



# Forester Discovery Fund

(INTLX)

ANNUAL REPORT  
MARCH 31, 2018

This report is submitted for the general information of shareholders of The Forester Funds. It is not authorized for distribution to prospective investors unless accompanied or preceded by an effective Prospectus for the Funds, which contains more information concerning the Funds' investment policies, as well as fees and expenses and other pertinent information. Read the Prospectus carefully before you invest or send money.

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# THE FORESTER DISCOVERY FUND

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## MANAGERS COMMENTARY

MARCH 31, 2018 (UNAUDITED)

Dear Fellow Shareholder:

Fiscal 2018 was a better year for the Forester Discovery Fund but we are still disappointed with the fund's relative performance versus the Morningstar category and relevant indexes. However, the fund's longer-term performance continues to produce superior risk-adjusted returns.

The Discovery Fund reported a return for the fiscal year ended March 31, 2018 of 3.67% versus the MSCI ACWI Ex USA of 16.52%. The main driver for the underperformance was the cost of the put options and our cash allocation. Our equity-only portion of the portfolio also underperformed, returning 10.10% for the fiscal year which made it a drag on the overall performance for the fund. The fund's equities are still outperforming on a 3yr and 5yr basis.

Our equity selection contributed positively to performance, but our sector allocation had a negative impact. In our sector allocation we were underweight the technology sector, which was by far the best performing sector in the MSCI ACWI Ex USA. A large part of our underweight to the technology sector was because many technology stocks currently have high valuation multiples and are located in countries that we are not comfortable investing in such as China. Additionally, our over allocation in defensive sectors such as utilities, telecom and consumer staples were a drag on performance. We discuss the individual stock performance in more detail later in the report.

The Discovery Fund continues to use put options and cash to hedge our long exposure and to protect against downside risk. At the beginning of the fiscal year 2018 we were encouraged by a global growing economy. We believed that European growth was strong, and the Asian economy was improving. Due to our high quality low beta style we invest primarily within the Eurozone. This region ended 2017 with a GDP of 2.4%, which was the highest since 2007. Unemployment also has been steadily improving and is now at 9.08% as of year end 2017. This would be the lowest since 2008. Despite the strong economic growth inflation has been benign and remains at around 1.5%.

We became less hedged in fiscal 2018 with our improved global economic outlook. The world GDP growth continues to be expanding. Last year the IMF expected 3.6% world GDP growth for 2018 and this year they have revised their 2018 outlook to 3.9% and the same growth for 2019. If the IMF is correct this would be the highest back to back years of growth since 2010 & 2011. The improvement in the global economy has helped sales and EPS growth in the MSCI ACWI Ex USA index. Both sales and EPS are growing at close to double digits and the highest level since 2011.

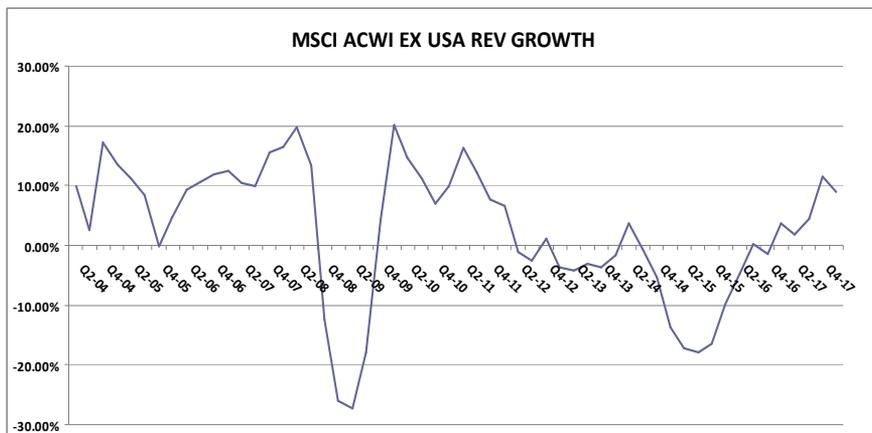
At this time, we continue to hedge the portfolio as we believe there continues to be material risks in the market and downside protection is warranted. We remain concerned about the ending of Quantitative Easing in the Eurozone, which is expected to take place in September 2018. We also believe markets in the Eurozone could be volatile from political uncertainty in Italy. Finally, we feel there remains geopolitical risk with North Korea, Iran and global trade wars.

# THE FORESTER DISCOVERY FUND

## MANAGERS COMMENTARY (CONTINUED)

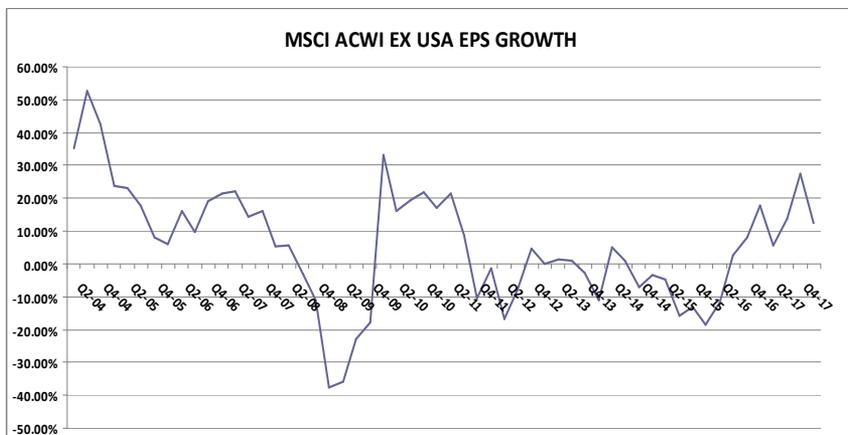
MARCH 31, 2018 (UNAUDITED)

Revenue growth in the MSCI ACWI Ex USA has been steadily improving and is currently at 9.04% as of 2018 fiscal year end. For comparison purposes revenue growth was negative -9.94% at 2016 fiscal year end.



