

17 May 2023

ASX Market Announcements Office  
ASX Limited  
Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

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## RG8 Investor Update and Q&A Webinar – Presentation Slides

Dear investors and friends,

This presentation deck accompanies an audio recording at 12:30pm AEST on May 17, 2023. To view the full webinar, please click on the link below to register.

[REGISTER NOW](#)

Phil King will share his investment outlook for the Asia-Pacific region and where he and the Regal investment team are currently seeing opportunities for the RG8 portfolio. Joining Phil will be Regal's Asian investment team, including Glen Barnes and Shannon McConaghy, to provide some additional perspectives on key positions within the Fund and broader investment thematics across the region.

The recording will be made available to those who register.

The presentation will be followed by a Q&A. We encourage attendees to submit their questions in advance to allow the team to respond to as many queries as time permits. This can be done by registering to attend the webinar below and submitting your question when prompted, or by emailing [investorrelations@regalpartners.com](mailto:investorrelations@regalpartners.com).

### WEBINAR DETAILS

Date: Wednesday 17 May

Time: 12:30pm-1:30pm (AEST)

[REGISTER NOW](#)

**AUTHORISED FOR RELEASE BY:**

**Ian Cameron, Company Secretary**



## **ABOUT RG8**

RG8 provides investors with access to an actively managed, concentrated portfolio, comprised of long investments and short positions in securities with exposure to the Asian region. In June 2022, portfolio management responsibilities for RG8 transitioned from the VGI Partners investment team to specialist alternatives investment manager Regal Funds Management (Regal) under an investment advisory agreement with Regal Asian Investments Management Pty Ltd. In November 2022, the Company changed its name and ticker from VGI Partners Asian Investments Limited (ASX:VG8) to Regal Asian Investments Limited (ASX:RG8) to reflect those changes. Utilising a fundamental, bottom-up investment approach, the portfolio leverages Regal's extensive experience, network and specialist investment team.

## **ABOUT REGAL FUNDS MANAGEMENT**

Regal Funds Management, a wholly owned business of Regal Partners Limited, is a multi-award winning, specialist alternatives investment manager, led by Chief Investment Officer Philip King. Founded in 2004 and with offices located in Sydney, Singapore and New York, the business has a long history of successfully investing in Asian equity markets, supported by one of the largest fundamental investment teams in the region, comprising over 25 investment professionals.

## **ABOUT REGAL PARTNERS LIMITED**

Regal Partners Limited (ASX:RPL) is an ASX-listed, specialist alternatives investment manager with approximately \$5.5bn in funds under management.<sup>1</sup> Formed on 3 June 2022 following the merger of VGI Partners and Regal Funds Management, the group manages a broad range of investment strategies covering long/short equities, private markets, real and natural assets and capital solutions on behalf of institutions, family offices, charitable groups and private investors. The group houses four dedicated alternative investment management businesses – Regal Funds Management, VGI Partners, Kilter Rural and Attunga Capital – together employing approximately 100 employees, including over 45 investment professionals.

## **INVESTOR CONTACT INFORMATION:**

### **Ingrid Groer, CFA**

Regal Partners Limited, RG8

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+61 2 9237 8923 (outside Australia)

Email: [investorrelations@regalpartners.com](mailto:investorrelations@regalpartners.com)

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<sup>1</sup> Unaudited management estimate as at 31 March 2023. Funds under management for the group (including 100% of Kilter Rural, Attunga Capital and East Point Asset Management) includes non-fee earning funds. Further information is set out in Regal Partners Limited's announcement of 17 April 2023.

# REGAL

ASIAN INVESTMENTS

Investor update

May 2023

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# Disclaimer



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The historical financial information and performance figures given in this document are given for illustrative purposes only and should not be relied upon as (and are not) an indication of RG8 or Regal Partners' views on the future performance of RG8, or other Funds or strategies managed by Regal Partners or its related bodies corporate. You should note that past performance of RG8, or Funds or strategies managed by Regal Partners or its related bodies corporate cannot be relied upon as an indicator of (and provide no guidance as to) future performance.

## Forward-looking statements

This document contains certain "forward-looking statements" that are based on management's beliefs, assumptions and expectations and on information currently available to management. Forward-looking statements can generally be identified by the use of forward-looking words such as, "expect", "anticipate", "likely", "intend", "should", "could", "may", "predict", "plan", "propose", "will", "believe", "forecast", "estimate", "target", "outlook", "guidance" and other similar expressions. Indications of, and guidance or outlook on, future earnings or financial performance are also forward-looking statements. You are cautioned not to place undue reliance on forward-looking statements. Any such statements, opinions and estimates in this document speak only as of the date of this document and are based on assumptions and contingencies and are subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. Forward-looking statements are provided as a general guide only. The forward-looking statements contained in this document are not indications, guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of RG8 or Regal Partners, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. There can be no assurance that actual outcomes will not differ materially from these forward-looking statements. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including RG8, Regal Partners, their related bodies corporate or any of their respective directors, officers, employees, agents or advisers). In particular, no representation, warranty or assurance (express or implied) is given that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur. Except as required by law or regulation, RG8, and Regal Partners disclaim any obligation or undertaking to update forward-looking statements in this document to reflect any changes in expectations in relation to any forward-looking statement or change in events, circumstances or conditions on which any statement is based.



# Speakers

REGAL  
ASIAN INVESTMENTS



REBECCA FESQ

Head of Client Business  
Regal Partners



BRENDAN O'CONNOR

Chief Executive Officer  
Regal Partners



PHILIP KING

Chief Investment Officer  
Regal Funds



GLEN BARNES

Head of Asia  
Fundamental Research  
Regal Funds



SHANNON MCCONAGHY

Senior Analyst, Asia  
Regal Funds

# Regal and RG8

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Brendan O'Connor, CEO, Regal Partners



# Regal Asian Investments Limited

(ASX:RG8)

REGAL  
ASIAN INVESTMENTS

RG8 provides investors with access to an actively-managed, concentrated portfolio, comprising long investments and short positions in securities with exposure to the Asian region.

- Initially listing in November 2019, portfolio management responsibilities for RG8 transitioned from the VGI Partners investment team to Regal Funds Management (Regal) in June 2022, with Philip King having lead portfolio management responsibilities.
- In November 2022, the Company changed its name and ticker from VGI Partners Asian Investments (VG8) to Regal Asian Investments (RG8) to reflect those changes.
- Utilising a fundamental, bottom-up investment approach, the portfolio leverages Regal's extensive experience, network and specialist investment team.
- Dividend policy: RG8 will seek to pay dividends of \$0.05 on a six-monthly basis.

