

12 September 2022

NEW INVESTMENT STRATEGY TO BE ADDED TO THE REGAL INVESTMENT FUND (ASX: RF1)

The Investment Committee of RF1 is delighted to announce its approval of the proposed addition of the Resources Royalties Strategy (the “Strategy”) to the underlying investment mandate of RF1.

The proposed addition of the Resources Royalties Strategy is conditional on the completion of a transaction involving a liquidity proposal to be put to unitholders in the Gresham Resources Royalties Fund (“GRRF”), involving, among other matters, the renaming of GRRF as the Regal Resources Royalties Fund (the “Liquidity Proposal”). If approved, the Liquidity Proposal is expected to be implemented in October 2022. More details about the Liquidity Proposal are set out below.

Background

The investment objective of the Regal Investment Fund (“RF1”) is to provide investors with exposure to a selection of alternative investment strategies managed by Regal Funds Management Pty Limited (“Regal”), with the aim of producing attractive risk adjusted absolute returns over a period of more than five years with limited correlation to equity markets.

As outlined in section 4.4 of the RF1 Product Disclosure Statement dated 8 April 2019 (the “PDS”), Regal may introduce new investment strategies if they are in accordance with the Fund’s Investment Guidelines and are a complementary addition to the Portfolio.

Investment Committee

In conditionally approving an allocation to the Resources Royalties Strategy, the Investment Committee has given regard to the following:

Investment track record: The Resources Royalties Strategy was launched in August 2019 and has delivered an Internal Rate of Return (“IRR”) of 30.0%.¹

Investment Opportunity: The Resources Royalties Strategy 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 usually associated with investing in mining activities, such as costs and exploration expenditure. The Strategy will seek exposure to a mix of natural and renewable resource royalties, commodity streams and royalty-related products, including listed and unlisted securities, such as equities, warrants, debt and similar instruments.

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. A commodity stream is an agreement conferring a right to purchase all or a portion of the production produced from a mining, oil and gas or renewable project at a pre-set price. Royalties and commodity streams are often used interchangeably.

Royalties and commodity streams are typically acquired for an upfront payment. They can provide investors with the upside potential of increased commodity prices, increased production and extended mineral reserves (and

¹ As at 9 September 2022. Past performance is not a reliable indicator of future performance and should not be relied upon as an indication of the future performance of any fund or strategy.

sometimes new discoveries) with no or limited exposure to variable operating costs and future capital calls to fund exploration or other capital costs.

Correlation: Resource royalties generate their return from the production volume and price of the underlying resource. Resource production and resource prices have limited direct correlation to equity markets. As a result, historically, the asset class has maintained a low correlation with equity market indices. Since inception, the Strategy has had a correlation to the ASX 300 accumulation index of 0.18.

Drawdown: The Strategy has experienced a lower maximum drawdown versus the ASX 300 since the Strategy’s inception in August 2019. As an example of the lower correlation to equities, the Strategy experienced a return of -4.5% in the 6 months to June 2022 versus the ASX 300 return of -10.5%.²

In light of the above, the Investment Committee believes that the addition of the Resources Royalties Strategy to the RF1 portfolio is likely to increase the diversification of the portfolio and enable RF1 to better deliver on its investment objective. Details of the Resources Royalties Strategy are set out in Annexure 1.

Portfolio Construction and Strategy Weight

RF1’s initial exposure to the Resources Royalties Strategy is proposed to be via the Regal Resources Royalties Fund (building on RF1’s existing holding in GRRF). The Regal Resources Royalties Fund is the name that will be adopted by GRRF on implementation of the Liquidity Proposal, which is to be put to unitholders in GRRF in October. GRRF is currently managed by Gresham Royalties Management Pty Limited, an entity owned by Regal, Gresham Partners Limited (“Gresham”) and GRRF’s two founding portfolio managers, James Morrison and Simon Klimt. Under the Liquidity Proposal, RF1 will lead a consortium of investors to acquire units in GRRF and, if approved by GRRF unitholders, Regal will be appointed as investment manager and trustee of GRRF, GRRF will be renamed the Regal Resources Royalties Fund and James Morrison and Simon Klimt will become employees of Regal. Refer to Annexures 1 and 2 for further details on the Regal Resources Royalties Fund and the Liquidity Proposal.

