

27 April 2022

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

BY ELECTRONIC LODGEMENT

Despatch of Notice of Annual General Meeting and Explanatory Memorandum

VGI Partners Limited (VGI:ASX, "VGI") announces the despatch of Notice of its 2022 Annual General Meeting. The Notice of Meeting includes an Explanatory Memorandum regarding the proposed merger between VGI and Regal Funds Management Pty Limited ("Regal") (the "Merger") and is appended to this announcement. The document is also available to view and download at www.vgipartners.com/company (the "VGI Website") under "AGMs".

Annual General Meeting

The business of the Annual General Meeting is set out in full in the Notice of Meeting but will comprise both ordinary business as well as special business relating to the Merger.

The Annual General Meeting will be held 1.00pm (Sydney time) on Friday, 27 May 2022 at The Barnet Long Room, Customs House, 31 Alfred Street Sydney NSW 2000. If it becomes necessary to make alternative arrangements with respect to any aspect of the Annual General Meeting, VGI will advise VGI shareholders through the VGI Website and by making an announcement to the ASX.

VGI shareholders and proxyholders can also participate online at <https://web.lumiagm.com/351-261-367>. The meeting ID is 351-261-367. VGI shareholders who join the Annual General Meeting virtually will be able to listen to the Annual General Meeting, vote in real time, ask questions and make comments online. VGI shareholders will also have an option to ask questions via telephone. For further instructions on how to participate online and via telephone, please view the Virtual / Teleconference AGM Guide, which is appended to this announcement after the Notice of Meeting and which is available on the VGI Website.

All VGI shareholders are encouraged to vote either by attending and voting at the Annual General Meeting, or by lodging a proxy to attend and vote at Annual General Meeting. The Notice of Meeting provides information on how to lodge your proxy form (if applicable).

Explanatory Memorandum

The Explanatory Memorandum, which forms part of the Notice of Meeting, provides VGI shareholders with information about the Merger. VGI shareholders are advised to read the Explanatory Memorandum in its entirety before making a decision on whether or not to vote in favour of the resolutions relating to the Merger that are set out in the Notice of Meeting.

VGI PARTNERS

The Explanatory Memorandum includes a copy of the Independent Expert's Report prepared by Lonergan Edwards & Associates Limited, which should be read in full together with the Explanatory Memorandum.

Director's recommendation

The VGI Board unanimously recommends that VGI shareholders vote in favour of the resolutions relating to the Merger that are set out in the Notice of Meeting, in the absence of a superior proposal. Each VGI director intends to vote all of their eligible VGI shares in favour of those resolutions, in the absence of a superior proposal.

Accessing the Notice of Meeting and Explanatory Memorandum

The Notice of Meeting, including the Explanatory Memorandum, is available for viewing and downloading from the VGI Website. In addition, VGI shareholders who have previously elected:

- to receive shareholder notices electronically will receive an email to their nominated email address that will contain instructions about how to view or download a copy of the Notice of Meeting, including the Explanatory Memorandum; and
- to receive shareholder notices physically will receive a printed copy by post of the Notice of Meeting, including the Explanatory Memorandum.

VGI shareholders who have not made either such elections will receive a letter (sent by post to their registered address) containing details of where they can view and download the Notice of Meeting, including the Explanatory Memorandum.

VGI shareholders who wish to receive a printed copy of the Notice of Meeting, including the Explanatory Memorandum, may request one by calling the VGI Shareholder Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia), Monday to Friday between 8:30am and 5:30pm (Sydney time) or via enquiries@boardroomlimited.com.au.

Further information

VGI shareholders can obtain further information in relation to the Explanatory Memorandum, the Merger or the Annual General Meeting by visiting the VGI Website or calling the VGI Shareholder Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia), Monday to Friday between 8:30am and 5:30pm (Sydney time).

Authorised for release by:

Ian Cameron, Company Secretary

VGI PARTNERS

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VGI PARTNERS

Notice of
Annual General
Meeting and
Explanatory
Memorandum

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Notice of Annual General Meeting

Dear VGI Shareholders,

VGI Partners Limited (**VGI** or the **Company**) will hold its Annual General Meeting at 1.00pm (Sydney time) on Friday, 27 May 2022 at The Barnet Long Room, Customs House, 31 Alfred Street Sydney NSW 2000, for the purpose of transacting the business set out in this Notice of Meeting, being the ordinary business and the special business which relates to the proposed merger between VGI and Regal Funds Management Pty Limited (**Regal**) pursuant to which VGI will acquire all of the issued shares in Regal in consideration for the issue of New VGI Shares to Regal Shareholders (the **Merger**).

The VGI Directors recommend that VGI Shareholders read this Notice of Meeting and the Explanatory Memorandum, which forms part of this Notice of Meeting and which contains a detailed explanation of the background and reasons for the Merger, in full before making any decision in relation to the resolutions set out in this Notice of Meeting.

VGI Shareholders will be able to join the Annual General Meeting virtually, vote in real time, ask questions and make comments online. You will also have an option to ask questions via telephone. The Annual General Meeting will be webcast live at <https://web.lumiagm.com/351-261-367>. Information on how to participate through the online platform is provided on page 11 and on the VGI website at www.vgipartners.com/company (the **VGI Website**). If it becomes necessary to make alternative arrangements with respect to any aspect of our Annual General Meeting, we will advise you through the VGI Website and by making an announcement to the ASX.

Alternatively, you can vote by appointing a proxy by completing the proxy form enclosed with this Notice of Meeting and Explanatory Memorandum or by lodging your proxy online at www.votingonline.com.au/vgiagm2022 in accordance with the instructions therein (as applicable) so that it is received by no later than 1.00pm (Sydney time) on Wednesday, 25 May 2022.

Unless defined in this Notice of Meeting, capitalised terms used in this Notice of Meeting are defined in the Glossary of the Explanatory Memorandum.

Notice of Annual General Meeting

Ordinary Business

Consideration of Financial Report, Directors' Report and Auditor's Report

To receive and consider the Financial Report, Directors' Report and Auditor's Report for VGI and its controlled entities for the financial year ended 31 December 2021 (**2021 Financial Year**).

Please note that there is no requirement for VGI Shareholders to approve these reports.

Resolution 1 – Adoption of the 2021 Financial Year Remuneration Report

VGI Shareholders are asked to consider and, if thought fit, pass the following non-binding resolution as an ordinary resolution:

That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Remuneration Report for the 2021 Financial Year be adopted.

Please note that the vote on this resolution is non-binding.

Resolution 2 – Re-election of Jaye L Gardner as Director

VGI Shareholders are asked to consider and, if thought fit, pass the following resolution as an ordinary resolution:

That Jaye L Gardner, who retires by rotation in accordance with VGI's Constitution and being eligible, offers herself for re-election as an independent Non-Executive Director of VGI.

Resolution 3 – Amendment of VGI's Constitution for non-Merger matters

VGI Shareholders are asked to consider and, if thought fit, pass the following resolution as a special resolution:

That, with effect from the conclusion of VGI's 2022 Annual General Meeting, Articles 8, 32, 33 and 40 of VGI's Constitution be amended in the manner described in "Explanation of Resolutions" section of this Notice of Meeting.

Special Business

Resolution 4 – Approval of acquisition of relevant interests in VGI Shares by Regal Shareholders

VGI Shareholders are asked to consider and, if thought fit, pass the following resolution as an ordinary resolution:

That, for the purpose of section 611, item 7 of the Corporations Act, and as outlined in the Explanatory Memorandum which forms part of this Notice of Meeting, approval is given for:

- a) the acquisition by VGI of all of the issued share capital in Regal in consideration for the issue of New VGI Shares to Regal Shareholders on Completion as set out in the Explanatory Memorandum which forms part of this Notice of Meeting; and*
- b) the resulting acquisition by certain Regal Shareholders of relevant interests in VGI Shares on Completion of the Merger, giving those Regal Shareholders Voting Power of 20% or more but not exceeding the percentages stated in section 7.2(b) of the Explanatory Memorandum which forms part of this Notice of Meeting.*

Philip King (Chief Investment Officer and Co-Founder of Regal)¹ and his Associates (including New Highland Pty Limited (as trustee of the King Family Trust) and New Highland Pty Limited (as trustee of the Philip King Family)) are Regal Shareholders for the purposes of Resolution 4 and section 611, item 7 of the Corporations Act, and will acquire a relevant interest in 42.53% of all VGI Shares immediately following Completion of the Merger.

Other than as stated above, no Regal Shareholder (either alone or together with its Associates) will have a relevant interest of greater than 5% of VGI Shares immediately following Completion.

Resolution 5 – Approval of acquisition of relevant interests in Escrowed Shares by VGI

VGI Shareholders are asked to consider and, if thought fit, pass the following resolution as an ordinary resolution:

That, subject to Resolution 4 being passed, for the purpose of section 611, item 7 of the Corporations Act, and as outlined in the Explanatory Memorandum which forms part of this Notice of Meeting, approval is given for the acquisition by VGI of a relevant interest in the Escrowed Shares to be issued to Regal Shareholders on Completion of the Merger.

Resolution 6 – Election of the Listed Entity Directors

VGI Shareholders are asked to consider and, if thought fit, pass the following resolution as an ordinary resolution:

That, conditional on Completion of the Merger having occurred:

- a) Michael J Cole, being eligible for election, is elected as an independent Non-Executive Director of VGI;*
- b) Sarah Dulhunty, being eligible for election, is elected as an independent Non-Executive Director of VGI; and*
- c) Ian M Gibson, being eligible for election, is elected as an Executive Director of VGI.*

Resolution 7 – Change of name of VGI Partners Limited

VGI Shareholders are asked to consider and, if thought fit, pass the following resolution as a special resolution:

That approval is given for the name of VGI Partners Limited to be changed to "Regal Partners Limited", conditional on Completion of the Merger having occurred.

1. Please refer to section 6.7 of the Explanatory Memorandum for further information regarding Philip King.

Notice of Annual General Meeting

Resolution 8 – Approval to increase the Non-Executive Directors' fee cap

VGI Shareholders are asked to consider and, if thought fit, pass the following resolution as an ordinary resolution:

That approval is given for all purposes, including Article 63.1 of VGI's Constitution and ASX Listing Rule 10.17, for the aggregate amount of remuneration that may be paid per annum to VGI's Non-Executive Directors to be increased from the present limit of A\$850,000 to A\$1,200,000, conditional on Completion of the Merger having occurred.

Voting Exclusion Statements

Voting Exclusion Statement for Resolution 1 (Adoption of the Remuneration Report)

VGI will disregard any votes cast on Resolution 1:

- by or on behalf of a member of VGI's key management personnel (including the VGI Directors) (**KMP**) whose remuneration is disclosed in the Remuneration Report, or any of their closely related parties, regardless of the capacity in which the vote is cast; or
- as a proxy by a person who is a member of VGI's KMP, at the date of the Annual General Meeting, or their closely related parties.

However, VGI need not disregard a vote if they are cast on Resolution 1 by:

- a person as proxy for a shareholder entitled to vote on this Resolution 1, in accordance with a direction given to the proxy or attorney to vote on Resolution 1 in that way; or
- the Chairman of the Annual General Meeting under an express authorisation in the proxy appointment to exercise the proxy even though Resolution 1 is connected with the remuneration of the KMP.

Voting Exclusion Statement for Resolution 4 (Approval of acquisition of relevant interests in VGI Shares by Regal Shareholders)

In accordance with section 611, item 7 of the Corporations Act, VGI will disregard any votes cast on Resolution 4:

- by or on behalf of any person who is to receive New VGI Shares on Completion of the Merger; and
- by or on behalf of an Associate of any of them.

However, VGI need not disregard a vote if they are cast on Resolution 4 by:

- a person as proxy for a shareholder entitled to vote on this Resolution 4, in accordance with a direction given to the proxy or attorney to vote on Resolution 4 in that way; or
- the Chairman of the Annual General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Exclusion Statement for Resolution 5 (Approval of acquisition of relevant interests in Escrowed Shares by VGI)

In accordance with section 611, item 7 of the Corporations Act, VGI will disregard any votes cast on Resolution 5 by any member of the VGI Group or their Associates. However, VGI need not disregard a vote if they are cast on Resolution 5 by:

- a person as proxy for a shareholder entitled to vote on this Resolution 5, in accordance with a direction given to the proxy or attorney to vote on Resolution 5 in that way; or
- the Chairman of the Annual General Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Exclusion Statement for Resolution 8 (Approval to increase the Non-Executive Directors' fee cap)

In accordance with ASX Listing Rule 10.17, VGI will disregard any votes cast on Resolution 8:

- by or on behalf of a member of a VGI Director or any of their Associates, regardless of the capacity in which the vote is cast; or
- as a proxy by a person who is a member of VGI's KMP, at the date of the Annual General Meeting, or their closely related parties.

However, VGI need not disregard a vote if they are cast on Resolution 8 by:

- a person as proxy for a shareholder entitled to vote on this Resolution 8, in accordance with a direction given to the proxy or attorney to vote on Resolution 8 in that way;
- the Chairman of the Annual General Meeting as proxy or attorney for a shareholder entitled to vote on this Resolution 8, in accordance with a direction given to the Chairman of the Annual General Meeting to vote on the resolution as the Chairman decides; or
- a shareholder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - > the beneficiary provides written confirmation to the shareholder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on Resolution 8; and
 - > the shareholder votes on the resolution in accordance with directions given by the beneficiary to the shareholder to vote in that way.

By order of the Board.



Ian Cameron

Company Secretary

27 April 2022

Explanation of Resolutions

The proposed resolutions in this Notice of Meeting should be read together with this section and the Explanatory Memorandum which forms part of this Notice of Meeting which sets out a detailed explanation of the background and reasons for the special business.

The VGI Directors recommend that VGI Shareholders read the Notice of Meeting and Explanatory Memorandum in full before making any decision in relation to the resolutions set out below.

Overview

There are eight resolutions to be considered at the Annual General Meeting:

- **Resolution 1** – Adoption of the 2021 Financial Year Remuneration Report;
- **Resolution 2** – Re-election of Jaye L Gardner as Director;
- **Resolution 3** – Amendment of VGI's Constitution for non-Merger matters;
- **Resolution 4** – Approval of acquisition of relevant interests in VGI Shares by Regal Shareholders;
- **Resolution 5** – Approval of acquisition of relevant interests in Escrowed Shares by VGI;
- **Resolution 6** – Election of the Listed Entity Directors;
- **Resolution 7** – Change of name of VGI Partners Limited; and
- **Resolution 8** – Approval to increase the Non-Executive Directors' fee cap.

For the Merger to proceed, Resolution 4 must be passed at the Annual General Meeting. If Resolution 4 is not passed, the Merger will not proceed and Resolutions 5, 6, 7 and 8 will not be effective.

If Resolution 4 is passed at the Annual General Meeting but Resolution 5 is not passed, VGI and Regal intend to procure the amendment of the Escrow Arrangements as they apply to the VGI Shares controlled by Philip King (Chief Investment Officer and Co-Founder of Regal)², Andrew King, and/or The Regal Foundation to reduce the number of VGI Shares which are the subject of Escrow Deeds and increase the number of VGI Shares which are the subject of the statements of intention described in section 8.2(a)(viii) of the Explanatory Memorandum (with no change to the overall number of VGI Shares controlled by Philip King, Andrew King, and The Regal Foundation which are the subject of Escrow Arrangements). VGI will not acquire relevant interests in VGI Shares which are the subject of the statements of intention described in section 8.2(a)(viii) of the Explanatory Memorandum. As such, these changes will ensure that VGI's relevant interest in VGI Shares does not increase as a result of the Escrow Arrangements taking effect. This will enable such Escrow Arrangements to become effective without approval from VGI Shareholders for the purposes of section 611, item 7 of the Corporations Act. Such changes would, if effected, be announced to the ASX and would not otherwise amend the relevant escrow release dates or aggregate number of VGI Shares which are the subject of Escrow Arrangements.³

The VGI Board recommends that VGI Shareholders vote in favour of Resolutions 5 and 7 in the absence of a Superior Proposal. VGI and Regal have, however, agreed to waive the approval of Resolutions 5 and 7 as conditions precedent to Completion for the purposes of the Merger Implementation Deed.⁴

Resolutions 1, 2, 4, 5, 6 and 8 are ordinary resolutions. In order for an ordinary resolution to be passed, more than 50% of the votes cast on the resolution by VGI Shareholders entitled to vote on the resolution must be in favour of the resolution.

Resolutions 3 and 7 are special resolutions. In order for a special resolution to be passed, more than 75% of the votes cast on the resolution by VGI Shareholders entitled to vote on the resolution must be in favour of the resolution.

RMPL Investments Pty Ltd (as trustee for the RMPL Family Trust), an entity controlled by Robert Luciano, currently holds over 50% of VGI Shares. Robert Luciano intends to direct that entity to vote in favour of the Merger Resolutions which it is eligible to vote on in the absence of a Superior Proposal and to vote in favour of all other resolutions. As such, all ordinary resolutions that RMPL Investments Pty Ltd (as trustee for the RMPL Family Trust) is eligible to vote on, including Resolution 4, are expected to be passed by the votes cast by RMPL Investments Pty Ltd (as trustee for the RMPL Family Trust).

2. Please refer to section 6.7 for further information regarding Philip King.

3. In this scenario, the Listed Entity will convene a general meeting of Listed Entity shareholders after Completion at which approval will be sought to make certain of the VGI Shares controlled by Philip King, Andrew King, and/or The Regal Foundation which are the subject of the statements of intention, subject to Escrow Deed(s) by approving VGI's acquisition of a relevant interest in those VGI Shares that would result from those shares becoming subject to Escrow Deed(s).

4. If Resolution 7 is not passed at the Annual General Meeting, the Listed Entity will convene a general meeting of Listed Entity shareholders after Completion at which approval will be sought to change the name of the Listed Entity from "VGI Partners Limited" to "Regal Partners Limited". The same approach will be taken with regard to the matters set out in Resolution 5, as noted above.

Explanation of Resolutions

Ordinary Business

Financial Report, Directors' Report and Auditor's Report (not voted on)

This item of business calls for shareholders to formally receive VGI's Financial Report for the year ended 31 December 2021 (which includes all the financial statements and notes), Directors' Report and the Auditor's Report. The Financial Report, Directors' Report and Auditor's Report were set out in VGI's 2021 Annual Report which was lodged with the ASX on 28 February 2022. The Annual Report is available on the VGI Website.

While VGI Shareholders are not required to vote on the Financial Report, Directors' Report and Auditor's Report, there will be reasonable opportunity at the Annual General Meeting to ask questions on the reports, the business and management of VGI.

VGI's auditor, Deloitte Touche Tohmatsu, will be in attendance at the Annual General Meeting and can answer questions on the conduct of the audit and the content of the Auditor's Report, the accounting policies adopted by VGI in relation to the preparation of the financial statements and the independence of the auditor in relation to the conduct of the audit.

Resolution 1 – Adoption of the 2021 Financial Year Remuneration Report

The Remuneration Report on pages 11 to 17 of VGI's 2021 Annual Report sets out the remuneration policies of VGI and reports on remuneration arrangements in place for Executive Directors and Non-Executive Directors and members of the KMP during the 2021 Financial Year.

In accordance with section 250SA(1) of the Corporations Act, VGI Shareholders will have a reasonable opportunity at the meeting to ask questions about, or make comments on, the Remuneration Report before calling for a vote.

As prescribed by the Corporations Act, the vote on the adoption of the Remuneration Report is advisory only and does not bind the Directors or VGI. However, the VGI Board does take the outcome of the vote and discussion at the meeting into account when considering VGI's future remuneration arrangements.

In accordance with the requirements of the Corporations Act, if 25% or more of the votes cast are against the adoption of the Remuneration Report at two consecutive annual general meetings, VGI Shareholders will, broadly, be required to vote at the second of those annual general meetings on a resolution (a **Spill Resolution**) that another meeting be held within 90 days (a **Spill Meeting**) at which all of the Directors (other than the Managing Director) at the time of the last annual general meeting must cease to hold office unless re-elected at the Spill Meeting. The Spill Resolution is an ordinary resolution.

Recommendation: The VGI Directors unanimously recommend that VGI Shareholders vote in favour of Resolution 1.

Resolution 2 – Re-election of Jaye L Gardner as Director

Jaye L Gardner is seeking re-election and will address VGI Shareholders at the Annual General Meeting.

The experience, skills and qualifications of Jaye L Gardner are set out below.

Ms Gardner has more than thirty years' experience in corporate finance. She is a Managing Director of Grant Samuel, where she is responsible for the preparation of many of Grant Samuel's valuations and independent expert's reports, primarily for top 200 ASX-listed companies. She also advises on mergers, acquisitions and asset sales with a focus on the financial services, property, health and media industries. Ms Gardner holds a Bachelor of Commerce and a Bachelor of Laws (First Class Honours) from the University of Queensland.

Ms Gardner is a Senior Fellow of the Financial Services Institute of Australasia, an Associate of the Institute of Chartered Accountants in Australia and New Zealand and a Graduate of the Australian Institute of Company Directors. Ms Gardner was a Director of VG1 from 25 July 2017 to 8 May 2019.

Recommendation: The VGI Directors (with Ms Gardner abstaining) unanimously recommend that VGI Shareholders vote in favour of Resolution 2.

Explanation of Resolutions

Ordinary Business *continued*

Resolution 3 – Amendment of VGI's Constitution for non-Merger matters

The VGI Board have reviewed the VGI Constitution to consider whether any additional amendments are necessary or desirable given recent developments in corporate law and governance and amendments to the Corporations Act regarding virtual meetings. The proposed amendments to the VGI Constitution are summarised in the table below.

Under section 136(2) of the Corporations Act, a company may modify or repeal its constitution or a provision of its constitution by special resolution of shareholders.

Article	Proposed amendment	Rationale
Article 8	<p><i>Article 8.3 is deleted in its entirety and replaced with the following:</i></p> <p><i>The Company is entitled to and in respect of CHESSE Holdings must:</i></p> <ul style="list-style-type: none"> <i>a) record the names of only the first four joint holders of a Share on the Register;</i> <i>b) regard the four joint holders of a Share appearing first on the Register as the registered holders of that Share to the exclusion of any other holders; and</i> <i>c) disregard the entitlement of any person to be registered on the Register as a holder if the name of the person would appear on the Register after the first four holders for that Share.</i> 	<p>The CHESSE system, which is used by the ASX to record shareholdings, can currently recognise up to three individuals as joint holders of a share. Currently, Article 8 of VGI's Constitution states that VGI is not bound to register more than three persons as holders of shares. The ASX is planning to replace its CHESSE system in the medium term. The new CHESSE replacement will allow for up to four joint holders of a share. As a result, the ASX recommends listed entities amend their constitutions to remove or amend restrictions on the number of joint holders of securities.</p>
Article 32	<p><i>Article 32.4 is deleted in its entirety and replaced with the following:</i></p> <p><i>32.4 Subject to the requirements of the Corporations Act, the Company may hold a general meeting (including an annual general meeting): (i) at one or more physical venues; (ii) at one or more physical venues and using virtual meeting technology; or (iii) using virtual meeting technology only.</i></p> <p><i>Insertion of new Articles 32.5 – 32.13 which read:</i></p> <p><i>32.5 The place at which a meeting of the members of a company is held is taken to be:</i></p> <ul style="list-style-type: none"> <i>a) if the meeting is held at only one physical venue (whether or not it is also held using virtual meeting technology)—that physical venue; or</i> <i>b) if the meeting is held at more than one physical venue (whether or not it is also held using virtual meeting technology)—the main physical venue of the meeting as set out in the notice of the meeting; or</i> <i>c) if the meeting is held using virtual meeting technology only—the registered office of the company.</i> <p><i>32.6 The time at which the meeting is held is taken to be the time at the place at which the meeting is taken to be held.</i></p> <p><i>32.7 A member who attends the meeting (whether at a physical venue or by using virtual meeting technology) is taken for all purposes to be present in person at the meeting while so attending.</i></p> <p><i>32.8 The Company must give the members entitled to attend the meeting, as a whole, a reasonable opportunity to participate in the meeting.</i></p> <p><i>32.9 The meeting must be held at a time that is reasonable at:</i></p> <ul style="list-style-type: none"> <i>a) if the meeting is held at only one physical venue (whether or not it is also held using virtual meeting technology)—that physical venue; or</i> <i>b) if the meeting is held at more than one physical venue (whether or not it is also held using virtual meeting technology)—the main physical venue of the meeting as set out in the notice of the meeting; or</i> <i>c) if the meeting is held using virtual meeting technology only—a physical venue at which it would be reasonable to hold the meeting.</i> 	<p>The coronavirus pandemic, associated social distancing measures and restrictions on large gatherings have significantly impacted VGI's ability to hold traditional annual general meetings in Sydney. Whilst VGI is not proposing to transition to virtual general meetings as the default meeting setting, the proposed addition to Article 32 of VGI's Constitution will provide the Company with the necessary flexibility to hold wholly virtual general meetings where necessary or appropriate.</p> <p>This amendment provides greater flexibility and clarity around the Company holding general meetings (including annual general meetings) using technology including, to the extent permitted under the Corporations Act, using virtual meeting technology only. It also incorporates other requirements set out in recent amendments to the Corporations Act relating to the holding of meetings.</p>

Explanation of Resolutions

Ordinary Business *continued*

Resolution 3 – Amendment of VGI's Constitution for non-Merger matters *continued*

Article	Proposed amendment	Rationale
Article 32 <i>continued</i>	<p>32.10 <i>If the meeting is held at only one physical venue (whether or not it is also held using virtual meeting technology), it must be reasonable to hold the meeting at that physical venue.</i></p> <p>32.11 <i>If the meeting is held at more than one physical venue (whether or not it is also held using virtual meeting technology), it must be reasonable to hold the meeting at its main physical venue as set out in the notice of the meeting.</i></p> <p>32.12 <i>If the meeting is held at more than one physical venue (whether or not it is also held using virtual meeting technology), the technology used to hold the meeting at more than one physical venue must be reasonable.</i></p> <p>32.13 <i>If the meeting is held using virtual meeting technology (whether or not it is held at one or more physical venues), that virtual meeting technology must be reasonable and allow the members who are entitled to attend the meeting, and do attend the meeting using that virtual meeting technology, as a whole, to exercise orally and in writing any rights of those members to ask questions and make comments.</i></p>	
Article 33	<p>Article 33.3(a) is deleted in its entirety and replaced with the following: 33.3(a) specify:</p> <ul style="list-style-type: none"> i) <i>if there is only one location at which the members who are entitled to physically attend the meeting may do so – the date, time and place for the meeting;</i> ii) <i>if there are 2 or more locations at which the members who are entitled to physically attend the meeting may do so – the date and time for the meeting at each location, and the main location for the meeting; and</i> iii) <i>if virtual meeting technology is to be used in holding the meeting – sufficient information to allow the members to participate in the meeting by means of the technology;</i> 	This amendment reflects recent amendments to the Corporations Act relating to requirements for notices of meetings.
Article 40	<p>Article 40.2 is deleted in its entirety and replaced with the following: 40.2 A resolution put to the vote of a general meeting must be decided on a poll (and not a show of hands) if:</p> <ul style="list-style-type: none"> a) <i>the notice of the meeting set out an intention to propose the resolution and stated the resolution;</i> b) <i>or the company has given notice of the resolution in accordance with clause 33; or</i> c) <i>a poll is demanded.</i> <p>Article 40.4 is deleted in its entirety and is replaced with the following: 40.4 Unless a poll is required or demanded:</p> <ul style="list-style-type: none"> a) <i>a declaration by the chairperson that a resolution has been carried, carried by a specified majority, or lost; and</i> b) <i>an entry to that effect in the minutes of the general meeting,</i> <p><i>are, together, conclusive evidence of the fact without proof of the number or proportion of the votes in favour of or against the resolution.</i></p>	This amendment reflects recent amendments to the Corporations Act which provide that votes on resolutions which are set out in a notice of meeting of a listed entity's members must be conducted by way of a poll. This requirement is not a replaceable rule and will need to be complied with even if there is a contrary clause in a company's constitution.

Recommendation: The VGI Directors unanimously recommend that VGI Shareholders vote in favour of Resolution 3.

Explanation of Resolutions

Special Business

Resolution 4 – Approval of acquisition of relevant interests in VGI Shares by Regal Shareholders

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in voting shares of a listed company if the acquisition would increase a person's Voting Power in the company from 20% or below to more than 20%, or from a starting point that is above 20% and below 90%. Section 611, item 7 of the Corporations Act permits the acquisition of a relevant interest in voting shares in a listed company that would otherwise contravene section 606 of the Corporations Act if it has previously been approved by a resolution of members where no votes are cast in favour of the resolution by a person acquiring the relevant interest and its associates.

The acquisition by certain Regal Shareholders of a relevant interest in the New VGI Shares to be issued to them in consideration for transferring their ordinary shares in Regal to VGI as part of the Merger would, in the absence of shareholder approval pursuant to section 611, item 7 of the Corporations Act, be prohibited under section 606 of the Corporations Act.

On Completion, Philip King (Chief Investment Officer and Co-Founder of Regal)⁵ and his Associates (including New Highland Pty Limited (as trustee of the King Family Trust) and New Highland Pty Limited (as trustee of the Philip King Family Trust)) will have an aggregate Voting Power of 42.53% in the Listed Entity. The Regal Shareholders' collective Voting Power in the Listed Entity immediately following Completion will not exceed 66.7%.

Other than as stated above, no Regal Shareholder (either alone or together with its Associates) will have Voting Power of greater than 5% of VGI Shares immediately following Completion.

Section 7.2 of the Explanatory Memorandum sets out a summary of the share capital of the Merged Group and the ownership structure of the Listed Entity.

Recommendation: The VGI Directors unanimously recommend that VGI Shareholders vote in favour of Resolution 4 in the absence of a Superior Proposal. The reasons for the VGI Directors' recommendation are outlined in the Letter from Executive Chairman and Managing Director of VGI and section 4.1 of the Explanatory Memorandum.

Resolution 5 – Approval of acquisition of relevant interests in Escrowed Shares by VGI

The Merger Implementation Deed contemplates that certain Regal Shareholders will enter into voluntary escrow arrangements with VGI on or prior to Completion of the Merger. Section 5.3 of the Explanatory Memorandum provides an overview of these voluntary escrow arrangements and sections 8.2(b) to 8.2(e) set out a summary of the key terms of the Escrow Deeds.

The effect of section 608(1)(c) of the Corporations Act is that a person who enters into an escrow agreement with a holder will acquire a relevant interest in the securities that are subject to the escrow because that person controls the exercise of a power of the securities. The power to control disposal includes the 'negative power' of restriction.

Section 608(9) of the Corporations Act states that section 608 may result in a body corporate having a relevant interest in its own securities. This confirms that a company may have a relevant interest in its own securities if it has entered into an escrow arrangement with a security holder.

VGI currently has a 50.55% relevant interest in VGI Shares arising from negative control over VGI Shares under existing formal escrow deeds. VGI's relevant interest in VGI Shares will increase to 70.08% as a result of VGI entering into the escrow deeds with the Regal Shareholders described in section 5.3 of the Explanatory Memorandum on and from Completion of the Merger.

As such, the acquisition by VGI of a relevant interest in the Escrowed Shares by way of entry into the Escrow Deeds with the Regal Shareholders as described in section 5.3 of the Explanatory Memorandum would, without shareholder approval pursuant to section 611, item 7 of the Corporations Act, be prohibited under section 606 of the Corporations Act. Notwithstanding the above, if Resolution 4 is passed at the Annual General Meeting but Resolution 5 is not passed, VGI and Regal intend to procure the amendment of the Escrow Arrangements as they apply to the VGI Shares controlled by Philip King, Andrew King, and/or The Regal Foundation to reduce the number of VGI Shares which are the subject of Escrow Deeds and increase the number of VGI Shares which are the subject of the statements of intention described in section 8.2(a)(viii) of the Explanatory Memorandum (with no change to the overall number of VGI Shares controlled by Philip King, Andrew King, and The Regal Foundation which are the subject of Escrow Arrangements). VGI will not acquire relevant interests in VGI Shares which are the subject of the statements of intention described in section 8.2(a)(viii) of the Explanatory Memorandum. As such, these changes will ensure that VGI's relevant interest in VGI Shares does not increase as a result of the Escrow Arrangements taking effect. This will enable such Escrow Arrangements to become effective without approval from VGI Shareholders for the purposes of section 611, item 7 of the Corporations Act. Such changes would, if effected, be announced to the ASX and would not otherwise amend the relevant escrow release dates or aggregate number of VGI Shares which are the subject of Escrow Arrangements.⁶

5. Please refer to section 6.7 for further information regarding Philip King.

6. In this scenario, the Listed Entity will convene a general meeting of Listed Entity shareholders after Completion at which approval will be sought to make certain of the VGI Shares controlled by Philip King, Andrew King, and/or The Regal Foundation which are the subject of the statements of intention, subject to Escrow Deed(s) by approving VGI's acquisition of a relevant interest in those VGI Shares that would result from those shares becoming subject to Escrow Deed(s).

Explanation of Resolutions

Special Business *continued*

Resolution 5 – Approval of acquisition of relevant interests in Escrowed Shares by VGI *continued*

VGI and Regal have agreed to waive the approval of Resolution 5 as a condition precedent to Completion for the purposes of the Merger Implementation Deed. Notwithstanding that waiver, the VGI Board recommends that VGI Shareholders vote in favour of Resolution 5 in the absence of a Superior Proposal.

Recommendation: *The VGI Directors unanimously recommend that VGI Shareholders vote in favour of Resolution 5 in the absence of a Superior Proposal. The reasons for the VGI Directors' recommendation are outlined in the Letter from Executive Chairman and Managing Director of VGI and section 4.1 of the Explanatory Memorandum.*

Resolution 6 – Election of the Listed Entity Directors

The Merger Implementation Deed contemplates that following Completion of the Merger, the Listed Entity Board will consist of six directors, with two nominated by each of VGI and Regal, in addition to the appointment of two external independent directors. It is expected that Robert M P Luciano, Benjamin A Pronk, and Darren J Steinberg will resign from the VGI Board with effect from Completion and that Michael J Cole, Sarah Dulhunty and Ian M Gibson will, subject to Resolution 6 taking effect, be appointed to the Listed Entity Board at the same time. It is expected that Brendan O'Connor will be appointed Chief Executive Officer and Managing Director by the Listed Entity Board at Completion.

As discussed above, for the Merger to proceed, Resolution 4 must be passed at the Annual General Meeting. Resolution 6 will be subject to and conditional on Completion of the Merger having occurred. This means that if Resolution 4 is not passed, the Merger will not proceed, and the election of the Listed Entity Directors will not proceed or be implemented.

The experience, skills and qualifications of each of Michael J Cole, Sarah Dulhunty and Ian M Gibson are set out in section 7.3 of the Explanatory Memorandum.

Recommendation: *The VGI Directors unanimously recommend that VGI Shareholders vote in favour of Resolution 6 in the absence of a Superior Proposal.*

Resolution 7 – Change of name of VGI Partners Limited

VGI Shareholders are being asked to approve, as a special resolution, a change of name of the Company from "VGI Partners Limited" to "Regal Partners Limited", conditional on Completion of the Merger having occurred.

Under section 157 of the Corporations Act, a company may change its name by special resolution of its members. A change of name will take effect when ASIC alters the details of the company's registration to reflect the change.

As discussed above, for the Merger to proceed, Resolution 4 must be passed at the Annual General Meeting. Resolution 7 will be subject to and conditional on Completion of the Merger having occurred. This means that if Resolution 4 is not passed, the Merger will not proceed, and the change of name will not proceed or be implemented.

VGI and Regal have agreed to waive the approval of Resolution 7 as a condition precedent to Completion for the purposes of the Merger Implementation Deed. Notwithstanding that waiver, the VGI Board recommends that VGI Shareholders vote in favour of Resolution 7 in the absence of a Superior Proposal.⁷

Recommendation: *The VGI Directors unanimously recommend that VGI Shareholders vote in favour of Resolution 7 in the absence of a Superior Proposal. The reasons for the VGI Directors' recommendation are outlined in the Letter from Executive Chairman and Managing Director of VGI and section 4.1 of the Explanatory Memorandum.*

Resolution 8 – Approval to increase the Non-Executive Directors' fee cap

VGI is seeking shareholder approval in accordance with ASX Listing Rule 10.17 to increase the aggregate amount that may be paid as remuneration to Non-Executive Directors in connection with the Merger. As the VGI Board will be expanded if the Merger is implemented, VGI is seeking to increase the maximum amount available for payment of fees to Non-Executive Directors by A\$350,000 per annum.

ASX Listing Rule 10.17 provides that a listed entity must not increase the total aggregate amount of directors' fees payable to all of its Non-Executive Directors without shareholder approval. Article 63.1 of the VGI's Constitution provides that the sum of remuneration paid to Non-Executive Directors is A\$850,000 per annum or such other maximum amount determined from time to time by VGI at a general meeting.

7. If Resolution 7 is not passed at the Annual General Meeting, the Listed Entity will convene a general meeting of Listed Entity shareholders after Completion at which approval will be sought to change the name of the Listed Entity from "VGI Partners Limited" to "Regal Partners Limited".

Explanation of Resolutions

Resolution 8 – Approval to increase the Non-Executive Directors' fee cap *continued*

In the last three years, the following VGI Shares have been issued to the Non-Executive Directors under ASX Listing Rule 10.11 or 10.14.

Director	Registered Holder	Number of VGI Shares	Date of Issue
Mr Douglas H Tynan ⁸	WD41 Pty Limited (entity controlled by Mr Douglas H Tynan)	5,333 VGI Shares	22 April 2020, following approval by VGI Shareholders at the 2020 VGI Annual General Meeting on 21 April 2020
	Feltonroad Pty Limited (entity controlled by Mr Douglas H Tynan)	64 VGI Shares	22 April 2020, following approval by VGI Shareholders at the 2020 VGI Annual General Meeting on 21 April 2020
	Tynan Investments Pty Limited (a related party of Mr Douglas Tynan)	10,667 VGI Shares	22 April 2020, following approval by VGI Shareholders at the 2020 VGI Annual General Meeting on 21 April 2020
Ms Jaye L Gardner	Homner Pty Ltd (ACN 150 978 699) (entity controlled by Ms Jaye L Gardner)	1,067 VGI Shares	22 April 2020, following approval by VGI Shareholders at the 2020 VGI Annual General Meeting on 21 April 2020

If VGI Shareholders approve this resolution, the total aggregate amount of Non-Executive Directors' fees payable per annum will be up to A\$1,200,00. If VGI Shareholders do not approve this resolution, the total aggregate amount will remain up to A\$850,000.

As discussed above, for the Merger to proceed, Resolution 4 must be passed at the Annual General Meeting. Resolution 8 will be subject to and conditional on Completion of the Merger having occurred. This means that if Resolution 4 is not passed, the Merger will not proceed, and the increase to the maximum Non-Executive Directors' fee cap will not be implemented.

Recommendation: *Noting the VGI Board's interest in Resolution 8, the VGI Board recommends that VGI Shareholders vote in favour of Resolution 8 in the absence of a Superior Proposal.*

8. Mr Douglas H Tynan is a former Non-Executive Director and resigned from the VGI Board with effect from 24 September 2021.

Notes on Meeting Attendance and Voting

Attending the meeting in person

VGI Shareholders and proxyholders can participate in the Annual General Meeting in person at The Barnet Long Room, Customs House, 31 Alfred Street Sydney NSW 2000. The Annual General Meeting will start at 1.00pm Sydney time, with the registration desk open from 12.00pm. Sandwiches will be available from 12.30pm. At the conclusion of the Annual General Meeting, you are invited to join the VGI Board and management team for refreshments. To assist with registration on the day, please bring your proxy form with you. If possible, please also RSVP beforehand to our Head of Investor Relations, Ingrid Groer, at events@vgipartners.com or phone 1800 571 917 or +61 2 9237 8923.

The Company is continuing to monitor developments in relation to the coronavirus pandemic. Please do not attend the Annual General Meeting if you feel unwell or have been in close contact with someone who may have been exposed to COVID-19. If it becomes necessary to make alternative arrangements with respect to any aspect of our Annual General Meeting, we will advise you through the VGI Website and by making an announcement to the ASX.

Attending the meeting online

VGI Shareholders and proxyholders can participate online. If you use your personal Voting Access Code (**VAC**) to login, you will be able to view a live webcast of the Annual General Meeting, ask questions online and submit your votes in real time. If that VGI Shareholder or proxyholder voted online prior to the Annual General Meeting, the vote during the Annual General Meeting will override the pre-Annual General Meeting vote. If you received a personalised Annual General Meeting email or a hard copy personalised proxy form, your VAC can be found in that email or personalised proxy form. Your VAC can otherwise be found on your personalised proxy form in InvestorServe.

If you choose not to login with your personal VAC, or are not a VGI Shareholder or proxyholder, you can view the live webcast (as a guest) but not submit questions online or vote in real time.

For further instructions on how to participate online, please view the Virtual / Teleconference AGM Guide, available on the VGI Website.

Technical difficulties

Technical difficulties may arise during the course of the Annual General Meeting. The Chairman of the Annual General Meeting has discretion as to whether and how the Annual General Meeting should proceed in the event that a technical difficulty arises. In exercising his discretion, the Chairman will have regard to the number of VGI Shareholders impacted and the extent to which participation in the business of the Annual General Meeting is affected. Where he considers it appropriate, the Chairman may continue to hold the meeting and transact business, including conducting a poll and voting in accordance with valid proxy instructions. For this reason, shareholders are encouraged to lodge a directed proxy even if they plan to attend the meeting online.

Voting Information

Pursuant to Article 40.2(c) of the Company's Constitution, the Chairman intends to put all resolutions set out in this Notice of Meeting to a poll. Upon a poll, every VGI Shareholder who is present in person or by proxy, representative or attorney will have one vote for each share held by that VGI Shareholder. Results of the voting on the resolutions will be announced to the ASX as soon as practicable after the Annual General Meeting is closed.

Determination of entitlement to attend and vote

For the purposes of determining an entitlement to vote at the Annual General Meeting, VGI Shares will be taken to be held by the persons who are registered as VGI Shareholders at 7.00pm (Sydney time) on Wednesday, 25 May 2022.

Proxies

A VGI Shareholder entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy. If a VGI Shareholder is entitled to cast two or more votes, the VGI Shareholder may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. A proxy does not need to be a VGI Shareholder. If no proportion or number of votes is specified, each proxy may exercise half of the VGI Shareholder's votes.

An instrument appointing a proxy must be signed by the VGI Shareholder appointing the proxy or by the VGI Shareholder's attorney duly authorised in writing or, if the VGI Shareholder is a corporation, in accordance with the Corporations Act and the VGI Constitution. A proxy has the same rights as a shareholder to speak at the Annual General Meeting, to vote (but only to the extent allowed by the appointment) and to join in a demand for a poll.

Where a VGI Shareholder appoints an attorney to act on his/her behalf at the Annual General Meeting or a proxy form is signed under power of attorney, such appointment must be made by a duly executed power of attorney. The power of attorney (or a certified copy) must be given to Boardroom, the VGI Share Registry, by 1.00pm (Sydney time) on Wednesday, 25 May 2022, unless it has previously been provided.

Where more than one joint holder votes, the vote of the holder whose name appears first in the register of VGI Shareholders shall be accepted to the exclusion of the others.

The Company encourages all VGI Shareholders who submit proxies to direct their proxy whether to vote for or against or to abstain from voting on each resolution.

The Chairman of the Annual General Meeting intends to vote all undirected proxies in favour of all of the resolutions.

Notes on Meeting Attendance and Voting

If a VGI Shareholder appoints the Chairman as their proxy, expressly or by default, and they do not direct the Chairman on how to vote on a resolution, by completing and returning the proxy form, they will be expressly authorising the Chairman to exercise the proxy and vote as the Chairman sees fit on a resolution.

An instrument appointing a proxy must be lodged as follows by no later than 1.00pm (Sydney time) on Wednesday, 25 May 2022 in order to be effective:

- online at www.votingonline.com.au/vgiagm2022;
- by mail, addressed to VGI Partners Limited, C/- Boardroom Pty Limited, GPO Box 3993, Sydney NSW 2001;
- by fax to the VGI Share Registry, Boardroom, at +61 2 9290 9655; or
- by hand at Boardroom Pty Limited, Level 12, 225 George Street, Sydney NSW 2000.

Corporate Representatives

A body corporate which is a shareholder or which has been appointed as a proxy may appoint an individual to act as its representative at the Annual General Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should provide Boardroom with evidence of his or her appointment prior to the Annual General Meeting, including any authority under which it is signed, unless it has previously been provided to and been accepted by the share registry. If such evidence is not received prior to the commencement of the Annual General Meeting, then the individual will not be permitted to act as the shareholder's representative or representative of the shareholder's proxy.

Questions from VGI Shareholders

You may ask questions at the Annual General Meeting about the Merger, any of the resolutions being considered at the Annual General Meeting or general questions about VGI Group's management or performance. You may also ask questions of the Company's auditor about the content of the Auditor's Report or the conduct of the audit.

VGI Shareholders and proxyholders will be given an opportunity to ask questions at the Annual General Meeting and in real time via the online platform or by telephone. To ensure all VGI Shareholders are given a reasonable opportunity to participate, VGI Shareholders will be limited to asking two questions per item of business, or one question and one follow-up comment. The Chairman retains ultimate discretion to ensure equitable participation by all VGI Shareholders.

The Company will endeavour to answer as many of the more frequently raised relevant questions as possible during the course of the Annual General Meeting. However, there may not be sufficient time available at the Annual General Meeting to address all of the questions raised. Please note that individual responses will not be sent to VGI Shareholders.

In addition, you may submit written questions prior to the Annual General Meeting. If you would like to ask a question, please email your question to our Head of Investor Relations, Ingrid Groer, at events@vgipartners.com. To allow time to collate questions and prepare answers, you must submit any questions by 5.00pm (Sydney time) on Friday, 20 May 2022.

Listening and asking questions by telephone

For VGI Shareholders and proxyholders who do not attend in person, but would like to ask questions over the telephone, please join the Annual General Meeting by calling 1800 434 182 or +61 2 8000 4164. VGI Shareholders should provide their personal Voting Access Code (VAC), their name and the name of the holding to the call centre operator. Once registered with the call centre, VGI Shareholders will be able to listen to the Annual General Meeting proceedings over the telephone. Telephone participants will be notified when it is time to register questions for each item of business and when it is their turn to ask a question. It will not be possible to vote by telephone. If you received a personalised Annual General Meeting email or a hard copy personalised proxy form, your VAC can be found in that email or personalised proxy form. Your VAC can otherwise be found on your personalised proxy form in InvestorServe.

If you choose not to provide your personal VAC, or are not a VGI Shareholder or proxyholder, you can still join the Annual General Meeting (as a guest) by calling 1800 434 182 or +61 2 8000 4164. This will be a listen-only facility for guests, so you will not be able to ask questions or vote over the telephone.

For further instructions on how to participate online, please view the Virtual / Teleconference AGM Guide, available on the VGI Website.

Request for hard copy by post

This Notice of Meeting, including the Explanatory Memorandum, is available for viewing and download on the VGI Website. For VGI Shareholders who would prefer to obtain a hard copy of this document by post, please call the VGI Shareholder Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia) or email the VGI Share Registry at enquiries@boardroomlimited.com.au.

VGI PARTNERS

All Correspondence to:

✉ **By Mail** Boardroom Pty Limited
GPO Box 3993
Sydney NSW 2001 Australia

📠 **By Fax:** +61 2 9290 9655

💻 **Online:** www.boardroomlimited.com.au

☎ **By Phone:** (within Australia) 1300 737 760
(outside Australia) +61 2 9290 9600

To attend the AGM online, please visit	https://web.lumiagm.com/351-261-367
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YOUR VOTE IS IMPORTANT

For your vote to be effective it must be recorded **before 1:00pm (Sydney Time) on Wednesday, 25 May 2022.**

🖥 TO VOTE ONLINE

- STEP 1: VISIT** <https://www.votingonline.com.au/vgiagm2022>
- STEP 2: Enter your Postcode OR Country of Residence (if outside Australia)**
- STEP 3: Enter your Voting Access Code (VAC):**

📱 BY SMARTPHONE



Scan QR Code using smartphone QR Reader App

TO VOTE BY COMPLETING THE PROXY FORM

STEP 1 APPOINTMENT OF PROXY

Indicate who you want to appoint as your Proxy on the Proxy Form in Step 1 overleaf.
If you wish to appoint the Chair of the Meeting as your proxy, mark the box. If you wish to appoint someone other than the Chair of the Meeting as your proxy please write the full name of that individual or body corporate. If you leave this section blank, or your named proxy does not attend the meeting, the Chair of the Meeting will automatically be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by contacting Boardroom or you may copy this form.

To appoint a second proxy you must:

- complete two Proxy Forms. On each Proxy Form you must state the percentage of your voting rights or the number of securities you wish to vote in each For, Against or Abstain box or boxes. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded. The sum of votes cast must not exceed your voting entitlement or 100%.
- return both forms together in the same envelope.

STEP 2 VOTING DIRECTIONS TO YOUR PROXY

To direct your proxy how to vote, mark one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of securities are to be voted on any item by inserting the percentage or number that you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item for all your securities your vote on that item will be invalid.

Proxy which is a Body Corporate

Where a body corporate is appointed as your proxy, the representative of that body corporate attending the meeting must have provided an "Appointment of Corporate Representative" prior to admission. An Appointment of Corporate Representative form can be obtained online at www.boardroomlimited.com.au.

STEP 3 SIGN THE FORM

The form **must** be signed as follows:

Individual: where the holding is in one name, this form is to be signed by the named securityholder.

Joint Holding: where the holding is in more than one name, all the securityholders should sign.

Power of Attorney: to sign under a Power of Attorney, you must have already lodged it with the registry. Alternatively, attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: this form must be signed by a Director jointly with either another Director or a Company Secretary. Where the company has a Sole Director who is also the Sole Company Secretary, this form should be signed by that person. **Please indicate the office held by signing in the appropriate place.**

STEP 4 LODGEMENT

Proxy forms (and any Power of Attorney under which it is signed) must be received no later than 48 hours before the commencement of the meeting, therefore by **1:00pm (Sydney Time) on Wednesday, 25 May 2022**. Any Proxy Form received after that time will not be valid for the scheduled meeting.

Proxy forms may be lodged in any of the following ways:

- 🖥 **Online** <https://www.votingonline.com.au/vgiagm2022>
- 📠 **By Fax** + 61 2 9290 9655
- ✉ **By Mail** Boardroom Pty Limited
GPO Box 3993,
Sydney NSW 2001 Australia
- 👤 **In Person** Boardroom Pty Limited
Level 12, 225 George Street,
Sydney NSW 2000 Australia

Attending the Meeting

If you wish to attend the meeting in person, please bring this form with you to assist registration.

Proxy Form

VGI Partners Limited

ABN 33 129 188 450

☐

Your Address

This is your address as it appears on the company's share register. If this is incorrect, please mark the box with an "X" and make the correction in the space to the left. Securityholders sponsored by a broker should advise their broker of any changes.

Please note, you cannot change ownership of your securities using this form.

PROXY FORM

STEP 1 APPOINT A PROXY

I/We being a member/s of **VGI Partners Limited** and entitled to attend and vote hereby appoint:

☐

the **Chair of the Meeting** (mark box)

OR if you are **NOT** appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy below

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chair of the Meeting as my/our proxy at the Annual General Meeting of the Company to be held as a hybrid meeting both **virtually** at <https://web.lumiagm.com/351-261-367> and **in person** at **The Barnet Long Room, Customs House, 31 Alfred Street, Sydney NSW 2000 on Friday, 27 May 2022 at 1:00pm (Sydney time)** and at any adjournment of that meeting, to act on my/our behalf and to vote in accordance with the following directions or if no directions have been given, as the proxy sees fit.

The Chair of the Meeting is authorised to exercise undirected proxies on remuneration related matters: If I/we have appointed the Chair of the Meeting as my/our proxy or the Chair of the Meeting becomes my/our proxy by default and I/we have not directed my/our proxy how to vote in respect of Resolutions 1 and 8, I/we expressly authorise the Chair of the Meeting to exercise my/our proxy in respect of these Resolutions even though Resolutions 1 and 8 are connected with the remuneration of a member of the key management personnel for the Company.

The Chair of the Meeting will vote all undirected proxies in favour of each item of business (including Resolutions 1 and 8). If you wish to appoint the Chair of the Meeting as your proxy with a direction to vote against, or to abstain from voting on an item, you must provide a direction by marking the 'Against' or 'Abstain' box opposite that resolution.

STEP 2 VOTING DIRECTIONS

* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your vote will not be counted in calculating the required majority if a poll is called.

ORDINARY BUSINESS

Resolution 1 Adoption of the 2021 Financial Year Remuneration Report

For	Against	Abstain*
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Resolution 2 Re-election of Jaye L Gardner as Director

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Resolution 3 Amendment of the VGI Constitution for non-Merger matters

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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SPECIAL BUSINESS

Resolution 4 Approval of acquisition of relevant interests in VGI Shares by Regal Shareholders

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Resolution 5 Approval of acquisition of relevant interests in Escrowed Shares by VGI

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Resolution 6 Election of the Listed Entity Directors

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Resolution 7 Change of name of VGI Partners Limited

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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Resolution 8 Approval to increase the Non-Executive Directors' fee cap

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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STEP 3 SIGNATURE OF SECURITYHOLDERS

This form must be signed to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director / Company Secretary

Contact Name.....

