

**Part 2A of Form ADV: Forester Capital Management Ltd.**

**Forester Capital Management Ltd.**

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This brochure (Part 2A of Form ADV) provides information about the qualification and business practices of Forester Capital Management Ltd. If you have any questions about the contents of this brochure, please contact us at (224) 544-5123 or by email at [invest@forestervalue.com](mailto:invest@forestervalue.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission, or by any state securities authority.

Additional information about Forester Capital Management Ltd. is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Forester Capital Management Ltd. is a registered investment advisor. Registration of an investment advisor does not imply a certain level of skill or training.

July 30, 2012

# Material Changes

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## Annual Update

Forester Capital Management Ltd. is providing this information as part of our annual updating amendment which contains material changes from our last annual update. This section discusses only material changes since the last annual update which most recently occurred on January 2, 2011.

## Material Changes since the Last Update

The Securities and Exchange Commission adopted amendments to Part 2A of Form ADV effective October 2010. The newly revised Part 2 consists of Part 2A (the "Brochure") and Part 2B (the "Brochure Supplement"). Each update of the Brochure must now include a summary of all material changes since the last annual update.

This Brochure is dated July 30, 2012. The information below summarizes changes made to our brochure since January 2, 2012.

### Item 12 Brokerage Practices

Selecting Brokerage Firms (Page 12): This section has been amended to include two (2) new paragraphs. Paragraph three discusses the process related to selecting non-principal market maker broker dealers for portfolio transactions with broker dealers who place orders for or recommend the purchase of shares of the Forester Funds. Paragraph five discusses the process related to using broker dealers that may provide research to our firm for conducting trades with a broker dealer. The research provided is part of the client commission costs.

Brokerage for Client Referrals (Page 13): This section discloses that we may select broker dealers for advisory transactions that place orders for or recommend the purchase of shares of the Forester Funds.

## Full Brochure Availability

The Firm Brochure for Forester Capital Management Ltd. is available by contacting Thomas Forester at (224) 544-5123 or by e-mail at [invest@forestervalue.com](mailto:invest@forestervalue.com).

In 2012, all new clients are being sent a full copy of our brochure.

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# Advisory Business

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## Firm Description

Forester Capital Management Ltd. is an investment advisor registered with the SEC. We specialize in customized portfolio management for investment companies and separate accounts for institutions and investment advisors of high net worth clients.

## Principal Owners

Thomas H. Forester, President and Chief Investment Officer founded the firm February 15, 1999. Mr. Forester is the majority owner of Forester Capital Management Ltd.

## Types of Advisory Services

At Forester Capital Management Ltd., we serve as a money manager for large cap value, absolute return and international equity portfolios.

## Tailored Relationships

We do not offer tailored portfolios unless they are focused on large value, absolute return and international securities.

## Wrap Fee Programs

Forester Capital Management Ltd. does not offer wrap fee programs.

## Client Assets

We manage your accounts on a discretionary basis or a non-discretionary basis depending on your preference. As of December 31, 2011, we managed \$262,090,000 in client assets on a discretionary basis and \$ -0- on a non-discretionary basis.

# Fees and Compensation

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## Description

Fees for your investment advisor services are charged quarterly (1/4 of annual fee) based upon the value of assets managed based valuations done by your account custodian or other pricing services at the end of each calendar quarter.

Listed below is our standard fee schedule:

International Equity Accounts	Percentage of Assets Annual Fee
All Assets	1.35%

### Large Cap Equity and Balanced Accounts

	Percentage of Assets Annual Fee
Mutual Funds	0.90%

### Separate Accounts

First \$10 Million	0.90%
Next \$20 Million	0.80%
Excess over \$30 Million	Negotiable

We reserve the right to vary these from the schedule listed above due to particular circumstances of the client or as otherwise negotiated with a particular client or group of clients.

## Fee Billing

Fees to the mutual funds we act as investment advisors for are calculated and accrued daily and charged monthly based on daily market values.

Fees for our separate account customers are charged quarterly based upon the value of assets managed based valuations done by your account custodian or other pricing services at the end of each calendar quarter. These fees are deducted from your account and paid to us by your brokerage firm or custodian.

