

Regal Investment Fund (ASX: RF1)

JULY 2020

The Regal Investment Fund Net Asset Value (NAV) increased by 11.4% to \$3.05 in July.

The Market Neutral Strategy increased 15.9% for the month. An overweight exposure to the technology and IT sector continues to generate strong returns, with long positions in wealth management platform providers Hub24 (+43%) and Netwealth (+34%) performing well this month, alongside data centre connectivity provider Megaport (+9%) and PDF software distributor Nitro Software (+31%).

The Global Alpha Strategy returned 8.9% in July. The trading strategy benefited from another month of elevated ECM activity across the global markets. The returns were well spread across seven countries with the largest contributor being Japan.

The Small Companies strategy increased 12.7% in July. Across the smaller companies' space, materials generated the strongest sector performance as gains across gold, copper and iron ore markets provided support to listed miners and developers. The strategy continues to maintain an overweight to the sector, particularly across the gold space.

The Regal Emerging Companies Fund III appreciated 3.1% in July, with strong performers including our marked-to-market QuadPay/Zip position, Family Zone, Whispir and Aroa. Cyber safety software solution Family Zone and communications & workflow software company Whispir both reported strong quarterly results and appreciated 97% and 117% respectively. One of the Fund's pre-IPO positions, Aroa, a soft tissue regeneration company with 5 commercial products and regulatory licences in over 37 countries, also enjoyed a successful IPO during July, trading up 97% versus its IPO issue price.

On 31 July, a webinar for RF1 was held to give a market and fund update. To watch the replay, please [register here](#).

SUMMARY DATA (NET)

PERFORMANCE	1 MTH %	3 MTH %	YTD %	12 MTHS %	INCEPTION %P.A.
Regal Investment Fund	11.35	45.26	18.83	26.10	27.14

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

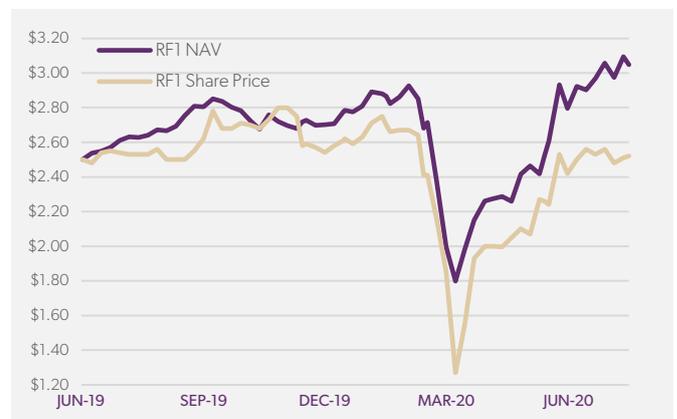
KEY FUND INFORMATION

Name	Regal Investment Fund	Monthly NAV (per unit)	A\$3.05
ASX Code	RF1	RF1 Market Capitalisation	A\$323m
Structure	Listed Investment Trust	Units on Issue	105,848,988 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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RF1 NAV vs RF1 SHARE PRICE



Past performance is not a reliable indicator of future performance.

UNDERLYING STRATEGY PERFORMANCE (GROSS)

STRATEGY	1 MONTH %	TOTAL RETURN SINCE INCEPTION %
Market Neutral Strategy	15.9%	6.8%
Australian Long Short Equity Strategy	6.9%	11.9%
Small Companies Strategy	12.7%	13.9%
Emerging Companies Strategy	3.1%	93.9%
Global Alpha Strategy	8.9%	102.9%
TOTAL (NET)	11.4%	32.3%

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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%

Effective 31 August 2020, the exposure range for the Market Neutral strategy will be 0-50%

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 38 people, including 22 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	15.81	11.35						18.83
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.regalfm.com/RF1

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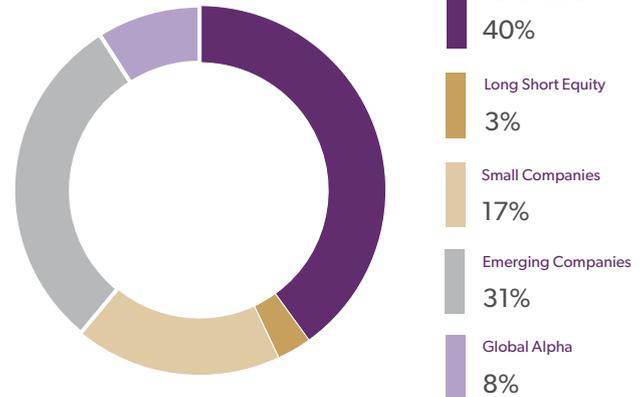
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¹ Ranges permitted by the Investment Guideline. The Fund portfolio will be constructed using multiple Regal Investment Strategies and these Strategies are not necessarily limited to the Initial Investment Strategies.