The pace at which RF1 will deploy capital to the Strategy is at the discretion of Regal and will be dependent on various factors, including market conditions at the time of investment. In accordance with the Investment Guidelines set out in the PDS, a maximum of 25% of RF1’s net asset value may be allocated to the Resources Royalties Strategy, and the units held in the Regal Resources Royalties Fund by RF1 will not incur fees.

A summary of the expected RF1 Investment Strategy ranges following the addition of the Resources Royalties Strategy is as follows:

Regal Investment Fund Investment Guidelines	
Strategy	RF1 weight range
Market Neutral Strategy	0% - 50%
Emerging Companies Strategy	0% – 25%
Australian Small Companies Strategy	0% – 25%
Global Alpha Strategy	0% – 25%
Australian Long Short Equity Strategy	0% – 25%
Long Short Health Care strategy	0% – 25%
Water Strategy	0% – 25%

² Past performance is not a reliable indicator of future performance and should not be relied upon as an indication of the future performance of any fund or strategy.

Resources Royalties Strategy	0% – 25%
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Intentions of the Investment Committee on Non-implementation of the Liquidity Proposal

If the Liquidity Proposal is not implemented for any reason, including because GRRF unitholders do not vote to approve the Liquidity Proposal, the Investment Committee will consider other investments with similar characteristics in accordance with the Resources Royalties Strategy. The Investment Committee may seek other opportunities to gain exposure to a portfolio of natural and renewable resource royalty investments, such as royalties, commodity streams and royalty-related products.

ANNEXURE 1 – REGAL RESOURCES ROYALTIES FUND

The Resources Royalties Strategy

On implementation of the Liquidity Proposal, the Regal Resources Royalties Fund (the “Fund”) will invest according to the Resources Royalties Strategy, which has been implemented by Regal in conjunction with James Morrison, Simon Klimt and Gresham since August 2019 in their capacity as shareholders of the Fund’s current investment manager, Gresham Royalties Management Pty Limited.

Investment Objective

The Fund’s investment objective will be 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 usually associated with investing in mining activities, such as costs and exploration expenditure.

Permitted Investments

The Fund will invest 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 Fund may use leverage, including for the purposes of acquiring investments in anticipation of investor applications. Gross gearing is measured as the total portfolio positions (long plus short positions) divided by net assets. It is expected that this ratio will not exceed 1.3 times the net fair value of the Fund (that is, additional leverage equal to 30% of the Fund’s net fair value) but may be higher or lower at times, including for the purposes of acquiring investments in anticipation of investor applications. The 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.

Regal will undertake 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 will seek projects that it believes demonstrate strong fundamentals that should enable the project to operate profitably throughout the commodity price cycle. The key investment considerations will 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 low commodity price cycles;
- whether the investment is exposed to exploration upside; and
- whether the investment has structural mitigants (such as security interests), which may assist to protect the investment.

This analysis will typically involve a range of techniques, including technical assessment, cashflow analysis and the assessment of any exploration upside or reserve extension potential. The process usually involves the review of all publicly available technical and financial information in relation to each project and, where available, detailed technical and financial information provided by the operator.

In addition, Regal will consider a range of other factors applicable to projects and operators, including the underlying commodity, currency price and marketing exposure, and legal and jurisdictional risk.

Team Members

JAMES MORRISON

Portfolio Manager

James oversaw all aspects of Royalty Stream Investments in partnership with Simon Klimt with specific responsibility for deal origination and investor relations.

James was previously the Head of Barclays Natural Resource Investments in Australia in 2009-2011 and Head of Commodities Sales in Asia and Australia at Barclays Capital from 2000-2008.