## Other Fees

Our management fees are separate from charges assessed by third parties such as broker dealers, custodians and mutual fund companies. Brokerage and other transaction costs charged by broker dealers executing transactions and custodians maintaining your assets are in addition to the management fees and are not negotiable. Mutual funds, variable annuities and or other platforms charge or may assess other fees and expenses such as 12B-1 fees or commissions in connection with the placement of your funds.

## Fees Paid in Advance and Termination of Advisory Services

We do not require any prepayment of fees.

Clients may terminate their advisory contract with Forester Capital Management Ltd. in writing to Forester Capital Management Ltd. at any time. We recommend you use a mail service where a signed receipt is required. Fees will be charged on a prorated basis upon termination and deducted from your account. Forester Capital Management Ltd. may terminate relationships with clients, in writing, upon 30 days notice and our management fee will be charged on a prorated basis upon termination and deducted from your account. Your death will not terminate the Investment Management Agreement or authority granted to Forester Capital Management Ltd. until we have received actual written notification of your death.

### **Additional Compensation**

Forester Capital Management Ltd. does not receive any additional compensation.

## **Performance-Based Fees & Side-by-Side Management**

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### **Sharing of Capital Gains or Capital Appreciation**

Forester Capital Management Ltd. does not accept performance based fees – performance fees are fees based on a share of the capital gains or appreciation of the assets of the client.

## **Types of Clients**

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### **Description**

We specialize in customized portfolio management for investment companies and separate accounts for institutions and investment advisors of high net worth clients.

### **Account Minimums**

It is our general policy that accounts or account relationships below \$15 million in assets are discouraged. We reserve the right to accept accounts below this minimum amount under special circumstances.



# Methods of Analysis, Investment Strategies and Risk of Loss

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## Methods of Analysis and Investment Strategies

At Forester Capital Management Ltd. we use a four step investment selection process to purchase securities.

- Step 1: We look at the investable universe for stocks with market capitalization above \$5 Billion and Price/Earnings Ratios below their industry sector average. At this point we focus on 200 or fewer stocks.
- Step 2: We conduct fundamental research to identify companies that have; solid balance sheets, a good competitive position in their industry, historical earning per share growth and historical dividend growth. Through this process we narrow our selection down to 70-80 stocks.
- Step 3: At this step in the process we look at the companies to determine future growth potential of the company, research to see if any competitive advantages exist for the company and is there information and circumstances that would act as a catalyst to drive this company and its stock to reach our perceived fair value. Through this level of review we narrow the selection down to 35-45 our "highest conviction value stocks".
- Step 4: We create a portfolio with stocks limiting each stock to 1% to 3.5% of the portfolio; limiting stocks of any particular sector to 25% of the portfolio; overweighting and underweighting sector weights based on the relative valuation of the sectors; and the values we find in the sector. We may also try to control risk by purchasing index put options or using cash.

Our decision to sell your securities are based one or more of the following: We look at the fair valuation of the company by reviewing the 12 month Price/Earnings Ratio. We may sell to take the profit we have made for your account. We may see information about the company that we view as causing deteriorating fundamentals or we may see other investments in the market as more attractive and sell a stock to be able to purchase another.

## Risk of Loss

Investing in securities involves risk of loss that you should be prepared to bear. Investment values will fluctuate both up and down, are subject to market volatility, and may be worth more or less than the original cost. All securities (with the exception of US Treasury Bills held to maturity) involve the loss of principal. While we believe our methodology and strategies will be profitable for your account, there is no assurance this will always be the case.

While your brokerage account may allow margin transactions, we generally do not recommend the use of margin. We want you to understand the risks of margin transactions and recommend that you read your broker dealer's written disclosure document describing margin trading and its related risks. Some recommendations may include option transactions or options trading. Here again, we want you to understand the risks involved when trading options and recommend that you read "Characteristics and Risks of Standardized Options" published by the Options Clearing Corporation. We will be happy to answer any questions you may have related to margin and options.

# Disciplinary Information

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## **Legal and Disciplinary**

Registered Investment advisors are required to disclose all material facts regarding any legal or disciplinary events that would be material to your evaluation of Forester Capital Management Ltd. and the integrity of our management of your assets. We have no information that applies to this item.

