



10th May 2022

**ARC Funds to Launch ARC Emerging Managers Listed Investment Company**

ARC Funds Ltd (ASX:ARC) (**ARC** or the **Company**) is pleased to announce that it has entered into an agreement to acquire the investment management rights to Lanyon Investment Company Limited (ASX:LAN) (**LAN**).

ARC, working alongside and in partnership with David Prescott as Chairman, will seek to restructure LAN such that it will be managed by ARC Investment Management Pty Ltd, a subsidiary of ARC, and will be renamed ARC Emerging Managers Limited (**ARC Emerging Managers**). ARC Emerging Managers will remain a listed investment company.

ARC Emerging Managers will invest in the funds managed by the best emerging funds management talent in Australia and globally, including funds managed by ARC affiliated managers.

It will provide investors with unique exposure to an asset class that has been proven to outperform over time, with the fund manager selection process managed by a team highly skilled in identifying funds management talent.

ARC Managing Director, Harley Grosser, said *“This is an exciting step forward in building our vision for ARC Funds. We have entered into agreements that, subject to the necessary shareholder approvals, will see us launch and manage ARC Emerging Managers, an LIC focused on investing in the best boutique funds management talent in Australia and globally, including those affiliated with ARC.*

*We have partnered with David Prescott, the founder and principal of Lanyon Asset Management (“Lanyon”), a successful Australian boutique funds management company managing approximately \$740m on behalf of their clients. Given our focus on identifying and partnering with emerging funds management talent, it is significant validation to have an individual of David’s expertise, experience and success stepping into the role as Chairman of ARC Emerging Managers. We expect this to add value to ARC, ARC Emerging Managers and to the managers that we invest with.*

*We are also pleased to announce that Daniel Sims, a talented investor and portfolio manager, will join the board of LAN and be actively involved in the fund manager selection and management process on behalf of ARC Emerging Managers.*

*We’re privileged to be able to work with David and Daniel. It continues our focus on attracting high quality people who share our vision for ARC Funds and want to be involved in what we’re building.”*

**Proposed Board Composition**

It is proposed that Harley Grosser (Managing Director of ARC) and Daniel Sims will be appointed to the board of LAN. Ken Williams and Richard Wilson are to resign as directors.

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David Prescott, Founder and Managing Director of Lanyon Asset Management and Non-Executive Director of LAN, will transition to Chairman, and will work alongside the incoming directors to build and grow ARC Emerging Managers LIC.

### **Novation of Investment Management Agreement (IMA)**

As part of this transaction, ARC Investment Management Pty Ltd (a subsidiary of ARC) ("**ARC IM**"), replaced the existing investment manager, Lanyon Asset Management Pty Ltd, and become party to the existing investment management agreement of LAN. ARC IM will be the investment manager of ARC Emerging Managers, operating under ARC's Australian Financial Services Licence (AFSL).

ARC IM is 85% owned by ARC, with the remaining 15% owned by entities associated with Daniel Sims.

As part of this transaction, ARC has agreed to the following fee share agreement with Lanyon Asset Management:

- 12.5% of the management fees and performance fees paid to ARC IM during the period from the re-instatement of LAN's shares to quotation on the ASX until the day on which LAN has an NTA of at least \$50,000,000;
- 15% of the management fees and performance fees paid to ARC IM during the period from the day on which LAN has an NTA of at least \$50,000,000 until the day on which LAN has an NTA of at least \$75,000,000; and
- 20% of the management fees and performance fees paid to ARC IM during the period from the day on which LAN has an NTA of at least \$75,000,000.

The Investment Management Agreement currently stands for five (5) years. LAN will apply for an extension to ten (10) years, subject to ASX approval.

The transactions contemplated in the IMA are conditional upon LAN shareholder approval, including to novate the Investment Management Agreement, change LAN's name and amend LAN's constitution accordingly, to undertake a \$15m capital raising (**Capital Raise**) (described further below) and to change the nature or scale of LAN's activities as a result of the proposed transaction described in this announcement (**Resolutions**). It is currently intended that an extraordinary general meeting (**EGM**) will be held for shareholders to consider the proposed Resolutions in the second half of 2022. ARC may terminate the IMA if the Resolutions are not passed.

The IMA otherwise contains terms which are customary for an agreement of this type. The IMA has been transferred to ARC for nil consideration as part of this transaction.

### **Converting Loan Agreement**

ARC has agreed to fund LAN by way of converting note issued to ARC. The total consideration is to be \$150,000 (plus LAN's re-listing fee), with \$100,000 issued immediately, and two additional

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tranches of \$25,000 each over the next two months. The converting loan is on an interest free, unsecured basis.

ARC and LAN believe this will be sufficient to fund LAN throughout the process of transition to ARC Emerging Managers.

Where the Capital Raise has completed by 30 June 2023, subject to shareholder approval under ASX Listing Rule 7.1 (or a waiver from ASX), the principal of the loan will convert into fully paid ordinary LAN shares at the issue price under the Capital Raise. If LAN does not obtain the necessary shareholder approval (or ASX waiver), it must repay the loan in cash.

If the Capital Raise has not been completed by 30 June 2023, LAN will be required to issue ARC 24,175 fully paid ordinary LAN shares, subject to any shareholder approvals required.

### **Capital Raise**

Subject to shareholder approvals where necessary, the restructured ARC Emerging Managers will endeavour to raise a minimum of \$15m of new equity and resume trading on ASX as ARC Emerging Managers Limited.

ARC currently intends to launch the ARC Emerging Managers capital raise in late 2022.

### **Strategic Rationale**

This transaction is consistent with our strategic objective of becoming the Partner of Choice in the Australian funds management industry. AEM will provide ARC with distribution capability for both affiliated and non-affiliated fund managers, increasing ARC's utility and value to fund managers.

Through AEM, ARC intends to build a market leading, differentiated investment product that will provide retail and wholesale investors with exposure to an asset class that has delivered out performance over time.

ARC IM will generate income from the provision of investment management services to AEM, both through management and performance fees.

ENDS.

By order of the Board of Directors.

### **For Further Details contact:**

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