

Regal Investment Fund (ASX: RF1)

AUGUST 2020

The Regal Investment Fund Net Asset Value (NAV) increased by 10.5% to \$3.37 in August.

The Market Neutral Strategy increased 6.9% for the month. Global risk assets again continued their stellar recovery in August, as equity investors embraced a moderate improvement in global growth data, a better than expected US results season and incrementally positive news flow regarding potential COVID-19 vaccine candidates.

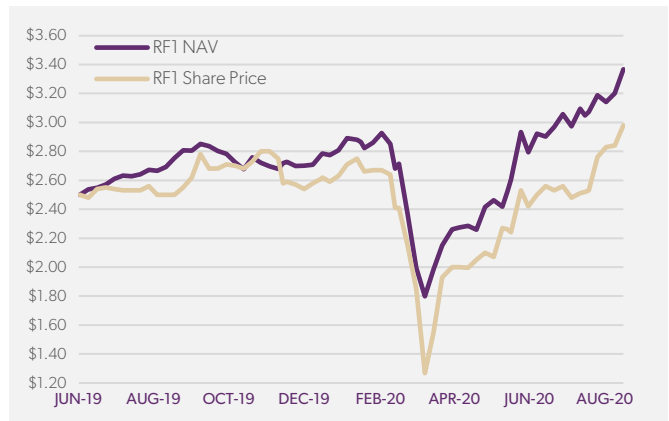
The Global Alpha Strategy returned 8.8% in August, with the current high levels of stock dispersion across markets creating a number of opportunities in Hong Kong, Korea and Japan.

The Small Companies strategy increased 17.6% in August. A key contributor to performance in August was a long position in online gaming participant PointsBet Holdings, rising +118% after a strong result and the announcement of a highly strategic partnership with US media conglomerate NBC. Other positive contributors included long positions in WA-based gold explorer De Grey Mining (+55%) following well received exploration success, and a long position in sales enablement software provider Bigtincan (+40%) after a strong full year result.

The Regal Emerging Companies Fund III appreciated 21.3% in August, with strong performers including our marked-to-market QuadPay/Zip position, Austral Gold, Hydrix, 4D Medical and Tesseract. Zip appreciated 54% after reporting a record month for QuadPay including transaction volumes increasing >600%, 3 significant new enterprise merchants, as well as strategic partnerships with Mastercard and Fiserv. Zip also announced a partnership with eBay to launch its Zip Business offering for SMEs. 4D Medical has a novel 4D lung diagnostic technology and was a pre-IPO investment which listed during the month and appreciated 103% vs. its IPO price. Hydrix is another investment in the medical device sector which appreciated 426% after reporting four successful implants of the world's first FDA-approved implantable heart attack warning system called AngelMed Guardian.

On 1 September, Regal and EQT announced the addition of the Long Short Healthcare Strategy to the underlying investment mandate of RF1. Further information can be found in the full ASX announcement [here](#).

RF1 NAV vs RF1 SHARE PRICE



Past performance is not a reliable indicator of future performance.

UNDERLYING STRATEGY PERFORMANCE (GROSS)

STRATEGY	1 MONTH %	INCEPTION %P.A.
Market Neutral Strategy	6.9%	11.2%
Long Short Equity Strategy	9.4%	17.5%
Small Companies Strategy	17.6%	26.3%
Emerging Companies Strategy	21.3%	107.4%
Global Alpha Strategy	8.8%	88.1%
TOTAL (NET)	10.5%	35.5%

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SUMMARY DATA (NET)

PERFORMANCE	1 MTH %	3 MTH %	YTD %	12 MTHS %	INCEPTION %P.A.
Regal Investment Fund	10.49	42.49	31.29	34.08	35.51

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\$3.37
ASX Code	RF1	RF1 NAV	A\$350m
Structure	Listed Investment Trust	Units on Issue	103,938,591 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

Unit Registry	Link Market Services Limited
Address	Level 12, 680 George Street Sydney, NSW 2000 Australia
Phone	+61 1800 221 227
Fax	+612 9287 0303
Email	regalfund@linkmarketservices.com.au
Website	www.linkmarketservices.com.au

Regal Investment Fund (ASX: RF1)

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 current exposure ranges for the Strategies are below¹:

MARKET NEUTRAL	LONG SHORT EQUITY	SMALL COMPANIES	EMERGING COMPANIES ²	GLOBAL ALPHA	LONG SHORT HEALTHCARE
0% - 50%	0% - 25%	0% - 25%	0% - 25%	0% - 25%	0% - 25%

Effective 7 September 2020, the Long Short Healthcare Strategy has been added to the underlying investment mandate of RF1 with an exposure range of 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 35 people, including 19 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	10.49					31.29
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

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.

