



## JOINT MODERN SLAVERY STATEMENT

FOR THE YEAR ENDED 30 JUNE 2021

- Regal Funds Management Pty Limited
- Regal Australian Small Companies Fund
- Regal Atlantic Absolute Return Fund
- Regal Emerging Companies Fund III
- Regal Emerging Companies Opportunities Fund

## 1. THE REPORTING ENTITIES

This is the first Modern Slavery Statement ('Statement') issued by Regal Funds Management Pty Limited ABN 30 107 576 821 ('RFM') and is submitted as a joint statement by RFM on behalf of the entities listed below, each of which are Reporting Entities.

Regal Reporting Entity	ABN
1. Regal Funds Management Pty Limited	30 107 576 821
2. Regal Funds Management Pty Limited as trustee of the Regal Australian Small Companies Fund	36 910 012 302
3. Regal Funds Management Pty Limited as trustee of the Regal Atlantic Absolute Return Fund	32 858 984 881
4. Regal Funds Management Pty Limited as trustee of the Regal Emerging Companies Fund III	63 857 330 531
5. Regal Funds Management Pty Limited as trustee of the Regal Emerging Companies Opportunities Fund	28 549 287 599

For the purposes of this Statement the above Reporting Entities are collectively referred to as the Regal Reporting Entities. The Regal Reporting Entities which are Funds (listed at items 2 to 5 in the table above) are referred to herein as the "Funds".

This Statement is issued by RFM in accordance with section 16 of the Modern Slavery Act 2018 (Cth) (the 'Act'). It covers the financial year ended 30 June 2021.

This Statement seeks to describe the risk-based approach taken by the Regal Reporting Entities to address any potential modern slavery risk in their investment management practices.

As this is the first year of modern slavery reporting, RFM is in the early stages of developing its risk based approach. RFM's statements in future years will supplement and enhance this Statement as appropriate as the policies and procedures related to addressing modern slavery risks evolve on an ongoing basis.

## 2. STRUCTURE, OPERATION AND SUPPLY CHAINS

### 2.1 Structure

RFM is a private company founded in Australia in 2004. RFM specialises in alternative investment strategies with a primary focus on long/short investment strategies. RFM performs investment management and investment advisory services from its Sydney office for a number of Australian unit trusts and international investment companies. In this capacity, RFM manages capital for a range of clients including private banks, financial planning groups, asset consultants, offshore pension funds, family offices and high net worth individuals.

Each of the Funds is an unlisted Australian unit trust operating as an unregistered managed investment scheme. RFM is the trustee and manager of each Fund and holds an Australian Financial Services License Number 277737. Investors in the Funds are wholesale clients pursuant to the Corporations Act (Cth) 2001. The Funds have been

established to implement a stated investment objective with respect to the capital invested by their investors. The Funds generally hold a portfolio of investments in order to implement their investment strategy, as indicated below.

Fund	Investment Strategy
<b>Regal Australian Small Companies Fund</b>	Aims to outperform the ASX Small Ordinaries Accumulation Index over a rolling five year period. This strategy focuses on generating positive returns and gaining exposure, using a long/short approach to allow investors to benefit from both the rise and fall in value of selected small cap listed entities in Australia.
<b>Atlantic Absolute Return Fund</b>	Aims to generate high positive returns regardless of equity market movements. The Fund operates an aggressive long/short leveraged equity, with a focus on Australia/Asia. The intention is to have over half of the Fund's investments in Australia.
<b>Regal Emerging Companies Fund III</b>	To provide exposure to a portfolio of investments in pre-IPO, IPO, Unlisted Expansion Capital and listed Microcap Companies predominantly in Australia but also covering OECD and developed countries. The Fund may gain exposure to investments via a variety of instruments (including derivatives and debt instruments) when pursuing the investment objective.
<b>Regal Emerging Companies Opportunities Fund</b>	To provide exposure to a portfolio of investments in listed Microcap Companies, Pre-IPO, IPO and Unlisted Expansion Capital. The Fund may gain exposure to investments via a variety of instruments (including derivatives and debt instruments) when pursuing the investment objective. The Fund's investments will be predominantly in Australia but may also cover OECD and developed countries.

## 2.2 Operations

RFM's registered office is at Level 47, Gateway, 1 Macquarie Place Sydney NSW Australia. RFM employs a team of 34 people in Sydney, including 19 investment professionals across its different investment strategies. RFM has a wholly owned subsidiary in Singapore, Regal Funds Management Asia Pte Limited. RFM and Regal Funds Management Asia Pte Limited delegate and sub-delegate investment management services to each other under their various investment mandates and operate under a set of common policies and procedures. References to RFM in this statement include a reference to its wholly owned subsidiary.

The Funds are not separate legal entities - they do not have operations or staff. The Funds rely on the operational activities of RFM (as trustee and manager) to implement their investment objectives by engaging service providers and investing (both long and short) in listed and unlisted securities, options, derivatives and cash - either globally or within Australia.

