

21 July 2022

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

The Investment Committee of RF1 is delighted to approve the addition of the Water Strategy (the Water Strategy) to the underlying investment mandate of RF1. The initial allocation to the Strategy is expected to be implemented from 1 August 2022 and is expected to initially represent less than 5% of the Fund's NAV.

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 (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 3.5 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 may be a complementary addition to the Portfolio.

Investment Committee

In determining that RF1 make an allocation to the Water Strategy, the Investment Committee has given regard to the following:

Investment track record: The Water Strategy was launched in June 2014 and has delivered an annualised return of 14.9%,¹ with an annualised volatility of 10.8% since inception. Over the past twelve months, the Strategy is up 22.3%.²

Investment Opportunity: Water market investment returns comprise an attractive mix of yield and capital growth. The ownership of a perpetual water entitlement provides an investor with the opportunity to generate income by either selling or leasing the annual water allocation attached to that entitlement each year, typically to traditional end users of water (such as irrigators). In addition, permanent water entitlements are also tradeable and investors have the opportunity to generate capital growth should the underlying value of an entitlement appreciate. Given the number of permanent water entitlements available in Australia are fixed, this has historically been a key driver of returns, alongside increased demand from higher-value, water-intensive industries and decreased supply due to Government purchases and the effects of a changing climate on rainfall patterns.

An efficient, well-regulated, water trading market provides a platform for water to migrate to its highest-value use. The Water Strategy acts as integral partner to high quality irrigation businesses by supplying the key limiting factor to their production systems – water. This approach has been successfully employed by investment manager Kilter Rural since 2008.

Correlation: Water prices are normally driven by factors that don't typically influence traditional asset classes, such as weather patterns, water storage levels and irrigated crop prices. As a result, the asset class has historically maintained a low correlation with equity and bond market indices, making it an attractive source of uncorrelated returns. Since inception, the Strategy has maintained a correlation to the ASX of -0.01. Further, the correlation of the Strategy to

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existing strategies utilised within RF1 is also low, ranging from -0.20 for the Emerging Companies Strategy to +0.04 for the Global Alpha Strategy.

Drawdown: The Strategy has experienced a lower maximum drawdown versus the ASX 300 since the Strategy's inception in June 2014. As an example of the low correlation to equities, the Strategy experienced a negative return of -0.8% in March 2020 versus the ASX 300 return of -20.8%.³

In consideration of the above, the Investment Committee believes that the addition of the Water Strategy to the RF1 portfolio will increase the diversification of the portfolio and enable RF1 to better deliver on its investment objective. Details of the Water Strategy are set out in the Annexure to this Announcement.

Portfolio Construction and Strategy Weight

The Portfolio's exposure to the Water strategy will be via the Kilter Water Fund. The Kilter Water Fund is managed by Kilter Pty Limited, a subsidiary of Regal Funds Management. Kilter Pty Ltd (trading as Kilter Rural) was founded in 2004. Kilter Rural's purpose is to build long-term value for investors through resilient farmland and water investments. Kilter is Australia's most experienced water investment manager and currently manages approximately \$200m of water, farmland and ecosystem assets.

The Investment Committee has agreed that from 1 August 2022, the Portfolio's exposure to the Water Strategy will initially represent less than 5% of the Fund's NAV. The pace at which Regal will deploy capital is at the discretion of Regal and dependent on market conditions at the time of investment. In accordance with the Investment Guidelines set out in the PDS, a maximum of 25% of the Fund's NAV may be allocated to the Strategy and the units held in the Kilter Water Fund by the RF1 will be in a class that incurs no performance fees

A summary of the updated RF1 Investment Strategy ranges following this announcement 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%

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ANNEXURE

The Water Strategy

The Water Strategy has been implemented by Kilter since June 2014 in its capacity as the investment manager.

Investment Objective

To invest in Australian water entitlements and water allocation assets and to generate investment returns by providing water allocation and water products to irrigation farmers and through appreciation in the value of investment assets. Investment assets also include cash and cash-like instruments.

Permitted Investments

Australian water entitlements and water allocation assets.

