AUSTRALIAN
RESEARCH
INDEPENDENT INVESTMENT RESEARCH

Regal Investment Fund (ASX: RF1)

Review

19 July 2023

INDEPENDENT
INVESTMENT RESEARCH

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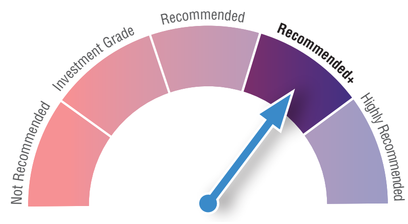
Note: This report is based on information provided by the Manager as at May 2023.

Rating



Key Investment Information (as at 31 May 2023)	
ASX Code	RF1
Unit Price ($)	$2.60
NAV per unit ($)	$2.82
Units on Issue (m)	204.6
Market Cap ($m)	$531.9
Premium/Discount to NAV	-7.8%
Listing Date	June 2019
Responsible Entity	Equity Trustees Limited
Investment Manager	Regal Funds Management Pty Ltd
Investment Structure	Listed Investment Trust (LIT)
Dividend Frequency	Semi-annual
Fees:	
Management Fee (p.a), ex GST	1.5%
RE Fee (including GST less RITC) (p.a.)	0.04%
Performance Fee, ex GST	20.0%
Performance Fee Hurdle	RBA Cash Rate, subject to a High Water Mark

Key Exposure	
Underlying Exposure	The Fund provides exposure to a portfolio of strategies managed by Regal Funds Management and associated managers. At 31 May 2023, the Fund had exposure to 8 alternative investment strategies.
FX Exposure	The Fund will have exposure to international stocks and therefore the Fund will have some direct foreign currency exposure. If the net exposure to a particular currency exceeds 5% of the Fund's NAV, the Manger will seek to manage the currency risk.

The investment opinion in this report is current as at the date of publication. Investors and advisers should be aware that over time the circumstances of the issuer and/or product may change which may affect our investment opinion.

PRODUCT SUMMARY

Regal Investment Fund (ASX: RF1) ("RF1" or the "Fund") is a listed investment trust (LIT) that provides exposure to a selection of alternative investment strategies managed by Regal Funds Management Pty Ltd ("Regal" or the "Manager") and associated managers. Regal is a specialist investment manager that was founded in 2004 and forms part of Regal Partners Limited (ASX: RPL), an ASX-listed asset manager that comprises four alternative investment management businesses with $5.5 billion AUM at 30 April 2023. RF1 listed on the ASX in June 2019, raising $281.8 million through the issue of 112.7 million units at $2.50 per unit. Since listing, RF1 has grown to a market cap in excess of $530 million with 204.6 million units on issue. The primary objective of RF1 is to produce attractive risk-adjusted absolute returns over a period of more than five years with limited correlation to equity markets. The Manager considers attractive returns to be 15%-20%p.a. over the long-term. The Fund does not have a sufficient track record as yet to determine whether it will achieve this objective over the long-term, however, to date the Fund has delivered on this objective. We note that historical returns for the Fund will not represent future returns given the recent addition of several strategies. At listing, the Fund provided exposure to 5 alternative investment strategies. The Manager has added to the selection of strategies the Fund is exposed to with the Fund providing exposure to 8 alternative investment strategies at 31 May 2023. There are some high level portfolio diversification requirements with the Fund able to have up to 50% of the portfolio allocated the Market Neutral strategy and a maximum allocation of 25% for all other strategies. The allocation to strategies will be determined by the Investment Committee with the Manager able to adjust the allocations to the strategies depending on prevailing market conditions or other factors it considers relevant in order to achieve the Fund's investment objective.

INVESTOR SUITABILITY

An investment in RF1 is suitable for those investors seeking exposure to a diversified alternative investment. RF1 provides exposure to a range of strategies that invest in both public and private markets and provides access to strategies that are not easily replicated by retail investors. RF1 provides investors the opportunity to diversify their traditional holdings with an investment that seeks to generate an attractive absolute return over the long-term and have a low correlation with equity markets. The Fund is exposed to long/short strategies that employ high levels of leverage through shorting stocks and gearing. There are additional risks associated with leveraged vehicles and shorting stocks. While leverage can enhance returns it can also magnify losses and result in heightened levels of volatility. Investors should be comfortable with the additional risks associated with the use of leverage before making an investment in RF1 with higher levels of risk tolerance required for an investment in the Fund. The trust structure of RF1 means distributions will reflect distributable income in any given year and as such will be volatile and likely unfranked. As such, investors should not be seeking a regular steady income stream from this investment. IIR views an investment in RF1 to be suited to long-term investors to realise the full benefits of the investment.

RECOMMENDATION

Independent Investment Research (IIR) has reaffirmed its **Recommended Plus** rating for Regal Investment Fund (ASX: RF1). RF1 provides retail investors exposure a diversified portfolio of alternative investment strategies with the long/short strategies providing exposure to what IIR considers a traditional hedge fund style of investing. The recent strategy additions to the portfolio provide asset diversification to the portfolio with the latest additions expected to have low levels of correlation to equity markets. However, we are cognisant of the fact that the Resources Royalties Strategy has a significant weighting in the portfolio and is a strategy that currently has a low level of diversification with the underlying fund providing exposure to three investments at this stage. Given the weighting to the strategy, concentration risks are elevated with the adverse performance of one of the assets/investments likely to significantly impact the performance of the broader RF1 portfolio. We do note that the Manager is seeking to diversify this portfolio. Further to this, while currently only a small weighting of the portfolio, the Private Credit Strategy has a limited performance history with the underlying fund being established in October 2022. The Manager is seeking to deploy capital as quickly as possible, however investors have been exposed to cash while the capital is deployed and investors are taking on the risks associated with a new strategy for the Manager. Finally, while asset diversification has increased with the recent strategy additions, the three additions made over the last 12-months are indirect and therefore RF1 is exposed the redemption requirements of the underlying funds, including a capital lock up period for the Private Credit Strategy. The portfolio has performed strongly since listing both compared to the broader domestic equity market and its peers, however future performance is expected to be differentiated from past performance given the exposure to the new strategies combined with the changes in exposure to the underlying strategies that has resulted from a reallocation of capital. For example, the recent exit from the Long Short Strategy and the allocation to the Market Neutral Strategy at 31 May 2023 of 15%, which is below the average weighting to this strategy of 28% and below the initial guidelines of at least 40% being allocated to this strategy. As noted throughout this report, there are heightened risks associated with RF1 given the use of leverage and the large exposure to small and emerging companies. As a result of this exposure, the portfolio will likely experience greater levels of volatility than the domestic equity market. Investors should be comfortable with the additional risks before making an investment in the Fund.

SWOT

Strengths

- RF1 provides retail investors access to alternative investment strategies managed by Regal, most of which are only available to wholesale and sophisticated investors.
- Regal is well resourced with approximately 100 staff, including over 45 investment professionals.
- The DRP policy is favourable for unitholders with unitholders being issued units through the DRP at the lower of NAV or the market price depending on where the Fund is trading at the time of the distribution.
- The RF1 portfolio is highly diversified by both number of positions, sector and strategy. While as a whole, the portfolio is highly diversified, we note that some of the investment strategies in the portfolio are concentrated. For example, the Resources Royalties Strategy has exposure to only a few projects at present. As such, there are increased risks with this strategy that underperformance of one of the investments could adversely impact on the performance of the portfolio as a whole.
- The closed-ended LIT structure is a significant positive for both the Manager and unitholders given the limited liquidity associated with a number of the underlying investment strategies. The LIT structure provides the Manager the ability to invest in areas of the market where there is limited liquidity and uinitholders get the benefit of liquidity through the secondary market. In unlisted structures, investors are often subject to limited redemption periods and in come cases have capital locked up for a period of time.
- Alignment of interest with investors is strong with Regal considering alignment a core pillar of its business. Founders, partners and staff all hold significant personal investment across all Regal investment strategies. Regal Partners is the largest shareholder of RF1.
- There is only one layer of fees for RF1 investors. The Fund is primarily a fund of investment strategies as opposed to a fund of funds with a number of strategies managed as a separate sleeve to the underlying fund that provides the strategy. Exposure to three of the strategies in the portfolio are gained through an investment in the underlying fund being the Private Credit, Resources Royalties and Water Strategies given it is difficult to replicate these strategies in a separate sleeve due to the nature of the underlying assets. Fees associated with an indirect investment through a fund to gain exposure to an investment strategy is rebated to RF1.

Weaknesses

- RF1 has a trust structure and therefore distributions will be volatile with distributions representing the realised capital gains and income generated by the Fund in any given year. There may be additional tax consequences for investors in periods of strong performance.

- The Fund changed the rules regarding the required track record of a strategy before being eligible for inclusion in the Fund to allow for an investment in the newly created Private Credit Strategy. While we expect the Private Credit Strategy to provide exposure to an investment strategy that should provide uncorrelated returns to equity markets as well as a potential income stream, the portfolio will be concentrated in the initial period as the investment team seek access to deals to deploy capital and there are always risks surrounding new investment strategies issued by a Manager. IIR would have preferred the original rules had been adhered to for the inclusion of the Private Credit Strategy, however we note that the initial allocation was only small at 3% of the RF1 portfolio.

Opportunities

- RF1 provides retail investors access to a range of alternative investment strategies managed by Regal and associated managers. The vehicle provides access to strategies that can not be easily replicated by retail investors and typically can only be accessed by wholesale investors.
- RF1 offers the potential to diversify an investors broader portfolio with the Fund providing low to moderate and at times a negative correlation to equity markets.

Threats

- The Fund is exposed to long/short strategies which utilise leverage. There are additional risks associated with shorting stocks, with the potential downside unlimited if the risk is not managed appropriately.
- The portfolio is highly levered through both borrowings and shorting, although we note the leverage is akin to traditional hedge fund style strategies. While leverage provides the potential to enhance returns, it can also magnify losses and can result in elevated levels of volatility.
- The Fund has a significant exposure to the Resources Royalties Strategy with 18% of the Fund allocated to the strategy when it was introduced to the portfolio in October 2022. As such, the performance of the strategy will have a significant impact on the performance of the Fund. The Fund has exposure to the Strategy via an investment in units in the Regal Resources Royalties Fund, which has limited liquidity. As such, the Fund may not be able to exit in a timely manner in the event the Manager seeks to reallocate the capital.
- The Private Credit Strategy is the latest addition to the RF1 portfolio and is a newly created fund with limited performance history. The Manager has recruited experienced personnel to run the portfolio, however, the strategy may not achieve its performance objectives.
- The portfolios of the Resources Royalties and Private Credit Strategies are concentrated at present. As such, there is elevated risk associated with these strategies until the portfolios are further diversified.
- There is some key man risk associated with the CIO, Philip King, given his significant involvement in managing capital across all the long/short strategies issued by Regal Funds Management. We note that having multiple Portfolio Manager's provides for some succession planning and that the amount of capital currently managed by Philip is less than it was at listing with Philip not managing capital in the Water, Private Credit and Resources Royalties Strategies.

PRODUCT OVERVIEW

RF1 listed on the ASX in June 2019, raising $281.8 million through the issue 112.7 million units at a price of $2.50 per unit, with Regal Funds Management being the second largest investor at the IPO. As at 30 June 2022, Regal was the largest investor in RF1 with a 9.3% interest. The Fund has grown to have over 200 million units on issue and a market cap of more than $530 million. Since listing the Fund has completed two capital raisings, raising a total of $304 million. Units in both raisings were issued at NAV.

RF1 provides exposure to a selection of alternative investment strategies managed by Regal Funds Management Pty Ltd ("Regal" or the "Manager") and associated managers. Regal is a specialist investment manager that was founded in 2004 and forms part of Regal Partners Limited (ASX: RPL), an ASX-listed asset manager with $5.5 AUM at 30 April 2023. RPL comprises four alternative investment management businesses, with the RF1 portfolio having exposure to strategies offered by a number of the investment managers under the RPL umbrella.