Source: Bloomberg

EPS growth in the MSCI ACWI Ex USA has experienced double digit growth for the last 3 quarters. This is for the first time since 2011. EPS growth was negative as early as 2016.



Source: Bloomberg

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# THE FORESTER DISCOVERY FUND

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## MANAGERS COMMENTARY (CONTINUED)

MARCH 31, 2018 (UNAUDITED)

### STOCK PERFORMANCE

As mentioned above, the fund's equities had a challenging year, returning +10.10% in the 12 months that ended March 31, 2018. The drivers were Svenska Cellulosa (+65.05%) and Statoil (+44%) on the upside and Imperial Brands (-25.74%), and KT Corp (-16.15%) on the downside.

#### **Svenska Cellulosa**

The company spun off from the newly created personal hygiene company Essity in fiscal 2018. The company was not properly valued by the market as part of a conglomerate consumer product company. As a pure play basic material paper company it has now received a fair market multiple. We also like the company's improving growth and growing dividend.

#### **Statoil**

Rising oil prices helped Statoil return to positive earnings in fiscal 2018. The company also returned to positive free cash flow and are easily covering capital spending and dividends at the current oil price. Statoil has several new energy projects coming online in the upcoming years that we anticipate to will improve cash flow. We are optimistic of a material dividend increase in the upcoming quarters.

#### **Imperial Brands**

The tobacco industry continues to face head winds within the industry. The name sold off due to a FDA ruling that required lower nicotine in cigarettes to non-addictive levels in the United States. We believed the name was oversold as the United States only represents 10% of company revenues. The name continues to have a cheap multiple with a nice dividend. We can see the stock price turning around in the upcoming year.

#### **KT Corp**

Political uncertainty in North Korea had an impact on the South Korea market in fiscal 2018. New government regulation also was a head wind for the company. We feel the worst is over for the company and it should benefit from the release of its 5G product. The company is adding new customers and plans to aggressively grow the dividend. We also believe that if a peace deal with North Korea is reached it will be positive for KT Corp.

As always, we will continue to buy stocks that we believe have exceptional appreciation potential. In addition, at times we believe market risks are high, we will protect the portfolio using put options and cash. We believe that if we are patient, this should lead to outsized investment returns over the longer term. We believe that we are well positioned for this environment.

Thank you for investing with us.

Sincerely,



Thomas H. Forester, President

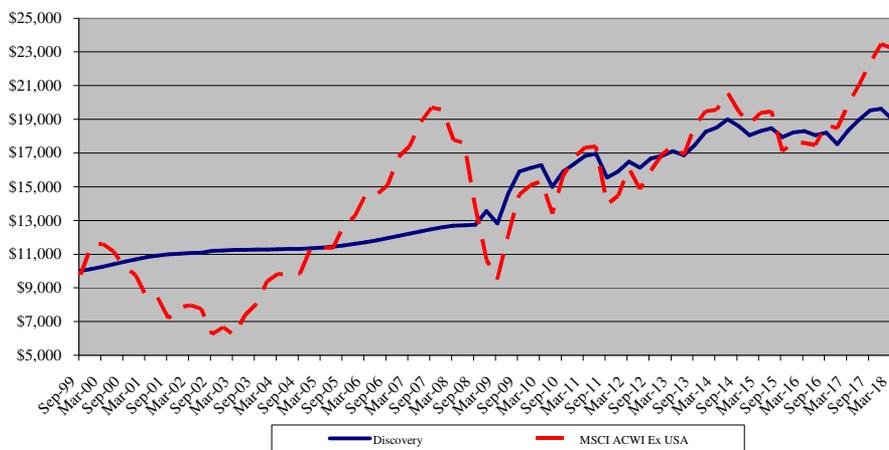
# THE FORESTER DISCOVERY FUND

PERFORMANCE ILLUSTRATION  
MARCH 31, 2018 (UNAUDITED)

AVERAGE ANNUALIZED TOTAL RETURNS  
PERIOD ENDED MARCH 31, 2018 (UNAUDITED)

<u>FUND/INDEX</u>	<u>1-YEAR</u>	<u>5-YEAR</u>	<u>10-YEAR</u>	<u>SINCE INCEPTION</u>	<u>VALUE</u>
Forester Discovery Fund	3.67%	2.11%	4.13%	3.52%	\$19,011
MSCI ACWI Ex USA Index	16.52%	5.88%	2.70%	4.64%	\$23,197

Comparison of the Change in Value of a \$10,000 Investment in the Forester Discovery Fund and the MSCI ACWI Ex USA Index.



\* The chart assumes an initial gross investment of \$10,000 made on 9/10/99 (inception).

Investment return and principal value will fluctuate so that shares, when redeemed, may be worth more or less than their original cost. All returns reflect reinvested dividends but do not reflect the impact of taxes.

The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 23 Emerging Markets (EM) countries. The index covers approximately 85% of the global equity opportunity set outside the US.

PERFORMANCE IS HISTORICAL AND DOES NOT GUARANTEE FUTURE RESULTS. AN INVESTMENT IN A MUTUAL FUND CONTAINS RISKS WHICH ARE DISCUSSED IN THE PROSPECTUS. PLEASE READ IT CAREFULLY BEFORE YOU INVEST OR SEND MONEY.