**\$453m**

Portfolio Size

**\$1.99**

Share Price

**\$2.29**

Post-tax NTA

**+8.1%**

NTA Return  
Since Regal Transition

**+16.6%**

Share Price Return  
Since Regal Transition

**\$40.3b**

Avg Weighted  
Market Cap (USD)

# Opportunity in Asia

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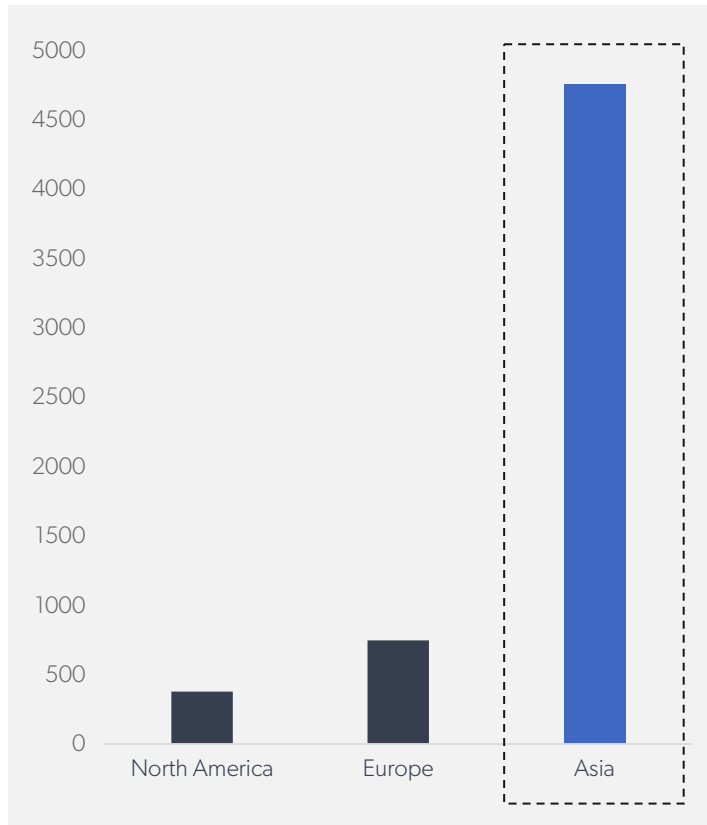
Philip King, Chief Investment Officer



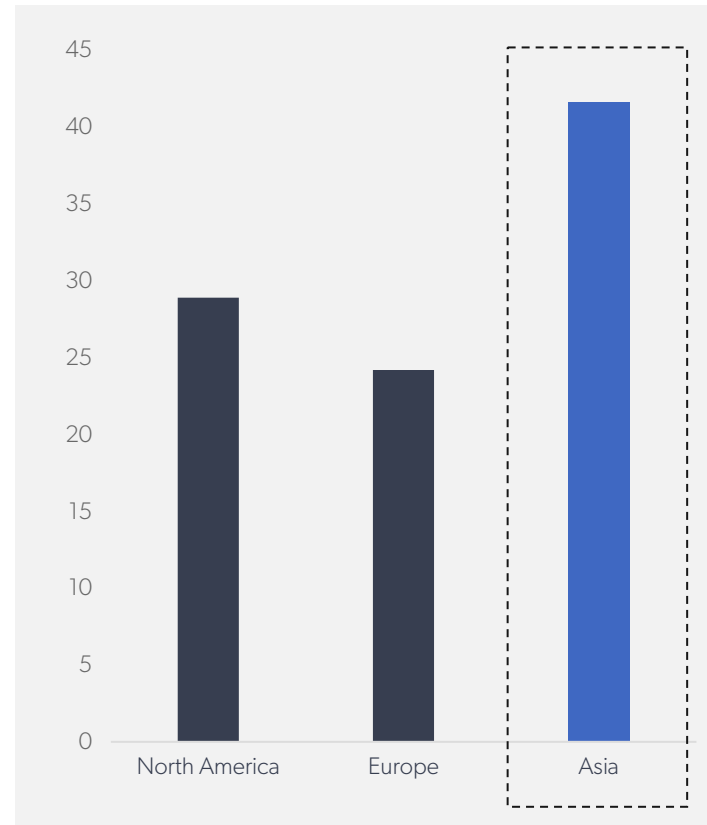


# Asia leads in population & GDP but not market capitalisation

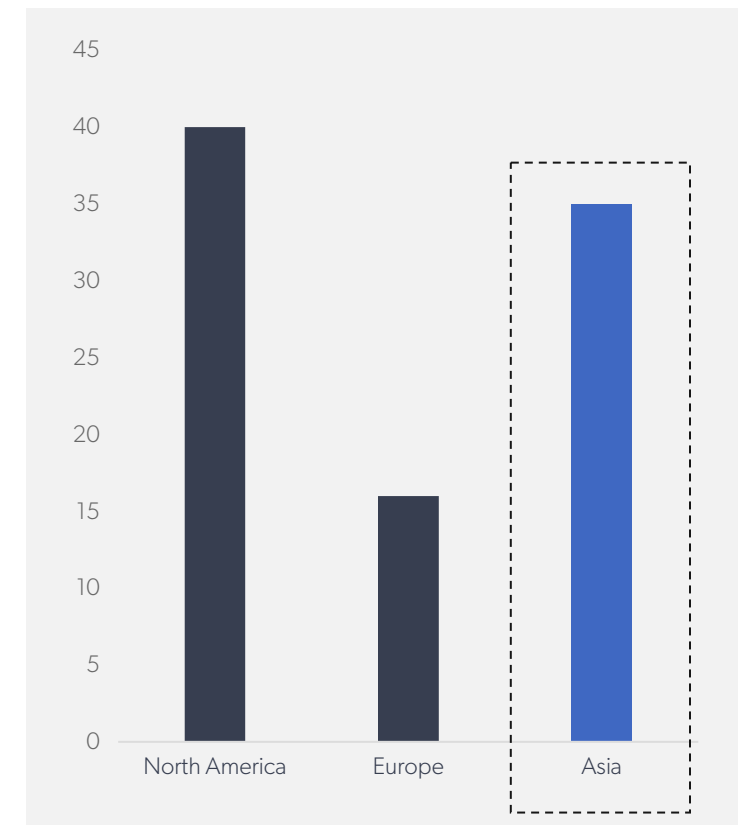
## Population



## GDP



## Market Capitalisation



Source: World Population Review, IMF, Bloomberg as at May 2023. GDP and Market Capitalisation in USD  
Past performance is not a reliable indicator of future performance. It should not be relied upon as (and is not) an indication of future performance.

# Key Valuation Data

	POPULATION (M)	GDP US\$TN	MARKET CAP US\$TN	FORWARD P/E	BOND YIELDS	DIVIDEND YIELD
US	340	27	38	18	3.4%	1.7%
EU	447	18	7	13	2.2%	3.4%
UK	68	3	2	10	3.6%	4.4%
China	1,426	19	9	9	2.8%	2.6%
Japan	123	5	4	13	0.4%	2.4%
Australia	26	2	1	15	3.4%	4.7%

Source: World Population Review, IMF, Bloomberg as at May 2023.

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# China Has Significantly Underperformed In Recent Years, But Opportunities Continue To Emerge



Source: Bloomberg as at May 2023. Index levels rebased to 100.  
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# China's Tech Sector Valuations Have Fallen Particularly Hard



Source: Bloomberg as at May 2023. Index levels rebased to 100.  
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# China

