



**VGI Partners Limited**  
ABN 33 129 188 450  
39 Phillip Street  
Sydney NSW 2000 Australia  
T. +61 2 9237 8900  
www.vgipartners.com

AFSL No. 321789 | SEC Registered

2 September 2019

ASX Market Announcements  
ASX Limited  
Level 6, Exchange Centre  
20 Bridge Street  
Sydney NSW 2000

BY ELECTRONIC LODGEMENT

**Letter to investors eligible for Priority Offer in VGI Partners Asian Investments Limited (“VG8”)**

VGI Partners Limited (“VGI Partners”, ASX:VGI) today announced that it has lodged a prospectus with ASIC for the proposed Initial Public Offering of VGI Partners Asian Investments Limited (“VG8 Offer”). Please see the separate announcement by VGI Partners titled “Lodgement of prospectus and completion of Cornerstone Offer for new Asian Strategy”.

The VG8 Offer comprises a Cornerstone Offer, Priority Offer, Broker Firm Offer and General Offer, each of which is described in the prospectus referred to above.

VGI Partners will also be sending information this week to those investors who are eligible to participate in the Priority Offer for VG8. Eligible investors for the Priority Offer include those who were shareholders in VGI Partners Limited (ASX:VGI) as at the record date of 2 August 2019. The following document is the covering letter from VGI Partners’ Executive Chairman, Mr Robert Luciano, to those investors.

For further information, please contact:

**Ingrid Groer, CFA**

**Investor Relations Manager**

VGI Partners Limited

Phone: 1800 571 917 (inside Australia)  
+61 2 9237 8923 (outside Australia)

Email: [investor.relations@vgipartners.com](mailto:investor.relations@vgipartners.com)

# VGI PARTNERS

2 September 2019

Dear Fellow Investor

## **Priority Access to new Asian Strategy**

On behalf of VGI Partners, I am pleased to inform you that you will receive preferential access to the initial public offer (the “Offer”) of VGI Partners Asian Investments Limited (ASX:VG8 or the “Company”). VG8 is a new listed investment company focused on companies listed in Asia or significantly exposed to the Asian region (“Asian Strategy”).

As an existing investor with VGI Partners, you are eligible to access the Offer on preferential terms through the priority offer component (the “Priority Offer”)<sup>1</sup>. You will find further detail in the accompanying Priority Offer invitation and in the VG8 prospectus, which was lodged with ASIC today and is available for download at [www.vg8offer.com](http://www.vg8offer.com).

The Offer is scheduled to open on 23 September 2019 and close on 22 October 2019.

## **Background to VGI Partners’ Asian Strategy**

We believe that the introduction of an Asian Strategy is a natural extension for VGI Partners. We have always actively researched opportunities in the Asian region and included Asian stocks in the global portfolio. Our investments in the region have delivered strong returns.

However, despite the relatively attractive economic outlook for many Asian economies, in the early days of VGI Partners we were not spoilt for choice in Asia – at any given time there were only a small handful of companies that met our criteria for investment.

This started to change around two years ago due to a confluence of factors. First, we observed meaningful commitments to improved governance standards in parts of Asia as well as signs that

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<sup>1</sup> The Priority Offer is open to investors who, as at the record date of 2 August 2019, were an investor in either of VGI Partners Limited (ASX:VGI) or VGI Partners Global Investments Limited (ASX:VG1).

**SYDNEY**  
**VGI Partners Limited**  
ABN 33 129 188 450  
39 Phillip Street  
Sydney NSW 2000  
Australia  
T. +61 2 9237 8900  
[www.vgipartners.com](http://www.vgipartners.com)

**NEW YORK**  
**VGI Partners, Inc.**  
600 Madison Avenue  
Suite 2101, New York,  
NY 10022, USA  
T. +1 212 937 4700  
[www.vgipartners.com](http://www.vgipartners.com)

**TOKYO**  
**VGI Partners Limited**  
Representative Office  
Level 8 Tri-Seven Roppongi  
7-7-7 Roppongi Minato-ku  
Tokyo 106-0032, Japan  
T. +81 3 6629 3515  
[www.vgipartners.jp](http://www.vgipartners.jp)

# VGI PARTNERS

many higher quality companies were becoming more investor-friendly, particularly in relation to capital management strategies.

This prompted us to spend more of our time and energy focused on opportunities in Asia, which included opening VGI Partners' Tokyo representative office. Today we have a team of four in Tokyo, each of whom speak Japanese and English, while individual team members have Korean and Mandarin language skills.

Investing in Asia is far from straightforward and the significance of having a permanent presence in the region cannot be overstated. It is an extremely diverse region from an economic perspective, with completely different sets of language, culture, economic and political systems across the regions.

Most global investors simply do not possess the local capabilities or the focus required to undertake the in-depth research required to properly cover the region. Even in some developed Asian countries (e.g. Japan and Korea), many high-quality companies do not publish English language investor materials or annual reports as they are focused on running a good business rather than on promoting themselves to foreign investors.