The primary objective of RF1 is to produce attractive risk-adjusted absolute returns over a period of more than five years with limited correlation to equity markets. The Manager considers attractive risk-adjusted returns to be in the vicinity of 15%-20%p.a. over the long-term. The Fund does not have a sufficient track record to determine if it will achieve its investment objective, however to date the Fund has delivered on its objective with the NAV generating a return of 16.9%p.a. since listing to 31 May 2023.

RF1 initially provided exposure to five investment strategies. Since listing the Manager has added four new investment strategies to the portfolio, all of which provide exposure to an alternative asset class that in theory should provide uncorrelated returns to equity markets. There is no limit as to how many investment strategies the portfolio can be exposed to, however the Manager is unlikely to include more than 10 strategies. Access to strategies will be direct where possible, however exposure may also be provided indirectly through unlisted funds. Any fees incurred through the indirect exposure will be rebated to the Fund.

The allocation to the underlying strategies is determined by the Investment Committee (IC), which comprises 7 senior team members of the Manager. This has increased from the initial five IC members. The allocation to the underlying strategies may be reduced or increased at any given time to take advantage of market conditions or to provide capital for new strategies. We note, the tactical allocation to some strategies may not be possible given the limited liquidity associated with the strategy or the fund in which RF1 is invested to gain exposure.

Underlying Investment Strategy Allocation

Investment Strategy	Allocation Range	Allocation at Listing	Allocation as at 31 May 2023
Market Neutral Strategy	0% - 50%	51%	15%
Long Short Equity Strategy	0% - 25%	13%	0%
Small Companies Strategy	0% - 25%	13%	18%
Emerging Companies Strategy	0% - 25%	12%	24%
Global Alpha Strategy	0% - 25%	12%	9%
Long Short Healthcare Strategy	0% - 25%	-	8%
Water Strategy	0% - 25%	-	4%
Resources Royalties Strategy	0% - 25%	-	18%
Private Credit Strategy	0% - 25%	-	4%

The Fund will have some international market exposure, however most of the underlying strategies have a focus on the domestic market. This has resulted in the Fund being predominantly exposed to Australia and New Zealand with some exposure to other regions around the globe. Given the exposure to global markets, there will be some direct exposure to foreign currency risk. If the net exposure to a particular currency exceeds 5% of the Fund's NAV, the Manager will seek to manage the foreign currency risk through the use of foreign exchange forwards and contracts.

Through the underlying strategy mandates, the Fund may also invest in both listed and unlisted investments. The recent inclusion of a number of strategies has seen the exposure to unlisted investments increase.

The underlying strategies will employ leverage through short selling and gearing to achieve their investment objectives. There are increased risks associated with the use of leverage. While leverage can magnify gains it can also magnify losses and increase the volatility of a portfolio. The Fund has a maximum net gearing of 150% of NAV and a maximum gross gearing of 300% of the Fund's NAV. Since listing, net exposure has ranged from 22% to 110% and gross exposure has ranged from 149% to 301%.

The Fund pays distributions on a semi-annual basis with all distributable income (income and realised capital gains) distributed to unitholders. The Fund has a Distribution Reinvestment Plan (DRP), in which unitholders can elect to reinvest or all part of their distributions in RF1 units. The DRP price takes into account the relationship between the prevailing market price of units and the NAV per unit at the time each distribution is paid.

The Manager is paid a fee of 1.5% p.a. (plus GST) of the gross value of the portfolio. In addition to the management fee, the Manager is eligible for a performance fee of 20% (plus GST) of the outperformance of the portfolio over the Performance Fee Hurdle (RBA Cash Rate) over each six month period, subject to a High Water Mark. There is only one layer of fees associated with the Fund, with any fees incurred from indirect investments rebated to the Fund.

INVESTMENT MANAGER

The Fund is managed by Regal Funds Management Pty Ltd ("Regal" or the "Manager"), which forms part of Regal Partners Limited (ASX: RPL), an ASX-listed alternatives asset manager. RPL was formed on 3 June 2022, following the merger of VGI Partners Limited and Regal Funds Management. As at 30 April 2023, RPL had ~$5.5 billion AUM. RPL comprises four funds management businesses, tabled below.

RPL Investment Manager Interests

Investment Manager	RPL Interest/ Ownership	Inception of Manager	Investment Exposure
Regal Funds Management	100%	2004	Long/short equities, private markets, capital solutions
VGI Partners	100%	2008	Long/short equities
Kilter Rural	61%	2004	Real & natural assets
Attunga Capital	51%	2005	Real & natural assets

The Manager was established in 2004 and is well resourced with approximately 100 staff, including 45 investment professionals. The Manager's strategies typically have a multi-Portfolio Manager approach whereby Portfolio Manager's are allocated a sleeve of an investment mandate and are responsible for the investments that they make as part of their capital allocation. There are currently 15 Portfolio Managers in the business, who are supported by a range of sector and specialist analysts.

The team has had some turnover in recent years at the Portfolio Manager level, with a number of new Managers coming on board as a result of the new strategies/funds being released by RPL. While there has been turnover in the senior ranks, the Portfolio Manager's that are relevant to the strategies associated with the RF1 portfolio, excluding the most recent additions, have an average tenure with the Manager of over 8 years. Given the resources of the Manager, there has been no issue with sourcing and retaining talent and experience.

Alignment of interest with the investment team is strong. In terms of co-investment across the firm, staff and founding capital is significant. Additionally, Philip King, and the Regal balance sheet, has seeded a number of the underlying strategies. The staff are heavily encouraged and incentivised to invest in the Regal products. The staff invest without fees, and they have a portion of their bonuses over a certain amount to invest in the underlying strategies. As mentioned previously, Regal Partners is currently the largest unitholder of RF1.

Portfolio Managers				
Name	**Position**	**Strategy Responsibility**	**Investment Management Experience (years)**	**Tenure with Manager (years)**
Philip King	Chief Investment Officer	All strategies	29	18
Mark Nathan	Head of Fundamental Research & Portfolio Manager	Australia Long Short Equity Strategy & Market Neutral Strategy	25	4
Jovita Khilnani	Portfolio Manager	Australia Long Short Equity Strategy	16	9
Ben McCallum	Portfolio Manager	Emerging Companies Strategy	17	7
Jessica Farr-Jones	Portfolio Manager	Emerging Companies Strategy	9	5
Bo Guan	Portfolio Manager	Global Alpha Strategy	12	2
Todd Guyot	Portfolio Manager	Small Companies Strategy	30	8
James Sioud	Portfolio Manager	Small Companies Strategy	7	7
Dr. Craig Collie	Portfolio Manager	Healthcare Strategy	16	7
Simon Klimt	Portfolio Manager	Resources Royalties Strategy	10	<1
James Morrison	Portfolio Manager	Resources Royalties Strategy	13	<1
Jacob Poke	Head of Private Credit & Portfolio Manager	Private Credit Strategy	16	<1
Gavin George	Portfolio Manager	Private Credit Strategy	25	<1
Euan Friday	Chief Investment Officer & Portfolio Manager	Water Strategy	25	15*

*Joined Kilter Rural in 2008.

The construction of the RF1 portfolio is determined by the Investment Committee. The below tables the members of the IC, of which there are 7 investment and non-investment team members of the Manager. While the portfolio is monitored daily, the IC will meet at least on a quarterly basis to discuss the performance and positioning of the underlying strategy allocations in the portfolio.

Investment Committee				
Name	**Position**	**Strategy Responsibility**	**Investment Management Experience (years)**	**Tenure with Manager (years)**
Philip King	Chief Investment Officer	All Strategies	29	18
Brendan O'Connor	Chief Executive Officer	Non-investment team	-	6
Mark Nathan	Portfolio Manager	Head of Fundamental Research	25	4
Todd Guyot	Portfolio Manager	Small Companies Strategy	30	8
Jovita Khilnani	Portfolio Manager	Regal Australian Long Short Strategy	16	9
Ben McCallum	Portfolio Manager	Emerging Companies Strategy	17	7
Dr. Craig Collie	Portfolio Manager	Long Short Healthcare Strategy	16	7

INVESTMENT PROCESS

Investment Philosophy

The Manager seeks to provide access to a selection of alternative investment strategies managed by Regal and associated managers with the aim of providing attractive risk-adjusted absolute returns over a period of more than five years with limited correlation to equity markets. The Manager's investment philosophy is grounded in the belief that a diversified portfolio of assets, using a range of investment strategies and backed by long-term capital, is key to achieving superior risk-adjusted returns over the long-term.

The Manager acknowledges that markets can be inefficient which presents opportunities for active investors. These inefficiencies may stem from behavioural and structural sources and can result in the mispricing of investments. The Manager believes in maximising the available opportunities to profit from market inefficiencies and mispricing, using its investment processes to take advantage of both rising and falling investment prices. Through active management, the Manager seeks to leverage these opportunities to create value.

Investment Process

The below highlights the broad investment process employed by the strategies managed by Regal. We note that given the different asset class exposure of some of the more recently added strategies, the investment process will differ to the investment process outlined below, however the investment thesis is still based on a combination of research driven bottom-up fundamental analysis combined with consideration for top-down macro factors to identify investment opportunities. We have provided some additional detail regarding the investment processes of the recently added strategies in the Underlying Investment Strategy section below.

Regal employs both a fundamental and market driven process with the fundamental process focused on longer-term investments and the market driven process focused on identifying short-term mispricing opportunities.

Fundamental Investment Process

The fundamental investment process can be broken down into four steps, as detailed in the below chart.

Fundamental Investment Process

1) Bottom-up Valuation: The bottom up security selection process involves the investment management team spending considerable time meeting with management of companies in which the Manager invests and talking to their suppliers, customers and competitors. However, meeting management is not a pre-requisite for investing. The bottom-up process also involves a valuation assessment by the Manager's portfolio managers of a security. Depending on the materiality of the position in the security, this may involve creating a discounted cash flow model to assess a present value of the company based on its future cash flows using a discount rate. The Manager may also assess value based on peer and historical multiples such as price-to-earnings ratios, price-to-cash flow ratios, enterprise value, EBITDA (earnings before interest, tax, depreciation and amortisation), price-to-book ratio, or price-to-sales ratio. Depending on the materiality of the position in the particular security, the Manager may use any one of the above valuation methods or a combination of them.

2) Top Down Macro Factors: In addition to the bottom-up process, the Manager seeks to identify the macro factors and trends affecting a company. Examples of some macro factors and trends the Manager may take into account include competition or disruption in the sector, maturity of the particular market, or potential movements in commodity prices. This allows the Manager to choose whether to hedge these risks away or seek to benefit from them.

3) Catalyst: After the initial analysis is completed, the Manager then seeks to identify a catalyst that may change the market's perception of value of the security which would in turn, likely drive the price of the security up or down. Examples of potential catalysts the Manager may consider as being relevant include an entity's earnings update to the market, the likelihood of consolidation events occurring within the sector or if the Manager believes that based on the entity's cash flow and revenue it is likely that the entity will need to undertake a further rights issue to raise capital.

4) Manager's Insight: Finally, the Manager asks itself, 'What is our insight in this trade'? The Manager believes that admitting it is fallible and identifying its insight in a trade and examining alternative viewpoints helps to minimise mistakes.

While the Manager follows the same process on longs and shorts it is worth discussing the nuanced differences between the two, and specifically in relation to short investments. The Manager's short investments can be classified broadly as four different types: valuation shorts, momentum-based valuation shorts, balance sheets shorts, and structural shorts.

- A valuation short may be invested in as a stock continues to rise and is assessed as becoming materially over-valued, based on the investment team's fundamental analysis.
- Momentum shorts are based on a similar view, but where it is deemed that it is best to enter into such positions when momentum / sentiment has turned.
- Balance sheet shorts relate to companies where it is assessed that cash flows do not support the amount of debt and a capital raise will likely be required at some point. In such cases where a capital raising eventually occurs, that is typically the opportunity the Manager takes to close such short positions.
- Structural shorts relate to businesses facing significant industry and competitive headwinds and where there is a fundamentally poor long-term outlook. The Manager often takes a long-term position on such shorts, having previously held particular structural shorts for multi-year periods. The ideal short is deemed to be a combination of a structurally flawed business combined with a poor balance sheet.