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# THE FORESTER DISCOVERY FUND

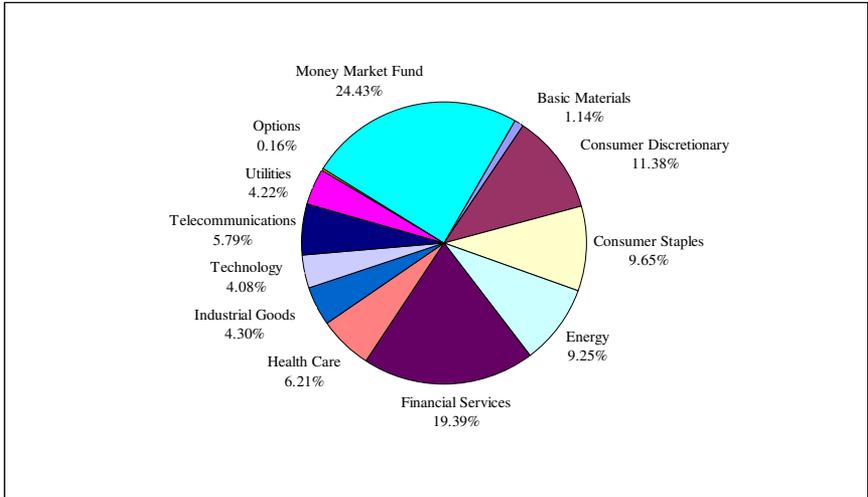
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## PORTFOLIO ILLUSTRATION

MARCH 31, 2018 (UNAUDITED)

The following chart gives a visual breakdown of the Fund by the industry sectors the underlying securities represent as a percentage of the portfolio investments.



Sectors are categorized using Global Industry Classification Standard (GICS).

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# THE FORESTER DISCOVERY FUND

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## SCHEDULE OF INVESTMENTS

MARCH 31, 2018

<u>Shares</u>	<u>Value</u>
<b>COMMON STOCKS - 75.17%</b>	
<b>Basic Materials - 1.14%</b>	
4,740 Svenska Cellulosa AB ADR	\$ 50,671
<b>Consumer Discretionary - 11.34%</b>	
6,050 Michelin ADR	179,261
10,160 Publicis Groupe SA ADR	176,479
3,700 Volkswagen AG ADR	148,148
	503,888
<b>Consumer Staples - 9.62%</b>	
645 Diageo Plc. ADR	87,346
4,740 Essity AB ADR *	130,871
3,610 Imperial Brands Group Plc. ADR	125,086
1,510 Unilever Plc. ADR	83,896
	427,199
<b>Energy - 9.22%</b>	
2,790 BP Plc. ADR	113,107
6,300 Statoil ASA ADR	148,995
2,700 Suncor Energy, Inc. (Canada)	93,258
940 Total SA ADR	54,229
	409,589
<b>Financial Services - 19.33%</b>	
1,100 AON Plc. (United Kingdom)	154,363
4,050 AXA Group ADR	107,649
2,300 HSBC Holdings Plc. ADR	109,641
2,970 Prudential Plc. ADR	151,856
14,390 Societe Generale ADR	156,563
3,140 The Toronto-Dominion Bank NY (Canada)	178,509
	858,581
<b>Health Care - 6.19%</b>	
3,330 GlaxoSmithKline Plc. ADR	130,103
3,610 Sanofi ADR	144,689
	274,792
<b>Industrial Goods - 4.29%</b>	
2,980 Siemens AG ADR	190,482
<b>Technology - 4.07%</b>	
1,720 SAP AG ADR	180,875

\* Non-income producing security during the period.

ADR- American Depositary Receipt

*The accompanying notes are an integral part of these financial statements.*

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# THE FORESTER DISCOVERY FUND

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## SCHEDULE OF INVESTMENTS (CONTINUED)

MARCH 31, 2018

<u>Shares</u>	<u>Value</u>
<b>Telecommunications - 5.77%</b>	
6,400      KT Corp. ADR	\$    87,680
3,620      Nippon Telegraph & Telephone Corp. ADR	168,511
	<u>256,191</u>
<b>Utilities - 4.20%</b>	
1,505      National Grid Plc. ADR	84,927
9,940      Red Electrica de España SA ADR	101,885
	<u>186,812</u>
<b>TOTAL FOR COMMON STOCKS (Cost \$2,523,585) - 75.17%</b>	<u>3,339,080</u>
<b>PUT OPTIONS PURCHASED (Premiums Paid \$38,242) - 0.16%</b>	<u>7,200</u>
<b>MONEY MARKET FUND - 24.36%</b>	
1,081,868      Morgan Stanley Institutional Liquidity Fund Treasury Portfolio 1.59% **	<u>1,081,868</u>
<b>TOTAL FOR MONEY MARKET FUND (Cost \$1,081,868) - 24.36%</b>	<u>1,081,868</u>
<b>TOTAL INVESTMENTS (Cost \$3,643,695) - 99.69%</b>	4,428,148
<b>OTHER ASSETS IN EXCESS OF LIABILITIES, NET - 0.31%</b>	<u>13,866</u>
<b>NET ASSETS - 100.00%</b>	<u><u>\$ 4,442,014</u></u>

ADR - American Depositary Receipt

\*\* Variable rate security; the coupon rate shown represents the yield at March 31, 2018.