As a consequence, Asian language skills are a prerequisite for successful investing in the region. At VGI Partners, we have also added localised research tools and resources to our investment process. While this represents a substantial ongoing investment for the firm, we are finding many under-researched opportunities.

At present, many high-quality businesses in Asia are trading at significant discounts to comparable companies elsewhere in other developed economies and we do not expect this discount to be maintained over the long-term.

The number of Asian companies that now meet our investment criteria and qualify for inclusion on the VGI Partners "wish list" for potential future investment is far greater than we would ever be able to include in our existing global strategy. There are a number of reasons for this – for example, our global strategy is weighted towards businesses with commanding positions in their industries globally, and some of the Asian companies that we would like to invest in are regional rather than global leaders. We also face constraints around geographic concentration, while our liquidity screens for the global strategy preclude investment in some of the high-quality companies we have identified in Asia.

# VGI PARTNERS

## *Overview of the Asian Strategy*

The Asian Strategy will be overseen by our existing 16-person investment team and will be managed in accordance with the same investment philosophy that we have applied to our global investment strategy for the last eleven years. VG8 will hold a concentrated portfolio of listed securities, and will be managed with a strong bias to capital preservation while targeting long-term returns of 10-15% net of fees.

Key features of the VGI Partners approach to the Asian region will include:

- A focus on companies listed in countries with a robust and reliable legal system, strong corporate governance and developed capital markets. In practice this means that, for several years at least, the VG8 portfolio will be heavily weighted towards investments in Japan, South Korea, Singapore, Hong Kong, Taiwan and Australia. We will maintain a watching brief on India, mainland China, Thailand and the Philippines but will **not** be investing in companies listed in these jurisdictions for the foreseeable future;
- Concentrating the portfolio in our best ideas. We expect to typically invest in between 15 and 30 long investments. The Company will hold a net cash buffer that it may deploy quickly in any period of market or stock specific volatility;
- A preparedness to invest in companies that are not listed in Asia but that derive a substantial proportion of their revenue or, in our view, may in the future derive a substantial proportion of their revenue in the Asian region. There are a number of luxury goods and cosmetics companies, for example, that may qualify for investment on this basis;
- Continuing the VGI Partners' tradition of investing only in companies that have a business model that is easy to understand and that operate in industries with attractive structures. This means our focus will be on monopoly, duopoly or oligopoly industry structures, or firms that own highly recognisable household brands. We will be avoiding companies which operate in highly cyclical industries, 'boom-bust' technology companies, and companies whose success relies upon short term consumer fads, that are prevalent on Asian stock exchanges; and
- Opportunistic short selling of businesses we consider to be of low quality and materially overvalued. Note that VGI Partners has had considerable success shorting in the region in the past.

# VGI PARTNERS

## ***Alignment of interests***

We want the Company to be Australia's most investor-friendly listed investment company and are putting in place a range of initiatives intended to align the interests of VGI Partners with VG8 investors.

Consistent with this, VGI Partners Limited will make an initial shareholding of \$20 million in VG8 and will be meeting all of the costs of the Offer. Members of the VGI Partners investment team and their immediate families will invest in excess of \$10 million in the Offer.

We are particularly delighted that, having listed VGI Partners on ASX earlier this year, we now have the opportunity to reward the loyalty of investors who are ongoing supporters of VGI Partners and who choose to invest in VG8. We will do this through the allocation of new free ordinary shares in VGI Partners Limited ("Alignment Shares") to participants in the Offer.

As an existing investor with VGI Partners you will have an opportunity to receive a more attractive allocation of Alignment Shares than that which is being made available to investors who are new to VGI Partners.

*An existing VGI Partners investor who is allocated \$100,000 of VG8 shares in the Priority Offer will receive 533 Alignment Shares with a current market value of \$7,275<sup>2</sup> at no cost to the investor (please see Appendix). A limited number of Alignment Shares are available on these terms, with allocations to be made on a first-come first-served basis.*

## ***Next steps***

If you wish to consider an investment in VG8, please follow the instructions in the Priority Offer Invitation accompanying this letter.

On behalf of VGI Partners, I hope to welcome you as a shareholder in the Company.

Yours sincerely,



Robert M.P. Luciano, CFA

Executive Chairman

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<sup>2</sup> Based on the VGI Partners Limited closing price on 30 August 2019.