## **Criminal or Civil Action**

Registered Investment advisors are required to disclose all material facts regarding any criminal or civil actions that would be material to your evaluation of Forester Capital Management Ltd. and the integrity of our management of your assets. We have no information that applies to this item.

## **Administrative Proceeding**

Registered Investment advisors are required to disclose all material facts regarding any administrative proceeding that would be material to your evaluation of Forester Capital Management Ltd. and the integrity of our management of your assets. We have no information that applies to this item.

## **Self-Regulatory Proceeding**

Registered Investment advisors are required to disclose all material facts regarding any self regulatory proceedings that would be material to your evaluation of Forester Capital Management Ltd. and the integrity of our management of your assets. We have no information that applies to this item.

# Other Financial Industry Activities and Affiliations

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## **Broker-dealer or Registered Representative**

The investment advisor representatives of Forester Capital Management Ltd. are not registered representatives of a broker dealer or affiliated with a broker dealer.

## **Futures Commission Merchant, Commodity Pool Operator, Commodity Trading Adviser or Associated Person**

Forester Capital Management Ltd. and our staff are not affiliated with a Futures Commission Merchant, Commodity Pool Operator, or Commodity Trading Adviser.

## **Material Relationships or Arrangements with Financial Industry**

Forester Capital Management Ltd. serves as investment advisor for the Forester Funds, Inc., a registered investment company (also known as mutual funds). Tom Forester of Forester Capital Management serves as portfolio manager for the Forester Value Fund and Forester Discovery Fund. In addition, Forester Capital Management staff serve as officers and/or provide services to the Forester Funds, Inc.

## **Recommend or Select Other Investment Advisers**

At Forester Capital Management Ltd., we do not recommend or select other investment advisors for our clients.

# **Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

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## **Code of Ethics**

Forester Capital Management Ltd. has adopted a formal Code of Ethics. This Code of Ethics includes requirements to make sure that we meet our fiduciary responsibilities which include the following subjects:

1. Statement of General Principles
2. Definitions
3. Personal Investment Guidelines (Personal Accounts & Other Restrictions)
4. Compliance Procedures (Employee Disclosure & Compliance)

Forester Capital Management Ltd. will provide a copy of our Code of Ethics to clients and prospective clients upon request. To obtain a copy contact Thomas Forester at (224) 544-5123 or by e-mail at [invest@forestervalue.com](mailto:invest@forestervalue.com).

## **Recommend Securities with Material Financial Interest**

Forester Capital Management Ltd. and its investment advisor representatives do not have any material financial interest in any public companies.

## **Invest in Same Securities Recommended to Clients**

Our employees and officers are responsible to check with the compliance officer to confirm that proposed personal transactions do not conflict with client interests. This means that our officers and employees will not be allowed to purchase or sell a security that is being considered for a purchase or sale program for clients.

## **Personal Trading Policies**

Our firm has "Personal Investment Guidelines" that as a general rule state that in a situation where an investment conflict of interest occurs between a client and one of our associates or affiliates, the conflict of interest will be resolved in the best interests of the client. Officers and employees are required to report existing personal investments they own so the firm can properly manage any conflicts of interest. Our employees and officers are required to submit quarterly personal securities transaction reports to the compliance officer.

# Brokerage Practices

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## Selecting Brokerage Firms

Forester Capital Management Ltd. prefers to select broker dealers who will execute portfolio transactions and generally clients leave the selection to us. On occasion a client may direct us to use a particular broker dealer to execute portfolio transactions. Clients may also give us limits on the commission rates to be paid.

Our overriding objective in selecting a broker dealer is to obtain the best combination of price of a security and best execution. Best price effect the brokerage commission and other transaction costs and is normally an important factor to us in making this decision, but the selection of a broker dealer also takes into account the quality of brokerage services including factors such as; execution capability, willingness to commit capital, financial stability and clearance and settlement capability. For these reasons transactions may not always be executed at the lowest available commission rate.

Over-the-counter securities are generally purchased and sold directly with principal market makers who retain the difference in their cost in the security and its selling price (i.e. "markups" when the market maker sells a security and "markdowns" when the market maker buys a security). In some instances, the Adviser feels that better prices are available from non-principal market makers who are paid commissions directly. The Funds may place portfolio orders with broker-dealers who place orders for, or recommend the purchase of, shares of the Funds to clients (if the Adviser believes the commissions and transaction quality are comparable to that available from other brokers) and may allocate portfolio brokerage on that basis.