With all shorts, the perceived catalyst to a falling share price is viewed as particularly important. There needs to be a catalyst for all short positions, rather than simply shorting a stock because it is assessed as expensive. Furthermore, position timing and weighting is generally a function of how close the perceived catalyst is (although less so for longer-term structural shorts). The Manager is reluctant to simply ride through potential ups and downs in a stock until the perceived catalyst transpires.

The degree to which a total short side of the portfolio reflects these different types of shorts will vary over a market cycle.

Market Driven Investment Process

The Market Driven Investment Process seeks to take advantage of short-term mispricing opportunities in the equity market, rather than investing in any individual companies or a portfolio of companies for a prolonged period of time. The Manager can apply the Market Driven Investment Process in all of the Initial Regal Investment Strategies.

Investment opportunities the Manager may identify using the Market Driven Investment Process include participating in placements, block trades, initial public offerings or rights issues or trading on an opportunistic basis to take advantage of a theme, specific opportunity or trend.

The Manager may become aware of opportunities through its deep network of market participants. Once an opportunity has been identified, the Manager will undertake a detailed analysis of the relevant entity and terms of trade.

Underlying Strategy Portfolio Construction

Portfolio construction at the underlying strategy level is managed by each portfolio manager and, at an aggregate level for each underlying strategy, managed by Philip King. Each Portfolio Manager weights holdings on a risk-adjusted conviction level. The aggregate portfolio, which represents the aggregation of each separate Portfolio Manager sleeves, is then assessed by Philip King for overall stock, sector and factor risks.

At the aggregate level, Philip King will then make any deemed necessary changes to primarily his portfolio sleeve to attune the aggregate portfolio with risk management constraints. This has the benefit of maintaining the 'integrity' of all other Portfolio Manager sleeves, ensuring an undiluted representation and accountability.

From a short perspective, the Manager has a range of specific risk management techniques to address the idiosyncratic risks of shorting relative to long positions. These include a strong focus on liquidity, the degree to which the short may be a 'crowded short', and reducing a position size when a short holding appreciates to manage the size of the position in the portfolio.

Where a long or short position has moved against the portfolio by 20%, a risk committee meeting is immediately convened to discuss the investment case before a decision is made to increase the position.

As a measure designed to preserve capital, gross gearing is typically reduced according to portfolio drawdown thresholds of -3%, -6%, and -9%. For example, in the Market Neutral strategy, a 3% drawdown would lead to a reduction in gross gearing from 300% to 250%, 6% down to 200%, and 9% down to 150%. Once strategy returns stabilise, gross exposure can subsequently be increased based on the opportunity set. We note, CIO discretion is applied to this risk guideline in recognition that a systematic reduction in gross exposure is not always appropriate in some market conditions.

RF1 Portfolio Construction

The allocation to and inclusion of underlying investment strategies is determined by the Investment Committee (IC). The IC currently comprises 7 investment and non-investment team members of the Manager (detailed in the Investment Manager section above).

The portfolio is actively managed with the Fund's portfolio monitored on a daily basis with the IC formally meeting at least quarterly to discuss the allocations.

The Manager will rebalance the portfolio when required to ensure that it complies with the Fund's Investment Guidelines. Daily monitoring will be conducted on key risk metrics present within the portfolio such as leverage, position limits, currency and volatility, using the Manager's proprietary portfolio and order management system.

Key Investment Guidelines	
Strategy Exposure Limits	• Up to 50% of the portfolio can be allocated to the Market Neutral Strategy • Up to 25% of the Fund's NAV can be allocated to all other investment strategies.
Number of Positions	No minimum or maximum limitations on the number of positions held.
Individual Security Limits	Up to +/- 10% of the Fund's NAV can be invested in a single listed security. A maximum of 2% of the Fund's NAV can be allocated to a single unlisted security (other than Regal's funds) at the time of investment.
Sector Exposure Limits	Maximum net exposure to a single sector is +/- 30% of the Fund's NAV.
Geographic Exposure Limits	• Maximum net exposure to Emerging Markets is +/- 30% of the Fund's NAV. • Maximum net exposure to Frontier Markets is +/- 10% of the Fund's NAV.
Net Gearing Limits	Maximum net gearing of 150% of the Fund's NAV. Net gearing is expected to typically range from 0% to 100%.
Gross Gearing Limits	Maximum gross gearing of 300% of the Fund's NAV. Gross gearing is typically expected to be between 200% to 300%.
Derivatives	The Fund can invest in derivatives, including options, futures, swaps and cash settled instruments. The Manager may use derivatives for hedging and non-hedging purposes.
Shorting	The Fund may short stocks.
Foreign Currency Exposure	The Fund will have foreign currency exposure. The Manager will not hedge currency exposure except in limited circumstances.
Cash limits	Up to 100% of the Fund's NAV can be held in cash and cash equivalents.

UNDERLYING INVESTMENT STRATEGIES

The Fund has expanded the eligible investment strategies for RF1 to 9 strategies managed by Regal and associated managers (8 of which the portfolio was exposed to at 31 May 2023). Below we provide an overview of each of the investment strategies. Most of the strategies are managed as a separate sleeve and do not invest directly in the unlisted funds which provide these strategies, however exposure to the Water Strategy, Private Credit Strategy and Resources Royalties Strategy are provided through the unlisted funds as these strategies cannot be managed as a separate sleeve and therefore RF1 is subjected to any liquidity/redemption restrictions associated with these funds. For the strategies that have been in the portfolio for more than one year we have included the gross performance of the strategy since its inclusion in the portfolio compared to the relevant market index. We note that the strategies have a longer track record, however given they are managed as sleeves as opposed to being invested in the relevant funds, the performance of the strategies, while will be similar, may differ to that of the funds.

Market Neutral Strategy

The Market Neutral Strategy can have the largest allocation in RF1 with up to 50% of the RF1 portfolio able to be allocated to this strategy. Initially, this strategy had the largest allocation, however the allocation to this strategy has declined over time with the strategy having a weighting of 15% as at 31 May 2023.

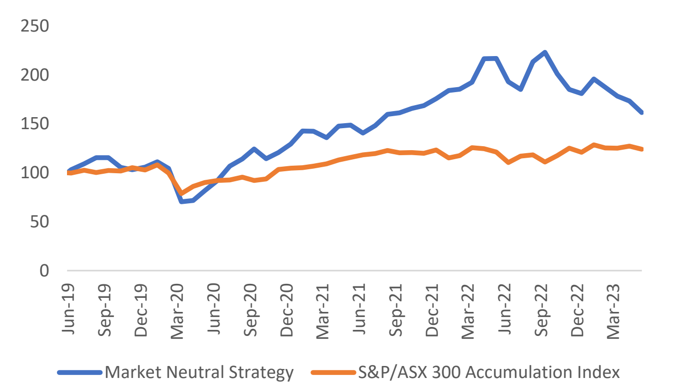
The Market Neutral Strategy provides exposure to the strategy implemented in the Regal Tasman Market Neutral Fund, which has a track record dating back to May 2007. The strategy aims to maximise returns while targeting volatility of up to 15%p.a. The focus of the strategy is on listed equities in Australia, with a portion of the portfolio also invested in the Asia-Pacific region and other global markets. This may include exposure to emerging and frontier markets. The strategy may also utilise derivatives, such as index futures, in pursuing the investment objective from time to time.

The strategy is designed to be beta neutral, with the value of long positions approximately offset by the value of short positions. The Manager seeks to identify alpha on both the long and short side. Returns are generated by the relative movement in the long and short positions with the Manager tending to generate more alpha on short positions due to the reduced level of competition on the short side. The strategy is designed to have low correlation with equity markets, an objective that has been achieved over its history.

The strategy can employ gearing to help meet the volatility target of up to 15% p.a. The strategy at times has had gross exposure of around 400% with net exposure of -30% to +30%. Gross and net exposure may be higher or lower during certain periods.

The strategy tends to be highly diversified with a large number of long and short positions, reducing concentration risk, however shorting involves increased risks with careful risk management key to minimising potential losses and generating alpha.

Market Neutral Strategy Gross Performance



	Market Neutral Strategy	S&P/ASX 300 Accumulation Index
Total Return (p.a.)	12.9%	5.6%
Standard Deviation	29.3%	17.7%
Correlation	0.47	1.00

The strategy is managed by two Portfolio Managers, Philip King and Mark Nathan. There have been no changes to the Portfolio Management team of this strategy since RF1 listed.

Key Investment Team Members

Name	Position	Location
Philip King	Chief Investment Officer	Sydney
Mark Nathan	Head of Fundamental Research & Portfolio Manager	Sydney

Long Short Equity Strategy

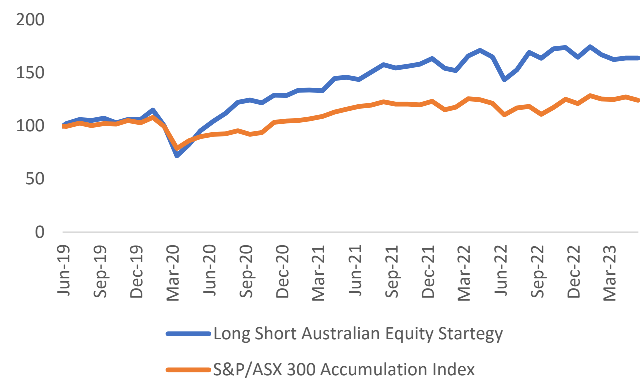
The Long Short Equity Strategy seeks to outperform the S&P/ASX 300 Accumulation Index over rolling five year periods through superior stock selection and by exploiting short and long term price inefficiencies in the Australian equity market.

The portfolio is constructed using a long/short approach with a net exposure ranging from 90% to 110% and a maximum gross exposure of 200% of the portfolio value. The strategy typically focuses on companies with a market capitalisation of $750 million and above.

For this strategy, the Manager acquires every stock in the S&P/ASX 300 Accumulation Index of a size of at least 50 basis points of the index then the Manager overlays its long-short investment picks. For example, if the Manager has a neutral view on Westpac, then it will be purchased at index weight. Long and short positions are weighted according to the Manager's research process.

The strategy has a track record dating back to August 2009 and is the largest strategy managed by the Manager form a FUM perspective. According to figures provided by the Manager, the strategy has outperformed the market by 5.1%p.a. since its establishment to 28 February 2023, net of all fees.

Long Short Equity Strategy Gross Performance



	Long short Australian Equity Strategy	S&P/ASX 300 Accumulation Index
Total Return (p.a.)	13.3%	5.6%
Standard Deviation (p.a.)	25.2%	17.7%
Correlation	0.85	1.00

There are three Portfolio Managers that manage a sleeve of capital for the portfolio. There have been no changes to the portfolio management team since the listing of RF1.

Key Investment Team Members

Name	Position	Location
Philip King	Chief Investment Officer	Sydney
Jovita Khilnani	Deputy Portfolio Manager	Sydney
Mark Nathan	Head of Fundamental Research & Portfolio Manager	Sydney

Small Companies Strategy

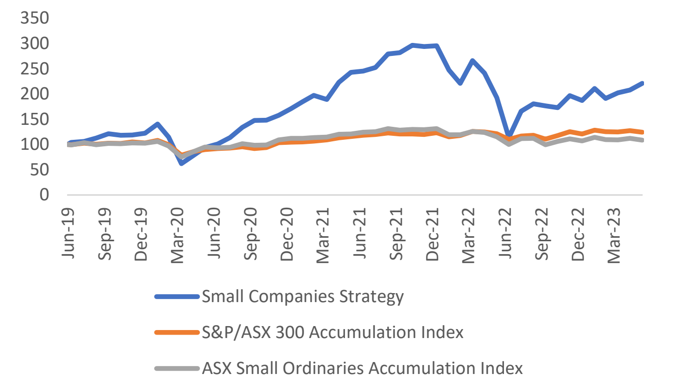
The Small Companies Strategy invests in Australian equities with a market capitalisation ranging from $200 million to $3 billion. The strategy inception date was February 2015.