Contact Daytime Telephone.....

Date / / 2022

VGI PARTNERS

Explanatory Memorandum

for the proposed merger of VGI Partners Limited (**VGI**) and Regal Funds Management Pty Limited (**Regal**) pursuant to which VGI will acquire all of the issued shares in Regal in consideration for the issue of New VGI Shares to Regal Shareholders

THE VGI DIRECTORS UNANIMOUSLY RECOMMEND THAT YOU **VOTE IN FAVOUR** OF THE MERGER RESOLUTIONS AT THE ANNUAL GENERAL MEETING IN THE ABSENCE OF A SUPERIOR PROPOSAL

The Merger Resolutions will be voted on by VGI Shareholders at the Annual General Meeting which will be held at 1.00pm (Sydney time) on 27 May 2022. This Explanatory Memorandum should be read together with the Notice of Meeting of which this Explanatory Memorandum forms part.

This Explanatory Memorandum is important and requires your prompt attention. You should read it in its entirety, and consider its contents carefully, before deciding whether or not to vote in favour of the Merger Resolutions. If you are in any doubt about what you should do, you should consult with a financial, legal, taxation or other professional adviser.

If you have any questions in relation to this Explanatory Memorandum or the Merger, please call the VGI Shareholder Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia), Monday to Friday between 8:30am and 5:30pm (Sydney time). The line will be available until 5 Business Days after the Completion Date.

Financial adviser

Jefferies

Legal adviser

Allens > < Linklaters

Important Notices

Purpose of this Explanatory Memorandum

This Explanatory Memorandum has been prepared for persons shown in the VGI register of shareholders as holding VGI Shares. If you have recently sold all of your VGI Shares, please disregard this Explanatory Memorandum.

This Explanatory Memorandum has been prepared in connection with the Merger Resolutions to be voted on by VGI Shareholders at the Annual General Meeting to be held at 1.00pm (Sydney time) on 27 May 2022. The purpose of this Explanatory Memorandum is to provide VGI Shareholders with information that the VGI Directors believe to be material to deciding whether or not to vote in favour of the Merger Resolutions detailed in the Notice of Meeting. You should review all of the information in this Explanatory Memorandum carefully. Section 4.1 sets out the reasons why you should vote in favour of the Merger Resolutions and section 4.2 sets out the reasons why you may wish to vote against the Merger Resolutions.

Ordinary business which is separate from the Merger Resolutions and the Merger will be transacted at the Annual General Meeting. You should refer to the Notice of Meeting for further information regarding the ordinary business.

Defined terms

A number of defined terms are used in this Explanatory Memorandum. These terms are defined in section 9. The Independent Expert Report annexed to this Explanatory Memorandum as Annexure A has its own defined terms.

No investment advice

The information contained in this Explanatory Memorandum does not constitute financial product advice and has been prepared without reference to your individual investment objectives, financial situation, taxation position or particular needs. It is important that you read this Explanatory Memorandum in its entirety before making any decision as to whether or not to vote in favour of the Merger Resolutions or to deal in your VGI Shares. If you are in any doubt in relation to these matters, you should consult with a financial, legal, taxation or other professional adviser.

Not an offer

This Explanatory Memorandum does not constitute or contain an offer to VGI Shareholders, or a solicitation of an offer from VGI Shareholders, in any jurisdiction.

Disclaimer as to forward-looking statements

Certain statements which appear in this Explanatory Memorandum (including in the Independent Expert Report) may be in the nature of forward-looking statements. Forward-looking statements generally may be identified by the use of forward-looking words such as “believe”, “aim”, “expect”, “anticipate”, “intending”, “foreseeing”, “likely”, “should”, “planned”, “may”, “estimate”, “potential”, or other similar words. Similarly, statements that describe the objectives, plans, goals, intentions or expectations of VGI, Regal or the Merged Group are or may be forward-looking statements.

Forward-looking statements should not be taken to be forecasts or predictions that events will occur or that objectives, plans, goals, intentions or expectations will be achieved. Such statements are only opinions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the VGI Group, the Regal Group, the Merged Group and/or the industries in which they operate, as well as general economic conditions, prevailing exchange rates and interest rates and conditions in financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward-looking statement and deviations are both normal and to be expected. Neither VGI nor Regal, nor any of their respective affiliates, officers, directors, employees or advisers or any person named in this Explanatory Memorandum or involved in the preparation of this Explanatory Memorandum makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed or implied in any forward-looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

The forward-looking statements in this Explanatory Memorandum reflect opinions held only at the date of this Explanatory Memorandum. Subject to any continuing obligations under relevant laws or the ASX Listing Rules, VGI, Regal and their respective affiliates, officers, directors, employees and advisers, disclaim any obligation or undertaking to update or revise any such statements after the date of this Explanatory Memorandum, to reflect any change in expectations in relation to such statements or any change in events, conditions or circumstances on which any such statement is based.

Responsibility statement

VGI has prepared, and is responsible for, the VGI Information. Neither Regal nor any of its affiliates or their respective officers, directors, employees or advisers assumes any responsibility for the accuracy or completeness of such information.

Regal has prepared, and is responsible for, the Regal Information. Neither VGI nor any of its affiliates, officers, directors, employees or advisers assumes any responsibility for the accuracy or completeness of such information.

Important Notices

Loneragan Edwards has prepared the Independent Expert Report and takes responsibility for that report. Neither VGI nor Regal, nor any of their respective affiliates, officers, directors, employees or advisers assume any responsibility for the accuracy or completeness of the information contained in the Independent Expert Report. The Independent Expert Report is set out in Annexure A.

Boardroom has had no involvement in the preparation of any part of this Explanatory Memorandum, other than being named as the VGI Share Registry. Boardroom has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this Explanatory Memorandum.

Foreign jurisdictions

The release, publication or distribution of this Explanatory Memorandum in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons outside of Australia who come into possession of this Explanatory Memorandum should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations.

This Explanatory Memorandum has been prepared in accordance with Australian law and the information contained in this Explanatory Memorandum may not be the same as that which would have been disclosed if this Explanatory Memorandum had been prepared in accordance with the laws and regulations outside of Australia.

Regulatory information

A copy of this Explanatory Memorandum has been provided to ASIC and ASX.

None of ASIC or ASX or their officers, take any responsibility for the contents of this Explanatory Memorandum.

Privacy

VGI, Regal and their respective agents and representatives may collect personal information in the process of implementing the Merger. Such information may include the name, contact details and shareholdings of VGI Shareholders and the names of persons appointed by those persons to act as a proxy, attorney or corporate representative at the Annual General Meeting. The primary purpose of the collection of personal information is to assist VGI to conduct the Annual General Meeting and to implement the Merger. Without this information, VGI may be hindered in its ability to implement the Merger. Personal information of the type described above may be disclosed to the VGI Share Registry, third party service providers (including print and mail service providers and parties otherwise involved in the conduct of the Annual General Meeting), authorised securities brokers, VGI and its Related Bodies Corporate, professional advisers and service providers.

VGI Shareholders have certain rights to access personal information that has been collected. VGI Shareholders should contact the VGI Share Registry in the first instance, if they wish to access their personal information. VGI Shareholders who appoint a named person to act as their proxy, attorney or corporate representative should ensure that they inform that person of these matters.

Effect of rounding

Figures, amounts, percentages, estimates, calculations of value and fractions in this Explanatory Memorandum are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Explanatory Memorandum.

Charts and diagrams

Any diagrams, charts, graphs or tables appearing in this Explanatory Memorandum are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in diagrams, charts, graphs and tables is based on information available as at the date of this Explanatory Memorandum. Any discrepancies in any chart, graph or table between totals and sums of amounts presented or listed therein or to previously published financial figures are due to rounding.

Times and dates

Unless otherwise stated, all times and dates referred to in this Explanatory Memorandum are to times and dates in Sydney, Australia. All times and dates are indicative only and are subject to the satisfaction (or, where capable, waiver) of the Conditions Precedent to the implementation of the Merger. The Conditions Precedent are summarised in section 5.2 and set out in full in clause 3.1 of the Merger Implementation Deed.

Currency and exchange

Unless otherwise stated, all references to “dollars” or “\$” in this Explanatory Memorandum are in Australian Dollars and all share prices and trading volumes refer to VGI Shares trading on the ASX.

Date of this Explanatory Memorandum

This Explanatory Memorandum is dated 27 April 2022.

1 Letter from the Executive Chairman and Managing Director

VGI PARTNERS

27 April 2022

Dear VGI Shareholder,

On behalf of the VGI Board, I am pleased to present this Explanatory Memorandum outlining important information in relation to the proposed merger of VGI and Regal.

On 30 March 2022, we announced VGI's entry into a Merger Implementation Deed with Regal and the Regal Shareholders in relation to a proposed merger of VGI and Regal. The VGI Board considers the Merger an attractive opportunity that the VGI Board expects will add value to your investment in VGI by:

- creating a market-leading, Australian-listed, global alternative investment manager with total funds under management of \$5.6 billion,⁹ headquartered in Sydney and with operations in New York, Tokyo and Singapore;
- enabling the Merged Group to access expanded investment capabilities in Australian and Asian equity markets, as well as unlisted investments and real assets; and
- providing the Merged Group with scaled marketing and distribution capabilities and an institutional-grade corporate platform designed to enable future growth initiatives and to reduce non-investment related activities for key investment staff.

For these reasons, the VGI Directors unanimously recommend that VGI Shareholders vote in favour of the Merger Resolutions, in the absence of a Superior Proposal. Each VGI Director intends to vote all the shares they hold or control in VGI in favour of the Merger Resolutions, again, in the absence of a Superior Proposal.

While the VGI Directors unanimously recommend that VGI Shareholders vote in favour of the Merger Resolutions, they also recognise that there are reasons why VGI Shareholders may not want to vote in favour. These reasons are set out in section 4.2 of this Explanatory Memorandum.

Details of the Merger

On implementation of the Merger, it is expected that:

- VGI will acquire all of the shares in Regal in consideration for the issue of New VGI Shares to Regal Shareholders;
- VGI Partners Limited will be renamed Regal Partners Limited, will remain listed on the ASX and will have its ASX ticker changed from "VGI" to "RPL" (the **Listed Entity**);
- approximately 33.3% of the issued share capital of the Listed Entity will be held by those persons who are VGI Shareholders immediately prior to implementation of the Merger; and
- approximately 66.7% of the issued share capital of the Listed Entity will be held by the Regal Shareholders.

On Completion, Philip King (Chief Investment Officer and Co-Founder of Regal)¹⁰ and his Associates (including New Highland Pty Limited (as trustee of the King Family Trust) and New Highland Pty Limited (as trustee of the Philip King Family Trust)) will have an aggregate Voting Power of 42.53% in the Listed Entity.

The Regal Shareholders' collective Voting Power in the Listed Entity immediately following Completion will not exceed 66.7%.

Other than Philip King (Chief Investment Officer and Co-Founder of Regal) and his Associates, no Regal Shareholder (either alone or together with its Associates) will have Voting Power of greater than 5% of VGI Shares immediately following Completion.

In order for the Merger to proceed, VGI Shareholders must approve Resolution 4, which is set out in the Notice of Meeting, at the Annual General Meeting. The Merger is also subject to certain other conditions customary for a transaction of this nature which are described in section 8.2(a)(i) of this Explanatory Memorandum.

The VGI Board currently intends to declare a fully franked cash special dividend of up to \$0.40 per VGI Share shortly prior to the Completion Date, conditional on Completion of the Merger occurring, which will be paid on the VGI Special Dividend Payment Date to VGI Shareholders who hold VGI Shares on the VGI Special Dividend Record Date.¹¹

Independent Expert

VGI has appointed Lonergan Edwards as the Independent Expert to provide a report on whether the Merger is fair and reasonable for VGI Shareholders. In its report, the Independent Expert has concluded that the Merger is not fair but is reasonable in the absence of a Superior Proposal.

Under RG 111, the Independent Expert is open to conclude that a transaction is reasonable even if it is not fair if the advantages of the transaction outweigh the disadvantages.¹² In considering whether the Merger is reasonable, the Independent Expert has considered whether existing VGI Shareholders are likely to be better off from a value perspective if they approve the Merger by comparing the value of VGI Shares held by existing VGI Shareholders before and after the Merger on a consistent-portfolio basis.

9. This number represents the pro forma funds under management as at 28 February 2022 which is based on respective VGI and Regal FUM as at the same date. VGI Shareholders, however, should note VGI's announcement to the ASX on 22 April 2022, noting that VGI's FUM as at 31 March 2022 was 2.0 billion. Funds under management includes that of institutional investors, family offices, pro bono funds, charities, private investors and employees.

10. Please refer to section 6.7 for further information regarding Philip King.

11. The VGI Directors will determine (in their absolute discretion) whether to pay any VGI Special Dividend after assessing the VGI Group's cash position and available funding at the applicable time.

12. For the avoidance of doubt, RG 111 does not require the Independent Expert to conclude that the Merger is "fair" in order for the Merger to proceed.

1 Letter from the Executive Chairman and Managing Director

This analysis indicates that the Merger terms are broadly consistent with the value each party is contributing to the Merger.

In order for the Merger to be considered “fair” under RG 111, the portfolio interest value of VGI Shares held by existing VGI Shareholders following Completion must be equal to, or greater than the controlling interest value of VGI Shares held by existing VGI Shareholders prior to Completion. Based on this, the Merger is not fair when assessed based on the guidelines set out in RG 111.

Pursuant to the Merger, existing VGI Shareholders and Regal Shareholders will own 33.3% and 66.7%, respectively, of the shares in the Listed Entity after Completion. As the value contributed by existing VGI Shareholders to the Listed Entity is consistent with existing VGI Shareholders' ownership interest in the Listed Entity following Completion, the Independent Expert has determined that the Merger terms are appropriate.

On the basis of the above, and in consideration of the benefits of the Merger and the potential for synergy benefits to be realised over the medium term, it is the opinion of the Independent Expert that the Merger is not fair but is reasonable to VGI Shareholders in the absence of a Superior Proposal.

A complete copy of the Independent Expert Report is included in Annexure A to this Explanatory Memorandum. VGI Shareholders should carefully review the Independent Expert Report in its entirety.

How to vote

Your vote is important and I encourage you to vote on the Merger Resolutions by attending the Annual General Meeting scheduled to be held at The Barnet Long Room, Customs House, 31 Alfred Street Sydney NSW 2000 and via the online meeting platform at <https://web.lumiagm.com/351-261-367> on Friday, 27 May 2022 or alternatively, by appointing a proxy, attorney or, if you are a body corporate, a duly appointed corporate representative to attend and vote on your behalf. If you do not wish to, or are unable to, attend the Annual General Meeting, I encourage you to submit a directed proxy vote by either completing the proxy form enclosed with the Notice of Meeting or by lodging your proxy online at www.votingonline.com.au/vgiagm2022 in accordance with the instructions therein (as applicable) so that it is received by no later than 1.00pm (Sydney time) on Wednesday, 25 May 2022.

Even if you plan to attend the Annual General Meeting via the online platform, you are still encouraged to submit a directed proxy in advance of the Annual General Meeting so that your vote can still be counted if you encounter any issues in attending the Annual General Meeting (for example, if there is an issue with your internet connection on the day of the Annual General Meeting).

If you wish for the Merger to proceed, it is important that you vote in favour of the Merger Resolutions. Shareholders should note, however, that RMPL Investments Pty Ltd (as trustee for the RMPL Family Trust), an entity that I control, currently holds over 50% of VGI Shares and that I intend to direct that entity to vote in favour of the Merger Resolutions that I am eligible to vote on in the absence of a Superior Proposal and to vote in favour of all other resolutions. As such, all ordinary resolutions which RMPL Investments Pty Ltd (as trustee for the RMPL Family Trust) is eligible to vote on, including Resolution 4, are expected to be passed by the votes cast by RMPL Investments Pty Ltd (as trustee for the RMPL Family Trust).

Documents available online

VGI Shareholders who have elected to receive shareholder notices electronically will receive an email that contains instructions about how to view or download a copy of this Explanatory Memorandum, and to lodge their proxy online. This Explanatory Memorandum will also be available for viewing and downloading on the VGI Website.

Further information

This Explanatory Memorandum sets out important information regarding the Merger, including the reasons for the VGI Directors' recommendation and the Independent Expert Report. Please read this document carefully and in its entirety as it will assist you in making an informed decision on how to vote. I would also encourage you to seek independent financial, legal and taxation advice before making any investment decision in relation to your shares.

If you require any further information, please call the VGI Shareholder Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia), Monday to Friday between 8:30am and 5:30pm (Sydney time). The line will be available until 5 Business Days after the Completion Date.

On behalf of the VGI Board, I would like to take this opportunity to thank you for your ongoing support.

I look forward to your participation in the Annual General Meeting and encourage you to vote in favour of the Merger Resolutions, which the VGI Directors believe are in the best interests of VGI Shareholders.

Yours sincerely



Robert Luciano

Executive Chairman and Managing Director
VGI Partners Limited

2 Key Dates

Set out below is an indicative timetable containing the key dates that are relevant to the Merger.

Event	Date
Despatch of Explanatory Memorandum and Notice of Meeting	27 April 2022
Annual General Meeting proxy forms Deadline for receipt of proxy forms (including proxies lodged online), powers of attorney or certificates of appointment of body corporate representatives for the Annual General Meeting	1.00pm (Sydney time) on Wednesday, 25 May 2022
Annual General Meeting Record Date Time and date for determining eligibility to vote at the Annual General Meeting	7.00pm (Sydney time) on Wednesday, 25 May 2022
Annual General Meeting	1.00pm (Sydney time) on Friday, 27 May 2022
<i>If the Merger is approved by VGI Shareholders at the Annual General Meeting and all other Conditions Precedent remain satisfied on that date:</i>	
VGI Special Dividend Declaration Date Date on which VGI declares the VGI Special Dividend	A date on or shortly after the Annual General Meeting
VGI Special Dividend Record Date All VGI Shareholders who hold VGI Shares on the VGI Special Dividend Record Date will be entitled to receive any VGI Special Dividend (if the VGI Directors decide to pay a VGI Special Dividend).	7.00pm (Sydney time) on the date which is at least 4 Business Days after the date of announcement of the VGI Special Dividend but prior to the Completion Date
Completion Date	Friday, 3 June 2022
VGI Special Dividend Payment Date	A date on or shortly after the Completion Date

The dates set out above are indicative only and are subject, among other things, to the satisfaction (or, where capable, waiver) of the Conditions Precedent to the implementation of the Merger. Any changes to the above timetable (which may include the Completion Date occurring on an earlier or a later date) will be announced through the ASX and notified on the VGI Website.

3 Frequently Asked Questions

Set out below is table of frequently asked questions relating to the Merger and details of where you can find further information.

Question	Answer	Further information
Why have I received this Explanatory Memorandum?	<p>This Explanatory Memorandum has been sent or made available to you because you are a VGI Shareholder and eligible VGI Shareholders are being asked to vote on the Merger, which, if approved, will result in VGI acquiring all of the shares in Regal and Regal Shareholders receiving the New VGI Shares.</p> <p>This Explanatory Memorandum is intended to help you decide how to vote on the Merger Resolutions which need to be passed at the Annual General Meeting to allow the Merger to proceed.</p>	N/A
What is the Merger?	The Merger will involve the acquisition by VGI of all of the shares in Regal in consideration for the issue of New VGI Shares to Regal Shareholders, with the effect that immediately following Completion Regal will become a wholly owned subsidiary of VGI and all Regal Shareholders will become holders of ordinary shares in the Listed Entity.	Section 5.
What are the VGI Directors' voting recommendations and how do the VGI Directors intend to vote?	<p>The VGI Board unanimously recommends that VGI Shareholders vote in favour of the Merger Resolutions at the Annual General Meeting, in the absence of a Superior Proposal. Each VGI Director intends to vote (or procure the voting of) all VGI Shares held or controlled by them in favour of the Merger, in the absence of a Superior Proposal.</p> <p>VGI Shareholders should note that RMPL Investments Pty Ltd (as trustee for the RMPL Family Trust), an entity controlled by Robert Luciano, currently holds over 50% of VGI Shares. Robert Luciano intends to direct that entity to vote in favour of the Merger Resolutions (which that entity is eligible to vote on) in the absence of a Superior Proposal and to vote in favour of all other resolutions. As such, all ordinary resolutions that RMPL Investments Pty Ltd (as trustee for the RMPL Family Trust) is eligible to vote on, including Resolution 4, are expected to be passed by the votes cast by RMPL Investments Pty Ltd (as trustee for the RMPL Family Trust).</p> <p>The reasons for the VGI Board's recommendation are outlined in the Letter from the Executive Chairman and Managing Director and section 4.1.</p>	<p>Section 4.1 provides a summary of the reasons why VGI Directors consider that eligible VGI Shareholders should vote in favour of the Merger Resolutions.</p> <p>Section 4.2 provides a summary of some of the reasons why eligible VGI Shareholders may wish to vote against the Merger Resolutions.</p>
What is the opinion of the Independent Expert?	<p>The VGI Board has commissioned the Independent Expert, Loneragan Edwards, to prepare the Independent Expert's Report in relation to the Merger.</p> <p>The Independent Expert has concluded that the Merger is not fair but is reasonable for VGI Shareholders in the absence of a Superior Proposal. A complete copy of the report is included in Annexure A to this Explanatory Memorandum.</p>	Section 4.3 and Annexure A.
When will the Merger be completed?	Subject to satisfaction (or, where capable, waiver) of the Conditions Precedent to the Merger Implementation Deed, including obtaining VGI Shareholder approval, it is expected that the Merger will be completed in early June 2022.	Section 5.2 and 8.2(a)(i).
What are VGI Shareholders being asked to vote on?	VGI Shareholders are being asked to vote on a number of Merger Resolutions. Explanations of the Merger Resolutions are set out in section 5.4.	Section 5.4 and the Notice of Meeting.

3 Frequently Asked Questions

Question	Answer	Further information
What vote is required to approve the Merger?	<p>Resolution 4 is an ordinary resolution and must be passed for the Merger to proceed. In order for an ordinary resolution to be passed, more than 50% of the votes cast on the resolution by VGI Shareholders entitled to vote on the resolution must be cast in favour of the resolution.</p> <p>Shareholders should note that RMPL Investments Pty Ltd (as trustee for the RMPL Family Trust), an entity controlled by Robert Luciano, currently holds over 50% of VGI Shares. Robert Luciano intends to direct that entity to vote in favour of the Merger Resolutions (which that entity is eligible to vote on) in the absence of a Superior Proposal and to vote in favour of all other resolutions. As such, all ordinary resolutions that RMPL Investments Pty Ltd (as trustee for the RMPL Family Trust) is eligible to vote on, including Resolution 4, are expected to be passed by the votes cast by RMPL Investments Pty Ltd (as trustee for the RMPL Family Trust).</p> <p>No other resolutions must be passed for the Merger to proceed.</p>	<p>Explanation of resolutions section of the Notice of Meeting.</p>
Why should I vote in favour of the Merger Resolutions?	Section 4.1 sets out a number of reasons to vote in favour of the Merger Resolutions.	Section 4.1.
Why may I consider voting against the Merger Resolutions?	Section 4.2 sets out a number of reasons why you may wish to vote against the Merger Resolutions.	Section 4.2.
Am I entitled to vote?	Each VGI Shareholder who is registered on the VGI Share Register on at 7.00pm (Sydney time) on Wednesday, 25 May 2022 is entitled to vote at the Annual General Meeting.	The Notice of Meeting sets out further details on your entitlement to vote.
How do I vote?	<p>You can vote: (i) in person by attending the Annual General Meeting; or (ii) by appointing a proxy, attorney or, if you are a body corporate, a duly appointed corporate representative, to attend the Annual General Meeting and vote on your behalf.</p> <p>VGI Shareholders will also be able to join the Annual General Meeting virtually, vote in real time, ask questions and make comments online. In addition, you will have an option to ask questions via telephone. The Annual General Meeting will be webcast live at https://web.lumiagm.com/351-261-367.</p> <p>You can appoint a proxy by completing the proxy form enclosed with this Notice of Meeting and Explanatory Memorandum or by lodging your proxy online at www.votingonline.com.au/vgiagm2022 in accordance with the instructions therein (as applicable) so that it is received by no later than 1.00pm (Sydney time) on Wednesday, 25 May 2022.</p>	The Notice of Meeting sets out further details on your entitlement to vote and how to submit a proxy form.
When and where will the Annual General Meeting be held?	<p>The Annual General Meeting will be held at 1.00pm (Sydney time) on Friday, 27 May 2022 at The Barnet Long Room, Customs House, 31 Alfred Street Sydney NSW 2000.</p> <p>VGI Shareholders will also be able to join the Annual General Meeting virtually, vote in real time, ask questions and make comments online. VGI Shareholders will also have an option to ask questions via telephone. The Annual General Meeting will be webcast live at https://web.lumiagm.com/351-261-367.</p> <p>VGI is continuing to monitor developments in relation to the COVID-19 pandemic. Please do not attend the Annual General Meeting if you feel unwell or have been in close contact with someone who may have been exposed to COVID-19. If it becomes necessary to make alternative arrangements with respect to any aspect of our Annual General Meeting, we will advise VGI Shareholders through the VGI Website and by making an announcement to the ASX.</p>	The Notice of Meeting sets out further details of your entitlement to vote.

3 Frequently Asked Questions

Question	Answer	Further information
When will the result of the Annual General Meeting be known?	VGI expects to announce the result of the Annual General Meeting to the ASX shortly after the conclusion of the Annual General Meeting.	N/A
Are there any conditions to be satisfied for the Merger to occur?	<p>There are certain conditions that will need to be satisfied or waived (where capable of waiver) before the Merger can be completed, details of which are set out in section 8.2(a)(i).</p> <p>Subject to the terms of the Merger Implementation Deed, the Merger will not proceed unless all the Conditions Precedent are satisfied (or waived, if applicable) before 30 September 2022 (or such later date as VGI and Regal may agree) in accordance with the Merger Implementation Deed. As at the date of this Explanatory Memorandum, the VGI Directors are not aware of any reason why these conditions should not be satisfied or waived (where capable of waiver).</p>	Section 5.2 and 8.2(a)(i).
What happens if the Merger Resolutions are not approved?	<p>If Resolution 4 is not approved at the Annual General Meeting, or another condition to the Merger is not satisfied or waived (where capable of waiver):</p> <ul style="list-style-type: none"> – VGI will not acquire Regal; – VGI will not issue any New VGI Shares to the Regal Shareholders in connection with the Merger; – VGI will not declare and pay the VGI Special Dividend; – none of the changes to the Listed Entity Board, ownership, operations or management of VGI set out in this Explanatory Memorandum will take effect; and – VGI will continue to operate in the ordinary course of business and will continue as a standalone entity listed on the ASX. <p>If Resolution 4 is passed at the Annual General Meeting but Resolution 5 is not passed, VGI and Regal intend to procure the amendment of the Escrow Arrangements as they apply to the VGI Shares controlled by Philip King, Andrew King, and/or The Regal Foundation to reduce the number of VGI Shares which are the subject of Escrow Deeds and increase the number of VGI Shares which are the subject of the statements of intention described in section 8.2(a)(viii) of this Explanatory Memorandum (with no change to the overall number of VGI Shares controlled by Philip King, Andrew King, and The Regal Foundation which are the subject of Escrow Arrangements). VGI will not acquire relevant interests in VGI Shares which are the subject of the statements of intention described in section 8.2(a)(viii) of this Explanatory Memorandum. As such, these changes will ensure that VGI's relevant interest in VGI Shares does not increase as a result of the Escrow Arrangements taking effect. This will enable such Escrow Arrangements to become effective without approval from VGI Shareholders for the purposes of section 611, item 7 of the Corporations Act. Such changes would, if effected, be announced to the ASX and would not otherwise amend the relevant escrow release dates or aggregate number of VGI Shares which are the subject of Escrow Arrangements.¹³</p> <p>The VGI Board recommends that VGI Shareholders vote in favour of Resolutions 5 and 7, in the absence of a Superior Proposal. VGI and Regal have, however, agreed to waive the approval of Resolutions 5 and 7 as conditions precedent to Completion for the purposes of the Merger Implementation Deed.¹⁴</p>	N/A

13. In this scenario, the Listed Entity will convene a general meeting of Listed Entity shareholders after Completion at which approval will be sought to make certain of the VGI Shares controlled by Philip King, Andrew King, and/or The Regal Foundation which are the subject of the statements of intention, subject to Escrow Deed(s) by approving VGI's acquisition of a relevant interest in those VGI Shares that would result from those shares becoming subject to Escrow Deed(s).
14. If Resolution 7 is not passed at the Annual General Meeting, the Listed Entity will convene a general meeting of Listed Entity shareholders after Completion at which approval will be sought to change the name of the Listed Entity from "VGI Partners Limited" to "Regal Partners Limited". The same approach will be taken with regard to the matters set out in Resolution 5, as noted above.

3 Frequently Asked Questions

Question	Answer	Further information
What is the VGI Special Dividend?	<p>The VGI Board currently intends to declare a fully franked VGI Special Dividend of up to \$0.40 per VGI Share prior to the Completion Date, payable after the Completion Date and conditional on Completion occurring.</p> <p>A determination of whether or not to pay a VGI Special Dividend will be made by the VGI Directors and will depend upon a number of factors.</p> <p>A determination by the VGI Directors will be communicated to VGI Shareholders by way of an ASX announcement at the relevant time.</p>	Section 5.6.
Will any VGI Special Dividend be franked?	<p>The VGI Directors currently intend that any VGI Special Dividend will, if paid, be fully franked. This means that, depending on the tax status and individual circumstances of each VGI Shareholder, each VGI Shareholder on the VGI Share Register on the VGI Special Dividend Record Date may also receive a franking credit of up to approximately \$0.17 per VGI Share.¹⁵</p>	Section 5.6.
What will the Listed Entity be called?	<p>On Completion, it is expected that the Listed Entity will be called “Regal Partners Limited” and will remain listed on the ASX and will have its ASX ticker changed from “VGI” to “RPL”.</p>	See sections 5.1 and 7.4(d) .
Who will be the directors of the Listed Entity?	<p>If the Merger is implemented, the Board of the Listed Entity will be:</p> <ul style="list-style-type: none"> – Mr Michael J Cole AM (Independent Chairman); – Mr Brendan J O'Connor (Chief Executive Officer and Managing Director); – Mr David F Jones AM (Executive Director); – Ms Jaye L Gardner (Independent Non-Executive Director); – Ms Sarah Dulhunty (Independent Non-Executive Director); and – Mr Ian M Gibson (Executive Director). 	Section 7.3(a).
Who will be the senior executive team for the Listed Entity?	<p>It is expected that the Chief Executive Officer and Managing Director of the Listed Entity will be Regal's existing Chief Executive Officer, Brendan O'Connor. It is also expected that the Chief Financial Officer of the Listed Entity will be VGI's existing Chief Financial Officer, Ian Cameron. The balance of the Listed Entity executive management team will be drawn from both VGI and Regal.</p>	Section 7.3(b).
What will the dividend policy of the Listed Entity be?	<p>VGI's existing dividend policy is to pay a dividend of between 50% to 75% of normalised NPAT. The continuation of such policy will be a matter for the Listed Entity Board to determine at the relevant time and no assurances can be provided in respect of the Listed Entity's future dividend policy after Completion.</p>	Section 7.4(c).
Will there be any restrictions on the shareholders of the Listed Entity?	<p>In accordance with the Merger Implementation Deed, all New VGI Shares issued to Regal Shareholders at Completion will either be subject to formal escrow under the Escrow Deeds (details of which are set out in section 8.2) or otherwise subject to statements of intention from Regal Shareholders to VGI not to sell or otherwise transfer or deal in any New VGI Shares that are issued to them on Completion (details of which are set out in section 8.2(a)(viii)).</p> <p>The voluntary escrow deed entered into by Robert Luciano and VGI on 12 May 2019 and the confirmation of Robert Luciano's intention not to sell or otherwise transfer or deal in VGI Shares which are not the subject of a voluntary escrow deed each remain on foot and will not be affected by Completion.</p>	Sections 5.3, 8.2 and 8.2(a)(viii).
Where can I get further information?	<p>For further information, please call the VGI Shareholder Information Line on 1300 737 760 (within Australia) or +61 2 9290 9600 (outside Australia), Monday to Friday between 8:30am and 5:30pm (Sydney time). The line will be available until 5 Business Days after the Completion Date.</p>	N/A

15. The maximum benefit associated with the franking credits will be less than this amount if the VGI Special Dividend is less than \$0.40 per VGI Share.

4 Why you should vote in favour of, and potential reasons why you may wish to vote against, the Merger Resolutions

The Merger has a number of advantages and disadvantages which may affect VGI Shareholders in different ways, depending on their individual circumstances. VGI Shareholders should seek professional advice on their particular circumstances, as appropriate.

Section 4.1 provides a summary of some of the reasons why the VGI Directors unanimously recommend that VGI Shareholders should vote in favour of the Merger Resolutions. Section 4.1 should be read in conjunction with section 4.2, which sets out other reasons why you may wish to vote against the Merger.

While VGI Directors acknowledge the reasons to vote against the Merger, they believe the advantages of the Merger significantly outweigh the potential disadvantages.

4.1 Why you should vote in favour of the Merger Resolutions

The VGI Board has formed the unanimous view that the Merger is in the best interests of VGI Shareholders for the reasons set out below.

a) The Merged Group is expected to benefit from a diversification of investment strategies and an expanded offering to new and existing clients

VGI is a global equity manager investing with a long-term strategy across a focused portfolio of high-quality businesses. This strategy is complemented by opportunistic short-selling of overvalued lower-quality businesses which are identified through detailed fundamental analysis. VGI operates two equity strategies across four funds and a number of individually managed accounts. With the exception of VG1 and VG8, these have historically catered primarily to high net worth and family office investors.

Regal is a specialist alternatives manager, offering a broad range of listed equity, private market and real asset investment strategies. These include global and Asian equities, Australian equities, specialist resource and healthcare sector strategies, as well as pre-IPO, private capital, and real assets through Regal's investments in Kilter, Attunga, and Gresham JV. These strategies are offered to retail, institutional, and high net worth investors in Australia and overseas.

Relative to VGI on a stand-alone basis, the Merged Group is expected to be able to provide a more complete, diversified product offering to a broader range of existing and potential clients. The Merger brings together two complementary organisations, with demonstrated long-term track records in different investment strategies and investor groups, providing for an enhanced offering to new and existing clients across listed and private markets.

b) The Merged Group will benefit from the combined experience and expertise of both the VGI and Regal management teams and the proposed Listed Entity Board

VGI currently employs 12 investment professionals across Sydney, New York and Tokyo while the Regal Group employs 31 investment professionals in Sydney, Singapore and Victoria. The Merged Group will seek to combine the expertise of VGI and Regal's respective investment teams, including the deep industry experience, networks, and established track records of Robert Luciano (VGI Executive Chairman and Portfolio Manager) and Philip King (Chief Investment Officer and Co-Founder of Regal).¹⁶

The Merger is expected to provide VGI with the ability to leverage Regal's extensive investment capabilities in Australian and Asian equity markets, as well as sector-specific expertise in areas such as resources and healthcare, and unlisted assets. This is expected to generate benefits through the identification of new investment opportunities for VGI's listed and unlisted funds, as well as the ability to pursue future growth through the development of new strategies building on the enhanced capabilities of the combined investment platform and Regal's demonstrated track record of new product development.

c) The Merger will provide the existing VGI business with an operational platform to facilitate investment activity and future growth

Having invested significantly in its corporate capabilities, Regal has an institutional-grade corporate structure designed for scale. This includes proprietary technology and operational infrastructure, deep relationships with research partners, corporate access and expert networks, as well as dedicated in-house trading and execution teams with extensive access to global broker networks. The Regal Group currently employs approximately 72 staff (corporate and investment), which when combined with the 13 operational staff currently employed by VGI, provides a significant infrastructure to pursue future organic growth opportunities that otherwise would not necessarily be available to VGI. This expanded operational platform is also expected to enable a greater focus on investment activity by Robert Luciano, Philip King, and their investment teams.

16. Please refer to section 6.7 for further information regarding Philip King.

4 Why you should vote in favour of, and potential reasons why you may wish to vote against, the Merger Resolutions

4.1 Why you should vote in favour of the Merger Resolutions *continued*

d) The Merger is the best option currently available to VGI to deliver future certainty and value to VGI shareholders

The VGI Board, management team and their advisers considered a wide range of opportunities available to VGI to generate value for VGI Shareholders before deciding to proceed with the Merger. At present, the Merger is considered to offer the greatest level of potential benefits for VGI Shareholders relative to other executable opportunities.

Since the announcement of VGI's and Regal's entry into the Merger Implementation Deed on 30 March 2022 and up to the date of this Explanatory Memorandum, no Competing Proposal has emerged and, as at the date of this Explanatory Memorandum, the VGI Board is not aware of any Competing Proposal that is likely to emerge.

In considering the terms of the Merger and the relevant ownership interests of VGI Shareholders and Regal Shareholders post Completion, the VGI Board has had regard to various factors including:

- the strategic rationale for the Merger, and its potential to deliver attractive benefits for VGI Shareholders;
- fee-earning funds under management to be contributed by VGI and Regal to the Merged Group;
- current and near-term stand-alone management and performance fee earnings potential, and normalised earnings contributions of VGI and Regal to the Merged Group;
- net cash, liquid assets and other liabilities to be contributed by VGI and Regal to the Merged Group; and
- an expectation that the Merger will be earnings accretive, on a normalised basis, to VGI Shareholders.

It is expected that the Merger will be earnings accretive on a normalised basis to VGI Shareholders for the twelve months to 30 June 2022, based on actual and forecast information disclosed by the VGI Group and the Regal Group during due diligence. It is noted however that this outcome is subject to the actual investment performance achieved by VGI and Regal over this period, which remains uncertain.

4.2 Why you may wish to vote against the Merger Resolutions

Although the Merger is being unanimously recommended by the VGI Board, factors which may lead you to consider voting against the Merger include those set out below.

a) Your percentage shareholding and voting power in VGI will be diluted as a significant number of New VGI Shares will be issued to the Regal Shareholders

The aggregate percentage holding of existing VGI Shareholders will be diluted by the issue of New VGI Shares to the Regal Shareholders at Completion. If the Merger proceeds, existing VGI Shareholders will be diluted down from 100% of VGI Shares on issue to approximately 33.3%, with a commensurate dilution of voting power. VGI Shareholders will retain all of their existing shares in VGI.

The impact on the Listed Entity's capital structure in connection with the Merger is outlined in section 7.2(b).

b) Expected benefits may not materialise

While VGI has undertaken due diligence on the Regal Group to determine the attractiveness of the Merger for VGI Shareholders, and Regal has warranted the accuracy and completeness of the Regal Information, it is possible that not all material issues and risks in relation to the Merger and Regal may have been identified. If and to the extent that this information is incomplete, inaccurate or misleading, or the actual results achieved by Regal are weaker than those indicated by VGI's analysis, there is a risk that the future financial results of the Merged Group may differ from VGI's expectations or that additional liabilities may emerge.

Completion of the Merger will also involve the integration of two businesses that have previously operated separately. The ability of the Merged Group to realise the expected benefits of the Merger will, in part, depend on the extent that management is able to successfully combine the personnel, operations, information systems, and cultures of both organisations. An inability to integrate the VGI Group and the Regal Group in the manner expected could have an adverse effect on the Merged Group's future operations and financial performance.

Further, certain contracts to which members of the Regal Group or VGI Group (as the case may be) are party may contain change of control clauses that enable a counterparty to terminate the relevant contract upon Completion. In these circumstances, the relevant members of the Regal Group or VGI Group may be required to obtain prior approval from the counterparty to the change of control to ensure compliance with the relevant contract. Under the Merger Implementation Deed, VGI and Regal are each required to use reasonable endeavours to obtain relevant counterparties' consent to the Merger. However, there is no guarantee that any such consents will be received.

c) Potential risks associated with assuming Regal's historic liabilities

On Completion, VGI will assume the liabilities of Regal, including legal and regulatory liabilities, for which it may not be adequately indemnified. The Merger Implementation Deed contains a number of representations and warranties. These may not, however, be sufficient to cover the actual liabilities incurred in connection with any known or unknown liabilities of Regal and VGI may not be able to recover sufficient funds from Regal Shareholders under the warranty regime. Any material unsatisfied warranty claims could adversely affect the Merged Group's future financial position and performance.

4 Why you should vote in favour of, and potential reasons why you may wish to vote against, the Merger Resolutions

4.2 Why you may wish to vote against the Merger Resolutions *continued*

d) Regal Shareholders will have significant influence over the Merged Group

Whilst Regal Shareholders are not all associated, on Completion of the Merger they will collectively hold 66.7% of the Listed Entity. Philip King (Chief Investment Officer and Co-Founder of Regal)¹⁷ and his Associates (including New Highland Pty Limited (as trustee of the King Family Trust) and New Highland Pty Limited (as trustee of the Philip King Family Trust)) will have an aggregate Voting Power of 42.53% in the Listed Entity.¹⁸

Although the interests of the Merged Group, Regal Shareholders and VGI Shareholders are likely to be aligned in most situations, there may be instances where interests diverge. In addition, any future sale of shares by Regal Shareholders, including those currently subject to escrow arrangements, may negatively impact on the market price of the shares in the Listed Entity after Completion.

e) The future value of the Merged Group is not certain

Following Completion of the Merger, the price of the shares in the Listed Entity after Completion may rise or fall based on market conditions and will be highly dependent on the performance of its investment activities and managed funds. There is no guarantee that the future performance of the Merged Group, or any of its respective funds, will be in line with historical performance of VGI or Regal.

Following the Merger, funds under management by Regal are expected to comprise over half of the total funds managed by the Merged Group. In many cases the investment strategies, investment philosophy, leverage employed, markets accessed and holdings in Regal funds differ significantly from those managed by VGI. While VGI considers the Merger to be a complementary and attractive fit, the future performance of Regal investments may differ materially, and potentially negatively, from those of VGI.

f) The risk profile of the Merged Group will differ from the existing risk profile of VGI

VGI Shareholders are currently exposed to certain risks by virtue of having an equity interest in VGI. If the Merger is implemented, VGI Shareholders will maintain a level of exposure to those risks and will become exposed to additional risks associated with having an equity interest in the Regal Group (which will be owned by VGI following Completion of the Merger) and with the implementation of the Merger more generally.

g) You may not agree with the recommendation by the VGI Directors and the Independent Expert

Notwithstanding the unanimous recommendation of the VGI Board and the Independent Expert's opinion, you may believe the Merger is not in your best interests.

4.3 What is the opinion of the Independent Expert?

VGI has appointed Lonergan Edwards as the Independent Expert to provide a report on whether the Merger is fair and reasonable for VGI Shareholders. In its report, the Independent Expert has concluded that the Merger is not fair but is reasonable in the absence of a Superior Proposal.

Under RG 111, the Independent Expert is open to conclude that a transaction is reasonable even if it is not fair if the advantages of the transaction outweigh the disadvantages.¹⁹ In considering whether the Merger is reasonable, the Independent Expert has considered whether existing VGI Shareholders are likely to be better off from a value perspective if they approve the Merger by comparing the value of VGI Shares held by existing VGI Shareholders before and after the Merger on a consistent-portfolio basis. This analysis indicates that the Merger terms are broadly consistent with the value each party is contributing to the Merger.

In order for the Merger to be considered "fair" under RG 111, the portfolio interest value of VGI Shares held by existing VGI Shareholders following Completion must be equal to, or greater than the controlling interest value of VGI Shares held by existing VGI Shareholders prior to Completion. Based on this, the Merger is not fair when assessed based on the guidelines set out in RG 111.

Pursuant to the Merger, existing VGI Shareholders and Regal Shareholders will own 33.3% and 66.7%, respectively, of the shares in the Listed Entity after Completion. As the value contributed by existing VGI Shareholders to the Listed Entity is consistent with existing VGI Shareholders' ownership interest in the Listed Entity following Completion, the Independent Expert has determined that the Merger terms are appropriate.

On the basis of the above, and in consideration of the benefits of the Merger and the potential for synergy benefits to be realised over the medium term, it is the opinion of the Independent Expert that the Merger is not fair but is reasonable to VGI Shareholders in the absence of a Superior Proposal.

A complete copy of the Independent Expert Report is included in Annexure A to this Explanatory Memorandum. VGI Shareholders should carefully review the Independent Expert Report in its entirety.

17. Please refer to section 6.7 for further information regarding Philip King.

18. Other than Philip King (Chief Investment Officer and Co-Founder of Regal) and his Associates, no Regal Shareholder (either alone or together with its Associates) will have Voting Power of greater than 5% of VGI Shares immediately following Completion.

19. For the avoidance of doubt, RG 111 does not require the Independent Expert to conclude that the Merger is "fair" in order for the Merger to proceed.

5 Details of the Merger

5.1 Overview

The Merger will involve the acquisition by VGI of all of the shares in Regal in consideration for the issue of New VGI Shares to Regal Shareholders, with the effect that following Completion Regal will become a wholly owned subsidiary of VGI immediately and all Regal Shareholders will become holders of ordinary shares in the Listed Entity.

The number of New VGI Shares issued to Regal Shareholders is fixed at 141,008,460 in aggregate. In accordance with clause 4.12(c)(ii) of the Merger Implementation Deed, this number reflects a pro rata increase in the number of New VGI Shares specified in clause 2.3(b) of the Merger Implementation Deed (being 139,612,338 New VGI Shares) which has been applied to reflect the issue of 698,061 VGI Shares on 22 April 2022 pursuant to the VGI Employee Equity Issuance.

Completion of the Merger is subject to the Conditions Precedent, which must be satisfied or waived (where capable of waiver) for the Merger to proceed, details of which are set out in section 5.2.

On Completion, it is expected that the Listed Entity will be renamed Regal Partners Limited, will remain listed on the ASX and will have its ASX ticker changed from "VGI" to "RPL".

On Completion, Philip King (Chief Investment Officer and Co-Founder of Regal)²⁰ and his Associates (including New Highland Pty Limited (as trustee of the King Family Trust) and New Highland Pty Limited (as trustee of the Philip King Family Trust)) will have an aggregate Voting Power of 42.53% in the Listed Entity.

The Regal Shareholders' collective Voting Power in the Listed Entity immediately following Completion will not exceed 66.7%. Other than Philip King (Chief Investment Officer and Co-Founder of Regal) and his Associates, no Regal Shareholder (either alone or together with its Associates) will have Voting Power of greater than 5% of VGI Shares immediately following Completion.

The New VGI Shares issued to Regal Shareholders will be subject to certain escrow arrangements, details of which are set out in section 5.3.

5.2 Conditions precedent to completion of the Merger

Completion of the Merger is subject to the Conditions Precedent which must be satisfied or waived (where capable of waiver) for the Merger to proceed. A summary of the Conditions Precedent is included in section 8.2(a)(i) and the Conditions Precedent are set out in full in clause 3.1 of the Merger Implementation Deed, a full copy of which is attached to the VGI ASX announcement on 30 March 2022, which can be obtained from the VGI Website or the ASX website at www2.asx.com.au.

Subject to the terms of the Merger Implementation Deed, the Merger will not proceed unless all the Conditions Precedent are satisfied (or waived, if applicable) before 30 September 2022 (or such later date as VGI and Regal may agree) in accordance with the Merger Implementation Deed.

5.3 Escrow Arrangements

All New VGI Shares issued to Regal Shareholders at Completion will either be subject to formal escrow under the Escrow Deeds (details of which are set out in sections 8.2(b) to 8.2(e)) or otherwise subject to statements of intention from Regal Shareholders to VGI not to sell or otherwise transfer or deal in any New VGI Shares that are issued to them on Completion (details of which are set out in section 8.2(a)(viii)).

The voluntary escrow deed entered into by Robert Luciano and VGI on 12 May 2019 (the **RL Voluntary Escrow Deed**), and the confirmation of Robert Luciano's intention not to sell or otherwise transfer or deal in VGI Shares which are not the subject of a voluntary escrow deed (the **RL Intention Statement**), in connection with VGI's initial public offering remain on foot and will not be affected by Completion.

VGI currently has a 50.55% relevant interest in VGI Shares arising from negative control over VGI Shares under existing formal escrow deeds. VGI's relevant interest in VGI Shares will increase to 70.08% as a result of VGI entering into the escrow deeds with the Regal Shareholders described in section 5.3 of the Explanatory Memorandum on and from Completion of the Merger.

20. Please refer to section 6.7 for further information regarding Philip King.

5 Details of the Merger

5.3 Escrow Arrangements *continued*

Set out below is a table which summarises the application of all escrow arrangements that it is expected will apply to ordinary shares in the Listed Entity from Completion.

Controller(s) of Listed Entity shareholder(s)	Listed Entity shareholder(s)	% of Listed Entity ordinary shares subject to escrow arrangement	Nature of escrow arrangement	End of escrow period
Philip King	New Highland Pty Limited (as trustee for the King Family Trust)	19.18%	NH Voluntary Escrow Deed	21 June 2024
	New Highland Pty Limited (as trustee for the King Family Trust)	9.58%	Intention statement given by New Highland	21 June 2024
	New Highland Pty Limited (as trustee for the King Family Trust)	0.84%	Regal ESOP Shareholders Escrow Deed	1 March 2024
	New Highland Pty Limited (as trustee for the Philip King Family Trust)	5.07%	Regal ESOP Shareholders Escrow Deed	1 March 2024
	New Highland Pty Limited (as trustee for the King Family Trust)	0.97%	Regal ESOP Shareholders Escrow Deed	31 October 2024
	New Highland Pty Limited (as trustee for the Philip King Family Trust)	3.88%	Regal ESOP Shareholders Escrow Deed	31 October 2024
	New Highland Pty Limited (as trustee for the King Family Trust)	0.51%	Regal ESOP Shareholders Escrow Deed	18 December 2025
	New Highland Pty Limited (as trustee for the Philip King Family Trust)	2.36%	Regal ESOP Shareholders Escrow Deed	18 December 2025
	New Highland Pty Limited (as trustee for the King Family Trust)	0.14%	Regal ESOP Shareholders Escrow Deed	30 December 2026
Subtotal – Philip King²¹		42.53%	N/A	N/A
Robert Luciano	RMPL Investments Pty Ltd as trustee for the RMPL Family Trust	12.89%	RL Voluntary Escrow Deed	21 June 2024
	RMPL Investments Pty Ltd as trustee for the RMPL Family Trust	6.45%	RL Intention Statement	21 June 2024
Subtotal – Robert Luciano		19.34%	N/A	N/A
Andrew King	Stroud Agricultural Company Pty Ltd (as trustee for The Vernon Trust)	2.35%	Stroud Escrow Deed	21 June 2024
	Stroud Agricultural Company Pty Ltd (as trustee for The Vernon Trust)	1.18%	Intention statement given by Stroud Agricultural Company Pty Ltd (as trustee for The Vernon Trust)	21 June 2024
Subtotal – Andrew King²¹		3.53%	N/A	N/A
Ficus Fiduciary Limited	Ficus Fiduciary Limited (as trustee for the Regal Foundation)	5.35%	Foundation Escrow Deed	21 June 2024
	Ficus Fiduciary Limited (as trustee for the Regal Foundation)	2.67%	Intention statement given by Ficus Fiduciary Limited (as trustee for the Regal Foundation)	21 June 2024
Subtotal – Regal Foundation²¹		8.02%	N/A	N/A
Douglas Tynan	D&C Tynan Investments Pty Ltd (D&C Tynan Family Account)	3.37%	Formal escrow deed	21 June 2024
	D&C Tynan Investments Pty Ltd (D&C Tynan Family Account)	1.68%	Intention statement given by D&C Tynan Investments Pty Ltd (D&C Tynan Family Account)	21 June 2024
Subtotal – Douglas Tynan		5.05%	N/A	N/A

21. The nature of the Escrow Arrangements that will apply to VGI Shares controlled by Philip King, Andrew King, and/or The Regal Foundation may differ from this table in the circumstances explained in section 5.4(b).