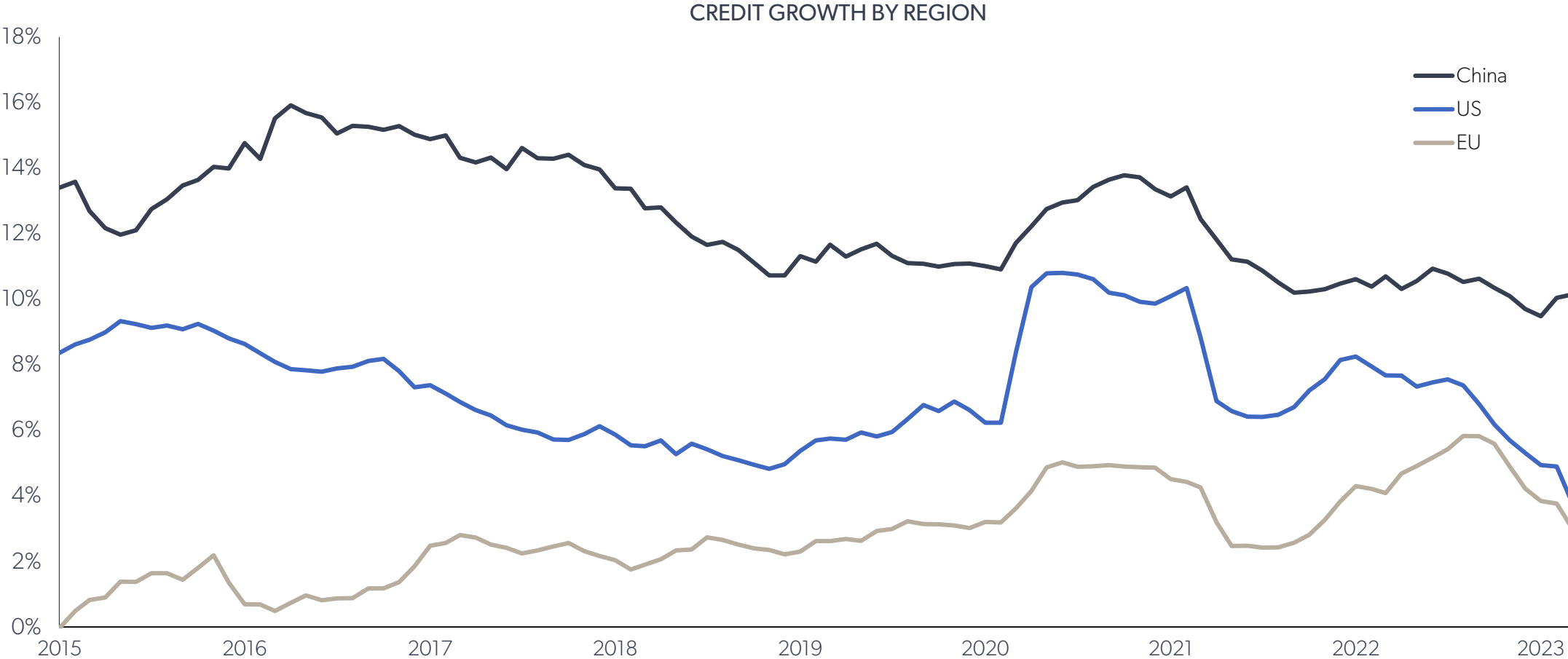
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Glen Barnes – Head of Asia Fundamental Research



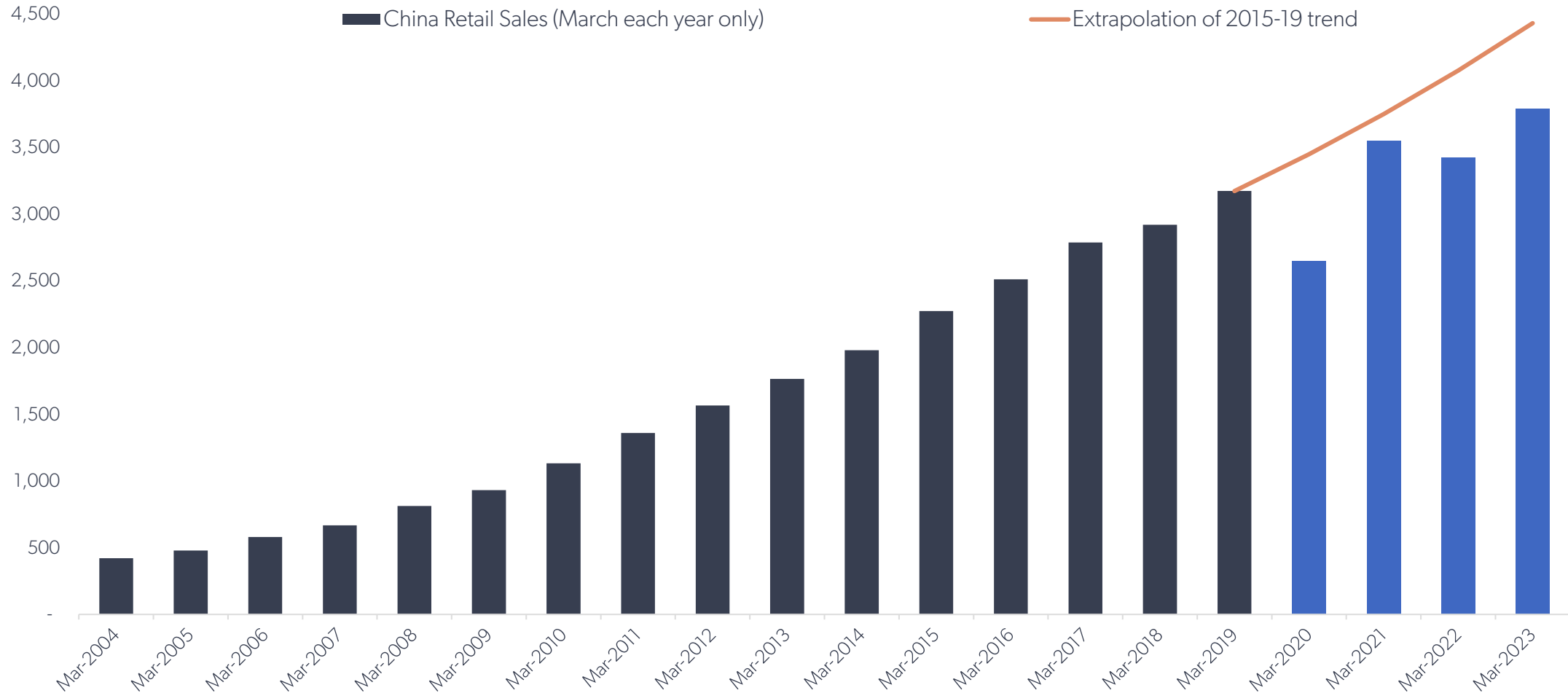


# China's Economic Outlook Is Stronger



Source: Haver, Morgan Stanley research.  
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# China's Consumption Below Trend



Source: Bloomberg as at May 2023.  
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# Significant Scope To Unlock Value At Alibaba

## INVESTMENT THESIS

1.

### Valuation:

- Extremely cheap at 10x PE even including significant losses from business units
- 50%+ discount to a reasonable sum of the parts valuation
- While the China e-commerce market is maturing & competition remains, Alibaba should trade on a higher multiple given its dominant market position

2.

### Macro:

- E-commerce market is maturing, growth slowing to 8-10%pa from 20%+ pa
- Most key players continue to focus on profitability, although competition is increasing a little and players like Douyin continue to compete aggressively
- China consumption growth is rebounding post the China reopening

3.

