

Regal Asian Investments

ASX:RG8

SEPTEMBER 2023^{1,2,3}

Post-Tax Net Tangible Assets (NTA) per share	\$2.28
Net Portfolio Return – September	+1.4%
Net Portfolio Return – Since Inception (p.a.)	+0.1%
Share Price at Month End	\$1.865
Portfolio Size (\$m)	\$421 million
Portfolio Currency Exposure	Fully hedged to AUD ⁴

RG8 generated a net return for September 2023 of +1.4%, despite the negative -2.5% return for the MSCI Asia Pacific Index.

The long portfolio benefited from positive returns in Japanese industrial companies and Australian materials companies. Some of our investments in Australian materials companies are seeing increasing market appreciation of an outlook for improved supply/demand balance in their core commodities, given broad industry underinvestment. In Japan, a number of our investments focused on growing export markets continue to perform well on the back of clear steps toward increasing profitability and returns for investors. We feel there is significant runway for both of these trends to continue to play out.

The overall relative appeal of Asian markets continues to increase following the recent weakness in Asian equity prices, particularly against US equities, which are increasingly competing for investor attention against higher bond yields. The “equity risk premium” for the MSCI Japan Index and Hong Kong Hang Seng Index is now +5.9% and +7.0% respectively. Meanwhile, the MSCI US Index “equity risk premium” has fallen to +0.4%, a near 20-year low.

During September, the short portfolio saw a negative contribution from Japanese banks, while a Korean bank was a large positive contributor to short returns. In Japan, our opinion is that investor earnings expectations for some banks have become far too optimistic in extrapolating the recent rise in Japanese Government Bond (JGB) yields through to bank returns on assets. Japanese banks are most reliant on loan interest rates and these remain weak amidst increasing competition from digital banks, which are able to offer lower spreads, particularly in the critical variable rate mortgage market. Meanwhile, credit cost expenses are set to rise with recent data showing that bankruptcies in Japan rose +41% YoY in the September quarter as COVID protections increasingly roll off. In Korea, our short position is focused on one specific bank that we think is overvalued relative to its medium-term growth prospects, particularly in an environment where the Korean regulator is closely following system stability and willing to intervene to prevent, or at least slow, further expansion of household debt. Korea has the highest household debt-to-GDP ratio in the world at 157%, while its demographic outlook is considerably challenged.

Buy-back: In September, approximately 2.0m RG8 shares were bought at an average price of \$1.88.

ABOUT REGAL ASIAN INVESTMENTS (RG8)

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. 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 (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.

COMPANY INFORMATION

Name	Regal Asian Investments Limited
ASX Code	ASX:RG8
Structure	Listed Investment Company
Inception	13 November 2019
Shares on Issue	197 million
Management Fees	1.50%
Performance Fees	15%
High Water Mark	Yes
Registry	Boardroom Pty Ltd
Custodian	Morgan Stanley / Goldman Sachs

ABOUT REGAL FUNDS MANAGEMENT

Regal Funds Management, a wholly-owned business within Regal Partners Limited (ASX:RPL), is a multi-award winning, specialist alternative investment manager, founded in 2004. 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 30 investment professionals.



PHILIP KING

Philip King is the Co-founder and Chief Investment Officer – Long/Short Equities of Regal Funds Management.

Prior to co-founding Regal, Philip was a Portfolio Manager at London-based De Putron Funds Management, specialising in relative value and special situations investment strategies. Prior to joining DPFM in 2000, Philip was an Equities Analyst at Macquarie Bank for over five years. Philip commenced his career as a chartered accountant at KPMG from 1987-1994.

Philip is widely recognised as one of the key pioneers of the Australian alternative investment industry, having managed absolute return vehicles at Regal for over 17 years. In 2019, Phil was inducted into the Australian Fund Managers Hall of Fame.

