

REGAL PARTNERS PRIVATE FUND

Investor Letter – Q1 2024

Dear Investor,

Thank you for your support of the Regal Partners (Private) Fund. We greatly appreciate the opportunity to invest your capital alongside our own.

Launched in December 2023, the Regal Partners (Private) Fund is a purpose built, multi-strategy investment solution that aims to provide investors with consistent, positive risk-adjusted returns via exposure to a diversified portfolio of Regal's high-performing alternative investment strategies. The Fund has been built on the firm belief that a diversified portfolio, investing across a range of equity, debt and alternative investment strategies, is key to achieving superior risk-adjusted returns.

With this in mind, we are pleased to advise the Fund delivered a total return of +9.8% since its inception on 1 December 2023, net of all fees, with all sub-strategies contributing positively to performance over the period. While the Fund has only been launched for four months, we are equally pleased to report that correlation to major markets remains low, with the Partners Fund exhibiting correlations of 0.23% and 0.32% to the S&P/ASX 200 and S&P 500 respectively. For the three months ending 31 March 2024, the Fund returned +7.3%, net of all fees.

The inclusion of genuinely alternative and uncorrelated sources of return remains a key attraction of the Fund and, in a significant development for the Fund, we have been equally pleased to receive the required tax ruling from the Australian Taxation Office to now include exposure in the Fund to the Kilter Water strategy, from April 2024 onwards. The initial allocation will provide investors with exposure to the highly unique returns offered via a diversified portfolio of water entitlements, with the initial Fund allocation expected to be 4.0%, reflecting the Investment Committee's optimistic outlook on the Australian water market over the medium to long term.

We have been delighted with the strong client support received for the Fund already and look forward to providing ongoing updates on fund positioning and performance over the quarters ahead. With an uncertain macroeconomic and geopolitical overlay, combined with increased divergence in equity earnings and share price performance by sector and region, we believe the case for diversification via asset class and sub-strategies continue to remain strong.



Should you have any enquiries or require further information, please do not hesitate to contact us directly.

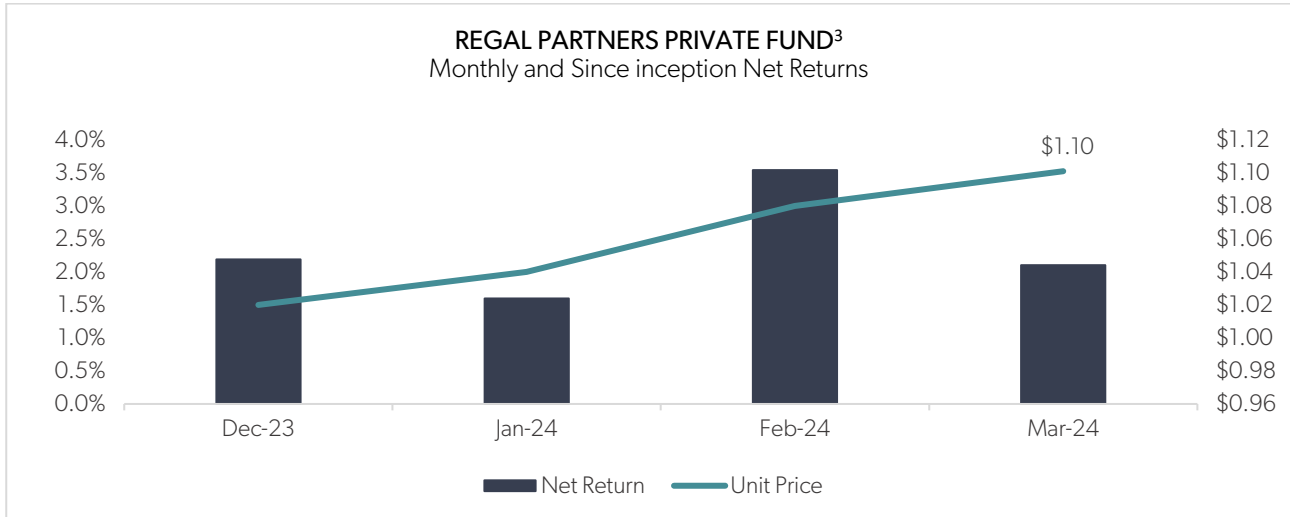
A handwritten signature in black ink that reads "Philip King". The signature is written in a cursive style with a small dot at the end.