5 Details of the Merger

5.3 Escrow Arrangements *continued*

Controller(s) of Listed Entity shareholder(s)	Listed Entity shareholder(s)	% of Listed Entity ordinary shares subject to escrow arrangement	Nature of escrow arrangement	End of escrow period
Robert Poiner	R J Poiner Investments Pty Ltd (R J Poiner Family Account)	0.58%	Formal escrow deed	21 June 2024
	R J Poiner Investments Pty Ltd (R J Poiner Family Account)	0.29%	Intention statement given by R J Poiner Investments Pty Ltd (R J Poiner Family Account)	21 June 2024
Subtotal – Robert Poiner		0.87%	N/A	N/A
Controllers of VGI Historic Option Shares	Holders of VGI Historic Option Shares	0.01%	Formal escrow deeds	19 June 2024
Subtotal – Holders of VGI Historic Option Shares		0.01%	N/A	N/A
Controllers of Holders of 2018 Employee Shares	Holders of 2018 Employee Shares (excluding New Highland)	6.93%	Regal ESOP Shareholders Escrow Deed	1 March 2024
Controllers of Holders of 2019 Employee Shares	Holders of 2019 Employee Shares (excluding New Highland)	3.10%	Regal ESOP Shareholders Escrow Deed	31 October 2024
Controllers of Holders of 2020 Employee Shares	Holders of 2020 Employee Shares (excluding New Highland)	2.27%	Regal ESOP Shareholders Escrow Deed	18 December 2025
Controllers of Holders of 2021 Employee Shares	Holders of 2021 Employee Shares (excluding New Highland)	0.30%	Regal ESOP Shareholders Escrow Deed	30 December 2026
Subtotal – Regal ESOP Shareholders (excluding New Highland)		12.60%	N/A	N/A
Total % of Listed Entity shares* subject to Escrow Deeds ²²		70.08%		
Total % of Listed Entity shares* subject to intention statements ²³		21.85%		
Total % of Listed Entity shares* to be released from escrow arrangements on 1 March 2024		12.84%		
Total % of Listed Entity shares* to be released from escrow arrangements on 19 June 2024		0.01%		
Total % of Listed Entity shares* to be released from escrow arrangements on 21 June 2024		63.59%		
Total % of Listed Entity shares* to be released from escrow arrangements on 31 October 2024		7.95%		
Total % of Listed Entity shares* to be released from escrow arrangements on 18 December 2025		5.14%		
Total % of Listed Entity shares* to be released from escrow arrangements on 30 December 2026		0.44%		

* Percentages represent percentages of Listed Entity Shares at Completion. The number of Listed Entity Shares on issue at the end of the relevant escrow period may differ from the number of Listed Entity shares on issue at Completion and, accordingly, these percentages are indicative only.

22. The nature of the Escrow Arrangements that will apply to VGI Shares controlled by Philip King, Andrew King, and/or The Regal Foundation, including the number of such shares that will be subject to Escrow Deeds, may differ from this table in the circumstances explained in section 5.4(b).

23. The nature of the Escrow Arrangements that will apply to VGI Shares controlled by Philip King, Andrew King, and/or The Regal Foundation, including the number of such shares that will be subject to intention statements, may differ from this table in the circumstances explained in section 5.4(b).

5 Details of the Merger

5.4 Resolutions relating to the Merger to be voted on at the Annual General Meeting

a) Resolution 4

VGI Shareholders will be invited to approve Resolution 4 at the Annual General Meeting, being the approval of the acquisition of relevant interests in VGI Shares by certain Regal Shareholders for the purposes of section 611, item 7 of the Corporations Act.

Philip King (Chief Investment Officer and Co-Founder of Regal) and his Associates (including New Highland Pty Limited (as trustee of the King Family Trust) and New Highland Pty Limited (as trustee of the Philip King Family)) are Regal Shareholders for the purposes of Resolution 4 and section 611, item 7 of the Corporations Act, and will acquire a relevant interest in 42.53% of all VGI Shares immediately following Completion of the Merger.

Other than as stated above, no Regal Shareholder (either alone or together with its Associates) will have a relevant interest of greater than 5% of VGI Shares immediately following Completion.

b) Resolution 5

VGI Shareholders will be invited to approve Resolution 5, being the approval of acquisition of relevant interests in Escrowed Shares by VGI for the purposes of section 611, item 7 of the Corporations Act.

If Resolution 5 is not approved but Resolution 4 is approved, VGI and Regal intend to procure the amendment of the Escrow Arrangements as they apply to the VGI Shares controlled by Philip King, Andrew King, and/or The Regal Foundation to reduce the number of VGI Shares which are the subject of Escrow Deeds and increase the number of VGI Shares which are the subject of the statements of intention described in section 8.2(a)(viii) of this Explanatory Memorandum (with no change to the overall number of VGI Shares controlled by Philip King, Andrew King, and The Regal Foundation which are the subject of Escrow Arrangements). VGI will not acquire relevant interests in VGI Shares which are the subject of the statements of intention described in section 8.2(a)(viii) of this Explanatory Memorandum. As such, these changes will ensure that VGI's relevant interest in VGI Shares does not increase as a result of the Escrow Arrangements taking effect. This will enable such Escrow Arrangements to become effective without approval from VGI Shareholders for the purposes of section 611, item 7 of the Corporations Act. Such changes would, if effected, be announced to the ASX. The relevant escrow release dates and aggregate number of VGI Shares which are the subject of Escrow Arrangements would not otherwise change.²⁴

VGI and Regal have agreed to waive the approval of Resolution 5 as a condition precedent to Completion for the purposes of the Merger Implementation Deed. Notwithstanding that waiver, the VGI Board recommends that VGI Shareholders vote in favour of Resolution 5 in the absence of a Superior Proposal.

c) Resolution 6

VGI Shareholders will be invited to approve Resolution 6, being the election of Mr Michael J Cole, Ms Sarah Dulhunty, and Mr Ian M Gibson as Listed Entity Directors. Implementation of the Merger is not conditional on this resolution being approved by VGI Shareholders.

d) Resolution 7

VGI Shareholders will be invited to approve Resolution 7, being the change of name of VGI Partners Limited to Regal Partners Limited.

VGI and Regal have agreed to waive the approval of Resolution 7 as a condition precedent to Completion for the purposes of the Merger Implementation Deed. Notwithstanding that waiver, the VGI Board recommends that VGI Shareholders vote in favour of Resolution 7 in the absence of a Superior Proposal.²⁵

e) Resolution 8

VGI Shareholders will be invited to approve Resolution 8, being an approval to increase the Non-Executive Directors' fee cap. Implementation of the Merger is not conditional on this resolution being approved by VGI Shareholders.

Further information regarding all of these resolutions is set out in the Notice of Meeting of which this Explanatory Memorandum forms part.

Shareholders should note that RMPL Investments Pty Ltd (as trustee for the RMPL Family Trust), an entity controlled by Robert Luciano, currently holds over 50% of VGI Shares. Robert Luciano intends to direct that entity to vote in favour of the Merger Resolutions which it is eligible to vote on in the absence of a Superior Proposal and to vote in favour of all other resolutions. As such, all ordinary resolutions which it is eligible to vote on, including Resolution 4, are expected to be passed by the votes cast by RMPL Investments Pty Ltd (as trustee for the RMPL Family Trust).

24. In this scenario, the Listed Entity will convene a general meeting of Listed Entity shareholders after Completion at which approval will be sought to make certain of the VGI Shares controlled by Philip King, Andrew King, and/or The Regal Foundation which are the subject of the statements of intention, subject to Escrow Deed(s) by approving VGI's acquisition of a relevant interest in those VGI Shares that would result from those shares becoming subject to Escrow Deed(s).

25. If Resolution 7 is not passed at the Annual General Meeting, the Listed Entity will convene a general meeting of Listed Entity shareholders after Completion at which approval will be sought to change the name of the Listed Entity from "VGI Partners Limited" to "Regal Partners Limited".

5 Details of the Merger

5.5 Recommendation of the VGI Directors

The VGI Directors unanimously recommend that VGI Shareholders vote in favour of resolutions set out in section 5.4 above, being Resolutions 4 to 8 set out in the Notice of Meeting, in the absence of a Superior Proposal.

5.6 VGI Special Dividend

a) Introduction

The VGI Board currently intends to pay a fully franked VGI Special Dividend of up to \$0.40 per VGI Share shortly after the Completion Date, conditional on Completion of the Merger occurring.

b) Requirements of the VGI Special Dividend

Under section 254T of the Corporations Act, dividends may only be paid by a company if:

- i) the company's assets exceed its liabilities immediately before the dividend and the excess is sufficient for the payment of the dividend;
- ii) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- iii) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The VGI Directors will determine (in their absolute discretion) whether to pay any VGI Special Dividend after assessing the VGI Group's cash position and available funding at the applicable time.

However, based on the information that is currently available, the VGI Directors expect to be able to determine that paying a VGI Special Dividend of up to \$0.40 per VGI Share is:

- iv) in the best interests of VGI;
- v) does not materially prejudice the interests of VGI or VGI Shareholders;
- vi) does not materially prejudice VGI's ability to pay its creditors; and
- vii) does not prejudice VGI's obligations under the Merger Implementation Deed.

c) Announcement regarding any VGI Special Dividend

A determination of the VGI Directors regarding the payment of any VGI Special Dividend is expected to be communicated to VGI Shareholders by way of an ASX announcement on or around the date of the Annual General Meeting (provided that all Conditions Precedent remain satisfied on that date).

d) Provision of the VGI Special Dividend

If the VGI Directors decide to pay a VGI Special Dividend, VGI Shareholders on the VGI Share Register on the VGI Special Dividend Record Date will be paid the VGI Special Dividend on the VGI Special Dividend Payment Date.

Payments will be made by electronic funds transfer into the VGI Shareholder's nominated bank account as advised to the VGI Share Registry as at the VGI Special Dividend Record Date. If no bank account has been nominated, payment will be made by sending an Australian dollar cheque, by pre-paid post to the relevant shareholder's registered address, as shown on the VGI Share Register.

5.7 Timetable

An indicative timetable for the Merger is set out in section 2. All dates are indicative only and, among other things, are subject to the satisfaction (or, where capable, waiver) of the Conditions Precedent. Any changes to the above timetable (which may include an earlier or later date of the Completion Date) will be announced to the ASX and notified on the VGI Website.

6 Overview of VGI and Regal

Overview of VGI

6.1 Overview of VGI's operations

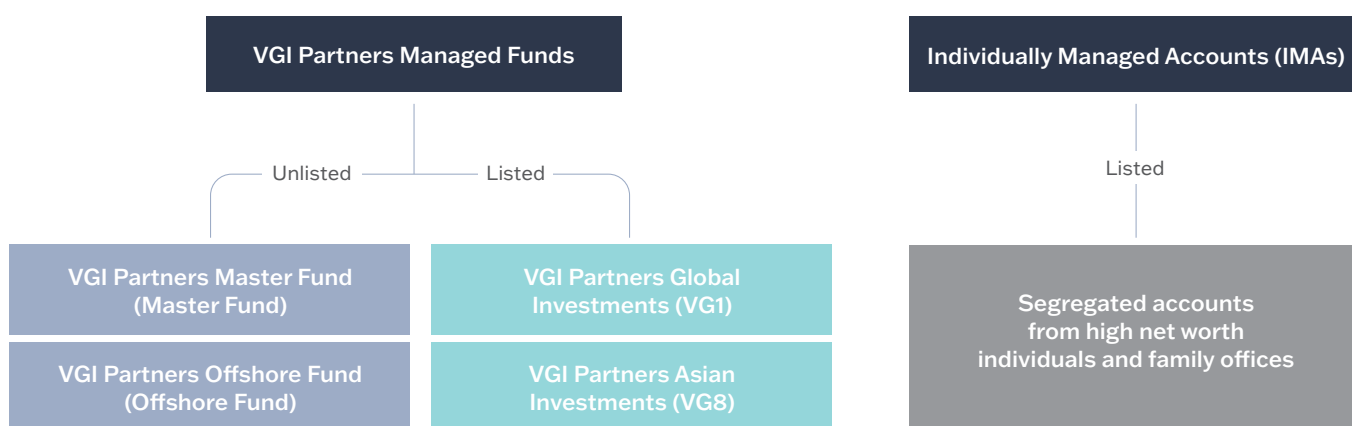
VGI is a wealth manager specialising in global equities, managing capital for high net worth individuals and family offices (held both directly and via two unlisted funds) and two listed investment companies: VG1 and VG8.

VGI was established in 2008 by Robert Luciano, VGI's Executive Chairman and Managing Director, and listed on the ASX in 2019 (ASX:VGI).

As at the date of this Explanatory Memorandum, the VGI Group employs approximately 25 employees across offices in Sydney, New York and Tokyo.

As at 28 February 2022, VGI's FUM was \$2.2 billion.²⁶

A summary of VGI's managed funds and individually managed accounts is set out below.



6.2 VGI Board and Key Management Personnel

a) VGI Board

The VGI Board is comprised of the following directors as at the date of this Explanatory Memorandum.

Name	Current Position
Robert M P Luciano	Executive Chairman and Managing Director
David F Jones AM	Executive Director
Jaye L Gardner	Independent Non-Executive Director
Benjamin A Pronk DSC	Independent Non-Executive Director
Darren J Steinberg	Independent Non-Executive Director

b) VGI Key Management Personnel

As at the date of this Explanatory Memorandum, VGI's key management personnel are each of the VGI Directors and the following individuals.

Name	Current Position
Robert M P Luciano	Executive Chairman and Managing Director
Adam M Philippe	Chief Operating Officer
Ian Cameron	Chief Financial Officer and Company Secretary

6.3 VGI capital structure

As at the date of this Explanatory Memorandum, VGI has 70,504,230 VGI Shares and no VGI Options on issue.

26. As announced by VGI to ASX on 22 April 2022, VGI's FUM as at 31 March 2022 was \$2.0 billion. Where relevant in this Explanatory Memorandum, VGI's FUM is stated as at 28 February 2022 to enable a comparison between Regal FUM and VGI FUM on the same date and to ensure consistency with the Independent Expert Report. Funds under management includes that of institutional investors, family offices, pro bono funds, charities, private investors and employees.

6 Overview of VGI and Regal

6.4 VGI historical financial information

a) Basis of preparation

This section sets out historical financial information about the VGI Group for the financial years ended 31 December 2020 and 31 December 2021. The financial information in this section is a summary only and was prepared for the purpose of this Explanatory Memorandum. It does not contain all the disclosures, presentations, statements or comparatives that are usually provided in the annual report prepared in accordance with the Corporations Act. The information has been extracted from the audited financial reports of VGI for the financial years ended 31 December 2020 and 31 December 2021. The financial information has not been subject to further review by an independent accountant.

Further details on VGI's financial performance and financial statements for the financial year ended 31 December 2021, as announced to the ASX on 28 February 2022 can be found on the ASX website (www2.asx.com.au) or the VGI Website.

b) Historical statements of profit or loss

Below is a summary of VGI's consolidated statements of profit or loss for the financial years ended 31 December 2020 and 31 December 2021.

Summary of VGI's statements of profit or loss

\$ million	Notes	12 months to 31 Dec 2021	12 months to 31 Dec 2020
Revenue from contracts with customers	1	85.4	57.0
Other income	2	(2.8)	(0.2)
Total net income		82.6	56.8
Employee benefits expense		(12.7)	(11.1)
Other expenses	3	(7.8)	(7.0)
Profit before income tax		62.0	38.7
Income tax expense		(19.3)	(12.8)
Profit for the year		42.7	25.9

1. Revenue from contracts with customers includes the following line items from VGI's financial statements: management fees and performance fees.
2. Other income includes the following line items from VGI's financial statements: net foreign exchange gain/(loss), net (loss) on financial assets/liabilities measured at fair value through profit and loss, and other income.
3. Other expenses include the following line items from VGI's financial statements: research, IT and communications expenses, finance and occupancy expenses, depreciation, Charitable Foundation contributions, cash donations and other expenses.

6 Overview of VGI and Regal

6.4 VGI Historical financial information *continued*

c) Historical statement of financial position

Below is a summary of VGI's consolidated statements of financial position for as at 31 December 2020 and 31 December 2021.

Summary of VGI's statements of financial position

\$ million	Notes	As at 31 Dec 2021	As at 31 Dec 2020
Current assets			
Cash and cash equivalents & Trade and other receivables	1	48.9	68.7
Contract assets		5.0	5.0
Total current assets		53.9	73.7
Non-current assets			
Property, plant and equipment	2	1.5	2.1
Financial assets	3	52.8	34.5
Contract assets		33.9	39.0
Deferred tax assets		3.7	2.6
Other assets		0.4	0.4
Total non-current assets		92.3	78.6
Total assets		146.2	152.3
Current liabilities			
Trade and other payables	4	6.8	14.1
Lease liabilities		0.4	0.4
Total current liabilities		7.2	14.5
Non-current liabilities			
Lease liabilities		0.5	0.9
Deferred tax liabilities		3.4	3.9
Other non-current liabilities		0.5	0.4
Total non-current liabilities		4.4	5.2
Total liabilities		11.6	19.7
Net assets		134.6	132.6
Equity			
Controlling interest		134.6	132.6
Total Equity		134.6	132.6

1. Cash and cash equivalents and trade and other receivables have been combined in this presentation of the statement of financial position, as trade and other receivables primarily consist of management and performance fee receivables that have since been collected. This item also includes amounts due from brokers.
2. Property, plant and equipment includes right of use assets.
3. Financial assets are accounted for at fair value through profit or loss.
4. Trade and other payables includes the following items from VGI's financial statements: amounts due to brokers, trade and other payables, income tax payable and employee entitlements.

6 Overview of VGI and Regal

Overview of Regal

6.5 Overview of Regal's operations

Regal is a multi-award winning specialist alternatives investment manager. With a heritage built on long/short fundamental investing, Regal has pioneered the development of the hedge fund and alternatives industry in Australia since 2004 and is widely recognised as one of Australia's leading hedge funds.

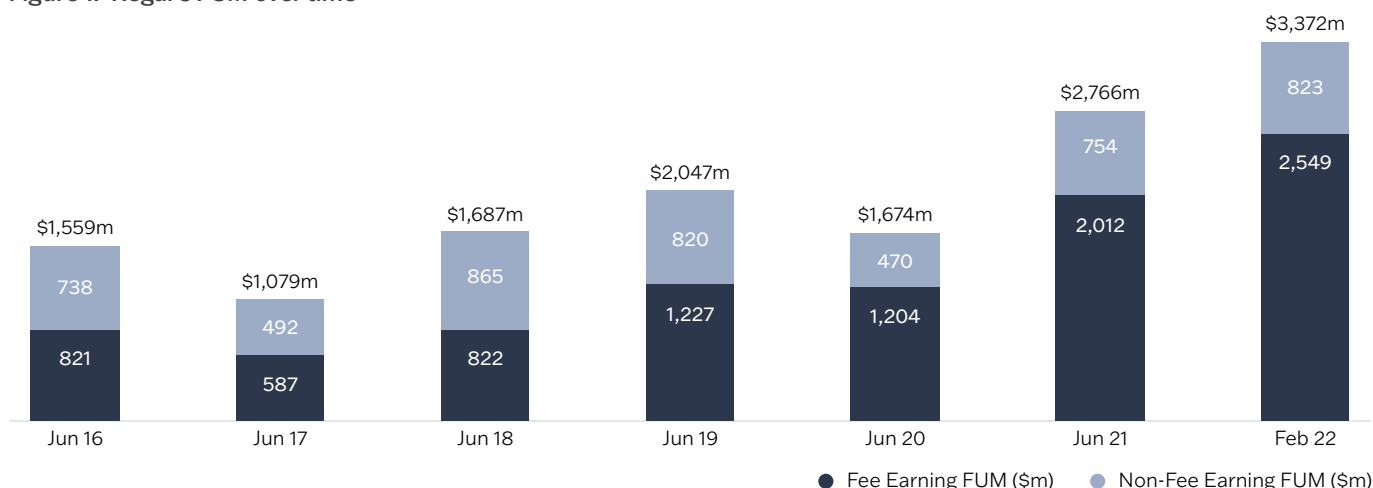
The Regal Group comprises 72 staff in total, with an investment team of 31, and includes Regal Funds Management, Regal Asia, Kilter and Attunga. The Regal Group manages approximately \$3.4 billion²⁷ in hedge fund, private market and real asset investment strategies on behalf of institutions, family offices, charities, dealer groups and private investors across Australia, Asia, Europe and the Americas.

Regal seeks to be the leading provider of alternative investment strategies in Australia, delivering superior investment returns through a high-quality investment and operational team.

6.6 Regal's FUM

The Regal Group manages approximately \$3.4 billion, diversified across a broad range of investment strategies, products and investor types.²⁷

Figure 1: Regal's FUM over time²⁸



a) Investment strategies and investment approach

The Regal Group manages capital across a diversified range of hedge fund, private market and real asset investment strategies, with an investment approach that seeks to identify, understand and capitalise from price inefficiencies that occur across and within global capital markets. Investment strategies are focused on specific sectors, markets or asset classes where the Regal Group's extensive investment in human capital, technology and market relationships provide attractive sources of ongoing alpha.

Strategies are typically capacity constrained, benchmark unaware and absolute return focused, in order to maximise the potential to deliver strong and consistent risk adjusted returns over the long term.

Today, the Regal Group has a broad and diversified range of investment strategies comprising global and Asian equities, Australian equities, Specialist equities, Private markets and real / natural assets.

In addition, Regal also manages the Regal Investment Fund (ASX: RF1), an ASX-listed investment trust.

27. This number includes funds under management as at 28 February 2022 of Regal, Regal Asia, Kilter (excluding Kilter managed account), Attunga and Gresham JV on a consolidated basis (assuming 100% ownership). Funds under management includes both fee earning and non-fee earning.

28. Figure 1 includes all funds under management of Regal, Regal Asia, Kilter (excluding Kilter managed account), Attunga and Gresham JV on a consolidated basis (assuming 100% ownership) from the relevant year Regal first acquired interests in Kilter (November 2018), Gresham JV (October 2019) and Attunga (December 2021).

6 Overview of VGI and Regal

6.6 Regal's FUM continued

Figure 2: Summary of investment strategies

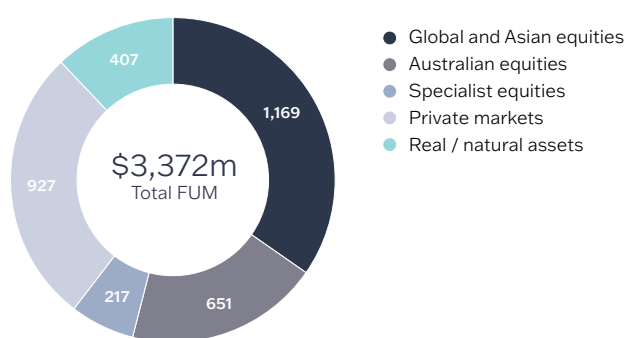
Investment strategies²⁹

Hedge Funds: Global and Asian equities	Strategy inception	Annualised return
Regal Atlantic Absolute Return Fund	2004	+27%
Regal Tasman Market Neutral Fund	2007	+15%
Regal Investment Fund (ASX:RF1)	2019	+30%
Regal Tactical Opportunities Fund	2020	+90%
Hedge Funds: Australian equities		
Regal Australian Long Short Equity Fund	2009	+14%
Regal Australian Small Companies Fund	2015	+26%
Hedge Funds: Specialist equities		
Resources Long Short Strategy	2019	+32%
Healthcare Long Short Strategy	2017	+13%
Private markets: Pre-IPO, expansion capital		
Regal Emerging Companies Fund	2016	+19%
Regal Emerging Companies Fund II	2018	+20%
Regal Emerging Companies Fund III	2019	+59%
Regal Emerging Companies Opportunities Fund	2020	+43%
Real / Natural assets		
Kilter Water Fund	2014	+15%
Murray-Darling Basin Balanced Water Fund	2015	+14%
Australian Farmlands Fund	2018	+1%
Attunga Power and Enviro Fund	2006	+14%
Attunga Carbon and Enviro Fund	2022	< 1 year track
Gresham Resource Royalties Fund	2019	+27%

b) Diversification by investment strategy

The Regal Group's FUM is well diversified across investment strategies:

Figure 3: Breakdown of the Regal Group's Total FUM as at 28 February 2022 (\$ million)^{30, 31}



29. As at 28 February 2022, annualised performance net of all fees (assuming reinvestment of distributions) of the relevant Australian unit trust, other than as follows. Resources Long Short Strategy and Healthcare Long Short Strategy performance is shown since strategy inception (rather than the relevant fund inception as the relevant funds have a < 1 year track) as tracked in the Regal investment management system. The Gresham Resource Royalties Fund performance figure is an estimate of internal rate of return based on the estimated fair value contained in the fund's March 2022 newsletter. Performance of Regal Emerging Companies Fund, Regal Emerging Companies Fund II and Regal Emerging Companies Fund III reflects internal rate of return of the relevant fund, not its annualised return, due to the close ended nature of the relevant investment vehicle and because distributions from the relevant funds are not reinvested. 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. Regal is the majority owner of Kilter and Attunga and minority shareholder of Gresham JV.

30. The total may differ from the sum of the constituent FUM amounts due to the effect of rounding.

31. Figure 3 includes all funds under management as at 28 February 2022 of Regal, Regal Asia, Kilter (excluding Kilter managed account), Attunga and Gresham JV on a consolidated basis (assuming 100% ownership). Funds under management includes both fee earning funds and non-fee earning funds, but excludes external non-fee earning funds. Australian equities includes funds under management in respect of the Australian long short and small companies strategies; private markets includes funds under management in respect of the emerging companies strategy; specialist equities includes funds under management in respect of the resources and healthcare strategies and Real/Natural assets include funds under management in respect of strategies managed by Kilter (excluding Kilter managed account), Attunga and Gresham JV, in each case, as at 28 February 2022.

6 Overview of VGI and Regal

6.6 Regal's FUM continued

c) Operating Platform

Regal has invested significantly in the development of its proprietary technology and operating platform providing the investment, operations and management teams with access to a highly developed and institutional grade operational, risk and trading infrastructure.

6.7 Regal Board and Key Management Personnel

The Regal Board of Directors is comprised of the following as at the date of this Explanatory Memorandum.

Philip King – Chief Investment Officer and Co-Founder of Regal

Philip King is the Chief Investment Officer at Regal and is responsible for the portfolio management of Regal's individual funds. Prior to founding Regal, Philip worked for De Putron Fund Management in London as a hedge fund manager specialising in relative value and special situations. At that time DPFM managed nearly \$2 billion in hedge funds.

Prior to joining DPFM in 2000, Philip was an equities analyst at Macquarie Bank for over five years. Philip also worked at KPMG from 1987 to 1994 as a chartered accountant.

Philip holds a Bachelor of Commerce (Honours) from the University of New South Wales and was inducted into the Funds Management Hall of Fame in 2019.

Brendan J O'Connor – Chief Executive Officer of Regal

Please refer to section 7.3 for further information regarding Brendan O'Connor.

Ian M Gibson – Executive Director of Regal

Please refer to section 7.3 for further information regarding Ian Gibson.

6.8 Regal Capital structure

Regal currently has an aggregate of 114,286 ordinary shares and 97,893 Employee Shares on issue. The breakdown of the shareholdings is set out in the table below.

Shareholder	Class	Number of shares held
New Highland Pty Limited as the trustee of the King Family Trust	Ordinary	81,544
Stroud Agricultural Company Pty Ltd as the trustee of the Vernon Trust	Ordinary	10,000
The Regal Foundation	Ordinary	22,742
Regal ESOP Shareholders	Employee Shares	97,893

6.9 Regal Group structure

Regal has three wholly-owned subsidiaries being Regal Asia (which operates Regal Group's Singapore business), RFM Capital Pty Ltd (ACN 631 802 401) and Regal ESOP Pty Ltd (ACN 637 448 072).

In addition to the wholly-owned subsidiaries, Regal holds:

- 61.49% voting power in Kilter Pty Ltd (ACN 111 305 349) (**Kilter**), a specialist manager of Australian farmland, water and ecosystems funds established in 2004. Kilter Investments Pty Ltd (ACN 152 558 113), a wholly-owned subsidiary of Kilter, holds its own AFSL and is currently the investment manager of agriculture-focused funds. Kilter Management Services Pty Ltd (ACN 152 559 067), an entity which provides payroll services to the Kilter group, is also wholly-owned by Kilter;
- a 51% interest in Attunga Capital Pty Ltd (ACN 117 683 093) (**Attunga**), a fund manager with power and energy portfolios managing interests in the global carbon and electricity markets; and
- a 33.33% interest in Gresham Royalties Management Pty Ltd (ACN 605 785 804) (**Gresham JV**), a joint venture governed by a shareholders' agreement between, amongst others, Regal, Gresham Partners Limited and Gresham JV. Gresham JV acts as the investment manager of the Gresham Resources Royalties Fund which invests in mining and energy royalties.

6.10 Regal Historical financial information

a) Basis of preparation

This section sets out historical financial information about the Regal Group for the twelve month periods ended 30 June 2021, 30 June 2020 and 31 December 2021. The financial information in this section is a summary only and is prepared for the purpose of this Explanatory Memorandum. It does not contain all the disclosures, presentations, statements or comparatives that are usually provided in the annual report prepared in accordance with the Corporations Act. The information has been extracted from the audited financial reports of Regal for the financial years ended 30 June 2020 and 30 June 2021. The financial information has not been subject to further review by an independent accountant.

b) Historical statement of profit or loss and other comprehensive income

Below is a summary of Regal's consolidated statements of profit or loss or other comprehensive income for the twelve month periods ended 30 June 2020, 30 June 2021 and 31 December 2021.

6 Overview of VGI and Regal

6.10 Regal Historical financial information *continued*

Summary of Regal's income statements

\$ million	12 months ended 31 Dec 2021	12 months ended 30 Jun 2021	12 months ended 30 Jun 2020
Revenue from contracts with customers	170.2	150.9	49.8
Other income	8.3	9.3	3.2
Total revenue	178.5	160.2	53.0
Employee benefits expense ³²	(63.1)	(59.8)	(22.7)
Fee rebate	(32.1)	(17.3)	(11.6)
Other expenses	(14.6)	(12.8)	(14.5)
Profit before income tax	68.7	70.3	4.2
Income tax expense	(20.5)	(20.8)	(2.0)
Profit for the year	48.2	49.5	2.2
Attributable to Regal Group	47.8	49.5	2.2
Non-controlling interests	0.4	0.0	0.0

c) Historical statement of financial position

Below is a summary of Regal's consolidated statement of financial position as at 30 June 2020, 30 June 2021, and 31 December 2021.

Summary of Regal's statements of financial position ³³

\$ million	As at 31 Dec 2021	As at 30 Jun 2021	As at 30 Jun 2020
Current assets			
Cash and cash equivalents & Trade and other receivables	92.7	126.1	27.0
Financial assets	35.3	23.4	8.8
Total current assets	128.0	149.5	35.8
Non-current assets			
Property, plant and equipment	5.7	5.6	3.4
Deferred tax assets	16.3	24.1	6.5
Intangible assets	15.1	7.1	8.9
Other non-current assets	6.4	5.6	6.5
Total non-current assets	43.5	42.4	25.3
Total assets	171.5	191.9	61.1
Current liabilities			
Trade and other payables	57.5	93.2	9.0
Lease liabilities	1.2	1.1	0.6
Deferred revenue	17.6	30.6	16.0
Total current liabilities	76.3	124.9	25.6
Non-current liabilities			
Interest-bearing loans and borrowings	0.2	0.2	0.3
Lease liabilities	4.6	4.4	2.5
Deferred tax liabilities	5.0	3.1	1.6
Other non-current liabilities	0.4	0.9	0.4
Total non-current liabilities	10.2	8.6	4.8
Total liabilities	86.5	133.5	30.4
Net assets	85.0	58.4	30.7

32. Employee benefits expense includes \$2.6m of payroll tax in the 12 months ended in 31 December 2021. In the 12 months ended 30 June 2021 and 30 June 2020, payroll tax is consolidated in other expenses.

33. Note the line items do not exactly sum due to rounding.

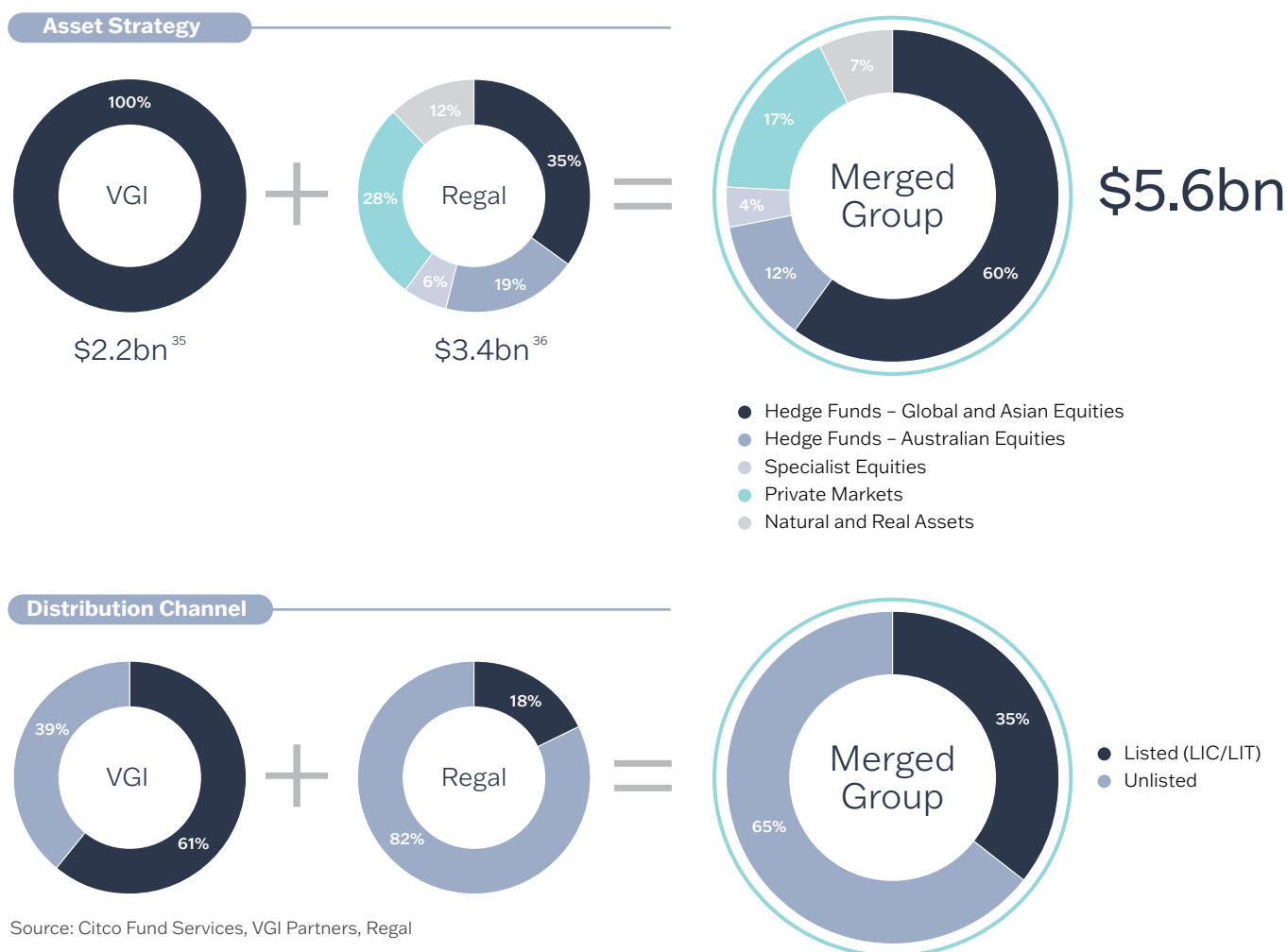
7 Overview of the Merged Group

7.1 Overview of the Merged Group

The Merger will combine two of Australia's most recognised and successful hedge fund managers and is expected to create a market-leading provider of alternative investment strategies with total funds under management of approximately A\$5.6 billion.³⁴

The Merged Group will be a scaled, diversified and growing investment platform employing approximately 100 staff, including 43 investment professionals across offices in Sydney, New York, Tokyo and Singapore. It will bring together VGI's existing global equities and high net worth investor focus with Regal's specialist alternatives asset management platform, institutional-grade corporate platform and marketing and distribution capabilities.

FUM by Asset Strategy and Distribution Channel as at 28 February 2022



34. This number represents the pro forma funds under management as at 28 February 2022 which is based on respective VGI and Regal FUM as at the same date. VGI Shareholders, however, should note VGI's announcement to the ASX on 22 April 2022, noting that VGI's FUM as at 31 March 2022 was 2.0 billion. Funds under management includes that of institutional investors, family offices, pro bono funds, charities, private investors and employees.

35. As announced by VGI to ASX on 22 April 2022, VGI's FUM as at 31 March 2022 was \$2.0 billion. Where relevant in this Explanatory Memorandum, VGI's FUM is stated as at 28 February 2022 to enable a comparison between Regal FUM and VGI FUM on the same date and to ensure consistency with the Independent Expert Report. VGI FUM includes that of institutional investors, family offices, pro bono funds, charities, private investors and employees.

36. Regal FUM per category includes capital managed in Australian wholesale funds, Cayman Funds and within the relevant strategies in RF1:ASX. Categorised by strategy as follows: Hedge Funds (Global and Asian Equities) - market neutral, absolute return, tactical opportunities. Hedge Funds (Australian Equities) - Australian long / short, small companies. Specialist Equities - healthcare long / short, resources long / short. Private markets - emerging companies. Real assets - Kilter (excluding Kilter managed account), Attunga and Gresham Resources Royalties. FUM includes that of institutional investors, family offices, charities, private investors and employees. Regal FUM includes all funds under management as at 28 February 2022 of Regal, Regal Asia, Kilter (excluding Kilter managed account), Attunga and Gresham JV on a consolidated basis (assuming 100% ownership). Regal FUM includes fee-earning and non-fee earning funds under management, but excluded external non-fee earning funds.

7 Overview of the Merged Group

7.2 Share capital and other securities of the Merged Group

a) Share Capital

If the Merger is implemented, VGI will issue approximately 141,008,460 New VGI Shares to Regal Shareholders. The table below summarises the VGI Shares that are expected to have been, or are expected to be issued.

Date	Number of VGI Shares
On issue as at the date of this Explanatory Memorandum	70,504,230
To be issued at Completion	141,008,460
Pro-forma (post-Completion)	211,512,690

b) Listed Entity Ownership Structure

As noted above, if the Merger is implemented, VGI will issue 141,008,460 New VGI Shares to Regal Shareholders. The total VGI Shares on issue will increase from 70,504,230 to 211,512,690.

On implementation of the Merger, it is expected that:

- approximately 33.3% of the issued share capital of the Listed Entity will be held by those persons who are VGI Shareholders immediately prior to implementation of the Merger;
- approximately 66.7% of the issued share capital of the Listed Entity will be held by the Regal Shareholders; and
- Philip King (Chief Investment Officer and Co-Founder of Regal)³⁷ and his Associates (including New Highland Pty Limited (as trustee of the King Family Trust) and New Highland Pty Limited (as trustee of the Philip King Family Trust)) will have an aggregate Voting Power of 42.53% in the Listed Entity.

The table below sets out the current share capital structure of VGI, and the share capital structure of VGI Group immediately following Completion of the Merger.

	Number of VGI Shares held as at the date of this Explanatory Memorandum	Percentage total of VGI Shares held as at the date of this Explanatory Memorandum	Anticipated number of Listed Entity Shares held immediately after Completion of the Merger	Percentage of Listed Entity Shares held immediately after Completion of the Merger
Existing VGI Shareholders	70,504,230	100%	70,504,230	33.33%
New Highland Pty Limited (as trustee of the King Family Trust)	0	0%	60,829,054	28.76%
New Highland Pty Limited (as trustee of the King Family Trust) (for Regal Employee Shares)	0	0%	5,196,155	2.46%
New Highland Pty Limited (as trustee of the Philip King Family Trust)	0	0%	23,921,685	11.31%
Total New Highland Pty Ltd Voting Power				42.53%
Stroud Agricultural Company Pty Ltd (as trustee of the Vernon Trust)	0	0%	7,459,661	3.53%
Ficus Fiduciary Limited (as trustee for the Regal Foundation)	0	0%	16,964,760	8.02%
Holders of 2018 Employee Shares (excluding New Highland)	0	0%	14,657,446	6.93%
Holders of 2019 Employee Shares (excluding New Highland)	0	0%	6,558,587	3.10%
Holders of 2020 Employee Shares (excluding New Highland)	0	0%	4,790,796	2.27%
Holders of 2021 Employee Shares (excluding New Highland)	0	0%	630,316	0.30%
Total VGI Shares	70,504,230	100%	211,512,690	100%

37. Please refer to section 6.7 for further information regarding Philip King.

7 Overview of the Merged Group

7.2 Share capital and other securities of the Merged Group *continued*

c) Voting Power in VGI immediately following Completion

Immediately following Completion:

- i) Philip King (Chief Investment Officer and Co-Founder of Regal)³⁸ and his Associates (including New Highland Pty Limited (as trustee of the King Family Trust) and New Highland Pty Limited (as trustee of the Philip King Family Trust)) will have an aggregate Voting Power of 42.53% in the Listed Entity;
- ii) Ficus Fiduciary Limited (as trustee for The Regal Foundation) will have an aggregate Voting Power of 8.02% in the Listed Entity; and
- iii) Robert Luciano and his Associates will have an aggregate Voting Power of 19.42% in the Listed Entity.³⁹

Other than as stated above, no Regal Shareholder (either alone or together with its Associates) will have Voting Power of greater than 5% of VGI Shares immediately following Completion.

7.3 Directors and Management of the Listed Entity

a) Board Composition of the Listed Entity

Following Completion of the Merger, the Listed Entity Board will be comprised of six directors consisting of:

- two individuals who are VGI Directors prior to Completion;
- two individuals notified by Regal to VGI; and
- two individuals notified jointly by Robert Luciano and Philip King to VGI.

Mr David F Jones and Ms Jaye L Gardner will continue as directors of the Listed Entity following Completion of the Merger. New Highland (in its capacity as trustee of the King Family Trust and the Philip King Family Trust) has provided written confirmation to VGI of its intention not to take any steps towards, or to vote in favour of, any resolution to remove either Mr David F Jones and Ms Jaye L Gardner from the Listed Entity Board during the three years immediately following Completion, other than where these individuals have breached their directors' duties or acted dishonestly or fraudulently.

It is expected that Mr Robert M P Luciano, Mr Benjamin A Pronk DSC and Mr Darren J Steinberg will resign from the VGI Board with effect from Completion and that Mr Michael J Cole, Ms Sarah Dulhunty, Mr Brendan J O'Connor and Mr Ian M Gibson will, subject to Completion, be appointed to the Listed Entity Board at the same time.

The experience, skills and qualifications of each of Mr Michael J Cole, Mr Brendan J O'Connor, Ms Sarah Dulhunty and Mr Ian M Gibson are set out below.

i) Michael J Cole AM, Independent Chairman

Michael has over 40 years' experience in investment banking and portfolio management. Michael has held the following roles over his extensive career: Executive Director and Executive Vice-President of Bankers Trust Australia, Chairman of Challenger Listed Investments Limited, Chairman of IMB Bank Limited, Director of NSW Treasury Corporation, Chairman, SAS Trustee Corporation (State Super Board), Chairman of Ironbark Capital Ltd (IBC), an ASX-listed LIC and Chairman of Platinum Asset Management Limited.

ii) Brendan J O'Connor, Chief Executive Officer and Managing Director

Brendan has over 25 years' experience in financial markets and asset management and is currently Chief Executive Officer of Regal. In addition, Brendan is a Director of Kilter Pty Ltd, Director of Attunga Capital Pty Ltd and a Director of Gresham Royalties Management Pty Ltd. Previously, Brendan was Chief Financial Officer of Challenger's Asset Management and then Funds Management business and served as a director on the Board of several listed investment trusts and several of Fidante Partners' boutique asset managers.

Brendan has an indirect interest in Regal Shares and will receive, indirect interests in, New VGI Shares on Completion of the Merger.⁴⁰

iii) Sarah Dulhunty, Independent Non-Executive Director

Sarah has over 30 years' experience in equity capital markets, mergers and acquisitions, corporate governance, and corporate and securities law. Sarah was previously a partner with Ashurst for 24 years, including four years as a Board member. She has also served as a member and then Acting President of the Australian Takeovers Panel over a period of nine years and sat on the Australian Institute of Company Directors Law Committee for 13 years. She is currently on the Board of Governors of Winnifred West Schools and is currently a Deputy Chair of the Corporations Committee of the Business Law Section of the Law Council of Australia.

38. Please refer to section 6.7 for further information regarding Philip King.

39. The aggregate Voting Power of Robert Luciano in shares of the Listed Entity described in this section 7.2(b) differs from the percentage of Listed Entity ordinary shares held by RMPL Investments Pty Ltd (as trustee for the RMPL Family Trust) (as described in section 5.3). This is a result of 0.08% of Listed Entity ordinary shares being held after Completion by Associates of Robert Luciano which are not subject to escrow arrangements.

40. M&B O'Connor Investments Pty Ltd as trustee for the O'Connor Family Trust, an entity controlled by Mr Brendan J O'Connor, is a Regal ESOP Shareholder and holds Employee Shares in Regal.

7 Overview of the Merged Group

7.3 Directors and Management of the Listed Entity *continued*

iv) Ian M Gibson, Executive Director

Ian has over 25 years' experience in financial markets, spending the last 15 years acting as director, investment adviser and consultant to a range of financial groups and organisations.

Currently, he is a director of Regal, Kilter Pty Ltd, Attunga⁴¹ and Gresham JV. In addition, Ian is an adviser to RPG Management Pty Ltd, a director of Renew Power Group Pty Ltd, a director and member of the Investment Committee for Realside Financial Group Pty Ltd and an independent member of the Investment Committee for Atrium Investment Management Pty Ltd. Ian is also a minority shareholder in Attunga.

Ian has an indirect interest in Regal Shares and will receive, indirect interests in, New VGI Shares on Completion of the Merger.⁴²

b) Executive management team of the Listed Entity

It is expected that on implementation of the Merger, Mr Brendan J O'Connor (the current Chief Executive Officer of Regal) will be appointed as Chief Executive Officer of the Listed Entity and Mr Ian J Cameron (the current Chief Financial Officer of VGI) will continue in his role as Chief Financial Officer of the Listed Entity. The balance of the Listed Entity executive management team will be drawn from both VGI and Regal.

7.4 Listed Entity intentions if the Merger is implemented

This section 7.4 sets out the current intentions and expectations of VGI and Regal in relation to the Listed Entity and the Merged Group if the Merger is implemented. These expectations are formed on the basis of facts and information known to VGI and Regal as at the date of this Explanatory Memorandum.

If the Merger is implemented, VGI and Regal intend to reconstitute the VGI Board such that three VGI Directors will be replaced (see section 7.3(a)). Given that the composition of the existing VGI Board (as set out in section 6.2(a)) will differ from the composition of the Listed Entity Board following Completion, the VGI Board cannot provide final assurances after the Merger is implemented regarding future operations of the Merged Group. Final decisions regarding the Merged Group's future operations will be made by the Listed Entity Board in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this section are statements of current expectations only and these may vary as new information becomes available or circumstances change and the Merged Group further develops its strategic focus and outlook.

a) Continuation of business

The existing directors of VGI expect that the Listed Entity Board will conduct a review of the Merged Group's operations after Completion to determine how to further develop and optimise performance of the VGI and Regal businesses and facilitate cooperation across the Merged Group. It is expected that the VGI and Regal businesses will substantially continue in their current form. This policy will, however, be a matter for the Listed Entity Board to determine at the relevant time.

b) Corporate governance

The existing directors of VGI expect that after Completion the Listed Entity will continue to be governed by VGI's current corporate governance policies. In addition to VGI's 2022 Corporate Governance Statement which was lodged with ASX on 28 February 2022, available on the ASX's website (www2.asx.com.au), a copy of VGI's core corporate governance policies can be accessed on the VGI Website.

c) Dividend policy

The existing directors of VGI expect that after Completion the Listed Entity will maintain VGI's existing dividend policy to pay a dividend of between 50% to 75% of normalised NPAT. Such policy will, however, be a matter for the Listed Entity Board to determine at the relevant time and no assurances can be provided in respect of the Listed Entity's future dividend policy after Completion.

On Completion, each of VGI and Regal's respective franking balances should be available to the Merged Group. Subject to Listed Entity Board approval, the Listed Entity intends to frank any Listed Entity dividends to the fullest extent possible. The franking capacity of the Listed Entity will depend upon the balance of the franking account at Completion, the amount of tax paid in the future, and other factors. The timing of payment of dividends will depend on cash reserves and other relevant considerations.

d) Corporate office and trading name

The existing directors of VGI expect that after Completion VGI Partners Limited will be renamed Regal Partners Limited, with its corporate head office in Sydney, as well as maintaining VGI and Regal's respective offices in Sydney, Singapore, Victoria, New York and Tokyo. The Listed Entity is expected to continue to be listed on the ASX and will have its ASX ticker changed from "VGI" to "RPL".

e) Merged Group policies

The existing directors of VGI expect that there will be a review and consolidation of policies across the Merged Group, including risk, compliance and staff trading policies and these may be amended subject to Listed Entity Board approval at the relevant time.

41. Orringa Capital Partners Pty Ltd, an entity controlled by Mr Ian M Gibson, holds ordinary shares in Attunga.

42. Gibson Capital Pty Ltd as trustee for the GC Trust, an entity controlled by Mr Ian M Gibson, is a Regal ESOP Shareholder and holds Employee Shares in Regal.

7 Overview of the Merged Group

7.5 Merged Group pro-forma historical financial information

This section 7.5 contains the following information:

- the VGI historical statement of profit or loss for the financial year ended 31 December 2021 (as described in section 6.4) aggregated with the Regal historical statement of profit or loss for the financial year ended 31 December 2021 (as described in section 6.10); and
 - pro forma adjustments of the information described in paragraph (a) for the effects of the Merger of VGI and Regal,
- (together the **Merged Group Pro Forma Historical Statement of Profit or Loss**);
- the VGI historical statement of financial position as at 31 December 2021 (as described in section 6.4) and the Regal historical statement of financial position as at 31 December 2021 (as described in section 6.10); and
 - pro forma adjustments of the information described in paragraph (b) for the effects of the Merger of VGI and Regal;

(together being the **Merged Group Pro Forma Historical Statement of Financial Position**, and together with the Merged Group Pro Forma Historical Statement of Profit or Loss, the **Merged Group Pro Forma Historical Financial Information**).

The Merged Group Pro Forma Historical Financial Information has been prepared in accordance with the recognition and measurement principles contained in the Australian Accounting Standards (**AASBs**), other than that it includes adjustments that reflect the impact of the Merger on the Merged Group Pro Forma Historical Statement of Financial Position.

The Merged Group Pro Forma Historical Financial Information is presented in an abbreviated form and does not contain all of the presentation and disclosures that are usually provided in general purpose financial statements prepared in accordance with the Corporations Act.

The Merged Group Pro Forma Historical Financial Information has been prepared to provide VGI Shareholders an indication of the consolidated statement of profit or loss of the Merged Group for the financial year ended 31 December 2021 and the consolidated statement of financial position of the Merged Group as at 31 December 2021, as well as to illustrate the financial impacts on the Merged Group if the Merger is implemented. It is not intended to present the financial information that would have actually resulted and would have been contained in VGI's financial statements had the Merger been implemented in the past, nor is it intended to present a forecast of the performance of the Merged Group in the future.

The information below should be read in conjunction with relevant footnotes and descriptions of adjustments, and sections 4.1 and 4.2 and any other relevant information contained in this Explanatory Memorandum.

Past performance is not an indicator of future performance.

a) Merged Group Pro Forma Historical Statement of Profit or Loss

The Merged Group Pro Forma Historical Statement of Profit or Loss has been derived by aggregating:

- VGI's historical statement of profit or loss for the financial year ended 31 December 2021, derived from VGI's financial statements for the financial year ended 31 December 2021, which have been audited and in respect of which an unqualified audit opinion has been provided; and
- Regal's historical statement of profit or loss for the twelve-month period ended 31 December 2021, derived from Regal's financial information for the twelve-month period ended 31 December 2021, which have been extracted from unaudited information prepared by management of Regal.