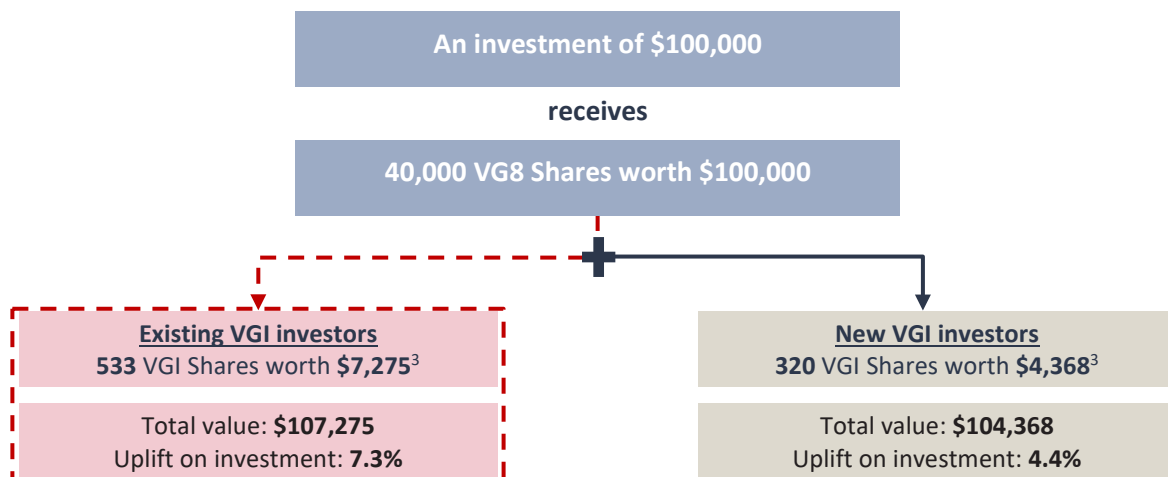
# VGI PARTNERS

## Appendix – Alignment Shares

VGI Partners intends to issue, for nil consideration, Alignment Shares in VGI Partners Limited (ASX:VGI) to all investors in the VG8 IPO. Investors who receive an allocation of VG8 shares in the Priority Offer will receive a preferential ratio of Alignment Shares in respect of that allocation.

Offer component	Alignment Share ratio	Implied value based on VGI closing price on 30 August 2019
<b>Existing VGI investors</b> (Priority Offer and Cornerstone Offer)	1 Alignment Share for every 75 VG8 Shares	\$1 in Alignment Shares for every \$13.7 invested in VG8
<b>New VGI investors</b> (Broker Firm Offer and General Offer)	1 Alignment Share for every 125 VG8 Shares	\$1 in Alignment Shares for every \$22.9 invested in VG8

An illustrative example of the value proposition to an investor who invests \$100,000 in the Priority Offer is outlined below<sup>3</sup>:



<sup>3</sup> Value proposition based on the closing price of VGI Partners Limited on 30 August 2019 of \$13.65

# VGI PARTNERS

## Important information

A prospectus relating to the Offer was lodged with ASIC today and is available for download at [www.vg8offer.com](http://www.vg8offer.com) ("Prospectus"). Invitations to apply for new fully paid ordinary shares in VG8 ("Shares") are being made under the Prospectus in accordance with Chapter 6D of the Corporations Act 2001 (Cth). You should read and consider the Prospectus in deciding whether to apply for any Shares. The Prospectus contains detailed information in relation to VG8 and the Offer including but not limited to a description of risks. Anyone who wants to acquire Shares in the IPO will need to complete the application form that will be in or will accompany the Prospectus (as described in this letter).

A prospectus for the offer of Alignment Shares ("VGIP Prospectus") will be made available when the Alignment Shares are offered. The VGIP Prospectus is expected to be made available on or about 23 September 2019 and will be available at [www.vg8offer.com](http://www.vg8offer.com). A person should consider the VGIP Prospectus in deciding whether to acquire the Alignment Shares. Anyone who wants to acquire Alignment Shares will need to complete the application form that will be in or will accompany the VGIP Prospectus (which will be the same application form which accompanies or is in the Prospectus for the Offer).

This letter is not a prospectus or offering document under Australian law or any other law. No action has been or will be taken to register, qualify or otherwise permit a public offering of the Shares or Alignment Shares in any jurisdiction outside Australia and New Zealand.

This letter is for information purposes only. Nothing in this letter constitutes an offer, solicitation, invitation or specific recommendation of securities for sale in any jurisdiction where, or to any person to whom, such offer or sale is not permitted. In particular, this communication does not constitute an offer of securities for sale in the United States and must not be distributed to any person in the United States. Any securities described in this communication have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "US Securities Act") or under the securities laws of any state or other jurisdiction of the United States, and may not be offered, sold or otherwise transferred, except in compliance with the registration requirements of the US Securities Act, and any other applicable securities laws or pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and any other applicable securities laws.

The provision of this letter is not, and should not be considered as, financial product advice. The information in this letter is general information only, and does not take into account your individual objectives, taxation position, financial situation or needs. If you are unsure of your position, please contact your accountant, tax advisor, stockbroker or other professional advisor.

This letter contains certain "forward-looking statements" including statements regarding VGI Partners' intent, belief or current expectations with respect to the Offer. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance or events.

**THIS LETTER MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS EMAIL IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE US SECURITIES ACT AND/OR ANOTHER APPLICABLE LAW OF THE UNITED STATES OR ANOTHER JURISDICTION.**