

Letter from Philip King on Regal Funds Investment in Opthea (OPT)

Dear Investors,

Thank you for your investment and support of Regal Funds Management.

I am writing to share an update on Regal's investment in Opthea (OPT.ASX), an ASX and Nasdaq-listed biopharmaceutical company held in the long portfolio of a number of Regal's equity long/short funds. As you may be aware, following receipt of unfavourable clinical trial results for OPT's lead drug candidate in OPT-302, the future prospects for Opthea are now highly uncertain.

Understandably, this is an incredibly disappointing outcome, given the high degree of conviction we held in Opthea achieving commercial success and the meaningful size of the position held across the firm in anticipation of this. Regrettably, the development will meaningfully impact investor returns across a number of our funds this month, an outcome for which I take full responsibility.

Investors will rightfully have questions regarding the merits and reasoning for the investment, and I felt it important to share some additional background on the history of the position, what has transpired and the actions we are taking going forward:

- By way of background, Opthea (OPT) is a global biopharmaceutical company, focused on the development of innovative treatments for vision-threatening eye diseases, including age-related macular degeneration, primarily via its lead drug candidate OPT-302. It is a company we have known and followed at Regal for over nine years, having held investments in the company since 2015.
- Our conviction in the company was built on what we believed was a strong foundation of scientific innovation, successful early-stage clinical trial results, a multi-billion dollar commercial opportunity in a growing US\$15bn global market, strong corporate interest and a deep and long relationship with company management.
- The early results from Opthea's Phase 1 and Phase 2 clinical trials were highly encouraging, producing statistically significant results above the standard of care, reinforcing our confidence in the company's potential.
- The company's management team were so confident of success they were able to attract some of the leading experts of the industry to join the company in the last twelve months. The Chair of the company is Dr Jeremy Levin, previously President and CEO of Teva, one of the world's largest pharmaceutical companies.



- In June 2024, we participated in a capital raise undertaken by the company at \$0.40/share, that provided funding for the two Phase III trials that were testing the efficacy of OPT-302 in macular degeneration in combination with two existing drugs. As recently as February the company was valued at over \$1bn (or \$1.15/share), was covered and supported by multiple domestic and international investment research houses and had secured a substantial commitment from one of the world's largest healthcare investors.
- Following this, the position was held across a number of Regal strategies, predominantly within the absolute return, market neutral, active extension and trading & event strategies (in addition to our multi-strategy Funds, which invest in these strategies). This reflected the high level of conviction we held in the company's likely future success.
- The results of the two Phase III trials were announced across two dates in late March 2025.

Unfortunately, both of the Phase III trial results were unexpectedly weak, with the lead drug candidate failing to deliver superior results above the current standard of care. As a result, all trials have now been discontinued. Although the investment team had started selling the OPT position into share price strength through December to February, clearly, we didn't reduce it nearly enough. With the share price increasing 185% from the placement price of 40c to \$1.14 at the end of January, we should have been more aggressive.

In light of the company's announcements and given it remains suspended from trading, the Regal Valuation Committee has yesterday determined to revalue the position in Opthea to zero. As mentioned, this will significantly impact the performance in March across a range of the Regal long / short equity strategies. The monthly Regal Funds performance reports (which are released mid-month) will provide further detail on this.

We got Opthea wrong and are reviewing what has happened to ensure it does not occur again. What I can confirm is that stocks with event driven binary outcomes will be limited to a far smaller weighting within our strategies going forward.

Finally, the team and I have never been more committed and remain as motivated as ever to deliver long-term value for our investors.

I thank you for your support and the opportunity to manage your capital alongside our own.

Best regards,

Philip King

Chief Investment Officer, Long / Short Equities
Regal Funds Management