade at NAV for the foreseeable future.

The Manager’s current view is that the magnitude and sustained nature of the discount to NAV now outweighs the portfolio management benefits of remaining a closed-ended fund.

The Manager has considered a range of additional measures to further improve the traded market price of FOR units. **The Manager currently considers that the solution which will be in the best interests of FOR unitholders is likely to be the orderly transition of FOR back to an open-ended fund.**

Significant work is still required to determine what would constitute the best way to implement an “orderly transition” and the future form FOR may take.

Subject to our and the ASX’s approval of the proposed course of action, it is Forager’s current intention to finalise a delisting proposal in the coming months. We would expect to be able to provide

further details and hold a unitholder meeting in the first half of calendar-year 2024 (subject to relevant market conditions and applicable regulations which exist at the time).

Investors considering trading in FOR units on ASX may wish to consider the following:

- Any change of structure would require a special resolution passed by FOR unitholders before it can be effective. A significant number of investors might prefer the current structure and could vote against it.
- The Manager currently intends to propose a transition period of up to 12 months where investors who wish to redeem their units pay a redemption fee that declines throughout the transition period. This fee would accrue to the remaining investors' benefit. The quantum of fees and the rate at which they may decline has not been determined.
- There may be restrictions on the number of units redeemed each month. The details of any restrictions have not been determined.
- There may be various events or circumstances which would cause us to change our view on whether a proposal to de-list from ASX is in the best interests of FOR Unitholders (and the proposal may not proceed).

In the interim, it is business as usual. It has been a good start to the new financial year, with FOR's NAV increasing 5.2% in the three months ended September 2023 (the All Ordinaries Accumulation Index fell 0.66% during the same period). The Manager's primary focus is to add to FOR's long-term performance record. The anticipated objective of any changes would be to see that performance is reflected in the value of FOR units.

If you have any questions or feedback you would like to provide, please contact Steve Johnson at [admin@foragerfunds.com](mailto:admin@foragerfunds.com).

Yours sincerely,  
The Trust Company (RE Services) Limited  
as Responsible Entity for  
Forager Australian Shares Fund

Teresa Lee-Antonas  
Senior Client Manager

### **About the Forager Australian Shares Fund**

The Forager Australian Shares Fund is a concentrated portfolio of undervalued Australian Shares, specialising in small, unusual opportunities. The fund invests in these value based opportunities for the long term, with a usual investment horizon of 3-5 years.

### **Contact details:**

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