



JOHN BRIDGEMAN LIMITED
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JOHN.BRIDGEMAN

8 May 2019

Ron Kaushik
Senior Manager – Market Surveillance
National Stock Exchange of Australia Limited
1 Bligh Street
Sydney NSW 2000

Dear Mr Kaushik

General disclosure query

Thank you for your letter of 6 May 2019.

While the Company's responses to your questions are set out below, the Company again queries why NSX considers that these questions are of a nature that the suspension of the Company's securities has not been lifted, particularly having regard to previous disclosures made.

However, in the interests of addressing NSX's queries, the Company provides the following responses:

- 1. As Investment Manager for Henry Morgan Limited and Bartholomew Roberts Pty Ltd, please provide details on what actions or due diligence was undertaken by the Company prior to any investment decision being made relating to the investments in JB Financial Group Pty Ltd. Further, on what grounds did the Company believe that these investments qualified as appropriate investment opportunities?**

Response:

As investment manager of Henry Morgan Limited, John Bridgeman took into consideration Henry Morgan Limited's investment mandate, which was based on a global macro trading strategy with a minor amount invested in unlisted securities, and subsequently expanded to include investments in unlisted companies with growth prospects seeking a future liquidity event.

Similarly, the investment mandate of Bartholomew Roberts Pty Ltd required John Bridgeman to identify opportunities which would provide a return acceptable to Bartholomew Roberts as advised from time to time.

In considering the potential investment by Henry Morgan Limited and Bartholomew Roberts into JB Financial Group, John Bridgeman took into consideration the above investment mandates, as well as the following factors, actions and due diligence information:

- (a) Information from JB Financial Group regarding its current and future business strategy, which was to build and grow an operating company in the financial services sector with earnings, with a view to seeking a liquidity event in the short to medium term;
- (b) JB Financial Group's ownership of JB Markets Pty Ltd, a licensed securities and derivatives broker and dealer for wholesale and retail clients, and the potential for significant growth of that business. John Bridgeman conducted a review of that division's commissions, funds under management, as well as the current and proposed future growth of its broking staff and anticipated financial performance and forecasts;
- (c) The acquisition of foreign exchange currency foreign exchange businesses by JB Financial Group, and the proposed capital raising/listing of that business in the future. Investigations included the financial performance of the business and opportunity for value creation;
- (d) Research into the opportunities offered in the 'FinTech' space (in which JB Financial Group had commenced initial development plans), including the depth of the industry in Australia and globally in the context of the investment strategies of Henry Morgan Limited and Bartholomew Roberts;
- (e) Discussions with various parties regarding the financial and valuation information obtained to ensure that the proposed investment price was reasonable in the current financial market and economic environment;
- (f) An assessment of the financial implications and risks for the proposed investees.

On the basis of the above information, and upon consideration of the investment mandates of each of Henry Morgan and Bartholomew Roberts, John Bridgeman believed that the investments in JB Financial Group were appropriate investment opportunities for each of those companies.

2. How did the Company satisfy itself that the increase in share price of JB Financial Group Pty Ltd between July 2016 and December 2016 was justified?

Response:

The Company reviews the financial forecasts, internal management valuations and accounts of JB Financial Group, together with comparable external transactions, and obtains advice where appropriate from advisors and other professionals, to satisfy itself that any movements in the share price of JB Financial Group are justifiable. This process was undertaken during the period in question.

The Company notes that since the period in question, the financial accounts of JB Financial Group have been reviewed on four occasions by independent experts, audited annually by the relevant auditor and reviewed every six months by the Company's auditor. These reviews contribute to John Bridgeman's position regarding the share price of JB Financial Group from time to time.

Further, as part of its annual audit activities of, for example, Henry Morgan Limited, the relevant auditor will undertake an internal, independent valuation of investments made by that company. If the carrying amounts of any investments do not fall within the range determined by the

auditor, the auditor would be required to qualify their report. No such qualification has ever occurred.

3. Which individuals did the Company, in its role as Investment Manager, interact with at JB Financial Group to facilitate the investments in December 2016?

