



14 October 2024

Merewether Capital

ARC Funds Limited ((ASX:ARC) or ARC Funds or the Company) is pleased to announce that it has completed a debt for equity swap with Merewether Capital Management Pty Ltd increasing its ownership to 72%.

About Merewether Capital

Merewether Capital Management was established in 2021 to act as the investment manager of the Merewether Capital Inception Fund. The Fund invests in small and microcap companies listed on the ASX, with the ability to invest in pre-IPO opportunities. It employs a long-only, high conviction strategy (10-25 positions) with a focus on profitable, growing companies with skilled and aligned management teams. The fund is open to Wholesale, Sophisticated and 708 investors and currently has approximately \$4m of Funds Under Management.

ARC Funds has been associated with Merewether Capital as a strategic shareholder since inception. More recently an ARC subsidiary, ARC Funds Operations, has provided licensing services to Merewether Capital Management and the Merewether Capital Inception Fund.

Over the coming months the fund will transfer Fund Administration, Fund Registry and Fund Accounting services to ARC Funds, replacing the existing service provider and resulting in reduced operating costs.

Scott Beeton will join the board of Merewether Capital complementing existing directors Luke Winchester and Harley Grosser. Luke will continue as the Managing Director and CEO of this division.

Performance

Merewether launched its first fund in late 2021, which coincided with the beginning of a deep market correction in listed small and microcap stocks. As a strategic investor and long-term supporter of Merewether and Luke Winchester, ARC Funds has remained committed to supporting the business through this challenging period.

It has been pleasing to note the significant improvement in investment returns of the Merewether fund over the last 12 months. ARC Funds will continue to support Merewether and anticipates that these improved returns will lead to greater fund-raising capability and, in time, substantially improved financial performance of the business.

ARC Funds Limited (ASX:ARC)

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Key Financial Terms

ARC Funds will convert existing debt of \$150,000, less other costs associated with the Merewether investment, into new equity in Merewether Capital Management Pty Ltd. This will increase the ownership of the equity held by ARC Funds from 45.5 % to 72%, with Luke Winchester holding the other 28%.

Strategic Rationale

Merewether Capital is our foundation fund which underpins our business offering of providing Australian Financial Services Licensing, Fund Trustee and Fund Administration services to Investment Managers.

Scott Beeton Managing Director said: “We have a strong commitment to the Merewether Capital Inception Fund and are focused on its long-term success. We are committed to growing this business unit and in future may seek to launch new fund offerings under the Merewether brand.”

This announcement has been authorised by the board of ARC Funds Limited.

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