7 Overview of the Merged Group

7.5 Merged Group pro-forma historical financial information *continued*

Merged Group Pro Forma Historical Statement of Profit or Loss – 12 months to 31 December 2021

\$ million	Notes	Regal	VGI	Pro forma adjustments ¹	Merged Group
Revenue from contracts with customers		170.2	85.4	(32.1)	223.5
Other income		8.3	(2.8)	4.5	10.0
Total net income		178.5	82.6	(27.6)	233.5
Employee benefits expense	2	(63.1)	(12.7)	—	(75.8)
Fee rebates		(32.1)	—	32.1	—
Other expenses	3	(14.6)	(7.9)	—	(22.5)
Profit before income tax		68.7	62.0	4.5	135.2
Income tax expense	4	(20.5)	(19.3)	(1.3)	(41.1)
Profit for the year		48.2	42.7	3.2	94.1
Attributable to:					
Non-controlling interests		0.4	—	—	0.4
Controlling interest		47.8	42.7	3.2	93.7
Total		48.2	42.7	3.2	94.1

- The following pro forma adjustments have been made to align the presentation and accounting policies of VGI and Regal. For the purposes of presenting the Merged Group Pro Forma Historical Statement of Profit or Loss on a consistent basis:
 - Regal's fee rebates have been reallocated to revenue from contracts with customers, to present revenue net of such rebates; and
 - VGI's financial assets carried at fair value through profit or loss have been adjusted to reclassify unrealised fair value gains and losses on such financial assets (\$4.5 million loss) from the statement of profit or loss to other comprehensive income (not presented above), as if they had been accounted for consistent with Regal's accounting policy for financial assets of a similar nature (fair value through other comprehensive income).
- Employee benefits expense includes payroll tax.
- The Merged Group will have twelve months from the Completion Date to determine the fair value of goodwill and other assets and liabilities (including intangible assets) related to the Merger. At the date of this Explanatory Memorandum, it is not possible to determine the fair values of all assets acquired and liabilities and contingent liabilities assumed. As a result, the actual determination of goodwill, and the value of other assets and liabilities assumed, may change. The goodwill balance recognised will be subject to annual impairment testing with any resulting impairment impacting earnings. In addition, the amortisation expense presented in the Merged Group Pro Forma Historical Statement of Profit or Loss may differ, for example, through any uplift in the value of intangible assets acquired or any reassessment of the useful economic life of assets.
- The profit before income tax effect of the adjustments described in note 1 above have been tax affected at 30%.

b) Merged Group Pro Forma Historical Statement of Financial Position

The Merged Group Pro Forma Historical Statement of Financial Position has been derived by aggregating:

- the VGI historical statement of financial position as at 31 December 2021, derived from VGI's audited financial statements for the year ended 31 December 2021, in respect of which an unqualified audit opinion has been provided;
- Regal's historical statement of financial position as at 31 December 2021, derived from Regal's unaudited financial information for the twelve months ended 31 December 2021, which has been extracted from unaudited financial information prepared by Regal management; and
- the pro forma adjustments described below.

7 Overview of the Merged Group

7.5 Merged Group pro-forma historical financial information *continued*

Merged Group Pro Forma Statement of Financial Position – 31 December 2021

				A	B	C	
				Acquisition accounting	Merged Group transaction costs	Pre-Merger dividends	Merged Group
\$ million	Notes	Regal	VGI				
Current assets							
Cash and cash equivalents &							
Trade and other receivables	1	92.7	48.9	—	(7.8)	(60.0)	73.8
Contract assets		—	5.0	—	—	—	5.0
Financial assets		35.3	—	—	—	—	35.3
Total current assets		128.0	53.9	—	(7.8)	(60.0)	114.1
Non-current assets							
Property, plant and equipment		5.7	1.5	—	—	—	7.2
Financial assets at FVTPL		—	52.8	—	—	—	52.8
Intangible assets	2	15.1	—	145.4	—	—	160.4
Contract assets		—	33.9	—	—	—	33.9
Deferred tax assets		16.3	3.7	—	—	—	20.0
Other assets	3	6.4	0.4	—	—	(1.8)	5.0
Total non-current assets		43.5	92.3	145.4	—	(1.8)	279.4
Total assets		171.5	146.2	145.4	(7.8)	(61.8)	393.5
Current liabilities							
Trade and other payables		57.5	6.8	—	—	—	64.3
Lease liabilities		1.2	0.4	—	—	—	1.6
Deferred revenue		17.6	—	—	—	—	17.6
Total current liabilities		76.3	7.2	—	—	—	83.5
Non-current liabilities							
Interest-bearing loans and borrowings		0.2	—	—	—	—	0.2
Lease liabilities		4.6	0.5	—	—	—	5.1
Deferred tax liabilities		5.0	3.4	—	—	—	8.4
Other non-current liabilities		0.4	0.5	—	—	—	0.9
Total non-current liabilities		10.2	4.4	—	—	—	14.6
Total liabilities		86.5	11.6	—	—	—	98.1
Net assets		85.0	134.6	145.4	(7.8)	(61.8)	295.4
Equity							
Controlling interest		81.7	134.6	145.4	(7.8)	(61.8)	292.1
Non-controlling interest		3.3	—	—	—	—	3.3
Total Equity		85.0	134.6	145.4	(7.8)	(61.8)	295.4

1. Cash and cash equivalents and trade and other receivables is reduced by \$7.8 million for the estimated transaction costs payable by the Merged Group and also adjusted for the cash element of the pre-Merger proposed dividend to be paid by Regal of \$32.0 million and the VGI Special Dividend proposed to be paid by VGI of up to \$28.0 million between 1 January 2022 to the Completion Date. The table above is presented in the scenario that all of the \$28.0 million VGI Special Dividend is paid.
2. Intangible assets are increased by \$145.4 million as a result of the acquisition accounting described in Adjustment A below.
3. Other assets are reduced by \$1.8 million reflecting the repayment of Limited Recourse Loans by Regal ESOP Shareholders with the pre-Merger proposed dividend to be paid by Regal.

7 Overview of the Merged Group

7.5 Merged Group pro-forma historical financial information *continued*

Pro forma adjustments

Adjustment A: Acquisition accounting

Regal is the accounting acquirer in the business combination for accounting purposes. Accordingly, although VGI will continue to be the disclosing entity, the Merged Group Pro Forma Statement of Financial Position is presented to show Regal's assets and liabilities accounted for at their carrying value rather than necessarily at fair value.

The \$145.4 million of intangibles recognised in this adjustment represents the surplus of the deemed consideration paid by Regal of \$280.0 million (being VGI's market capitalisation as at 8 April 2022) over the net assets acquired of \$134.6 million (being VGI's net assets at 31 December 2021).

The Merger has been accounted for by including the carrying values of VGI's assets and liabilities as at 31 December 2021, given the detailed purchase price allocation has not yet been undertaken. Under AASB 3, the Merged Group has up to 12 months from the date of acquisition, during which retrospective adjustments can be made to the provisional acquisition accounting. The Merged Group has commenced the exercise to consider the fair value of intangible assets acquired and adjustments may occur when this is finalised. Accordingly, adjustments will impact the net asset position of the Merged Group and could have an impact on depreciation and amortisation charges in future financial periods and therefore impact reported earnings.

A description of the nature of potential intangible assets which may be identified and the acquisition accounting process is set out below.

In accordance with AASB 3, VGI's identifiable assets, liabilities and contingent liabilities, including intangible assets, must be identified and valued as at the acquisition date. The purchase price is then allocated across the fair value of these assets, liabilities and contingent liabilities with any residual recognised as goodwill.

The valuation of intangible assets is a complex and time-consuming process that may require specialist skills and detailed information about the business. In addition, each of the identified intangibles acquired may have a limited life and must be amortised over that life in contrast to goodwill, which is subject to annual impairment review. Indefinite life intangibles are not amortised and are reviewed for impairment annually. A detailed identification and valuation process will therefore be undertaken after the Merger completes. The examples provided below are not intended to be an exhaustive list of items acquired in a business combination that meet the definition of an intangible asset. However, they provide an indication of the types of intangibles that may be acquired as part of the Merger, including: investment management agreements; trade names and internet domain names; and customer databases.

Adjustment B: Merged Group transaction costs

See section 7.6 below for a discussion on transaction costs.

Adjustment C: Pre-Merger dividends

Regal intends to pay a pre-Merger dividend of \$48.9 million between 1 January 2022 to the Completion Date. However, of this amount, \$16.9 million will be used by Regal ESOP Shareholders to repay their Limited Recourse Loans, resulting in a net reduction to cash and cash equivalents of \$32.0 million and a reduction to other assets of \$1.8 million such that there are no loan receivables outstanding in relation to the Regal ESOP by the Merged Group on Completion Date. VGI intends to pay the VGI Special Dividend of up to \$28.0 million.

7.6 Merged Group transaction costs

VGI and Regal will incur external transaction costs in connection with the Merger.

If the Merger is implemented, the costs of the transaction to be paid by the Listed Entity are expected to be approximately \$7.8 million (excluding GST). This amount reflects the total transactions costs payable by VGI and Regal in connection with the transaction. The transaction costs include financial advisory, legal, accounting, Independent Expert, tax and administrative fees, Explanatory Memorandum and printing, share registry and other expenses. The amount does not distinguish between amounts which may have already been paid by either VGI or Regal prior to the Completion Date. The estimated transaction costs may differ from those currently expected to be incurred.

8 Additional Information

8.1 Interests of VGI Directors in VGI Shares

The table below lists the VGI Shares in which a VGI Director has a Relevant Interest as at the date of this Explanatory Memorandum.

VGI Director	Position	Relevant Interest in VGI Shares
Robert M P Luciano	Executive Chairman and Managing Director	41,068,222
David F Jones AM	Executive Director	13,559
Jaye L Gardner	Independent Non-Executive Director	18,174
Benjamin A Pronk DSC	Independent Non-Executive Director	N/A
Darren J Steinberg	Independent Non-Executive Director	15,682

VGI Directors who hold VGI Shares will be entitled to vote at the Annual General Meeting. Each VGI Director intends to vote all the VGI Shares they hold or control in VGI in favour of the Merger Resolutions which they are eligible to vote on in the absence of a Superior Proposal.

8.2 Summary of Transaction Documents

a) Merger Implementation Deed

On 30 March 2022, VGI and Regal entered into a binding Merger Implementation Deed under which VGI agreed to acquire 100% of the issued share capital in Regal in consideration for the issue of New VGI Shares to Regal Shareholders.

A summary of the key terms of the Merger Implementation Deed is set out below. A copy of the Merger Implementation Deed was lodged with the ASX on 30 March 2022 and can be obtained from the VGI Website or the ASX website at www2.asx.com.au.

i) Conditions

Implementation of the Merger is subject to satisfaction or waiver (where capable of waiver) of the Conditions Precedent set out in clause 3.1 of the Merger Implementation Deed. In summary, these conditions include:

- (VGI Shareholder approval)** VGI Shareholders have approved Resolutions 4, 5 and 7 set out in the Notice of Meeting at the Annual General Meeting by the majorities required by the Corporations Act and the ASX Listing Rules, as applicable. VGI and Regal have agreed to waive the approval of Resolutions 5 and 7 as conditions precedent to Completion for the purposes of the Merger Implementation Deed.
The MID also includes a condition precedent which requires the approval of a special resolution under section 136 of the Corporations Act to change the VGI Constitution. VGI and Regal have agreed to waive this condition and, accordingly, no approval is being sought from VGI Shareholders to amend the VGI Constitution for the purposes of the Merger;
- (No restraints)** at 11.59pm on the day immediately prior to the Completion Date, there is no applicable law enacted, and there is not in effect any decree, judgment, injunction, direction, writ or other order, whether temporary, preliminary or permanent, made or given by a court of competent jurisdiction or by another Government Agency that prevents, makes illegal or prohibits Completion of the Merger;
- (Quotation approval for New VGI Shares)** the New VGI Shares which are to be issued pursuant to the Merger have been and remain approved for official quotation by ASX on the Completion Date (provided that any such approval may be subject to customary conditions);
- (Independent Expert's Report)** the Independent Expert has delivered the Independent Expert Report to VGI stating its opinion that the Merger is reasonable for VGI Shareholders, and the Independent Expert has not changed adversely or withdrawn its conclusion by notice in writing by the Completion Date;
- (MAS approval)** the MAS approves:
 - a change in the shareholder of Regal Asia's members, exceeding a 20% threshold under Regal Asia's licence conditions; and
 - VGI obtaining effective control of Regal Asia, the holder of a capital markets service licence, under section 97A(2) of the Securities and Futures Act (Cap. 289);
- (Prescribed occurrence)** no VGI Prescribed Occurrence or Regal Prescribed Occurrence has occurred between the date of the Merger Implementation Deed and the Completion Date; and
- (Material adverse change)** no VGI Material Adverse Change or Regal Material Adverse Change has occurred between the date of the Merger Implementation Deed and the Completion Date.

The Conditions Precedent are set out in full in clause 3.1 of the Merger Implementation Deed.

Subject to the terms of the Merger Implementation Deed, the Merger will not proceed unless all the Conditions Precedent are satisfied (or waived, if applicable) before 30 September 2022 (or such later date as VGI and Regal may agree) in accordance with the Merger Implementation Deed.

8 Additional Information

8.2 Summary of Transaction Documents *continued*

ii) Period before Completion

From the date of the Merger Implementation Deed until Completion, each of VGI and Regal are required to ensure that their respective businesses are conducted materially in the ordinary course, and substantially consistent with their manner in which each such business and operations had been conducted in the 12 month period prior to the date of the Merger Implementation Deed.

Each of VGI and Regal must also ensure that they do not undertake any restricted conduct prior to Completion.

iii) Obligation to recommend the Merger

VGI must use its best endeavours to ensure that:

- a) all of the VGI Directors recommend that VGI Shareholders vote in favour of the Merger Resolutions at the Annual General Meeting (the **Recommendation**);
- b) this Explanatory Memorandum includes a statement by the VGI Board to that effect, and to the effect that each VGI Director will vote (or procure the voting of) all VGI Shares held or controlled by him or her in favour of the Merger Resolutions at the Annual General Meeting (the **Voting Statement**); and
- c) no member of the VGI Board changes, withdraws or modifies their Recommendation or Voting Statement or makes a recommendation or statement that is inconsistent with their Recommendation or Voting Statement, in each case, other than:
 - d) where the Independent Expert concludes that the Merger is not reasonable for VGI Shareholders;
 - e) where VGI has received a Competing Proposal which is a Superior Proposal and two Business Days have elapsed since the notification process described in the sub-section below has been complied with;
 - f) where any VGI Director has determined, after obtaining advice from his or her legal advisers, that, by virtue of his or her fiduciary or statutory duties, the relevant director is required to change, withdraw, qualify or modify, or abstain from making, his or her Recommendation or Voting Statement; or
 - g) in response to a requirement or request from a Government Agency that any director of VGI change, withdraw, qualify or modify, or abstain from making his or her Recommendation or Voting Statement.

iv) Exclusivity

The Merger Implementation Deed contains certain exclusivity arrangements in favour of Regal. These obligations may be summarised as follows:

- a) **(No current discussions)** VGI represents and warrants that it has not received a Competing Proposal that has not been withdrawn, it is not expecting to receive a Competing Proposal, and it is not in any negotiations or discussions with any Third Party in respect of any Competing Proposal;
- b) **(No shop)** VGI must not, and must ensure that each of its Representatives do not, solicit, invite, encourage or initiate any Competing Proposal, or any enquiries, proposals, negotiations or discussions with any Third Party in relation to, or that may reasonably be expected to encourage or lead to, any Competing Proposal, or communicate any intention to do any of those things;
- c) **(No talk)** VGI must not, and must ensure that each of its Representatives do not, enter into, continue or participate in negotiations or discussions with, or negotiate or enter any agreement, arrangement or understanding with, any Third Party in relation to, or which may reasonably be expected to encourage or lead to, a Competing Proposal;
- d) **(No due diligence)** VGI must not, and must ensure that each of its Representatives do not, disclose or otherwise make available to any Third Party, any non-public information relating to VGI for the purposes of such Third Party formulating or developing a Competing Proposal; and
- e) **(Notification)** If VGI becomes aware of any approach, inquiry, request or attempt to initiate any negotiations or discussions in respect of any Competing Proposal, VGI must, as soon as reasonably practicable, and in any event no later than two Business Days, notify Regal. Such notice must include a summary of the material terms and conditions of the Competing Proposal and the identity of the Third Party making or proposing the Competing Proposal (subject to a fiduciary carve out).

However, VGI is not required to comply with its obligations under the 'No talk' and 'No due diligence' provisions in the Merger Implementation Deed in relation to a Competing Proposal, provided that:

- a) the Competing Proposal is, or could reasonably be expected to lead to, a Superior Proposal; and
- b) failing to respond to such Competing Proposal would, or would be reasonably likely to, constitute a breach of any of the fiduciary or statutory duties of any member of the VGI Board.

8 Additional Information

8.2 Summary of Transaction Documents *continued*

v) Warranties

The Merger Implementation Deed contains representations and warranties given by VGI to Regal (**VGI Warranties**) and representations and warranties given by Regal and New Highland as trustee of King Family Trust to VGI (**Regal Warranties**).

VGI and Regal and New Highland as trustee of King Family Trust have given the VGI Warranties and the Regal Warranties, respectively, in favour of each other including in relation to structure, legal status, capacity and authority to enter into the Merger Implementation Deed and perform obligations under the Merger Implementation Deed, their financial accounts, their conduct of business, compliance with law, tax and duty and solvency.

VGI and Regal and New Highland as trustee of King Family Trust have also given warranties as to the information disclosed during the due diligence process and contained in this Explanatory Memorandum.

The VGI Warranties and the Regal Warranties are set out in full in Schedule 2 and Schedule 3, respectively, of the Merger Implementation Deed.

vi) Limitation on claims

Claims made under the Merger Implementation Deed by either VGI or Regal are subject to certain financial thresholds and time limits (other than specified claims).

VGI or Regal and New Highland as trustee of the King Family Trust will not be liable under a claim (other than specified claims) unless the aggregate amount payable in respect of all claims made against the relevant party exceeds \$5 million.

The maximum aggregate amount that either VGI or Regal and New Highland as trustee of the King Family Trust is required to pay for any claims under the Merger Implementation Deed (other than specified claims) is \$50 million.

A claim for a breach of a Regal Warranty made before Completion can be made against Regal or New Highland and, after Completion, cannot be made against Regal and must be made against New Highland only.

VGI or Regal and New Highland as trustee of the King Family Trust will only be liable for a claim if it is made within 18 months after Completion. After Completion, however, there is a bar on making warranty claims unless the claim relates to fraud, wilful misconduct, or wilful misrepresentation. For example, if there is a material breach of a Regal Warranty which becomes apparent after Completion, then VGI will only have recourse to the extent that a claim relates to fraud, wilful misconduct, or wilful misrepresentation and, as noted above, recourse would only be against New Highland as trustee of the King Family Trust.

The other procedures for dealing with claims under the Merger Implementation Deed are set out in full in clauses 7 and 8 of the Merger Implementation Deed.

vii) Termination rights

Broadly, each of VGI or Regal may terminate the Merger Implementation Deed by written notice to the other party where:

- a) the other party is in material breach of any provision of the Merger Implementation Deed (including a representation and warranty given by either VGI or Regal where such breach is material in the context of the Merger as a whole) and the relevant circumstances continue to exist for five Business Days from the time of the non-breaching party's written notice of intention to terminate is given; or
- b) within the earlier of five Business Days after the date on which a consultation notice is given in accordance with clause 3.4(b) of the Merger Implementation Deed, unless the relevant occurrence or the failure of the condition precedent to be satisfied arises out of a breach by the terminating party of the Merger Implementation Deed.

Broadly, Regal may terminate the Merger Implementation Deed by written notice to VGI, if:

- a) a majority of the VGI Directors have changed, withdrawn or adversely modified their Recommendation or Voting Statement, or have recommended or made a statement supporting or endorsing a Competing Proposal;
- b) a VGI Group Member enters into a definitive agreement to implement a Superior Proposal (which does not include VGI entering into a confidentiality agreement or like agreement in relation to an actual, proposed or potential Competing Proposal); or
- c) VGI fails to satisfy its obligations under clause 5 of the Merger Implementation Deed and Regal has given notice of such failure to VGI, and such failure has not been remedied within three Business Days from the date of the notice.

VGI may terminate the Merger Implementation Deed by written notice to Regal, if:

- a) a majority of VGI Directors have changed, withdrawn or adversely modified their Recommendation or Voting Statement, or have recommended or made a statement supporting or endorsing a Superior Proposal in any circumstance permitted by clause 6.2 of the Merger Implementation Deed; or
- b) Regal or New Highland fails to satisfy its obligations under clause 5 of the Merger Implementation Deed and VGI has given notice of such failure to Regal, and such failure has not been remedied within three Business Days from the date of the notice.

The Merger Implementation Deed will terminate automatically if, at the Annual General Meeting, VGI Shareholders do not pass Resolution 4 set out in the Notice of Meeting in accordance with the requirements of the Corporations Act and ASX Listing Rules.

8 Additional Information

8.2 Summary of Transaction Documents *continued*

viii) Escrow arrangements

On or prior to Completion, and subject to the receipt of VGI Shareholder approval at the Annual General Meeting:

- a) VGI must enter into, and Regal must procure that New Highland as trustee of the King Family Trust and Philip King enter into, the New Highland Voluntary Escrow Deed;
- b) VGI must enter into, and Regal must procure that each Regal ESOP Shareholder and New Highland as trustee of the King Family Trust enter into, the Regal ESOP Shareholder Escrow Deed;
- c) VGI must enter into, and Regal must procure that Stroud Agricultural Company Pty Ltd as trustee of the Vernon Trust enters into, the Stroud Escrow Deed; and
- d) VGI must enter into, and Regal must procure that Ficus Fiduciary Pty Limited as trustee of The Regal Foundation each enter into, the Foundation Escrow Deed.

New Highland as trustee of the King Family Trust, Stroud Agricultural Company Pty Ltd as trustee of the Vernon Trust and Ficus Fiduciary Pty Limited as trustee of The Regal Foundation have each confirmed to VGI that they do not intend to sell or otherwise transfer or deal in any New VGI Shares that are issued to them on Completion that are not the subject of an Escrow Deed, other than on the same terms as would be permitted as if those New VGI Shares were also the subject of the New Highland Voluntary Escrow Deed, Stroud Escrow Deed or Foundation Escrow Deed (as applicable) or where proceeds of the sale of New VGI Shares are able to be used to participate in capital raisings for new funds or products that the Listed Entity may choose to establish in the future, or other initiatives that may assist the Listed Entity's growth or otherwise benefit the Listed Entity.

Philip King has also confirmed to VGI that, he will not transfer, relinquish, charge or otherwise deal in his rights or interest in New Highland or the King Family Trust during the period in which the New Highland Voluntary Escrow Deed is in force in a way which has the effect of a third party acquiring a direct or indirect interest in, or control over, the New VGI Shares held by New Highland immediately after Completion.

ix) Permitted equity issue to VGI employees

VGI may, between the date of the Merger Implementation Deed and Completion, issue New VGI Shares to VGI employees provided that it consults with Regal in advance of that issuance and:

- a) the aggregate number of new shares issued must not exceed 698,061 New VGI Shares; and
- b) the holders of those new shares will be subject to voluntary escrow expiring no earlier than 21 June 2024 (on the same terms as the Regal ESOP Shareholder Escrow Deed described below).

On 22 April 2022, VGI issued 698,061 VGI Shares pursuant to the VGI Employee Equity Issuance as permitted by the Merger Implementation Deed.

b) New Highland Voluntary Escrow Deed

Under the terms of the Merger Implementation Deed, New Highland as trustee of the King Family Trust is required to enter into a voluntary escrow deed (**New Highland Voluntary Escrow Deed**) agreeing to not sell down 66.7% New VGI Shares received in consideration for the King Family Trust's ordinary shares in Regal (**NH Escrowed Shares**) (except in limited circumstances) from the date on which those shares are issued up to and including 21 June 2024 (**NH Escrow Period**).

The terms of the New Highland Voluntary Escrow Deed mirror the terms of the voluntary escrow deed Robert Luciano entered when VGI was listed on the ASX 21 June 2019, including the release date being 21 June 2024.

The purpose of the New Highland Voluntary Escrow Deed is to create strong alignment of the interests between the Listed Entity majority shareholder New Highland (and by extension Philip King) and Robert Luciano (the existing VGI majority shareholder) who will remain with the Listed Entity post-Merger, and to promote an orderly market for the Listed Entity's securities following completion of the Merger.

i) Restriction on disposal of Escrowed Shares

The New Highland Voluntary Escrow Deed provides that neither New Highland or Philip King will do any of the following during the NH Escrow Period:

- a) sell, assign, transfer or otherwise dispose of, or agree or offer to sell, assign, transfer or otherwise dispose of;
- b) create or agree or offer to create, any security interest in;
- c) enter into any option which, if exercised, enables or requires New Highland to sell, assign, transfer or otherwise dispose of; or
- d) do, or omit to do, or agree to do, or agree to omit to do any act if the act or omission would have the effect of transferring, whether directly or indirectly, effective ownership or control of, or any interest in or economic benefit of, any of the NH Escrowed Shares or Controller Interest (as that term is defined in the New Highland Voluntary Escrow Deed).

8 Additional Information

8.2 Summary of Transaction Documents *continued*

ii) Holding lock

The NH Escrowed Shares will be subject to a holding lock which the Listed Entity will apply in order to prevent a transfer of the NH Escrowed Shares, subject to certain exceptions described below.

The holding lock will be released at the conclusion of the NH Escrow Period or earlier to facilitate a permitted disposal of NH Escrowed Shares under the terms of the New Highland Voluntary Escrow Deed.

iii) Exceptions to voluntary escrow

The restrictions on disposal of the NH Escrowed Shares do not apply in the following circumstances:

- a) if the proposed transfer occurs as part of a takeover where the holders of at least 50% of VGI Shares (excluding the NH Escrowed Shares) have accepted the takeover offer in accordance with its terms;
- b) if the proposed transfer occurs as part of a scheme of arrangement under Part 5.1 of the Corporations Act;
- c) if the proposed transfer is to an associate, an immediate family member, wholly owned company of New Highland, a trust (in relation to which New Highland is the beneficiary), or the trustee of The Regal Foundation, provided that the transferee enters into a voluntary escrow deed with the Listed Entity on substantially the same terms and the controlling interest in the relevant NH Escrowed Shares otherwise remain unchanged;
- d) transfer is necessitated by the death or serious disability of New Highland provided that the transfer is to the estate or guardian of New Highland;
- e) in order to comply with a court order; or
- f) with the prior approval of the Listed Entity.

c) Regal ESOP Shareholders Voluntary Escrow Deed

Under the terms of the Merger Implementation Deed each Regal ESOP Shareholder is required to enter a voluntary escrow deed (**Regal ESOP Shareholder Escrow Deed**) agreeing to not sell any New VGI Shares received (**Regal ESOP Shareholder Escrowed Shares**) (except in limited circumstances) from the date on which those shares are issued until the applicable vesting date for each Regal ESOP Shareholder under their individual ESOP arrangement (for each Regal ESOP Shareholder, the relevant **Regal ESOP Shareholder Escrow Period**).

The purpose of the Regal ESOP Shareholder Escrow Deed is to promote an orderly market for the Listed Entity's securities following completion of the Merger.

i) Restriction on disposal of Escrowed Shares

The Regal ESOP Shareholder Escrow Deed provides that each Regal ESOP Shareholder will not do any of the following during the applicable Regal ESOP Shareholder Escrow Period:

- a) sell, assign, transfer or otherwise dispose of, or agree or offer to sell, assign, transfer or otherwise dispose of;
 - b) offer to sell, assign, transfer or otherwise dispose (including to "dispose" as defined in the ASX Listing Rules) of;
 - c) create or agree or offer to create, or permit to be created any security interest in;
 - d) enter into any option which, if exercised, enables or requires the Regal ESOP Shareholders to sell, assign, transfer or otherwise dispose of;
 - e) agree (or agree to offer) to do any of the things in paragraphs (A) to (D) above; or
 - f) do, or omit to do, or agree to do, or agree to omit to do any act if the act or omission would have the effect of transferring, whether directly or indirectly, effective ownership or control of,
- any or all of the New VGI Shares issued to that that Regal ESOP Shareholder at Completion.

ii) Holding lock

The Regal ESOP Shareholder Escrowed Shares will be subject to a holding lock which the Listed Entity will apply in order to prevent a transfer of the Regal ESOP Shareholder Escrowed Shares, subject to certain exceptions described below.

The holding lock will be released at the conclusion of the Regal ESOP Shareholder Escrow Period or earlier to facilitate a permitted disposal of Regal ESOP Shareholder Escrowed Shares under the terms of the voluntary escrow deeds.

8 Additional Information

8.2 Summary of Transaction Documents *continued*

iii) Exceptions to voluntary escrow

The restrictions on disposal of the Regal ESOP Shareholder Escrowed Shares do not apply in the following circumstances:

- a) in connection with a Regal ESOP Shareholder receiving a dividend, return of capital attaching to the Regal ESOP Shareholder Escrowed Shares or to exercise their voting rights in respect of the Regal ESOP Shareholder Escrowed Shares;
- b) if:
 - 1) the proposed transfer occurs as part of a takeover where the holders of at least 50% of VGI Shares (excluding the Regal ESOP Shareholder Escrowed Shares) have accepted the takeover offer in accordance with its terms; or
 - 2) if the proposed transfer occurs as part of a scheme of arrangement under Part 5.1 of the Corporations Act, noting that if any or all of the Regal ESOP Shareholder Escrowed Shares in aggregate are not transferred or cancelled in accordance with paragraphs (1) or (2) above then the restrictions applying to those shares under the Regal ESOP Shareholder Escrow Deed will continue to apply and the holding lock reapplied;
- c) if the proposed transfer does not change the beneficial ownership of the Regal ESOP Shareholder Escrowed Shares, does not reduce the Regal ESOP Shareholder Escrow Period, and the transferee enters into an escrow deed on substantially the same terms as the Regal ESOP Shareholder Escrow Deed;
- d) in order to comply with a court order; or
- e) where a Regal ESOP Shareholder transfers the Escrow Shares to a transferee with the prior approval of the Listed Entity, the transferee enters into an escrow deed on substantially the same terms as the Regal ESOP Shareholder Escrow Deed.

d) Stroud Escrow Deed

Under the terms of the Merger Implementation Deed, Stroud Agricultural Company Pty Ltd (ACN 615 249 682) (in its capacity as trustee of the Vernon Trust) is required to enter a voluntary escrow deed (**Stroud Escrow Deed**) agreeing to not sell down 66.7% New VGI Shares received (except in limited circumstances) from the date on which those shares are issued up to and including 21 June 2024. The terms of this escrow arrangement are on exactly the same terms as the New Highland Voluntary Escrow Deed (including the escrow period).

e) Foundation Escrow Deed

Under the terms of the Merger Implementation Deed, the trustee of The Regal Foundation (in its capacity as trustee of The Regal Foundation) is required to enter a voluntary escrow deed (Foundation Escrow Deed) agreeing to not sell down 66.7% New VGI Shares received (except in limited circumstances) from the date on which those shares are issued up to and including 21 June 2024. The terms of this escrow arrangement are on exactly the same terms as the New Highland Voluntary Escrow Deed (including the escrow period).

8.3 Regulatory conditions

a) ASX advice and confirmations

ASX has provided in-principle advice to VGI that the Merger will not attract the application of ASX Listing Rule 11.1.2, which would require VGI to obtain the approval of its securityholders in relation to a change in the nature or scale of its activities, or ASX Listing Rule 11.1.3, which would require VGI to comply with Chapters 1 and 2 of the ASX Listing Rules.

VGI has sought confirmation from ASX that official quotation of the New VGI Shares will be granted by the ASX, subject to VGI complying with the ASX Listing Rules (including lodging Appendix 2A and Appendix 3B).

b) MAS approval

On 7 April 2022, VGI submitted an application to MAS for approval of the change of effective control of Regal Asia resulting from the Merger. As at the date of this Explanatory Memorandum, the MAS has not yet provided its approval. An update on the status of the MAS approval will be provided at the Annual General Meeting.

8.4 Terms of New VGI Shares

As noted in section 8.3(a), subject to approval from the ASX, the New VGI Shares will be fully paid ordinary VGI Shares that are quoted on the ASX. On issue, the New VGI Shares will rank equally with all existing VGI Shares and free from any Encumbrance.

8 Additional Information

8.5 Specific disclosures under item 7 of section 611 of the Corporations Act and RG 74

Item 7 of section 611 of the Corporations Act allows shareholders to approve an acquisition of Relevant Interests in voting shares that would otherwise contravene the prohibitions in section 606 of the Corporations Act. Approval of Resolutions 4 and 5 set out in the Notice of Meeting is being sought from VGI Shareholders for these purposes.

The information set out below is required to be provided to VGI Shareholders under the Corporations Act or is recommended to be provided to VGI Shareholders under RG 74 in respect of obtaining approval for the Merger under item 7 of section 611 of the Corporations Act.

VGI Shareholders should also refer to the Independent Expert's Report in Annexure A to this Explanatory Memorandum.

a) Details of VGI and the Regal Group.

Background information on VGI and the Regal Group is set out in section 6.

b) The identity of the persons who will acquire a Relevant Interest in the shares in the Listed Entity as a result of the Merger and the associated Escrow Arrangements and the extent of their Relevant Interest.

Under the terms of the Merger Implementation Deed, Regal Shareholders will be issued New VGI Shares on Completion.

On Completion, Philip King (Chief Investment Officer and Co-Founder of Regal) and his Associates (including New Highland Pty Limited (as trustee of the King Family Trust) and New Highland Pty Limited (as trustee of the Philip King Family Trust)) will have an aggregate Voting Power of 42.53% in the Listed Entity.

Other than stated above, no Regal Shareholder (either alone or together with its Associates) will have Voting Power of greater than 5% of VGI Shares immediately following Completion.

Please refer to section 7.2(c) which specifies the:

- maximum increase in the voting power of the relevant Regal Shareholders and their Associates as a result of the Merger; and
- voting power of the relevant Regal Shareholders and their Associates as a result of the Merger.

VGI currently has a 50.55% relevant interest in VGI Shares arising from negative control over VGI Shares under existing formal escrow deeds. VGI's relevant interest in VGI Shares will increase to 70.08% as a result of VGI entering into the escrow deeds with the Regal Shareholders described in section 5.3 of the Explanatory Memorandum on and from Completion of the Merger.

c) Explanation of the reasons for the Merger.

Please refer to section 4 which details the reasons to vote for or against the Merger Resolutions.

d) When Completion of the Merger will occur.

If the Merger Resolutions are approved by VGI Shareholders, and all other Conditions Precedent to the Merger Implementation Deed are satisfied or waived (where capable of waiver), then Completion of the Merger is scheduled to occur on 3 June 2022.

e) The material terms of the Merger.

Please refer to section 8.2 of the material terms of the key Transaction Documents.

f) Details of the terms of any other relevant agreement between the Regal Group and VGI that is conditional on (or directly or indirectly depends on) shareholders' approval of the Merger.

Please refer to section 8.2 of the material terms of the key Transaction Documents, including the Escrow Deeds.

g) VGI and Regal's intentions regarding the future of VGI.

Please see section 7.4 which sets out VGI and Regal's intentions regarding the future of the Listed Entity.

h) VGI and Regal's intentions regarding the financial or dividend distribution policies of the Listed Entity.

Please see section 7.4(c) which sets out VGI and Regal's intentions regarding the dividend and distribution policy of the Listed Entity.

i) Details of any VGI Directors or proposed directors in relation to any agreement between the Regal Shareholders and VGI that is conditional on approval of Resolution 4 set out in the Notice of Meeting.

Please see section 8.1 for the Relevant Interest that each VGI Director has in VGI Shares.

Please also see section 7.3(a) which sets out the details of the proposed nominees of Regal to the Listed Entity Board following Completion of the Merger.

Other than as disclosed in sections 7.2(c), 7.3(a) and 8.1, no VGI Director nor any proposed director of the Listed Entity, has any interest in the Merger or any relevant agreement disclosed under RG 74.25(d).

j) Details of the proposed Listed Entity Board if Resolution 4 set out in the Notice of Meeting is approved and all other conditions precedent to Completion are satisfied (or as applicable, waived).

Please see section 7.3(a) for the proposed composition of the Listed Entity Board if Resolution 4 is approved (including details of the proposed nominees of Regal) and all other conditions precedent to Completion are satisfied (or as applicable, waived).

8 Additional Information

8.6 Consents and disclaimers

- a) The following parties have given, and have not withdrawn before the date of this Explanatory Memorandum, their consent to be named in this Explanatory Memorandum in the form and context in which they are named:
 - i) Jefferies Australia as financial adviser to VGI;
 - ii) Boardroom as the manager of the VGI register of shareholders; and
 - iii) Allens as Australian legal adviser to VGI in relation to the Merger.
- b) The Independent Expert has given and has not withdrawn their consent to be named in this Explanatory Memorandum and to the inclusion of the Independent Expert Report in Annexure A to this Explanatory Memorandum and to the references to the Independent Expert Report in this Explanatory Memorandum being made in the form and context in which each such reference is included.
- c) Regal has given, and has not withdrawn, its consent in relation to the inclusion of the Regal Information in this Explanatory Memorandum and to the references to that information in this Explanatory Memorandum in the form and context in which that information is included.
- d) Robert Luciano, Philip King, New Highland as trustee of the King Family Trust, Stroud Agricultural Company Pty Ltd as trustee of the Vernon Trust and Ficus Fiduciary Limited as trustee of The Regal Foundation have each given, and have not withdrawn, their consent in relation to the inclusion of their intentions regarding their VGI Shares that are not the subject of an escrow arrangement in this Explanatory Memorandum in the form and context in which that information is included.
- e) Philip King has given, and has not withdrawn, his consent in relation to the inclusion of his intentions regarding transferring, relinquishing, charging or otherwise dealing in his rights or interest in New Highland or the King Family Trust in this Explanatory Memorandum in the form and context in which that information is included.
- f) New Highland (in its capacity as trustee of the King Family Trust and the Philip King Family Trust) has given, and has not withdrawn, its consent in relation to the inclusion of its intention not to take any steps towards, or to vote in favour of, any resolution to remove either of the VGI nominee directors from the Listed Entity Board during the three years immediately following Completion, in this Explanatory Memorandum in the form and context in which that information is included.
- g) Each person named in this section 8.6:
 - i) has not authorised or caused the issue of this Explanatory Memorandum;
 - ii) does not make, or purport to make, any statement in this Explanatory Memorandum or any statement on which a statement in this Explanatory Memorandum is based, other than as specified in this section 8.6; and
 - iii) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Explanatory Memorandum, other than a reference to its name and the statement (if any) included in this Explanatory Memorandum with the consent of that party as specified in this section 8.6.

9 Glossary

Defined term	Meaning
Adviser	in relation to an entity, a professional adviser engaged (directly or indirectly) by the entity for the purposes of the Merger.
AFSL	Australian Financial Services Licence.
Annual General Meeting or 2022 Annual General Meeting	the Annual General Meeting of VGI Shareholders to be held at The Barnet Long Room, Customs House, 31 Alfred Street Sydney NSW 2000 at 1.00pm (Sydney time) on 27 May 2022, or webcast live at https://web.lumiagm.com/351-261-367 , at which the Annual General Meeting Resolutions (including the Merger Resolutions) will be voted on by VGI Shareholders.
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning set out in section 12(2) of the Corporations Act, where for the purposes of section 12, the 'designated body' is the Third Party.
ASX	ASX Limited (ABN 98 008 624 691) and, where the context requires, the financial market known as 'ASX' that it operates.
ASX Listing Rules	the official listing rules of the ASX.
Attunga	Attunga Capital Pty Ltd (ACN 117 683 093).
Business Day	any day that is each of the following: <ul style="list-style-type: none"> – a Business Day within the meaning given in the ASX Listing Rules; and – a day that banks are open for business in Sydney, Australia.
Competing Proposal	any proposal, agreement, arrangement or transaction, which, if entered into or completed, would result in a Third Party (either alone or together with any Associate): <ul style="list-style-type: none"> – directly or indirectly acquiring a Relevant Interest in, or having a right to acquire a legal, beneficial or economic interest in, or control of, 20% or more of the issued securities in VGI; – directly or indirectly acquiring control of VGI within the meaning of section 50AA of the Corporations Act; – directly or indirectly acquiring or becoming the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or control of, all or a substantial part of VGI's business or assets or the business or assets of the VGI Group; or – otherwise directly or indirectly acquiring or merging with VGI, whether by way of a takeover bid, members' or creditors' scheme of arrangement, reverse takeover, shareholder approved acquisition, capital reduction or buy back, sale or purchase of shares or assets, joint venture, dual listed company (or other synthetic merger) or other transaction or arrangement.
Completion	completion of the sale and purchase of the Sale Shares under the Merger Implementation Deed.
Completion Date	the date that is 5 Business Days after the date on which all of the Conditions Precedent are satisfied or waived or such other date as VGI and Regal may agree in writing.
Conditions Precedent	each of the conditions set out in clause 3.1 of the Merger Implementation Deed.
Corporations Act	the <i>Corporations Act 2001</i> (Cth), as modified or varied by any applicable ASIC class order, ASIC legislative instrument or ASIC relief.
Director or VGI Director	a director of VGI.
Employee Share	a fully paid 'employee share' in Regal issued in connection with the Regal ESOP.
Encumbrance	any third party rights or interests include a mortgage, bill of sale, registration, charge, lien, pledge, trust, encumbrance, power or title retention arrangement, right of set-off, assignment of income, garnishee order or monetary claim and flawed deposit arrangements or any arrangement having a similar effect, and includes any agreement to create any of them or allow any of them to exist.
End Date	<ul style="list-style-type: none"> – the date that is six months after the date of the Merger Implementation Deed; or – such later date as VGI and Regal may agree in writing.
Escrow Arrangements	the escrow arrangements described in section 5.3.
Escrow Deeds	the New Highland Voluntary Escrow Deed, Regal ESOP Shareholder Escrow Deed, the Stroud Escrow Deed and the Foundation Escrow Deed.

9 Glossary

Defined term	Meaning
Escrowed Shares	the New VGI Shares which are the subject of the Escrow Deeds.
Exclusivity Period	the period from and including the date of the Merger Implementation Deed to the earlier of: <ul style="list-style-type: none"> – the termination of the Merger Implementation Deed; or – the End Date.
Explanatory Memorandum	this document, including its annexures.
Ficus Fiduciary Limited	Ficus Fiduciary Limited (ACN 658 719 218).
Foundation Escrow Deed	the voluntary escrow deed to be entered into by Ficus Fiduciary Limited (as trustee for The Regal Foundation) and VGI on or before the Completion Date, in the form set out in Schedule 10 of the Merger Implementation Deed.
FUM	funds under management.
Government Agency	any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity and includes any minister (including, for the avoidance of doubt, the Commonwealth Treasurer), ASIC, the ACCC, the ATO, ASX, the Takeovers Panel and any regulatory organisation established under statute or any stock exchange, whether foreign, federal, state, territorial or local.
Gresham JV	Gresham Royalties Management Pty Ltd (ACN 605 785 804).
Holders of 2018 Employee Shares	<ul style="list-style-type: none"> – New Highland Pty Limited (ACN 121 604 500) as trustee for the King Family Trust; – Glen Barnes; – HADB Investments Pty Ltd (ACN 119 782 820) as trustee of the Blanche Family Trust; – Craig Collie; – Gibson Capital Pty Ltd as trustee for GC Trust (ACN 075 554 899); – Taylajorja Pty Ltd (ACN 111 314 179) as trustee for The Collins Road Trust; – Dimension Group Pty Limited (ACN 129 064 204) as trustee for the Ho Family Trust; – Freedom Through Property Pty Ltd (ACN 130 299 928) as trustee for the Pennys Lane Trust; – New Highland Pty Limited (ACN 121 604 500) as trustee for the King Family Trust; – Greg Laughlin; – MacKenzie Cove Investments Pty Ltd (ACN 629 657 623) as trustee for the McCallum Family Trust; – Stephanie Mormanis; and – M&B O'Connor Investments Pty Ltd (ACN 623 181 251) as trustee for the O'Connor Family Trust.
Holders of 2019 Employee Shares	<ul style="list-style-type: none"> – New Highland Pty Limited (ACN 121 604 500) as trustee for the King Family Trust; – Campbell Chambers; – Empire Capital Investments Pty Ltd (ACN 124 274 157) as trustee for The Dynasty Trust; – Jessica Farr-Jones; – Dr Fesq Pty Ltd (ACN 635 980 568) as trustee for The Mariners Revenge Trust; – James Hood; – New Highland Pty Limited (ACN 121 604 500) as trustee for the King Family Trust; – Stephanie Mormanis; – M&B O'Connor Investments Pty Ltd (ACN 623 181 251) as trustee for the O'Connor Family Trust; – Robert Saunders; – James Sioud; and – Ling Jin.
Holders of 2020 Employee Shares	<ul style="list-style-type: none"> – New Highland Pty Limited (ACN 121 604 500) as trustee for the King Family Trust; – Gibson Capital Pty Ltd (ACN 075 554 899) as trustee for GC Trust; – New Highland Pty Limited (ACN 121 604 500) as trustee for the King Family Trust; – Mark Nathan as trustee for the Cape Dutch Family Trust; and – M&B O'Connor Investments Pty Ltd (ACN 623 181 251) as trustee for the O'Connor Family Trust.

9 Glossary

Defined term	Meaning
Holders of 2021 Employee Shares	<ul style="list-style-type: none"> – New Highland Pty Limited (ACN 121 604 500) as trustee for the King Family Trust; – Su Chin Lai; – Kathleen Liu; – Henry Renshaw; – James Sioud; and – Aloysius Capital Pty Ltd (ACN 653 046 112).
Independent Expert or Lonergan Edwards	Lonergan Edwards & Associates Limited (ABN 53 095 445 560), holder of AFSL No. 246532.
Independent Expert Report	the report of the Independent Expert, as set out in Annexure A.
Insolvency Event	<p>in the case of any entity:</p> <ul style="list-style-type: none"> – it ceases, suspends, or threatens to cease or suspend the conduct of all or a substantial part of its business or disposes of or threatens to dispose of all or a substantial part of its assets; – it stops or suspends, or threatens to stop or suspend, payment of all or a class of its debts; – it is, or under legislation is presumed or taken to be, insolvent (other than as the result of a failure to pay a debt or claim the subject of a good faith dispute); – it has an administrator, controller or similar officer appointed, or any step preliminary to the appointment of such an officer is taken; – an application or an order is made, proceedings are commenced, or a resolution is passed (and in the case of an application, it is not stayed, withdrawn or dismissed within 30 days) for: <ul style="list-style-type: none"> – its winding up, dissolution or administration; or – it entering into an arrangement, compromise or composition with, or assignment for, the benefit of its creditors or a class of them; – a: <ul style="list-style-type: none"> – receiver, receiver and manager, administrative receiver or similar officer is appointed to; – security interest becomes enforceable or is enforced over; or – distress, attachment or other execution is levied or enforced or applied for over, all or a substantial part of its assets; or – anything analogous to anything referred to in the above paragraphs, or which has substantially similar effect, occurs with respect to it, including under any foreign law.
Kilter	Kilter Pty Limited (ACN 111 305 349).
King Family Trust	the King Family Trust (ABN 95 212 678 150).
Letter Agreement	the letter to be entered into by the parties which sets out matters specific to the Regal Shareholders.
Limited Recourse Loan	a loan from RFM Capital Pty Limited or another Regal Group Member (as lender) to a Regal ESOP Shareholder (as borrower) to fund the issue price of that Regal ESOP Shareholder's Employee Shares.
Listed Entity	VGI on and from Completion.
Listed Entity Board	the board of directors of the Listed Entity on and from Completion.
Listed Entity Share	a fully paid ordinary share in the Listed Entity on and from Completion.
MAS	the Monetary Authority of Singapore.
Merged Group	VGI and its Related Bodies Corporate on and from Completion.
Merger	the proposed merger between VGI and Regal, pursuant to which VGI will acquire all of the issued shares in Regal in consideration for the issue of New VGI Shares to Regal Shareholders.

9 Glossary

Defined term	Meaning
Merger Implementation Deed	the Merger Implementation Deed dated 30 March 2022 between VGI and Regal. A summary is set out in section 8.2(a) and a full copy can be obtained from the VGI Website.
Merger Resolutions	Resolutions 4 to 8 set out in the Notice of Meeting.
New Highland	New Highland Pty Limited (ACN 121 604 500).
New Highland Voluntary Escrow Deed	the voluntary escrow deed to be entered into by New Highland as trustee of the King Family Trust and VGI on or before the Completion Date, in the form set out in Schedule 7 of the Merger Implementation Deed.
New VGI Shares	the VGI Shares to be issued to Regal Shareholders under the terms of the Merger Implementation Deed at Completion.
Notice of Meeting	the Notice of Meeting (together with the proxy form in relation to the Annual General Meeting) of which this Explanatory Memorandum forms part.
NPAT	net profit after tax, excluding the impact of all costs incurred in relation to the negotiation and implementation of the matters contemplated by the Merger Implementation Deed and any other non-recurring significant items.
Officer	in relation to an entity, any of its directors, officers and employees.
Philip King Family Trust	the Philip King Family Trust (ABN 91 611 861 759).
Reference FuM	all funds under management in funds managed under any form of management arrangement by all Regal Group Members or all VGI Group Members (as applicable), including all actual or anticipated inflows disclosed in commitment or equivalent notices received by Regal (or, as applicable, VGI) and disclosed to VGI (or, as applicable, Regal) prior to the date of the Merger Implementation Deed. It does not include: <ul style="list-style-type: none"> – performance and management fees; – funds in respect of which no Regal Group Member or no VGI Group Member (as applicable) receives fees in connection with that management arrangement; – all actual or anticipated outflows disclosed in redemption notices received by Regal (or, as applicable, VGI) and disclosed to VGI (or, as applicable, Regal) prior to the date of the Merger Implementation Deed; or – in respect of VGI, any dividends declared by VGI or VG8 prior to the date of the Merger Implementation Deed.
Regal Asia	Regal Funds Management Asia Pte Ltd (Unique Entity Number 201101695Z).
Regal Board	the board of directors of Regal.
Regal ESOP	the Regal Employee Share Opportunity Plan adopted by the Regal Board on 28 March 2018 and amended on 20 February 2019.
Regal ESOP Shareholder	a person who holds Employee Shares from time to time.
Regal ESOP Shareholder Escrow Deed	the voluntary escrow deeds to be entered into by each Regal ESOP Shareholder on or before the Completion Date, in the form set out in Schedule 8 of the Merger Implementation Deed.
Regal Group	Regal and its Subsidiaries and, for the avoidance of doubt, includes Kilter Pty Limited (ACN 111 305 349) and Attunga Capital Pty Ltd (ACN 117 683 093) and excludes Wedgetail Food & Fibre Pty Ltd (ACN 613 360 982).
Regal Group Member	a member of the Regal Group.

9 Glossary

Defined term	Meaning
Regal Information	all information regarding the Regal Group and the Merged Group prepared for and/or provided on behalf of Regal in writing for inclusion in this Explanatory Memorandum, except to the extent that information is based on information provided or prepared by or on behalf of VGI.
Regal Material Adverse Change	has the meaning given to it in the Merger Implementation Deed and includes (subject to certain exceptions): <ul style="list-style-type: none"> – an aggregate of actual or anticipated outflows of Reference FuM from funds managed under any form of management arrangement by all Regal Group Members, exceeding \$400 million as specified in redemption notices received by Regal Group Members; – termination of the investment management agreements relating to either The Regal Investment Fund (RF1); conversion of The Regal Investment Fund (RF1) to an ETF or unlisted fund; a return of capital by The Regal Investment Fund (RF1) (other than a buyback of securities); any material change in the structure of The Regal Investment Fund (RF1); Regal or The Regal Investment Fund (RF1) agreeing or making a recommendation to do any of those things; or the shareholders of Regal, The Regal Investment Fund (RF1) or the Regal Long Short Australian Equity Fund (by any person) approving a resolution to do any of those things; – Philip King ceases to have any active management or investment management role for Regal; or – a Regal Group Member loses its AFSL, has restrictive conditions imposed on its AFSL, or is the subject of a regulatory investigation or other administrative action for a material breach of financial services law and regulation; – bona fide proceedings are commenced against a Regal Group Member for a criminal offence or for damages exceeding \$50 million; or – any event, occurrence or matter (whether occurring before, on or after the date of the Merger Implementation Deed) which has resulted in, or is reasonably likely to result in, either individually or when aggregated, with all such events, occurrences or matters, the consolidated annual NPAT of the Regal Group being reduced (on a recurring basis) by an amount more than \$7 million.
Regal Prescribed Occurrence	has the meaning given to it in the Merger Implementation Deed and includes a range of corporate activities primarily related to capital which Regal is prohibited from undertaking from the date of the Merger Implementation Deed to either Completion or termination of the Merger Implementation Deed without the prior consent of VGI.
Regal Shareholders	New Highland as trustee of the King Family Trust, Stroud Agricultural Company Pty Ltd as trustee of the Vernon Trust, Ficus Fiduciary Limited (as trustee for The Regal Foundation) and the Regal ESOP Shareholders.
Related Body Corporate	has the meaning given in the Corporations Act.
Relevant Interest	has the meaning given in sections 608 and 609 of the Corporations Act.
Representative	in relation to a party, <ul style="list-style-type: none"> – a Subsidiary of that party; – an Officer of the person or any of the person's Subsidiaries; or – an Adviser to the person or any of the person's Subsidiaries.
RG 111	<i>Regulatory Guide 111 'Content of expert reports'</i> issued by ASIC on 22 October 2020, as amended from time to time.
RG 74	<i>Regulatory Guide 74 'Acquisitions approved by members'</i> issued by ASIC on 11 December 2011, as amended from time to time.
RMPL Family Trust	The RMPL Family Trust of which RMPL Investments Pty Ltd (ACN 150 735 498) is the trustee.
Sale Shares	all of the issued shares in Regal.
Stroud Agricultural	Stroud Agricultural Company Pty Ltd (ACN 615 249 682)
Stroud Escrow Deed	the voluntary escrow deed to be entered into by Stroud Agricultural Company Pty Ltd as trustee of the Vernon Trust and VGI on or before the Completion Date, in the form set out in Schedule 9 of the Merger Implementation Deed.

