



24th February 2022

2022 Half Year Results to Shareholders

ARC Funds Ltd (ASX:ARC) (**ARC** or the **Company**) is pleased to provide investors with our 2022 half year results and commentary.

1H22 Results

As advised in the Market Update and in line with guidance announced to ASX on 14th February 2022, the company now reports a loss of \$289,868 for 1H22.

Our operating expenses continue to be in line with previous guidance and our financial position remains strong with a cash balance of \$2.9m at 31st December 2021. The company has no debt.

Accounting Standards

In line with AASB 128: Investments in Associates and Joint Ventures, ARC Funds is adopting the equity accounting methodology with respect to its investments in Merewether and Magnum.

Commentary from Managing Director

Dear Fellow Shareholders,

Since I last wrote to you, we have made substantial progress towards achieving the Company Vision outlined in the 2021 Annual Report.

“To build a listed multi-affiliate boutique funds management company by investing in, supporting and partnering with the best fund managers across a range of asset classes and investment strategies”

I have previously stated that Phase 1 of our strategy involves identifying, investing in, and supporting the best funds management talent in Australia. To this end, the last six months have seen us acquire equity stakes in Merewether Capital Management (microcap) and Magnum Funds Management (fixed income).

In November 2021, Merewether established the Merewether Capital Inception Fund, which has since raised over \$5m of funds under management (FUM) and, during the recent period of heightened market volatility, outperformed the S&P ASX200 Total Return Index from 26th November to 31st January (-3.88% for Merewether vs -5.8% for the ASX200 TR).¹

Magnum Funds, in which ARC acquired an equity stake in November 2021, continues to progress towards the launch of the Magnum High Income Active ETF, having recently secured \$35m of commitments from founding investors. This is an excellent start for the business as it provides early

¹ Sources: <https://www.spglobal.com/spdji/en/indices/equity/sp-asx-200/#overview>

ARC Funds Limited

ABN 52 001 746 710

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

phone: +61 3 8689 9997



scale and helps kick off what will now become our focus of growing broader investor awareness of the Magnum High Income Active ETF and the value it can add to an investor's portfolio.

Both of our affiliate managers now have a clear line of sight to profitability and strong prospects for continued FUM growth throughout 2022. We will continue to focus on how we can support these businesses to grow and prosper.

We've previously outlined our intention to in-house the services we provide our affiliate managers over time. In February, ASIC granted ARC's wholly owned subsidiary, ARC Funds Operations Pty Ltd, a wholesale Australian Financial Services Licence (AFSL), permitting the company to carry on the business of investment management for wholesale clients.

Alongside the retail AFSL held by Magnum Funds Management, ARC can now provide licensing for both retail and wholesale funds effectively in-house, an important strategic step.

ARC continues to field inbound enquiry and engage with prospective managers across a range of asset classes and investment strategies. We are working on plans for new methods of distribution that would provide immediate scale for our managers, including potential products that would allow retail investors access to funds that are typically only available to wholesale investors.

2021 was about establishing the foundations of our new strategy, and we feel we achieved that in securing partnerships with Merewether and Magnum.

2022 is all about growth and continuing to build value for our managers, current and prospective.

We are excited for the year ahead and thank our wonderful shareholders for their support.

ENDS.

By order of the Board of Directors.

For Further Details contact:

Harley Grosser

Managing Director

Email: harley@arcfunds.com.au

Tel: 0418 860 639

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