The strategy is relatively unique in the small caps space, given its long-short nature. As such, it provides leveraged exposure to the sector and the ability to generate alpha on short investments. The strategy typically has a large number of constituent holdings for a small cap portfolio.

The portfolio is constructed purely on the basis of alpha generating long and short positions. Unlike the Long Short Equity Strategy, there is no index weight replication to generate beta exposure. The strategy will have a net exposure ranging from 90% to 110% and a maximum gross exposure of 200% of the portfolio value.

The strategy will typically have high levels of volatility given the combination of being a leveraged play and the heightened volatility typically experienced by the small cap segment of the market when compared to mid and large caps. This is highlighted by the performance figures below, which show the volatility of the strategy has been significantly greater than the ASX Small Ordinaries Accumulation Index, however has delivered substantially higher absolute returns. Despite the differential in the risk/return profile, the strategy has had a relatively high correlation to the equity market.

Small Companies Strategy Gross Performance



	Small Companies Strategy	S&P/ASX 300 Accumulation Index	ASX Small Ordinaries Accumulation Index
Total Return (p.a.)	22.1%	5.6%	2.1%
Standard Deviation (p.a.)	52.3%	17.7%	22.2%
Correlation	0.78*/0.84**	1.0	1.0

*Correlation with S&P/ASX 300 Accumulation Index.

**Correlation with ASX Small Ordinaries Accumulation Index.

There are three Portfolio Managers that contribute to the portfolio. James Sioud is the newest member of the team, who was appointed as a Portfolio Manager after the departure of Dane Roberts from the Manager in 2021.

Key Investment Team Members

Name	Position	Location
Philip King	Chief Investment Officer	Sydney
Todd Guyot	Lead Portfolio Manager - Small Companies	Sydney
James Sioud	Portfolio Manager - Small Companies	Sydney

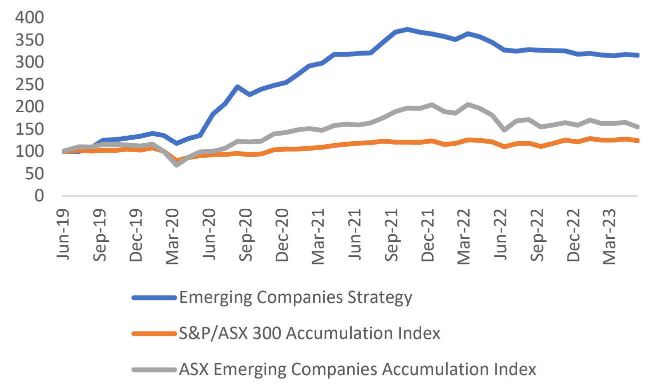
Emerging Companies Strategy

The Emerging Companies Strategy provides exposure to a portfolio of listed and unlisted companies with the strategy focused on identifying the next generation of leading companies. The strategy replicates the Regal Emerging Companies Fund, of which there have been three unlisted closed fund iterations, the first of which was established in November 2016, and the strategy is now offered through an open-ended fund.

The strategy invests in selected unlisted companies that are looking to list on a stock exchange in the short to medium term, unlisted expansion capital and listed microcap companies predominantly in Australia and Asia but also potentially in other countries including Emerging Markets.

With regards to listed companies, the strategy will focus on those companies that have market capitalisations of below $200 million, at the time of investment. Investments within the strategy will generally be long positions in securities including but not limited to debt and equity securities and convertible notes. The strategy can also hold short positions, however given the limited liquidity in this area of the market, the number of short positions typically represent a small portion of total positions in the portfolio. Net gearing will typically be between 90% and 120% with a maximum gross level of gearing of 130% of the portfolio NAV.

Emerging Companies Strategy Gross Performance



	Emerging Companies Strategy	S&P/ASX 300 Accumulation Index	ASX Emerging Companies Accumulation Index
Total Return (p.a.)	33.7%	5.6%	11.6%
Standard Deviation (p.a.)	25.2%	17.7%	31.0%
Correlation	0.43*/0.51**	1.0	1.0

*Correlation with S&P/ASX 300 Accumulation Index.
**Correlation with ASX Small Ordinaries Accumulation Index.

The portfolio is managed the three Portfolio Managers below with each of the team members managing a sleeve of capital. The team has been stable with no changes since the listing of RF1.

Key Investment Team Members

Name	Position	Location
Philip King	Chief Investment Officer	Sydney
Ben McCallum	Lead Portfolio Manager - Emerging Companies	Sydney
Jessica Farr-Jones	Portfolio Manager - Emerging Companies	Sydney

Global Alpha Strategy

The Global Alpha Strategy seeks to identify and exploit inefficiencies in global equity markets. The strategy aims to deliver consistent, positive returns regardless of movements in the underlying equity markets. The Strategy will focus on investing in long/short leveraged global listed equities, derivatives (including index futures) and options, in pursuing the investment objective. This may include exposure to emerging and frontier markets. The Strategy has a track record dating back to March 2018 and as such now has a track record of over five years.

The portfolio is typically highly diversified on both the long and short side and highly leveraged with maximum gross gearing of 900%. Net gearing can range between -100% and +100% of the portfolio value.

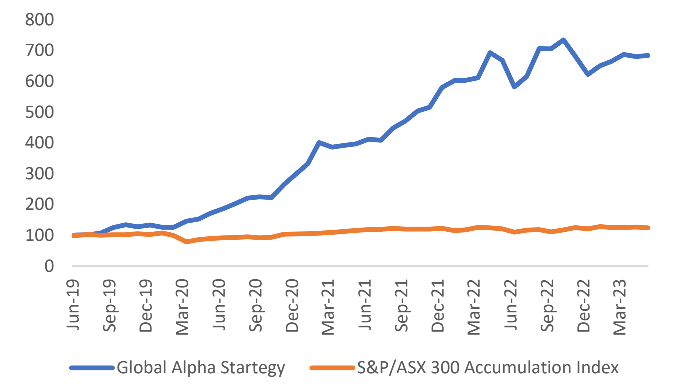
The investment team utilise systematic and discretionary market driven investment strategies to identify investment opportunities, namely the Global Alpha Investment Process. This process differs to the Fundamental Process that is employed across Regal's investment strategies. The first step in the Global Alpha process is to identify what the Manager perceives to be an inefficiency. Often something as simple as a spike in a share price may lead the Manager to undertake further analysis. The key in this step is to identify the underlying source of the share price movement. Sources of these inefficiencies may include mandate restrictions (often as a result of low-cost investment products), changes in government policies and regulations, capital market activities and other liquidity events.

The second step involves analysing the inefficiency in greater detail and back-testing the investment hypothesis by using historical data and comparable situations.

The Manager will then undertake further steps to construct the portfolio and hedge any unwanted risks such as country, sector, currency or commodity risk within the identified trade portfolio, with the aim of isolating and gaining exposure to the inefficiency.

The strategy has performed strongly for RF1 with the Strategy generating the best absolute gross performance of the strategies in the RF1 portfolio.

Global Alpha Strategy Gross Performance



	Emerging Companies Strategy	S&P/ASX 300 Accumulation Index
Total Return (p.a.)	62.4%	5.6%
Standard Deviation (p.a.)	24.8%	17.7%
Correlation	0.08	1.0

The below tables the key members of the investment team for the implementation of the strategy. There has been a bit of turnover in the investment team for this strategy, although we note Philip King remains a constant for the implementation of this Strategy.

Key Investment Team Members

Name	Position	Location
Philip King	Chief Investment Officer	Sydney
Bo Guan	Portfolio Manager - Systematic Strategies	Singapore
John Manchee	Head of Trading - Australia Discretionary Strategies	Sydney
Campbell Chambers	Head of Trading - US Discretionary Strategies	New York
Paul Hadley	Trader - Asia Discretionary Strategies	Singapore
Mitch Hennessy	Analyst - Systematic Strategies	Sydney

Long Short Healthcare Strategy

The Long Short Healthcare Strategy was added to the RF1 portfolio in September 2020 and provides exposure to a relatively concentrated portfolio of predominantly Asian listed healthcare companies. The strategy can invest both long and short and has the ability to invest in unlisted and pre-IPO investments. The strategy seeks to deliver strong risk-adjusted returns over the long-term irrespective of market movements. The strategy seeks to utilise a science-driven fundamental research process and aims to take advantage of two structural thematics:

- Consistent mispricing of listed Asian healthcare companies; and
- Strong positive sectorial demographic with spending tailwinds.

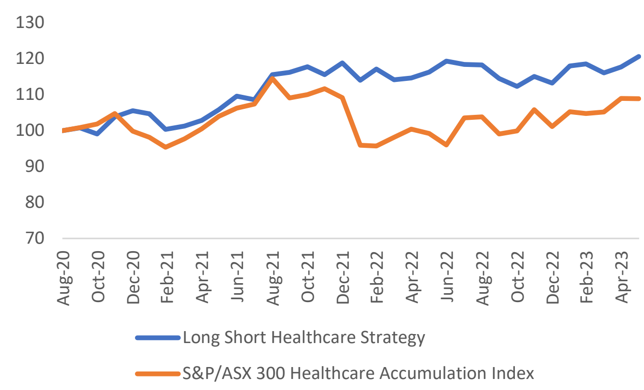
The strategy will primarily invest in securities listed on Asian markets or securities with exposure to the Asia region. The strategy may also invest in unlisted, pre-IPO investments, derivatives and futures and across global, emerging and frontier markets to fulfil its objective.

The investment process for the strategy is primarily driven by Regal's fundamental research driven process that is applied across Regal's investment strategies.

Key Investment Guidelines

Maximum Single Stock Long Position Exposure	15% of NAV
Maximum Single Stock Short Position Exposure	15% of NAV
Maximum Unlisted or pre-IPO total exposure	15% at time of investment
Net Gearing	Between -50% and 100%
Maximum Gross Exposure	250%

Long Short Healthcare Strategy Gross Performance



	Long Short Healthcare Strategy	S&P/ASX 300 Healthcare Accumulation Index
Total Return (p.a.)	7.0%	3.1%
Standard Deviation (p.a.)	8.8%	13.5%
Correlation	0.47	1.0

The Strategy is managed by Philip King and Dr. Craig Collie, with the Portfolio Manager's supported by Dr. Dilshan Seneviratna.

Key Investment Team Members

Name	Position	Location
Philip King	Chief Investment Officer	Sydney
Dr. Craig Collie	Lead Portfolio Manager - Healthcare	Sydney
Dr. Dilshan Seneviratna	Analyst - Healthcare	Sydney

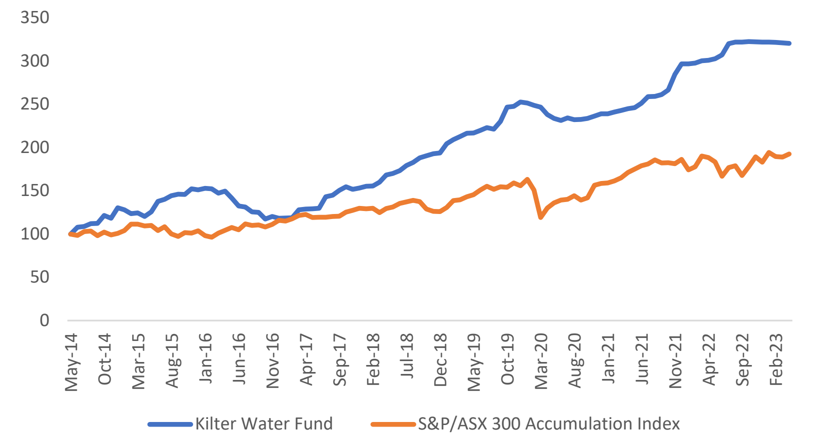
Water Strategy

The Water Strategy was added to the portfolio in August 2022 and is provided through an investment in the Kilter Water Fund. The Kilter Water Fund was established in June 2014 and provides exposure to a portfolio of southern Murray-Darling Basin water entitlements. Water entitlements are perpetual rights to access a share of a defined water resource such as a lake, river system or aquifer. They are issued, regulated and registered by state governments. The Manager describes the rights of water entitlement owners being akin to the owners of land titles. Holders of water entitlements are allocated a volume of water each year (water allocation) that can be either used or sold to other agricultural, urban or commercial water users. The Manager leases their entitlements to an irrigator, who get the benefit of the water allocation that the government provides for that entitlement. The fund generates an annual income for the entitlements leased to irrigators and a capital return from any capital appreciation of the assets.

