

Regal Investment Fund (ASX: RF1)

MAY 2020

The Regal Investment Fund Net Asset Value (NAV) increased by 12.6% to \$2.52 in May. Global equity markets continued their rapid ascent in May from the lows of mid-March, as market participants responded favourably to continued loosening in COVID-related mobility restrictions, early signs of improving global economic conditions and the announcement of further unprecedented fiscal and monetary stimulus measures.

The Market Neutral Strategy increased 14.1% for the month. The strategy benefited from the continued recovery of a number of existing positions in the portfolio, including long exposures to eye disease-focused biotechnology company Opthea (+26%) and defence and space contractor Electro Optic Systems (+21%).

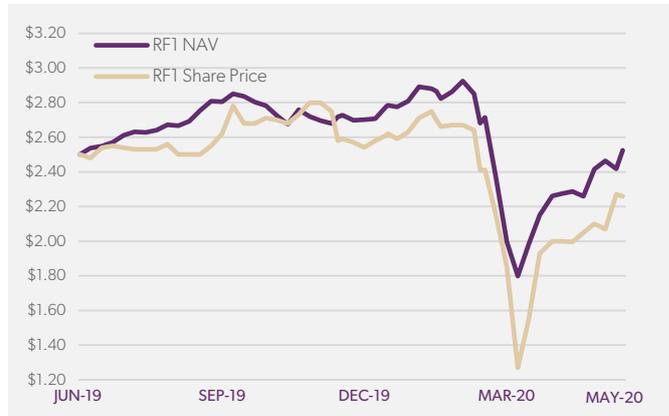
Our Global Alpha Strategy returned 11.9% in May, as the month saw the largest ever semi-annual rebalance of the MSCI equity indices (by dollar value), with a significant subsequent movement of passive ETF flows creating a number of opportunities for the strategy to generate alpha.

The Small Companies strategy increased 20.1% in May. Confirming our long-held view that the better growth opportunities available on the ASX sit outside the larger company universe, the Small Ordinaries Accumulation Index has now rebounded +45% from the March lows, materially outperforming the large cap ASX 100 (which has recovered +25% over the period). The Small Companies strategy is up 100% over the same period.

The Regal Emerging Companies Fund III increased 6.1% in May. Many listed positions performed well, with portfolio companies such as Retail Food Group, Spirit Telecom, NTM Gold, Whispir, Nitro and MedAdvisor all enjoying monthly returns ranging between ~15% and 56%.

Investors recorded on the registry on the Record Date (as defined in the DRP) may be eligible for distribution payment. Please review the [Distribution Re-Investment Plan](#) on the Regal website and update your election preference at the [Link Investor Centre](#).

RF1 NAV vs RF1 SHARE PRICE



Past performance is not a reliable indicator of future performance.

UNDERLYING STRATEGY PERFORMANCE (GROSS)

STRATEGY	1 MONTH %	INCEPTION %
Market Neutral Strategy	14.1%	-18.2%
Australian Long Short Equity Strategy	15.8%	-4.6%
Small Companies Strategy	20.1%	-5.9%
Emerging Companies Strategy	6.1%	36.6%
Global Alpha Strategy	11.9%	71.2%
TOTAL (NET)	12.6%	2.6%

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SUMMARY DATA

PERFORMANCE	1 MTH %	3 MTH %	YTD%	INCEPTION %
Regal Investment Fund - Net	12.64	-5.88	-7.86	2.61

Past performance is not a reliable indicator of future performance. Performance figures assume reinvestment of income.

