

ASX ANNOUNCEMENT

10 May 2022

Company Announcements Office
ASX Limited
Exchange Centre
Level 4, 20 Bridge Street
SYDNEY NSW 2000

RECAPITALISATION WITH ARC FUNDS LIMITED

Further to the ASX announcement dated 25 February 2022, Lanyon Investment Company Limited (**LAN** or **the Company**) is pleased to announce that it has entered into an agreement with ARC Funds Limited (**ARC**) (ASX:ARC) in relation to the future of LAN (**Agreement**).

LAN called for proposals to be made by various potentially interested parties, and the Board of LAN has determined that the Agreement with ARC is superior to other proposals tendered by interested parties which also had the support of Lanyon Asset Management Pty Ltd (ACN 140 631 714) (**Lanyon**), the current investment manager of LAN.

In implementing the transaction with ARC, David Prescott, the managing director of LAN, will be appointed chairman on LAN, and Harley Grosser, the managing director of ARC, will be appointed as the managing director of LAN.

The Agreement provides for:

1. ARC Investment Management Pty Ltd (**ARC IM**), a subsidiary of ARC, to replace Lanyon as the investment manager of LAN (**Novation**);
 2. Harley Grosser and, Daniel Sims to be appointed directors of LAN, and Ken Williams and Richard Willson to resign as directors of LAN;
 3. the following to occur subject to the approval of LAN's shareholders:
 - the investment management agreement be amended to provide for a 10 year term and to reflect ARC's investment strategy going forward;
 - the Company's name be changed to ARC Emerging Managers Fund Limited (**AEM**) and consequential amendments be made to the Company's constitution; and
 - LAN to undertake a capital raising which seeks to raise at least \$15,000,000 by issuing shares in the capital of LAN,
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further details of which will be included in the notice of meeting for the meeting of LAN's shareholders to approve these matters;

4. sharing of management and performance fees with Lanyon on the following basis:
 - 12.5% of management 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 a NTA of at least \$50,000,000;
 - 15% of management and performance fees paid to ARC IM during the period from the day on which LAN has a NTA of at least \$50,000,000 until the day on which LAN has a NTA of at least \$75,000,000; and
 - 20% of management and performance fees paid to ARC IM during the period from the day on which LAN has a NTA of at least \$75,000,000.

5. LAN and ARC to enter into a convertible loan agreement for the purposes of funding this transaction, which provides for:
 - ARC to advance to LAN \$100,000 upon execution of the convertible loan agreement, \$25,000 on 1 June 2022 and \$25,000 on 1 July 2022, for the purposes of funding the operations of LAN including the fees and costs incurred in respect of this transaction;
 - the principal to be repaid on the date that LAN issues shares in accordance with the capital raising by the issue of shares in the capital of LAN with the number of shares to be issued being equal to the principal repayable divided by the issue price of shares under the capital raising (subject to required approvals);
 - if the capital raising does not occur before 30 June 2023, then the loan is repaid by the issue of 24,175 shares (being 15% of LAN's issued capital).
 - the principal to be repaid by the issue of shares (subject to approvals required by ASX for related parties):
 - on the date that LAN issues shares in accordance with the capital raising, with the number of shares to be issued being equal to the principal repayable divided by the issue price of shares under the capital raising; or
 - after 1 July 2023 if the capital raising has not occurred, with the number of shares to be issued being 24,175 (being 15% of LAN's issued capital).

About ARC

ARC Funds Limited (ASX: ARC), is a listed multi-affiliate boutique funds management group focused on investing in and supporting the best emerging funds management talent in Australia.

ARC partners with managers that it believes have the potential to be the best in their respective asset classes and investment strategies. ARC is entirely performance focused, a natural extension of ARC's boutique origins.

ARC's goal is to become the genuine Partner of Choice for emerging boutique fund managers in Australia, knowing that the success of ARC's partners is what will drive ARC's own success.

ARC currently has two affiliate managers, being Merewether Capital Management (a microcap specialist) and Magnum Funds Management (a fixed income specialist).

About AEM

As a result of this transaction, LAN will be renamed ARC Emerging Managers, or AEM. Following implementation of the transaction, AEM will be a fund of funds established to invest in the funds managed by the best emerging boutique funds management talent in Australia and globally. AEM will continue to be a listed investment company (**LIC**).

As mentioned above, the board of AEM is proposed to consist of David Prescott (Chairman), Harley Grosser (Managing Director) and Daniel Sims (Executive-Director). Harley Grosser is also the Managing Director of ARC.

AEM investment strategy

AEM, under the management of ARC IM, 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 retail and wholesale investors with exposure to an asset class that has delivered solid performance over time, with the fund manager selection process managed by a team highly skilled in identifying funds management talent.

By investing in a portfolio of these funds, AEM aims to deliver market beating returns over rolling 5-year periods, with a layer of risk adjustment due to the diversification across managers and geographies.

On behalf of the Board
Ken Williams
Chairman

LEVEL 12, 225 GEORGE STREET, SYDNEY NSW 2000

T: +61 2 9290 9600 W: www.lanyoninvestmentcompany.com.au ACN 75 608 411 347