SIMON KLIMT

Portfolio Manager

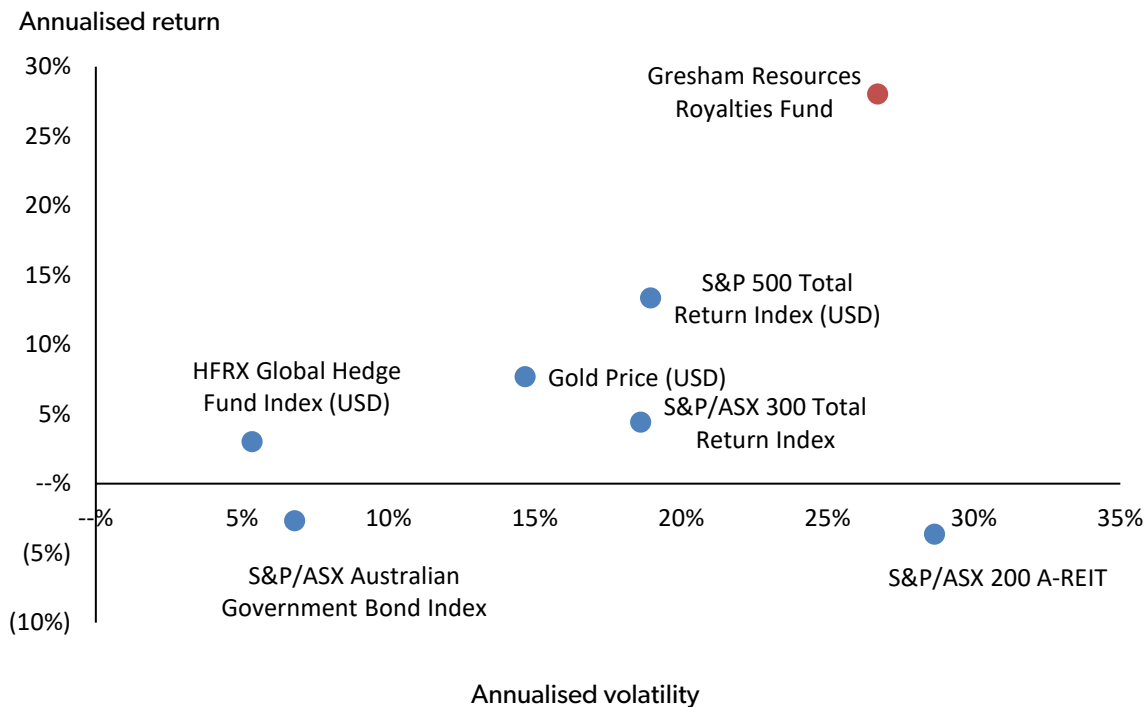
Simon has been dedicated to the royalties sector since establishing Royalty Stream Investments with James Morrison in 2013.

Simon was the former Director of Oil and Gas Investment Banking, Australia at Barclays Capital and has over 20 years' direct capital markets experience focused on the natural resources sector.

Historical performance

The following table illustrates the historical performance of the Strategy, including the correlation to the S&P/ASX300 Accumulation Index, S&P 500 Index and the HFRX Global Hedge Fund Index (USD). The table shows that the Resources Royalties Strategy delivered an IRR of 30.0% with only a low correlation to the ASX 300 and the S&P 500 since its inception in August 2019.

Resources Royalties Strategy	
Internal rate of return	30.0% ³
Annualised return	26.92% ³
Annualised standard deviation since inception	26.7% ³
Total return (net of fees)	109.8% ³
Correlation to S&P /ASX300 Accumulation Index	0.17 ⁴
Correlation to S&P 500 Index	0.05 ⁴
Correlation to the Hedge Fund Index (HFRX)	-0.01 ⁴