KEY FUND INFORMATION

Name	Regal Investment Fund	Monthly NAV (per unit)	A\$2.52
ASX Code	RF1	RF1 Market Capitalisation	A\$272m
Structure	Listed Investment Trust	Units on Issue	107,819,305 units
Listing Date	17 June 2019	Distribution Frequency	Semi-annual
Management Fee	1.5% (plus GST)	Responsible Entity	Equity Trustees Limited
Performance Fee	20% above RBA Cash Rate	Investment Manager	Regal Funds Management Pty Ltd
High Water Mark	Yes	Fund Administrator	HSBC

CONTACT INFORMATION

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STRATEGY

The investment objective of RF1 is to provide investors with exposure to a selection of alternative investment strategies with the aim of producing 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 RF1 portfolio will be constructed by the Manager using multiple investment strategies managed by Regal. The Manager may adjust the Portfolio's strategy allocations depending on prevailing market conditions or other factors it considers relevant at the time in order to achieve the RF1's Investment Objectives. The Regal investment strategies include but are not limited to five investment strategies that the Manager will use to construct the initial portfolio.

The exposure ranges for the Initial Strategies are below¹:

MARKET NEUTRAL	LONG SHORT EQUITY	SMALL COMPANIES	EMERGING COMPANIES ²	GLOBAL ALPHA
40% - 60%	0% - 25%	0% - 25%	0% - 25%	0% - 25%

FUND ADVISOR PROFILE

Regal Funds Management Pty Limited is the Fund's Investment Manager. The Manager was founded in 2004 and has specialised in alternative investment strategies with a primary focus on long/short investment strategies.

The Investment Manager has a team of over 40 people, including 25 investment management professionals across a number of investment strategies.

The Manager's Investment Team have, on average, over 10 years' experience in financial markets both in Australia and overseas. The Investment Manager has experience on the buy and sell side, fundamental investing, sales and research, long-side and hedge fund investing, as well as investment banking and capital markets.

FUND PERFORMANCE (NAV)

	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	YTD
2020	4.57	-6.38	-22.97	8.48	12.64								-7.86
2019	n/a	n/a	n/a	n/a	n/a	2.06	2.82	3.91	4.00	-3.22	-0.93	2.41	11.36

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A copy of the PDS is available at www.regalpm.com/RF1

Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the Regal Investment Fund and has authorised the issue of this newsletter. Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT). Regal Funds Management Pty Ltd ABN 30 107 576 821 AFSL 277737 ("Regal") is the investment manager for the Fund.

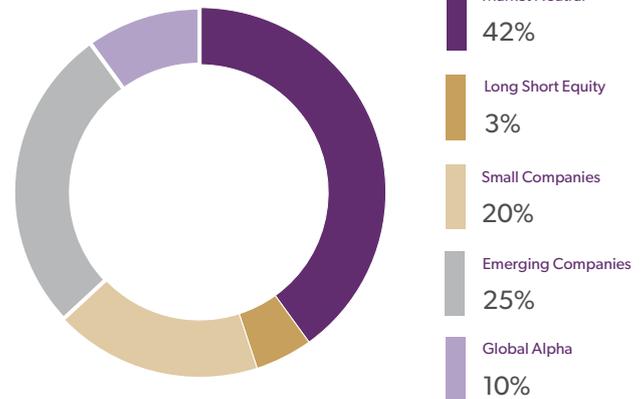
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¹ Ranges permitted by the Investment Guideline. The Fund portfolio will be constructed using multiple Regal Investment Strategies and these Strategies are not necessarily limited to the Initial Investment Strategies.

² Applicable at the time of investment

Note: Performance figures are net of all fees unless otherwise stated. All numbers are as at 31 May 2020.

CURRENT EXPOSURE BY STRATEGY (NAV)



BALANCE SHEET EXPOSURES (% OF NAV)

SECTOR	LONG	SHORT	NET	GROSS
Communication Services	10	-6	4	15
Consumer Discretionary	14	-26	-13	40
Consumer Staples	8	-6	2	13
Diversified	26	0	26	26
Energy	3	-4	-1	7
Financials	12	-10	2	22
Health Care	20	-17	3	36
Industrials	14	-8	6	23
Information Technology	19	-8	10	27
Materials	27	-14	13	42
Real Estate	4	-7	-3	12
Utilities	1	0	0	1
Total	156	-107	49	262
REGION	LONG	SHORT	NET	GROSS
Asia	22	-24	-2	46
Australia/NZ	129	-69	60	198
EMEA	0	0	0	0
Americas	4	-13	-9	18
Total	156	-107	49	262