The Kilter Water Fund targets net returns in the range of 9%-11%p.a, with a 4% annual distribution. The fund has achieved the net return target over the long-term with a return of 13.9% p.a. since inception to 30 April 2023.

The Kilter Water Fund has performed strongly compared to Australian equities, with the fund outperforming the S&P/ASX 300 Accumulation Index since its inception, as shown in the below chart. The fund has generated the performance with substantially lower volatility than Australian equities. The Kilter Water Fund provides uncorrelated returns to the Australian equity market with a correlation of 0.00 to the S&P/ASX 300 Accumulation Index since inception.

Kilter Water Fund Historical Performance



Performance Metrics to 30 April 2023

	Kilter Water Fund	S&P/ASX 300 Accumulation Index
Cumulative Total Returns:		
1 year	6.5%	2.1%
3 year (p.a.)	10.4%	14.0%
5 year (p.a.)	13.7%	8.2%
Since Inception (p.a.)	13.9%	7.6%
Standard Deviation:		
1 year	4.4%	18.1%
3 year (p.a.)	5.6%	13.8%
5 year (p.a.)	6.5%	16.5%
Since Inception (p.a.)	10.4%	14.4%
Drawdown & Correlation:		
Maximum Monthly Drawdown	-6.34%	-20.8%
Correlation with S&P/ASX 300 Acc. Index (sine inception)	0.00	1.00

The Kilter Water Fund is managed by the Chief Investment Officer and Portfolio Manager, Euan Friday. Euan joined Kilter Rural in 2008 and has more than 25 years' experience in senior financial and commercial roles.

Key Investment Team Members

Name	Position	Location
Euan Friday	Chief Investment Officer & Portfolio Manager	Melbourne
Matt Bryant	General Manager - Water	Melbourne
Pei Wan Wong	Investment Operations Manager	Melbourne

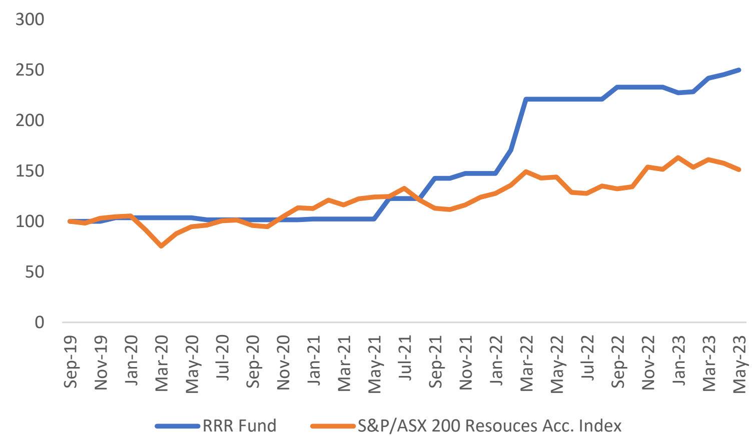
Resources Royalties Strategy

The Resources Royalties Strategy provides exposure to the Regal Resources Royalties Fund (the "RRR Fund"), which aims to provide exposure to a portfolio of natural and renewable resource royalty investments that can provide both income and growth while seeking to minimise some of the downside risks typically associated with investing in mining activities. Royalties are often based on gross revenue and therefore while investors are exposed to commodity prices, investors are typically not exposed to movements in operational costs and capital expenditure. The RRR Fund invests in natural and renewable resource royalties, commodity streams and royalty-related products, including listed and unlisted securities, such as equities, warrants, debt and similar instruments. The majority of investments are expected to be unlisted.

RF1 gains exposure to the RRR Fund via an investment in units in the Fund. The fund is open-ended with monthly applications subject to available capacity. Redemptions will be permitted annually on 30 September with six months' notice. If redemptions representing more than 10% of the RRR Fund's Net Fair Value are received in respect of any redemption day, the Manager may pro rate each request to ensure only 10% of the Fund's Net Fair Value is redeemed and may defer the residual redemption requests in excess of that amount to the next relevant redemption date. While this is the intent of the Manager, the Manager will always consider redemption requests in the context of the liquidity of the portfolio.

The RRR Fund was previously named and operated as the Gresham Resource Royalties Fund, with Regal taking over as the manager and trustee of the Fund in October 2022 after a vote from unitholders approved the proposed change in Manager and name. The Gresham Resource Royalties Fund was established in September 2019. The below chart shows the total cumulative return of the fund since inception. We have provided the performance of the S&P/ASX 200 Resources Accumulation Index to provide a comparison for the return profile of the fund. It's important to note that revaluations were not carried out on a regular basis prior to the change in ownership. This compares to the S&P/ASX 200 Resources Accumulation Index that is marked-to-market on a daily basis. Under the current structure, the Manager is revaluing the assets on a monthly basis based on commodity and currency futures. As such, the below may not provide an accurate representation of the volatility in the valuation of the underlying assets historically.

Historical Indexed Performance of Regal Resources Royalties Fund



The RRR Fund may use leverage, including for the purposes of acquiring investments in anticipation of investor applications. It is expected that the gross gearing ratio will not exceed 1.3x the Net Fair Value of the fund, however may be higher or lower at times. The RRR Fund may trade currencies, commodities, derivatives and futures, and may engage in the short selling of securities, for the purpose of hedging or risk management.

A resource royalty is a right to receive payment usually reflecting the value of a percentage of revenue derived from the production from a mining, oil and gas or renewable project. Royalties are typically acquired for an upfront payment. They provide investors with the upside potential of increased commodity prices, increased production and extended mineral reserves (and sometimes new discoveries) with no or limited exposure to variable operating costs and future capital calls to fund exploration or other capital costs.

Resource royalties are not an investment that is readily accessible to retail investors, with limited listed companies that provide exposure to this asset class. Regal undertakes a fundamental assessment of each mining or energy project associated with any royalty, commodity stream or royalty-related product it is seeking to acquire. Regal seeks to identify projects that it believes demonstrate strong fundamentals that should enable the project to operate profitably throughout the commodity price cycle. Key investment considerations include:

- Whether the project has an experienced management team and a well-positioned owner;
- Whether the project has a perceived cost or other market advantage that will enable it to operate profitably through commodity price cycles;
- Whether the investment is exposed to exploration upside; and
- Whether the investment has structural mitigants, which may assist to protect the investment.

The above will be considered with a range of other factors applicable to projects and operators, including the underlying commodity, currency, marketing exposure, and legal and jurisdiction risk.

The Manager will source investment opportunities through its network of investment banks and brokers, as well as internal referrals. Under the fundamental investment process, it will seek to generate attractive investment ideas, primarily by employing a fundamental, bottom-up analysis of companies/projects.

The portfolio is concentrated at present with the RRR Fund having three investments. The Manager is actively seeking to expand the number of investments in the portfolio. Investments in this sector typically have significant up-front due diligence with the up-front due diligence the most intensive part of the research process, with limited requirements regarding ongoing monitoring. Competition for investment opportunities can be high with the Manager forgoing a number of investment opportunities historically due to pricing.

The RRR Fund is managed by the two Portfolio Managers, tabled below. The two Portfolio Managers have been responsible for managing the fund since inception in 2019, joining Regal post the unitholder approval for the change in manager and trustee in October 2022.

Key Investment Team Members		
Name	**Position**	**Location**
Simon Klimt	Portfolio Manager	Sydney
James Morrison	Portfolio Manager	Sydney

Private Credit Strategy

The Private Credit Strategy is the newest strategy to be added to the RF1 portfolio. Exposure to the strategy is provided through an investment in the newly established Regal Private Credit Opportunities Fund ("Private Credit Fund"). The Private Credit Fund was established to take advantage of a growing demand for flexible capital in the Australian and New Zealand market that does not fit the mandate or criteria of traditional common equity or bank debt capital providers.

The Fund will make investments in private credit opportunities, specifically targeting bilaterally originated and negotiated loans to middle market companies, to corporates owned by financial sponsors, loans secured by pools of financial or real assets, as well as other idiosyncratic loans and opportunities, predominantly in Australia and New Zealand. The mandate is broad, providing the investment team the flexibility to invest across a spectrum of asset classes within private credit, to identify attractive relative value opportunities and to capitalise on inefficiencies in local credit markets. The Private Credit Fund will primarily be focused on investing in first-ranking, senior secured positions, with optionality to invest and structure different solutions for borrowers where it is appropriate.

The Private Credit Fund is managed by Regal Funds Management who have recruited experienced personnel to manage the portfolio. The investment team will source, originate and structure investments by leveraging Regal's buying power and deep corporate, banking, broking and advisory relationships. The team will also leverage their existing relationships and previous experience investing in and managing a broad range of credit and flexible capital solutions within the Australian and offshore markets.

The Private Credit Fund will seek to reduce volatility through portfolio diversification over time. The portfolio will initially be concentrated as the investment team source opportunities and deploy capital. The Private Credit Fund intends to diversify the investments by issuer, sector, geography and maturity and by participating across various segments of the credit market based on Regal's view of relative risk-adjusted return opportunities. The Private Credit Fund may, at its discretion, take more concentrated exposures in various segments of the market should an attractive risk-adjusted return opportunity present.

The Private Credit Fund's primary investment objective is to provide investors with a predictable income stream and deliver an annual total return in excess of the Hurdle (7.00% p.a. adjusted for distributions). We note it will take time for capital to be deployed to be able to achieve these objectives. Unlike in liquid markets, capital in the private credit market can take longer to deploy. The Private Credit Fund will seek to pay distributions on a quarterly basis. The distribution amount will be dependent on the underlying investments at any given time and as such is likely to be volatile.

The Private Credit Fund may utilise leverage to enhance its returns and achieve its objectives. It is anticipated that leverage will be no more than 30% of the assets of the Fund, however this is only a guide and leverage may be higher or lower than this at any given time.

The Private Credit Fund charges management and performance fees, however any fees paid are rebated to RF1 so there is no double layer of fees for RF1 investors.

The Private Credit Fund has an Investment Committee that will be comprised of up to 5 individuals (currently 4), and will meet no less regularly than monthly as well as on an ad-hoc basis. The primary objective of the Investment Committee is to evaluate the risk/return profile of the relevant investment opportunity and determine whether to proceed with any particular investment, make investment recommendations to the relevant portfolio managers and review the performance of investments. Investments may only be made if the investments and associated credit terms are approved by the Investment Committee. The size and composition of the Investment Committee may be subject to change at any time, at Regal's discretion.

The Private Credit Fund will have limited liquidity with a capital lock-up period until 30 June 2025. The fund intends to permit redemptions on a semi-annual basis post the lock-up period, provided redemption requests are received at least 6 months prior to the relevant redemption date and redemptions cumulatively represent no more than 5% of the fund's NAV and the fund has sufficient cash available to meet redemption requests. Given the illiquid nature of the underlying assets, redemption requests may take time to satisfy and the Manager may accept or reject redemption requests at its discretion. RF1 is an investor in the Private Credit Fund and as such is subject to the redemption requirements of the Fund. As such, this is a long-term commitment for RF1. The Private Credit Fund is a small investment for RF1 at present with an initial allocation of just 3% of the portfolio.

The Private Credit Fund is expected to provide diversification to the RF1 portfolio, however being a new fund and the first private credit strategy issued and managed by Regal, the ultimate construction and exposure of the portfolio and the returns generated are yet to be known and therefore the impact on the broader RF1 performance is also unknown.