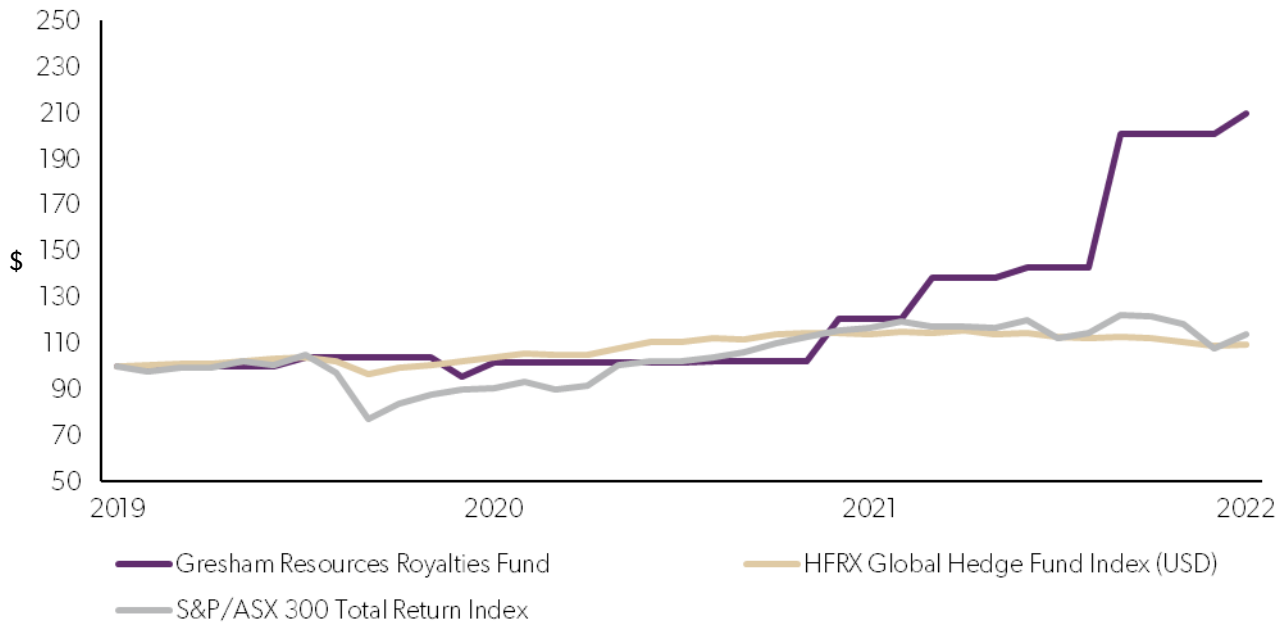


Note: Past performance is not a reliable indicator of future performance and should not be relied upon as an indication of the future performance of any fund or strategy. Returns are based on net returns since inception of GRRF.

The graph below conveys the accumulated investment return of \$100 invested in the Resources Royalties Strategy over the period August 2019 to 31 July 2022, including all distributions made over that period.

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⁴ Figures calculated since strategy inception in August 2019.



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ANNEXURE 2 – THE LIQUIDITY PROPOSAL

Today, the GRRF's trustee is Gresham Partners Capital Limited ("GRRF Trustee") and its investment manager is Gresham Royalties Management Pty Limited ("GRRF Manager"). GRRF Manager is owned by Regal (1/3), Gresham (1/3), an entity associated with Simon Klimt (1/6) and an entity associated with James Morrison (1/6). GRRF has approximately 77m units on issue, 20m of which are currently held by investment funds managed by Regal, including RF1.

Existing GRRF unitholders will be invited to attend a meeting to vote on a resolution to approve the implementation of a transaction involving (among other matters) the renaming of GRRF to the Regal Resources Royalties Fund, Regal's appointment as trustee and investment manager, the modification of the GRRF constitution and the replacement of its information memorandum, the termination of the existing investment management agreement between GRRF Trustee and GRRF Manager in respect of GRRF, the employment by Regal of Simon Klimt and James Morrison, and the payment of a performance fee to GRRF Manager. Investment funds managed by Regal will be excluded from voting on the resolution to approve the Liquidity Proposal.

If the Liquidity Proposal is approved, GRRF unitholders will also have the opportunity to transfer some or all of their GRRF units in return for consideration comprising cash from RF1 or cash from RF1 and RF1 units from other Liquidity Proposal consortium members, being Ficus Fiduciary Limited as trustee for the Regal Foundation and New Highland Pty Limited as trustee for the Philip King Family Trust. GRRF units will be transferred at \$1.75 per unit.

On implementation of the Liquidity Proposal, Simon Klimt and James Morrison will become employees of Regal. In addition, each will be required to subscribe for additional units in the Regal Resources Royalties Fund, and their entire holding (and any distributions or further issuances) will be subject to escrow until the fifth anniversary of the date on which the Liquidity Proposal is implemented.

On behalf of Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, the Responsible Entity for the Regal Investment Fund (RF1). 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 of RF1.