### Catalysts:

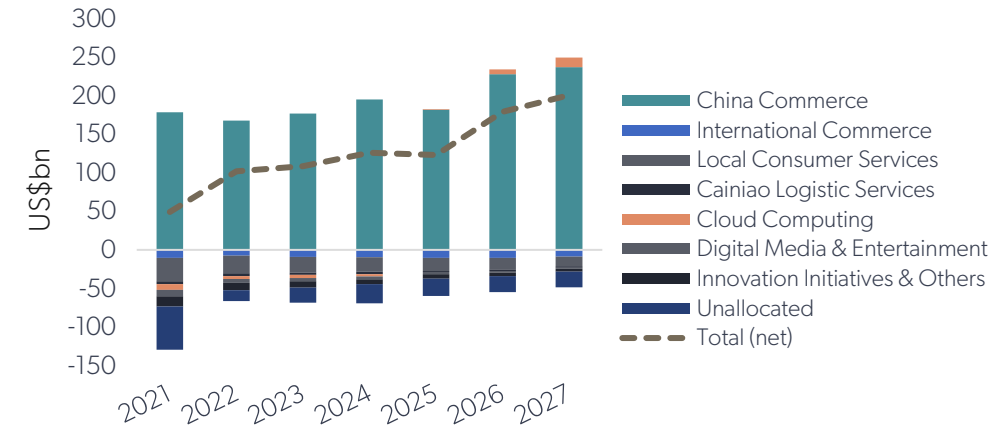
- Listing of individual business units, which should create value
- Rebound in e-commerce revenue – high velocity data suggests a return to growth
- Results & focus on profitability – current trends and guidance are key
- Inclusion in Southbound trading, allowing mainland Chinese to buy Alibaba in HK

4.

### Insight:

- Given the extremely cheap valuation and value creating initiative recently launched, there is a high chance that Alibaba's share price increases, however patient capital is required
- Access to high velocity datasets provides an edge in terms of inflection points on e-commerce, with recent data showing a moderate recovery is taking place

## ALIBABA OPERATING PROFIT BY BUSINESS UNIT

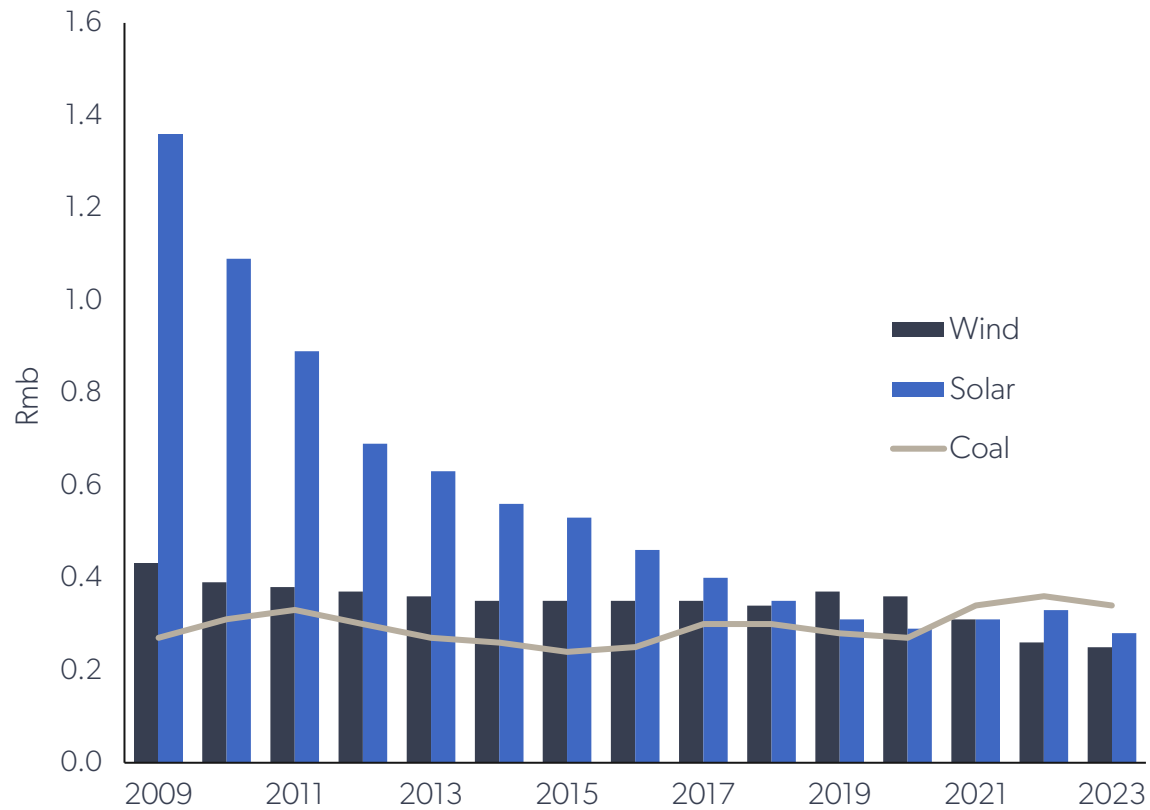


## FORWARD PRICE TO EARNINGS

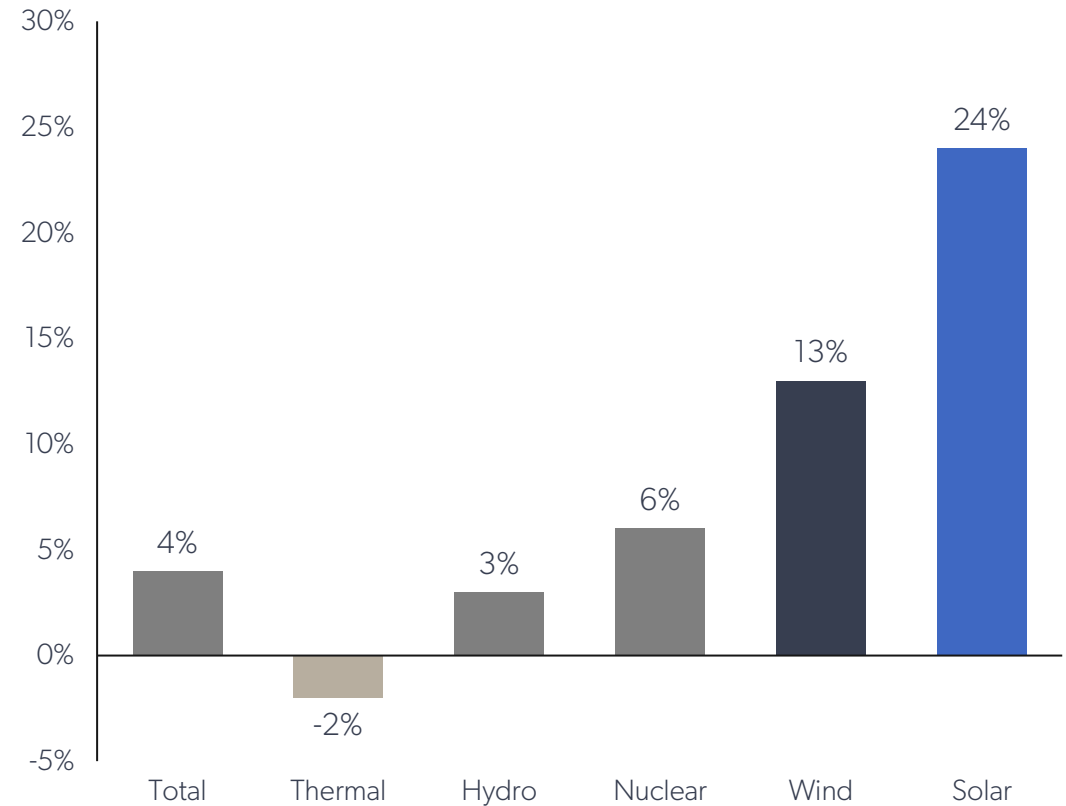


# Cost To Produce Power Via Solar And Wind Are Now Below Coal, Paving The Way For Continued Significant Investment

COST TO PRODUCE 1 KWH OF POWER IN CHINA



ANNUAL GROWTH (2022-30) IN CHINA FOR DIFFERENT ENERGY SOURCES



# Japan

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Shannon McConaghy – Senior Analyst





# Japan Exchange Driving Measures To Unlock Value to Shareholders across Japanese Listed Companies

1.