*The accompanying notes are an integral part of these financial statements.*

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# THE FORESTER DISCOVERY FUND

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SCHEDULE OF PUT OPTIONS PURCHASED  
MARCH 31, 2018

<u>Contracts</u>	<u>Underlying Security</u>	<u>Counterparty</u>	<u>Notional Amount</u>	<u>Exercise Price</u>	<u>Expiration</u>	<u>Fair Value</u>
60,000	iShares MSCI EAFE ETF Put	Barclay's	3,960,000	66.00	4/20/2018	\$ 7,200
	Total (Premiums Paid \$38,242) - 0.16%					<u>\$ 7,200</u>

*The accompanying notes are an integral part of these financial statements.*

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# THE FORESTER DISCOVERY FUND

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## STATEMENT OF ASSETS AND LIABILITIES

MARCH 31, 2018

Assets:	
Investments in Securities, at Value (Cost \$3,643,695)	\$ 4,428,148
Receivables:	
Shareholder Purchases	1,932
Dividends and Interest	17,169
Total Assets	<u>4,447,249</u>
Liabilities	
Due to Advisor	3,917
Administrative Fees	1,318
Total Liabilities	<u>5,235</u>
Net Assets	<u>\$ 4,442,014</u>
Net Assets Consist of:	
Paid In Capital	\$ 3,993,909
Accumulated Undistributed Net Investment Income	6,881
Accumulated Realized Loss on Investments	(343,229)
Unrealized Appreciation in Value of Investments	784,453
Net Assets, for 320,103 Shares Outstanding (with par value of \$0.0001 per share)	<u>\$ 4,442,014</u>
Net Asset Value Per Share	<u>\$ 13.88</u>

*The accompanying notes are an integral part of these financial statements.*

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# THE FORESTER DISCOVERY FUND

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## STATEMENT OF OPERATIONS

For the year ended March 31, 2018

Investment Income:	
Dividends (net of \$13,391 of foreign tax withheld)	\$ 117,250
Interest	10,079
Total Investment Income	<u>127,329</u>
Expenses:	
Advisory Fees	48,089
Administration Fees	16,831
Total Expenses	<u>64,920</u>
Net Investment Income	<u>62,409</u>
Realized and Unrealized Gain (Loss) on Investments:	
Realized Gain (Loss):	
Investments	233,129
Options	(104,565)
	<u>128,564</u>
Change in Unrealized Appreciation (Depreciation) on:	
Investments	26,140
Options	(23,017)
	<u>3,123</u>
Net Realized and Unrealized Gain on Investments	<u>131,687</u>
Net Increase in Net Assets Resulting from Operations	<u>\$ 194,096</u>

*The accompanying notes are an integral part of these financial statements.*

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# THE FORESTER DISCOVERY FUND

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## STATEMENTS OF CHANGES IN NET ASSETS

	Years Ended	
	<u>3/31/2018</u>	<u>3/31/2017</u>
Increase (Decrease) in Net Assets From Operations:		
Net Investment Income	\$ 62,409	\$ 46,876
Net Realized Gain (Loss) on Investments and Options	128,564	(313,773)
Unrealized Appreciation on Investments and Options	3,123	193,100
Net Increase (Decrease) in Net Assets Resulting from Operations	<u>194,096</u>	<u>(73,797)</u>
Distributions to Shareholders:		
Net Investment Income	(61,207)	(42,088)
Realized Gains	-	-
Total Distributions Paid to Shareholders	<u>(61,207)</u>	<u>(42,088)</u>
Capital Share Transactions	<u>(879,349)</u>	<u>(2,138,288)</u>
Total Decrease	(746,460)	(2,254,173)
Net Assets:		
Beginning of Year	<u>5,188,474</u>	<u>7,442,647</u>
End of Year (Including Undistributed Net Investment Income of \$6,881 and \$5,679, respectively)	<u>\$4,442,014</u>	<u>\$ 5,188,474</u>

*The accompanying notes are an integral part of these financial statements.*

# THE FORESTER DISCOVERY FUND

## FINANCIAL HIGHLIGHTS

Selected data for a share outstanding throughout the period:

	Years Ended				
	<u>3/31/2018</u>	<u>3/31/2017</u>	<u>3/31/2016</u>	<u>3/31/2015</u>	<u>3/31/2014</u>
Net Asset Value, at Beginning of Year	\$ 13.57	\$ 13.63	\$ 13.67	\$ 14.34	\$ 13.32
Income From Investment Operations:					
Net Investment Income *	0.18	0.09	0.03	0.01	0.08
Net Gain (Loss) on Securities (Realized and Unrealized)	0.32	(0.07)	(0.03)	(0.18)	1.00
Total from Investment Operations	0.50	0.02	0.00	(0.17)	1.08
Distributions:					
Net Investment Income	(0.19)	(0.08)	(0.04)	(0.09)	(0.06)
Realized Gains	-	-	-	(0.41)	-
Total from Distributions	(0.19)	(0.08)	(0.04)	(0.50)	(0.06)
Net Asset Value, at End of Year	\$ 13.88	\$ 13.57	\$ 13.63	\$ 13.67	\$ 14.34
Total Return **	3.67%	0.19%	(0.03)%	(1.13)%	8.15%
Ratios/Supplemental Data:					
Net Assets at End of Year (Thousands)	\$ 4,442	\$ 5,188	\$ 7,443	\$ 7,250	\$ 7,643
Ratio of Expenses to Average Net Assets	1.35%	1.35%	1.35%	1.35%	1.35%
Ratio of Net Investment Income to Average Net Assets	1.30%	0.69%	0.23%	0.10%	0.62%
Portfolio Turnover	1.56%	12.63%	10.22%	9.73%	17.49%

\* Per share net investment income has been determined on the basis of average shares outstanding during the period.