The approach of the Regal Reporting Entities to modern slavery and human rights is overseen by the Board of Directors of RFM both in its own corporate capacity, and in its capacity as trustee of the Funds.

RFM applies a number of different investment processes when implementing its investment management activities on behalf of the Funds. This includes:

- a) the **Fundamental Investment Process** which generally focuses on a four-step security selection process, which emphasises the bottom-up valuation of specific investment entities.
- b) the **Market Driven Investment Process** which seeks to take advantage of short-term mispricing opportunities in the equity market, rather than investing in any individual companies or a portfolio of companies for a prolonged period of time.
- c) The **Global Alpha Investment Process** is based on a five-step investment process beginning with identifying what the Manager perceives to be a market inefficiency. The second step involves analysing the market inefficiency in greater detail and back-testing the investment hypothesis by using historical data and comparable situations. RFM will then undertake further steps to construct the portfolio and hedge any unwanted risks such as country, sector, currency or commodity risk within the identified trade portfolio, with the aim of isolating and gaining exposure to the inefficiency.

## 2.3 Supply Chains

The supply chains used by RFM include suppliers of Information Technology (IT) goods and services, professional services such as legal, broking and accounting services and office space leasing services.

The supply chains used by the Funds consist of direct service providers such as RFM (Fund Manager) who provides fund management as well as several support functions including marketing and communication, governance, risk and compliance services, as well as Fund Administrators, Prime Brokers and Registry providers.

## 3. RISKS OF MODERN SLAVERY IN OPERATIONS AND SUPPLY CHAINS

The risks of modern slavery practices refers to the potential for a Regal Reporting Entity to cause, contribute to or be directly linked to modern slavery through its operations and supply chains. In other words, the risks a Regal Reporting Entity may be involved in modern slavery.

### 3.1 Fund Supply Chains

As the Funds themselves do not have operations or staff, the most likely risk is that the Funds could be linked to modern slavery through their supply chains or operations. The Funds need to assess the risk that their operations, products or services may be connected to modern slavery through the activities of another entity which they have a business relationship with. Indirect suppliers are those engaged by RFM or other service providers, who may pose an indirect risk of connecting the Funds to modern slavery, through their own activities.

Each Fund's approach to understanding its modern slavery risk will be to undertake a risk assessment methodology to its supply chain and material fundamental investments which takes into account a number of risk factors of modern slavery based on jurisdiction, industry/sector and products/services supplied.

The Funds have entered into contractual agreements with each of their service providers which govern the nature and scope of the services provided. RFM performs due diligence on the Fund material outsourced service providers, with a focus on establishing long term relationships with quality suppliers who provide a premium service, rather than sourcing the cheapest possible service.

RFM is the most material service provider in each Fund's supply chain. RFM's staff provide investment management and advisory, marketing and communication, risk and compliance, back office, IT and other administrative services for each of the Funds. These staff are based in RFM's offices in Sydney and Singapore.

RFM does not tolerate slavery, forced labour, child labour or human trafficking in any form and will not knowingly work with or invest in companies who engage in these practices. All RFM staff have contractual employment agreements to protect their legal rights, and benefit from RFM's established set of policies and procedures that govern the way it operates. The following policies and procedures are relevant to how RFM manages potential human rights related issues with regard to its business operations:

- RFM's code of conduct
- AML Program
- Anti-Bribery and corruption policies
- Bullying, harassment and discrimination policies
- Work Health and Safety policy
- Whistleblower policy and program

These policies and procedures are explained to staff through ongoing training. It is therefore considered that RFM as an employer poses a very low risk of modern slavery.

The Funds also directly engage global regulated entities to perform Fund Administrative and Custody services. Registry services are performed by a local Australian registry provider. The Funds consider that the risk of modern slavery at the level of these suppliers (both directly and indirectly) to be low considering that all the suppliers are from lower risk jurisdictions as detailed by the Global Slavery Index and /or represent regulated financial and professional services companies which themselves have made modern slavery statements evidencing their commitment towards human rights as well as their policies and procedures to deal with modern slavery through their own modern slavery statements.

### 3.2 RFM Supply Chains

RFM also performs due diligence on its own material outsourced service providers, with a focus on establishing long term relationships with quality suppliers who provide a premium service, rather than sourcing the cheapest possible service. RFM is undertaking a risk assessment on its immediate suppliers for modern slavery risk indicators. This includes suppliers of Information Technology (IT) goods and services, professional services such as legal and accounting services and office space leasing services. RFM considers that the risk of modern slavery at the level of its direct suppliers to be low considering that all material suppliers of good and services are from lower risk jurisdictions as detailed by the Global Slavery Index and /or represent regulated financial and professional services companies.

RFM had no direct knowledge during 2021 of modern slavery taking place in any of its outsourced services or procurement of goods and services. RFM considers that, in 2021, the risks of modern slavery occurring in its supply chain was low.

### 3.3 Operations

An area of potential risk of involvement with modern slavery exists in relation to the investment operations of the Regal Reporting Entities. This risk is most likely where a Regal Reporting Entity holds a portfolio investment in a business

which operates in a country with a high risk rating under the Global Slavery Index, or which operates in an industry sector that features low or unskilled labour or foreign migrant workers.