Where more than one broker dealer is believed to be capable of providing the best combination of and execution with respect to a particular portfolio transaction, we, as permitted by the rules, may select a broker dealer that also furnishes us research reports on companies, industries, securities, economic and financial data. Periodically our investment manager reviews broker dealers which furnish us research as to their general level of brokerage commissions, unsolicited research products they provide to us and the quality of their execution on trades. We place trades based on these evaluations to the extent that best execution and transaction opportunities permit. The amount of brokerage transactions we direct to a particular broker dealer is not made pursuant to any agreement or commitment with any of the selected broker dealers that would bind us to compensate a broker dealer for research provided to us. We maintain an internal allocation process to identify those broker dealers who provide certain research reports subject to their ability to provide best execution so that we might direct transactions to them to ensure the continued receipt of research reports which we believe are useful.

Other clients of the Adviser may indirectly benefit from the availability of these services to the Adviser, and the Funds may indirectly benefit from services available to the Adviser as a result of transactions for other clients. The Advisory Agreements provide that the Adviser may cause the Fund to pay a broker which provides brokerage and research services to the Adviser a commission for effecting a securities transaction in excess of the amount another broker would have charged for effecting the transaction, if the Adviser determines in good faith that such amount of commission is reasonable in relation to the value of brokerage and research services provided by the executing broker viewed in terms of either the particular transaction or the Adviser's overall responsibilities with respect to the Fund and the other accounts as to which he exercises investment discretion. When the Adviser uses client brokerage commissions to obtain research or other products or services, the Adviser receives a benefit because it does not have to produce or pay for the research, products or services. So, the Adviser may have an incentive to select or recommend a broker based on its interest in receiving the research or other

products or services, rather than on the Funds' interest in receiving most favorable execution. The Adviser seeks to allocate soft dollar benefits to the Funds and its other client accounts proportionately to the soft dollar credits the accounts generate, to the extent that account size has some correlation to the amount of credits generated and will have correlation to the amount of benefits received. During the last fiscal year the procedure used to direct client transactions to specific brokers in return for soft dollar benefits was straightforward. The Adviser made a determination as to whether there was a need for additional soft dollar benefits. If there was such a need, then all trades for the selected broker were designated as soft dollar trades until the determination for the need of additional soft dollar benefits was terminated. During that period client trades executed at the selected broker, including the Funds, paid soft dollar commissions.

The reasonableness of brokerage commissions we pay is evaluated on an ongoing basis. We monitor general "Wall Street" practices and policies regarding commission levels charged by most reputable broker dealers in order to take advantage of these current practices in order to obtain the best commission rates within the firm's objectives of obtaining best executions and other factors as noted above.

Fixed income securities are generally purchased from the issuer or a primary market maker on a principal basis with no commission paid by our client.

Equity securities may also be purchased from the underwriter and in the case of a new issue, would include underwriting fees.

## **Research and Soft Dollars**

The use of research and the selection of broker dealers is discussed above in the section "Selecting Brokerage Firms".

Research we are furnished by other broker dealers may be used in servicing any or all clients of Forester Capital Management Ltd. and may be beneficial to clients with accounts other than those which pay commissions to a broker dealer that provided the research. In some cases the research services we receive relate to data and recommendations concerning the particular transaction we will place with the executing broker dealer.

## **Brokerage for Client Referrals**

The Funds may place portfolio orders with broker-dealers who place orders for, or recommend the purchase of, shares of the Funds to clients (if the Adviser believes the commissions and transaction quality are comparable to that available from other brokers) and may allocate portfolio brokerage on that basis.

## **Directed Brokerage**

Our process on directing brokerage transactions is discussed above in the section "Selecting Brokerage Firms".

## **Order Aggregation**

Most transactions for each client account are entered on a transaction-by-transaction basis. If we decide to purchase or sell the same securities for several clients at approximately the same time, we might combine (otherwise known as aggregating or batching transactions) for these orders. This process occurs through the use of an average price account. By aggregating orders of the same securities, the broker dealer may be able to obtain a better overall execution price. In addition, we may be able to obtain lower transaction costs that might or might not have been obtained had multiple orders been placed

independently. When aggregating trades in the average price account the brokerage firm generally averages the price and charges one commission per client per security. We receive no additional compensation, fees or remuneration from the aggregation of client trades in an average price account.