\*\* Assumes reinvestment of dividends.

*The accompanying notes are an integral part of these financial statements.*

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# THE FORESTER DISCOVERY FUND

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## NOTES TO FINANCIAL STATEMENTS

MARCH 31, 2018

### **(1) ORGANIZATION**

Forester Funds, Inc. (the "Company") is an open-end diversified investment company currently offering two series of shares: The Forester Value Fund and The Forester Discovery Fund. The Company was incorporated as a Maryland corporation on April 7, 1999. The accompanying financial statements are those of the Forester Discovery Fund (the "Fund"). The Fund commenced operations on September 10, 1999. Forester Capital Management, Ltd. (the "Advisor") serves as the Fund's investment advisor.

The objective of the Fund is to seek long-term growth of capital.

### **(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*The following is a summary of the significant accounting policies followed by the Fund in the preparation of its financial statements. The Fund is an investment company that follows the accounting and reporting guidance of Accounting Standards Codification Topic 946 applicable to investment companies.*

### **SECURITY VALUATION**

All investments in securities are recorded at their estimated fair value, as described in Note 3.

### **FEDERAL INCOME TAXES**

The Fund's policy is to continue to comply with the requirements of the Internal Revenue Code that are applicable to regulated investment companies and to distribute all its taxable income to its shareholders. The Fund also intends to distribute sufficient net investment income and net capital gains, if any, so that it will not be subject to excise tax on undistributed income and gains. Therefore, no federal income tax provision is required.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is more likely than not to be sustained, assuming examination by tax authorities. Management has analyzed the Fund's tax positions and concluded that no liability for unrecognized tax benefits should be recorded related to uncertain tax positions taken on returns filed for open tax years 2015-2017 or expected to be taken in the Fund's 2018 tax returns. The Fund identifies its major tax jurisdiction as U.S. Federal and the State of Illinois, however, the Fund is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change materially in the next 12 months.

### **SECURITY TRANSACTIONS, INVESTMENT INCOME AND DISTRIBUTIONS TO SHAREHOLDERS**

As is common in the industry, security transactions are accounted for on the trade date (the date the securities are purchased or sold). Interest income is recorded on the accrual basis. Bond premiums and discounts are amortized in accordance with Federal income tax regulations. Dividend income and distributions to shareholders are recorded on the ex-dividend date.

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# THE FORESTER DISCOVERY FUND

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2018

Withholding taxes on foreign dividends have been provided for in accordance with the company's understanding of the applicable country's tax rules and rates.

### **OPTIONS**

The Fund may utilize call and put options to attempt to protect against possible changes in the market value of securities held in or to be purchased for the Fund's portfolio and to generate income or gain for the Fund. The ability of the Fund to successfully utilize options will depend on the Advisor's ability to predict pertinent market movements, which cannot be assured. The Fund will comply with applicable regulatory requirements when implementing these techniques and instruments.

### **USE OF ESTIMATES IN FINANCIAL STATEMENTS**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets from operations during the reporting period. Actual results could differ from those estimates and assumptions.

### **SUBSEQUENT EVENTS**

Management has evaluated the impact of all subsequent events on the Fund through the issuance of these financial statements and has noted no such events requiring disclosure.

## **(3) SECURITIES VALUATIONS**

### *Processes and Structure*

The Fund's Board of Directors has adopted guidelines for valuing securities including in circumstances in which market quotes are not readily available and has delegated to the Adviser the responsibility for determining fair value prices, subject to review by the Board of Directors.

### *Hierarchy of Fair Value Inputs*

The Fund utilizes various methods to measure the fair value of most of their investments on a recurring basis. GAAP establishes a hierarchy that prioritizes inputs to valuation techniques used to measure fair value. The three levels of inputs are as follows:

- *Level 1.* Unadjusted quoted prices in active markets for identical assets or liabilities that the company has the ability to access.
- *Level 2.* Observable inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly. These inputs may include quoted prices for the identical instrument on an inactive market, prices for

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# THE FORESTER DISCOVERY FUND

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2018

similar instruments, interest rates, prepayment speeds, credit risk, yield curves, default rates, and similar data.

- *Level 3.* Unobservable inputs for the asset or liability to the extent that relevant observable inputs are not available, representing the company's own assumptions about the assumptions that a market participant would use in valuing the asset or liability, and that would be based on the best information available.

The availability of observable inputs can vary from security to security and is affected by a wide variety of factors, including, for example, the type of security, whether the security is new and not yet established in the marketplace, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in level 3.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

### ***Fair Value Measurements***

A description of the valuation techniques applied to the Fund's major categories of assets and liabilities measured at fair value on a recurring basis follows:

*Equity securities (common stocks)* - Securities traded on a national securities exchange (or reported on the NASDAQ national market) are stated at the last reported sales price on the day of valuation. To the extent these securities are actively traded, and valuation adjustments are not applied, they are categorized in level 1 of the fair value hierarchy. Certain foreign securities may be fair valued using a pricing service that considers the correlation of the trading patterns of the foreign security to the intraday trading in the U.S. markets for investments such as American Depositary Receipts, financial futures, Exchange Traded Funds, and the movement of the certain indexes of securities based on a statistical analysis of the historical relationship and that are categorized in level 2. Preferred stock and other equities traded on inactive markets or valued by reference to similar instruments are also categorized in level 2.

*Short term investments* - Short term investments are valued using amortized cost, which approximates fair value. These securities will be categorized in level 1 of the fair value hierarchy.