Japanese return-on-invested-capital is lower than global peers, due to;

1. Lower profit margins, with management often not placing shareholder interests above all else (i.e. customers often seen as equal stakeholders).
2. Excessive cash/asset hoarding on the balance sheet

2.

Japan Exchange, with the support of the Japanese government is introducing a raft of new measures to incentivise higher value creation for shareholders.

- For example, a new Japan Exchange Prime 150 Index will in effect shame companies into raising their margins and shareholder returns in order to avoid exclusion.

## NEW JAPAN EXCHANGE PRIME 150 INDEX

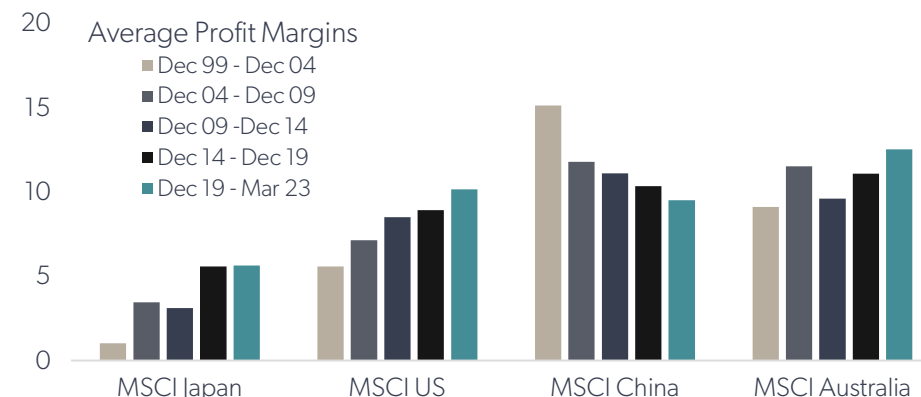
### GROUP 1:

Top 75 stocks ranked by Equity Spread (Return on Equity – Cost of Equity\*\*)

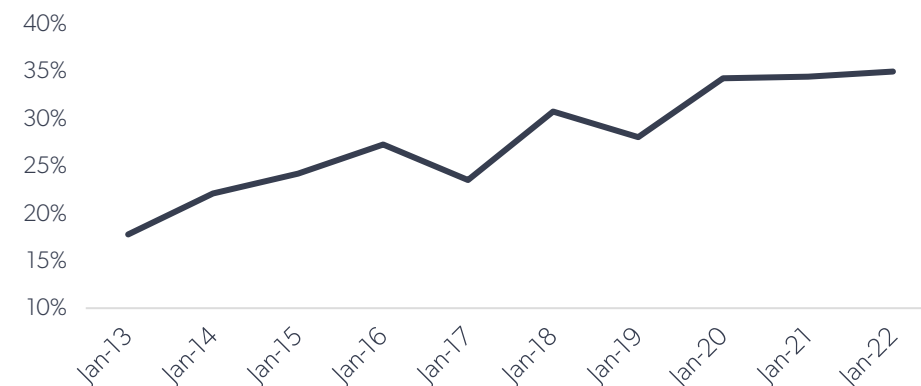
### GROUP 2:

75 stocks, not in group 1, ranked by Market Capitalisation  
As long as Price-To-Book exceeds >1x

## SCOPE FOR MARGINS TO RISE FURTHER IN JAPAN



## JAPAN : CASH\* AS A % OF MARKET CAPITALIZATION



Source: Bloomberg as at May 2023.

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\*Cash = Cash & Cash Equivalents for Japan's top 500 Market Cap, ex. discontinued firms and ex financials \*\*Capital Asset Pricing Model is used to calculate the cost of shareholders' equity

# 1. Unlocking Value in Japan - NEC

NEC is a global IT services company, with strength across the domestic Japan market and global leadership in software for fund managers. NEC is also expanding its 5G base station business globally and is a leader in biometric authentication, quantum computing and artificial intelligence.

## INVESTMENT THESIS

1.

### Valuation:

- 13.7x P/E (next 12 mth analyst consensus), -32% below peer average of 20.4x
- 12.0x P/E (new 12 mth company guidance), yet to feed into analyst consensus
- 9.0x P/E (FY 2025 mid-term company guidance)

2.

### Macro:

- IT Services: Increased digitisation of work flow driven by aging population
- 5G Base Stations: Global leader in the shift to open network architecture

3.

### Catalysts:

- Near term: Analyst forecasts rising toward management guidance
- Mid-term: Conversion of IT orders and 5G open network trials into revenue flow
- Long-term: Increased management focus on shareholder returns

4.

### Insight:

- Deep understanding of long-term drivers and structural change within the organisation

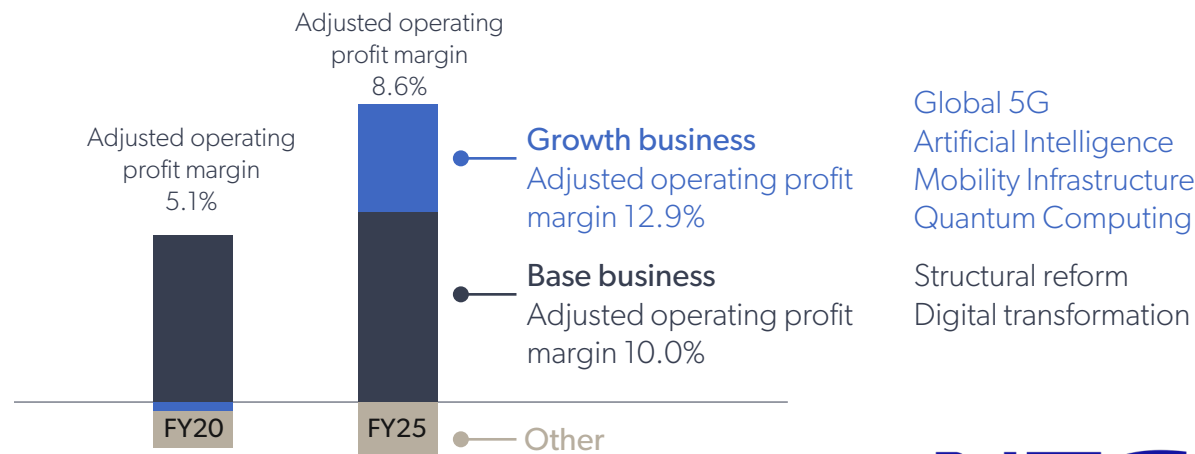
## FORWARD PRICE TO EARNINGS



## TRAILING PRICE TO BOOK



## MANAGEMENT MID-TERM PLAN



## 2. Unlocking Value in Japan – Toyota Industries

Toyota Industries is a global leader in logistics equipment with end-to-end fully automated solutions, including: fully electric guided vehicles/forklifts, stacking/storage solutions and warehouse management software. It is also the global leader in compressors used in electric vehicles.

### INVESTMENT THESIS

1.

#### Valuation:

- Toyota Industries trades at a discount to the value of its equity holdings in other companies. An acquirer could purchase the operating business, the world's largest materials handling company, for free after selling those holdings. Toyota Motor could in particular pay a substantial premium for tax reasons.