## Review of Accounts

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### Periodic Reviews

We recommend that you review your account with us at least annually. During these meetings we will cover your investment objectives and any changes, securities held in your portfolio, recent transactions, discuss the rate of return for your portfolio and answer any questions you may have.

### Review Triggers

Each account is scheduled for an annual formal review of the account. Additional reviews will be conducted to make sure your portfolio would be properly managed should you inform us that your investment objectives, financial position goals or investment requirements change. Schedule F 11(A)

### Regular Reports

The broker dealer handling your account or custodian sends you account statements at least quarterly, but usually monthly. These account statements show money balances, securities held in the account, investment values and transactions made. Forester Capital Management Ltd. may also send out quarterly reports that include the same information noted above and other information such as performance of your investments. We encourage you to review and compare the brokerage account statements with your Forester Capital Management Ltd. quarterly reports. If you see a discrepancy, please contact your investment representative and bring it to their attention.

## Client Referrals and Other Compensation

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### Economic Benefits

For the benefit we receive from other broker dealers see the "Brokerage Practices" section above.

### Third Party Solicitors

Forester Capital Management Ltd. may use solicitors to introduce potential clients. These solicitors have a written agreement with Forester Capital Management Ltd. regarding their role and responsibilities as a solicitor for us. Solicitors meeting the responsibilities of the written agreement will receive compensation from Forester Capital Management Ltd. for the services rendered. Those clients who establish a relationship with us using a solicitor will sign a "Solicitor Disclosure Statement" acknowledging the existence of the solicitor relationship as it pertains to their account(s). The fee we pay to the solicitor will be paid from fees from the account(s) received by Forester Capital Management Ltd. Clients introduced by a solicitor pay the same fees as non-solicitor clients. This means that no additional fees or charges will be charged to our client because of the solicitor relationship.

# Custody

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## Account Statements

We do not take custody of your funds and securities. Because of this, Forester Capital Management Ltd. does not accept securities or forward securities to your brokerage firm or custodian. The only checks payable to Forester Capital Management Ltd. that we are permitted to accept are those payable for Advisory fees. You will not give us authority to withdraw securities or funds (other than for payment of advisory fees) from your account.

The broker dealer or custodian handling your account sends you account statements at least quarterly, but usually monthly. These account statements show money balances, securities held in the account, investment values and transactions made.

# Investment Discretion

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## Discretionary Authority for Trading

Most clients give Forester Capital Management Ltd. discretion over the selection, amount and timing of securities to be bought and sold. This means that the portfolio manager or advisor representative may purchase or sell securities consistent with your investment objectives without contacting you prior to entering the transaction.

## Limited Power of Attorney

Investment authority may be subject to specific investment objectives and guidelines and/or conditions imposed by you. For example, you may specify that the investment in any particular stock or industry should not exceed specified percentages of the value of your portfolio or you may have restrictions or prohibitions of transactions in the securities of a specific company industry such as no tobacco stocks. Please detail any such specifications or exceptions in writing prior to engaging our services.

# Voting Client Securities

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## Proxy Voting

As a general rule, we do not accept authority to vote securities on your behalf. Your brokerage firm or custodian sends proxies or other solicitations about your securities directly to you. If you have questions about a particular solicitation, you can contact your representative for advice. You are not obligated to follow your representative's advice on voting your securities.

Forester Capital Management Ltd. as the investment advisor for two funds of Forester Funds, Inc., a registered investment company votes the proxies of the mutual funds as specified in the mutual fund's proxy voting policy.

# Financial Information

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## **Prepayment of Fees**

Fees for your investment advisor services are charged quarterly based upon the value of assets managed based valuations done by your account custodian or other pricing services at the end of each calendar quarter. We do not require any prepayment of fees.

## **Financial Condition**

Forester Capital Management Ltd. has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients.

## **Bankruptcy**

Forester Capital Management Ltd. has not been subject to a bankruptcy proceeding.

# Requirements for State-Registered Advisers

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This item does not apply to Forester Capital Management Ltd.