*U.S. government obligations* - U.S. government securities are normally valued using a model that incorporates market observable data, such as reported sales of similar securities, broker quotes, yields, bids, offers, and reference data. Certain securities are

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# THE FORESTER DISCOVERY FUND

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2018

valued principally using dealer quotations. U.S. government securities are categorized in level 1 or level 2 of the fair value hierarchy, depending on the inputs used and market activity levels for specific securities.

*Derivative instruments (put and call options)* - Options are valued at the last sales prices on the valuation date if the last sales price is between the closing bid and asked prices. Otherwise, options are valued at the closing bid price. These securities will be categorized in level 2 of the fair value hierarchy if valued at other than closing price.

The following table summarizes the inputs used to value each Fund's assets and liabilities measured at fair value as of March 31, 2018:

<i>Categories</i>	<b>Financial Instruments—Assets</b>			
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Fair Value</i>
Common Stocks *	\$ 3,339,080	\$ -	\$ -	\$ 3,339,080
Put Option Purchased	-	7,200	-	7,200
Money Market Fund	1,081,868	-	-	1,081,868
	<u>\$ 4,420,948</u>	<u>\$ 7,200</u>	<u>\$ -</u>	<u>\$ 4,428,148</u>

The Fund did not hold any level 3 assets during the year ended March 31, 2018. There were no significant transfers into or out of level 1 or level 2 during the period. It is the Fund's policy to recognize transfers into and out of level 1 and level 2 at the end of the reporting period.

\* Industry classifications of these categories are detailed in the Fund's Schedule of Investments.

#### **(4) TRANSACTIONS WITH AFFILIATES**

##### **INVESTMENT ADVISORY AGREEMENT**

For the year ended March 31, 2018, Forester Capital Management, Ltd. (the "Advisor") provided the Fund with investment management services under an Investment Advisory Agreement. Under the Advisory Agreement, the Advisor, at its own expense and without reimbursement from the Fund, furnishes office space and all necessary office facilities, equipment and executive personnel for managing the investments of the Fund, and pays the salaries and fees of all officers and directors of the Fund (except the fees paid to directors who are not interested persons of the Advisor). As compensation for its services, the Advisor was entitled to a monthly fee at the annual rate of 1.00% based upon the average daily net assets of the Fund. For the year ended March 31, 2018, the Advisor earned \$48,089 for Advisory services. The Fund owed the Advisor \$3,917 for advisory fees at March 31, 2018.

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# THE FORESTER DISCOVERY FUND

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2018

### ADMINISTRATIVE AGREEMENT

For the year ended March 31, 2018, Forester Capital Management, Ltd. provided the Fund with administrative services. As an administrator, the Advisor oversees the fund accountant and transfer agent. For this service the Advisor receives a monthly fee at the annual rate of 0.35% based upon the average daily net assets of the Fund. For the year ended March 31, 2018, the Advisor earned \$16,831 for administrative services. The Fund owed the Advisor \$1,318 for administration fees at March 31, 2018.

### DISTRIBUTION AGREEMENT AND PLAN

The Fund has adopted a Distribution Plan pursuant to which the Fund may pay broker-dealers for distributing shares of the Fund. This expense is limited to 0.25% of the Fund's average net assets. The Fund has not implemented the 12b-1 Plan and does not foresee doing so in the coming year. The Board adopted the Plan so that, if and when necessary, the Fund would have available sufficient resources to pay third parties who provide eligible services to the Fund.

### RELATED PARTY

Thomas Forester is the control person of the Advisor and also serves as a director and officer of the Company. Mr. Forester receives benefits from the Advisor resulting from management fees and administration fees paid to the Advisor by the Fund.

### (5) INVESTMENT TRANSACTIONS

Purchases and sales of securities, other than short-term investments, options and U.S. Government Securities, aggregated \$59,140 and \$974,998, respectively, for the year ended March 31, 2018. Purchases and sales of U.S. Government Securities aggregated \$1,741,064 and \$2,245,896, respectively, for the year ended March 31, 2018. Purchases and sales of options aggregated \$143,182 and \$8,700, respectively, for the year ended March 31, 2018.

### (6) DERIVATIVES TRANSACTIONS

The Fund had no outstanding written options at March 31, 2018.

As of March 31, 2018, the Statement of Assets and Liabilities included the following financial derivative instrument fair values:

<u>Assets</u>	<u>Equity Contracts</u>
Investments in securities	\$ 7,200
Total Assets	\$ 7,200

For the year ended March 31, 2018, financial derivative instruments had the following effect on the Statement of Operations:

<u>Net change in unrealized depreciation on:</u>	<u>Equity Contracts</u>	<u>Total</u>
Put options purchased	\$ (23,017)	\$ (23,017)
<u>Net realized gain (loss) on:</u>	<u>Equity Contracts</u>	<u>Total</u>
Put options purchased	\$ (104,565)	\$ (104,565)

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# THE FORESTER DISCOVERY FUND

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2018

### (7) CAPITAL SHARE TRANSACTIONS:

As of March 31, 2018, there were 5,000,000,000 shares of capital stock for the Company with a par value of \$0.0001 authorized. The total paid in capital totaled \$3,993,909. Transactions in capital stock were as follows:

	<b>Year Ended</b>		<b>Year Ended</b>	
	<b>March 31, 2018</b>		<b>March 31, 2017</b>	
	<u>Shares</u>	<u>Amount</u>	<u>Shares</u>	<u>Amount</u>
Shares sold	43,562	\$ 622,426	107,928	\$ 1,453,073
Shares issued in reinvestment of dividends	4,243	60,543	3,242	41,827
Shares redeemed	<u>(110,029)</u>	<u>(1,562,318)</u>	<u>(274,913)</u>	<u>(3,633,188)</u>
Net decrease	<u>(62,224)</u>	<u>\$ (879,349)</u>	<u>(163,743)</u>	<u>\$(2,138,288)</u>