CONTACT DETAILS

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PORTFOLIO EXPOSURES (% OF NTA)

Sector (GICS)	Long	Short	Net	Gross
Communication Services	5%	0%	5%	5%
Consumer Discretionary	23%	-13%	10%	36%
Consumer Staples	0%	-2%	-1%	2%
Energy	14%	-1%	12%	15%
Financials	2%	-10%	-8%	12%
Health Care	26%	-1%	25%	28%
Industrials	24%	-5%	19%	29%
Information Technology	12%	-3%	9%	15%
Materials	21%	-11%	10%	32%
Real Estate	3%	0%	3%	3%
Total	130%	-46%	84%	177%

Region (by listing)	Long	Short	Net	Gross
Australia	42%	-20%	22%	62%
Canada	5%	0%	5%	5%
Hong Kong	23%	-4%	18%	27%
Japan	53%	-19%	33%	72%
Korea	0%	-2%	-2%	2%
Netherlands	4%	0%	4%	4%
Thailand	0%	-1%	-1%	1%
US	4%	0%	4%	4%
Total	130%	-46%	84%	177%

PORTFOLIO STATISTICS

Long Exposure:	130%	24 Aug 2023	5.0c
Short Exposure:	-46%	27 Feb 2023	5.0c
Net Exposure:	84%	29 Aug 2022	5.0c
Gross Exposure:	177%	16 Mar 2022	5.0c
Average Weighted Market Cap (US\$):	29,341m	30 Aug 2021	5.5c

EX-DIVIDEND DATES

NET PORTFOLIO RETURN^{2,3}

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	YTD
2023	4.3%	-4.0%	3.8%	-5.1%	-3.8%	4.1%	2.9%	-3.8%	1.4%				-0.7%
2022	-5.4%	-3.8%	1.8%	-3.5%	-0.6%	-2.7%	0.0%	7.0%	-1.8%	5.5%	-0.1%	-1.2%	-5.3%
2021	1.0%	0.5%	1.8%	0.0%	1.2%	0.2%	-7.2%	-1.3%	-0.9%	2.6%	-0.3%	0.6%	-2.2%
2020	3.8%	0.9%	5.8%	-4.5%	-1.7%	-1.8%	-2.7%	3.8%	0.9%	-3.5%	8.4%	3.0%	12.1%
2019											1.0%	-3.6%	-2.7%

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Source: Citco Fund Services (Net Tangible Assets (NTA)), Bloomberg (Share Price). NTA figures are unaudited.

¹ 'Post-Tax NTA' is calculated after tax on realised gains/losses, deferred tax assets and deferred tax liabilities, but before allowing for deferred tax liabilities/deferred tax assets on unrealised gains/losses. As at 30 September 2023, NTA after including deferred tax liabilities/deferred tax assets on unrealised gains/losses was \$2.29 per share, which includes \$0.09 per share of income tax losses available to the Company in future periods.

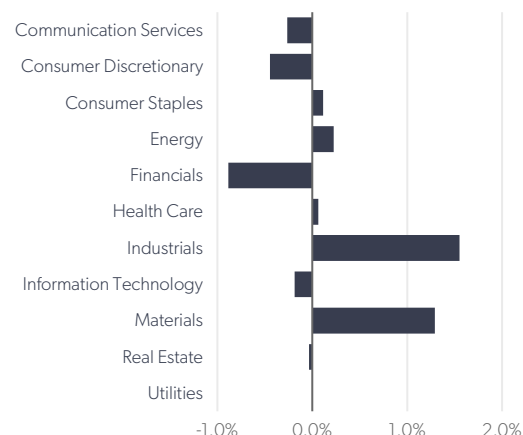
² Portfolio Return (Net) is shown after all applicable fees and expenses and is defined as the movement in pre-tax NTA, adjusting for payments owed to/from taxation authorities from earlier periods, plus dividends.

³ Past performance is not a reliable indicator of future performance.

⁴ If net exposure to a particular currency exceeds +/-5% of the portfolio's net tangible assets, the foreign currency risk is managed by fully hedging to AUD.

MONTHLY ATTRIBUTION ANALYSIS

SECTOR ATTRIBUTION



LONG SHORT ATTRIBUTION