9 Glossary

Defined term	Meaning
Subsidiary	has the meaning given in the Corporations Act.
Superior Proposal	<p>a bona fide Competing Proposal received by VGI that the VGI Board determines, acting in good faith and in order to satisfy what the VGI Board reasonably considers to be its fiduciary or statutory duties (and after having obtained written advice from VGI's external legal and, if appropriate, financial advisers):</p> <ul style="list-style-type: none"> – is capable of being valued and completed, taking into account all aspects of the Competing Proposal, including its conditions; and – would, if completed substantially in accordance with its terms, be more favourable to the VGI Shareholders than the Merger, taking into account all the terms and conditions of the Competing Proposal, <p>after taking into account a qualitative assessment of the identity, reputation and financial standing of the party making the Competing Proposal.</p>
The Regal Foundation	the Regal Foundation charitable trust (ABN 88 781 341 594) the trustee of which is Ficus Fiduciary Limited.
Third Party	<p>in relation to VGI, any of the following:</p> <ul style="list-style-type: none"> – a person other than any VGI Group Member or Regal Group Member; or – a consortium, partnership, limited partnership, syndicate or other group in which no Regal Group Member has agreed in writing to be a participant; and <p>in relation to Regal, means any of the following:</p> <ul style="list-style-type: none"> – a person other than any Regal Group Member or VGI Group Member; or – a consortium, partnership, limited partnership, syndicate or other group in which no VGI Group Member has agreed in writing to be a participant.
Transaction Documents	<ul style="list-style-type: none"> – the Merger Implementation Deed; – the Letter Agreement; – the Escrow Deeds; – any documents required to be executed by the parties under or relating to the Escrow Deeds; and – any other document designated as such by VGI and Regal.
VAC	the Voting Access Code.
Vernon Trust	the Vernon Trust (ABN 12 561 166 739) of which Stroud Agricultural Company Pty Ltd (ACN 615 249 682) is the trustee.
VG1	VGI Partners Global Investments Limited (ACN 619 660 721).
VG8	VGI Partners Asian Investments Limited (ACN 635 219 484).
VGI Board	the board of directors of VGI.
VGI Historic Option Shares	VGI Shares which resulted from the historic conversion of options over VGI Shares.
VGI Constitution or Company's Constitution	the constitution of VGI.
VGI Director	a member of the VGI Board.
VGI Employee Equity Issuance	the issue of 698,061 VGI Shares on 22 April 2022 effected in accordance with clause 4.12(c) of the Merger Implementation Deed.
VGI ESOP	the VGI Employee Incentive Plan adopted by the VGI Board on 12 May 2019.
VGI Group	VGI and its Related Bodies Corporate.
VGI Group Member	a member of the VGI Group.
VGI Information	all information in this Explanatory Memorandum, excluding the Regal Information and the Independent Expert Report.

9 Glossary

Defined term	Meaning
VGI Material Adverse Change	<p>has the meaning given to it in the Merger Implementation Deed and includes (subject to certain exceptions):</p> <ul style="list-style-type: none"> – an aggregate of actual or anticipated outflows of Reference FuM from funds managed under any form of management arrangement by all VGI Group Members, exceeding \$305 million as specified in redemption notices received by VGI Group Members; – termination of the VG1 Investment Management Agreement (IMA) or the VG8 IMA; conversion of VG1 or VG8 to an ETF or unlisted fund; a return of capital by VG1 or VG8 (other than a buyback of securities); any material change in the structure of VG1 or VG8; VGI, VG1 or VG8 agreeing or making a recommendation to do any of those things; or the shareholders of VG1 or VG8 (by any person) approving a resolution to do any of those things; – Robert Luciano ceases to have any active management or investment management role for VGI; – a VGI Group Member loses its AFSL, has restrictive conditions imposed on its AFSL, or is the subject of a regulatory investigation or other administrative action for a material breach of financial services law and regulation; – bona fide proceedings are commenced against a VGI Group Member for a criminal offence or for damages exceeding \$50 million; either: <ul style="list-style-type: none"> – the VGI Group receives a written notice of a claim from a Government Agency threatening the commencement of any material litigation, prosecution, regulatory investigation or other proceedings concerning alleged breaches of VGI's continuous disclosure obligations under the ASX Listing Rules; or – ASIC or ASX (as applicable) makes a determination against VGI that it has breached its continuous disclosure obligations under the Corporations Act or the ASX Listing Rules or any rules, regulations or regulatory guides under the Corporations Act or the ASX Listing Rules, provided that all ordinary course correspondence and enquiries between VGI and ASIC or (as applicable) ASX, and any price or volume queries received by VGI from ASX, are excluded; – any event, occurrence or matter (whether occurring before, on or after the date of the Merger Implementation Deed) which has resulted in, or is reasonably likely to result in, either individually or when aggregated, with all such events, occurrences or matters, the consolidated annual NPAT of the VGI Group being reduced (on a recurring basis) by an amount more than \$5 million.
VGI Option	an option to subscribe for a VGI Share (by issue or transfer) issued by VGI to a VGI employee or a nominee of a VGI employee.
VGI Prescribed Occurrence	has the meaning given to it in the Merger Implementation Deed and includes a range of corporate activities primarily related to capital which VGI is prohibited from undertaking from the date of the Merger Implementation Deed to either Completion or termination of the Merger Implementation Deed without the prior written consent of Regal.
VGI Share	a fully paid ordinary share in the capital of VGI.
VGI Share Register	VGI's share register.
VGI Shareholder	each person who is registered as the holder of a VGI Share in the VGI register of shareholders.
VGI Share Registry or Boardroom	Boardroom Pty Limited (ACN 003 209 836).
VGI Special Dividend	a fully franked special dividend declared or determined by the VGI Board of up to \$0.40 per VGI Share held by a VGI Shareholder as at the VGI Special Dividend Record Date, which VGI may in its discretion determine to declare or pay.
VGI Special Dividend Payment Date	the date of payment of the VGI Special Dividend (if any), as determined by the VGI Directors in their sole discretion.
VGI Special Dividend Record Date	the record date for the VGI Special Dividend (if any), as determined by the VGI Directors in their sole discretion.
VGI Website	www.vgipartners.com/company
Voting Power	has the meaning given to that term in the Corporations Act.

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The Directors
VGI Partners Limited
39 Phillip Street
Sydney NSW 2000

26 April 2022

Subject: Proposed merger with Regal Funds Management Pty Limited

Dear Directors

The Merger

- 1 On 30 March 2022, VGI Partners Limited (VGI Partners or the Company) announced that it had entered into a Merger Implementation Deed (Deed) to acquire 100% of the issued share capital of Regal Funds Management Pty Ltd (Regal) (the Merger). The consideration to be paid for Regal comprises approximately 140 million shares in the merged entity.
- 2 Immediately following implementation of the Merger, it is expected that existing VGI Partners shareholders will represent approximately 33.3% and existing Regal shareholders approximately 66.7% of the merged entity (Merger Ratio). Following implementation of the Merger it is intended that VGI Partners will be renamed "Regal Partners Limited" and will remain listed on the Australian Securities Exchange (ASX) with a new ASX ticker "RPL".
- 3 The VGI Partners Board also intends to approve and declare a fully franked dividend of up to \$0.40 per VGI Partners ordinary share (Special Dividend) following VGI Partners shareholder approval of the Merger but prior to Merger implementation.
- 4 The Merger is expected to create a market-leading provider of alternative investment strategies with total funds under management of approximately A\$5.6 billion as at 28 February 2022. The Merger is subject to a number of conditions, including receiving the approval of VGI Partners shareholders.

VGI Partners

- 5 VGI Partners is an ASX-listed wealth manager specialising in global equities, managing capital for high net worth individuals and family offices (held directly or via two unlisted funds) and two listed investment companies (LIC): VGI Partners Global Investments Limited (VG1) and VGI Partners Asian Investments Limited (VG8).

Authorised Representatives:

Wayne Lonergan • Craig Edwards* • Hung Chu • Martin Hall • Martin Holt* • Grant Kepler* • Julie Planinic* • Nathan Toscan • Jorge Resende

* Members of Chartered Accountants Australia and New Zealand and holders of Certificate of Public Practice.
Liability limited by a scheme approved under Professional Standards Legislation

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Regal

- 6 Regal is an investment manager that specialises in alternative investment strategies with a primary focus on long / short equity investments. Regal manages a number of unlisted funds for a range of institutions, family office and high net worth investors, as well as an ASX-listed fund that provides retail investors with exposure to a selection of its alternative investment strategies. The Regal Group includes Kilter Pty Ltd (Kilter) and Attunga Pty Ltd (Attunga) as well as a minority stake in a resources royalties business. Regal holds 61.49% voting power in Kilter¹, a specialist manager of Australian farmland, water and ecosystems funds established in 2004, as well as a 51% interest in Attunga, a fund manager with power and energy portfolios managing interests in the global carbon and electricity markets.

Scope

- 7 Section 606 of the *Corporations Act 2001* (Cth) (Corporations Act) generally prohibits the acquisition of a relevant interest in issued voting securities of an entity if the acquisition results in a person's voting power in a company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, unless a permissible exception applies². A permissible exception to this general prohibition is set out in s611(7), whereby such an acquisition is allowed where the acquisition is approved by a resolution of securityholders of the entity at a general meeting.
- 8 If the Merger is approved and all conditions are satisfied, the consideration to be paid for Regal will result in Mr Philip King (one of the Regal vendors through entities in which he has a beneficial interest) and associates acquiring voting power in VGI Partners of more than 20%. Accordingly, there is a regulatory requirement for VGI Partners to provide shareholders with all material information relevant to a vote on the proposed Merger. The VGI Partners Directors have elected to commission an independent expert's report (IER) to discharge these disclosure obligations.
- 9 In addition, the Merger is subject to a number of conditions precedent, including an independent expert concluding (and continuing to conclude) that the Merger is reasonable for VGI Partners shareholders. Furthermore, the VGI Partners Directors recommendation of the Merger is also subject to an independent expert concluding that the Merger is reasonable for VGI Partners shareholders.
- 10 Australian Securities & Investments Commission (ASIC) Regulatory Guide 111 – *Content of expert reports* (RG 111) also requires that the expert provide an opinion on the fairness of the Merger³.
- 11 Accordingly, the Directors of VGI Partners have requested Lonergan Edwards & Associates Limited (LEA) to prepare an IER stating whether, in our opinion, the Merger is fair and reasonable to VGI Partners shareholders and the reasons for that opinion.

¹ Regal's economic interest in Kilter is 57.4%.

² Subject to the 3% every six months "creep provisions".

³ Under RG 111, the Merger is deemed a "change of control" transaction and accordingly we are also required to opine on the "fairness" of the proposed Merger.



- 12 LEA is independent of VGI Partners and Regal and has no involvement with or interest in the outcome of the Merger other than the preparation of this IER.

Summary of opinion

- 13 LEA has concluded that the Merger is not fair but is reasonable to VGI Partners shareholders in the absence of a superior proposal.
- 14 We have arrived at this conclusion for the reasons set out below.

Assessment of fairness

- 15 RG 111 requires that the fairness of the Merger be assessed by comparing the controlling interest value of VGI Partners shares prior to implementation of the Merger with the portfolio interest value of VGI Partners shares following implementation (being the deemed “consideration” delivered to VGI Partners shareholders).
- 16 In order for the Merger to be “fair” under RG 111, the portfolio interest value of VGI Partners shares following implementation of the Merger must be equal to, or greater than the controlling interest value of VGI Partners shares before implementation.
- 17 This comparison is set out below:

“Fairness” value comparison			
	Low	High	Mid-point
	\$ per share	\$ per share	\$ per share
Deemed consideration including Special Dividend ⁽¹⁾	3.54	3.91	3.73
Controlling interest value of VGI Partners shares prior to implementation of the Merger	4.31	4.95	4.63
Extent to which the deemed consideration is less than the controlling interest value of VGI Partners shares before implementation	(0.77)	(1.04)	(0.90)

Note:

- 1 For the purposes of our report we have assumed that the Special Dividend will be \$0.40 per VGI Partners share (consistent with the level of surplus cash included in our valuation of VGI Partners).

- 18 Based on the above the Merger is not fair when assessed based on the guidelines set out in RG 111.

Assessment of reasonableness

- 19 Under RG 111 a transaction is reasonable if it is fair. It may also be reasonable even if it is not fair, if the expert concludes that the advantages of the transaction outweigh the disadvantages.
- 20 In considering whether the Merger is reasonable, we have considered whether VGI Partners shareholders are likely to be better off from a value perspective if they approve the Merger by comparing the value of VGI Partners shares pre and post the Merger on a consistent portfolio basis.

- 21 Accordingly, we have reduced our controlling interest value prior to the Merger by a minority interest discount in order to estimate the corresponding portfolio interest value of VGI Partners shares.
- 22 This comparison, on a like for like basis, is shown below:

Comparative value of VGI Partners shares			
	Low \$ per share	High \$ per share	Mid-point \$ per share
Portfolio interest value of VGI Partners shares before the Merger ⁽¹⁾	3.53	4.04	3.79
Portfolio interest value of VGI Partners shares after the Merger including Special Dividend ⁽²⁾	3.54	3.91	3.73
Increase (decrease) in portfolio interest value of VGI Partners shares due to the Merger	0.01	(0.13)	(0.06)
% increase / (decrease)	0.3%	(3.2)%	(1.6)%

Note:

- 1 Being our controlling interest value of VGI Partners shares prior to the Merger of \$4.31 to \$4.95 per share (refer Section VI), less a minority interest discount of 20% on the equity value before the Merger excluding the surplus cash of \$0.40 per share (which is to be distributed prior to the Merger).
- 2 For the purposes of our report we have assumed that the Special Dividend will be \$0.40 per VGI Partners share (consistent with the level of surplus cash included in our valuation of VGI Partners).

- 23 The above analysis indicates that the Merger terms are broadly consistent with the value each party is contributing to the Merger, and is neither value accretive or value decreative (to any material extent) from the perspective of VGI Partners shareholders in the absence of synergies and other benefits.

The Merger ratio

- 24 Pursuant to the Merger we note that VGI Partners and Regal shareholders will own approximately 33.3% and 66.7% respectively of the shares in VGI Partners post implementation of the Merger. As shown below, each party's contribution to the Merged Entity is broadly consistent with this ownership ratio:

Value contributed to the Merger				
	Low \$m	High \$m	Low %	High %
Value of VGI Partners before implementation of the Merger	304	349		
Less Special Dividend ⁽¹⁾	(28)	(28)		
Value contributed by VGI Partners to the Merger	276	321	33.3	34.6
Value contributed by Regal to the Merger	554	608	66.7	65.4
Implied value of Merged Entity	830	929	100.0	100.0

Note:

- 1 For the purposes of our report we have assumed that the Special Dividend will be \$0.40 per VGI Partners share (consistent with the level of surplus cash included in our valuation of VGI Partners).

- 25 As the value contributed by VGI Partners shareholders to the Merged Entity (of 33.3% to 34.6%) is consistent with VGI Partners shareholders ownership interest in VGI Partners following implementation of the Merger (33.3%), we consider that the Merger terms are appropriate.
- 26 Given the above, together with the benefits of the Merger (discussed in paragraph 263) and the potential for synergy benefits to be realised over the medium term, in our opinion the Proposed Merger is reasonable to VGI Partners shareholders in the absence of a superior proposal.

Impact on control

- 27 Following implementation of the Merger:
- (a) Mr Philip King (through entities in which he has a beneficial interest) will hold approximately 42.5% of the shares in VGI Partners
 - (b) other existing Regal shareholders will hold approximately 24.2% of the shares in VGI Partners
 - (c) Mr Robert Luciano (through entities in which he has a beneficial interest) will hold approximately 19.4% of the shares in VGI Partners; and
 - (d) other existing VGI Partners shareholders will hold approximately 13.9% of the shares in VGI Partners.
- 28 Pursuant to the Merger, the Regal vendors (and associates) will acquire a relevant interest in VGI Partners (in aggregate) of approximately 66.7%. Therefore if the Merger is approved prima facie the Regal vendors will have control of VGI Partners, and should therefore be able to control VGI Partners' strategic direction and future dividend policy.
- 29 However, we note:
- (a) the Deed contemplates that following implementation of the Merger, VGI Partners will have a Board consisting of six directors, with two nominated by each of VGI Partners and Regal in addition to the appointment of two external independent directors. Neither Mr Robert Luciano nor Mr Philip King will be on the Board of VGI Partners given their investment-focused roles post the Merger
 - (b) it is expected that on implementation of the Merger:
 - (i) Mr Brendan O'Connor (the current Chief Executive Officer of Regal) will be appointed as Chief Executive Officer of VGI Partners
 - (ii) Mr Ian Cameron (the current Chief Financial Officer of VGI Partners) will be appointed as Chief Financial Officer of the Merged Entity; and
 - (iii) the balance of the executive management team will be drawn from both VGI Partners and Regal.

Likelihood of receiving a future takeover offer or other control transaction

- 30 As stated above, if the Merger is approved the Regal vendors in aggregate will hold a 66.67% interest in VGI Partners, and will therefore be in a position to block and/or control the

outcome of any future takeover (or comparable change of control transaction) due to the size of their aggregate shareholdings.

- 31 However, this is not dissimilar to the current position of VGI Partners prior to the Merger, as Mr Robert Luciano (through entities in which he has a beneficial interest) currently owns 58.23% of VGI Partners shares.

Summary

- 32 In summary:

- (a) the Merger terms reflect the value contributed by VGI Partners shareholders to the Merged Entity, as the value contributed by VGI Partners shareholders (of 33.3% to 34.6%) is broadly consistent with VGI Partners shareholders ownership interest in VGI Partners following implementation of the Merger (33.3%)
- (b) there are a number of benefits associated with the Merger. For example, the Merged Entity will be substantially larger than VGI Partners and its FUM will be more diversified. VGI Partners will also enhance its investment management capabilities through access to Regal's extensive investment capability in Australian and Asian equity markets, unlisted investments and real assets
- (c) synergy benefits arising from the Merger are likely to be realised over time
- (d) in our view, there are no material disadvantages associated with the Merger for VGI Partners shareholders in general (whilst VGI Partners shareholders are diluted they also acquire an interest in Regal and a much larger business).

General

- 33 In preparing this report we have considered the interests of VGI Partners shareholders as a whole. Accordingly, this report only contains general financial advice and does not consider the personal objectives, financial situations or requirements of individual shareholders.
- 34 The ultimate decision whether to approve the Merger should be based on each VGI Partners shareholder's assessment of their own circumstances. If VGI Partners shareholders are in doubt about the action they should take in relation to the Merger or matters dealt with in this report, VGI Partners shareholders should seek independent professional advice. For our full opinion on the Merger and the reasoning behind our opinion, we recommend that VGI Partners shareholders read the remainder of our report.

Yours faithfully



Craig Edwards
Authorised Representative



Martin Holt
Authorised Representative

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I Key terms of the Merger

Key terms

35 An overview of the Merger and the key terms thereof is set out at paragraphs 1 to 4.

Escrow restrictions

36 The shares to be issued to the ordinary shareholders of Regal are to be subject to voluntary escrow arrangements in respect of the VGI Partners shares issued until 21 June 2024. The former Regal ESOP shareholders are also subject to voluntary escrow arrangements which vary in duration, with the earliest being released from escrow on 1 March 2024.

Conditions

37 The Merger is subject to:

- (a) VGI Partners shareholder approval of the Merger
- (b) the independent expert concluding that the Merger is reasonable for VGI Partners shareholders and not adversely changing that conclusion or withdrawing its report
- (c) no material adverse change (as defined in the Deed) occurring in relation to VGI Partners or Regal
- (d) no prescribed occurrence (as defined in the Deed) having occurred in relation to VGI Partners or Regal prior to completion of the Merger
- (e) the Monetary Authority of Singapore approving the proposed change of control of Regal Funds Management Asia Pte Ltd arising from the implementation of the Merger
- (f) other conditions customary for a transaction of this nature.

38 More detail on the above conditions is set out in the Notice of Meeting.

II Scope of our report

Purpose

- 39 Section 606 of the Corporations Act generally prohibits the acquisition of a relevant interest in issued voting securities of a listed entity if the acquisition results in a person's voting power in a company increasing from below 20% to more than 20%, or from a starting point between 20% and 90%, unless a permissible exception applies⁴. A permissible exception to this general prohibition is set out in s611(7), whereby such an acquisition is allowed where the acquisition is approved by a resolution of securityholders of the entity at a general meeting and no votes are cast in respect of securities held by the acquirer, the vendor (where applicable) or any of their respective associates.
- 40 RG 74 sets out the view of ASIC on the operation of s611(7) of the Corporations Act. Section 611(7) of the Corporations Act allows shareholders to waive the prohibition in s606 and requires that shareholders approving a resolution pursuant to this section be provided with all material information in relation to the Merger.
- 41 As noted above, if the Merger is approved and all conditions are satisfied, the consideration to be paid for Regal will result in Mr Philip King (one of the Regal vendors through entities in which he has a beneficial interest) and associates acquiring voting power in VGI Partners of more than 20%. Accordingly, there is a regulatory requirement for VGI Partners to provide shareholders with all material information relevant to a vote on the proposed Merger. The VGI Partners Directors have elected to commission an IER to discharge these disclosure obligations.
- 42 In addition, the Merger is subject to a number of conditions precedent, including an independent expert concluding (and continuing to conclude) that the Merger is reasonable for VGI Partners shareholders. Furthermore, the VGI Partners Directors' recommendation of the Merger is also subject to an independent expert concluding that the Merger is reasonable for VGI Partners shareholders.
- 43 RG 111 also requires that the expert provide an opinion on the fairness of the Merger⁵.
- 44 Accordingly, the Directors of VGI Partners have requested LEA to prepare an IER stating whether, in our opinion, the Merger is fair and reasonable to VGI Partners shareholders and the reasons for that opinion.
- 45 This report has been prepared to assist the Directors of VGI Partners in making their recommendation to the shareholders of VGI Partners, and to assist these shareholders in assessing the merits of the Merger.
- 46 Our report should not be used for any other purpose or by any other party. The ultimate decision whether to approve the Merger should be based on each shareholder's assessment of their own circumstances, including their risk profile, liquidity preference, tax position and expectations as to value and future market conditions. If in doubt about the Merger or matters

⁴ Subject to the 3% every six months "creep provisions".

⁵ Under RG 111, the Merger is deemed a "change of control" transaction and accordingly we are also required to opine on the "fairness" of the proposed Merger.

dealt with in this report, VGI Partners shareholders should seek independent professional advice.

Basis of assessment

- 47 In preparing our report, we have had regard to the ASX Listing Rules and Regulatory Guides issued by ASIC, particularly RG 111. RG 111 sets out (inter alia) the view of ASIC on the content of expert reports prepared for the purpose of seeking approval under s611(7) of the Corporations Act.
- 48 Under RG 111 the Merger is deemed a “change of control” transaction because one of the Regal vendors will acquire a greater than 20% voting interest in VGI Partners. As a consequence, RG 111 states that the Merger must be analysed as if it were a takeover bid under Chapter 6 of the Corporations Act. Accordingly, the expert is required to assess the Merger in terms of the convention established for takeovers pursuant to s640 of the Corporations Act, being:
- (a) is the offer “fair” – when assessing takeovers, an offer is “fair” if the value of the offer price or consideration is equal to, or greater than the value of the securities that are the subject of the offer. This comparison should be made assuming 100% ownership of the company and is irrespective of whether the offer is cash or scrip
 - (b) is it “reasonable” – an offer is “reasonable” if it is fair. An offer may also be reasonable if, despite being “not fair”, in the opinion of the expert, there are sufficient reasons for securityholders to accept the offer in the absence of any higher bid before the close of the offer.
- 49 As the Merger does not involve any takeover offer being made to VGI Partners shareholders, RG 111 requires that the fairness of the Merger be assessed by comparing the controlling interest value of VGI Partners shares prior to implementation of the Merger with the portfolio value of VGI Partners shares following implementation (being the deemed “consideration” delivered to VGI Partners shareholders). In order for the Merger to be “fair” under RG 111, the portfolio value of VGI Partners shares following implementation of the Merger must be equal to, or greater than the controlling interest value of VGI Partners shares before implementation.
- 50 The Merger will also be “reasonable” if it is “fair”. In addition, in our opinion, the Merger will be “reasonable” even if it is “not fair” if the advantages outweigh the disadvantages of the Merger from the perspective of VGI Partners shareholders.
- 51 Our report has therefore considered a range of both qualitative and quantitative factors including:
- (a) the controlling interest value of 100% of VGI Partners shares prior to implementing the Merger
 - (b) the portfolio value of VGI Partners shares following implementation of the Merger
 - (c) the difference between (a) and (b) in order to assess whether the Merger is fair to VGI Partners shareholders pursuant to RG 111
 - (d) the impact of the Merger on the ownership and control of VGI Partners

- (e) the relevant position of VGI Partners shareholders before and after implementation of the Merger assessed on a consistent basis (i.e. by comparing the portfolio value before implementation with the portfolio value afterwards); and
- (f) other qualitative and strategic issues associated with the Merger and the extent to which, on balance, they may advantage or disadvantage existing VGI Partners shareholders if the Merger proceeds or is rejected.

Limitations and reliance on information

- 52 Our opinions are based on the economic, share market, financial and other conditions and expectations prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time, as has been evident by the significant volatility in equity markets recently due to the impact of COVID-19.
- 53 Our report is also based upon the financial and other information provided by VGI Partners and Regal and their respective advisers. We have considered and relied upon this information and have assumed that the information provided is reliable, complete and not misleading. We have no reason to believe that material facts have been withheld.
- 54 The information provided was evaluated through analysis, enquiry and review to the extent considered appropriate for the purpose of forming an opinion on the Merger from the perspective of VGI Partners shareholders. However, we do not warrant that our enquiries have identified or verified all of the matters which an audit, extensive examination or “due diligence” investigation might disclose. Whilst LEA has made what it considers to be appropriate enquiries for the purpose of forming its opinion, “due diligence” of the type undertaken by companies and their advisers in relation to (for example) prospectuses or profit forecasts is beyond the scope of an IER.
- 55 Accordingly, this report and the opinions expressed therein should be considered more in the nature of an overall review of the anticipated commercial and financial implications of the Merger, rather than a comprehensive audit or investigation of detailed matters. Further, this report and the opinions therein, must be considered as a whole. Selecting specific sections or opinions without context or considering all factors together, could create a misleading or incorrect view or opinion. This report is a result of a complex valuation process that does not lend itself to a partial analysis or summary.
- 56 An important part of the information base used in forming an opinion of the kind expressed in this report is comprised of the opinions and judgement of management of the relevant companies. This type of information has also been evaluated through analysis, enquiry and review to the extent practical. However, it must be recognised that such information is not always capable of external verification or validation.
- 57 We in no way guarantee the achievability of budgets or forecasts of future profits. Budgets and forecasts are inherently uncertain. They are predictions of future events which cannot be assured and are necessarily based on assumptions of future events, many of which are beyond the control of management. Actual results may vary significantly from forecasts and budgets with consequential valuation impacts.
- 58 In forming our opinion, we have also assumed that the information set out in the Notice of Meeting is complete, accurate and fairly presented in all material respects.

III Profile of VGI Partners

Overview

- 59 VGI Partners Limited (VGI Partners or the Company) is an ASX-listed wealth manager specialising in global equities, managing capital for high net worth individuals and family offices (held directly or via two unlisted funds) and two listed investment companies: VGI Partners Global Investments Limited (VG1) and VGI Partners Asian Investments Limited (VG8) (all together, VGI Partners Funds). As at 28 February 2022, VGI Partners had fee earning funds under management (FUM) of \$2.1 billion⁶.
- 60 VGI Partners Pty Limited was established in 2008 by Mr Robert Luciano, VGI Partners' Executive Chairman. In June 2019, the Company changed its corporate structure to become a public company and listed on the ASX. Approximately 20% of the Company's shares were sold to new investors in the initial public offering (IPO).
- 61 Currently, the Company has offices in Sydney, New York and Tokyo, employing some 25 staff as at April 2022.

History

- 62 A summary of the key historical developments of VGI Partners is set out below:

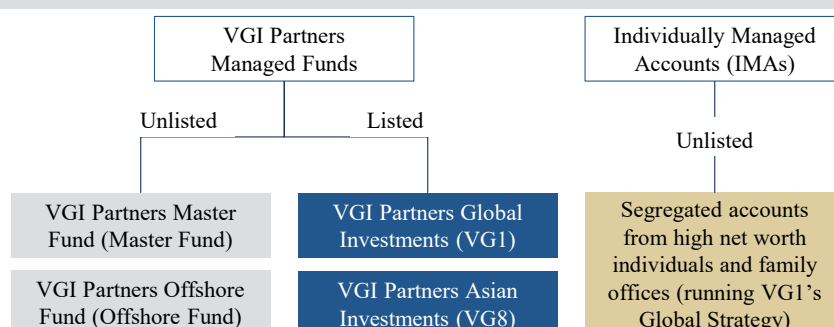
VGI Partners – History	
Date	Key development
2008	• VGI Partners Pty Limited was established
2009	• Launch of VGI Partners' Master Fund
2012	• Launch of VGI Partners' Offshore Fund
2017	• Launch and ASX listing of VG1
2019	• ASX listing of VGI Partners; VG1 capital raising for \$300 million through placement and entitlement offer
2019	• Launch and ASX listing of VG8

Summary of VGI Partners Funds

- 63 As a wealth manager, VGI Partners generates its revenue from management fees and performance fees charged on each of the investment portfolios it manages. A summary of VGI Partners Funds is set out below:

⁶ Non-fee earning FUM relate to pro-bono funds managed and the management of the Charitable Foundation Class, discussed subsequently in this report.

VGI Partners – Summary of VGI Partners Funds



- 64 VGI Partners' unlisted funds and IMAs have been closed to net new investment from 1 December 2017, to ensure that the amount of capital committed to the VGI Partners' investment strategy did not compromise investment returns. Consequently, VGI Partners' strategies are only accessible to new investors by investing (effectively via on-market purchases) in VG1, VG8 or the remaining (limited) capacity in the Charitable Foundation Class⁷.

Investment management agreements

- 65 The Company has entered into investment management agreements in respect of each IMA, the Offshore Fund, VG1 and VG8. The Company also manages the portfolio of the Master Fund in its capacity as the trustee of the Master Fund, pursuant to its powers under the trust deed that established the Master Fund.

Investment strategy

- 66 VGI Partners' investment strategy is to adopt a long-term investment horizon on a global basis, investing in a relatively small number of high quality businesses complemented with opportunistic short selling of (what VGI Partners considers to be) low quality businesses that are typically structurally challenged, poorly managed and/or materially overvalued. The Company's philosophy is to employ a "buy and hold" strategy for long investments and to generate long-term compound returns.
- 67 VGI Partners adopts the same investment strategy across all of the VGI Partners Funds, including VGI Partners' unlisted and listed funds, as well as IMAs, noting that VG8's strategy introduces an Asian-focused lens. Therefore, the VGI Partners Funds provide similar underlying asset exposures, despite the fact that some funds aim to maximise Australian dollar (AUD) returns, whilst others (specifically the Offshore Fund) are fully hedged to the United States of America (US) dollar (USD) in order to achieve a pure USD return. Based on this common approach, should the Company's investment strategy lead to relative over / underperformance, then it is likely that all of the VGI Partners Funds would correspondingly over / underperform (to a likely similar degree). Accordingly, until such time as the Company implements a diversified investment strategy across its funds, VGI Partners'

⁷ The Charitable Foundation Class is discussed in paragraphs 79 to 82 below.

performance fee revenue is likely (all other things being equal) to have greater volatility than investment managers which run multiple diverse strategies.

Alignment of interests

- 68 VGI Partners maintains that an alignment of interests is a critical aspect of its business model and culture, achieving this through the following:
- (a) the entire investment team invests a material proportion of their individual net worth in VGI Partners and the various VGI Partners Funds
 - (b) VGI Partners staff are not permitted to purchase securities outside of VGI Partners Funds and VGI Partners itself
 - (c) VGI Partners paid the establishment costs of all VGI Partners Funds, including VG1 and VG8
 - (d) VGI Partners pays all ongoing operating costs of VG1 and VG8 (where permitted)⁸
 - (e) employee incentive arrangements that support the ongoing development of a high-performance culture within VGI Partners
 - (f) the VG1 and VG8 performance fee reinvestment mechanisms, whereby under the terms of separate reinvestment agreements Mr Robert M P Luciano has agreed to reinvest, from the dividends he receives from VGI Partners, his “look through” after-tax share of any performance fees received by VGI Partners from managing the VG1 and VG8 portfolios into fully paid ordinary shares in VG1 and VG8. These fully paid ordinary shares in VG1 and VG8 are then subject to escrow arrangements.

Redemptions

- 69 VGI Partners investors have the ability to redeem their investment across the Master Fund⁹, Offshore Fund¹⁰ and IMAs after serving certain notice periods. In contrast, as VG1 and VG8 are listed investment companies, there are no redemption rights for investors. Instead, investors seeking to exit their investment in these companies can trade their shares on the ASX.

Funds under management

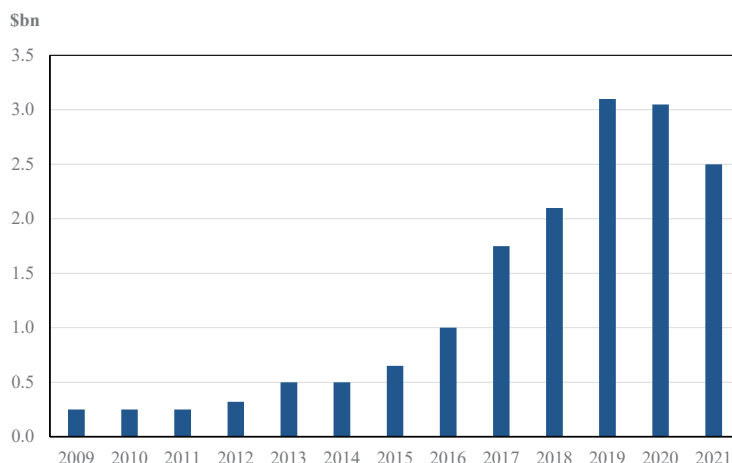
- 70 Since establishment in 2008, VGI Partners has grown its FUM significantly through both net capital inflows and strong investment returns. This growth is exhibited below:

⁸ VGI Partners pays the majority of the operating costs of VG1 and VG8, including ASX fees, ASIC fees, audit costs, tax advice and legal advice costs and fees charged by the administrator. However, certain costs are paid by VG1 / VG8 themselves for corporate governance purposes including directors' fees and directors' insurance costs.

⁹ The units can be redeemed quarterly (calendar quarter with 45 days' written notice) for cash based on the redemption price, which is equal to a proportionate share of the (respective) fund's net asset value (NAV) attributable to the unitholders at the end of the relevant quarter.

¹⁰ Ibid.

VGI Partners – FUM by calendar year⁽¹⁾



Note:

¹ Calculated based on end of calendar year FUM only.

Source: VGI Partners.

- 71 The recent reduction in fee-earning FUM to \$2.1 billion as at 28 February 2022¹¹ was due to a combination of redemptions (of some \$0.2 billion) and adverse underlying fund performance in both the Global and Asian Strategies.
- 72 As all VGI Partners unlisted funds and IMAs are closed to net new investment, and its listed funds are trading at large discounts to their underlying NAV (making future capital raising difficult), the Company's future performance (over the short term at least) is directly linked to the underlying investment performance of the VGI Partners Funds. Further, the impact of any dividend or distribution reinvestment plans in the underlying VGI Partners Funds is not expected to drive a significant change in FUM.
- 73 The securities held long by VGI Partners unlisted funds are concentrated, with the top 10 long investments representing (some) 70% of the fund's long portfolio¹². On the short side, VGI Partners Funds are less concentrated and, consequently, the short positions tend to be substantially more diversified (and smaller in size) than the long investments within the portfolios. The Company's short exposure is driven by the ability of its investment team to identify high quality short ideas.

Breakdown of VGI Partners Funds

- 74 The following table provides a detailed breakdown of each of VGI Partners' Managed Funds and IMAs:

¹¹ Fee-earning FUM as at 31 March 2022 had reduced to \$2.0 billion due to a combination of redemptions and market performance.

¹² As at 31 December 2021.

VGI Partners – Breakdown of Managed Funds and IMAs					
	Unlisted funds			Listed funds	
	Master Fund	Offshore Fund	IMAs	VG1	VG8
FUM as at 28 Feb 22 ⁽¹⁾	Total for unlisted funds and IMAs: A\$753m			A\$831m	A\$518m
Launch date	Jan 2009	May 2012	Various	Sep 2017	Nov 2019
Currency	AUD	USD	AUD / USD	AUD	AUD
Investment strategy	Global	Global	Global	Global	Asian region
Performance fee calculation date	Annually on 30 Jun	Annually on 31 Dec	Annually on 30 Jun	Semi-annually on 30 Jun and 31 Dec	Semi-annually on 30 Jun and 31 Dec
Entity type	Unlisted vehicle	Unlisted vehicle	Unlisted vehicle	LIC	LIC
Structure	Open-ended	Open-ended	Open-ended	Closed-ended	Closed-ended

Note:

1 Calculated based on fee earning FUM only.

Master Fund

- 75 Launched in January 2009, the VGI Partners Master Fund¹³ is VGI Partners' longest running unlisted wholesale fund, adopting a global investment strategy. The Company considers the performance of the Master Fund to be representative of the historical performance of its investment strategy.
- 76 The Master Fund is denominated in AUD, with the Company actively managing currency exposures as its analysis of the economic outlook for Australia evolves relative to other major global economies.
- 77 In the absence of an investment management agreement in place, VGI Partners manages the portfolio of the Master Fund in its capacity as the trustee of the Master Fund, pursuant to its powers under the trust deed establishing the Master Fund. It follows that any duties, obligations and liabilities in relation to the Master Fund incurred by the Company (as trustee of the Master Fund) will be satisfied out of the assets of the Master Fund¹⁴.
- 78 The return on the Master Fund (after all fees and charges and assuming all distributions are reinvested) from its inception in January 2009 to 28 February 2022 was 11.4% per annum.

Charitable Foundation Class

- 79 The VGI Partners Foundation is an independent public ancillary fund formed in 2018, together with the establishment of a new Charitable Foundation Class of investment in the Master Fund.

¹³ The Master Fund is domiciled in Australia.

¹⁴ Except to the extent of any fraud, gross negligence or wilful breach.



- 80 The Charitable Foundation Class has a capacity of \$40 million and is currently at 53% of allocated capacity within the Master Fund based on FUM of some \$21 million as at 31 December 2021. All investment terms in the Charitable Foundation Class mirror those of existing VGI Partners Funds, with the exception that 100% of management fees and performance fees earned by VGI Partners from the Charitable Foundation Class are donated to the VGI Partners Foundation.
- 81 In the year ended 31 December 2021, \$955,000 was donated to the VGI Partners Foundation, being 100% of the management and performance fees earned by the Company from the Master Fund's Charitable Foundation Class¹⁵.
- 82 As at 31 December 2021, VGI Partners had donated \$1.9 million to the VGI Partners Foundation.

Offshore Fund

- 83 The VGI Partners Offshore Fund¹⁶ is an unlisted fund launched in May 2012 to provide investors with access to VGI Partners' investment strategy, save that the Offshore Fund is fully hedged to the USD and therefore provides investors with a pure USD return. The investment management agreements in place between the Company and the Offshore Fund initially expired on 30 April 2017, however, each automatically renews for further one year periods unless terminated in accordance with their (respective) terms.
- 84 The return on the Offshore Fund (after all fees and charges) from its inception in May 2012 to 28 February 2022 was 8.8% per annum.

IMAs

- 85 As at 28 February 2022, VGI Partners manages five IMAs with capital from ultra-high net worth individuals and family offices, which provide investors with access to the Company's Global Strategy that is adopted across the Master Fund, Offshore Fund and VG1¹⁷. The IMAs include both AUD and USD denominated funds. Accordingly, the performance and return characteristics of the IMAs closely track the VGI Partners Managed Funds' return denominated in each respective currency.
- 86 All of VGI Partners' current IMAs have passed their initial commitment period and, therefore, can be redeemed at call.

VGI Partners Global Investments Limited

- 87 VG1 completed its IPO and listed on the ASX as an LIC in September 2017, adopting the Global Investment Strategy deployed by VGI Partners in respect of its Master Fund portfolio. In 2019, VG1 completed a capital raising for \$300 million through a placement and entitlement offer.

¹⁵ VGI Partners' donation of 100% of the management and performance fees on the Charitable Foundation Class is recorded in the operating expenses of the Company (and, accordingly, this fee revenue is measured on a gross basis).

¹⁶ The Offshore Fund is domiciled in the Cayman Islands.

¹⁷ Management have advised that no IMA represents greater than 10% of VGI Partners' FUM as at 31 December 2021.

- 88 Given that the unlisted VGI Partners Managed Funds are closed to net new investment, the VGI Partners' strategies are now accessible only via investing in VG1 (or VG8) listed shares, or through limited capacity in the Charitable Foundation Class.
- 89 Under the terms of the investment management agreement in respect of VG1, VGI Partners has agreed to bear the cost of, and is not entitled to be reimbursed by VG1 in respect of, all costs, fees and expenses included in connection with the operations of VG1 (other than certain director related fees and costs for governance purposes). The term of the investment management agreement in respect of VG1 is for a period of up to 10 years from commencement on the date of VG1's IPO on 28 September 2017, which will be automatically extended for successive five year periods, unless terminated earlier in accordance with the agreement.
- 90 As at 31 December 2021, the key details of VG1 are summarised below:

VG1 – Key details as at 31 December 2021

ASX code	VG1
Share price	\$2.06
Post tax NTA ⁽¹⁾	\$2.34
1 year portfolio return (net of fees and expenses) ⁽²⁾	(2.5%)
Portfolio return since inception (p.a.) (net of fees and expenses) ⁽²⁾	5.7%
Dividend yield target	4% p.a. fully franked
No. of long investments	Typically 10-25, 24 as at 31 December 2021
No. of short positions	Typically 10-35, 12 as at 31 December 2021
Absolute return	Targeting 10%-15% p.a. through the cycle ⁽³⁾
Portfolio value (i.e. FUM)	\$891 million
Portfolio currency exposure	AUD 100%

Note:

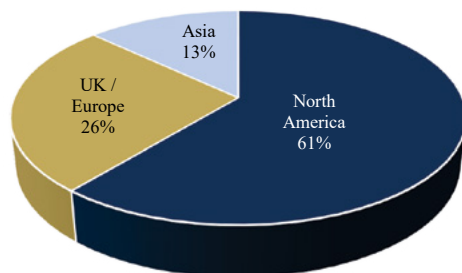
- 1 Post-tax net tangible assets (NTA) is calculated after tax on realised gains / losses, deferred tax assets and deferred tax liabilities, but before allowing for deferred tax liabilities / deferred tax assets on unrealised gains / losses. As at 31 December 2021, NTA after including deferred tax liabilities / deferred tax assets on unrealised gains / losses was \$2.30 per share.
- 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. All data has been adjusted for VG1's capital raising in 2019.
- 3 The return objective is to achieve an average compound annual return of 10% to 15% (after all fees and expenses) over a period of more than five years.

Source: VG1 Monthly NTA Statement as at 31 December 2021.

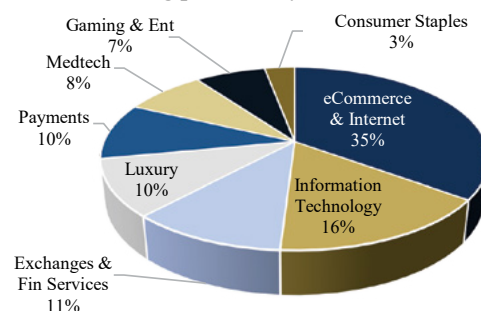
- 91 A breakdown of VG1's long portfolio as at 31 December 2021 by location of exchange listing and sector is set out below:

VG1 – Breakdown of long portfolio as at 31 December 2021⁽¹⁾

Long portfolio by location of exchange listing



Long portfolio by sector



Note:

¹ Asia includes ASX listed securities. Sectors have been defined internally by VGI Partners.

Source: VG1 Monthly NTA Statement as at 31 December 2021.

VGI Partners Asian Investments Limited

- 92 In November 2019, VG8 listed on the ASX as an LIC. VG8 also adopts the long-term horizon investment strategy deployed by VGI Partners in respect of its Master Fund portfolio, but has a geographical focus in the Asian region (which predominantly includes companies listed in Japan, South Korea, Singapore, Hong Kong, Taiwan and Australia).
- 93 VG8 is managed by a wholly owned subsidiary of VGI Partners¹⁸. Under the terms of the investment management agreement in respect of VG8, VGI Partners has agreed to bear all costs, fees and expenses included in connection with the operations of VG8 (other than certain director related fees and costs for governance purposes). Furthermore, the initial term of the investment management agreement is currently 10 years, which will be automatically extended for successive five year periods, unless terminated earlier in accordance with the agreement.
- 94 As at 31 December 2021, the key details of VG8 are summarised below:

VG8 – Key details as at 31 December 2021

ASX code	VG8
Share price	\$2.09
Post tax NTA ⁽¹⁾	\$2.59
1 year portfolio return (net of fees and expenses) ⁽²⁾	(2.2%)
Portfolio return since inception (p.a.) (net of fees and expenses) ⁽²⁾	3.1%
Dividend yield target	4% p.a. fully franked
No. of long investments	Typically 15-30, 21 as at 31 December 2021
No. of short positions	Typically 5-25, 7 as at 31 December 2021
Absolute return	Targeting 10%-15% p.a. through the cycle ⁽³⁾
Portfolio value (i.e. FUM)	\$570 million
Portfolio currency exposure	AUD 100%

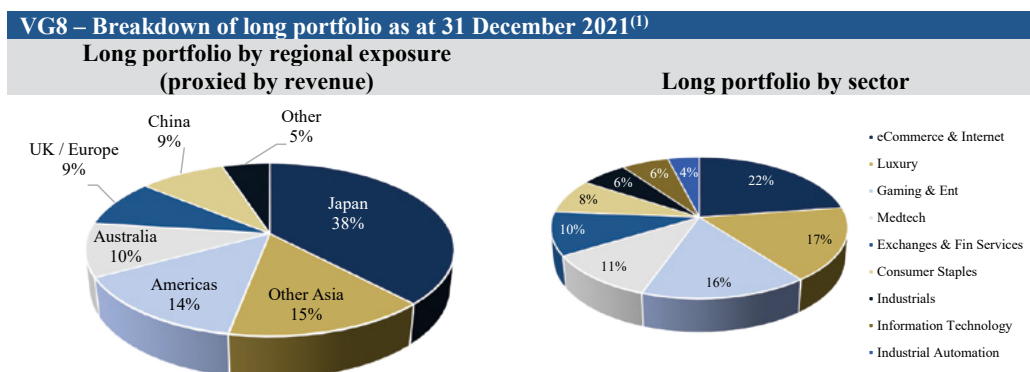
¹⁸ Namely, VGI Partners Asian Investments Management Pty Limited.

Note:

- 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 31 December 2021, NTA after including deferred tax liabilities / deferred tax assets on unrealised gains / losses was \$2.57 per share, which includes \$0.03 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 The return objective is to achieve an average compound annual return of 10% to 15% (after all fees and expenses) over a period of more than five years.

Source: VG8 Monthly NTA Statement as at 31 December 2021.

- 95 A breakdown of VG8's long portfolio as at 31 December 2021 by regional exposure and sector is set out below:



Note:

- 1 The revenue mix of each equity investment has been used as a proxy for regional exposure. Sectors have been internally defined.

Source: VG8 Monthly NTA Statement as at 31 December 2021.

Fee revenue

- 96 Fee revenue generated by VGI Partners across all of its Managed Funds and IMAs is comprised of management fee income and performance fee income.

Management fees

- 97 The key driver of management fees is the FUM of each VGI Partners Fund. The management fees charged on VGI Partners Funds are typically equal to 1.5% per annum of FUM, paid monthly. Accordingly, management fees vary month to month, correlated with changes in the FUM of each VGI Partners Fund.

Performance fees

- 98 Performance fees are charged in addition to the management fees and are also driven by the level of FUM and the level of return generated on each fund. The Company charges performance fees equal to 15% of performance subject to a high-water mark mechanism or a deficit clause which ensures that fees are not earned more than once on the same performance. VGI Partners' entitlement to future performance fees from VGI Partners Funds depends on the NAV of the relevant portfolio exceeding the respective portfolio's high-water mark. The



high-water mark is the NAV price at the end of the most recent calculation period for which the Company was entitled to a performance fee, adjusted for subscriptions and redemptions and dividends.

- 99 Performance fees generated by VGI Partners are impacted by the returns of the funds managed by VGI Partners. Therefore, performance fees as a percentage of FUM are more volatile than management fees and can fluctuate significantly year on year.
- 100 Each VGI Partners Fund has its performance fee calculated based on performance over a specific period of time determined in its investment management agreement, constitution or trust deed (Performance Calculation Period). With the exception of VG1 and VG8, performance fees are calculated annually on either 30 June or 31 December, depending on the year end of the fund. For VG1 and VG8, performance fees are calculated on a six-monthly basis on 30 June and 31 December. As the majority of the VGI Partners Funds or mandates have performance fees calculated at 30 June, performance fees have historically been weighted towards the first half of the calendar year.
- 101 In each of the VGI Partners Funds, the performance fee calculation base¹⁹ for each Performance Calculation Period is calculated in accordance with the following formula:

VGI Partners – performance fee calculation base

$$A = B - C$$

Where:

- A = The base amount to be used in calculating the performance fee outlined above
- B = The portfolio value, after payment of management fees, calculated on the last business day of the relevant Performance Calculation Period
- C = The portfolio value, after payment of management fees and performance fees, calculated on the last business day of the last preceding Performance Calculation Period in which a performance fee was paid or if no prior performance fee has been paid to VGI Partners, the portfolio value after the payment of management fees, adjusted for the impact of any subscriptions or redemptions occurring in the period.

If the portfolio value (after payment of management fees) calculated on the last business day of a Performance Calculation Period is less than the highest portfolio value, after payment of management fees and performance fees, calculated on the last business day of any preceding Performance Calculation Period, no performance fee is payable in respect of that Performance Calculation Period.

Financial performance

- 102 The financial performance of VGI Partners for the three years ended 31 December 2019 to 31 December 2021, including normalisation adjustments, is set out below:

¹⁹ On which 15% is multiplied to calculate the performance fee.

VGI Partners – Summary of normalised financial performance⁽¹⁾			
	CY19	CY20	CY21
	\$m	\$m	\$m
Management fees ⁽²⁾⁽⁴⁾	32.4	43.1	42.0
Performance fees ⁽³⁾⁽⁴⁾	36.7	21.1	50.8
Other income	(0.1)	(0.2)	1.6
Total revenue	69.0	63.9	94.4
Personnel costs	(11.8)	(11.1)	(12.7)
Research, communications and IT expenses	(3.8)	(2.4)	(1.9)
Charitable foundation contributions ⁽⁵⁾	(0.6)	(0.4)	(1.0)
Other expenses	(3.3)	(3.2)	(2.9)
Operating costs of VGI Partners Funds ⁽⁶⁾	(1.5)	(2.1)	(2.4)
Total operating costs	(21.0)	(19.2)	(20.9)
Normalised EBITDA⁽⁷⁾⁽⁸⁾	48.0	44.7	73.5
Depreciation and amortisation	(0.7)	(0.9)	(0.9)
Normalised EBIT⁽⁷⁾⁽⁸⁾	47.3	43.8	72.6
Net interest income	0.6	0.2	0.0
Normalised profit before tax	47.9	44.0	72.6
Tax expense	(14.5)	(13.4)	(21.5)
Normalised profit after tax	33.5	30.7	51.2
Normalisation adjustments			
Equity raising costs related to IPO (one-off)	(5.8)	-	-
Business strategic review costs (one-off)	-	-	(1.1)
Amortisation of contract assets ⁽⁹⁾	(0.3)	(5.0)	(5.0)
Change in fair value of investments	(1.5)	(0.3)	(4.4)
Tax effect of above	2.1	0.5	2.1
Net normalisation adjustments	(5.5)	(4.8)	(8.4)
Reported profit after tax	28.0	25.9	42.7
Basic EPS ⁽⁸⁾ – normalised	49.7	44.0	73.3
Diluted EPS – normalised	48.7	43.2	73.0
Dividend per share	34.9	33.0	37.0
Head count (end of period)	29	26	26
Total FUM at end of period (\$b)	3.1	3.1	2.5
Personnel costs (% of management and performance fees)	17.1%	17.3%	13.7%

Note:

- 1 On 26 February 2019, the Company changed its financial year end close date from 30 June to 31 December, in order to achieve the benefits of balancing its financial reporting requirements for its investment portfolio under management (predominantly June year ends) and its own corporate financial reporting.
- 2 The movement in management fee income throughout the period is directly correlated with the movement in FUM. (Refer growth in FUM in paragraph 70 above. Although, it should be noted that management fee income is calculated on a monthly basis based on the FUM, whilst the graph in paragraph 70 above shows the FUM as at the end of each respective calendar year.)
- 3 Performance fees are driven by the investment performance of the VGI Partners Funds and, therefore, are variable and can fluctuate significantly year on year.