2.

#### Macro:

- Warehouse automation: Growth driven by aging population/labour shortages
- Automotive compressors: Highly leveraged to rising electric vehicle penetration

3.

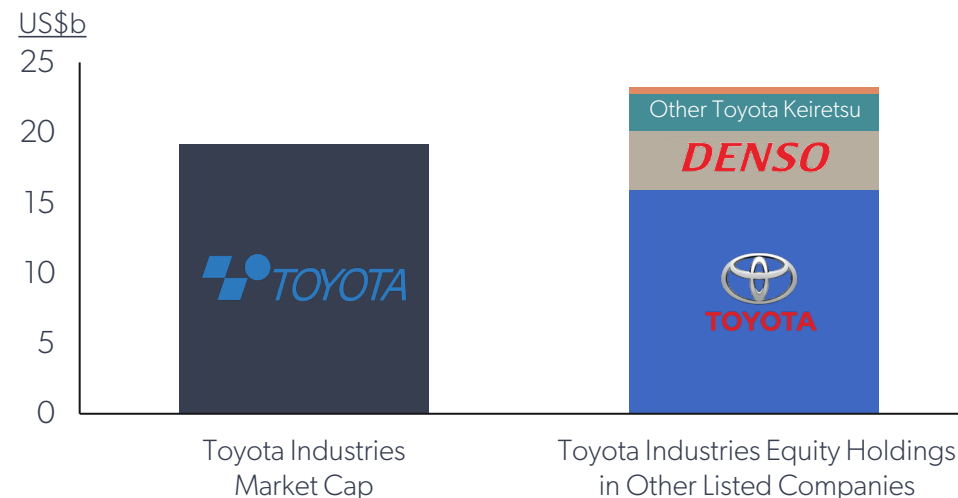
#### Catalysts:

- Improved shareholder returns including share buyback
- Conversion of record order book into revenues
- Increased margin expansion via software solutions

4.

#### Insight:

- Deep understanding of long-term drivers and hidden valuation



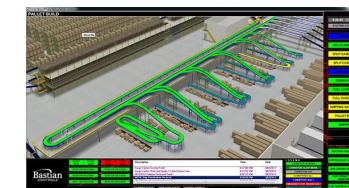
### Toyota Industries provides end-to-end logistics automation



Automated & electric forklifts



Automated storage & retrieval



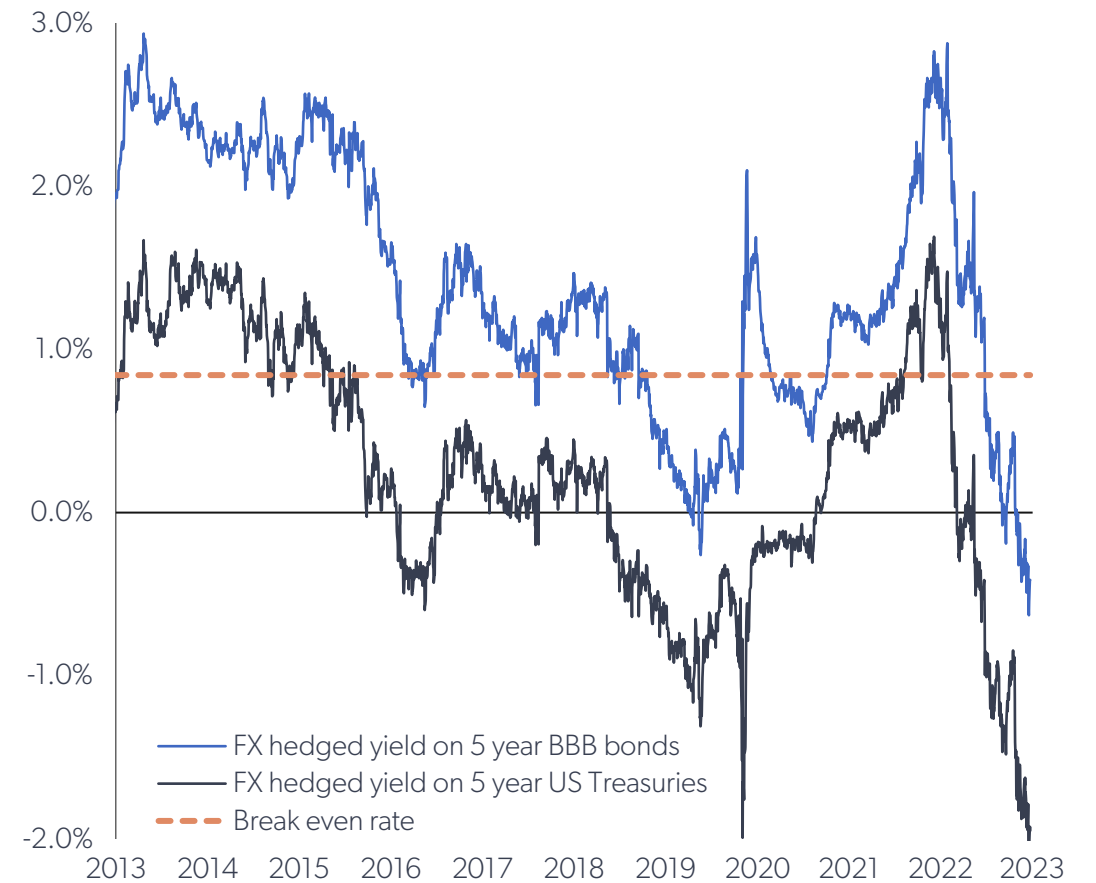
Warehouse management software

# Short Case: Japan Regional Banks Increasingly Lending At A Loss **R E G A L** ASIAN INVESTMENTS

KEY DOMESTIC INTEREST RATES



KEY FOREIGN INTEREST RATES



Source: Bloomberg as at May 2023.

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# Australia

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Philip King, Chief Investment Officer