Key Investment Team Members

Name	Position	Location
Jacob Poke	Portfolio Manager	Sydney
Gavin George	Portfolio Manager	Sydney

RF1 PORTFOLIO POSITIONING

As at 31 May 2023, the Fund was exposed to 8 alternative investment strategies managed by Regal and associated managers. Upon listing, the Fund was exposed to 5 investment strategies. The Manager has added to the selection of strategies to provide additional diversification to RF1. During April 2023, the Manager reduced the allocation to the Long Short Equity Strategy to 0.0% and reallocated the capital to strategies that it believed had better risk-adjusted return prospects. The Long Short Equity Strategy was only a small allocation of 4% prior to the exit. The Manager may reallocate capital to this strategy in future.

Underlying Strategy Allocation (as at 31 May 2023)

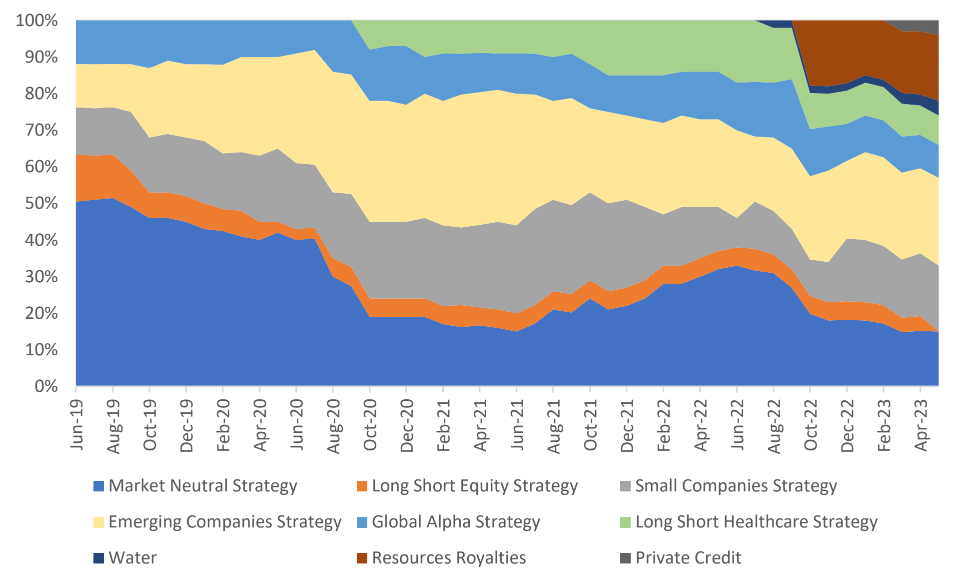
Investment Strategy	RF1 Allocation	Date RF1 First Invested in Strategy
Market Neutral Strategy	15%	June 2019
Long Short Equity Strategy	0%	June 2019
Small Companies Strategy	18%	June 2019
Emerging Companies Strategy	24%	June 2019
Global Alpha Strategy	9%	June 2019
Long Short Healthcare Strategy	8%	September 2020
Water Strategy	4%	August 2022
Resources Royalties Strategy	18%	October 2022
Private Credit Strategy	4%	March 2023

Source: RF1

The allocation to the investment strategies has varied over time. The allocation to the investment strategies has changed as new strategies have been allocated to as well as changes to the allocation of strategies due to market conditions combined with the performance of strategies.

The Resources Royalties Strategy was added to the RF1 portfolio in October 2022 with an 18% allocation. This was a large allocation from the outset but was a result of the structure of the investment. The allocation to the other two strategies that have entered the RF1 portfolio in the last 12-months, the Water Strategy and the Private Credit Strategy, had an initial allocation of 2% and 3%, respectively. The allocation to these strategies will likely be increased over time as investment opportunities arise and the underlying funds grow.

Historical Investment Strategy Allocation



Source: Regal Funds Management Pty Ltd

At 31 May 2023, the largest long exposure in the portfolio (listed positions) was to the Materials sector, with 32% of the portfolio allocated to long positions in the Materials sector and a net position of 20%, by far and away the largest net position in the portfolio at May-end. The CIO of the Manager, Philip King, has spoken publicly on a number of occasions in recent times about his positive views on and the opportunities in the Materials sector. This is reflected in the portfolio positioning. The portfolio also had a large long exposure of 20% to the Healthcare sector. Given the Long Short Healthcare Strategy accounts for 9% of the portfolio, Healthcare is expected to be a prominent sector exposure in the portfolio.

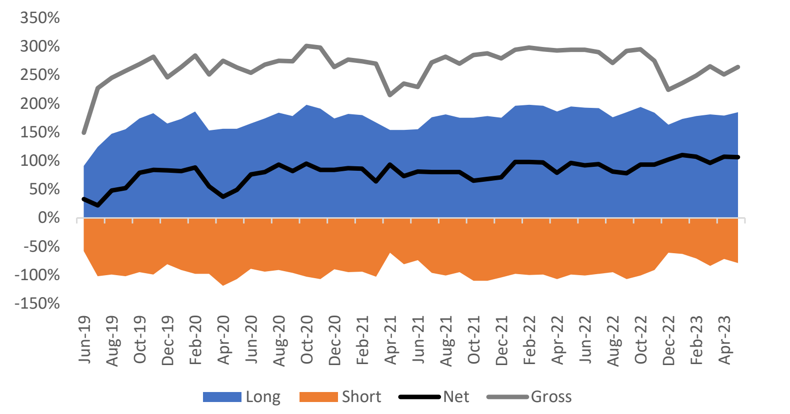
Sector Allocation - Listed Positions (as at 31 May 2023)

Sector	Long	Short	Net	Gross
Communication Services	8%	-2%	6%	11%
Consumer Discretionary	12%	-10%	2%	22%
Consumer Staples	9%	-3%	6%	12%
Diversified	4%	0%	4%	4%
Energy	6%	-4%	2%	10%
Financials	19%	-14%	5%	33%
Health Care	20%	-12%	7%	32%
Industrials	18%	-7%	10%	25%
Information Technology	13%	-7%	6%	21%
Materials	32%	-12%	20%	44%
Real Estate	6%	-5%	1%	11%
Utilities	1%	-1%	0%	3%
Total Listed Positions	**148%**	**-77%**	**69%**	**228%**

Source: RF1

Net gearing will be a maximum of 150% with net exposure typically expected to be between 0% to 100%. The portfolio has had an average net exposure of 80% from listing to 31 May 2023. Gross exposure will be a maximum of 300% with gross exposure to typically be between 200% and 300% of the Fund's NAV. Gross exposure of 200% to 300% means the portfolio will entail high levels of gearing.

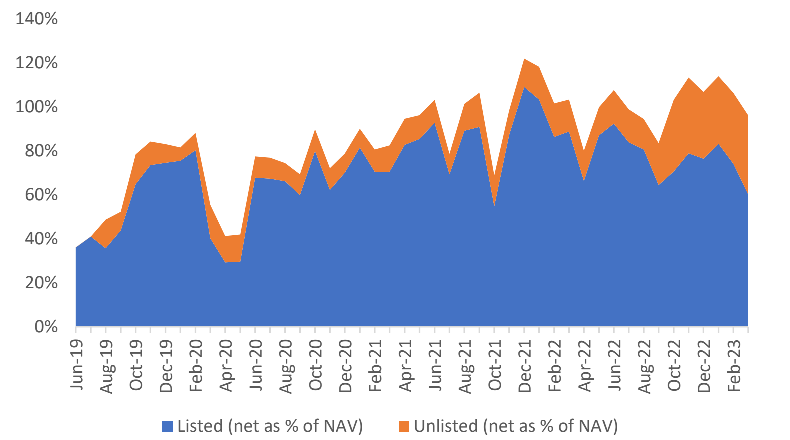
RF1 Historical Exposure



Source: Regal Funds Management Pty Ltd

RF1 provides exposure to both listed and unlisted investments. Historically, the portfolio has had a higher exposure to listed investments compared to unlisted investments, however with the addition of new strategies, the exposure to unlisted investments is increasing, with 37% of the portfolio, on a net basis, allocated to unlisted investments as at 31 May 2023.

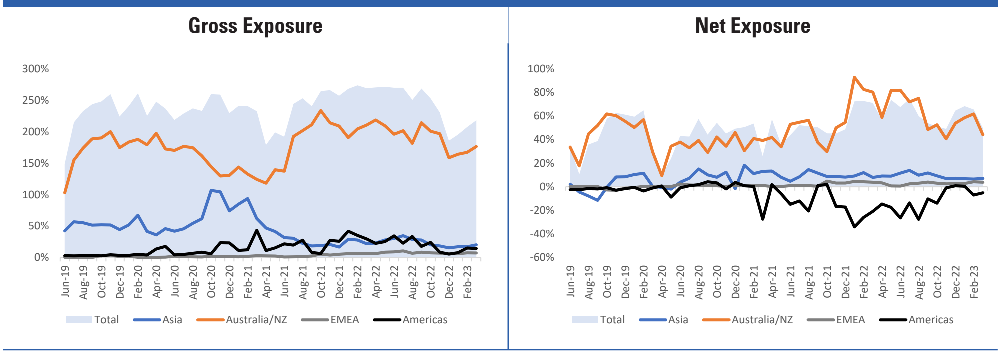
Listed vs. Unlisted Exposure (Net as % of NAV)



Source: Regal Funds Management Pty Ltd

The portfolio is predominantly exposed to Australia and New Zealand companies with some exposure to other regions. In the early years there was some elevated exposure to the Asian region, however exposure to this region on a gross basis has declined since early 2021. While there has been some net long exposure to the Americas region, exposure to his region has predominantly been net short throughout RF1's history. During CY'22, the Fund had an average net short position of 17.1% to this region.

Geographical Exposure

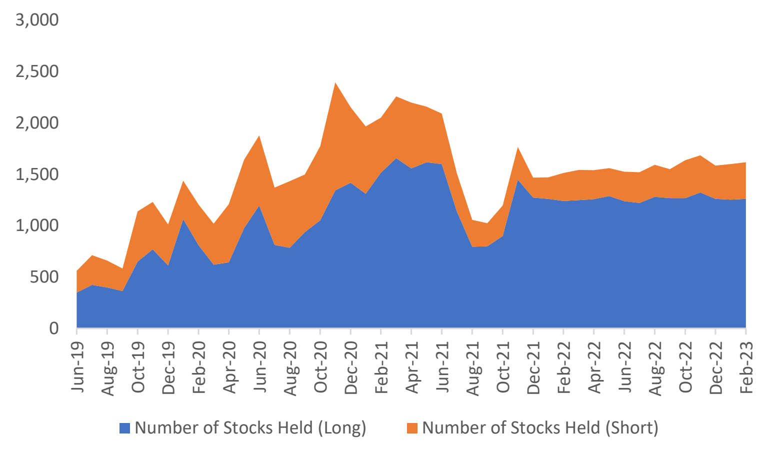


Source: Regal Funds Management Pty Ltd

The RF1 portfolio is highly diversified as is shown by the below chart. The number of long and short positions varies regularly. In 2020, the number of short positions increased with as many as 1,052 short positions in November 2020. However, there has historically been more long positions than short positions. The total number of positions (long and short) has ranged from 562 to 2,395, highlighting the significant level of position diversification in the portfolio.

Whilst the portfolio is highly diversified as a whole, we note that the Resources Royalties Strategy and the Private Credit Strategy are currently concentrated. With the Resources Royalties Strategy having a significant allocation in the portfolio, there are heightened risks associated with this strategy. The Manager is seeking to further diversify the portfolio, however these transactions/investments take time.