Philip King

Co-Founder & CIO Long / Short Equities, Regal Funds



PORTFOLIO PERFORMANCE AS AT 1ST APRIL, 2024



INVESTMENT SUB STRATEGIES

SUB-STRATEGY NAME	ALLOCATION AT INCEPTION	CURRENT ALLOCATION ^{4,5}	SUB-STRATEGY DESCRIPTION AND TYPE	SUB-STRATEGY TYPE
Regal Australian Small Cos	14%	13%	Long Short Equities: Aust. Small Cos	Growth
Regal Emerging Cos Opps Fund	10%	11%	Private Markets: Pre-IPO, Emerging Cos	Growth
Regal Tactical Opportunities	11%	10%	Long Short Equities: Tactical Events & Trading Strategy	Growth
Regal Global Equity Long Short	0%	8%	Long Short Global Equities: Global low – moderate net exposure	Growth
Regal Resources Royalties Fund	11%	12%	Resources Royalties & Revenue Streams	Defensive + income
Regal Private Credit Opps	15%	15%	Private Credit, Australia & New Zealand	Defensive + income
Regal Healthcare Long Short	10%	0%	Long Short Equities: Asian Healthcare (Low Net)	Uncorrelated
Regal Tasman Market Neutral	10%	8%	Long Short Equities: Aust. & Pan-Asia (Low Net)	Uncorrelated
Regal Resources Long Short	10%	9%	Long Short Equities: Aust. & Global Resources (Low Net)	Uncorrelated
Kilter Water Strategy	0%	4%	Real & Natural Assets: Aust. Water Entitlements	Uncorrelated
Attunga Power and Enviro Fund	10%	10%	Real & Natural Assets: Power and Enviro Hedge Fund	Uncorrelated

³ Past performance is not a reliable indicator of future performance. March performance data estimated.

⁴ Allocation as at 20th April, 2024

⁵ Given there was a notable change to one of the strategies, we've elected to use the strategy weight as at the 20th of April 2024. Going forward, we will use end of quarter weights.

Exposure by Alternative Asset Class

ASSET CLASS	% OF FUND AT INCEPTION	CURRENT % OF FUND
Long / Short Equities	55%	48%
Real & Natural Assets	10%	14%
Private Markets	10%	10%
Royalties & Private Credit	25%	27%
TOTAL	100%	100%

Note: Percentage numbers have been rounded

Exposure by Type

STRATEGY TYPE	% OF FUND AT INCEPTION	CURRENT % OF FUND
Growth Strategies	35%	42%
Defensive + Income Strategies	25%	27%
Diversifying + Correlation Benefits	40%	31%
TOTAL	100%	100%

Note: Percentage numbers have been rounded

Q1 2024 Market Commentary & Regal Insights

Global financial markets began the 2024 calendar year with the highly doveish consensus expectation of seven rate cuts from the US Federal Reserve over the course of the next 12 months, with the first expected move largely priced in for March 2024. By the end of the first quarter, rate expectations had been reduced to just two for the year, while the first of these cuts is now forecast for four months later than originally anticipated, in July 2024.

This dramatic reprising in expectations has been driven by the continued strong performance of the US economy, as evidenced by strong consumer spending data and better-than-expected earnings from a wide variety of US companies. US employment remains full, and US household balance sheets are in a healthy state. It’s worth noting that the majority of US household mortgages are fixed rate and there is significantly less leverage to higher cash rates than in Australia where the vast bulk of household mortgages are now variable rate.

The risk-free rate, as measured by the US 10yr Treasury yield, rose to 4.30% over the quarter, reflecting the better-than-expected GDP growth in the US and some stickiness in goods price inflation. Using an assumption of US Nominal GDP at +5%, it would not be unusual for US 10yr Treasury yields to rise to 5.00% to match US nominal GDP in the months ahead.

Equity markets broadly ignored the wound back expectations of interest rate cuts and rising long bond yields because both GDP growth and equity earnings were better than expected, led by the heavyweight US technology sector. It is also worth noting the major tech companies hold net cash on their balance sheets and benefit from higher interest income.



Interestingly, there was divergent performance in the US “Magnificent 7” technology stocks for the quarter, driven by earnings outlooks and valuations. Apple (AAPL) and Tesla (TSLA) fell ~11% and ~29% respectively for the quarter, while Nvidia, Microsoft, Alphabet, Meta & Amazon all advanced – the Magnificent 7 Index itself gained +17%. Regal global equity strategies within the Partners Private Fund remain short Apple & Tesla, and long Meta, Amazon, and Alphabet.

A bullish feature of equity market performance over the first quarter has been the broadening of the equity rally, with small caps, industrial cyclicals, banks, materials, energy, real estate and consumer discretionary stocks seeing demand after significantly lagging in previous quarters. Regal sees this broadening of the equity rally as justified, given valuation support and relative earnings upgrades from sectors outside of technology. Notably, we have sought to increase investment in our equity funds towards mid and small cap stocks globally and locally that offer the combination of this undervaluation and earnings growth. Geographically, we have also increased allocations globally towards Japanese, South Korean, UK and European equities.