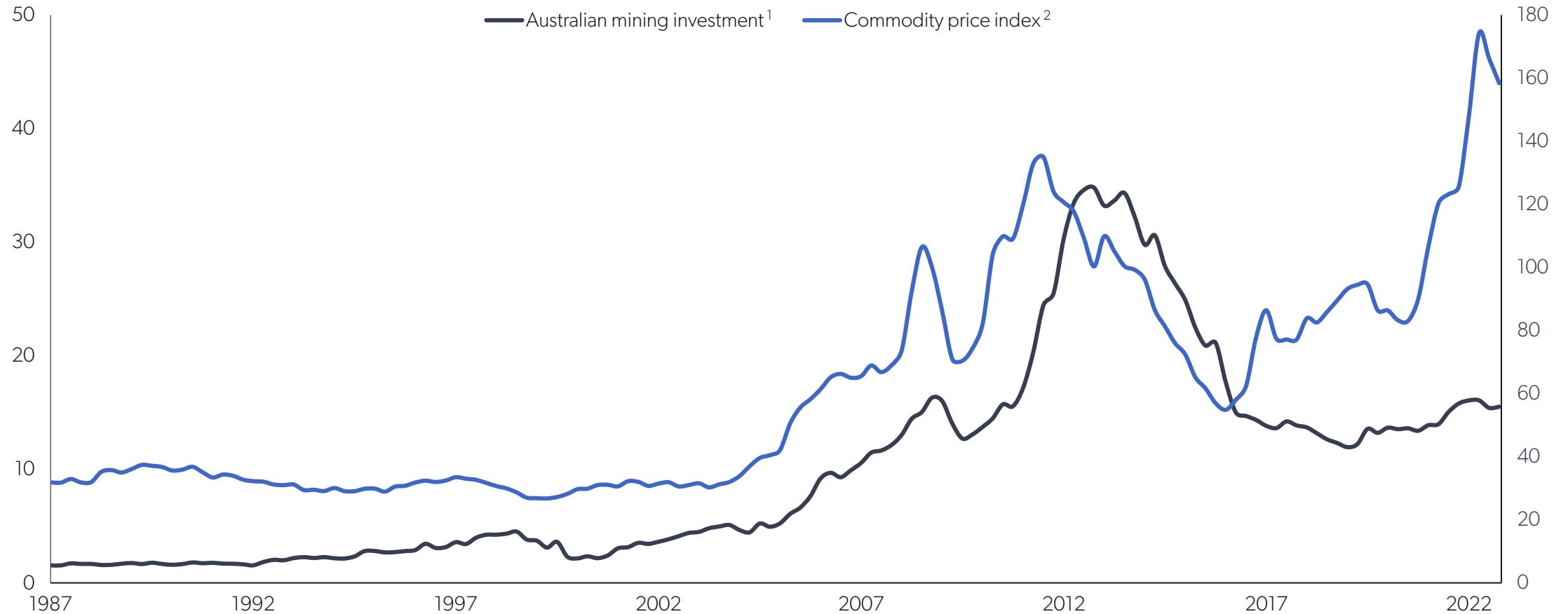




# Mining Investment Continues To Lag

Australia mining investment (A\$b)

Commodity Price Index



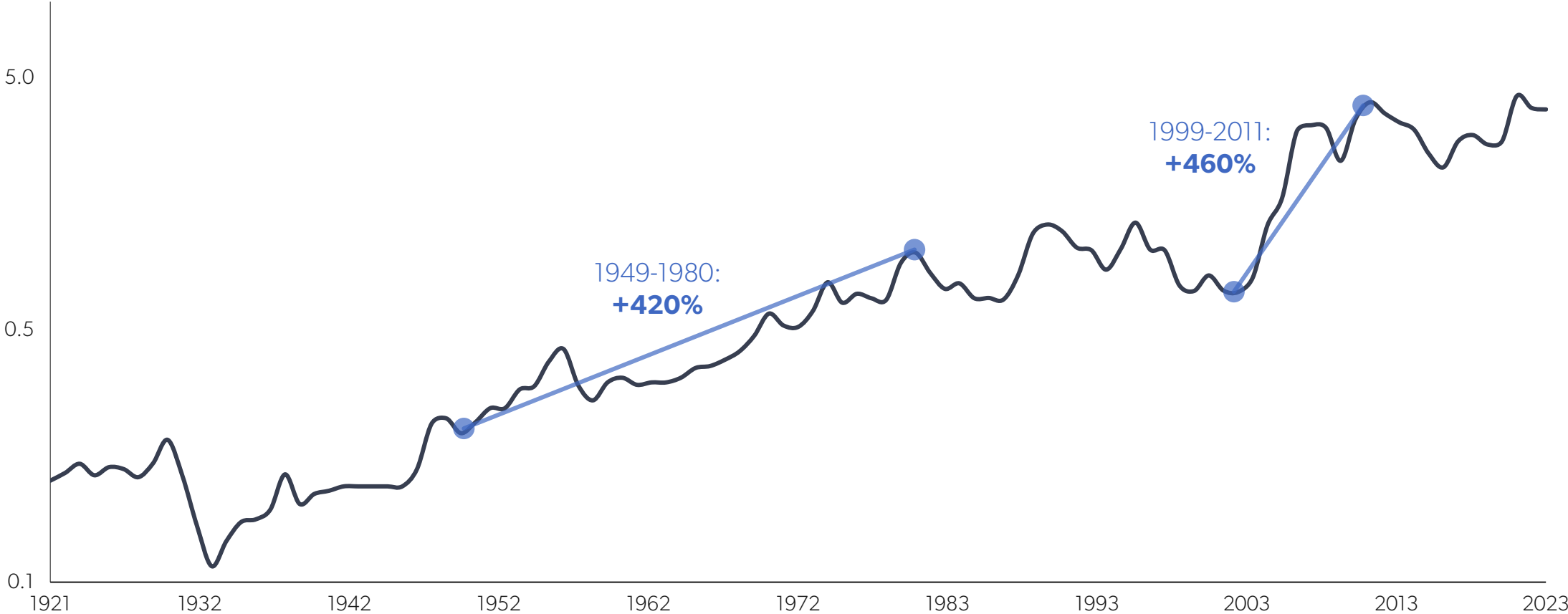
Source: Minack Advisors as at May 2023.

Note: 1. Annual data interpolated using quarterly new capital expenditure data. 2. RBA non-rural commodity index in special drawing rights (SDR) terms — leading by 3 quarters.

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# Copper Prices Over The Last 100 Years

USD / pound (logarithmic scale)



Source: Broker Research, Bloomberg as at May 2023 (annual data, nominal terms).  
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# Resources Trading at Material Discount to Long-Term Average

ASX 200 Resources trading at forward EV/EBITDA of **5.4x**, 25% below the 20 yr average of **7.3x**



Source: FactSet, Goldmans Sachs research as at May 2023.

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# RG8 Update & Overview

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Philip King, Chief Investment Officer



# Investment Management of RG8 transitioned to Regal Funds Management in June 2022

## RG8 HIGHLIGHTS

RG8 Fund Size<sup>1</sup>  
**\$453m**

NTA Return since Regal Transition<sup>2</sup>  
**+8.1%**

Share Return since Regal Transition<sup>2</sup>  
**+16.6%**

## KEY PILLARS OF A SUCCESSFUL LISTED INVESTMENT VEHICLE

### Investment Performance

- Deliver attractive risk-adjusted absolute returns over the medium term
- Perform in line or above market expectations
- Explain mistakes or underperformance

### Investor Engagement & Communication

- Experienced sales and marketing team
- Structured client engagement program (performance updates, webinars, broker meetings and calls)
- Scalable marketing technology and CRM platform