Response:

In its role as investment manager, representatives of John Bridgeman interacted with certain members of the Board of JB Financial Group, as well as representatives of the business divisions within (or in the process of being acquired by) JB Financial Group, in order to obtain information regarding the proposed investment. Across the period from August to December 2016, various meetings and discussions were held between representatives of John Bridgeman and representatives of JB Financial Group. In terms of key interactions, John Bridgeman Limited in its role as investment manager, interacted with:

- Jim Stewart-Koster in relation to foreign exchange;
- Daren Markisic in relation to broking and trading;
- Peter Aardoom and Michael Martin regarding JB Financial's overall business strategy and plans.

4. As Investment Manager please provide a copy of the Company's internal valuation of JB Financial Group from July 2016 to present.

Response:

See **attached** zip file provided separately as Appendix A, which is not for release to the market.

5. In the Company's view, has the increase in the valuation of JB Financial Group Pty Ltd shares in 2016 resulted in unrealised gains recognised by Henry Morgan Limited and Bartholomew Roberts Pty Ltd?

Response:

Yes. The fair values and carrying amounts of the investments have been subject to extensive review by the investee companies' auditors and the valuations supporting any unrealised gains have been supported in those reviews.

6. Does the Company consider that the increased value of JB Financial Group Pty Ltd securities resulted in the Company receiving increased performance and management fees from Bartholomew Roberts Pty Limited and Henry Morgan Limited for its services provided as Investment Manager?

Response:

The calculation of performance and management fees was undertaken in accordance with the investment management agreements between John Bridgeman Limited and each of Bartholomew Roberts Pty Limited and Henry Morgan Limited. These fee calculations and the carrying value of investments have been reviewed by the relevant company's auditors for each

audit period. If an auditor came to the view that the carrying value of an investment fell outside the valuation range determined by the auditor, the financial accounts and fees calculations would be adjusted.

As the value of the investment portfolio of each of Bartholomew Roberts Pty Limited and Henry Morgan Limited increases, the amount charged by John Bridgeman by way of fees under these agreements will increase. Bartholomew Roberts Pty Limited and Henry Morgan Limited each hold interests in, among other things, shares in JB Financial Group. If the value of those JB Financial Group shares increases such that the value of the overall investment portfolio of Bartholomew Roberts Pty Limited and Henry Morgan Limited increases, then the amount of fees charged will increase. Conversely, if the value of those JB Financial Group shares decreases such that the value of the overall investment portfolio of Bartholomew Roberts Pty Limited and Henry Morgan Limited decreases, then the amount of fees charged will decrease.

7. Please provide a list of other potential alternative investment opportunities that were considered by the Company at the time that the Company, as Investment Manager for Henry Morgan Limited and Bartholomew Roberts Pty Ltd, decided to invest in JB Financial Group Pty Ltd (on or around December 2016).

Response:

John Bridgeman Limited is provided with a multitude of investment opportunities from time to time.

As part of its global macro trading strategy, it considers a plethora of derivatives contract positions which will change from time to time as market and economic conditions respond to political and social events. On or around December 2016, these opportunities were affected by key events such as the US presidential election and the BREXIT referendum. As investment manager, John Bridgeman took derivatives positions (and discarded alternative positions) according to market movements at the time.

In addition, John Bridgeman had considered other investment opportunities for Henry Morgan Limited and Bartholomew Roberts Pty Ltd in the following sectors:

- Hedge fund listings and/or co-listing on the London stock exchange;
- Due diligence on potential investments in unlisted businesses in the domestic, wine, and international food and beverage sector;
- Due diligence on potential investments in the bond financing sector
- Investigations into a potential joint venture with an international company in the foreign exchange and global payment services business
- Listings or joint listings in Singapore;
- Due diligence on potential investments in Singapore based securities firms
- Joint ventures with global Asian conglomerates
- Due diligence on potential investments in the international health and fitness sector
- Potential acquisition of ADI licensed entities .

The identities of the above businesses are provided separately as Appendix B and are not for release to the market.

John Bridgeman ultimately decided, in its role as investment manager, that opportunities such as those identified above, were not appropriate or provided sufficient benefit to Henry Morgan Limited and Bartholomew Roberts in the context of their investment strategies at the time.

Yours faithfully



Kevin Mischewski
Company Secretary
John Bridgeman Limited