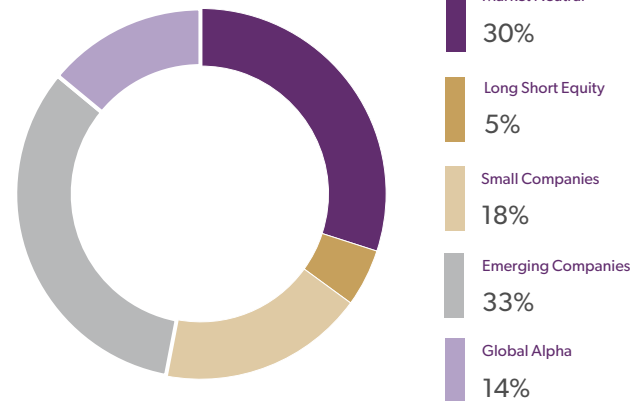
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¹ Ranges permitted by the Investment Guideline. The Fund portfolio will be constructed using multiple Regal Investment Strategies and these Strategies are not necessarily limited to the current Investment Strategies.

² Applicable at the time of investment

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

CURRENT EXPOSURE BY STRATEGY (NAV)



BALANCE SHEET EXPOSURES (% OF NAV)

SECTOR	LONG	SHORT	NET	GROSS
Communication Services	14	-4	10	18
Consumer Discretionary	19	-14	5	34
Consumer Staples	11	-5	6	17
Diversified	0	0	0	0
Energy	4	-5	-1	10
Financials	21	-12	10	33
Health Care	23	-10	13	33
Industrials	15	-10	5	25
Information Technology	30	-7	22	37
Materials	43	-11	33	54
Real Estate	4	-11	-7	15
Utilities	0	-1	0	1
Total	184	-91	94	275

REGION	LONG	SHORT	NET	GROSS
Asia	35	-20	15	54
Australia/NZ	139	-69	70	207
EMEA	2	0	2	2
Americas	9	-2	6	11
Total	184	-91	94	275



Regal Investment Fund (ASX: RF1)

REGAL
FUNDS MANAGEMENT



Equity Trustees
Responsible entity

STRATEGY IN FOCUS: LONG SHORT HEALTHCARE STRATEGY

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

The Long Short Healthcare Strategy (the “Strategy”) seeks to generate absolute returns in all market conditions, with a focus on preservation of capital and low drawdowns.

The Strategy holds both long and short positions in listed global healthcare companies, with a specific focus on the Asia region. Investments are based on science-driven, bottom-up fundamental analysis focused on understanding the unmet clinical needs of patients, predicting health professional behaviour and assessing the likelihood of success of experimental technologies. As a high conviction long short strategy, portfolio positions are concentrated, with the top 10 positions typically constituting ~60-80% of the Strategy’s net exposure.

Both Portfolio Manager Dr Craig Collie, and Analyst Dr Dilshan Seneviratna have several years’ clinical experience practising as medical doctors, which we believe places them in a strong position to make judgements about how disruptive a new drug, device, diagnostic or service will be to existing practise. With healthcare being an emerging sector across much of Asia, we believe the level of technical expertise in the investment community remains below that seen in Europe and the US, creating many exciting investment opportunities.

Prior to joining Regal, Dr Collie held roles at Macquarie Bank and the Boston Consulting Group, whilst Dr Seneviratna joined Regal directly from clinical practice. The team is further augmented by analysts based in Regal’s Singapore office to assist in non-technical country-specific analysis.

The investment committee of RF1 has approved the addition of the Long Short Healthcare Strategy to the underlying investment mandate of RF1. The initial allocation to the Strategy is expected to be implemented during September 2020 and is expected to grow to approximately 10% of the Fund’s NAV.

INVESTMENT STRATEGY TRACK RECORD¹

PERFORMANCE	1 month %	3 months %	CYTD %	Since Inception (Nov 2017) % p.a.
Long Short Healthcare Strategy	3.53	9.24	23.90	15.62

¹As at 31 August 2020. Past Performance is not an indicator of future returns. The Long Short Healthcare Strategy has not been implemented within a standalone Fund and has not yet been implemented within RF1. As a result, the historical results shown in this table are not based on audited accounts of a particular Fund or RF1. The historical performance and attribution of returns of the Long Short Healthcare Strategy has been calculated by reference to the returns made by the positions allocated to the Long Short Healthcare strategy across the Regal Tasman Market Neutral Fund and Regal Atlantic Absolute Return Fund as tracked in the Regal investment management system and is calculated net of management and performance fees attributable to such returns.

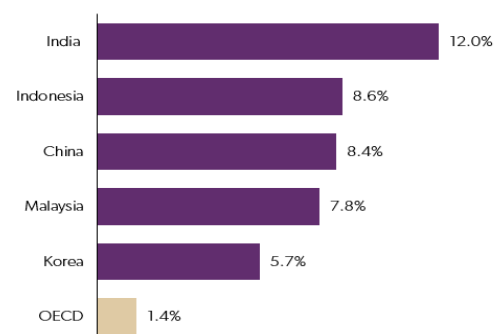
THE ASIAN HEALTHCARE OPPORTUNITY

The broader Asian healthcare market has a cumulative market capitalisation of over US\$1.2 trillion, with more than 400 companies with market capitalisation over US\$500m.