STRATEGY IN FOCUS: EMERGING COMPANIES STRATEGY

Market Neutral	Long Short Equity	Small Companies	Emerging Companies	Global Alpha
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OVERVIEW OF THE STRATEGY

The Regal Emerging Companies Strategy seeks to take advantage of the gap in the Australian market for the funding of emerging companies that do not fit the mandates or investment criteria of traditional investment firms. The strategy focuses on identifying opportunities that are either unlisted companies requiring expansion capital to grow their operations and scale, Pre-IPO companies that require capital prior to an eventual ASX-listing, or listed microcap companies (typically with market capitalisations of less than A\$200 million). The Strategy can invest in companies through a variety of securities and structures, including but not limited to both debt and equity securities (including convertible notes).

The Emerging Companies Strategy has been implemented by Regal Funds Management since the launch of its first wholesale Emerging Companies strategy in November 2016. The Strategy utilises Regal's Fundamental Investment Process and, at times, its Market Driven Investment Process to identify attractive opportunities within the emerging companies sector.

As at end of May, the Emerging Companies Strategy represented 25% of the RF1 portfolio. This allocation is subject to change, in accordance with the Investment Guidelines available in the Product Disclosure Statement (PDS).

PERFORMANCE OF THE STRATEGY WITHIN RF1 (GROSS)¹

PERFORMANCE	1 month %	3 months %	CYTD %	Since Inception %
Emerging Companies	6.14	-0.06	1.61	36.62

¹Returns shown are as at 31 May 2020. Past performance is not a reliable indicator of future performance.

RECENT POSITION HIGHLIGHT - QUADPAY (QPAY:US)

US-based Buy Now Pay Later (BNPL) provider, QuadPay, was a seed investment in the Emerging Companies Fund III and currently its largest position. QuadPay competes with companies such as AfterPay and Sezzle in the US in providing a platform and funding to enable consumers to purchase goods in four fortnightly interest free instalments, rather than paying 100% up-front at the time of purchase. This method of payment has seen explosive growth over recent years, particularly from the more debt-averse millennial cohort, who have shunned traditional credit cards in favour of the more transparent and consumer-friendly BNPL model.

QuadPay has quickly established itself as a leading BNPL provider within the US, a market estimated at ~\$5 trillion (or 15 times that of the Australian market). Since its launch in 2017, QuadPay boasts over 1.5m customers, over 3,500 merchants and annualised total transaction volume of over US\$900m.

Regal's Emerging Companies Strategy was the lead investor in QuadPay's Series A capital raising in mid-2019. The opportunity to invest in the business came through Regal's proprietary origination channels rather than a via a widely offered broker-led transaction, resulting in Regal being the largest institutional investor on QuadPay's register.

Four of the key investment highlights included: (1) QuadPay's management team (led by Co-CEO's and Co-Founder's Adam Ezra and Brad Lindenberg) were highly capable, well-aligned and known to the Regal investment team as excellent operators and entrepreneurs; (2) a very strong organic growth profile underpinned by an extensive pipeline of merchants and strategic partners; (3) QuadPay's geographic focus on the much larger and less mature US market; and (4) the attractive dynamics underpinning the strong growth of the broader BNPL market.