-
- 4 The Company donated \$955,000 to the VGI Partners Foundation during CY21, being 100% of the management and performance fees from the Master Fund Charitable Foundation Class (CY20: \$411,000).
 - 5 VGI Partners covers the operating costs of all VGI Partners Funds including VG1 and VG8, recorded in the Company's financial statements as an offset to management fee revenue. For normalisation purposes, these costs have been reclassified from net management fees to operating costs.
 - 6 The adoption of Australian Accounting Standard AASB 16 – *Leases* (AASB 16) increased normalised EBITDA in CY19, CY20 and CY21 as rent expenses were replaced by amortisation charges and interest expenses. In our view this EBITDA uplift should be ignored as it is simply an accounting treatment which has no cash flow impact or impact on the underlying profitability of VGI Partners. However, we note that the impact of AASB 16 on both EBITDA (\$0.6 million impact in CY21) and EBIT (\$0.1 million impact in CY21) was not material.
 - 7 Earnings before interest, tax, depreciation and amortisation (EBITDA). Earnings before interest and tax (EBIT). Earnings per share (EPS).
 - 8 As part of the VG1 and VG8 IPO, the Company recognised incremental costs to obtain the management contract as a contract asset, amortised over 10 years (consistent with the respective investment management agreements) as contra management fee revenue. For normalisation purposes, these amortisation charges have been eliminated.
-

Commentary on financial performance

- 103 Below is a summary of the key factors that have impacted the annual financial performance of VGI Partners in the three years to CY21:

Results for CY19

- (a) the increase in management fees in CY19 reflects the increase in FUM and the commencement of receipt of management fees from VG1 (upon completion of the VGI Partners fee waiver agreement)
- (b) FUM increased by 48% during the 12 months to 31 December 2019 through a combination of a VG1 equity raising, the VG8 IPO in November 2019 and organic growth through positive investment performance

Results for CY20

- (c) total FUM of \$3.1 billion remained fairly stable during CY20
- (d) the reduction in operating costs in CY20 was driven by lower staff bonuses during the year, along with cost reductions from research contract renegotiations and reduced travel as a result of COVID-19
- (e) COVID-19 otherwise had minimal impact on the business as staff were already set up to work from home (and accordingly the Company did not access any government programs related to COVID-19 during this period)

Results for CY21

- (f) the (slight) fall in management fee income from \$43.1 million in CY20 to \$42.0 million in CY21 was due to a combination of:
 - (i) outflows in the form of share buy-backs in VG1, dividend payments from VG1 and VG8, and redemptions in the underlying unlisted funds (together, circa \$0.3 billion); and offset by
 - (ii) strong investment performance in the first half of CY21

- (g) the 48% growth in revenue in CY21 was primarily attributable to the \$50.4 million in performance fees that were earned in the first half of the year (and \$0.4 million in the second half). The Company did not access any government programs related to COVID-19 during this period.

Financial position

104 The financial position of VGI Partners as at 31 December 2021 is set out below:

VGI Partners – Statement of financial position	
	31 Dec 21
	\$m
Amounts due from brokers	5.5
Trade and other receivables ⁽¹⁾	3.8
Amounts due to brokers	(0.8)
Trade and other payables	(1.8)
Income tax payable	(1.5)
Employee entitlements – current	(2.7)
Net working capital	2.5
Property plant and equipment	0.7
Contract assets ⁽²⁾	38.9
Deferred tax asset	3.6
Right of use asset (net) ⁽³⁾	(0.1)
Other assets	0.4
Employee entitlements – non-current	(0.5)
Deferred tax liability	(3.4)
Total funds employed	42.1
Cash and cash equivalents	39.6
Financial assets at fair value through profit or loss ⁽⁴⁾	52.8
Net cash and investments	92.4
Net assets attributable to VGI Partners shareholders	134.6

Note:

- 1 Trade receivables and accruals mainly consist of management and performance fees receivable, which are received between seven and 31 days after the balance date.
 - 2 As part of the VG1 and VG8 IPO, the Company recognised incremental costs to obtain the management contract as a contract asset, amortised over 10 years (consistent with the respective investment management agreements) as contra management fee revenue.
 - 3 The right of use asset (net of the lease liability) (in accordance with AASB 16) relates to the head office premises at 39/41 Phillip Street, Sydney (which commenced on 1 May 2019 and will terminate on 30 April 2024) and the Japanese office lease (which was renewed on 22 June 2021).
 - 4 Financial assets comprise the Company's investment in VG1 and VG8 shares, global listed equities and unlisted equities. Refer paragraph 105 below for a breakdown.
- Rounding differences exist.

Financial assets at fair value through profit or loss

105 VGI Partners' investments were recognised at fair market value and comprised the following as at 31 December 2021:

VGI Partners – Financial assets at fair value through profit or loss	
	31 Dec 21
	\$m
Investments in VG1	11.6
Investments in VG8	32.0
Investments in global listed equities	2.3
Investments in unlisted equity securities	6.9
Total	52.8

Share capital and performance

106 VGI Partners has 70,504,230 fully paid ordinary shares on issue. No other securities are on issue following the recent cancellation of out of the money options.

Significant shareholders

107 As at 12 April 2022, the substantial shareholders in VGI Partners were as follows:

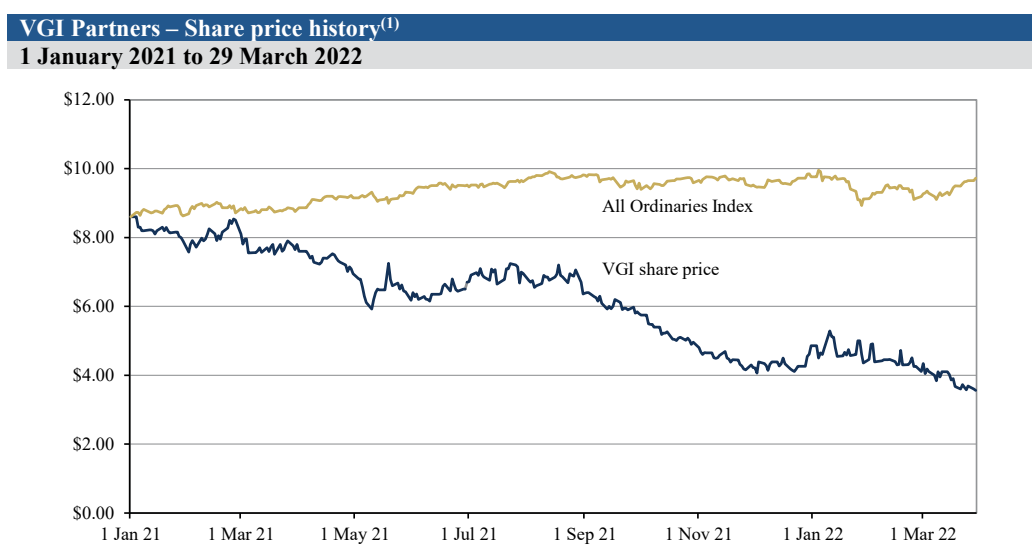
VGI Partners – Significant shareholdings as at 31 March 2022 ⁽¹⁾		
Name	Number of shares held	Percentage of shares issued %
Robert M P Luciano	41,054,222	58.23
Douglas H Tynan	10,721,483	15.21

Note:

1 Percentage interests have been adjusted to reflect the subsequent issue of shares following the recent cancellation of out of the money options.

Share price performance

108 The following chart illustrates the movement in the share price of VGI Partners from 1 January 2021 up to 29 March 2022 (being the last trading day prior to the announcement of the binding terms):



Note:

1 Based on closing prices. The All Ordinaries Index has been rebased to VGI Partners' last traded price on 31 December 2020, being \$8.60.

Source: Bloomberg.

- 109 VGI Partners shares have significantly underperformed the All Ordinaries Index since 1 January 2021.

Liquidity in VGI Partners shares

- 110 The liquidity in VGI Partners shares based on trading on the ASX over the 12 month period prior to 10 January 2022²⁰ is set out below:

VGI Partners – Liquidity in shares						
Period	Start date	End date	No of shares traded 000	WANOS ⁽¹⁾ outstanding 000	Implied level of liquidity Period ⁽²⁾ %	Annual ⁽³⁾ %
1 month	08 Dec 21	07 Jan 22	334	69,806	0.5	5.7
3 months	08 Oct 21	07 Jan 22	1,279	69,806	1.8	7.3
6 months	08 Jul 21	07 Jan 22	2,575	69,806	3.7	7.4
1 year	08 Jan 21	07 Jan 22	4,752	69,794	6.8	6.8

Note:

1 Weighted average number of shares outstanding (WANOS) during relevant period.

2 Number of shares traded during the period divided by WANOS.

3 Implied annualised figure based upon implied level of liquidity for the period.

- 111 In each of the periods above, total share turnover (on an annualised basis) has been between 5% and 7% of the total number of shares issued in VGI Partners. This indicates a low level of market liquidity, due primarily to the fact that some 74% of issued shares are held by two substantial shareholders.

²⁰ Being the date of the VGI Partners ASX announcement in response to media speculation, stating that VGI Partners was having preliminary discussions with a number of parties, including Regal, in relation to a range of potential transactions.

IV Profile of Regal

Overview

- 112 Regal Funds Management Pty Limited (Regal) is an investment manager that specialises in alternative investment strategies with a primary focus on long / short equity investments. Regal manages a number of unlisted funds for a range of institutions, family office and high net worth investors, as well as an ASX-listed fund that provides retail investors with exposure to a selection of Regal's alternative investment strategies.
- 113 Regal was founded in 2004 and is 100% privately held by founders, partners and staff.
- 114 Since being established, Regal has launched a number of alternative investment funds, covering hedge fund, private market and real asset investment strategies. The Regal Group includes Kilter and Attunga, as well as a minority stake in a resources royalties business. Regal holds 61.49% voting power in Kilter²¹, a specialist manager of Australian farmland, water and ecosystems funds established in 2004 as well as a 51% interest in Attunga, a fund manager with power and energy portfolios managing interests in the global carbon and electricity markets.
- 115 The Regal Group has offices in Sydney, Singapore and Victoria, and employs some 72 staff.

History and overview of funds launched

- 116 A brief history of the business is set out below:

Regal – history	
Date	Key development
2004	<ul style="list-style-type: none"> Regal was founded in 2004 and launched its first fund in March 2004, the Regal Atlantic Absolute Return Fund, a fund focused on absolute returns generated from both long and short side investing.
2005	<ul style="list-style-type: none"> Launched its market neutral strategy as it commenced managing the Amazon Market Neutral Fund with a focus on attractive returns with low correlation to equity markets. Commenced managing the Zambezi Absolute Return Fund aimed at achieving high levels of absolute returns by pursuing an aggressive long / short investment approach with elevated levels of risk.
2007	<ul style="list-style-type: none"> Made its market neutral strategy available to Australian investors through the launch of the Regal Tasman Market Neutral Fund.
2009	<ul style="list-style-type: none"> Launched the Australian Long Short Equity Fund for wholesale clients. The fund is designed to provide exposure to specific parts of the market while still taking advantage of Regal's long and short side investment capabilities.
2011	<ul style="list-style-type: none"> Made the Australian Long Short Equity Fund available to retail investors. Established Singapore office.
2015	<ul style="list-style-type: none"> Launched the Regal Australian Small Companies Fund focused on generating profits from opportunities in the small companies space by employing a long / short approach.
2016	<ul style="list-style-type: none"> Launched the first fund under its Emerging Companies strategy, which is focused on making investments in companies prior to IPO, unlisted companies seeking expansion capital and in listed microcap companies. The initial funds launched under Regal's Emerging Companies strategy were different to Regal's other strategies in that the funds are closed-end with a one-time subscription date and a fund term of five years.

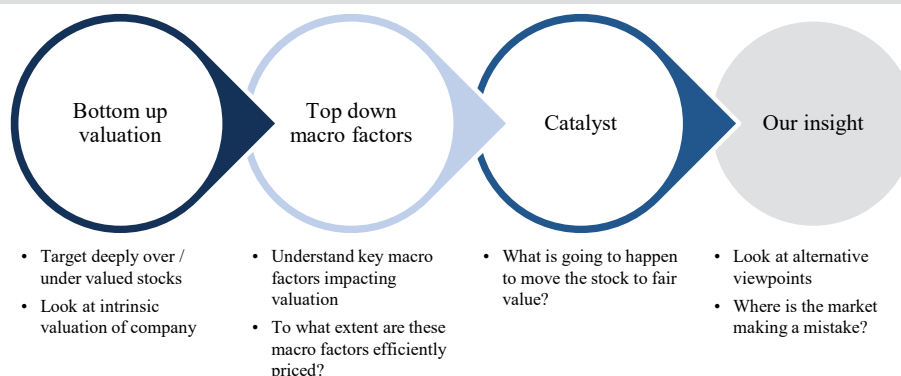
²¹ Regal's economic interest in Kilter is 57.4%.

Regal – history	
Date	Key development
2018	<ul style="list-style-type: none"> Launched its Emerging Companies Fund II in April 2018, the second fund under Regal's Emerging Companies strategy. On 21 December 2018 acquired a 50% interest in Kilter, a specialist manager investing in Australian water, farmland and ecosystem assets.
2019	<ul style="list-style-type: none"> Launched Regal Investment Fund (RF1) in June 2019, an ASX-listed multi-strategy fund that provides investors exposure to a selection of Regal's alternative investment strategies. Launched the Emerging Companies Fund III in August 2019, the third fund under Regal's Emerging Companies strategy. Acquired a minority interest in Gresham Royalties Management Pty Limited (GRM), a specialist manager investing in mining and energy royalties, commodity streams and royalty related structured solutions.
2020	<ul style="list-style-type: none"> Launched its Emerging Companies Opportunities Fund, an open-ended fund with no fixed maturity date that follows Regal's emerging companies strategy. Launched its Tactical Opportunities Fund, focused on generating returns by identifying and exploiting inefficiencies across global equity markets.
2021	<ul style="list-style-type: none"> Launched its Resources Long Short Fund, focused on generating strong risk-adjusted returns from a long / short portfolio of listed securities. Acquired a further 11.49% voting interest in Kilter on 1 December 2021, bringing its total voting interest to 61.49% (however, its economic interest is 57.4%). Acquired a 51% stake in Attunga, a specialist manager investing in power, carbon and environmental derivatives and instruments.
2022	<ul style="list-style-type: none"> Launched the Healthcare Long Short Fund, a fundamental, absolute return strategy focused on identifying long and short opportunities in health care companies listed on Pan-Asian markets or with exposure to the Asian region.

Current operations and investment strategy

- 117 The Regal Group operates from a Sydney head office and employs 72 staff, including 31 investment management professionals across offices in Sydney, Singapore and Victoria. The Group currently manages funds on behalf of a range of clients including private banks, financial planning groups, asset consultants, offshore pension funds, family offices and high net worth individuals.
- 118 As stated above, Regal manages alternative investment strategies for wholesale and retail clients across a number of funds. Regal aims to generate positive returns for investors by identifying market inefficiencies and taking advantage of mispricing of investments. Regal invests by primarily utilising a fundamental, research driven investment strategy that is described by a four-step stock selection process, outlined below:

Regal – four step stock selection process



- 119 Regal focuses primarily on listed equity markets in the Australian and broader Asian region, and employs a combination of long and short positions to generate profits from both rising and falling investment prices. In addition to its individual stock selection process, Regal also applies a market driven investment process to identify mispricing opportunities in the broader equity market. This approach involves the participation in placements, block trades, IPOs or rights issues to take advantage of a theme, specific opportunity or trend in the market.
- 120 Funds that are managed under Regal's Emerging Companies strategies seek out investment opportunities in pre-IPO, IPO, unlisted expansion capital and in listed microcap companies (listed companies with a typical market capitalisation of typically less than \$200 million at the time of investment). The funds are available to wholesale investors and invest into companies through both debt and equity instruments (including convertible notes), and may also engage in short selling.

FUM

- 121 As at 28 February 2022, Regal had approximately \$2.7 billion of fee earning FUM²² across its alternative investment strategies, as shown below:

Regal – Fee earning FUM as at 28 February 2022	
	FUM \$m
RF1 (ASX-listed fund)	613
Unlisted funds	
Global and Asian equities ⁽¹⁾	348
Australian equities ⁽²⁾	412
Specialist equities ⁽³⁾	109
Private markets ⁽⁴⁾	659
Real / natural assets ⁽⁵⁾	578
Total fee earning FUM⁽⁵⁾	2,719
Attributable share of fee earning FUM⁽⁶⁾	2,443

²² Regal also has significant non-fee earning FUM, resulting (primarily) from long term investments in the funds made by the founders and other staff.

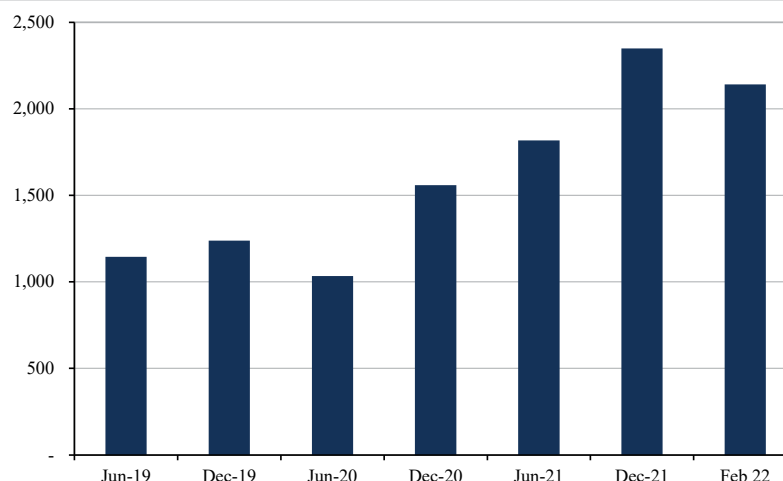
Note:

- 1 Includes the following funds: Atlantic Absolute Return, Tasman Market Neutral, Tactical Opportunities, Amazon Market Neutral and Zambezi Absolute Return.
- 2 Includes the following funds: Australian Long Short Equity, Australian Small Companies.
- 3 Includes the following funds: Resources Long Short, Healthcare Long Short.
- 4 Includes the following funds: Emerging Companies I, II, and III, Emerging Companies Opportunities.
- 5 Includes 100% of the FUM in the Kilter Australian Farmlands, Water, and Balance Water funds, the Attunga Power and Enviro and Carbon and Enviro funds, and the Gresham Resources Royalties Fund.
- 6 Reflects Regal's 57.4% economic interest in the Kilter funds manager, 51% interest in the Attunga funds manager, and the (indirect) 33.33% interest in the GRM fund manager.

- 122 Since 30 June 2019, Regal has grown its fee earning FUM significantly through net capital inflows and strong investment returns. The change in fee earning FUM over the period since 30 June 2019 is exhibited below:

Regal – Fee earning FUM by financial year⁽¹⁾

A\$m



Note:

1 Calculated based on fee earning funds only and excludes the Kilter, Attunga and GRM funds.

Source: Regal management.

- 123 Positive investment returns and net inflows drove FUM growth in most of the periods above, however adverse underlying performance across the company's Global and Asian equities strategies resulted in a decline in FUM over the six month period ended 30 June 2020. A selloff in the broader global equity market over the January and February 2022 period contributed to a decline in market value across a number of Regal's funds, resulting in a decline in FUM as at February 2022 relative to December 2021.

Regal Investment Fund

- 124 RF1 is a registered managed investment scheme that listed on the ASX on 17 June 2019 as a listed investment trust with Equity Trustees Limited as the responsible entity. The fund was established to provide retail investors with exposure to a selection of alternative investment strategies managed by Regal, with the aim of producing risk-adjusted absolute returns with



limited correlation to equity markets. Regal is the manager of RF1 and has currently constructed RF1 using a combination of six investment strategies, including:

- (a) **Market Neutral** – a fundamental long / short strategy that focuses on Australian and Asian equities, typically operating with a low net market exposure and correlation to equity markets
- (b) **Global Alpha** – an absolute return, event-driven strategy looking to identify systematic and discretionary pricing inefficiencies across global equity markets
- (c) **Australian Small Companies** – a fundamental, active extension long / short strategy focused primarily on smaller Australian companies listed outside of the ASX 100
- (d) **Australian Long Short Equity** – a fundamental, active extension “130/30” style strategy that focuses on listed equities within the S&P/ASX 300 Accumulation Index
- (e) **Emerging Companies** – a fundamental strategy focused on identifying emerging companies, typically with market capitalisations below \$300 million
- (f) **Healthcare Long Short** – a fundamental, absolute return strategy focused on identifying long and short opportunities in Asian and global healthcare companies.

125 As at 28 February 2022, the key details of RF1 are summarised below:

RF1 – Key details as at 28 February 2022	
ASX code	RF1
Share price	\$3.55
NAV per unit ⁽¹⁾	\$3.54
1 year portfolio return (net of fees and expenses) ⁽²⁾	15.09%
Portfolio return since inception (p.a.) (net of fees and expenses) ⁽²⁾	30.4%
Long investment exposure (% of NAV)	198% as at 28 February 2022
Short investment exposure (% of NAV)	100% as at 28 February 2022
Portfolio value (i.e. FUM)	\$613 million

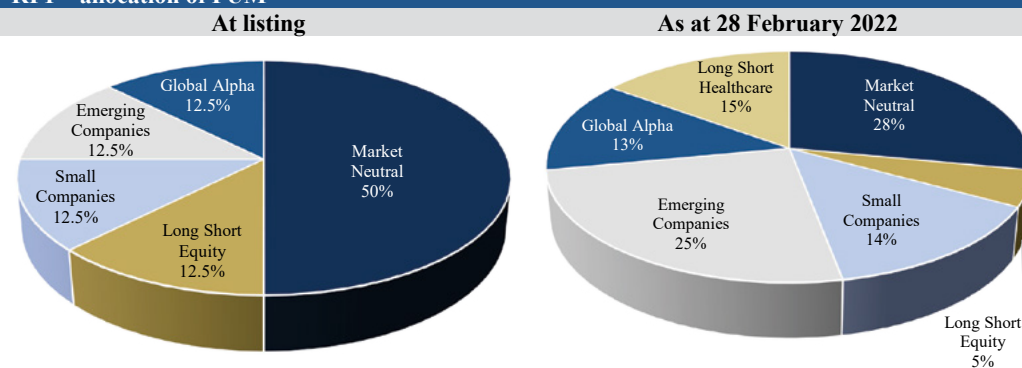
Note:

- 1 NAV is calculated as the fund’s net assets position attributable to unitholders in the most recent statement of financial position divided by the corresponding number of units subscribed. NAV is calculated using a framework for the valuation of financial instruments that is consistent with current industry practice and regulatory requirements.
- 2 Portfolio return (net) is shown after all applicable fees and expenses and is defined as the net return on RF1 assets.

Source: RF1 monthly report February 2022.

126 Regal allocates a proportion of RF1 across each of the above strategies, which are updated on an ongoing basis. The relative weighting of each strategy is subject to an exposure range and is determined based upon the prevailing market conditions and any additional factors considered relevant to achieve RF1’s investment objectives. The below chart shows RF1’s initial allocation to each strategy at listing as well as the current exposure as at 28 February 2022:

RF1 – allocation of FUM



Fee revenue and fund performance

127 Revenue from clients is largely generated by management and performance fees, which vary across each of the funds managed by Regal. Performance fees are charged on the return generated by each fund either on an absolute basis or relative to the fund's benchmark performance. The management and performance fees charged by each of the funds managed by Regal, in addition to each fund's performance since inception, are summarised below:

Regal – Management and performance fees

Fund name	Management fee %	Performance fee %	Annualised return since inception ⁽¹⁾ %
Australian retail investors			
RF1 ⁽²⁾	1.50	20	30
Long Short Australian Equity ⁽³⁾	1.00	20	12
Australian / New Zealand wholesale investors			
Atlantic Absolute Return ⁽⁴⁾	2.00	20	27
Tasman Market Neutral ⁽⁴⁾	2.00	20	15
Australian Long Short Equity ⁽³⁾	0.80	15	14
Australian Small Companies ⁽⁵⁾	1.00	20	26
Emerging Companies I, II & III ⁽⁶⁾	1.50	20	19 – 59 ⁽⁸⁾
Emerging Companies Opportunities ⁽⁷⁾	1.50	20	43
Resources Long Short ⁽⁴⁾	1.50	20	32
Healthcare Long Short ⁽⁴⁾	1.50	20	13
Tactical Opportunities ⁽⁴⁾	1.50	20	90
Kilter Australian Farmlands ⁽⁹⁾	1.50	15	1
Kilter Water ⁽⁹⁾	1.50	15	15
Kilter Murray Darling Basin Balanced Water ⁽¹⁰⁾	0.70	15	14
Attunga Power and Enviro Fund ⁽²⁾	1.50	20	14
Attunga Carbon and Enviro Fund ⁽¹¹⁾	1.50	15	na
Gresham Resources Royalties Fund ⁽⁹⁾	1.25	20	20
International investors			
Amazon Market Neutral	2.00	20	13
Zambezi Absolute Return	2.00	20	18

Note:

- 1 Annualised return since inception and is net of all fees and expenses as at 28 February 2022.
- 2 Performance fees are based upon outperformance above the prevailing target cash rate set by the Reserve Bank of Australia.
- 3 Performance fees are based upon outperformance above the performance of the S&P/ASX 300 Accumulation Index.
- 4 Performance fees are based upon absolute return.
- 5 Performance fees are based upon outperformance above the performance of the S&P/ASX Small Ordinaries Accumulation Index.
- 6 The fund does not have a benchmark, however performance fees are based upon outperformance above a hurdle rate of 5% per annum compounded annually (calculated based on invested capital).
- 7 Hurdle of 5% per annum based on the NAV of the fund (before performance fees and adjusted for subscriptions, redemptions and distributions).
- 8 Refers to internal rate of return of 19%, 20% and 59% for Fund I, II and III respectively.
- 9 Performance fees are based upon outperformance above a hurdle rate of 8% per annum.
- 10 Performance fees are based upon outperformance above a hurdle rate of 6% per annum.
- 11 The fund was established in January 2022 and has not generated a meaningful return as at 28 February 2022.

Fee revenue as percentage of FUM

- 128 The following table summarises the fee revenue as a percentage of FUM in FY20, FY21, and FY22. On average, Regal has earned performance fees equivalent to 3.3% of its fee earning FUM over this period:

Regal – Fee revenue as a percentage of average fee earning FUM			
	FY20	FY21	FY22 ⁽¹⁾
	%	%	%
Management fees ⁽²⁾	1.2	1.3	1.3
Performance fees ⁽³⁾	1.2	5.0	3.6

Note:

- 1 Based upon annualised management and performance fee revenue for the six months ended 31 December 2021 (1H22).
- 2 Represents net management fees (after rebates) as a percentage of monthly average fee earning FUM.
- 3 Represents net performance fees (after rebates) as a percentage of monthly average fee earning FUM.

Financial performance

- 129 The consolidated pro-forma financial performance of Regal for FY20, FY21 and 1H22 on a normalised basis²³ is set out below:

²³ Normalised profit has been derived by adding back various one-off revenues and expenses, capital raising fees and the amortisation of acquisition intangibles.

Regal – Summary of consolidated pro-forma financial performance⁽¹⁾⁽²⁾			
	FY20	FY21	1H22⁽³⁾
	Audited	Audited	Unaudited
	Pro forma	Pro forma	Pro forma
	\$m	\$m	\$m
Management fees	21.8	28.5	17.9
Performance fees	21.8	113.8	48.8
Other income ⁽³⁾	3.6	10.3	1.5
Total revenue	47.2	152.6	68.2
Employee benefits expense	(25.8)	(64.7)	(30.0)
Other expenses	(6.8)	(8.2)	(3.2)
Depreciation and amortisation	(1.0)	(1.2)	(0.9)
Total operating costs	(33.5)	(74.1)	(34.1)
Normalised profit before tax	13.7	78.5	34.1
Less tax expense	(4.9)	(23.1)	(9.5)
Normalised profit after tax (before deducting outside equity interests)	8.8	55.4	24.5
Less outside equity interest	(0.3)	(1.3)	(0.5)
Normalised profit after tax (attributable to Regal shareholders)	8.5	54.1	24.0
Employee benefits expense (% of management and performance fees)	59.1%	45.5%	45.2%

Note:

1 Rounding differences exist.

2 Adjustments have been incorporated to reflect Regal consolidated performance on a normalised basis.

3 Primarily relates to distribution income and realised gains on investments.

Source: VGI Partners Investor Briefing on the Proposed Merger with Regal dated 30 March 2022, page 26; Regal management.

- 130 Regal's revenue largely comprises management and performance fee income, which depends on the level of fee earning FUM and investment returns. The strong investment performance and net inflows across Regal's underlying funds resulted in significant performance fees being generated in FY21.

Financial position

- 131 The financial position of Regal²⁴ as at 31 December 2021 is set out below:

²⁴ Regal's 57.4% interest in Kilter and 51.0% interest in Attunga have not been consolidated and have instead been shown as investments.

Regal – Statement of financial position	
	31 Dec 21 \$m
Trade and other receivables ⁽¹⁾	59.3
Trade and other payables	(4.5)
Deferred revenue ⁽²⁾	(17.6)
Income tax payable	(8.8)
Employee benefit liabilities	(28.2)
Net working capital	0.2
Property, plant and equipment	0.2
Investments in associates and joint ventures ⁽⁶⁾	11.3
Intangible assets and goodwill ⁽³⁾	7.2
Right of use assets (net) ⁽⁴⁾	(0.3)
Deferred tax assets (net)	11.4
Other assets	0.1
Provisions (non-current)	(0.2)
Total funds employed	29.7
Cash	15.5
Loan receivable	6.3
Financial assets ⁽⁵⁾	29.7
Interest bearing loans and borrowings ⁽⁷⁾	(0.2)
Net cash / (borrowings)	51.3
Net assets attributable to Regal shareholders	81.2

Note:

- 1 Trade and other receivables are shown net of fee rebate payable of \$12.6 million. The fee rebate payable relates to investment management fees to related parties and employees from their investments in the Regal funds, which would otherwise be payable by the related parties and employees to Regal for managing the investments.
- 2 Deferred revenue relates to performance fees received however not recognised as revenue during the year. Certain funds being managed by Regal can only recognise revenue to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue (i.e. performance fees at the end of the contract period) will not occur.
- 3 Composed of management contracts / rights (net of accumulated depreciation) of \$0.5 million and goodwill of \$6.7 million.
- 4 In accordance with AASB 16. In the above table, right of use assets have been netted off against the lease liability.
- 5 Refer paragraph 133 below for a breakdown of financial assets.
- 6 Refer paragraph 134 below for a breakdown of investments in associates and joint ventures.
- 7 Interest bearing loans and borrowings relate to an unsecured Government-backed Small and Medium Enterprises loan, with an interest rate of 4.5%, maturing on 10 June 2023.

Rounding differences exist.

Source: Regal management.

Cash

- 132 As at 31 December 2021, Regal had cash of \$15.5 million and interest bearing debt of \$0.2 million. Consistent with VGI Partners' regulatory capital requirements, Regal is also required to hold minimum cash levels to comply with its Australian Financial Services Licence. As a result, Regal is not expected to have any material surplus net cash at the date of acquisition by VGI Partners.

Financial assets

- 133 Regal's financial assets were recognised at fair value and comprised the following as at 31 December 2021 and 28 February 2022:

Regal – Financial assets at fair value		
	31 Dec 21 \$m	28 Feb 22 \$m
Investment in unlisted funds		
Amazon Market Neutral Fund	5.0	5.1
Regal Atlantic Absolute Return Fund	0.2	0.2
Regal Australian Long Short Equity Fund	3.4	3.2
Regal Australian Small Companies Fund	10.8	9.1
Regal Emerging Companies Fund III	0.5	0.5
Regal Emerging Companies Fund	0.2	-
Regal Tactical Opportunities Fund	8.7	10.0
Total investment in unlisted funds	28.8	28.0
Investment in listed fund		
RF1	0.9	0.8
Total financial assets	29.7	28.8

Rounding differences exist.

Source: Regal management.

Investments in associates and joint ventures

- 134 As at 31 December 2021, the carrying value of Regal's investments in associates and joint ventures comprised the following:

Regal – Investments in associates and joint ventures	
	31 Dec 21 \$m
Investment – Kilter ⁽¹⁾	3.1
Investment – Attunga ⁽²⁾	8.2
Investment – GRM ⁽³⁾⁽⁴⁾	-
Total	11.3

Note:

- As at 31 December 2021, Regal had a 57.4% (economic) interest in Kilter. Regal purchased a 50% interest in Kilter in December 2018 for \$3.02 million and an additional 7.4% interest in December 2021 for \$850,000 (however, due to the issue of employee shares the voting interest of Regal is 61.49%).
- As at 31 December 2021, Regal had a 51% interest in Attunga purchased in December 2021 for \$8.26 million. There is a potential contingency payment of up to \$4 million.
- Nominal amount.
- As at 31 December 2021, Regal had a 33.33% (indirect) interest in GRM. In October 2019, Regal paid \$200 for its interest. Currently, the arrangement is such that GRM is funded on a 50:50 basis between Regal and GRM.

Rounding differences exist.

Source: Regal management.



Share capital and significant shareholders

135 As at 31 March 2022, Regal had 212,179 fully paid shares on issue, with the following substantial shareholders:

Regal – Significant shareholdings as at 31 March 2022		
Name	Number of shares held	Percentage of shares issued %
King Family Trust	91,062	42.92
Phil King Family Trust	42,007	19.80
Regal Foundation	22,742	10.72

V Industry overview

Overview

- 136 Both VGI Partners and Regal's fee structures are similar to those adopted by other alternative asset managers and hedge funds, as they generate a significant proportion of revenue from performance fees. Accordingly, this section largely focuses on the alternative asset management sector and hedge fund sector.

Asset management industry

- 137 The global asset management industry is highly competitive, comprising a wide variety of sectors and subsectors that are categorised based on factors such as investable assets, portfolio strategy and investment risk.
- 138 The global asset management industry has experienced strong growth over the past 10 years, driven by rising markets and the expansion and integration of the global economy. By the end of 2020, global assets under management (AUM) had reached US\$103 trillion, which was an increase of 11% from the previous year²⁵. However, as the size of the market has grown and asset flows have reached their highest levels in a decade, the asset management industry has faced structural challenges brought on by fee compression and increasing cost pressures, the combined effect of which has negatively impacted profitability.

Alternative asset management

- 139 The alternatives sector of the global asset management industry comprises a wide variety of product subcategories which can vary significantly in terms of risk profile and expected return. Alternative funds typically specialise in a particular asset class or strategy, including, inter alia, the following:
- (a) **private equity** – investments in private companies at various stages of development, including venture capital (start up and early stage), growth capital for mature companies expanding or restructuring, and the buyout of established (and sometimes publicly listed) businesses or business divisions
 - (b) **hedge funds** – investments in relatively liquid assets with the goal of earning a high return on investment. Hedge funds employ a variety of strategies, including long-short, market neutral, volatility arbitrage and quantitative strategies
 - (c) **private debt** – debt investments that do not trade on an open market and are financed by a private fund rather than a bank
 - (d) **real estate and infrastructure** – direct and indirect investments in infrastructure projects and commercial, residential and industrial real estate assets
 - (e) **commodities** – direct and indirect investments in natural resources such as agricultural products, oil, natural gas, and precious and industrial metals.
- 140 The alternatives sector has been one of the strongest performing sectors of the global asset management industry, representing nearly half of all revenues in 2020, notwithstanding that it

²⁵ Source: Boston Consulting Group (2021): *Global Asset Management 2021: The \$100 Trillion Machine* report dated July 2021.

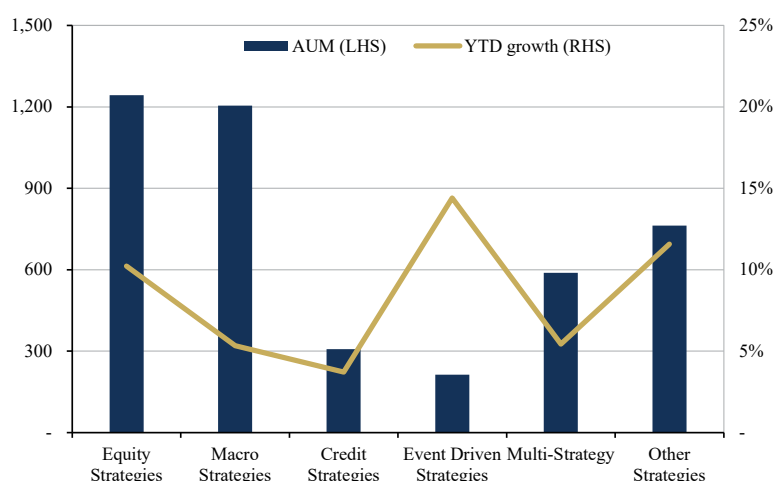
only manages 15% of the industry's AUM²⁶. However, this has largely been driven by the growth and relative performance of specific segments within the sector, including private equity, real estate, infrastructure and private debt. In contrast, hedge funds have seen a lower level of asset growth as overall returns have trailed the MSCI World Index.

Hedge funds

Types of hedge funds

- 141 The term hedge fund is used to classify any actively managed portfolio of investments that uses leverage, long, short, and derivative positions to earn active returns (or alpha) for investors. Hedge funds employ various strategies including, inter alia, the following:
- (a) **equity strategies** – long / short bias, sector focus and value versus growth orientation strategies
 - (b) **credit strategies** – mortgage-backed securities, specialist credit, fixed income, long / short credit, and asset-backed lending strategies
 - (c) **macro strategies** – foreign exchange and commodities
 - (d) **event driven strategies** – distressed companies, merger arbitrage and special situations.
- 142 As at 30 September 2021, equity strategy and macro strategy hedge funds represented the two largest hedge fund categories in terms of AUM, whilst equity strategy and event driven strategy funds experienced the highest growth in AUM relative to 31 December 2020, as shown below:

AUM per hedge fund strategy
US\$bn as at 30 September 2021



Note:

1 Other strategies includes relative value strategies, commodity trading advisor strategies and niche strategies that focus on assets such as cryptocurrencies and insurance linked securities.

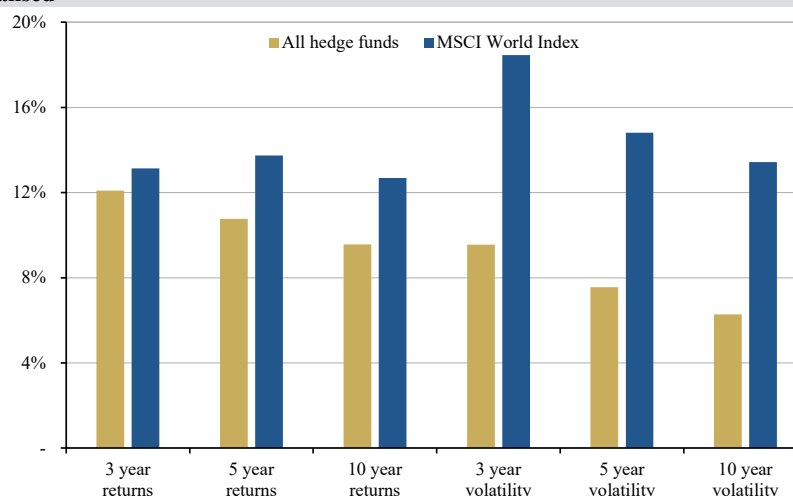
Source: Preqin (2022): 2022 Global Hedge Fund report.

²⁶ Source: Boston Consulting Group (2021): *Global Asset Management 2021: The \$100 Trillion Machine* report dated July 2021.

AUM

- 143 AUM held by the hedge fund industry totalled US\$4.3 trillion as at 30 September 2021, which represented an increase of 8.1% compared to 31 December 2020²⁷. In the three, five and 10 year periods to 30 September 2021, hedge fund returns have been well below returns for the MSCI World Index, as shown below:

Global hedge fund returns⁽¹⁾ and volatility versus the MSCI World Index
% annualised



Note:

¹ Hedge fund returns are measured before deducting management fees.

Source: Preqin (2022): 2022 Global Hedge Fund report.

- 144 An extended bull run in equity markets over the past 10 years has delivered an annualised return of 12.7% for the MSCI World Index, compared to 9.6% for hedge funds. Notwithstanding their significantly lower volatility, the relative underperformance of hedge funds has been a major deterrent to investor capital inflows, with the industry experiencing net withdrawals of US\$97 billion and US\$45 billion in 2019 and 2020 respectively. However, net inflows of US\$41 billion were observed in the nine month period ended 30 September 2021, which some market participants noted was a sign that equity markets were close to a peak²⁸ (on the basis that the risk-reduction characteristics of hedge funds is likely to be the key reason for the increase in new capital allocated to this asset class over the most recent period).

Fee structure

- 145 Hedge fund managers generally derive revenue from both management fees (which are charged as a percentage of the value of AUM) and performance fees (which are determined based on a percentage of fund returns over and above a predefined benchmark (or, in VGI Partners' case, based on the absolute return achieved only).

²⁷ Source: Preqin (2022): 2022 Global Hedge Fund report.

²⁸ Recent equity market performance since 1 November 2021 has (so far) proved this belief to be correct, as large reductions in the market value of high growth technology related stocks (in particular) has occurred since that date.



- 146 Performance fees are driven by the investment performance of the funds, which can be volatile, and may be subject to a high-water mark, which normally requires any past investment underperformance since the date the last performance fee was paid to be recovered in full before a further performance fee is payable.
- 147 Most hedge fund managers offer clients a flat fee structure, such as a “2 and 20” structure, which represents a 2% asset management fee and 20% performance fee. Recently, however, hedge fund managers have become more flexible with their fee structures, including negotiating fees and fund terms with clients to reflect a better alignment of interests. This is achieved by offering multiple share classes for investors to purchase, each with an assigned set of fees, or otherwise through individual negotiations with higher value investors. A breakdown of the global average management and performance fees charged across selected hedge fund strategies is outlined below:

Management and performance fees		
Hedge fund strategy	Mean management fee ⁽¹⁾ %	Mean performance fee ⁽²⁾ %
Alternative Risk Premia	1.05	17.59
Credit Strategies	1.27	17.38
Equity Strategies	1.43	18.43
Event Driven Strategies	1.45	18.92
Macro Strategies	1.55	19.15
Multi-Strategy	1.51	18.23
Niche Strategies	1.60	16.68
Relative Value Strategies	1.50	19.58
Managed Futures / Commodity Trading Advisor	1.53	19.62

Note:

1 Percentage of FUM.

2 Percentage of absolute return (before deducting management fees).

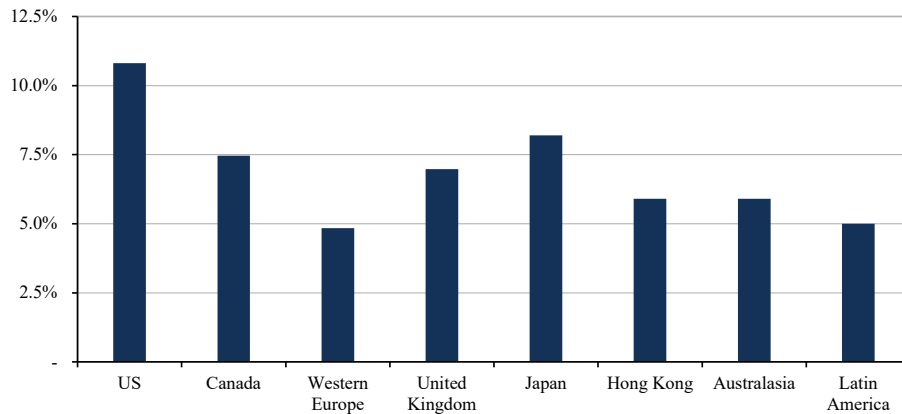
Source: Preqin (2022): *2022 Global Hedge Fund* report.

Hedge fund allocations

- 148 The global hedge fund market comprises more than 22,000 funds spread across the world, with the majority domiciled in North America. The portion of client portfolios allocated to hedge funds varies across each region, with North America representing the highest median allocation to hedge funds in 2021, as shown below:

Hedge fund allocations

Median allocation to hedge funds in 2021 (% of AUM)



Source: Preqin (2022): 2022 Global Hedge Fund report.

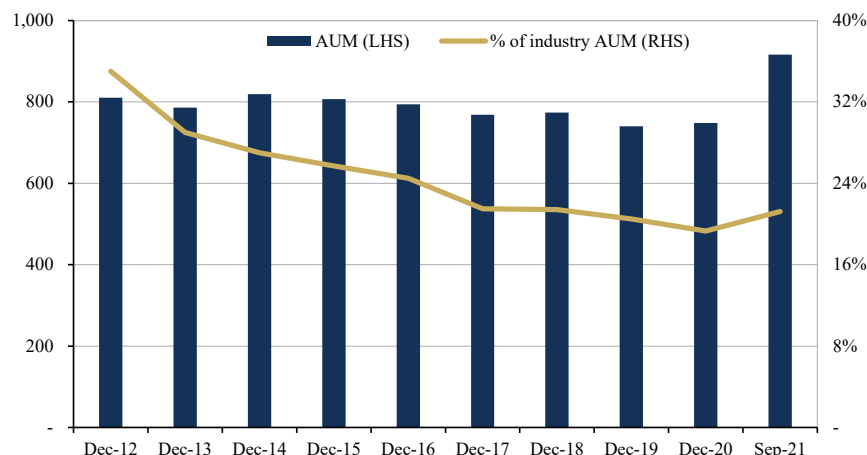
- 149 There are many different types of investors in hedge funds, ranging from wealth managers that invest on behalf of high net worth individuals, through to larger clients such as insurance companies, family offices and pension funds. The preferred type of hedge fund and level of exposure varies across each participant and is based on the return expectations and maximum lockup period for each investor type.

Funds of hedge funds

- 150 In addition to investing directly into a single strategy fund, investors can gain exposure to multiple strategies by investing in a broad basket of hedge funds (known as “funds of hedge funds”).
- 151 The funds of hedge funds segment held AUM of US\$916 billion as at 30 September 2021, an increase of 22.5% compared to AUM held as at 31 December 2020. This represented around 20% of the total hedge fund industry AUM, which is broadly consistent with the allocation observed over the past five years. However, the proportion of industry AUM allocated to funds of funds has declined over the past 10 years, as shown below:

Funds of hedge funds

AUM (US\$bn) and % of total industry AUM



Source: Preqin (2022): 2022 Global Hedge Fund report.

- 152 Funds of hedge funds managers have faced pressure in recent years, as relatively high fees and comparative underperformance have discouraged investors from making sizeable allocations to the asset class. However, the sector can offer value to investors, by providing exposure to niche and emerging strategies through the expert knowledge and wide networks offered by specialist funds of hedge fund managers. Funds of hedge funds also offer an advantage over direct hedge fund investing, due to the ability to offer smaller and less experienced investors exposure to a diversified pool of hedge funds without the need to conduct their own due diligence and individual manager selection.

VI Valuation of VGI Partners

Valuation methodologies

- 153 RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:
- (a) the discounted cash flow (DCF) methodology
 - (b) the application of earnings multiples appropriate to the businesses or industries in which the company or its profit centres are engaged, to the estimated future maintainable earnings or cash flows of the company, added to the estimated realisable value of any surplus assets
 - (c) the amount that would be available for distribution to shareholders in an orderly realisation of assets
 - (d) the quoted price of listed securities, when there is a liquid and active market and allowing for the fact that the quoted market price may not reflect their value on a 100% controlling interest basis
 - (e) any recent genuine offers received by the target for any business units or assets as a basis for valuation of those business units or assets.
- 154 The DCF method is the superior valuation methodology because:
- (a) value is the net present value (NPV) of future cash flows (i.e. future years' cash flows, net of outgoings, expressed in terms of today's dollars)
 - (b) the DCF methodology is technically superior as it separately assesses key factors such as growth and risk rather than trying to capture them in a single factor (i.e. the capitalisation multiple).
- 155 We have therefore adopted the DCF method of valuation as our primary valuation methodology. The resulting enterprise value has then been cross-checked for reasonableness using a capitalisation of earnings method (specifically EBITA²⁹).
- 156 As a further cross-check we have also considered the listed market price of VGI Partners shares prior to the announcement of merger discussions with Regal, adjusted for a premium for control.

DCF valuation

- 157 Under the DCF methodology the value of the business is equal to the NPV of the estimated future cash flows including a terminal value (TV). In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

²⁹ Earnings before interest, tax and amortisation of acquired intangibles (EBITA).



Cash flow projections

- 158 Our DCF valuation is based on free cash flow projections derived by LEA having regard to (inter-alia) the key terms of investment management agreements, the Company's detailed financial results and related discussions with management.
- 159 Whilst LEA believes the assumptions underlying the cash flow projections adopted for valuation purposes are reasonable and appropriate, it should be noted in respect of these projections that:
- (a) the major assumptions underpinning the projections were formulated in the context of current economic, financial and other conditions (including the impact of the invasion of Ukraine by Russia on equity markets generally)
 - (b) the projections and the underlying assumptions have not been reviewed by an investigating accountant for reasonableness or accuracy of compilation and application of assumptions
 - (c) future profits and cash flows are inherently uncertain
 - (d) the achievability of these projections is not warranted or guaranteed by LEA or VGI Partners; and
 - (e) actual results may be significantly more or less favourable.
- 160 Free cash flow represents the operating cash flows on an ungeared basis (i.e. before interest) less taxation payments³⁰, capital expenditure and working capital requirements. The free cash flow on an ungeared basis is adopted to enable the value of the business to be determined irrespective of the level of debt funding employed.
- 161 LEA's free cash flow projections cover the period to 31 December 2029. This coincides with the initial term of the investment management agreement with VG8, which is for a 10 year term to 2 September 2029³¹. A TV has then been adopted at the end of the forecast period.
- 162 As the detailed cash flow projections are commercially sensitive they have not been set out in our report. However, we set out below information on the major assumptions underpinning the free cash flow projections.

Key assumptions

- 163 The profitability and value of funds management businesses principally depends on their level of FUM and their ability to grow FUM over time (due to the high incremental profit margins on additional FUM given the largely fixed cost nature of the businesses). Further, as VGI Partners generates a high proportion of its annual revenue from performance fees:
- (a) the rate of return achieved by VGI Partners on FUM has a material impact on its revenues and profitability

³⁰ Also calculated on an ungeared basis.

³¹ The investment management agreement for VG1 covers the period to 19 July 2027.

- (b) the impact of the high-water mark mechanism (explained further in paragraph 179 below) can have a material impact on VGI Partners' ability to generate performance fees in any particular year.

164 Accordingly, the key assumptions which have a significant impact on the value of VGI Partners are:

- (a) the level of FUM as at the valuation date (assumed to be 28 February 2022)
- (b) the level of new money likely to be invested in, or withdrawn from, VGI Partners Funds in future (referred to as "net fund inflows / outflows")
- (c) the rate of return achieved on each fund, both annually and over the long term; and
- (d) the impact of the high-water mark mechanism on future performance fees.

165 These matters are discussed below.

FUM and growth in FUM

166 Total fee earning FUM since 31 December 2019 is shown below:

VGI Partners – Fee earning FUM ⁽¹⁾					
	31 Dec 19	31 Dec 20	31 Dec 21	28 Feb 22	Change since 31 Dec 19
	A\$m	A\$m	A\$m	A\$m	A\$m
Unlisted funds and IMAs	1,491	1,349	1,048	756	(735)
VG1	977	1,020	891	831	(146)
VG8	542	607	570	518	(24)
Total listed funds	1,519	1,627	1,462	1,349	(170)
Total fee earning FUM	3,010	2,976	2,508	2,105 ⁽²⁾	(905)

Note:

1 Fee earning FUM excludes pro-bono FUM and funds invested in the Charitable Foundation Class in the Master Fund.

2 Fee-earning FUM as at 31 March 2022 had reduced to \$2.0 billion due to a combination of redemptions and market performance.

Rounding differences exist.