### (8) TAX MATTERS

Income and long-term capital gain distributions are determined in accordance with Federal income tax regulations, which may differ from accounting principles generally accepted in the United States. The Fund's tax basis capital gains and losses and undistributed ordinary income are determined only at the end of each fiscal year. As of March 31, 2018 the Fund's most recent fiscal year-end, components of distributable earnings on a tax basis were as follows:

Undistributed ordinary income	\$ 6,881
Net Unrealized Appreciation	780,784
Capital loss carryforwards:	
Indefinite - short term	(219,884)
Indefinite - long term	<u>(119,676)</u>
Total Distributable Earnings	<u>\$ 448,105</u>

The undistributed ordinary income and capital gains (losses) shown may differ from corresponding accumulated net investment income and accumulated net realized gain (loss) reported on the statement of assets and liabilities due to certain temporary book/tax differences due to the tax deferral of losses on wash sales.

Under current tax law, net capital losses realized after October 31<sup>st</sup> and net ordinary losses incurred after December 31<sup>st</sup> may be deferred and treated as occurring on the first day of the following year. The Fund's carryforward losses, post-October losses and post-December losses are determined only at the end of each fiscal year. The capital loss carry forward will be used to offset any capital gains realized by the Fund in future years through the expiration date. The Fund will not make distributions from capital gains while a capital loss carry forward remains.

As of March 31, 2018, the tax basis components of unrealized appreciation (depreciation) and cost of investment securities were as follows:

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# THE FORESTER DISCOVERY FUND

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## NOTES TO FINANCIAL STATEMENTS (CONTINUED)

MARCH 31, 2018

Gross unrealized appreciation on investments	\$ 862,153
Gross unrealized depreciation on investments	<u>(81,369)</u>
Net unrealized appreciation on investments	<u>\$ 780,784</u>
Tax cost of investments, including short-term investments (a)	<u>\$ 3,647,364</u>

(a) The difference between book cost and tax cost of investments represents disallowed wash sales for tax purposes.

The tax character of distributions paid during the year ended March 31, 2018, and the year ended March 31, 2017 is as follows:

	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Ordinary income	\$ 61,207	\$ 42,088

### **(9) COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Fund may enter into contracts that may contain a variety of representations and warranties and provide general indemnifications. The Fund's maximum exposure under these arrangements is dependent on future claims that may be made against the Funds and, therefore, cannot be estimated; however, management considers the risk of loss from such claims to be remote.

### **(10) CONTROL OWNERSHIP**

The beneficial ownership, either directly or indirectly, of more than 25% of the voting securities of a fund creates a presumption of control of the fund, under Section 2(a)(9) of the Investment Company Act of 1940, as amended. As of March 31, 2018, Charles Schwab & Co., Inc. and National Financial Service Corp., on behalf of others, each owned approximately 25% and 33%, respectively, of the Fund.

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# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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To the Shareholders and Board of Directors  
of Forester Discovery Fund,  
a Series of the Forester Funds, Inc.

## **Opinion on the Financial Statements**

We have audited the accompanying statement of assets and liabilities of the Forester Discovery Fund, (the "Fund"), a series of the Forester Funds, Inc., including the schedule of investments, as of March 31, 2018, the related statement of operations for the year then ended, the statements of changes in net assets for each of the years in the two-year period then ended and the related notes (collectively, the "financial statements"), and financial highlights for each of the years in the five-year period then ended. In our opinion, the financial statements and financial highlights present fairly, in all material respects, the financial position of the Forester Discovery Fund as of March 31, 2018, the results of its operations for the year then ended, the changes in its net assets for each of the years in the two-year period then ended, and the financial highlights for each of the years in the five-year period then ended, in conformity with U.S. generally accepted accounting principles.

## **Basis for Opinion**

These financial statements and financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements and financial highlights based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risk of material misstatement of the financial statements and financial highlights, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements and financial highlights. Our procedures included confirmation of securities and cash owned as of March 31, 2018, by correspondence with the custodian. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements and financial highlights. We believe that our audits provide a reasonable basis for our opinion.

We have served as the Fund's auditors since 2005  
Abington, Pennsylvania  
May 24, 2018

*Sannville + Company*

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# THE FORESTER DISCOVERY FUND

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## EXPENSE ILLUSTRATION

MARCH 31, 2018 (UNAUDITED)

### Expense Example

As a shareholder of the Forester Discovery Fund, you incur ongoing costs which typically consist of management fees and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period, October 1, 2017 through March 31, 2018.

### Actual Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

### Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in this Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

	<b>Beginning Account Value</b>	<b>Ending Account Value</b>	<b>Expenses Paid During the Period*</b>
	<u>October 1, 2017</u>	<u>March 31, 2018</u>	<u>October 1, 2017 through March 31, 2018</u>
Actual	\$1,000.00	\$973.58	\$6.64
Hypothetical (5% Annual Return before expenses)	\$1,000.00	\$1,018.20	\$6.79

\* Expenses are equal to the Fund's annualized expense ratio of 1.35%, multiplied by the average account value over the period, multiplied by 182/365 (to reflect the one-half year period).

# THE FORESTER DISCOVERY FUND

## DIRECTORS & OFFICERS

MARCH 31, 2018 (UNAUDITED)

The following table provides information regarding each Director who is not an “interested person” of the Company, as defined in the Investment Company Act of 1940.