Healthcare spend across the region is currently growing at high-single digits in real terms, well above the OECD average of 1.4%

This growth can be primarily attributed to the expanding middle class across Asian nations, combined with a significant projected increase of elderly citizens, who tend to consume far greater levels of healthcare. According to the 2019 UN World Ageing Population Report, the United States and European Union will see an increase of ~35m people aged 60 years or older by 2030 – several orders of magnitude lower than Asia which is expected to see an increase of ~246m.

Current Health Spend Growth Rate²



²Source: China data is predicted annual growth to 2035, source: Health Aff (Millwood). 2019 May;38(5):835-843. doi: 10.1377/hlthaff.2018.05324. Korea, Japan, Australia and OECD numbers represent actual annual growth from 2009-16 in real terms per capita, from OECD.com. Indonesia is a forecast from BMI research. Malaysia figure from Malaysia Govt budget for 2019. India number based on Government forecast to double %GDP spend on health by 2025.

MEET THE TEAM

Dr Craig Collie
Portfolio Manager

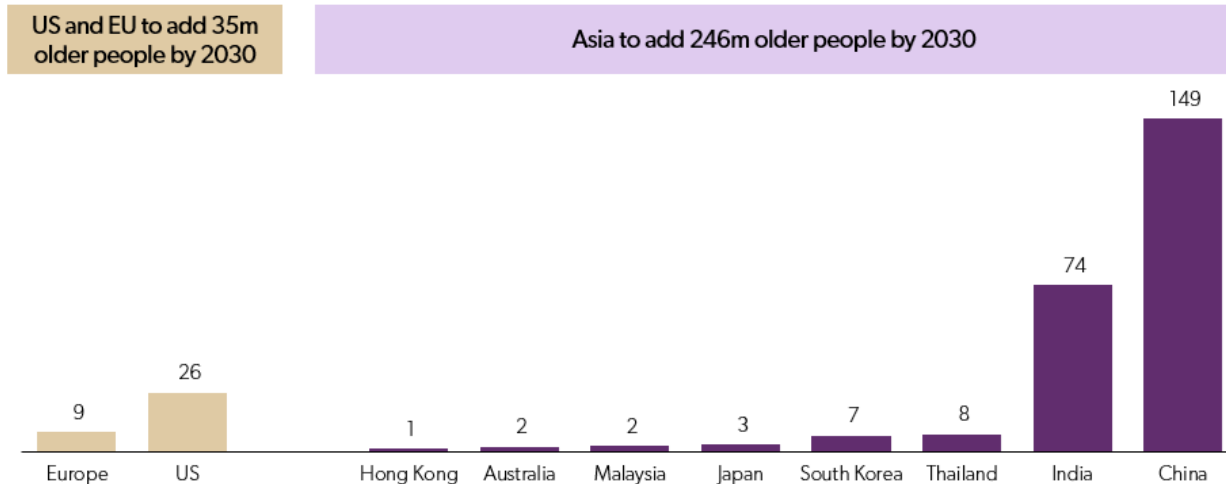


Dr Craig Collie is supported by Regal’s CIO, Philip King and Dr Dilshan Seneviratna (Analyst)

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



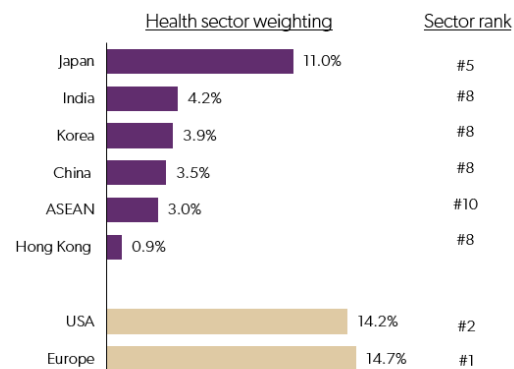
Projected change in population aged 60+, 2015 to 2030 (people, millions)³



Despite the significant sectoral tailwinds, the healthcare industry across developing Asian economies still remains an emerging sector. As a percentage of overall country equity indices, the healthcare sector generally sits outside the largest five sectors across major Asian markets. In comparison, the healthcare sector is the second-largest component of the US equity market and largest overall sector across Europe.

There are only a small number of dedicated Asian healthcare funds and Asia-focused technical specialists within general funds. Generalist investors with little technical training are often covering healthcare stocks leading to common mispricing opportunities. Dispersion of returns across markets remains high, with greater opportunity for fundamental analysis to generate outsized returns.

Healthcare is an emerging sector in Asia⁴



³Source: UN World Ageing Population Report, 2019.

⁴Source: MSCI Korea, MSCI ASEAN, MSCI India, STOXX 600, HIS (Siblis), MSCI China, S&P/Topix150.

KEY INVESTOR CONTACT

Link Market Services is the registry provider and primary contact for investor queries relating to the Regal Investment Fund (ASX:RF1). Contact details below:

Contact	Link Market Services Limited
Address	Level 12, 680 George Street, Sydney, NSW 2000 Australia
Phone	+61 1800 221 227
Fax	+612 9287 0303
Email	regalfund@linkmarketservices.com.au
Website	www.linkmarketservices.com.au

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