167 In relation to the above we note that:

- (a) the Master Fund and Offshore Fund had net outflows of A\$423 million over the period from 1 January 2019 to 28 February 2022, with A\$183 million occurring in the two months to 28 February 2022
- (b) the number of IMAs reduced from nine to five over the period from 1 January 2019 to 28 February 2022, with A\$265 million in net outflows over the period
- (c) both VG1 and VG8 are ASX-listed companies, which implicitly do not allow redemptions or new applications from investors. Instead, investors wishing to invest or redeem their investment in these companies must (in general) buy or sell the shares on market

- (d) VG1 undertook a A\$300 million capital raising in May 2019, and VG8 was launched in November 2019, raising a total of A\$557 million
 - (e) VG1 operated an on-market share buy-back and paid dividends in CY20 and CY21, and VG8 began paying dividends in CY21
 - (f) as at 28 February 2022, VG1 and VG8 were trading on the ASX at discounts to their post tax NTA³² of 19% and 14.8% respectively³³. This makes it difficult to raise additional capital in these funds from new investors (thereby increasing FUM), as any such capital raising could lead to significant value dilution of existing shareholders in these funds
 - (g) we have assumed that no new managed funds will be launched by VGI Partners over the forecast period (to 31 December 2029). This is consistent with VGI Partners' statement in its 1H21 financial report that *"the Manager is not currently seeking additional AUM from new clients. The focus remains on growing AUM through compounding existing assets"*
 - (h) some of the reduction in FUM may have been caused by the departures of some investment personnel
 - (i) VGI Partners Funds generally have a high level of exposure to technology related stocks (including e-commerce and internet companies, and the IT sector³⁴). In the period from 1 November 2021 to 28 February 2022 these sectors have experienced significant share price falls, which may have also contributed to the high level of fund outflows in recent months.
- 168 Having regard to the above, we have adopted the following scenarios for net fund inflows / outflows over the forecast period (from 28 February 2022):
- (a) **Scenario 1** – no net inflows or outflows over the forecast period (from 28 February 2022)
 - (b) **Scenario 2** – further net outflows over CY22 and CY23 (in total) of A\$150 million for the Master Fund, A\$50 million for the Offshore Fund and A\$50 million for IMAs (note: these assumed net outflows are in addition to the actual outflows experienced up to 28 February 2022)
 - (c) **Scenario 3** – net inflows over CY22 and CY23 of (in total) A\$150 million for the Master Fund, A\$50 million for the Offshore Fund and A\$50 million for IMAs (which assumes that recent fund outflows are reversed).

Rate of return on FUM

169 Our rate of return assumptions have been derived having regard to, inter-alia:

- (a) the historical rates of return achieved by VGI Partners Funds

³² 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.

³³ As at 8 April 2022 these discounts had narrowed to 14.3% (VG1) and 10.6% (VG8).

³⁴ For example, as at 28 February 2022 approximately 50% of VG1's investment portfolio comprised companies in the e-commerce and internet sector (32%) and IT sector (18%), based on VGI Partners' internally defined classifications.

- (b) the rates of return achieved on various stock market indices, such as the MSCI World Total Return Index and the NASDAQ Index.

- 170 The Master Fund (which was launched in January 2009 and therefore has the longest track record) has achieved a compound annual rate of return (CARR) since inception up to 28 February 2022 of approximately 11.4% per annum (after management and performance fees).
- 171 We have also had regard to the return on the MSCI World Total Return Index and the NASDAQ Index over longer periods, as shown below:

Annual rate of return on selected market indices ⁽¹⁾				
	MSCI World Total Return Index US\$ %	MSCI World Total Return Index A\$ %	NASDAQ Composite Index US\$ %	NASDAQ Composite Index A\$ %
Calendar year				
2000	(13.2)	2.4	(39.3)	(28.4)
2001	(16.8)	(9.2)	(21.1)	(13.9)
2002	(19.9)	(26.9)	(31.5)	(37.5)
2003	33.1	(1.0)	50.0	11.6
2004	14.7	10.2	8.6	4.3
2005	9.5	16.8	1.4	8.2
2006	20.1	11.7	9.5	1.9
2007	9.0	(2.0)	9.8	(1.3)
2008	(40.7)	(26.2)	(40.5)	(26.0)
2009	30.0	2.0	43.9	12.9
2010	11.8	(1.9)	16.9	2.6
2011	(5.5)	(5.8)	(1.8)	(2.0)
2012	15.8	14.4	15.9	14.5
2013	26.7	47.3	38.3	60.9
2014	4.9	14.7	13.4	24.0
2015	(0.9)	11.0	5.7	18.4
2016	7.5	8.6	7.5	8.6
2017	22.4	13.1	28.2	18.5
2018	(8.7)	1.3	(3.9)	6.6
2019	27.7	28.0	35.2	35.6
2020	15.9	5.8	43.6	31.1
2021	21.8	28.8	21.4	28.3
Jan-Feb 2022	(7.7)	(7.4)	(12.1)	(11.8)
20 years to 31 Dec 21 ⁽²⁾	8.1	6.2	11.0	9.0

Note:

- 1 As these are market indices the returns are shown on a gross basis (i.e. transaction costs and management and performance fees are not allowed for).
- 2 CARR over 20 years to 31 December 2021.

- 172 VGI Partners Funds generally have a high level of exposure to technology related stocks (including e-commerce and internet companies, and the IT sector). As indicated above, the NASDAQ Index has generated compound returns of between approximately 9% and 11% per

annum for investors over the 20 years to 31 December 2021³⁵. Whilst this is less than VGI Partners' target rate of return on its funds of between 10% and 15% per annum (after fees), and the actual CARR achieved in the Master Fund since inception, we consider that a long term expected rate of return of between 9% and 11% per annum is a reasonable rate of return assumption to adopt for valuation purposes (having regard to the overall portfolio composition of the funds and the matters discussed above).

- 173 However, as shown above, stock market returns exhibit significant volatility from year to year, and negative returns arise in some years³⁶. Further, total returns over the three years to 31 December 2021 were well above long term averages, indicating that the current year to date decline in stock market indices in 2022 should not be unexpected.
- 174 Importantly, it is appropriate therefore that our valuation of VGI Partners reflects this inherent stock market volatility, as market returns over short periods have a material impact on, inter-alia, performance fee income³⁷. For example, the combination of high-water marks and negative returns since 30 June 2021 to 28 February 2022 is likely to result in little or no performance fee income being generated in the six months to 30 June 2022, or in CY22³⁸.
- 175 Accordingly, we have considered the value of VGI Partners assuming a number of rate of return scenarios (which each reflect significant market volatility). It should be noted that these scenarios do not (nor do they purport to) represent the range of potential outcomes (as there is a wide range of potential outcomes outside of these scenarios). They are simply theoretical indicators of the sensitivity of the NPV to the assumptions adopted.
- 176 When assessing the rates of return for the balance of CY22 we have also taken into account the year to date return achieved on the funds to 28 February 2022. In this regard, we note that the Master Fund, VG1 and VG8 achieved negative returns (after management fees) of 6.7%, 6.8% and 9% in the two months ended 28 February 2022. As shown above, the MSCI World Index and NASDAQ Index also declined significantly during this period. As our DCF model looks forward, for the balance of CY22 we have therefore assumed a range of outcomes which overall project some recover in equity market returns.
- 177 The rate of return scenarios adopted for valuation purposes are as follows:

³⁵ The lower return in AUD terms reflects the relative strengthening of the AUD against the USD over the period. The compound rate of return on the MSCI World Total Return Index was similarly lower in AUD terms.

³⁶ Negative returns can be attributed to factors such as specific "left-field" events (e.g. the global financial crisis, COVID-19), or alternatively sustained market corrections / declines due to significant adverse changes in economic circumstances.

³⁷ Performance fees are calculated annually, with the exception of VG1 and VG8 which are calculated semi-annually.

³⁸ This further demonstrates why it is inappropriate to assume long term returns of say 9% to 11% per annum are achieved consistently, as doing so will materially overstate the value of future performance fee income.

VGI Partners – rate of return scenarios									CARR over CY23-CY29
Scenario	10 mths to 31 Dec 22 %	CY23 %	CY24 %	CY25 %	CY26 %	CY27 %	CY28 %	CY29 %	%
A	(5.0)	15.0	10.0	(15.0)	20.0	15.0	10.0	12.0	9.0
B	-	15.0	10.0	12.0	(10.0)	20.0	10.0	12.0	9.5
C	5.0	15.0	10.0	15.0	(10.0)	20.0	10.0	12.0	9.9
D	10.0	15.0	15.0	10.0	20.0	(10.0)	12.0	15.0	10.6
E	15.0	15.0	20.0	15.0	10.0	15.0	(10.0)	15.0	11.0

- 178 Allowance has also been made for distributions to investors, which reduce FUM. Consistent with recent experience and/or stated distribution targets, we have assumed annual distributions equal to around 4% of FUM on listed funds.

Impact of high-water marks on performance fees

- 179 VGI Partners charges performance fees equal to 15% of performance subject to a high-water mark mechanism or a deficit clause which ensures that fees are not earned more than once on the same performance. VGI Partners' entitlement to future performance fees from VGI Partners Funds depends on the NAV of the relevant portfolio exceeding the high-water mark. The high-water mark is the NAV price at the end of the most recent calculation period for which the Company was entitled to a performance fee, adjusted for additions and redemptions.
- 180 Performance fees on the Master Fund, IMAs, VG1 and VG8 were last paid for the period ended 30 June 2021, whereas performance fees on the Offshore Fund were last paid for the period ended 31 December 2020³⁹. Due to the negative returns that have arisen on these funds since the last performance fee period, the high-water mark on these funds is materially higher than the current NAV of the funds. We set out below the respective return required to be achieved as at 28 February 2022 before VGI Partners will be eligible for future performance fees:

VGI Partners – Rate of return required to be achieved as at 28 February 2022 before performance fees will be earned		%
Master Fund		21.1
Offshore Fund		7.5
IMAs ⁽¹⁾		20.7
VG1		18.5
VG8		16.3

Note:

- 1 Weighted average by FUM.

³⁹ Other than for those investors who redeemed between 1 January 2021 and 31 December 2021.

181 Given the above, in our view, VGI Partners is unlikely to receive performance fees in the six months to 30 June 2022, or in CY22 (with the possible exception of the Offshore Fund, depending on performance).

Other assumptions

182 We set out below the other key assumptions reflected in our “base case” DCF valuation:

Other DCF assumptions		
Variable	Base case assumption	Basis for assumptions
Other income	Nil	Other income in CY21 of \$1.3 million principally related to investment income, which has been excluded from our DCF model as VGI Partners’ investments have been separately valued.
Personnel costs (excluding share of performance fee)	Growth of 3.5% p.a.	We have assumed that base salaries (prior to any share of performance fee income) will increase in line with general wage inflation. This is also considered appropriate given the assumptions discussed above relating to FUM and net inflows / outflows.
Performance fee bonuses	Not disclosed as commercially sensitive	In the alternative asset management and hedge fund sectors, the investment managers generally participate in performance fees generated via staff bonuses. Whilst VGI Partners does not have a specific policy regarding performance fee bonuses, we note that some senior executives do not participate in cash bonuses (presumably due to the size of their shareholdings), which results in them receiving remuneration which is below market. Our adopted assumption reflects what we consider to be an appropriate market based arrangement having regard to the policies of other alternative asset / hedge fund managers. We note that our assumption reflects a higher level of performance fee bonuses than implied by historical reported performance.
Other expenses	Growth of 3.5% p.a.	Given the nature of the business, other expenses are expected to grow in line with the growth in personnel expenses.
Charitable foundation contributions and donations		These largely relate to rebated management and performance fees on the Charitable Foundation Class shares in the Master Fund (refer Section III for more information). We have assumed that these rebates continue at similar levels (as a percentage of the FUM of the Master Fund).
Operating costs of listed funds (VG1 and VG8)	0.15% of average FUM	VGI Partners has an obligation to pay the operating expenses associated with VG1 and VG8. These amounted to \$2.1 million in CY21 (representing 0.15% of average FUM).
Depreciation and capital expenditure	\$0.9 million growing at 3.5% p.a.	As the business is not capital intensive, depreciation and capital expenditure is relatively modest. Accordingly, we have assumed that depreciation and amortisation charges are a reasonable proxy for capital expenditure.
Working capital		Given the FUM and net inflow / outflow assumptions above, and the nature of the business, we do not expect working capital movements to be material.

Other DCF assumptions		
Variable	Base case assumption	Basis for assumptions
Discount rate	10.0% p.a. (for business excluding performance fee contribution) and 12.5% p.a. (for net performance fee contribution)	<p>Due to the greater volatility (and risk) associated with performance fee income (compared to management fee income) we have valued VGI Partners by separately determining:</p> <p>(a) the present value of the expected net income and cash flow from the business excluding performance fees; plus</p> <p>(b) the present value of the expected net income and cash flow contribution from performance fees (net of associated bonuses to staff).</p> <p>Higher discount rates have been applied to the expected net income from performance fees for the reasons noted above.</p> <p>Further information on our assessed discount rates is set out in Appendix C.</p>
TV	2% p.a.	<p>The TV of the business at the end of the forecast period (i.e. 31 December 2029) has been derived using the growth in perpetuity formula.</p> <p>VGI Partners' current performance fee structures entitle it to a performance fee if the return achieved for investors is positive in absolute terms. In our view the renegotiation risk associated with such mandates is therefore higher than for fund managers who only receive a performance fee for outperformance against a benchmark. Consequently, we have applied an additional risk premium of 1% to 2% when valuing the performance fee contribution in our TV calculation.</p> <p>Based on these discount rates, and a growth rate in perpetuity of 2% p.a., our TV represents a FY30 EBIT multiple of 8.8 times for the business (excluding performance fees) and 5.8 times for the net contribution from performance fees.</p>

Sensitivity analysis and DCF value

- 183 The assumptions set out above reflect the base case assumptions adopted in the financial model developed by LEA. As stated above, there are inherent qualifications that apply to cash flow projections on which DCF valuations are based. In addition, the cost of capital can vary between industry participants based on factors such as differing perceptions / acceptance of risk and willingness to assume debt funding obligations.
- 184 It is important therefore not to credit the output of DCF models with a precision it does not warrant. It follows that any DCF valuation process should consider a range of scenarios, having regard to the respective key valuation drivers of the business being valued.
- 185 In assessing our valuation range for the VGI Partners business we have therefore considered the sensitivity of value to changes in the key assumptions. As discussed above, we have

considered 15 scenarios for VGI Partners, reflecting different net inflow / outflow and rate of return assumptions.

- 186 The combination of these key assumptions results in materially different FUM outcomes under each scenario, as shown below:

VGI Partners – FUM assumptions at year end									
	28 Feb 2022	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29
Scenario	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
1A	2,105	1,881	2,060	2,151	1,710	1,957	2,108	2,176	2,283
1B	2,105	1,986	2,174	2,265	2,377	2,008	2,279	2,352	2,468
1C	2,105	2,091	2,288	2,368	2,545	2,151	2,440	2,519	2,643
1D	2,105	2,196	2,393	2,571	2,654	2,965	2,506	2,669	2,872
1E	2,105	2,301	2,490	2,782	2,990	3,086	3,317	2,803	3,060
2A	2,105	1,763	1,799	1,880	1,494	1,710	1,841	1,901	1,994
2B	2,105	1,865	1,911	1,990	2,088	1,764	2,002	2,066	2,168
2C	2,105	1,967	2,021	2,091	2,248	1,899	2,155	2,224	2,334
2D	2,105	2,069	2,123	2,281	2,355	2,631	2,223	2,368	2,548
2E	2,105	2,170	2,218	2,478	2,663	2,749	2,954	2,496	2,726
3A	2,105	2,000	2,321	2,423	1,926	2,205	2,375	2,451	2,572
3B	2,105	2,108	2,438	2,540	2,666	2,252	2,555	2,638	2,768
3C	2,105	2,216	2,555	2,645	2,843	2,402	2,725	2,813	2,951
3D	2,105	2,324	2,662	2,861	2,954	3,300	2,788	2,970	3,196
3E	2,105	2,431	2,762	3,086	3,316	3,423	3,679	3,109	3,395

- 187 A summary of the business values (excluding surplus cash and investments) under each scenario is set out below:

VGI Partners – Value of business under DCF method					
Net inflow / outflow scenario	Rate of return scenario				
	A	B	C	D	E
	\$m	\$m	\$m	\$m	\$m
1	190	231	269	327	381
2	151	189	223	277	327
3	230	274	314	377	435

- 188 The average and median of the above values is \$280 million and \$274 million respectively. However, given the recent negative trends in the business (e.g. declining FUM) we believe more weighting should be placed on Scenarios 1 and 2 regarding net inflows / outflows. The average and median of the values under Scenarios 1 and 2 is \$256 million and \$250 million respectively.

- 189 Having regard to the above scenarios, we have assessed the value of the VGI Partners business under the DCF method at between \$230 million and \$270 million.

Capitalisation of EBITA approach

- 190 Under the capitalisation of EBITA method, the value of the business (excluding investments and surplus net cash) is represented by its underlying EBITA capitalised at a rate (or EBITA multiple) reflecting the risks inherent in those earnings. We have considered this approach as a cross-check on the reasonableness of our assessed value of the VGI Partners business

adopting the DCF methodology. However, as the DCF method explicitly allows expected growth in FUM etc to be reflected in the cash flows (rather than in a multiple) we consider that the DCF is the most reliable valuation method.

EBITA

- 191 VGI Partners' EBITA varies materially from year to year depending on, inter-alia, the level of performance fee income generated as shown below:

VGI Partners – Summary of normalised financial performance			
	CY19 \$m	CY20 \$m	CY21 \$m
Management fees	32.4	43.1	42.0
Performance fees	36.7	21.1	50.8
Other income	(0.1)	(0.3)	1.6
Total revenue	69.0	63.9	94.4
Normalised EBITA	47.3	43.8	72.6
Fee earning FUM at end of period (\$b)	3.0	3.0	2.5

- 192 Given this variability we have adopted the average EBITA of \$54.6 million achieved over CY19 to CY21 for the purposes of calculating the EBITA multiple implied by our DCF valuation of the business.

Implied EBITA multiples

- 193 Our DCF valuation of the VGI Partners business therefore reflects the following implied EBITA multiples (based on average EBITA over CY19 to CY21):

VGI Partners – Implied EBITA multiples		
	Low \$m	High \$m
DCF valuation range	230.0	270.0
Normalised EBITA (CY19-CY21 average)	54.6	54.6
Implied EBITA multiple	4.2	4.9

Listed company multiples

- 194 In comparison, the EBITA multiples for selected listed companies operating in the funds management sector are summarised below:

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Listed company trading multiples ⁽¹⁾						
	Financial year end	Enterprise value ⁽²⁾ A\$m	Performance fees as a % of revenue	EBITA multiples		
				2021 ⁽³⁾ x	2022 ⁽⁴⁾ x	2023 ⁽⁴⁾ x
Australian listed asset managers						
Perpetual	30 Jun	1,877	3.2	10.9	8.1	7.9
Magellan Financial Group	30 Jun	1,862	4.5	3.6	3.5	5.3
Pendal Group	30 Sep	1,229	9.9	5.8	4.8	4.8
Platinum Asset Management	30 Jun	928	1.5	4.2	5.3	5.6
Navigator Global Investments	30 Jun	249	12.1	6.6	4.7	4.7
Pengana Capital Group	30 Jun	197	40.0	9.1	6.1	8.5
Pacific Current Group	30 Jun	180	5.0	5.5	nm	4.4
		Average	10.9	6.5	5.4 ⁽⁵⁾	5.9
		Median	5.0	5.8	4.8	5.3
US listed asset managers						
Affiliated Managers Group	31 Dec	10,602	8.0	7.2	7.7	7.3
Janus Henderson Group	31 Dec	6,203	3.7	4.6	5.3	5.3
Federated Hermes	31 Dec	4,072	na	7.7	7.3	6.8
Artisan Partners Asset Mgt.	31 Dec	3,976	1.1	5.3	6.3	5.9
Victory Capital Holdings	31 Dec	3,818	na	6.5	5.6	5.3
Virtus Investment Partners	31 Dec	2,372	0.3	4.1	4.0	3.7
Brightsphere Investment Group	31 Dec	1,630	16.2	7.6	7.0	6.5
WisdomTree Investments	31 Dec	1,165	na	11.5	9.9	9.1
		Average	5.8	6.8	6.6	6.2
		Median	3.7	6.8	6.6	6.2
Alternative listed asset managers						
Hamilton Lane	31 Mar	5,828	15.3	25.3	24.6	20.2
Man Group	31 Dec	4,464	18.9	11.3	6.5	5.9
Ashmore Group	31 Dec	1,656	4.1	5.7	4.6	5.0
Jupiter Fund Management	30 Sep	1,414	18.3	3.5	4.6	4.3
RMR Group	31 Dec	1,223	0.4	12.1	10.7	10.5
Polar Capital Holdings	31 Mar	853	21.7	6.8	6.3	6.0
Premier Miton Group	30 Sep	347	-	7.6	6.6	6.9
		Average⁽⁶⁾	11.2	7.8	6.5	6.4
		Median	15.3	7.6	6.5	6.0

Note:

- 1 Enterprise value and earnings multiples calculated as at 23 March 2022. A brief description of each listed company is set out in Appendix D.
- 2 Enterprise value includes net debt (interest bearing liabilities less non-restricted cash), net derivative liabilities, market capitalisation adjusted for material option dilution, share placements (for the purpose of reducing debt) and buybacks, and excludes surplus assets.
- 3 Historical earnings are based on latest statutory full year accounts and exclude non-recurring items, significant write downs, realised investment gains or losses and restructuring charges.
- 4 Forecast earnings are based on Bloomberg average analyst forecasts (excluding outliers and outdated forecasts).
- 5 Excludes Pacific Current Group.
- 6 Excludes Hamilton Lane.

nm – not meaningful.

Source: Bloomberg, latest full year statutory accounts, latest interim accounts, company announcements and LEA analysis.

- 195 The above multiples are based on the listed market price of each company's shares (and therefore exclude a premium for control). Empirical research undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover)⁴⁰. This broadly translates to a premium of 20% to 25% at the EBITA multiple or enterprise value level, although this varies depending on the level of debt funding employed in each company.
- 196 VGI Partners generates a substantially higher proportion of its revenue from performance fees than the above listed companies. Due to the greater volatility (and higher risk) associated with performance fee income (compared to management fee income) we note that investors and analysts generally apply significantly lower earnings multiples to companies such as VGI Partners for this reason.
- 197 Further:
- (a) the short term outlook for VGI Partners' profitability (on a standalone basis, i.e. prior to the Merger) is poor (relative to historical performance), as the combination of negative investment returns over the period 1 July 2021 to 28 February 2022 and the high-water mark mechanism means that VGI Partners is unlikely to generate substantial performance fee income in CY22
 - (b) fee earning FUM of VGI Partners fell to \$2.1 billion as at 28 February 2022, which is materially lower than the level during CY19 to CY21.
- 198 Given the above, the level of EBITA expected to be achieved by VGI Partners in (at least) the short term is expected to be significantly lower than the average EBITA achieved over the CY19 to CY21 period.
- 199 Furthermore, as noted above, our DCF based valuation of the VGI Partners business assumes a level of performance fee bonuses to staff which exceeds the average level reflected in the historical reported earnings of VGI Partners. A hypothetical adjustment to these reported earnings to reflect an assumed higher level of performance fee bonuses⁴¹ would reduce reported earnings and imply a higher earnings multiple.
- 200 Thus, given the current circumstances of VGI Partners, we would expect any earnings multiple for VGI Partners based on historical EBITA to be at the low end of observed multiples⁴².

⁴⁰ LEA has analysed the control premiums paid in successful takeovers and other change in control transactions involving cash consideration in Australia over the period 2000 to 2020. LEA's study covered around 500 transactions in all sectors excluding real estate investment trusts, based on data sourced from Bloomberg, Connect4 and public company transaction documents and ASX announcements. Scrip transactions were excluded from the analysis because the value of the scrip consideration can vary materially depending on the date of measurement.

⁴¹ Such that the earnings adopted for implied multiple purposes more closely correlate with the cash flow assumptions on which our DCF valuation is based.

⁴² This is consistent with the low EBITA multiples at which Magellan Financial Group now trades (following recent large reductions in FUM).

Business value

- 201 Consequently, we have concluded that our assessed value of VGI Partners business (excluding investments and surplus cash assets) of \$230 million to \$270 million is reasonable and appropriate.

Surplus cash

- 202 VGI Partners had cash of \$47.6 million and no debt as at 28 February 2022. However, the Company is required to hold minimum cash levels to comply with its Australian Financial Services Licence obligations. After allowing for a reasonable buffer above the minimum level of cash required to be held for regulatory purposes (and the payment of VGI Partners' final dividend for CY21 of \$0.06 per share (\$4.2 million), which was paid on 16 March 2022) we have adopted surplus cash of \$28 million for valuation purposes.

Investments

- 203 VGI Partners holds 5.6 million shares (1.48%) in VG1 and 15.3 million shares (6.88%) in VG8. As at 29 March 2022⁴³ these shares had a market value of \$39.2 million.
- 204 In addition to the VG1 and VG8 shareholdings, VGI Partners also has investments in listed and unlisted equities worth approximately \$9 million.
- 205 To allow for the day to day fluctuation in their market value, we have adopted a valuation range for the above investments of \$46 million to \$51 million⁴⁴.

Share capital

- 206 VGI Partners has 70,504,230 shares on issue. No other securities are on issue following the recent cancellation of out of the money options..
- 207 Consequently, we have adopted 70.5 million shares on issue for valuation purposes.

Valuation of VGI Partners

- 208 Based on the above the value of VGI Partners shares on a 100% controlling interest basis (prior to the Merger) is as follows:

VGI Partners – Value of shares (assuming 100% control) prior to Merger		
	Low \$m	High \$m
Enterprise value	230.0	270.0
Surplus cash	28.0	28.0
Investments	46.0	51.0
Equity value	304.0	349.0
Shares on issue (m)	70.5	70.5
Value per share	\$4.31	\$4.95

⁴³ Given the liquid nature of these investments, for valuation purposes, we have adopted values current at the date of our analysis.

⁴⁴ As at 29 March 2022, the investments held by VGI Partners were in an unrealised capital loss position. Therefore, no allowance has been made for any taxation upon realisation of these investments.

Cross-check to pre-announcement share trading range

- 209 Whilst the level of share trading in VGI Partners shares is relatively low (due to the large shareholdings held by the substantial shareholders), we have also considered our valuation range compared to the listed market price of VGI Partners shares in the following periods:
- (a) up to 7 January 2022 (being the last trading day prior to VGI Partners' announcement that it was in discussions with a number of parties, including Regal, in relation to a range of potential transactions); and
 - (b) from (Monday) 10 January 2022 until 29 March 2022 (being the last trading day prior to the announcement of the Proposed Transaction).
- 210 The volume weighted average share prices (VWAP) for VGI Partners over these periods are summarised below:

VGI Partners share prices	
	VWAP \$
Period up to 7 January 2022	
1 month to 7 January 2022	4.37
3 months to 7 January 2022	4.61
Period from 10 January 2022	
1 month to 29 March 2022	3.86
10 January 2022 to 29 March 2022	4.49

- 211 As stated above, between 31 December 2021 and 28 February 2022 VGI Partners fee earning FUM fell approximately 16% due to fund outflows and declining share markets (reflecting, inter-alia, concerns regarding higher interest rates and inflation, and the impact of the Russian invasion of Ukraine).
- 212 Given the magnitude of this FUM decline, it is reasonable to assume that the VGI Partners share price immediately prior to the announcement of the Merger (absent the 10 January 2022 announcement) would have been materially lower than the VWAPs shown above prior to 7 January 2022. This is consistent with the actual share trading from 10 January 2022. Accordingly, we consider that the VGI Partners share prices reflecting trading from 10 January 2022 are more relevant than the share prices prior to that date (notwithstanding VGI Partners' announcement dated 10 January 2022). However, it is also reasonable to assume that these share prices would have reflected some speculation of corporate activity given the announcement. As such, these share prices are likely to have been higher than they would have been in the absence of the announcement on 10 January 2022.
- 213 Empirical research undertaken by LEA indicates that the average premium paid above the listed market price in successful takeovers in Australia ranges between 30% and 35% (assuming the pre-bid market price does not reflect any speculation of the takeover, and after adjusting the pre-bid market price for the movement in share market indices between the date of the pre-bid market price and the announcement of the takeover).
- 214 Adding a 30% to 35% premium for control to the VGI Partners share prices (VWAPs) from 10 January 2022 would therefore result in a theoretical "control" value of \$5.11 to \$5.95 per



share. Our assessed valuation range is therefore less than this theoretical range. However, it should be noted that:

- (a) the VWAP of VGI Partners shares post 10 January 2022 (and therefore the theoretical “control” value based on these share prices) would most likely have been materially lower in the absence of the 10 January 2022 announcement (i.e. if these share prices did not reflect some speculation of corporate activity)
- (b) as noted in Section III, the shares in VGI Partners are relatively illiquid (due to the large shareholdings held by the founder shareholders)
- (c) the extent of the actual reduction in FUM between 31 December 2021 and 28 February 2022 (which is reflected in our valuation of the VGI Partners business) was not known by market participants and investors until the date of the merger announcement on 30 March 2022.

215 As a result of the above, in our view, only limited reliance can be placed on recent trading in VGI Partners shares prior to the announcement of the Merger.

VII Valuation of Regal

Valuation methodologies

- 216 Consistent with the valuation methodologies adopted for VGI Partners, we have adopted the DCF method of valuation as our primary valuation methodology when valuing Regal. The resulting enterprise value has then been cross-checked for reasonableness using a capitalisation of earnings method (specifically EBITA).

DCF valuation

- 217 Under the DCF methodology the value of the business is equal to the NPV of the estimated future cash flows including a TV. In order to arrive at the NPV the future cash flows are discounted using a discount rate which reflects the risks associated with the cash flow stream.

Cash flow projections

- 218 Our DCF valuation of Regal is based on free cash flow projections derived by LEA having regard to (inter-alia) the key terms of investment management agreements, the company's detailed financial results and related discussions with management.
- 219 Whilst LEA believes the assumptions underlying the cash flow projections adopted for valuation purposes are reasonable and appropriate, it should be noted that these projections are subject to the same qualifications as those discussed in paragraph 159.
- 220 Free cash flow represents the operating cash flows on an ungeared basis (i.e. before interest) less taxation payments⁴⁵, capital expenditure and working capital requirements. The free cash flow on an ungeared basis is adopted to enable the value of the business to be determined irrespective of the level of debt funding employed.
- 221 LEA's free cash flow projections cover the period to 31 December 2029. This is consistent with the forecast period adopted in our valuation of VGI Partners. A TV has then been adopted at the end of the forecast period.
- 222 As the detailed cash flow projections are commercially sensitive they have not been set out in our report. However, we set out below information on the major assumptions underlying the free cash flow projections.

Key assumptions

- 223 As stated in Section VI, the profitability and value of funds management businesses such as VGI Partners and Regal principally depends on their level of FUM, FUM growth over time (due to the high incremental profit margins on additional FUM given the largely fixed cost nature of the businesses) and the rate of return generated on FUM (which has a direct impact on the level of performance fees generated).
- 224 Accordingly, the key assumptions which have a significant impact on the value of Regal are:
- (a) the level of FUM as at the valuation date (assumed to be 28 February 2022)

⁴⁵ Also calculated on an ungeared basis.

- (b) the level of new money likely to be invested in, or withdrawn from, Regal funds in future (referred to as “net fund inflows / outflows”)
- (c) the rate of return achieved on each fund, both annually and over the long term; and
- (d) the impact of the high-water mark mechanism on future performance fees.

225 These matters are discussed below.

FUM and growth in FUM

226 We set out below a summary of fee earning FUM from 30 June 2019 to 28 February 2022 for Regal:

Regal – Fee earning FUM ⁽¹⁾						Movement
	30 Jun 19	30 Jun 20	30 Jun 21	31 Dec 21	28 Feb 22	since Jun 19
	\$m	\$m	\$m	\$m	\$m	\$m
Listed funds (RF1)	288	311	445	670	613	325
Unlisted funds – Global and Aust equities	699	495	817	897	760	61
Unlisted funds – private markets and specialist equity	159	225	556	781	768	609
Total fee earning FUM	1,146	1,031	1,818	2,348	2,141	995

Note:

- 1 Regal’s fee earning FUM excludes its attributable share of fee earning FUM from its investments in the Kilter, Attunga and GRM fund managers. Regal’s interests in these fund managers have been valued separately.

227 As shown above, Regal’s fee earning FUM has increased by around \$1 billion (87%) since 30 June 2019. Approximately 45% of this growth (around \$450 million) has arisen from net inflows. The key factors that contributed to this growth included:

- (a) the launch of the Regal Emerging Companies Opportunities Fund in August 2020, which has raised some \$400 million since inception⁴⁶
- (b) RF1 raised some \$212 million in a placement and entitlement offer in October 2021 (following its IPO in June 2019, which raised some \$280 million)
- (c) the recent launch of specialist equities funds in the healthcare and resources sectors, which have raised over \$100 million in new FUM
- (d) strong investment returns. For example, since inception on 17 June 2019, RF1 has generated a compound average rate of return of 30.4% per annum, net of fees⁴⁷.

⁴⁶ The Regal Emerging Companies Fund (which had a five year term), which had \$155 million in FUM as at 30 June 2018, matured during the period.

⁴⁷ Assuming reinvestment of income.

- 228 In contrast, VGI Partners has experienced large fund outflows since 30 June 2019 in its unlisted funds in recent years (as shown in Section VI).
- 229 Given Regal's strong investment track record (the Regal Atlantic Absolute Return Fund which was launched in 2004 has achieved compound annualised returns of around 27% per annum), and well-established marketing and distribution capability, we believe that Regal is well placed to continue to grow its FUM.
- 230 Accordingly, we have adopted the following net fund inflow scenarios when valuing Regal:

Net inflow assumptions										
	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29	CY30	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Scenario 1										
Listed funds	-	-	50	-	50	-	50	-	50	200
Unlisted funds	50	50	50	50	50	50	50	50	50	450
Scenario 2										
Listed funds	-	-	75	-	75	-	75	-	75	300
Unlisted funds	75	75	75	75	75	75	75	75	75	675
Scenario 3										
Listed funds	-	-	100	-	100	-	100	-	100	400
Unlisted funds	100	100	100	100	100	100	100	100	100	900

- 231 We note that these assumptions (particularly Scenarios 1 and 2) appear conservative compared to the recent net inflows noted above.

Rate of return on FUM

- 232 Our rate of return assumptions have been derived having regard to, inter-alia:
- (a) the historical rates of return achieved by Regal's funds; and
 - (b) the rates of return achieved on various stock market indices, such as the MSCI World Total Return Index and the NASDAQ Index (as set out in Section VI).
- 233 As shown below, Regal's longstanding funds have generated impressive investment returns over the long term. Further, these returns have significantly exceeded the CARR achieved on VGI Partners' Master Fund since its inception:

Compound annual rates of return on longstanding funds		
	Launch date	CARR ⁽¹⁾ % p.a.
Regal funds		
Regal Atlantic Absolute Return Fund	2004	+27
Regal Tasman Market Neutral Fund	2007	+15
Regal Australian Long Short Equity Fund	2007	+14
Regal Australian Small Companies Fund	2015	+26
VGI Partners funds		
Master Fund	2009	11.4

Note:

1 Net of fees. Assumes reinvestment of income.

- 234 Higher rates of return translate into higher FUM growth and greater performance fees. Given the above long-term track record, in our opinion, it is appropriate to assume that Regal continues to generate higher returns than VGI Partners over the forecast period.
- 235 However, in our opinion, a willing but not anxious buyer of Regal is unlikely to assume that Regal will continue to outperform the respective return generated by VGI Partners to the same extent as shown above. Consequently, for valuation purposes we have (conservatively) assumed a higher rate of return on Regal funds relative to VGI Partner funds of 3% per annum.
- 236 On this basis we have adopted the following rate of return scenarios for Regal's funds:

Regal – rate of return scenarios									
Scenario	10 mths to 31 Dec 22 %	CY23 %	CY24 %	CY25 %	CY26 %	CY27 %	CY28 %	CY29 %	CARR over CY23-CY29 %
A	(2.0)	18.0	13.0	(12.0)	23.0	18.0	13.0	15.0	12.0
B	3.0	18.0	13.0	15.0	(7.0)	23.0	13.0	15.0	12.5
C	8.0	18.0	13.0	18.0	(7.0)	23.0	13.0	15.0	12.9
D	13.0	18.0	18.0	13.0	23.0	(7.0)	15.0	18.0	13.6
E	18.0	18.0	23.0	18.0	13.0	18.0	(7.0)	18.0	14.0

Impact of high-water marks on performance fees

- 237 As is the case with VGI, Regal's entitlement to future performance fees depends on the NAV of the relevant portfolio exceeding the respective high-water mark. The high-water mark is the NAV price at the end of the most recent calculation period for which Regal was entitled to a performance fee, adjusted for additions and redemptions.
- 238 Accordingly, we set out below the return required to be achieved on Regal's larger funds as at 28 February 2022 before Regal will be eligible for future performance fees:

Regal – Return required to be achieved as at 28 February 2022 before performance fees are payable on its larger funds		
	Fee earning FUM \$m	Return required to meet HWM ⁽¹⁾ %
RF1	613	8.0
Regal Emerging Companies Opportunities Fund	450	3.7
Regal Australian Small Companies Fund	364	24.8
Regal Atlantic Absolute Return Fund	148	35.7
Regal Tasman Market Neutral Fund	102	Above HWM
Regal Resources Long Short Fund	90	Above HWM

Note:

1 HWM refers to high-water mark.

- 239 Given the above, in our view, Regal is unlikely to receive performance fees in CY22 on the Regal Australian Small Companies Fund and the Regal Atlantic Absolute Return Fund. RF1 and the Regal Emerging Companies Opportunities Fund will also have to recover from investment losses incurred in recent months (which coincided with negative market returns generally) before being entitled to performance fees in the current period.

Other assumptions

- 240 We set out below the other key assumptions reflected in our “base case” DCF valuation:

Other DCF assumptions		
Variable	Base case assumption	Basis for assumptions
Other income	Nil	Other income in the 6 months ended 31 December 2021 of \$1.3 million principally related to investment income, which has been excluded from our DCF model as Regal’s investments have been separately valued.
Personnel costs (excluding share of performance fee)	Growth of 3.5% p.a.	Consistent with assumptions adopted for VGI Partners.
Performance fee bonuses	Not disclosed as commercially sensitive	Bonuses to staff from performance fee income are expected to vary with performance fees. Our adopted assumption is consistent with historical experience.
Other expenses	Growth of 3.5% p.a.	Given the nature of the business, other expenses are expected to grow in line with the growth in personnel expenses.
Depreciation and capital expenditure	\$1.6 million growing at 3.5% p.a.	As the business is not capital intensive, depreciation and capital expenditure is relatively modest. Accordingly, we have assumed that depreciation and amortisation charges are a reasonable proxy for capital expenditure.
Working capital		Given the FUM and net inflow / outflow assumptions above, and the nature of the business, we do not expect working capital movements to be material.
Discount rate	10% p.a. (for business excluding performance fee contribution) and 12.5% p.a. (for net performance fee contribution)	<p>Due to the greater volatility (and risk) associated with performance fee income (compared to management fee income) we have valued Regal by separately determining:</p> <p>(a) the present value of the expected net income and cash flow from the business excluding performance fees; plus</p> <p>(b) the present value of the expected net income and cash flow contribution from performance fees (net of associated bonuses to staff).</p> <p>Higher discount rates have been applied to the expected net income from performance fees for the reasons noted above.</p> <p>These discount rates are the same as used for VGI Partners⁽¹⁾. Further information on our assessed discount rates is set out in Appendix C.</p>



Other DCF assumptions		
Variable	Base case assumption	Basis for assumptions
TV	2% p.a.	<p>The TV of the business at the end of the forecast period (i.e. 31 December 2029) has been derived using the growth in perpetuity formula.</p> <p>Most of Regal's performance fee structures entitle it to a performance fee if the return achieved for investors is positive in absolute terms. In our view the renegotiation risk associated with such mandates is therefore higher than for fund managers who only receive a performance fee for outperformance against benchmark. Consequently, we have applied an additional risk premium of 1% to 2% when valuing the performance fee contribution in our TV calculation.</p> <p>Based on these discount rates, and a growth rate in perpetuity of 2% p.a., our TV represents a FY30 EBIT multiple of 8.8 times for the business (ex performance fees) and 5.8 times for the net contribution from performance fees.</p>

Note:

- 1 Given Regal's more diversified FUM, both in terms of clients and investment strategies, arguably a lower discount rate could be applied when valuing Regal. However, for the purposes of our report we have applied the same discount rate (noting that the valuation is more sensitive to the cash flow assumptions than the discount rate).

Sensitivity analysis and DCF value

- 241 The assumptions set out above reflect the base case assumptions adopted in the financial model developed by LEA. As stated above, there are inherent qualifications that apply to cash flow projections on which DCF valuations are based. In addition, the cost of capital can vary between industry participants based on factors such as differing perceptions / acceptance of risk and willingness to assume debt funding obligations.
- 242 It is important therefore not to credit the output of DCF models with a precision it does not warrant. It follows that any DCF valuation process should consider a range of scenarios, having regard to the respective key valuation drivers of the business being valued.
- 243 In assessing our valuation range for the Regal business we have therefore considered the sensitivity of value to changes in the key assumptions. As discussed above (consistent with VGI Partners), we have considered 15 scenarios for Regal, reflecting different net inflow / outflow and rate of return assumptions.
- 244 The combination of these key assumptions results in materially different FUM outcomes under each scenario, as shown below:

Regal – FUM assumptions at year end									
	28 Feb								
Scenario	2022	CY22	CY23	CY24	CY25	CY26	CY27	CY28	CY29
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
1A	2,141	2,004	2,182	2,331	1,934	2,311	2,547	2,753	2,956
1B	2,141	2,163	2,388	2,593	2,850	2,631	3,084	3,380	3,695
1C	2,141	2,257	2,483	2,692	3,017	2,780	3,255	3,562	3,892
1D	2,141	2,346	2,575	2,885	3,117	3,659	3,303	3,707	4,133
1E	2,141	2,431	2,666	3,083	3,448	3,768	4,202	3,833	4,321
2A	2,141	2,028	2,234	2,435	2,041	2,486	2,761	3,026	3,268
2B	2,141	2,187	2,441	2,701	2,991	2,804	3,309	3,670	4,032
2C	2,141	2,282	2,537	2,800	3,162	2,956	3,484	3,856	4,233
2D	2,141	2,372	2,629	2,997	3,261	3,876	3,519	3,994	4,474
2E	2,141	2,457	2,721	3,199	3,601	3,981	4,462	4,111	4,656
3A	2,141	2,051	2,286	2,539	2,147	2,660	2,975	3,298	3,580
3B	2,141	2,212	2,494	2,808	3,133	2,976	3,534	3,960	4,370
3C	2,141	2,307	2,591	2,908	3,307	3,131	3,712	4,149	4,574
3D	2,141	2,397	2,684	3,109	3,406	4,093	3,735	4,281	4,816
3E	2,141	2,484	2,776	3,315	3,754	4,195	4,723	4,388	4,991

- 245 A summary of the business values (excluding surplus cash and investments) under each scenario is set out below:

Regal – Value of business under DCF method (\$m)					
	Rate of return scenario				
	A	B	C	D	E
Net inflow / outflow scenario	\$m	\$m	\$m	\$m	\$m
1	289	445	485	545	598
2	326	490	531	593	645
3	363	535	577	640	693

Note:

- 1 The average and median of the above values is \$517 million and \$535 million respectively.

- 246 Having regard to the above scenarios, we have assessed the value of the Regal business under the DCF method at between \$510 million and \$560 million.

Cross-check to capitalisation of EBITA approach

- 247 Under the capitalisation of EBITA method, the value of the business (excluding investments) is represented by its underlying EBITA capitalised at a rate (or EBITA multiple) reflecting the risks inherent in those earnings. We have considered this approach as a cross-check on the reasonableness of our assessed value of the Regal business adopting the DCF methodology⁴⁸.

EBITA

- 248 Regal's EBITA varies materially from year to year depending on, inter-alia, the level of performance fee income generated (as shown below). The consolidated financial statements of Regal include the respective financial performance of the investments in Kilter and

⁴⁸ As the DCF method explicitly allows expected growth in FUM etc to be reflected in the cash flows (rather than in a multiple) we consider that the DCF is the most reliable valuation method.

Attunga. As we have separately valued these investments we have excluded their results from the table below.

Regal – Summary of normalised financial performance			
	FY20	FY21	6 mths to
	\$m	\$m	31 Dec 21
Management fees	16.5	23.3	15.1
Performance fees	21.4	110.3	46.3
Other income	3.3	9.1	1.3
Total revenue	41.2	142.7	62.7
Normalised EBITA	12.8	75.0	32.5
Fee earning FUM at end of period (\$b)	1.1	1.8	2.3

249 Given the substantial growth in fee earning FUM over the period, for the purposes of calculating the EBITA multiple implied by our valuation we have annualised the results for the six months ended 31 December 2021 (excluding performance fees). In recognition of the significant volatility in the quantum of annual performance fees we have assumed a normalised annual performance fee of \$50 million (equal to around 2.3% of fee earning FUM as at 28 February 2022), consistent with the average future performance fee expectations reflected in the cash flows upon which our DCF valuation is based⁴⁹.

250 On this basis the normalised EBITA adopted for valuation purposes is as follows:

Normalised EBITA	
	\$m
Reported EBITA in 1H22	32.5
Less net contribution from performance fees	(28.1)
Less other income ⁽¹⁾	(1.3)
EBITA excluding performance fee contribution in 1H22	3.1
Annualised	6.2
Normalised performance fee contribution	30.0
Normalised EBITA adopted for cross-check	36.2

Note:

1 Principally from investments in own funds (which have been valued separately).

Implied EBITA multiples

251 Our DCF valuation of the Regal business therefore reflects the following implied EBITA multiples (based on normalised EBITA adopted for valuation purposes):

⁴⁹ In contrast, performance fees in the eight months to 28 February 2022 were \$52.7 million.

Regal – Implied EBITA multiples		
	Low \$m	High \$m
DCF valuation range	510.0	560.0
Normalised EBITA	36.2	36.2
Implied EBITA multiple	14.1	15.5

- 252 In comparison, the EBITA multiples for selected listed companies operating in the funds management sector are set out in Section VI. Whilst the implied EBITA multiple range is high relative to the listed companies generally, as stated above the value of fund managers is sensitive to (in particular) growth in FUM and the investment return achieved (which has a direct impact on both performance fees and net fund flows). As Regal has generated high FUM growth in recent years and strong investment returns over the long term (which are at or above the returns generated by most other fund managers), in our opinion, it is appropriate that Regal's EBITA multiple would reflect this premium⁵⁰.

Business value

- 253 Consequently, we have concluded that our assessed value of the Regal business (excluding investments) of \$510 million to \$560 million is reasonable and appropriate.

Surplus cash

- 254 As at 31 December 2021, Regal had cash of \$15.5 million⁵¹ and interest bearing debt of \$0.2 million. Consistent with VGI Partners' regulatory capital requirements, Regal is also required to hold minimum cash levels to comply with its Australian Financial Services Licence. As a result, Regal is not expected to have any material surplus net cash at the date of acquisition by VGI Partners.

Investments in own funds

- 255 As set out in Section IV, Regal has investments in its own funds worth around \$29 million as at 28 February 2022. To allow for the day to day fluctuation in their market value (and after deducting deferred tax liabilities on the unrealised gain), we have adopted a valuation range for the above investments of \$26 million to \$28 million.

Investments in Kilter, Attunga and GRM

- 256 Regal has the following interests in other fund managers:

- (a) a 57.4% (economic) interest and 61.49% voting power in Kilter – Regal purchased a 50% interest in Kilter in December 2018 for \$3.02 million and an additional 11.49%

⁵⁰ We also note that RF1 units traded at a significant premium to their net asset value prior to the \$212 million capital raising (which indicates the premium price retail investors were willing to pay to access Regal's investment strategies and performance).

⁵¹ Only \$14.5 million of this cash is held by the Australian group, which is subject to minimum cash requirements under its Australian Financial Services Licence. The cash balance also excludes cash held by Kilter and Attunga (as these investments have been valued separately).



(voting) interest in December 2021 for \$850,000 (non-voting employee issues have been issued which dilutes Regal's economic interest to 57.4%)

- (b) a 51% interest in Attunga – Regal purchased this stake in December 2021 for \$8.26 million
- (c) a 33.33% interest in GRM – acquired in October 2019 for \$200. Currently, the arrangement is such that GRM are funded on a 50:50 basis between Regal and GRM.

257 We have adopted an aggregate value for these interests of \$18 million to \$20 million, primarily based on the recent transaction prices.

Valuation of Regal

258 Based on the above the value of Regal shares on a 100% controlling interest basis (prior to the Proposed Transaction) is as follows:

Regal – Valuation summary		
	Low \$m	High \$m
Enterprise value	510.0	560.0
Surplus cash	-	-
Investments in own funds	26.0	28.0
Investments in other fund managers	18.0	20.0
Equity value	554.0	608.0

VIII Evaluation of the Merger

Assessment of fairness

259 RG 111 requires that the fairness of the Merger be assessed by comparing:

- (a) the controlling interest value of VGI Partners shares prior to implementation of the Merger; with
- (b) the portfolio interest value of VGI Partners shares following implementation of the Merger (being the deemed “consideration” delivered to VGI Partners shareholders).

260 In order for the Merger to be “fair” under RG 111, the portfolio interest value of VGI Partners shares following implementation of the Merger must be equal to, or greater than the controlling interest value of VGI Partners shares before implementation.

Value of VGI Partners prior to implementation of the Merger

261 As set out in Section VI we have assessed the controlling interest value of VGI Partners prior to implementation of the Merger at between \$4.31 to \$4.95 per share. This value has been determined on a cum-dividend basis and includes surplus cash of around \$28 million (\$0.40 per share) which is intended to be paid to the shareholders of VGI Partners as a Special Dividend following approval of and immediately prior to implementation of the Merger.

Value of VGI Partners shares following implementation of the Merger

262 The value of VGI Partners shares following the Merger reflects:

- (a) the standalone values of both VGI Partners and Regal prior to implementation of the Merger; less
- (b) the payment of the proposed Special Dividend to VGI Partners shareholders of up to \$28 million (\$0.40 per share)⁵²; plus
- (c) the value of any expected synergy benefits⁵³.

Expected synergies

263 In the ASX announcement of the Merger dated 30 March 2022, the VGI Board of Directors noted the following strategic benefits of the Merger:

- (a) exposure to a diversified and growing platform of hedge fund, private market and real asset investment strategies for institutional, high net worth and retail investors in Australia and offshore with significant capacity to deliver the benefits of the expertise, experience and resources of a larger group to clients and VGI Partners shareholders
- (b) a combination of the deep industry experience, networks, and established investment track records of two industry leaders (Mr Robert Luciano and Mr Philip King) and their

⁵² For the purposes of our report we have assumed that the Special Dividend will be \$0.40 per VGI Partners share (consistent with the level of surplus cash included in our valuation of VGI Partners).

⁵³ As noted in paragraph 264, the potential synergy benefits arising from the Merger have not yet been quantified, and accordingly have not been reflected in our valuation of the merged entity.

respective investment and management teams, and their history in creating innovative and well-regarded alternative investment products

- (c) the potential to leverage complementary client profiles and relationships across the merged entity, including existing long-term relationships with high net worth individuals and family offices alongside a combined retail investor base of over 19,000 investors across VG1, VG8 and RF1
- (d) the opportunity for VGI Partners to access Regal's highly developed corporate platform and business support network, including a well-established marketing and distribution capability, to provide a refreshed approach to sales, marketing and communication activities across the merged entity and reduce non-investment related activities undertaken by Mr Robert Luciano and the VGI Partners team; and
- (e) to provide an opportunity for Mr Robert Luciano and the VGI Partners investment team to leverage additional resources from the merged entity, including Regal's extensive investment capability and track record investing in Asian equity markets and private unlisted investments.

264 In summary, the Merger is expected to result in some cost and revenue synergy benefits (consistent with most funds management business mergers). However, the potential synergy benefits have not yet been quantified, and accordingly have not been reflected in our valuation.

Controlling interest value of VGI Partners post Merger

265 The controlling interest value of VGI Partners shares after implementation of the Merger is therefore as follows:

Controlling interest value of VGI Partners post-Merger		
	Low \$m	High \$m
Value of VGI Partners prior to implementation of the Merger ⁽¹⁾	304	349
Value of Regal prior to implementation of the Merger	554	608
Less Special Dividend to be paid to VGI Partners shareholders ⁽²⁾	(28)	(28)
Controlling interest value of the Merged Entity	830	929
Shares on issue ⁽³⁾	211.5	211.5
Controlling interest value per share ⁽⁴⁾	\$3.92	\$4.39

Note:

- 1 Including surplus cash.
- 2 For the purposes of our report we have assumed that the Special Dividend will be \$0.40 per VGI Partners share (consistent with the level of surplus cash included in our valuation of VGI Partners).
- 3 70.5 million existing VGI Partners shares plus 141.0 million new shares to be issued to Regal shareholders.
- 4 Before synergy benefits.

Portfolio interest value of VGI Partners post Merger

266 As stated above, when assessing the "fairness" of the Merger under RG 111 we are required to assess the value of VGI Partners post implementation of the Merger on a **portfolio or minority interest basis**. Accordingly, we have applied a 20% minority interest discount

(consistent with empirical evidence) when assessing the minority interest value of VGI Partners shares, as shown below:

Minority interest value of VGI Partners post-Merger		
	Low \$ / share	High \$ / share
Controlling interest value of VGI Partners shares post Merger	3.92	4.39
Less 20% minority interest discount	(0.78)	(0.88)
Minority interest value of VGI Partners shares post Merger	<u>\$3.14</u>	<u>\$3.51</u>

Value of deemed consideration inclusive of Special Dividend

267 The value of the deemed consideration being received by VGI Partners shareholders under RG 111 is equal to:

- (a) the value of VGI Partners shares post implementation of the Merger on a portfolio or minority interest basis; plus
- (b) the Special Dividend of up to \$0.40 per share to be paid to VGI Partners shareholders prior to implementation of the Merger⁵⁴.