MEET THE TEAM

Philip King
Chief Investment Officer



Ben McCallum
Portfolio Manager



Jessica Farr-Jones
Portfolio Manager



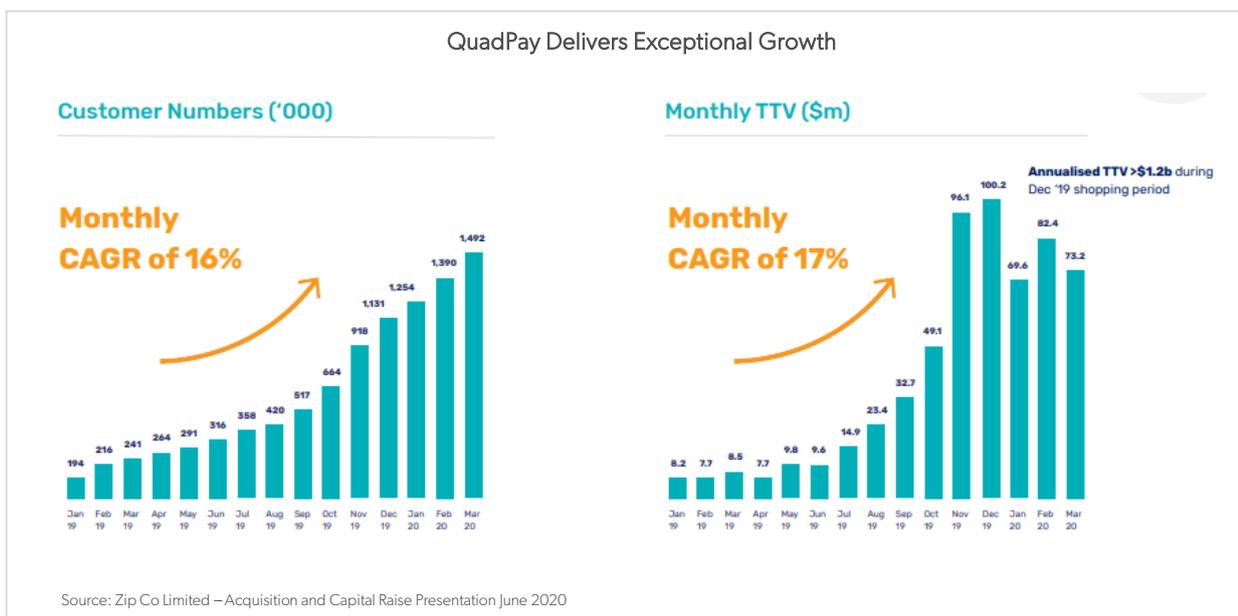
[Click here to learn more about the Regal Investment Team](#)

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QuadPay also had a strategic first mover advantage with its unique mobile based 'QuadPay Anywhere' virtual card, in partnership with US payments business Stripe. The technology allows users to pay via QuadPay at any merchant where Visa is accepted (regardless of whether or not QuadPay had a direct integration and relationship), creating a highly innovative offering that differentiated the QuadPay from other BNPL providers. Given QuadPay was one of only three 'pure play' BNPL players competing in the fast-growing US market (with Klarna and Affirm adopting a similar but differentiated model), the investment team believed that both the strategic value of the platform and the likelihood of QuadPay being an eventual M&A target was relatively high, further underpinning the investment case.

Pleasingly, the expectation for corporate activity came to fruition earlier than expected, with Australian-based Zip Co (ASX:Z1P) acquiring a strategic ~15% stake in QuadPay in August 2019 at a premium to the Series A capital raising valuation. Regal invested again in this round alongside Zip.

The QuadPay team have executed exceptionally well over the period of Regal's ownership, growing total transaction volumes more than 10x over the 6-month period between June and December 2019, and establishing a number of partnerships with significant retailers and strategic players. The 'QuadPay Anywhere' offering has been hugely successful and since replicated by Zip in the Australian market.



In June 2020, Zip announced an agreement to acquire 100% of QuadPay at an implied valuation of over A\$400m (based on Zip's closing price on 29 May 2020). Based on Zip's closing share price on 9 June 2020, the initial investment has delivered a ~400% return and a >30% uplift to the Net Asset Value of the Regal Emerging Companies Fund III (note, the NAV uplift will be reflected in the June monthly performance report). We continue to remain very excited about the prospects for the combined company, which now has significant geographic diversification across Australia, New Zealand, the US, UK and South Africa; over 3.5m customers, and over \$250m in annualised revenue.

KEY INVESTOR CONTACT

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