<u>Name, Address, Age</u>	<u>Position(s) Held with the Fund</u>	<u>Term of Office and Length of Time Served</u>	<u>Number of Portfolios Overseen</u>	<u>Principal Occupation During Past Five Years and Current Directorships</u>
Michael B. Kelley 100 Field Dr., Ste. 330 Lake Forest, IL 60045 Age: 57	Director	Indefinite; Since Inception	2	Mr. Kelley has been a National Account Executive for Concept Amenities since March, 2009.
Stanley Simpson 100 Field Dr., Ste. 330 Lake Forest, IL 60045 Age: 59	Director	Indefinite; Since March 2007	2	Stanley Simpson has been a commodities trader on the Chicago Mercantile Exchange for more than five years.
Barry Meyer 100 Field Dr., Ste. 330 Lake Forest, IL 60045 Age: 58	Director	Indefinite; Since March 2007	2	Barry Meyer has been President of Arcspec, a distributor of commercial construction materials for more than five years.

The following table provides information regarding each Director who is an “interested person” of the Company, as defined in the Investment Company Act of 1940, and each officer of the Trust.

<u>Name, Address, Age</u>	<u>Position(s) Held with the Fund</u>	<u>Term of Office and Length of Time Served</u>	<u>Number of Portfolios Overseen</u>	<u>Principal Occupation During Past Five Years and Current Directorships</u>
Thomas H. Forester <sup>1</sup> 100 Field Dr., Ste. 330 Lake Forest, IL 60045 Age: 58	Director; President; Treasurer	Indefinite; Since Inception	2	Mr. Forester has been the President of the Advisor since 2/99, Officer and Portfolio Manager with Dreman Value Advisors from 5/97 - 1/99.

<sup>1</sup> Mr. Forester is a director who is an “interested person” of the Fund by virtue of being an officer of the Fund. Mr. Forester is also an officer of the investment manager.

Each Director, except Mr. Forester, was paid a total fee of \$5,000 for the year ended March 31, 2018, from the Advisor.

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# THE FORESTER DISCOVERY FUND

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## ADDITIONAL INFORMATION

MARCH 31, 2018 (UNAUDITED)

**Portfolio Holdings** – The Fund files a complete schedule of investments with the SEC for the first and third quarter of each fiscal year on Form N-Q. The Fund's first and third fiscal quarters end on June 30 and December 31. The Form N-Q filing must be made within 60 days of the end of the quarter, and the Fund's first Form N-Q was filed with the SEC on February 25, 2005. The Fund's Forms N-Q are available on the SEC's website at <http://sec.gov>, or they may be reviewed and copied at the SEC's Public Reference Room in Washington, DC (call 1-800-732-0330 for information on the operation of the Public Reference Room). You may also obtain copies by calling the Fund at 1-800-388-0365, free of charge.

**Proxy Voting** - A description of the policies and procedures that the Fund uses to determine how to vote proxies relating to portfolio securities and information regarding how the Fund voted proxies during the 12-month period ended June 30, are available without charge upon request by (1) calling the Fund at 1-800-388-0365 and (2) from Fund documents filed with the Securities and Exchange Commission ("SEC") on the SEC's website at [www.sec.gov](http://www.sec.gov). A review of how the Fund voted on company proxies can be obtained at our transfer agent's website, [www.mutualss.com](http://www.mutualss.com).

**Additional Information** - The Fund's Statement of Additional Information ("SAI") includes additional information about the trustees and is available, without charge, upon request. You may call toll-free 1-800-388-0365 to request a copy of the SAI or to make shareholder inquiries.

**Advisory Agreement Renewal** – At a board meeting held on March 20, 2018 of the Board of Directors, including a majority of the independent Directors, determined whether to renew the Advisory Agreement. The 1940 Act requires that the Board request and evaluate, and that the Advisor provide, such information as may be reasonably necessary to evaluate the terms of the Advisory Agreement.

A discussion was held about approving the continuation of the investment management agreements, the Board considered:

- the nature, extent and quality of the services provided by the Adviser
- the investment performance of the Funds
- the costs of the services to be provided and profits to be realized by the Adviser and its affiliates from the relationship with the Funds
- the extent to which economies of scale would be realized as the mutual fund grows and whether fee levels reflect these economies of scale for the benefit of mutual fund investors
- the expense ratios of the Funds

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# THE FORESTER DISCOVERY FUND

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## ADDITIONAL INFORMATION (CONTINUED)

MARCH 31, 2018 (UNAUDITED)

In considering the nature, extent and quality of the services provided by the Adviser, the Board considered an oral presentation by the Adviser describing the portfolio management, shareholder communication, and regulatory compliance services provided by the Adviser to the Funds. The Directors concluded that the Adviser was providing essential services to the Funds.

The Directors compared the performance of the Funds to benchmark indices over various periods of time and concluded that the performance of the Funds warranted the continuation of the advisory agreements. The Directors noted that in addition to the absolute performance of the Funds, they also noted that the Funds adhered to their investment style.

In concluding that the advisory fees payable by the Forester Discovery Fund were reasonable, the Directors reviewed reports comparing the expense ratios and advisory fees paid by the Forester Discovery Fund to those paid by other comparable mutual funds and concluded that the advisory fees paid by the Forester Discovery Fund and the expense ratios of the Forester Discovery Fund were in the range of comparable mutual funds (1.35% Discovery Fund expense ratio versus an average of 1.05% for 742 funds in Morningstar Foreign Large Blend Fund Category and 1.88% for 286 funds in the Long/Short Fund Category and 1.35%).

After discussion, the advisory agreement was renewed for another year.

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