Investment process

Since 2008, Kilter Rural has partnered with Investors to deploy capital at scale for sound long-term returns from Australian water assets. The Kilter Rural approach has set a precedent and transformed the market for investment in water in Australia. This extensive experience forms the basis of the investment strategy for the Fund. The Fund's investment strategy involves the acquisition of a portfolio of high quality Water Entitlements targeted to deliver a balance of yield and capital growth. Primarily, the Fund generates yield through the deployment of water products (derived from the Water Entitlements) to irrigation water users. The Fund may also generate returns by acquiring Water Allocations to underpin the deployment of water products to the Kilter Rural client base. The investment strategy therefore targets Water Entitlements that provide the greatest utility and exposure to irrigation industries with positive economic outlooks.

KILTER WATER INVESTMENT TEAM MEMBERS

EUAN FRIDAY

Director and Chief Investment Officer

Euan is a Chartered Accountant with more than 25 years' experience in senior financial and commercial roles. Euan joined Kilter Rural in February 2008 and has been instrumental in building out its water investment management business. Prior to that he spent 10 years with PricewaterhouseCoopers' Corporate Finance team in Australia and Europe before joining STA Travel in 2000. At STA Travel he was Chief Financial Officer and Managing Director for the AUS / NZ business from 2000 to 2008.

Euan also operates a sheep-grazing operation on a family property near Mansfield in Victoria.

MATTHEW BRYANT

General Manager Water

Matt joined Kilter in April 2018. He has an honours degree in Engineering from Melbourne University coupled with extensive experience in running a scaled family farming business in central Victoria. Matt has been co-founder of multiple successful technology start-up companies including playing a pivotal role in the uptake of GPS precision farming in Australia. He has provided business consultancy services to multiple agricultural industries, been CEO of a health-related patient transport organisation and had direct management oversight of large scale water infrastructure assets.

PEI WAN WONG, CFA

Senior Investment Analyst

Pei Wan is a Chartered Financial Analyst with more than 10 years' experience in equity research across Malaysia and Australia before joining Kilter Rural in 2010. Pei Wan creates, maintains and operates Kilter Rural's water market data sets providing business intelligence to support water investment decision making. Pei Wan also builds and maintains all of Kilter Rural's fund investment models.