China remains an area of concern with subdued GDP growth, rising youth unemployment, distressed property sector and a lack of willingness to stimulate the economy. During the quarter we witnessed a series of profit misses and earnings outlook downgrades from Luxury Goods retailers. As it relates to key commodities for Australia, the spot iron ore price ended the quarter down -5% and we continue to remain cautious on iron ore and companies that generate a disproportionately high percentage of sales from mainland China.

In the commodity complex, we continue to believe the medium-term supply/demand equation in copper, gold, coking coal, uranium and oil is supportive of higher prices in the year ahead. Pleasingly, a number Regal funds benefitted during the quarter from this overweight exposure to the sector, primarily via global and local leaders within their respective commodities.

As it relates to the fixed income markets, credit spreads rallied globally in first quarter of 2024. US private direct lending spreads (loans to private equity owned businesses) are estimated to have tightened ~80bps from their 2023 peak and US publicly traded leveraged finance and high yield debt spreads are 100-200bps, tighter than the wides of 2023. The most observable example of this rally locally is in the Australian public securitisation market (which funds non-bank financials). We have observed spread tightening of 150-250bps basis points for a given mezzanine rating level, over the course of the last 12 months.

Finally, power markets in the first quarter were mixed. After expectations of a hot and dry El Nino summer, the reality turned out to be wetter with only a limited number of hot days, depending on the region. Notably, storm activity in Victoria during February caused some transmission infrastructure to be destroyed, which had the follow-on impact of causing Loy Yang A power to go offline for the better part of a full day. This resulted in a few hours of high price events. Electricity prices generally dropped for the first part of the quarter and then recovered to end around where they started.

COMMENTARY OF PORTFOLIO REBALANCES: Q1, 2024

Key rebalances within the Regal Partners (Private) Fund this quarter include the proposed introduction of the Kilter Water Strategy from a 0% allocation to a 4% allocation (expected from April 2024) and the inclusion of the Regal Global Long Short Strategy from 0 to 8%.

As it relates to the Water Strategy, Regal has been awaiting the receipt of a private ruling from the ATO with regard to an investment in the Kilter Water Fund and we're pleased to announce this was received in March 2024 enabling the Partners Fund to make an allocation. We continue to retain a high conviction on the forward outlook for the Australian Water market in Australia for 3 core reasons:

1. Water demand is anticipated to continue remained elevated, most notably as large operators of permanent horticulture (who typically have an inelastic demand for water) continue to expand operations across the southern Murray-Darling Basin
2. Supply constraints remain, including recently announced government buyback programs, the ongoing effects of climate change and a possible El Nino 'drying' phase over the medium term;
3. Current entry point appears favourable, given the recent period of intense rain over the past 2-3 years, and a flattening of the entitlement prices over the past 12 months.

Underpinning the Partners Fund objective to generate strong uncorrelated returns, we also feel the inclusion of the Water Strategy into the portfolio allocations is favourable from a portfolio perspective, given its near-zero correlation to major financial markets.

The Investment Committee has also recommended the addition of Regal's Global Long Short Equity Strategy, providing investors with exposure to a concentrated portfolio of long and short positions across global equity markets (predominantly ex-Australia), reflecting our growing conviction in an increased exposure to global equity leaders in the current cycle. The addition of the Global Long Short Equity Strategy will replaces the Fund's exposure to the Long Short Healthcare Strategy, which has been removed as a result of a change in internal portfolio management responsibilities.

In addition, we have strategically reduced the funds weight to the Market Neutral Strategy (from 10% to 8%), reflecting the above desire to increase exposure to global equities and also to fund a portion of the initial allocation to Water. The Funds' allocation to 'Growth' strategies has increased from 35% to 42%, primarily as a result of the addition of the Global Equity Long Short Strategy, as we remain bullish in the short term on the outlook for the US economy. As it relates to local growth strategies, and specifically Small Companies and Emerging Companies, we saw a very strong reporting period for the first half and we remain enthusiastic about smaller and microcap names being a beneficiary of the heightened M&A activity experienced over the CYTD.

Finally, we have made a small change to our income-based strategies, with a +1% allocation to the Resources Royalties strategy. The Royalties space remains very attractive to the firm for its inflation hedge qualities, as well as a highly attractive estimate forward distribution yield of 8-9% over the next 12-18 months. Deal flow also remains strong in both the Credit and Royalties space as banks have continued to step away funding in the sector. Both teams believe this will create a desirable buying opportunity for the sector over the coming year.