² Applicable at the time of investment

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

CURRENT EXPOSURE BY STRATEGY (NAV)



BALANCE SHEET EXPOSURES (% OF NAV)

SECTOR	LONG	SHORT	NET	GROSS
Communication Services	12	-4	8	17
Consumer Discretionary	13	-13	0	26
Consumer Staples	10	-5	5	16
Diversified	0	0	0	0
Energy	4	-3	1	8
Financials	19	-13	5	32
Health Care	27	-10	16	37
Industrials	12	-11	2	23
Information Technology	26	-10	17	36
Materials	44	-13	31	57
Real Estate	5	-11	-5	16
Utilities	0	-1	0	1
Total	174	-94	80	268

REGION	LONG	SHORT	NET	GROSS
Asia	26	-19	7	46
Australia/NZ	137	-73	64	210
EMEA	3	0	3	3
Americas	7	-2	5	9
Total	174	-94	80	268



STRATEGY IN FOCUS: GLOBAL ALPHA STRATEGY

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

The Global Alpha Strategy (the Strategy) is grounded in the belief that markets around the world are increasingly becoming distorted by the significant increase in capital being managed by both rules-based and passive investment strategies. The Strategy aims to deliver consistent, positive returns regardless of movements in underlying markets, by identifying and exploiting price inefficiencies that are occurring across global markets.

To achieve this, the Global Alpha Strategy utilises a long/short approach across listed global securities and may also include exposure to emerging and frontier markets.

The Strategy is led by Regal's Head of Events and Trading Deepan Pavendranathan, supported by a team of four portfolio managers and analysts, located across both Sydney and Singapore. Prior to joining Regal, Deepan was a Managing Director at Goldman Sachs. During his 10 years at Goldmans, Deepan held a variety of roles including Head of Asia Pacific Portfolio Trading, Head of Australian Equities Trading and Head of Australian Electronic and Portfolio Trading.

As at end of July, the Global Alpha Strategy represented 8% of RF1's Net Asset Value. This allocation is subject to change, in accordance with the Investment Guidelines available in the Product Disclosure Statement (PDS).

PORTFOLIO MANAGER

Deepan Pavendranathan
Head of Events & Trading



[Learn more about the Regal Investment Team](#)

PERFORMANCE OF THE STRATEGY WITHIN RF1 (GROSS)¹

PERFORMANCE	1 month %	3 months %	CYTD %	Since Inception % p.a.
Global Alpha	8.9	32.6	51.9	83.4

¹Returns are not inclusive of fees or expenses and are as at 31 July 2020. Past performance is not a reliable indicator of future performance.

THE GLOBAL ALPHA INVESTMENT PROCESS

The Global Alpha Strategy seeks to exploit pricing inefficiencies occurring every day across global markets, utilising both systematic and discretionary trading strategies.

Systematic Trading Strategies

Systematic trading strategies involve investment management teams identifying situations, opportunities, or events where pricing inefficiencies regularly exist and then designing a systematic and repeatable approach to profit from these events. Utilising a vast array of data and proprietary trading systems, the systematic trading component of the Global Alpha Strategy primarily seeks to identify and exploit price inefficiencies occurring as a result of the growth in rules-based and passive investment strategies.

Some examples of opportunities where the Global Alpha Strategy has utilised systematic trading strategies in the past include identifying opportunities as a result of index inclusion events, systematic investment plans and tax loss selling strategies.

Given the repeatable nature of the alpha on offer, investment managers are understandably hesitant to disclose the specific opportunities they are currently exploiting using systematic strategies. For this reason, Regal does not disclose the specific securities or strategies currently being undertaken within the systematic component. However, understanding the underlying investment process that guides security selection and inclusion within the Strategy provides some insights into how the systematic portfolio is constructed.



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REGAL
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The first step involves identifying an underlying inefficiency and, most importantly, the root cause or situation that causes this inefficiency. The Portfolio Managers will undertake a rigorous assessment of the underlying opportunity to understand its underlying causation and then back test the hypothesis to determine whether the same inefficiency occurs using historical data and comparable situations. An example of this may be determining the impact that passive investment flows from index-tracking funds and exchange-traded index products have on a listed company that has recently been included in a particular index.



Once a repeatable and profitable inefficiency has been identified, the investment team will then undertake further steps to determine the suitability of the opportunity in the portfolio, accounting for current positioning and risk limits. The team will also look to hedge out any unreasonable risks identified, such as country, sector, currency, or factor risk, with an aim of gaining exposure solely to the identified inefficiency.

The broader portfolio is then constructed utilising multiple identified systematic trading opportunities, with overall risk managed at a portfolio level.

Discretionary Trading Strategies

Discretionary trading strategies, as the name would suggest, are typically more one-off in nature and tend to be the result of a singular event, or opportunity. Discretionary trading opportunities may involve participating in equity capital market activities (such as IPO's and secondary capital raisings), order flow activities (such as block trades and liquidity events), or event-driven opportunities (where mispricing's may occur as a result of a corporate event, such as an announced takeover, asset sale, spin-off or earnings update).

In some cases, one particular event may provide multiple opportunities to generate discretionary alpha. For example, the Global Alpha Strategy has benefited on a number of occasions in recent months from the growing number of China-based, US-listed companies undertaking secondary listings on the Hong Kong Stock Exchange (recent examples include Alibaba Group, NetEase and JD.com). The stock offerings are typically fungible (meaning the stock can be bought or sold on one exchange and then bought/sold on another exchange), creating opportunities for managers that could access both markets. This enabled the Strategy to benefit from participating in the Hong Kong IPO (at a discount to the US listing), trading the spread between the Hong Kong and US exchanges and positioning for and capitalising on the large flows from rules-based funds into the new Hong Kong listing.

KEY INVESTOR CONTACT

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