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Level 18, 123 Pitt Street
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The Trust Company
(RE Services) Limited
ACN 003 278 831
AFSL 235150

FORAGER

26 November 2021

FORAGER AUSTRALIAN SHARES FUND (ASX:FOR)
ANNOUNCEMENT REGARDING DISTRIBUTIONS POLICY

Dear Investor

The Forager Australian Shares Fund (ASX:FOR) is making changes to the Fund's approach to making distributions.

The intention is for the Responsible Entity to:

- pay ordinary distributions every six months. For this financial year, the distribution will be set at 8 cents per unit – paid in two 4-cent semi-annual distributions in January 2022 and July 2022, subject to change. In future, ordinary distributions will be set at a level that targets an annual distribution yield of approximately 4%
- pay special distributions in years where the taxable income of the Fund is significantly in excess of the ordinary distributions
- change the Fund's Distribution Reinvestment Plan (DRP) so that the price for the DRP can be set with reference to the ASX-traded price of FOR.

Our primary objective over the past 18 months has been to re-establish the Fund's long-term outperformance. As you can see in the table below, we have continued last year's strong performance into the 2022 financial year. The Fund has outperformed the All Ordinaries Accumulation Index by 4% per annum since inception 12 years ago. These returns are net of all manager fees, listing costs and operating expenses.

FORAGER AUSTRALIAN SHARES FUND PERFORMANCE SUMMARY (as at 31 October 2021. Net of all fees and expenses)

	1 month return	3 month return	6 month return	1 year return	3 year return (p.a.)	5 year return (p.a.)	10 year return (p.a.)	Since inception* (p.a.)
Australian Shares Fund (ASX:FOR)	1.57%	4.66%	11.98%	51.80%	14.65%	9.70%	15.46%	12.60%
All Ordinaries Accumulation Index	0.15%	1.13%	6.87%	28.97%	12.91%	11.37%	10.19%	8.58%

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

*30 October 2009

We believe that, along with continued outperformance, a reliable distribution yield may improve the attractiveness of the Fund for long-term investors.

Further details can be found within the announcement below. To opt into the DRP, simply log into Link Market Services (http://www.linkmarketservices.com.au) or call +61 1300 554 474 for support.

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Please visit our website, www.foragerfunds.com/for-distributions-information, to register for our upcoming webinar where we will provide an update on the Fund and discuss the outlined adjustments with investors.

Do not hesitate to get in touch with any questions or queries by contacting us at admin@foragerfunds.com or on +61 2 8277 4812.

Kind regards,

Steve Johnson
Chief Investment Officer
Forager Funds Management

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DETAILS OF FOR DISTRIBUTION POLICY

Semi-annual Ordinary Distributions

While the predominant aim of the Fund remains capital growth, Forager Funds Management ("We" or "The Manager") believes a consistent distribution from the Forager Australian Shares Fund (ASX:FOR) will make investment in the Fund more attractive for existing and new investors.

The current intention is for the Fund to pay ordinary distributions every six months irrespective of Fund returns. For this financial year, the distribution will be set at 8 cents per unit per annum, paid in two 4-cent semi-annual distributions (see outlined below)[1]:

- The first ordinary distribution will be 4 cents, paid in January 2022 in respect of the six months to 31 December 2021
- The second ordinary distribution will also be 4 cents, paid in July 2022 in respect of the six months to 30 June 2022.

In future, ordinary distributions will be set at a level that targets an annual distribution yield of approximately 4%[1].

While The Trust Company (RE Services) Limited (the Responsible Entity) has the capacity to increase, decrease or even suspend the ordinary distribution, the current intention is that ordinary distributions become a consistent feature of the Fund.

Special distributions

Ordinary distributions will be supplemented with special distributions in years where the Fund's taxable income may be significantly higher than the ordinary distributions to be paid by the Fund.

The objective of the special distributions will be to ensure that at least 50% of the taxable income of the Fund is paid to investors in cash. Special distributions will most likely be announced in late June once the distributable income of the Fund can be reliably estimated. In years where significant realised gains have been made early in the financial year, special distributions may be declared earlier in the financial year.

Comparison with previous distribution policy

The previous distribution policy of the Fund was to pay 100% of the Fund's taxable income every year in distributions. Due to the volatile nature of the Fund's returns, that led to distributions as low as $0.01 per unit in 2020 and as high as $0.21 per unit in the 2018 financial year.

The new distribution policy is designed with the aim to smooth the distribution payments. Investors will receive less than they otherwise would have in years of significant realised gains and more in the years where the taxable income of the Fund is low or negative.

Investors should note that the long-term returns from the Fund will still be entirely dependent on the performance of the underlying portfolio of investments.

Tax implications of distributions

Investors' taxable income from the Fund is unchanged by the distribution policy. Investors will be taxed on all of the taxable income of the Fund, irrespective of how much is distributed in cash.

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In years where the taxable income is less than the cash distributions, the excess will be treated as a capital return, reducing investors' cost base. In years where the taxable income is greater than the cash distributions, investors will receive an increase in the cost base of their investment. These details will be provided in investors annual tax statement.

You should seek advice from a financial advisor, stockbroker or other professional (including taxation and legal advice) as necessary before acting on any information.

Distribution reinvestment plan changes

The Fund's Distribution Reinvestment Plan (DRP) has been changed such that the price for the DRP can be set with reference to the ASX-traded price of the Forager Australian Shares Fund. The previous DRP price was set at the underlying Net Tangible Assets (NTA) of the Fund.

The ability to issue units with reference to market price will allow us to keep the DRP active in a wider range of scenarios. Many investors use the DRP to compound their investment over time, in line with the capital growth objectives of the Fund.

Investors should note that, while we expect the DRP to operate in a wider range of market environments, the DRP may still be suspended if the issuance of new units would be at a punitive discount to NTA for those investors who choose not to or cannot participate in the DRP.

You will receive more details about the updated DRP and how to participate prior to the upcoming distribution.

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

Authorised for release by the Responsible Entity's Continuous Disclosure Committee

1. At the Responsible Entity's discretion

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:

For investment inquiries please contact:

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