Historical Number of Positions



Source: Regal Funds Management Pty Ltd

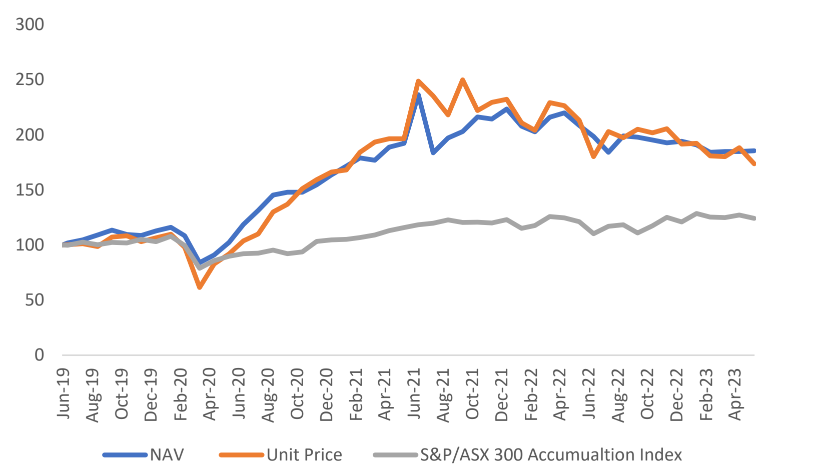
PERFORMANCE ANALYTICS

The below looks at the performance of the NAV and unit price of RF1, as well as the performance of the underlying strategies to 31 May 2023.

RF1 has performed strongly when compared to the benchmark index, S&P/ASX 300 Accumulation Index. We note that RF1 does not have a mandate to outperform the benchmark and the portfolio will invest in a range of securities that are not in the benchmark including unlisted securities. The benchmark is provided for comparison purposes only and also to determine if the Fund is delivering on it's objective to generate attractive risk-adjusted returns with a low correlation to equities.

RF1 heavily outperformed the benchmark in the initial years, however the performance has moderated in recent times with the total cumulative returns coming back to the market somewhat in the last 12-months.

Indexed RF1 Cumulative Total Returns



*Note: RF1 NAV and Unit Prices are adjusted historically for corporate actions.

RF1's portfolio, which is represented by the NAV, has generated a strong absolute return of 16.9%p.a. since listing with the return being attractive on a risk-adjusted basis when compared to the benchmark index, with the portfolio having a superior sharpe ratio to the benchmark index over the period.

In the shorter-term the portfolio performance has been weak, with the NAV total cumulative returns declining 11.0% over the 12-months to 31 May 2023. This compared to a positive return from the benchmark index. The underperformance over the shorter-term period has been driven by declines in two of the larger allocations, the Market Neutral Strategy and the Emerging Companies Strategy.

As we have previously mentioned, the use of leverage in the portfolio is high. The use of leverage typically increases the volatility of portfolios with leverage magnifying gains and losses. RF1's portfolio has had higher volatility than the benchmark index, which is to be expected, however as noted above with regards to the risk-adjusted returns, the heightened absolute returns have offset the additional volatility with the portfolio outperforming the benchmark index since listing on a risk-adjusted basis.

The Unit Price has performed largely in line with the portfolio since listing, returning 14.9%p.a. While unit price returns have been similar since listing, there have been periods of dislocation which has resulted in the returns to unitholders and the returns of the portfolio differing throughout periods. This is a structural element of closed-ended listed funds, where the unit price and the portfolio value may dislocate.

The tracking error is very high which highlights the differentiated nature of the returns of RF1 compared to the domestic equity market. The tracking error should be high at all times given the exposure of the underlying investment strategies.

One of the key investment objectives is provide returns that have a limited (ie. low) correlation to equity markets. The Fund has achieved this to date, with the portfolio having low to moderate correlation to the benchmark index. We note, the unitholder returns have had a higher correlation to the market than the portfolio.

Performance Metrics to 31 May 2023

	NAV	Unit Price	S&P/ASX 300 Accumulation Index
Cumulative Total Returns:			
1 year	-11.0%	-18.6%	2.4%
3 year (p.a.)	21.9%	23.6%	11.3%
Since Listing (p.a.)	16.9%	14.9%	5.6%
Standard Deviation:			
1 year	12.9%	24.8%	18.1%
3 year (p.a.)	25.7%	30.3%	13.8%
Since Listing (p.a.)	26.7%	38.1%	17.7%
Sharpe Ratio:			
1 year	-1.14	-0.89	-0.07
3 year (p.a.)	0.71	0.66	0.56
Since Listing (p.a.)	0.50	0.30	0.11
Tracking Error:			
1 year	22.4%	19.2%	na
3 year (p.a.)	26.3%	27.4%	na
Since Listing (p.a.)	23.6%	29.1%	na
Correlation:			
1 year	-0.02	0.64	na
3 year (p.a.)	0.23	0.43	na
Since Listing (p.a.)	0.50	0.68	na

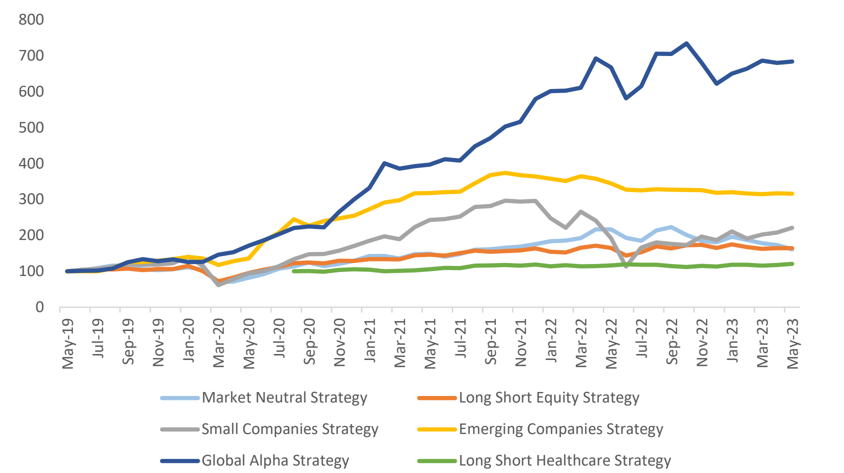
The below chart shows the gross performance of the underlying investment strategies in the RF1 portfolio since RF1 listed and since the strategies have been added to the RF1 portfolio. Given the exposure to the Water Strategy, Resources Royalties Strategy and Private Credit Strategy has been less than 12-months we have not included the performance of these strategies in the below chart.

The Global Alpha Strategy has been the best performing strategy since the inception of RF1 by some margin, with the Global Alpha Strategy generating a return (gross of fees) of 62.4%p.a. since listing to 31 May 2023. This is followed by the Emerging Companies Strategy, which delivered returns of 33.7%p.a. over the period.

Since being included, the Long Short Healthcare Strategy has provided a relatively modest return of 7.0%p.a. However, this has been substantially better than the performance of the S&P/ASX 300 Healthcare Accumulation Index which has returned 3.1%p.a. over the period.

The performance of the underlying investment strategies highlights the benefits provided from being exposed to multiple strategies with the stronger performing strategies offsetting weaker performing strategies over different time periods.

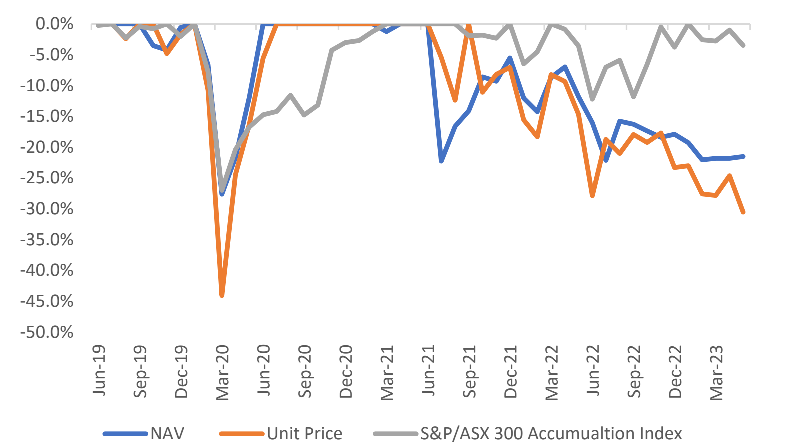
Gross Performance of Underlying Investment Strategies



Drawdowns

The below shows the maximum drawdown of the NAV and the Unit Price compared to the benchmark index. The results highlight the additional risk that is associated with RF1, with the potential for drawdowns to be much more pronounced than the market given the gearing in the portfolio. We note however, that there may be periods where the Fund provides downside protection.

Maximum Drawdown

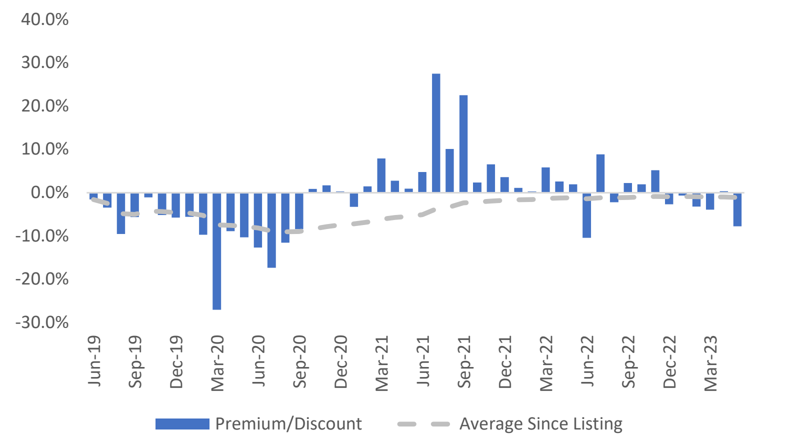


Premium/Discount

The Fund has traded at both discounts and premiums to NAV over its history with a maximum discount of 27.1% and a maximum premium of 27.5%. However, on average the Fund has traded at a 1.1% discount to NAV, so all in all it has effectively evened-out. In the initial years the Fund traded at a discount, however the strong performance of the Fund saw strong demand and resulted in the Fund trading at a significant premium in mid-to late 2021. The premium was eroded with the Placement and Entitlement offer in late 2021 with the Fund trading in a much tighter band around the NAV since. We note the distribution

Reinvestment Plan (DRP), which is detailed in the Distributions section below, has contributed towards regulating the premium/discount at which the Fund trades.

Historical Premium/Discount to NAV (based on month-end data)



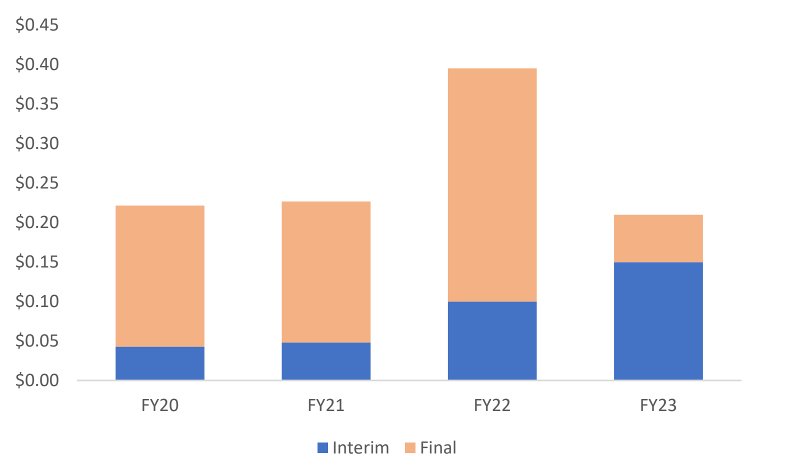
Distributions

Given the trust structure, RF1 acts as a pass through vehicle whereby income and realised capital gains are distributed to unitholders in any given year. As such, distributions will be volatile with distributions dependent on the performance of the portfolio in any given year. This is evidenced by the below chart which shows the historical distributions of RF1. The Fund has a policy to make distributions at least annually but has the discretion to make distributions more frequently. Since listing, the Fund has made distributions on a semi-annual basis.

There has been no franking credits distributed to investors to date. Investors should not expect distributions to be franked.

The Fund does offer a Distribution Reinvestment Plan (DRP), for those unitholders that seek to reinvest their distributions. The DRP price takes into account the relationship between the prevailing market price of units and the NAV per unit at the time each distribution is paid. Where the prevailing market price of units is higher than or equal to the NAV per unit, distributions will be reinvested in newly issued units. Where the prevailing market price is less than the NAV per unit, distributions will be reinvested in existing units purchased on-market. In essence, unitholders will be issued additional units in the Fund through the DRP at the lower of the NAV or the market price. The Responsible Entity reserves the right to suspend the DRP at any time.