### Capital Management Initiatives

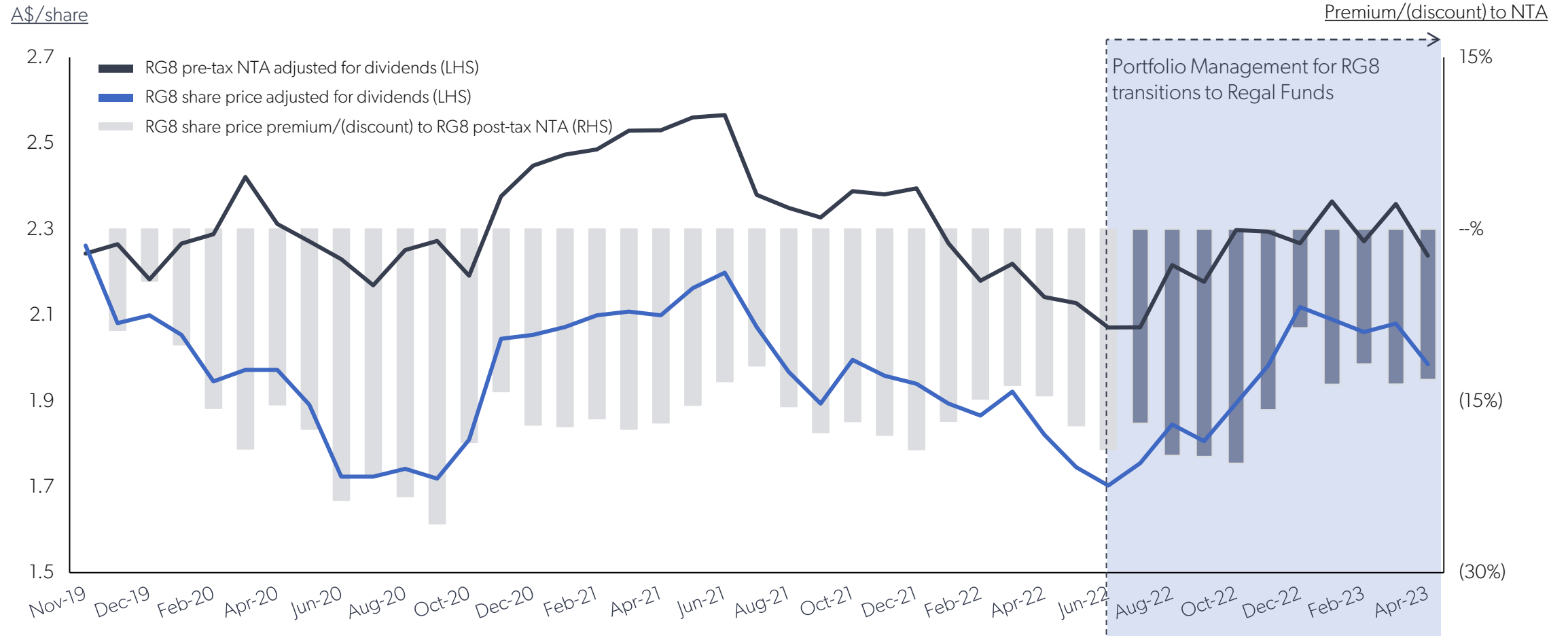
- Defined dividend policy
- Buyback utilised meaningfully when trading at a discount
- Grow and raise capital via a structure that reflects alignment

1. As at 30 April 2023

2. NAV and share price return calculated between 1 July 2022 – 30 April 2023

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# RG8 Performance Since Listing



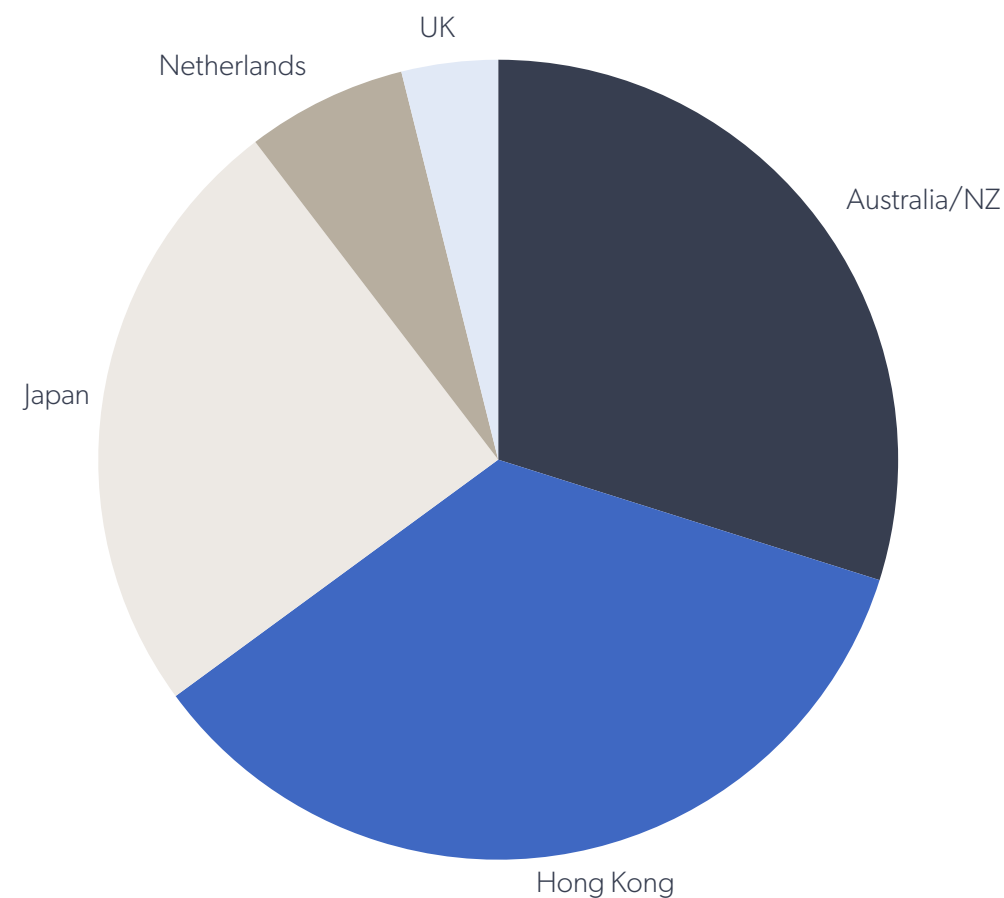
Source: Regal, Bloomberg at 30 April 2023. Adjusted for dividends.  
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# RG8: Actively Managed Asian Exposures

PORTFOLIO EXPOSURES (% OF NTA) – BY SECTOR

SECTOR (GICS)	NET	GROSS
Communication Services	5%	5%
Consumer Discretionary	10%	32%
Consumer Staples	4%	8%
Energy	7%	7%
Financials	-5%	10%
Health Care	19%	22%
Industrials	18%	24%
Information Technology	5%	13%
Materials	8%	23%
Real Estate	4%	5%
<b>Total</b>	<b>76%</b>	<b>149%</b>

PORTFOLIO EXPOSURES (% OF NTA) – BY LISTING



Source: Regal as at 30 April 2023.

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# Update to Investment Guidelines

The Board of RG8 has approved a refinement and simplification of the Investment Guidelines of RG8, with changes to take effect from 1 July 2023. The table below shows the most material guidelines.

EXPOSURE	PREVIOUS GUIDELINES	NEW GUIDELINES
Number of long investments	Typically 15-30	Typically 15-30
Average size of long investments	Start at 1-2% of Portfolio's NAV and build to 4-8% of Portfolio's NAV	Removed from Guidelines
Single security long investment limit	8% of Portfolio's NAV at purchase; maximum of 20% of Portfolio's NAV	10% of Portfolio's NAV at purchase; maximum of 20% of Portfolio's NAV at market value
Number of short positions	Typically 5-25	Typically 5-25
Average size of short positions	Start at 0.5% of Portfolio's NAV and build to 1-2% of Portfolio's NAV	Removed from Guidelines
Single security short position limit	5% of Portfolio's NAV at purchase; maximum of 7.5% of Portfolio's NAV	5% of Portfolio's NAV at purchase; maximum of 7.5% of Portfolio's NAV at market value
Net equity exposure limits	Limited to 100% of Portfolio's NAV; typically between 50-100%	Limited to 100% of Portfolio's NAV; typically between 50-100%
Gross exposure limits	Maximum of 150% of Portfolio's NAV; typically between 70-120%	Maximum of 200% of Portfolio's NAV



REBECCA FESQ

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SHANNON MCCONAGHY

Senior Analyst, Asia  
Regal Funds

PLEASE SUBMIT YOUR QUESTIONS VIA THE SIDE MENU ON THE WEBCAST PLAYER