268 The value of the deemed consideration being received by VGI Partners shareholders is therefore:

Deemed consideration		
	Low \$ / share	High \$ / share
Minority interest value of VGI Partners shares post Merger	3.14	3.51
Add Special Dividend ⁽¹⁾	0.40	0.40
Deemed consideration	<u>\$3.54</u>	<u>\$3.91</u>

Note:

- 1 For the purposes of our report we have assumed that the Special Dividend will be \$0.40 per VGI Partners share (consistent with the level of surplus cash included in our valuation of VGI Partners).

269 We note that the above value range is less than the recent trading price of VGI Partners shares following the announcement of the Merger (of between \$4.00 and \$4.50 per share up to 21 April 2022). This post announcement share trading range may reflect an expectation amongst share market investors of the value of the operational and other synergies which could potentially arise from a merger of the two businesses. However, as noted in Section III, VGI Partners share trading volumes are relatively low due to the large shareholdings held by the founder shareholders.

Assessment of fairness

270 Based on the above, the “fairness” comparison required under RG 111 is set out below:

⁵⁴ For the purposes of our report we have assumed that the Special Dividend will be \$0.40 per VGI Partners share (consistent with the level of surplus cash included in our valuation of VGI Partners).



“Fairness” value comparison			
	Low \$ per share	High \$ per share	Mid-point \$ per share
Deemed consideration including Special Dividend ⁽¹⁾	3.54	3.91	3.73
Controlling interest value of VGI Partners shares prior to implementation of the Merger	4.31	4.95	4.63
Extent to which the deemed consideration is less than the controlling interest value of VGI Partners shares before implementation	(0.77)	(1.04)	(0.90)

Note:

- 1 For the purposes of our report we have assumed that the Special Dividend will be \$0.40 per VGI Partners share (consistent with the level of surplus cash included in our valuation of VGI Partners).

- 271 Based on the above we have concluded that the Merger is not fair to VGI Partners shareholders when assessed under the requirements of RG 111.

Assessment of reasonableness

- 272 Under RG 111, the Merger is “reasonable” if, despite not being fair but after considering other significant factors, the expert is of the opinion that the advantages of the Merger outweigh the disadvantages from the perspective of existing VGI Partners shareholders.
- 273 Consequently, we set out below the advantages and disadvantages of the Merger from the perspective of existing VGI Partners shareholders.

Position of VGI Partners shareholders

- 274 In considering whether the Merger is reasonable, we have also considered whether VGI Partners shareholders are likely to be better off from a value perspective if they approve the Merger, by comparing the value of VGI Partners shares pre and post the Merger on a consistent portfolio basis.
- 275 Accordingly, we have reduced our controlling interest value prior to the Merger by a minority interest discount in order to estimate the corresponding portfolio interest value of VGI Partners shares.
- 276 This comparison, on a like for like basis, is shown below:

Comparative value of VGI Partners shares			
	Low \$ per share	High \$ per share	Mid-point \$ per share
Portfolio interest value of VGI Partners shares before the Merger ⁽¹⁾	3.53	4.04	3.79
Portfolio interest value of VGI Partners shares after the Merger including Special Dividend ⁽²⁾	3.54	3.91	3.73
Increase (decrease) in portfolio interest value of VGI Partners shares due to the Merger	0.01	(0.13)	(0.06)
% increase (decrease)	0.3%	(3.2)%	(1.6)%

Note:

- 1 Being our controlling interest value of VGI Partners shares prior to the Merger of \$4.31 to \$4.95 per share (refer Section VI), less a minority interest discount of 20% on the equity value before the Merger excluding the surplus cash of \$0.40 per share (which is to be distributed under the Merger).
- 2 For the purposes of our report we have assumed that the Special Dividend will be \$0.40 per VGI Partners share (consistent with the level of surplus cash included in our valuation of VGI Partners).

- 277 The above analysis indicates that the Merger terms are broadly consistent with the value each party is contributing to the Merger, and is neither value accretive or value decreative (to any material extent) from the perspective of VGI Partners shareholders in the absence of synergies and other benefits.

The Merger Ratio

- 278 Pursuant to the Merger we note that VGI Partners and Regal shareholders will own 33.3% and 66.7% respectively of the shares in VGI Partners post implementation of the Merger. As shown below, each party's contribution to the merged entity is broadly consistent with this ownership ratio:

Value contributed to the Merger				
	Low \$m	High \$m	Low %	High %
Value of VGI Partners before implementation of the Merger	304	349		
Less Special Dividend ⁽¹⁾	(28)	(28)		
Value contributed by VGI Partners to the Merger	276	321	33.3	34.6
Value contributed by Regal to the Merger	554	608	66.7	65.4
Implied value of merged entity	830	929	100.0	100.0

Note:

- 1 For the purposes of our report we have assumed that the Special Dividend will be \$0.40 per VGI Partners share (consistent with the level of surplus cash included in our valuation of VGI Partners).

- 279 As the value contributed by VGI Partners shareholders to the merged entity (of 33.3% to 34.6%) is broadly consistent with VGI Partners shareholders' ownership interest in VGI Partners following implementation of the Merger (33.3%), we consider that the Merger terms are appropriate.
- 280 Given the above, together with the benefits of the Merger (discussed in paragraph 263) and the potential for synergy benefits to be realised over the medium term, in our opinion the Merger is reasonable to VGI Partners shareholders in the absence of a superior proposal.

Impact on control

- 281 Following implementation of the Merger:
- (a) Mr Philip King (through entities in which he has a beneficial interest) will hold approximately 42.5% of the shares in VGI Partners
 - (b) other existing Regal shareholders will hold approximately 24.2% of the shares in VGI Partners



- (c) Mr Robert Luciano (through entities in which he has a beneficial interest) will hold approximately 19.4% of the shares in VGI Partners; and
- (d) other existing VGI Partners shareholders will hold approximately 13.9% of the shares in VGI Partners.

282 Pursuant to the Merger, the Regal vendors (and associates) will acquire a relevant interest in VGI Partners (in aggregate) of approximately 66.7%. Therefore if the Merger is approved prima facie the Regal vendors will have control of VGI Partners, and should therefore be able to control VGI Partners' strategic direction and future dividend policy.

283 However, we note:

- (a) the Deed contemplates that following implementation of the Merger, VGI Partners will have a Board consisting of six directors, with two nominated by each of VGI Partners and Regal in addition to the appointment of two external independent directors. Neither Mr Robert Luciano nor Mr Philip King will be on the Board of VGI Partners given their investment-focused roles post the Merger
- (b) it is expected that on implementation of the Merger:
 - (i) Mr Brendan O'Connor (the current Chief Executive Officer of Regal) will be appointed as Chief Executive Officer of VGI Partners
 - (ii) Mr Ian Cameron (the current Chief Financial Officer of VGI Partners) will be appointed as Chief Financial Officer of the Merged Entity; and
 - (iii) the balance of the executive management team will be drawn from both VGI Partners and Regal.

Likelihood of receiving a future takeover offer or other control transaction

284 As stated above, if the Merger is approved the Regal vendors in aggregate will hold a 66.67% interest in VGI Partners, and will therefore be in a position to block and/or control the outcome of any future takeover (or comparable change of control transaction) due to the size of their aggregate shareholdings.

285 However, this is not dissimilar to the current position of VGI Partners prior to the Merger, as Mr Robert Luciano (through entities in which he has a beneficial interest) currently owns 58.23% of VGI Partners shares.

Likelihood of a superior proposal

286 Since the announcement of VGI Partners' and Regal's entry into the Deed on 30 March 2022 up to the date of this report, we understand that no Competing Proposal (as defined in the Deed) has emerged.

Conclusion

287 **Based on the above we have concluded that the Merger is not fair but is reasonable to VGI Partners shareholders in the absence of a superior proposal.**



288 We have formed this view because:

- (a) the Merger terms reflect the value contributed by VGI Partners shareholders to the merged entity, as the value contributed by VGI Partners shareholders (of 33.3% to 34.6%) is broadly consistent with VGI Partners shareholders ownership interest in VGI Partners following implementation of the Merger (33.3%)
- (b) there are a number of benefits associated with the Merger. For example, the merged entity will be substantially larger than VGI Partners and its FUM will be more diversified. VGI Partners will also enhance its investment management capabilities
- (c) synergy benefits arising from the Merger are likely to be realised over time
- (d) in our view, there are no material disadvantages associated with the Merger for VGI Partners shareholders in general (whilst VGI Partners shareholders are diluted they also acquire an interest in Regal and a much larger business).



Appendix A

Financial Services Guide

Lonergan Edwards & Associates Limited

- 1 Lonergan Edwards & Associates Limited (ABN 53 095 445 560) (LEA) is a specialist valuation firm which provides valuation advice, valuation reports and independent expert's reports (IER) in relation to takeovers and mergers, commercial litigation, tax and stamp duty matters, assessments of economic loss, commercial and regulatory disputes.
- 2 LEA holds Australian Financial Services Licence No. 246532.

Financial Services Guide

- 3 The *Corporations Act 2001 (Cth)* (Corporations Act) authorises LEA to provide this Financial Services Guide (FSG) in connection with its preparation of an IER to accompany the Notice of Meeting to be sent to VGI Partners shareholders in connection with the Merger.
- 4 This FSG is designed to assist retail clients in their use of any general financial product advice contained in the IER. This FSG contains information about LEA generally, the financial services we are licensed to provide, the remuneration we may receive in connection with the preparation of the IER, and if complaints against us ever arise how they will be dealt with.

Financial services we are licensed to provide

- 5 Our Australian Financial Services Licence allows us to provide a broad range of services to retail and wholesale clients, including providing financial product advice in relation to various financial products such as securities, derivatives, interests in managed investment schemes, superannuation products, debentures, stocks and bonds.

General financial product advice

- 6 The IER contains only general financial product advice. It was prepared without taking into account your personal objectives, financial situation or needs.
- 7 You should consider your own objectives, financial situation and needs when assessing the suitability of the IER to your situation. You may wish to obtain personal financial product advice from the holder of an Australian Financial Services Licence to assist you in this assessment.

Fees, commissions and other benefits we may receive

- 8 LEA charges fees to produce reports, including this IER. These fees are negotiated and agreed with the entity who engages LEA to provide a report. Fees are charged on an hourly basis or as a fixed amount depending on the terms of the agreement with the entity who engages us. In the preparation of this IER, LEA is entitled to receive a fee estimated at \$200,000 plus GST.
- 9 Neither LEA nor its directors and officers receives any commissions or other benefits, except for the fees for services referred to above.



Appendix A

- 10 All of our employees receive a salary. Our employees are eligible for bonuses based on overall performance and the firm's profitability, and do not receive any commissions or other benefits arising directly from services provided to our clients. The remuneration paid to our directors reflects their individual contribution to the company and covers all aspects of performance. Our directors do not receive any commissions or other benefits arising directly from services provided to our clients.
- 11 We do not pay commissions or provide other benefits to other parties for referring prospective clients to us.

Complaints

- 12 If you have a complaint, please raise it with us first, using the contact details listed below. We will endeavour to satisfactorily resolve your complaint in a timely manner.
- 13 If we are not able to resolve your complaint to your satisfaction within 45 days of your written notification, you are entitled to have your matter referred to the Australian Financial Complaints Authority (AFCA), an external complaints resolution service. You will not be charged for using the AFCA service.

Contact details

- 14 LEA can be contacted by sending a letter to the following address:

Level 7
64 Castlereagh Street
Sydney NSW 2000
(or GPO Box 1640, Sydney NSW 2001)

Appendix B

Qualifications, declarations and consents

Qualifications

- 1 LEA is a licensed investment adviser under the Corporations Act. LEA's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to the valuation of shares and businesses and have prepared hundreds of IERs.
- 2 This report was prepared by Mr Craig Edwards and Mr Martin Holt, who are each authorised representatives of LEA. Mr Edwards and Mr Holt have over 28 years and 36 years experience respectively in the provision of valuation advice (and related advisory services).

Declarations

- 3 This report has been prepared at the request of the Directors of VGI Partners to accompany the Notice of Meeting to be sent to VGI Partners shareholders. It is not intended that this report should serve any purpose other than as an expression of our opinion as to whether or not the Merger is fair and reasonable to VGI Partners shareholders.

Interests

- 4 At the date of this report, neither LEA, Mr Edwards nor Mr Holt have any interest in the outcome of the Merger. With the exception of the fee shown in Appendix A, LEA will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.
- 5 We have considered the matters described in ASIC RG 112 – *Independence of experts*, and consider that there are no circumstances that, in our view, would constitute a conflict of interest or would impair our ability to provide objective independent assistance in this engagement.

Indemnification

- 6 As a condition of LEA's agreement to prepare this report, VGI Partners agrees to indemnify LEA in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of VGI Partners which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.

Consents

- 7 LEA consents to the inclusion of this report in the form and context in which it is included in VGI Partners' Notice of Meeting.

Appendix C

Assessment of appropriate discount rate

Principles

- 1 The determination of the discount rate or cost of capital for an asset requires identification and consideration of the factors that affect the returns and risks of that asset, together with the application of widely accepted methodologies for determining the returns demanded by the debt and equity providers of the capital employed in the asset.
- 2 The discount rate applied to the projected cash flows from an asset or business represents the financial return that will be demanded before an investor would be prepared to acquire (or invest in) the asset or business. Discount rates for assets or businesses are frequently evaluated using the weighted average cost of capital (WACC) which is a function of the cost of equity and the cost of debt (and related debt to equity levels).

WACC

- 3 The generally accepted WACC formula is the post-tax WACC (without adjustment for dividend imputation), as shown below:

WACC formula

$$WACC = R_e \frac{E}{V} + R_d (1 - t) \frac{D}{V}$$

where:

- R_e = expected equity investment return or cost of equity in nominal terms
- R_d = interest rate on debt (pre-tax)
- t = corporate tax rate
- E = market value of equity
- D = market value of debt
- V = market value of debt plus equity

- 4 We have used the capital asset pricing model (CAPM) to derive the cost of equity for VGI Partners. The formula for deriving the cost of equity using the CAPM is as follows:

Cost of equity calculation

$$R_e = R_f + \beta_e [E(R_m) - R_f]$$

where:

- R_e = expected equity investment return or cost of equity in nominal terms
- R_f = risk-free rate of return
- $E(R_m)$ = expected market return
- $E(R_m) - R_f$ = market risk premium (MRP)
- β_e = equity beta

- 5 The elements adopted in the calculation of the discount rate for VGI Partners using the WACC are detailed as follows.



Appendix C

Risk-free rate

- 6 For the purpose of our valuation of VGI Partners we have adopted a long-term risk-free rate of 3% per annum. This is consistent with the average yield on long term Australian Commonwealth Government Bonds during March 2022.

Market risk premium

- 7 The MRP represents the additional return above the risk-free rate that investors require in order to invest in a well-diversified portfolio of equity securities (i.e. the equity market as a whole). Having regard to academic studies and empirical evidence, as well as the average market risk premium calculated over the longer term, we have adopted a long-term MRP of 6.5% per annum.

Equity beta

- 8 Beta is a measure of the expected volatility of the return on an investment relative to the market as a whole. The CAPM assumes that beta is the only reason expected returns on an asset differ from the expected return on the market as a whole. A beta greater than 1.0 suggests that an investment's returns are expected to be more volatile and risky than average (and accordingly a higher return than the market is required), whereas a beta less than 1.0 suggests that future returns will be less volatile and risky.
- 9 Similar to MRPs, expected equity betas are not observable. Historical betas are usually estimated and used as a reference to determine the appropriate forward-looking betas. In addition, factors such as betas of comparable companies and relevant industry sectors and a qualitative assessment of the systematic risks of the subject business are also considered. The determination of the appropriate beta to apply is, therefore, ultimately a matter of judgement.
- 10 In determining the appropriate equity beta for VGI Partners, we have considered (inter-alia):
- (a) the risks associated with the business of, and an equity investment in, VGI Partners
 - (b) historical beta estimates for Australian companies in the funds management industry.

Betas of comparable companies

- 11 The equity betas for selected Australian listed companies operating in the funds management industry are set out below:

Appendix C

Betas					
Company	Enterprise value A\$m	Gearing⁽¹⁾ %	Performance fees as % of revenue	Beta⁽²⁾	RSQ⁽³⁾
Domestic					
VGI Partners	-	-	-	1.15	0.21
Perpetual	1,877	(43.7)	3.2	1.75	0.62
Magellan Financial Group	1,862	(2.8)	4.5	1.49	0.31
Pendal Group	1,229	(36.5)	9.9	1.72	0.49
Platinum Asset Management	928	(36.5)	1.5	1.34	0.33
Navigator Global Investments	249	(30.3)	12.1	0.86	0.08
Pengana Capital Group	197	(16.4)	40.0	1.13	0.19
Pacific Current Group	180	(102.1)	5.0	1.06	0.30
			Average	1.31	
			Median	1.24	
US traditional					
Affiliated Managers Group	10,602	14.8	8.0	1.38	0.44
Janus Henderson Group	6,203	(33.9)	3.7	1.46	0.51
Federated Hermes	4,072	(7.0)	na	1.10	0.30
Artisan Partners Asset Mgt.	3,976	(7.4)	1.1	1.80	0.68
Victory Capital Holdings	3,818	24.1	na	1.10	0.18
Virtus Investment Partners	2,372	(12.3)	0.3	1.55	0.45
Brightsphere Investment Group	1,630	7.5	16.2	1.70	0.39
WisdomTree Investments	1,165	4.3	na	1.71	0.42
			Average	1.48	
			Median	1.50	
International – alternate					
Hamilton Lane	5,828	(4.9)	15.3	0.92	0.23
Man Group	4,464	(27.0)	18.9	1.22	0.40
Ashmore Group	1,656	(90.0)	4.1	1.38	0.45
Jupiter Fund Management	1,414	(53.2)	18.3	1.54	0.46
RMR Group	1,223	(25.3)	0.4	1.70	0.49
Polar Capital Holdings	853	(32.7)	21.7	1.40	0.35
Premier Miton Group	347	(27.8)	-	1.99	0.51
			Average	1.45	
			Median	1.40	
Industry / sector betas					
Stern NYU (Damadoran) – Investments and asset management index				1.05	na
BI Global Large Investment Management valuation peers index				1.35	0.74
BI Global Large Cap Investment managers competitive peers index				1.22	0.72
			Average	1.21	
			Median	1.22	

Note:

- 1 Gearing equals net debt divided by enterprise value. Negative levels indicate a net cash position.
 - 2 Based on four years of monthly returns to 23 March 2022.
 - 3 R-squared (RSQ) measures the reliability of the beta estimate. Industry sector betas generally have a higher RSQ value and are typically more reliable.
- na – not available.



Appendix C

- 12 Whilst none of the listed companies are directly comparable to VGI Partners in terms of size and operations, they operate in the same broad industry as VGI Partners and therefore provide some guidance as to the appropriate beta for companies operating in the funds management sector. As noted above, the betas for these listed companies generally indicate a beta greater than 1 (as a minimum) is appropriate for VGI Partners.

Comment and conclusion on beta

- 13 VGI Partners generates a substantially larger proportion of revenue from performance fees compared to the listed companies generally, although we note that historically VGI Partners generated an entitlement to performance fees on an annual basis (reflective of the terms of the funds management agreements entered into). Accordingly, in our opinion, it is appropriate to distinguish between the risks associated with each fee income stream when valuing VGI Partners. As noted in Section VI, we have therefore valued VGI Partners by separately determining:
- (a) the present value of the expected net income and cash flow from the business excluding performance fees; plus
 - (b) the present value of the expected net income and cash flow contribution from performance fees (net of associated bonuses to staff).
- 14 Due to the inherent greater volatility (and risk) associated with performance fee income (compared to management fee income) a relatively higher beta is appropriate. Accordingly, the betas adopted for valuation purposes are as follows:
- (a) business excluding performance fee contribution – 1.0 to 1.2
 - (b) performance fee contribution – 1.35 to 1.55.

Debt to debt plus equity ratio

- 15 Consistent with the net cash position held by VGI Partners since listing in 2019, we have assumed that the business operations of VGI Partners are financed by equity capital only (i.e. no net debt).

WACC

- 16 Based on the above, the nominal discount rate range used for VGI Partners is as follows:

Appendix C

VGI Partners – discount rate (after tax)				
Parameters	Cash flows ex performance fees		Cash flow from performance fees	
	Low %	High %	Low %	High %
Beta	1.0	1.2	1.35	1.55
MRP	6.5	6.5	6.5	6.5
Risk-free rate	3.0	3.0	3.0	3.0
Cost of equity	9.5	10.8	11.8	13.1
Cost of pre-tax debt	na	na	na	na
Tax rate	30	30	30	30
Cost of post-tax debt	na	na	na	na
Proportion of equity funding	100	100	100	100
Proportion of debt funding	-	-	-	-
WACC / discount rate (range)	9.5	10.8	11.8	13.1
WACC / discount rate adopted	10.0		12.5	

Discount rate used in terminal value calculation

- 17 Whilst VGI Partners' management and performance fee structure is broadly consistent with those of other "absolute return" fund managers (as set out in Section V), there is an inherent industry risk that investment management agreements are terminated or renegotiated at expiry. In this regard we note that:
 - (a) the current VG1 mandate is to 19 July 2027
 - (b) the current VG8 mandate is to 2 September 2029.
- 18 As noted above, VGI Partners' current performance fee structures entitle it to a performance fee even if the return achieved for investors is low (as evidenced by the annual frequency of historical performance fee entitlements). In our view the renegotiation risk associated with such mandates is therefore higher than for fund managers who only receive a performance fee for outperformance (with an associated infrequent fee entitlement).
- 19 Consequently, we have applied an additional risk premium of 1% to 2% when valuing the performance fee contribution in our TV calculation.



Appendix D

Listed company descriptions

Australian listed asset managers

Magellan Financial Group Ltd

- 1 Magellan Financial Group is a funds management business based in Sydney, Australia. The company offers international investment funds to high net worth and retail investors in Australia, New Zealand and institutional investors globally. It focuses on investing in global equities through a range of listed and unlisted investment funds. As at 7 April 2022, the company managed approximately A\$70 billion in global equity and infrastructure strategies for its clients. Independent of its core funds management, Magellan has financial investments in Barrenjoey Capital Partners, FinClear Holdings Limited and Guzman y Gomez.

Platinum Asset Management Ltd

- 2 Platinum Asset Management is an Australian based fund manager that focuses on global equities. The company is a value fund manager that seeks out undervalued companies. Platinum's product range consists of global, regional and sector investments. It offers regional and industry-specific funds in addition to global portfolios and provides investment management services to its related party unit trusts, its offshore fund and its two ASX-listed investment companies. As at 31 January 2022, Platinum had approximately A\$22.5 billion in FUM.

Pendal Group Ltd

- 3 Pendal Group (formerly BT Investment Management) is an Australian multi-boutique style business engaged in the provision of investment management services. The company offers investment services for Australian equities, global equities, property, ethical, income and fixed interest and diversified strategies. Pendal managed A\$135.7 billion in FUM as at 31 December 2021 through TSW, Pendal Australia, Regnan, J O Hambro (JOHCM) USA and JOHCM UK, Europe and Asia.

Perpetual Ltd

- 4 Perpetual is an Australian based wealth manager that provides a range of financial products through four segments, being Perpetual Investments Australia, Perpetual Investments International, Perpetual Private and Perpetual Corporate Trust. Perpetual Investments provides investment products and services to retail, corporate, superannuation and institutional clients. Perpetual Private provides a range of wealth advice services to high net worth individuals, charities and not-for-profit organisations. Perpetual Corporate Trust provides trustee and fiduciary services to institutional clients, including custodial, trustee responsible entity and other ancillary services.

Pacific Current Group Ltd

- 5 Pacific Current Group (formerly Treasury Group) is a multi-boutique asset management business. The company is focused on finding and partnering with investment managers. It enables investment managers to focus on their core business of investing by providing strategic resources such as capital, institutional distribution capabilities and operational expertise. As at 31 December 2021, Pacific Current Group had A\$165 billion in FUM and

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interests in over 15 boutiques in Australia, the US and other jurisdictions, ranging from traditional equities to alternatives and private equity. The company's portfolio is diversified across a range of factors, including investment strategy, geography, revenue model and client type.

Pengana Capital Group Ltd

- 6 Pengana Capital Group (formerly Hunter Hall International) is a diversified funds management business headquartered in Sydney, Australia. The company provides distinct investment strategies that aim to deliver superior long-term risk-adjusted returns to investors, with a focus on capital preservation. Pengana Capital focuses on investing in property and Australian and global equities through a range of listed and unlisted investment funds, some of which apply an ethical investment policy. As at 31 December 2021, Pengana had over A\$4 billion in FUM.

Navigator Global Investments Limited

- 7 Navigator is the ASX-listed parent of alternative investment manager Lighthouse Investment Partners, LLC. Based in the US, Lighthouse creates and manages global hedge fund solutions for a variety of clients from around the world. The company is a global investment management firm which focuses on the alternatives sector, and more specifically multi-manager hedge fund solutions (funds of hedge funds), for investors who are looking to diversify their asset mix and realise growth with a lower correlation to traditional equity and fixed income allocations. As at 31 December 2021, Navigator had US\$21.6 billion of FUM.

US listed asset managers

Affiliated Managers Group Inc.

- 8 Affiliated Managers Group (AMG) is a global asset management company that invests through a partnership approach in active investment management firms. AMG offers its affiliates growth capital, global distribution, and other strategic value-added capabilities, which enhance the long-term growth of these independent businesses, and enable them to align equity incentives across generations of principals to build enduring franchises. AMG's Affiliates offer over 500 investment products across a broad array of return-oriented strategies, to institutional and retail clients around the world. As at 31 December 2021, AMG's aggregated FUM were approximately US\$814 billion.

Janus Henderson Group Plc

- 9 Janus is a global asset manager that provides services to institutional and retail clients, and high net worth clients in the US, Europe, Asia and Australia. The company manages a broad range of investment products for institutional and retail investors across five core capabilities, being equities, quantitative equities, fixed income, multi-asset and alternatives. As at 31 December 2021, Janus had over US\$594 billion in FUM.

Artisan Partners Asset Management Inc.

- 10 Artisan Partners is an investment management company that provides a range of US and global investment strategies to separate accounts, mutual funds and other pooled investment vehicles. The company offers its investment management services primarily to institutions

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and through intermediaries that operate with long-term investment horizons. Artisan Partners provides clients with multiple equity investment strategies spanning various market capitalisation segments and investing styles. As at 31 December 2021, Artisan Partners had US\$174.8 billion in FUM.

Federated Hermes Inc.

- 11 Federated Hermes (formerly Federated Investors) is a US based provider of investment management products and related financial services including money market, equity and fixed income investments. The company is primarily engaged in sponsoring, marketing and providing investment related services to mutual funds and separate accounts. It also provides investment advisory services to sponsored investment companies and other funds. As at 31 December 2021, Federated Hermes had US\$668.9 billion in FUM.

Victory Capital Holdings Inc.

- 12 Victory Capital Holdings is a diversified global investment management firm offering a diverse array of investment vehicles. The company's model features an operating platform that provides centralised distribution, marketing and operations infrastructure to its 12 autonomous investment franchises in addition to its solutions platform. Victory Capital offers its solutions platform through a variety of vehicles, including separate accounts, mutual funds and the VictoryShares exchange-traded funds brand. As at 31 January 2022, Victory Capital had US\$176.8 billion in FUM.

Brightsphere Investment Group Inc.

- 13 Brightsphere Investment Group is a global diversified asset management company engaged in providing active investment strategies primarily to institutional investors around the world through its affiliated asset management firms. The company offers products in global, US and emerging markets equities, in addition to alternative investments and responsible investing. As at 31 December 2021, Brightsphere had approximately US\$117 billion in FUM.

Virtus Investment Partners Inc.

- 14 Virtus Investment Partners is a provider of investment management and related services to individuals and institutions. The company provides multi-manager, multi-strategy solutions to deliver a broad array of investment strategies from affiliated managers. Virtus offers equities, fixed income and alternative investments products across US, global and emerging markets. The company's retail products include open-end funds, closed-end funds, exchange traded funds and separately managed accounts. The company's institutional products are offered through separate accounts and pooled or commingled structures to a variety of institutional clients. As at 31 December 2021, Virtus had US\$187.2 billion in FUM.

WisdomTree Investments Inc.

- 15 WisdomTree Investments is a New York based asset management company that focuses on providing exchange traded funds. The company seeks to combine the low cost, high transparency model of traditional passive investing with the outperformance potential of traditional active management. WisdomTree Investment's family of exchange traded funds includes funds that track its own indexes, third party indexes and market prices of

Appendix D

commodities. The company also offers actively managed products, pioneering alternative weighting methods which seek to combine the outperformance potential of active management with the benefits of passive management. As at 31 December 2021, WisdomTree had US\$77.5 billion in FUM.

Alternative listed asset managers

Hamilton Lane Inc.

- 16 Hamilton Lane is a US based global private markets investment solutions provider. The company works with its clients to create and manage portfolios of private market funds and direct investments, as well as providing access to a diversified set of such investment opportunities around the world. Hamilton Lane offers a range of investment solutions across a range of private markets, including private equity, private credit, real estate, infrastructure, natural resources, growth equity and venture capital. As at 31 December 2021, Hamilton Lane had approximately US\$88 billion in FUM and approximately US\$631 billion of assets under advisement.

Ashmore Group Plc

- 17 Ashmore Group is a United Kingdom based company which operates as a specialist emerging markets asset manager. The company offers a range of investment themes, including external debt, local currency, corporate debt, blended debt, equities, alternatives, multi-strategy and liquidity. Ashmore Group's products are available in a range of fund structures, covering the liquidity spectrum from daily-dealing pooled funds through to multi-year locked-up partnerships. As at 31 December 2021, Ashmore Group managed US\$87.3 billion in FUM.

Jupiter Funds Management Plc

- 18 Jupiter Funds Management is a United Kingdom based active fund manager offering a broad range of actively managed strategies to United Kingdom and international clients, including equities, fixed income, multi-asset and alternatives. The company primarily focuses on managing equity investments on behalf of retail, institutional and private client investors across a range of products, including the United Kingdom and offshore mutual funds, segregated mandates and investment trusts. As at 31 December 2021, Jupiter had £60.5 billion in FUM.

RMR Group Inc.

- 19 RMR Group is a US based alternative asset management company, engaged in the management of a diverse portfolio of publicly owned real estate and real estate related businesses. The company supplies management services to a variety of real estate investment providers, including publicly traded real estate investment trusts, real estate related operating companies, a firm specialising in commercial real estate finance and a publicly traded closed-end fund investing in listed real estate companies. RMR Group has approximately US\$33 billion in FUM.

Polar Capital Holdings Plc

- 20 Polar Capital Holdings is a United Kingdom based active investment management company engaged in the provision of investment management and advisory services. The company



Appendix D

supports 16 investment teams managing 30 funds and three investment trusts across a range of long-only and alternative products. Polar Capital offers professional and institutional investors a range of geographical and sector investment opportunities including fundamental funds diversified by asset class, geography, sectoral specialisation, strategy and structure. As at 31 December 2021, Polar Capital had £24.3 billion in FUM.

Premier Miton Group Plc

- 21 Premier Miton Group (formerly Premier Asset Management) is a United Kingdom based retail asset management group focused on delivering investment outcomes for investors. The company offers a range of investment types, including mutual funds, closed-ended investment companies and portfolio management services. Premier's funds cover different investment strategies, including multi-asset, equities, fixed income and absolute return as well as funds that have a specific environmental, social and governance focus. As at 30 September 2021, Premier had £13.9 billion in FUM.

Appendix E

Glossary

Term	Meaning
1H	First half of financial year to 31 December
AASB 16	Australian Accounting Standard AASB 16 – <i>Leases</i>
AFCA	Australian Financial Complaints Authority
ASIC	Australian Securities & Investments Commission
ASX	Australian Securities Exchange
Attunga	Attunga Pty Ltd
AUD / A\$	Australian dollar
AUM	Assets under management
CAPM	Capital asset pricing model
CARR	Compound annual rate of return
Charitable Foundation Class	Class of investment in the Master Fund wherein 100% of management fees and performance fees earned by VGI Partners are donated to the VGI Partners Foundation
Company	VGI Partners Limited
Corporations Act	<i>Corporations Act 2001 (Cth)</i>
CY	Calendar year
DCF	Discounted cash flow
Deed	Merger Implementation Deed
EBIT	Earnings before interest and tax
EBITA	Earnings before interest, tax and amortisation of acquired intangibles
EBITDA	Earnings before interest, tax depreciation and amortisation
EPS	Earnings per share
FSG	Financial Services Guide
FUM	Funds under management
FY	Financial year
GRM	Gresham Royalties Management Pty Limited
IER	Independent expert's report
IMA	Individually managed account
IPO	Initial public offering
Kilter	Kilter Pty Ltd
LEA	Loneragan Edwards & Associates Limited
LIC	Listed investment company
Managed Funds	Collectively, the Master Fund, Offshore Fund, VG1 and VG8
Master Fund	VGI Partners Master Fund
Merger	The proposed acquisition of Regal by VGI Partners
Merger Ratio	Existing VGI Partners shareholders will represent approximately 33.3% and existing Regal shareholders approximately 66.7% of the merged entity
MRP	Market risk premium
NAV	Net asset value
NPV	Net present value
NTA	Net tangible assets
Offshore Fund	VGI Partners Offshore Fund
Performance Calculation Period	Performance of each VGI Partners Fund over a specific period of time determined in its investment management agreement, constitution or trust deed
Regal	Regal Funds Management Pty Ltd
RF1	Regal Investment Fund
RG 111	ASIC Regulatory Guide 111 – <i>Content of expert reports</i>



Appendix E

Term	Meaning
Special Dividend	A fully franked dividend of up to \$0.40 per VGI Partners ordinary share
TV	Terminal value
US	United States of America
USD / US\$	US dollar
VG1	VGI Partners Global Investments Limited
VG8	VGI Partners Asian Investments Limited
VGI Partners / the Company	VGI Partners Limited
VGI Partners Foundation	An independent public ancillary fund formed in 2018
VGI Partners Funds	The Master Fund, Offshore Fund, VG1, VG8 and various IMAs
VWAP	Volume weighted average trading price
WACC	Weighted average cost of capital
WANOS	Weighted average number of shares outstanding

Corporate Directory

Registered office and principal place of business

39 Phillip Street, Sydney NSW 2000

Legal adviser

Allens

Deutsche Bank Place
Corner Hunter and Phillip Streets
Sydney NSW 2000

Financial adviser

Jefferies (Australia) Pty Ltd

Level 22, 60 Martin Place
Sydney NSW 2000

Independent Expert

Loneragan Edwards & Associates Limited

Level 7, 64 Castlereagh Street
Sydney NSW 2000

VGI Share Registry

Boardroom Pty Limited

Level 12, 225 George Street
Sydney NSW 2000

Stock exchange listing

VGI Partners Limited shares
are listed on the ASX (ASX Code: VGI)

Company website

www.vgipartners.com

Investor website

www.vgipartners.com/company

VGI PARTNERS

www.vgipartners.com

VGI PARTNERS

VGI Partners Limited will hold its 2022 Annual General Meeting (**AGM**) at **1.00pm (AEST) on Friday, 27 May 2022** at the Barnet Long Room, Customs House, 31 Alfred Street, Sydney NSW 2000 and online at <https://web.lumiagm.com/351-261-367>. A phone facility will also be provided for the AGM.

This guide provides information for online attendees and phone participants.

Shareholders and Appointed Proxyholders

- May join and participate in the AGM by logging into the webcast at <https://web.lumiagm.com/351-261-367> with their username and password (postcode or country code). During the AGM, registered shareholders and proxyholders may:
 - Vote online via Lumi. If the shareholder or proxyholder voted online prior to the AGM, the vote during the AGM will override the pre-AGM vote.
 - Submit questions online.
- Or may prefer to ask questions by phone at **1800 434 182** or **+61 2 8000 4164**. Shareholders should provide their personal Voting Access Code (VAC), their name and the name of the holding to the call centre operator. Once registered with the call centre, a shareholder will be able to listen to the AGM proceedings over the phone. Phone participants will be notified when it is time to register questions for each item of business and when it is their turn to ask a question. It will not be possible to vote by phone.
- Or may view the webcast by registering as a guest, but will not be able to vote or ask questions.

Guests and Non-Shareholders

- May view the webcast at <https://web.lumiagm.com/351-261-367> and register as a guest. Guests will not be able to vote or ask questions.
- Or may listen by phone. Guests should call **1800 434 182** or **+61 2 8000 4164** and provide their name to the operator. Guests will be on a muted line and it will not be possible to vote by phone.

Voting Access Code (VAC)

Shareholders who wish to attend online (to vote and/or ask questions), or wish to use the phone to ask questions, will require their VAC. The VAC can be found in the personalised AGM email or personalised proxy form sent on 27 April 2022 to shareholders. The VAC is also in the personalised proxy form that is available via the shareholder's InvestorServe account under Statements & Advices.

If you cannot locate your VAC, please contact Boardroom Pty Ltd on 1300 737 760 or +61 2 9290 9600 between 8.30am to 5.30pm (AEST) Monday to Friday or enquiries@boardroomlimited.com.au. You will need to provide to Boardroom your account name, registered address and SRN/HIN or Boardroom Reference Number (which starts with “S” and can be found on personalised communications such as dividend statements). If you cannot locate your SRN/HIN, please contact Boardroom well in advance of the meeting so that it can be posted to your registered address. For security reasons, your SRN/HIN cannot be provided by Boardroom by email or phone. You may also be able to obtain your HIN from your broker.

Please refer to the following instructions for more information on using Lumi and the AGM phone facility.

Step-by-Step Instructions for Lumi/Online and Phone

Online registration will open at 12.00pm (AEST) on Friday, 27 May 2022 (one hour before the AGM).

To participate in the AGM, please visit <https://web.lumiagm.com/351-261-367> via a web browser on a PC, tablet or smartphone (using the latest version of Chrome, Safari, Edge or Firefox).

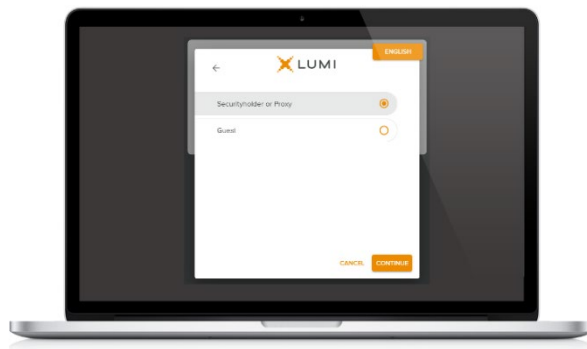
To log into the portal, you will need the following information:

Meeting ID: 351-261-367

Shareholder (if Australian registered address)	Username (Voting Access Code) and Password (postcode of your Australian registered address). The VAC can be found in the personalised email or proxy form sent on 27 April 2022, or on your personalised proxy form in InvestorServe.
Shareholder (if overseas resident)	Username (Voting Access Code) and Password (three character country code e.g. New Zealand – NZL) A full list of country codes can be found at the end of this guide.
Appointed Proxy	To receive your Username and Password, please contact our share registry, Boardroom Pty Ltd on 1300 737 760 or +61 2 9290 9600 between 8.30am to 5.30pm (AEST) Monday to Friday or email proxy@boardroomlimited.com.au . Usernames and passwords for proxyholders will become available on Thursday, 26 May 2022 (the business day prior to the AGM).
Guest	Name and email address

To join the meeting, enter the unique 9 digit meeting ID (351-261-367) and select “Join”. To proceed to registration, you will be asked to read and accept the terms and conditions.

On the next page, please select whether to join as a “Securityholder or proxy” or “Guest” and then click “Continue”.

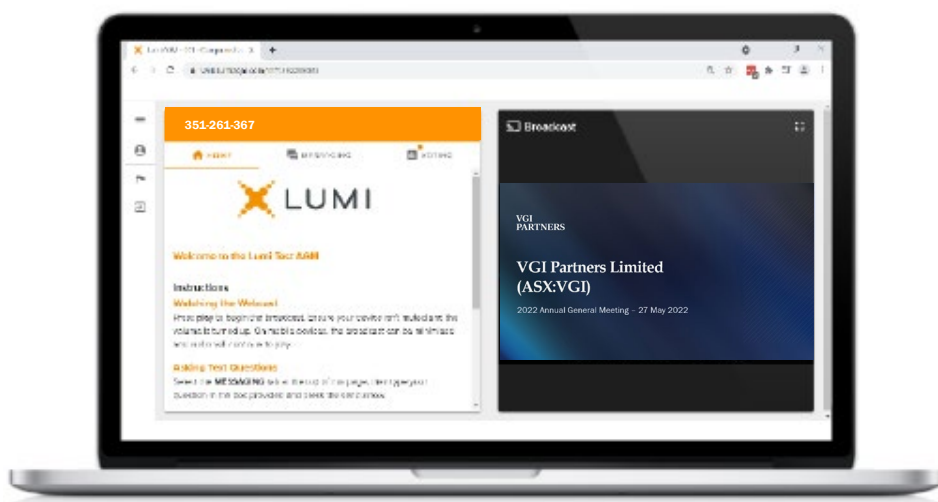



If you are a Shareholder, enter your Username (Voting Access Code) and Password (postcode or country code). **If you are a Proxyholder**, you will need to enter the unique Username and Password provided by Boardroom. Select “Login”.

If you are not a Shareholder or Proxyholder, and have elected “Guest”, you will be asked to enter your name and email details, then select “Continue”. Please note, guests are not able to vote or ask questions at the meeting.

Navigating

Once you have registered, you will be taken to the **homepage** 🏠 which displays your name and meeting information. Icons will be displayed in different areas depending on the device being used.





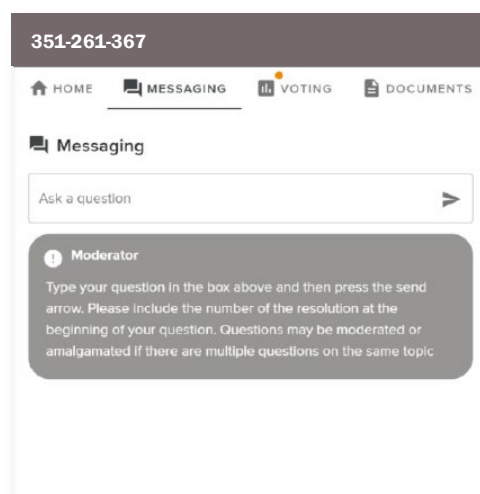
To activate the webcast, please click on the **Broadcast bar** on the screen. You may have to click the play button in the window to initiate the broadcast. Once you select to view the webcast it can take up to approximately 30 seconds for the live feed to appear on some devices. During the meeting, mobile users can minimise, or maximise the webcast at any time by selecting the arrow by the **Broadcast** button. Computer users can watch the webcast in “full screen” mode by selecting the full screen  icon.

NOTE: We recommend once you have logged in, you keep your browser open for the duration of the meeting. If you close your browser you will be asked to repeat the login process.

To Ask a Question (for Shareholders and Appointed Proxyholders Only)

Asking a Question Online

1. Select the messaging/question icon .
2. Please type the resolution number first (if relevant) and then the question.
3. Select the send icon .
4. You will receive confirmation that your question has been received.




Asking a Question By Phone

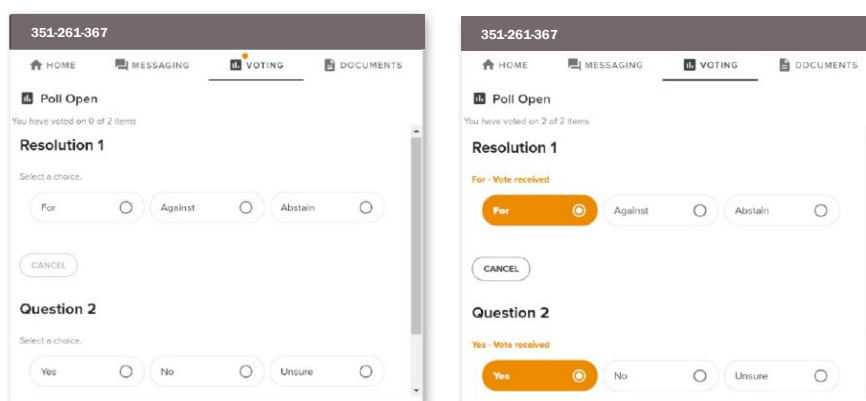
1. Please call **1800 434 182** or **+61 2 8000 4164** if outside Australia. You will be asked for your "Voting Access Code", your name and the name of your holding. If you are also logged into the online Lumi platform, please mute your webcast while on the phone.
2. You will be in a waiting room if you join before the AGM begins. At the start of the AGM, you will be admitted to the meeting and can listen to proceedings. When it is time for questions for each item of business, please press *1 to join the question queue for that item. When it is your turn, you will be introduced to the meeting, your line will be unmuted and you may start speaking. Your line will be muted again once your question is answered. To register a second question for that item of business, or to make a follow-up comment, please press *1 again.
3. If you would like to cancel your question, please press *2. If you need assistance from the operator, please press *0.
4. Please note that you will not be able to vote by phone.

The Chair will give all shareholders a reasonable opportunity to ask questions and will endeavour to answer all questions at the meeting. Questions that are similar may be grouped together and answered as one question.

To ensure all shareholders are given a reasonable opportunity to participate, shareholders will be limited to asking two questions per item of business, or one question and one follow-up comment. The Chair retains ultimate discretion to ensure equitable participation by all shareholders.

To Vote (for Shareholders and Appointed Proxyholders Only)

1. When the Chair declares the polls open, the resolutions and voting choices will appear under the voting icon .
2. Press the option corresponding with the way in which you wish to vote.
3. Once the option has been selected, the vote will appear in blue.
4. If you change your mind and wish to change your vote, simply press the new vote or cancel your vote at any time before the Chair closes the polls.
5. The number of items you have voted upon (and the total to be voted) will be shown at the top of the screen. There is no need to press a “submit” or “send” button. Your vote is automatically counted.
6. Please note that on some devices the webcast may need to be minimised to vote. This can be done by selecting the arrow in the Broadcast bar. Audio will still be available during this. To return to the webcast after voting, please select the arrow again.



Upon conclusion of the meeting, the home screen will be updated to state that the meeting is now closed.

Need help? If you require any help using this system prior to or during the meeting, please call 1300 737 760 or +61 2 9290 9600 so that the share registry (Boardroom Pty Ltd) can assist you.

Country Codes

For overseas shareholders, select your country code from the list below and enter it into the password field.

ABW	Aruba
AFG	Afghanistan
AGO	Angola
AIA	Anguilla
ALA	Aland Islands
ALB	Albania
AND	Andorra
ANT	Netherlands Antilles
ARE	United Arab Emirates
ARG	Argentina
ARM	Armenia
ASM	American Samoa
ATA	Antarctica
ATF	French Southern
ATG	Antigua & Barbuda
AUS	Australia
AUT	Austria
AZE	Azerbaijan
BDI	Burundi
BEL	Belgium
BEN	Benin
BFA	Burkina Faso
BGD	Bangladesh
BGR	Bulgaria
BHR	Bahrain
BHS	Bahamas
BIH	Bosnia & Herzegovina
BLM	St Barthelemy
BLR	Belarus
BLZ	Belize
BMU	Bermuda
BOL	Bolivia
BRA	Brazil
BRB	Barbados
BRN	Brunei Darussalam
BTN	Bhutan
BUR	Burma
BVT	Bouvet Island
BWA	Botswana
CAF	Central African Republic
CAN	Canada
CCK	Cocos (Keeling) Islands
CHE	Switzerland
CHL	Chile
CHN	China
CIV	Cote D'ivoire
CMR	Cameroon
COD	Democratic Republic of Congo
COK	Cook Islands
COL	Colombia
COM	Comoros
CPV	Cape Verde
CRI	Costa Rica
CUB	Cuba
CYM	Cayman Islands
CYP	Cyprus
CXR	Christmas Island
CZE	Czech Republic
DEU	Germany
DJI	Djibouti
DMA	Dominica
DNK	Denmark
DOM	Dominican Republic

DZA	Algeria
ECU	Ecuador
EGY	Egypt
ERI	Eritrea
ESH	Western Sahara
ESP	Spain
EST	Estonia
ETH	Ethiopia
FIN	Finland
FJI	Fiji
FLK	Falkland Islands (Malvinas)
FRA	France
FRO	Faroe Islands
FSM	Micronesia
GAB	Gabon
GBR	United Kingdom
GEO	Georgia
GGY	Guernsey
GHA	Ghana
GIB	Gibraltar
GIN	Guinea
GLP	Guadeloupe
GMB	Gambia
GNB	Guinea-Bissau
GNQ	Equatorial Guinea
GRC	Greece
GRD	Grenada
GRL	Greenland
GTM	Guatemala
GUF	French Guiana
GUM	Guam
GUY	Guyana
HKG	Hong Kong
HMD	Heard & Mcdonald Islands
HND	Honduras
HRV	Croatia
HTI	Haiti
HUN	Hungary
IDN	Indonesia
IMN	Isle Of Man
IND	India
IOT	British Indian Ocean Territory
IRL	Ireland
IRN	Iran Islamic Republic of
IRQ	Iraq
ISM	Isle of Man
ISL	Iceland
ISR	Israel
ITA	Italy
JAM	Jamaica
JEY	Jersey
JOR	Jordan
JPN	Japan
KAZ	Kazakhstan
KEN	Kenya
KGZ	Kyrgyzstan
KHM	Cambodia
KIR	Kiribati
KNA	St Kitts And Nevis
KOR	Korea Republic of
KWT	Kuwait
LAO	Laos
LBN	Lebanon

LBR	Liberia
LBY	Libyan Arab Jamahiriya
LCA	St Lucia
LIE	Liechtenstein
LKA	Sri Lanka
LSO	Lesotho
LTU	Lithuania
LUX	Luxembourg
LVA	Latvia
MAC	Macao
MAF	St Martin
MAR	Morocco
MCO	Monaco
MDA	Republic Of Moldova
MDG	Madagascar
MDV	Maldives
MEX	Mexico
MHL	Marshall Islands
MKD	Macedonia Former Yugoslav Rep
MLI	Mali
MLT	Mauritania
MMR	Myanmar
MNE	Montenegro
MNG	Mongolia
MNP	Northern Mariana Islands
MOZ	Mozambique
MRT	Mauritania
MSR	Montserrat
MTQ	Martinique
MUS	Mauritius
MWI	Malawi
MYS	Malaysia
MYT	Mayotte
NAM	Namibia
NCL	New Caledonia
NER	Niger
NFK	Norfolk Island
NGA	Nigeria
NIC	Nicaragua
NIU	Niue
NLD	Netherlands
NOR	Norway Montenegro
NPL	Nepal
NRU	Nauru
NZL	New Zealand
OMN	Oman
PAK	Pakistan
PAN	Panama
PCN	Pitcairn Islands
PER	Peru
PHL	Philippines
PLW	Palau
PNG	Papua New Guinea
POL	Poland
PRI	Puerto Rico
PRK	Korea Dem Peoples Republic of
PRT	Portugal
PRY	Paraguay
PSE	Palestinian Territory Occupied
PYF	French Polynesia
QAT	Qatar
REU	Reunion

ROU	Romania
RUS	Russian Federation
RWA	Rwanda
SAU	Saudi Arabia Kingdom Of
SDN	Sudan
SEN	Senegal
SGP	Singapore
SGS	Sth Georgia & Sth Sandwich Isl
SHN	St Helena
SJM	Svalbard & Jan Mayen
SLB	Solomon Islands
SCG	Serbia & Outlying
SLE	Sierra Leone
SLV	El Salvador
SMR	San Marino
SOM	Somalia
SPM	St Pierre And Miquelon
SRB	Serbia
STP	Sao Tome And Principe
SUR	Suriname
SVK	Slovakia
SVN	Slovenia
SWE	Sweden
SWZ	Swaziland
SYC	Seychelles
SYR	Syrian Arab Republic
TCA	Turks & Caicos Islands
CD	Chad
TGO	Togo
THA	Thailand
TJK	Tajikistan
TKL	Tokelau
TKM	Turkmenistan
TLS	Timor-Leste
TMP	East Timor
TON	Tonga
TTO	Trinidad & Tobago
TUN	Tunisia
TUR	Turkey
TUV	Tuvalu
TWN	Taiwan
TZA	Tanzania United Republic of
UGA	Uganda
UKR	Ukraine
UMI	United States Minor
URY	Uruguay
USA	United States of America
UZB	Uzbekistan
VNM	Vietnam
VUT	Vanuatu
WLF	Wallis & Futuna
WSM	Samoa
YEM	Yemen
YMD	Yemen Democratic
YUG	Yugoslavia Socialist Fed Rep
ZAF	South Africa
ZAR	Zaire
ZMB	Zambia
ZWE	Zimbabwe