Distributions Per Unit Declared by Financial Year



PEER COMPARISON

The below compares the key features of RF1 with a select group of LICs and LITs, all of which have an absolute return objective. RF1 is one of the newer LITs in the peer group with only RG8 being listed after it in 2019. When compared to its peers, the maximum level of permissible leverage for the portfolio is high. All but LSF have much lower levels of permissible leverage.

LIC/LIT Peer Group

Name	Ticker	Structure	Listing Date	Market Cap ($m)*	Investment Universe	Investment Style	Maximum Net/Gross Exposure	Dividend Frequency
Alternative Investment Trust	AIQ	LIT	Aug-06	$41.6	Global	Fund of Fund	na	Semi-annual
L1 Long Short Fund Limited	LSF	LIC	Apr-18	$1,720.4	Global but has domestic focus	Direct	150%/300%	Semi-annual
PM Capital Global Opportunities Fund Limited	PGF	LIC	Dec-13	$735.3	Global	Direct	110%/130%	Semi-annual
Regal Investment Fund	**RF1**	**LIT**	**Jun-19**	**$537.7**	**Global but predominantly focuses on Australia and New Zealand.**	**Fund of strategies**	**150%/300%**	**Semi-annual**
Regal Asian Investments Limited	RG8	LIC	Nov-19	$397.4	Asian markets	Direct	100%/200%	Semi-annual
VGI Partners Global Investments Limited	VG1	LIC	Sep-17	$548.5	Global	Direct	100%/150%	Semi-annual

*As at 31 May 2023.

From a fee perspective, RF1's fees are largely in line with the peer group, however we note that the fees across the peer group are at the higher-end of the scale when compared to the LMI market as a whole. While they are high they are more in line with hedge fund style fees which typically sit around a management fee of 2%p.a. and a performance fee of 20%.

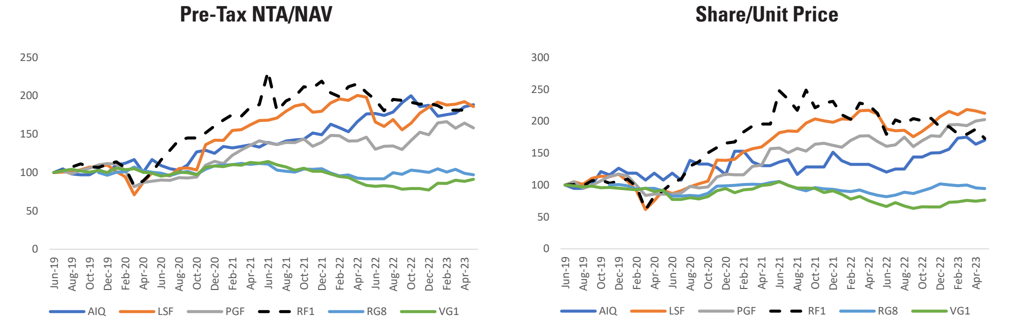
Higher fees are appropriate as long as the LIC/LIT is providing returns that compensate for the higher fees. It is when returns are not compensating for the higher fees that they become an issue for investors. Thus far, RF1 has delivered an attractive annualised return net of fees since listing, with a key feature being there is only a single layer of fees for RF1 investors with any fees charged for indirect investments being rebated to the Fund. This is considered appropriate given RF1 invests in funds and strategies delivered by Regal or associated managers.

Peer Group Fees

LIC/LIT	Ticker	Management Fee, ex GST	Performance Fee	Performance Hurdle
Alternative Investment Trust	AIQ	1.50%	20.0%	8% p.a.
L1 Long Short Fund Limited	LSF	1.40%	20.0%	High Water Mark
PM Capital Global Opportunities Fund Limited	PGF	1.00%	15.0%	MSCI World Net Total Return Index, AUD
Regal Investment Fund	**RF1**	**1.50%**	**20.0%**	**RBA Cash Rate, subject to a High Water Mark**
Regal Asian Investments Limited	RG8	1.50%	15.0%	High Water Mark
VGI Partners Global Investments Limited	VG1	1.50%	15.0%	High Water Mark

When compared to its peers, RF1's portfolio has performed well and unitholder returns have been strong. From a portfolio perspective, LSF has generated slightly higher returns since RF1 listed to 31 May 2023, with RF1 also being in the top echelon of the peer group from a unitholder return perspective.

Cumulative Total Pre-tax NTA*/NAV & Share/Unit Price Return Since RF1 Listing

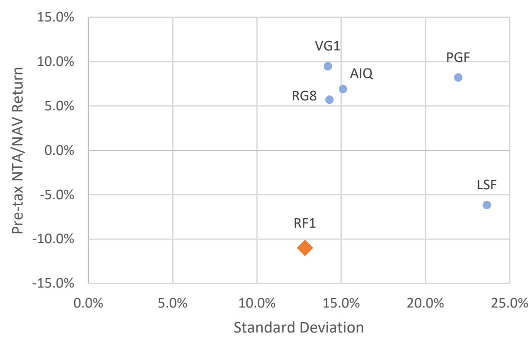


*After tax on realised gains but before tax on unrealised gains.

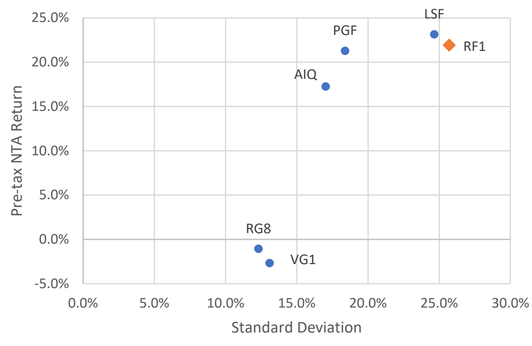
On a risk-return basis, RF1's portfolio has delivered a higher absolute return over the medium-to-long term, however this has come with higher levels of volatility that it's peers. This reflects the higher levels of leverage that can be employed by RF1 compared to many of its peers. .

Risk/Return Charts (as at 31 May 2023)

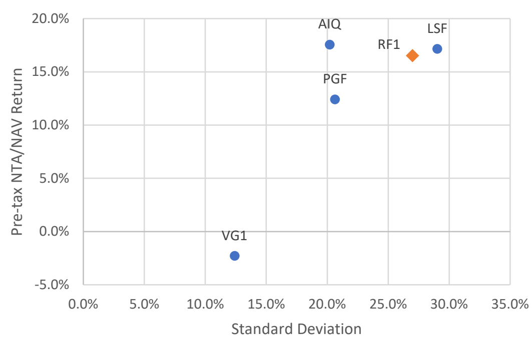
1 Year



3 Year (p.a)



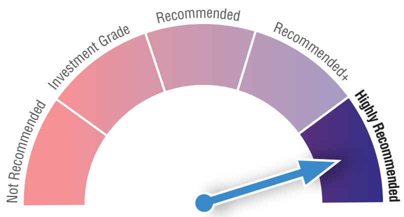
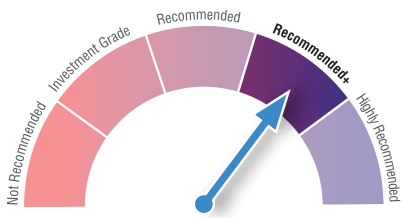
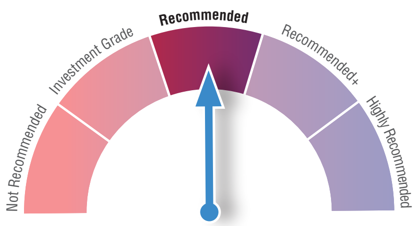
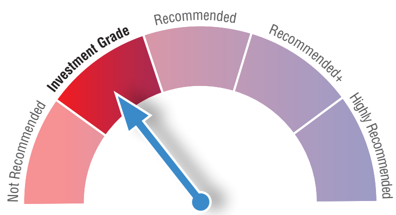
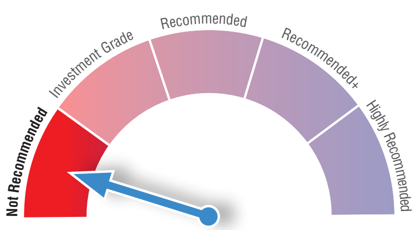
Since RF1 Listed (p.a)



APPENDIX A – RATINGS PROCESS

Independent Investment Research Pty Ltd "IIR" rating system

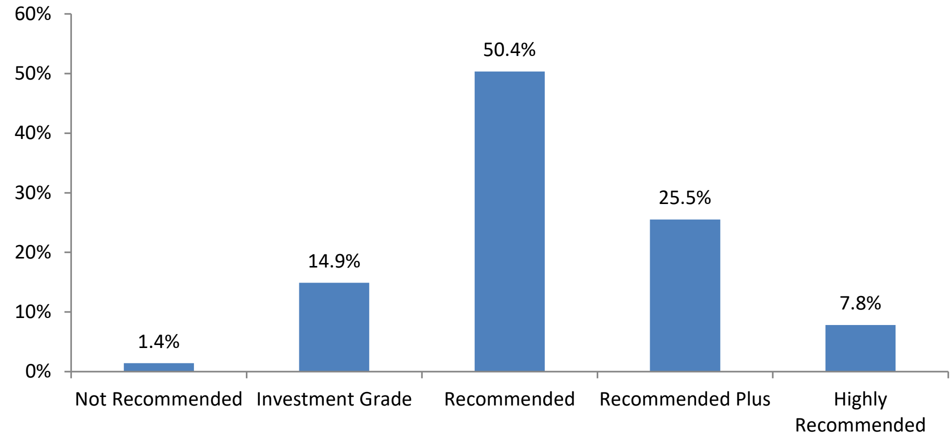
IIR has developed a framework for rating investment product offerings in Australia. Our review process gives consideration to a broad number of qualitative and quantitative factors. Essentially, the evaluation process includes the following key factors: management and underlying portfolio construction; investment management, product structure, risk management, experience and performance; fees, risks and likely outcomes.

LMI Ratings	SCORE
Highly Recommended	**83 and above**
	This is the highest rating provided by IIR, indicating this is a best of breed product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved exceptionally high scores in a number of categories. The product provides a highly attractive risk/return trade-off. The Fund is likely effectively to apply industry best practice to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors.
Recommended +	**79–83**
	This rating indicates that IIR believes this is a superior grade product that has exceeded the requirements of our review process across a number of key evaluation parameters and achieved high scores in a number of categories. In addition, the product rates highly on one or two attributes in our key criteria. It has an above-average risk/return trade-off and should be able consistently to generate above average risk-adjusted returns in line with stated investment objectives. The Fund should be in a position effectively to manage endogenous risk factors, and, to the extent that it can, exogenous risk factors. This should result in returns that reflect the expected level of risk.
Recommended	**70–79**
	This rating indicates that IIR believes this is an above-average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an above-average risk/return trade-off and should be able to consistently generate above-average risk adjusted returns in line with stated investment objectives.
Investment Grade	**60-70**
	This rating indicates that IIR believes this is an average grade product that has exceeded the minimum requirements of our review process across a number of key evaluation parameters. It has an average risk/return trade-off and should be able to consistently generate average risk adjusted returns in line with stated investment objectives.
Not Recommended	**<60**
	This rating indicates that IIR believes that despite the product's merits and attributes, it has failed to meet the minimum aggregate requirements of our review process across a number of key evaluation parameters. While this is a product below the minimum rating to be considered Investment Grade, this does not mean the product is without merit. Funds in this category are considered to be susceptible to high risks that are not reflected by the projected return. Performance volatility, particularly on the down-side, is likely.

APPENDIX B – MANAGED INVESTMENTS COVERAGE

The below graphic details the spread of ratings for managed investments rated by Independent Investment Research (IIR). The managed investments represented below include listed and unlisted managed funds, fund of funds, exchange traded funds and model portfolios.

SPREAD OF MANAGED INVESTMENT RATINGS



DISCLAIMER

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