HARRISON CHRISTIE

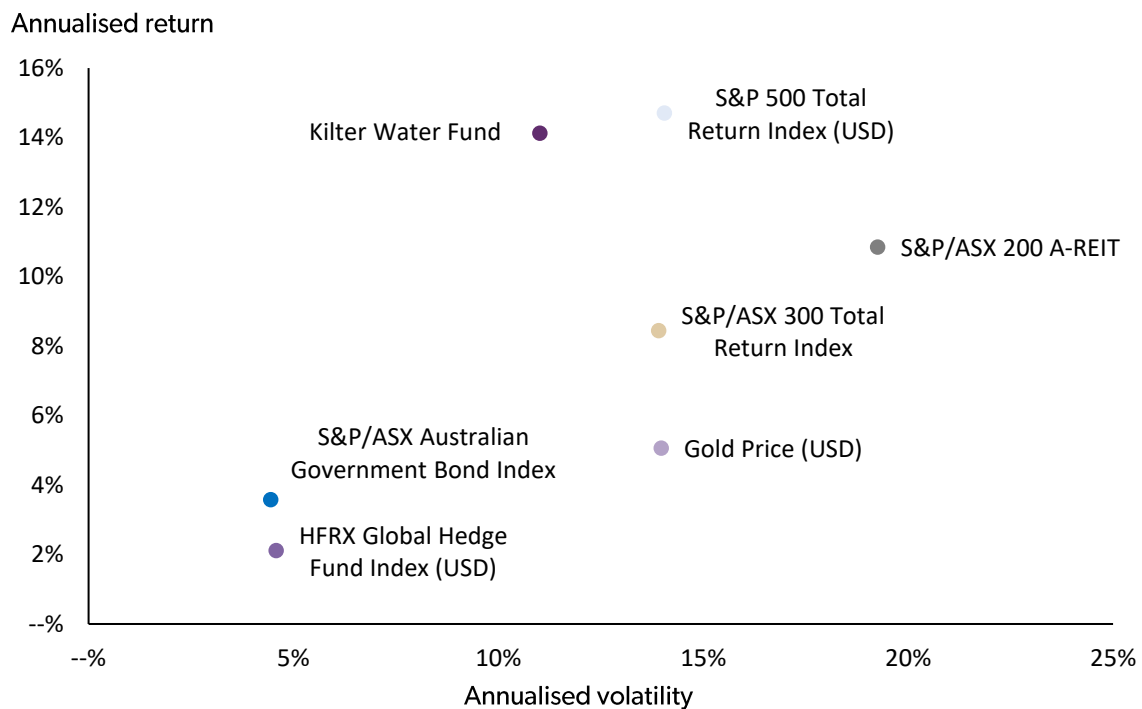
Water Investment Analyst

Harry has a long personal agricultural background in grain cropping in Victoria's Malley region and holds a Bachelor of Agriculture Science from Melbourne University. He has direct agricultural operating experience in Australia and Europe as well as holding a senior role with a large international commodity trader. Harry brings strong analytical capacity and is focused on identifying and executing on water investment opportunities.

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 Water Strategy delivered a net annualised return of 14.9% per annum with lower volatility to that of the Australian equity market and zero correlation to relevant indices since its inception in June 2014.

Water Strategy	
Annualised return since inception (net of fees)	14.9% ⁴
Annualised standard deviation since inception	10.8%
Total return (net of fees)	206.9% ⁵
Correlation to S&P /ASX300 Accumulation Index	-0.01 ⁶
Correlation to S&P 500 Index	0.02 ⁷



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 the Kilter Water Fund.

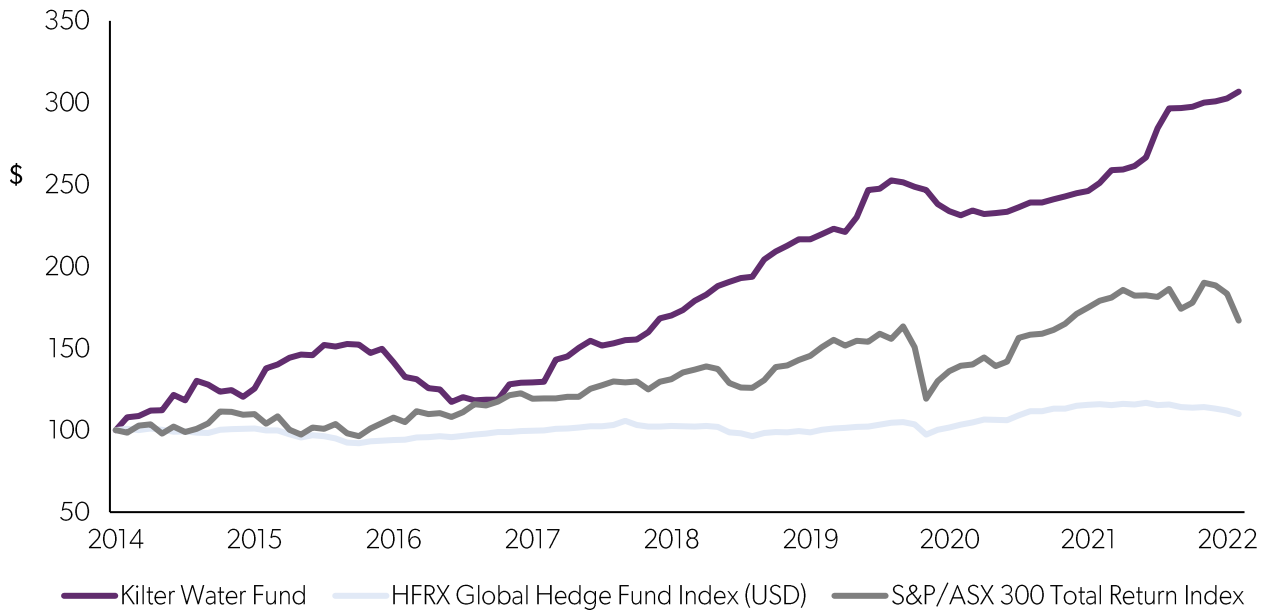
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⁶ Since strategy inception in June 2014

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The graph below conveys the accumulated investment return of \$100 invested in the Water Strategy over the period June 2014 to 30 June 2022, assuming the reinvestment of all distributions made over that period.



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