INDIVIDUAL SUB-STRATEGY PERFORMANCE (GROSS OF FEES)

SUB-STRATEGY NAME	QUARTERLY PERFORMANMCE	PERFORMANCE SINCE INCEPTION	SUB-STRATEGY TYPE
Regal Australian Small Cos	28.2%	46.0%	Growth
Regal Emerging Cos Opps Fund	5.4%	7.9%	Growth
Regal Tactical Opportunities	20.7%	24.0%	Growth
Regal Resources Royalties Fund	9.9%	4.8%	Defensive + income
Regal Private Credit Opps	3.1%	4.0%	Defensive + income
Regal Healthcare Long Short	5.6%	5.9%	Uncorrelated
Regal Tasman Market Neutral	9.7%	15.8%	Uncorrelated
Regal Resources Long Short	7.3%	16.2%	Uncorrelated
Kilter Water Strategy	N/A	N/A	Uncorrelated
Attunga Power and Enviro Fund	2.0%	1.3%	Uncorrelated

Past performance is not a reliable indicator of future performance. Performance as at 31 March 2024. Gross of fees

Appendix: Investment Sub-Strategy Description, Performance Track Record & Partners Fund investment structure

1. Regal Australian Small Companies Strategy:

- Regal launched the Australian Small Companies Fund in February 2015 as a dedicated long / short small companies strategy, focused on Australian small companies.
- The Fund has returned 23.8% per annum, net of fees and expenses since inception, representing annual outperformance of roughly 21% versus the ASX Small Ordinaries Accumulation Index.
- Managed by co-PM's Todd Guyot, James Sioud and Philip King, the Strategy is a fundamental, active extension (150/50) strategy focused on Australian companies listed outside the S&P/ASX100. It is one of a limited number of Small Company Strategies with an ability to take short positions.
- The Fund is the top performing small companies Fund versus the Mercer peer group across multiple time frames since inception.
- The Fund currently has a limited amount of remaining capacity.

Partners Fund Investment: The Partners Fund will gain exposure to the Small Companies Strategy via a fee free mandate

2. Regal Emerging Companies Opportunities Strategy:

- Regal launched the first of four dedicated Emerging Companies Funds in 2016 as a dedicated Strategy focused on identifying the next generation of leading companies, primarily in Australia;
- The Strategy invests in pre-IPO investments, IPOs, listed and unlisted microcap companies, expansion capital and secondary capital raisings and is considered one of the largest providers of growth equity to Australian emerging corporates.
- The Emerging Companies Opportunities Fund has returned +12.7% per annum, net of fees and expenses, since inception
- Managed by Co-Portfolio Managers Ben McCallum, Jessica Farr-Jones and Philip King.
- The Fund combines the attractive attributes of both private equity and hedge fund investment styles through a blend of both listed and unlisted exposures.

Partners Fund Investment: The Partners Fund will gain exposure to the Emerging Companies Strategy via an investment in a zero-fee Class of the Regal Emerging Companies Opportunities Fund

3. Regal Tactical Opportunities Strategy:

- Regal launched the Regal Tactical Opportunities Strategy in July 2020 with an aim to identify and benefit from price dislocations across equity and credit markets to deliver consistent, positive returns regardless of market movements.
- The Fund has returned +44.4% per annum, net of fees and expenses since inception.
- The investment strategy is focused on three areas:
 - o Discretionary opportunities (typically, one-off opportunities that tends to be the result of a singular event in ECM, flow trading, liquidity provisioning or corporate actions),
 - o Systematic opportunities (profiting from repeatable pricing inefficiencies, typically relating to equity index events, ETF rebalance and flow events)
 - o Tactical private credit opportunities (aims to identify and exploit mis-pricing opportunities in private credit markets that occur on the back of dislocations in debt funding markets).
- Managed by Regal CIO Philip King, supported by the Regal trading and events team.
- The Fund is currently soft-closed to new capital

Partners Fund Investment: The Partners Fund will gain exposure to the Tactical Opportunities Strategy via a fee free mandate.

4. Regal Resources Royalties Strategy:

- Launched in 2019, the Regal Resources Royalties Strategy invests in natural and renewable resource royalties, commodity streams and royalty related structured solutions ("Royalties") including debt and similar instruments.
- The Resources Royalties Fund has returned 26.3% per annum, net of fees and expenses since inception.
- The investment Strategy provides exposure to rising commodity prices, without exposure to rising cost inflation.
- Royalties specialists Simon Klimt and James Morrison are co-Portfolio Managers of the Fund.

