



3<sup>rd</sup> November 2021

**ARC Invests in Specialist Boutique Fixed Income Manager - Magnum Funds Management**

ARC Funds Ltd (ASX:ARC) (**ARC** or the **Company**) is pleased to announce that it has entered into a binding agreement to acquire 25% of the issued share capital of Magnum Funds Management Pty Ltd (**Magnum Funds Management**), a newly established fixed income funds management company based in Sydney, Australia.

It is intended that Magnum Funds Management will be appointed as Investment Manager of the Magnum Fixed Income Fund (**Magnum Fixed Income Fund** or **Fund**), which will be established as a listed actively managed Exchange Traded Fund (ETF) specialising in the investment in fixed income securities, primarily investment grade corporate bonds.

The Magnum Fixed Income Fund is intended to be established and listed on the Chi-X exchange in early CY22.

Magnum Funds Management is a joint venture with Magnum Holdings Pty Ltd (ACN 644 756 927) (**Magnum Holdings**), which will be the owner of the remaining 75% of issued shares in Magnum Funds Management. Under joint venture, Magnum Holdings will be responsible for making personnel available for operating and conducting the investment management aspects of the business.

Magnum Holdings will also be responsible for procuring and funding the costs of the investment team up until the Magnum Fixed Income Fund surpasses \$32.5m of funds under management (**FUM**), at which point these costs will be borne by Magnum Funds Management.

ARC will be responsible for driving the distribution and marketing strategy and has committed to investing a minimum of \$200,000 to be utilised in respect of distribution and marketing for the Magnum Fixed Income Fund over the next two years.

Magnum Funds Management owns a retail AFSL, which will allow retail and wholesale investors to invest in the Magnum Fixed Income Fund.

ARC Funds Managing Director Harley Grosser said, *"We are excited to be announcing our investment in Magnum Funds Management as it represents the further development of our business towards our vision of becoming a leading multi-affiliate funds management platform. The Magnum deal will broaden our asset class reach beyond equities into the large & growing market of fixed income and will provide us with an opportunity to highlight our distribution and marketing capabilities."*

*We are proud to be partnering with Magnum and fully anticipate that we will build out a market leading and proven investment team and fixed income product, with distribution streamlined via the listed Active ETF structure."*

**ARC Funds Limited**

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c/- Mertons Corporate Services, Level 7, 330 Collins Street, Melbourne VIC 3000

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The material terms of the investment in Magnum Funds Management are outlined below. The transaction will be funded from existing cash reserves of the Company.

**Material terms of the Magnum Funds Management investment**

<b>Key Terms</b>	<b>Details</b>
<b>Shareholding and Equity Investment</b>	ARC is to acquire 25% of Magnum Funds Management Pty Ltd for \$50,000.  Magnum Holdings is to acquire new shares and hold 75% of Magnum Funds Management for \$150,000.
<b>Marketing and Distribution</b>	ARC has committed to investing a minimum of \$200,000 to be used in respect of marketing and distribution of the Magnum Fixed Income Fund over the initial 2 years.
<b>Investment team</b>	Magnum Holdings will also be responsible for procuring and funding the costs of the investment team up until the Magnum Fixed Income Fund surpasses \$32.5m of funds under management ( <b>FUM</b> ), at which point these costs will be borne by Magnum Funds Management.
<b>Magnum Fixed Income Fund</b>	Magnum Funds Management will be the Investment Manager of the Magnum Fixed Income Fund, an actively managed Exchange Traded Fund intended to be listed on Chi-X and available to both retail and wholesale investors.
<b>Magnum Funds Management</b>	Harley Grosser (ARC Managing Director and ARC nominee) is to be appointed to the board of Magnum Funds Management.  A shareholders' agreement dated 2 <sup>nd</sup> November 2021 between ARC, Magnum Holdings and Magnum Funds Management will regulate the conduct, control and governance of Magnum Funds Management and the establishment of the Magnum Fixed Income Fund.  The shareholders' agreement is on terms that are customary for an agreement in the circumstances, and includes certain 'non-compete' provisions.
<b>ARC Options</b>	In consideration for Magnum Holdings entering into the transaction, ARC has issued 1,000,000 unlisted options over fully paid ordinary shares in ARC ( <b>Options</b> ) at an exercise price of \$1.00 per share, with a 3-year expiry and

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	agreed vesting conditions. For further information refer to Annexure A and ARC's Appendix 3B dated on or about the date of this announcement.
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ENDS.

By order of the Board of Directors.

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**Disclaimer - Future performance and forward looking statements**

This announcement contains certain forward looking statements with respect to the financial condition, results of operations, projects and business of the Company and certain plans and objectives of the Company. Forward looking statements can generally be identified by the use of forward looking words such as 'expect', 'anticipate', 'likely', 'intend', 'propose', 'should', 'could', 'may', 'will', 'predict', 'plan', 'believe', 'forecast', 'estimate', 'target', 'continue', 'objectives', 'outlook', 'guidance' and other similar expressions.

The forward looking statements, opinions and estimates contained in this announcement are based on the Company's intent, belief or current expectations, assumptions and contingencies which are subject to change without notice, as are any statements about market and industry trends, which are based on interpretations of current market conditions. They involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of the Company and its officers, employees, agents and associates, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct.

Any forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Readers are cautioned not to place undue reliance on forward-looking statements. There can be no assurance that actual outcomes will not differ materially from these forward looking statements. A number of important factors could cause actual results or performance to differ materially from the forward looking statements. Investors should consider the forward looking statements contained in this announcement in light of those disclosures.