The implementation of the Market Driven Investment Process and the Global Alpha Investment Process involves holding a very large portfolio of listed company investments across a broad spectrum of industries. These positions are actively traded, are often immaterial on an individual basis, and are likely to be held by the Regal Reporting Entity on a short term basis. The complex and changeable nature of these investment portfolios means RFM does not have direct contact or relationships with investee companies and it is not reasonable to conduct due diligence across such a large and diverse investment portfolio which is constantly changing. In addition, the immaterial size of the investment is unlikely to provide RFM with any meaningful leverage to effectively influence behaviour in relation to modern slavery risks.

The implementation of the Fundamental Investment Process can lead to the establishment of high conviction positions where a Regal Reporting Entity holds a material investment. As part of a bottom-up investment research process applied when implementing the Fundamental Investment Process, RFM considers a range of factors that might affect a company's intrinsic value. This can include environmental, social and governance issues if this is a material risk for the entity. For example, if a company's business model is potentially at risk due to environmental, social and governance issues (including human rights abuses), RFM's valuation proposition and conviction in the investment should reflect these risks.

In relation to the investment operations as to 30 June 2021, RFM did not determine the composition its fundamental investment portfolios by making a specific assessment of their modern slavery risks. Therefore RFM acknowledges that risks of modern slavery may exist within the large portfolio of companies in which the Regal Reporting Entities invest. For example, certain investee companies may have direct or indirect exposure to mining production in countries which have been designated a high risk rating under the Global Slavery Index.

## **ACTIONS TAKEN TO ASSESS AND ADDRESS MODERN SLAVERY RISKS**

As this is the first year of modern slavery reporting, RFM is in the early stages of developing its risk based approach.

### **Indirect risks of modern slavery within supply chains**

As recognized in the United Nations Guiding Principles on Business and Human Rights, where businesses such as RFM have large numbers of entities in their value chains it is not reasonable to conduct due diligence for adverse human rights across them all. RFM will therefore take the approach of identifying any general areas where the risk of adverse human rights impacts may be significant due to their locations. Any material risks identified will be prioritized for due diligence.

Where a Regal Reporting Entity has not contributed to an adverse modern slavery impact but that impact is nevertheless directly linked to its operations, products or services by its business relationship with another entity, the appropriate action to be taken will need to consider the ability of the Regal Reporting Entity to apply leverage over the entity concerned, how crucial the relationship is, the severity of the abuse, and whether terminating the relationship with the entity itself would have adverse human rights consequences.

## Risk of modern slavery within investment portfolios

If RFM forms a view when implementing its Fundamental Investment Process that an investee company's exposure to environmental, social and governance risk (including human rights and modern slavery risks) has the potential to impact its fundamental investment value, it may take a number of actions, including but not limited to:

- i. rejecting or closing-out the investment;
- ii. reducing its exposure to the investment;
- iii. engaging with company management to form a view on how it manages modern slavery risks and raise any concerns with the company;
- iv. using its shareholder voting rights to vote on resolutions in a way which best promotes the interests of the Fund.

## HOW RFM ASSESSES THE EFFECTIVENESS OF ACTIONS TO ASSESS AND ADDRESS RISKS

As this is the first year of modern slavery reporting, RFM is in the early stages of developing and assessing the effectiveness of the risk-based approach on behalf of the Funds it manages.

Future actions RFM may take to assess and address modern slavery risks include:

- enhancing our code of ethics policies to more specifically deal with modern slavery risks;
- incorporating specific due diligence questions relating to modern slavery in our vendor due diligence process;
- implementing mandatory training on our Modern Slavery policy to all RFM staff. The training will aim to increase visibility and awareness of how modern slavery can manifest in RFM's supply chains and material portfolio investments, and include information on how to identify and report any concerns;
- incorporating more specific consideration of modern slavery risks into the Fundamental Investment Process applied to material positions.

RFM is focused on assessing modern slavery risk and using the risk assessment process detailed above to understand its exposure to this risk. This assessment process will change over time as RFM continues to develop processes around identifying and assessing modern slavery risks in its overall operations and investments.

RFM intends to provide its Board of Directors with an annual monitoring report on the implementation of its actions in relation to modern slavery risks. The Board shall consider the effectiveness of the measures which have been taken and make amendments to this Statement as it sees fit.

## Consultation

Regal Funds Management Pty Limited consulted with its subsidiary, Regal Funds Management Asia Pte Limited, in preparing this Statement. Regal Funds Management Pte Limited was given an opportunity to consider and provide comments on the Statement prior to publication.

## Approval

This Statement was approved by the Board of RFM on 9 December 2021.

## Other relevant information

No other relevant information has been identified for this reporting period.

## Approval

This Statement was approved by Brendan O'Connor on behalf of the Regal Funds Management Pty Limited Board of Directors

*Brendan O'Connor*

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Brendan O'Connor

Director

Date 14 December 2021

For clients wishing to discuss this statement, please contact:

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