Partners Fund Investment: The Partners Fund will gain exposure to the Resources Royalties Strategy via an investment in a zero-fee class

5. Regal Private Credit Opportunities Strategy:

- Regal launched the Regal Private Credit Opportunities Funds in 2022 as a dedicated strategy primarily focused on first lien senior and secured floating rate loans, with a flexible mandate to tactically allocate capital across the credit spectrum depending on the most attractive risk adjusted return opportunities.
- Targeting gross returns of 10-12% pa, with current gross yield of ~11.7%pa.
- Highly experienced portfolio management team, led by Jacob Poke (ex Goldman Sachs) and Gavin George (ex Sixth Street).
- The strategy leverages Regal's deep corporate and advisory relationships and ability to access and originate deal flow.

Partners Fund Investment: The Partners Fund will gain exposure to the Private Credit Strategy via an investment in a zero-fee Class of the Regal Private Credit Opportunities Fund.

6. Regal Tasman Market Neutral Strategy:

- Regal's multi award-winning market neutral strategy launched in 2007, focused on fundamental long-short investments across Australian and pan-Asian markets.
- The Tasman Market Neutral Fund has returned +12.5% per annum, net of fees and expenses, since inception
- High conviction, long/short investment approach, maintaining a low overall net market exposure (typically +/- 30% net exposure)
- Seeks to generate positive absolute returns over the medium to long term, with limited correlation to underlying equity markets.
- Managed by Regal CIO Philip King, supported by Regal's large fundamental investment team of portfolio managers, analysts and sector specialists.

Partners Fund Investment: The Partners Fund will gain exposure to the Tasman Market Neutral Strategy via a fee free mandate

7. Regal Resources Long Short Strategy:

- Regal launched the Resources Long Short strategy in July 2019, and offered a dedicated standalone Fund in November 2021;
- The Fund is a dedicated long/short strategy focused on identifying opportunities in resources companies, typically listed in Australia.
- The Resources Long Short Fund has returned +30.4% per annum, net of fees and expenses, since inception at an average net market exposure of 7%.
- High conviction, absolute-return approach, with a bias to a low overall net exposure, providing opportunity to profit from mis-pricings in the sector whilst mitigating overall equity market and sector exposure.
- Fund managed by deeply experienced industry specialists, led by Regal's Head of Mining Research (Tim Elliott, previously Executive General Manager at Glencore) supported by Henry Renshaw (previously Mining Engineer, Sandfire Resources and Barrick Gold).

Partners Fund Investment: The Partners Fund will gain exposure to the Resources Long Short Strategy via a fee free mandate

8. Kilter Water Strategy:

- Launched in 2014, the Kilter Water Fund invests in water entitlements and water allocations in Australia's highly developed and well-regulated water market, primarily in the SMDb.
- The Kilter Water Fund has returned +12% per annum, net of fees and expenses, since inception with no correlation to equity and fixed income markets.
- Highly experienced portfolio management team, led by Euan Friday (CIO).
- Investing in water enables investors to access the underlying soft commodities growth thematic, without direct exposure to the operational and production risks associated with direct farm ownership.



Partners Fund Investment: The Partners Fund will gain exposure to the Kilter Water Strategy via an investment in a zero-fee Class of the Kilter Water Fund.

9. Attunga Power and Enviro Strategy:

- Launched in 2006, the Attunga Power and Enviro Fund aims to identify and capitalise on profitable trading opportunities that regularly occur in domestic power markets.
- The Attunga Power and Enviro Fund has returned +12.9% per annum, net of fees and expenses, since inception
- The investment team have worked together for 16 years, running a consistent strategy in a consistent manner.
- The Fund mainly focuses on the Australian National Electricity Market (ETC and OTC), but with a mandate which includes CO2 emissions, weather, gas, water and other energy and environmental related markets.
- Investment strategies include relative value, directional and option/volatility trading.

Partners Fund Investment: The Partners Fund will gain exposure to the Attunga Power and Enviro Strategy via an investment in a zero-fee Class of the Attunga Power and Enviro Fund.

10. Regal Global Equity Long Short Strategy

- The Global Equity Long Short Strategy provides investors with exposure to a concentrated portfolio of long and short positions across global equity markets (primarily excluding Australia) that represent the highest conviction positions across the Regal Group
- The strategy is built utilising its fundamental investment process and, at times, its market driven process.
- The strategy will be run with a moderate net exposure and aim to deliver diversification and growth benefits to the Partners Fund
- The strategy will be overseen by Regal's CIO Philip King, leveraging the full resources of the Regal partners Global Investment Team.

Partners Fund Investment: The Partners Fund will gain exposure to the Global Equity Long Short Strategy via a fee free mandate

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