Neither the Company, nor any other person, gives any representation, warranty, assurance, nor will guarantee that the occurrence of the events expressed or implied in any forward looking statement will occur.

To the maximum extent permitted by law, the Company, other persons referred to in this announcement and each of their respective advisors, affiliates, related bodies corporate, directors, officers, partners, employees and agents disclaim any responsibility and undertake no obligation for the accuracy or completeness of any forward looking statements whether as a result of new information, future events or results or otherwise. The Company disclaims any responsibility to update or revise any forward looking statements to reflect any change in the Company's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based except as required by Australian law.

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## Annexure A - Option terms and conditions

- (a) The Options are options to subscribe for fully paid ordinary shares in the Company (**Shares**).
  - (b) The Options shall be issued for no consideration.
  - (c) The exercise price of the Options is AU\$1.00 per Option (**Exercise Price**).
  - (d) The Options will lapse:
    - (i) if the relevant Vesting Condition is not satisfied and they do not vest; or
    - (ii) 3 years after the date they vest (**Expiry Date**), except to the extent earlier exercised.
  - (e) The Options are transferable in whole or in part to a Related Entity (as defined in the *Corporations Act 2001 (Cth)*) of the holder.
  - (f) The Options will vest as follows:
    - (i) upon the satisfaction of Vesting Condition 1, 500,000 Options will vest and become exercisable; and
    - (ii) upon the satisfaction of Vesting Condition 2, 500,000 Options will vest and become exercisable.
- Vesting Condition 1** means the date on which the Fund is listed on the Chi-X and begins to operate.
- Vesting Condition 2** means the date that is the 1 year anniversary of the Vesting Condition 1 being satisfied, provided that the Fund remains in operation and listed and trading normally on the Chi-X.
- (g) The Options may be exercised wholly or in part by delivering a duly completed form of notice of exercise together with a cheque for the Exercise Price per Option to the Company at any time after their issue and vesting, and on or before the Expiry Date.
  - (h) Upon the valid exercise of the Options and payment of the Exercise Price, the Company will issue Shares ranking *pari passu* with the then issued Shares.
  - (i) The Option holder does not participate in any dividends unless the Options are exercised and the resultant Shares of the Company are issued prior to the record date to determine entitlements to the dividend.
  - (j) The Company does not intend to apply for listing of the Options on the ASX or an Approved Overseas Financial Market (as defined in the *Corporations Act 2001 (Cth)*) (as applicable).
  - (k) If listed, the Company shall apply for listing on the ASX or an Approved Overseas Financial Market (as applicable) of the resultant Shares of the Company issued upon exercise of any Options.
  - (l) The Option holder does not have any right to participate in new issues of securities in the Company made to shareholders generally. The Company will, where required pursuant to the ASX Listing Rules or the rules of an Approved Overseas Financial Market (as applicable), provide the Option holder with notice prior to the books record date (to determine entitlements to any

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new issue of securities made to shareholders generally) to exercise the Options, in accordance with the requirements of the ASX Listing Rules or the rules of an Approved Overseas Financial Market (as applicable).

- (m) If the Company is listed, subject to the ASX Listing Rules or the rules of an Approved Overseas Financial Market (as applicable) on which the Company's Shares are listed (if any), if there is a pro rata issue (except a bonus issue), the Exercise Price of a Option may be reduced according to the following formula:

$$O^n = O - \frac{E[P - (S + D)]}{N + 1}$$

Where:

$O^n$  = the new exercise price of the Option;

$O$  = the old exercise price of the Option;

$E$  = the number of underlying Shares into which one Option is exercisable

$P$  = the average market price per Share (weighted by reference to volume) of the underlying Shares during the five (5) trading days ending on the day before the ex rights date or ex entitlements date;

$S$  = the subscription price for a Share under the pro rata issue;

$D$  = the dividend due but not yet paid on existing underlying Shares (except those to be issued under the pro rata issue); and

$N$  = the number of Shares with rights or entitlements that must be held to receive a right to one new Share.

- (n) If the Company is listed, subject to the ASX Listing Rules or the rules of an Approved Overseas Financial Market (as applicable) on which the Company's Shares are listed (if any), if there is a bonus issue to the holders of Shares in the Company, the number of Shares over which the Option is exercisable may be increased by the number of Shares which the Option holder would have received if the Option had been exercised before the record date for the bonus issue.
- (o) If the Company is listed, subject to the ASX Listing Rules or the rules of an Approved Overseas Financial Market (as applicable) on which the Company's Shares are listed (if any), the terms of the Options shall only be changed if holders (whose votes are not to be disregarded) of Shares in the Company approve of such a change. However, the terms of the Options shall not be changed to reduce the Exercise Price, increase the number of Options or change any period for exercise of the Options.
- (p) In the event of any reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company:
- (i) the number of Options, the Exercise Price of the Options, or both will be reconstructed (as appropriate) in a manner consistent with the ASX Listing Rules or the rules of an Approved Overseas Financial Market (as applicable) at the time of reconstruction, but

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with the intention that such reconstruction will not result in any benefits being conferred on the holders of the Options which are not conferred on Shareholders; and

- (ii) subject to the provisions with respect to rounding of entitlements as sanctioned by a meeting of Shareholders approving a reconstruction of capital, in all other respects the terms for the exercise of the Options will remain unchanged.
- (q) For the purposes of these terms and conditions, Approved Overseas Financial Market means a financial market outside Australia which ASIC has declared in writing under Legislative Instrument (LI 15/1071) to be an approved overseas financial market for the purposes of subsection 257B(7) of the Corporations Act.

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