

28 February 2018

Investment Strategy Update

First Growth Funds Limited (ASX: FGF) (**FGF** or the **Company**) is pleased to provide the following update regarding the Company's Investment Strategy.

Background as an investment company

FGF is listed on the ASX and operates as an investment company. The nature of an investment company means that FGF is constantly assessing investment opportunities both in terms of the acquisition of assets or interests as well as the disposal of assets or interests. As an investment company it is within the usual course of the Company's business to both dispose of and acquire assets and interests from time to time with the intent being to maximise value and return for shareholders. The aim with investments in unlisted entities is that the equity interests held will be able to be realised on completion of a liquidity event (such as a trade sale or IPO) and that the funds raised from the realisation will be invested into further assets and interests for the benefit of shareholders

FGF as an investment company has seen it investing predominantly in unlisted technology based startup companies, though with a wide array of operational interests, such as e commerce, telephony, IoT and digital video. The Company has continued to invest in listed equities on the Australian Securities Exchange in a variety of industries including resources, technology and health.

The Company's largest private investment is Cloud Lumen (a next generation lighting and sensor network company focussing on IoT connected commercial LED lighting). The Company also invested in Pearl Global (an entity approved by the EPA to commercially process end of life tyres into fuel, char and steel) which completed its listing on the ASX on 16 February 2018.

The Company's main undertaking is investing in different assets and classes and as such it does not have a sole asset or asset class which is its main undertaking. As an investment company, FGF seeks to have a variety of different investments across a diverse portfolio of assets and the investments held by the Company at any time may vary widely. The Company is not limited by an investment mandate or restrictions on investment management and it may ultimately invest in any investment approved by the Board. As previously disclosed, the types of investments that the Company may make include (but are not limited to) unlisted and listed securities, derivatives, alternative investments, rights convertible into securities or derivatives or foreign exchange, debt instruments and interests in trusts. FGF does not intend to limit its investments to any one sector, with the key investment criteria being whether or not the investment presented is of a suitable scale, and quality that it is likely to achieve a significant increase in value for the shareholders of FGF.

Recent Announcements regarding investments in blockchain technology and cryptocurrencies

As announced on 4 September 2017, the Company had been assessing possible transactions for FGF in the emerging markets of blockchain technology and cryptocurrencies as well as in traditional sectors of technology and resources.

On 27 November 2017, the Company announced that it had entered a term sheet with Heuresy LLC which provides for an investment in an entity focused on the design, development and implementation of a new digital currency exchange and associated technology. This required an initial cash outlay by FGF of US\$250,000 and for FGF to initially hold a 50% interest in the entity proposed to operate the exchange. Significant further capital may need to be raised to commercialise the proposed exchange and undertake an ICO which may significantly dilute FGF's interest in this project and there is no

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guarantee that this project will ultimately be successful. The end date of the Term Sheet was recently extended to 31 March 2018 and work continues to progress under the Term Sheet with Heuresy.

On 2 January 2018, the Company announced that it had entered conditional placement letters with respect to the Placement with funds to be raised by the Placement providing the Company with working capital and for funding to facilitate acquisitions of, or investments in, blockchain technology, assets or businesses. The Placement was led by Blockchain Global Limited who also agreed to underwrite 50% of the listed options on issue as at 31 December 2017 (details of which are set out above). Funds raised from the exercise of the listed options by holders or pursuant to the underwriting arrangements are to be used for working and investment capital generally.

The Company continues to assess investment opportunities in the emerging markets of blockchain and cryptocurrencies as well as in other sectors.

It is however important to note that any investments by the Company in the emerging markets of blockchain technology and cryptocurrencies are made as only part of the overall investment strategy of the Company. The Company does not intend to invest solely in the blockchain technology and cryptocurrencies markets and intends to maintain its status as an investment company with a diverse array of assets.

Present investment strategy

While the Company is not constrained by a strict investment mandate, the following provides an overview of the Company's current intended investment strategy with respect to its cash reserves upon completion of the Placement:

Asset type	Upon closing Placement (assumes cash reserves of approximately \$9,800,000)	
	%	\$
Working capital	7%	\$ 686,000.00
Small cap investments - ASX listed	15%	\$ 1,470,000.00
ASX Top 50 – Dividend/Income focussed	22%	\$ 2,156,000.00
Pre-IPO/Private investments - Investment via equity and convertible notes.	9%	\$ 882,000.00
Blockchain investments - Investment via equity and convertible notes in unlisted entities.	12%	\$ 1,176,000.00
Pre-ICO and ICO investments	20%	\$ 1,960,000.00
Cash Reserves (Term deposits/at call)	15%	\$ 1,470,000.00
Total	100%	\$ 9,800,000.00

Note: Cash reserves include funds to be received on completion of the Placement (announced on 2 January 2018) (\$3.45million) as well as funds received from the exercise of Series B and Series C listed options since 31 December 2017 (\$5.55million) and existing cash held of approximately \$0.8m.

It should be noted that whilst the above table shows splits and totals to 100% they are "max /up to range" and don't for example indicate that the Company must hold exactly 20% of pre-ICO investments at any one time. The nature of an investment company is that its asset allocation will be fluid overtime as will be the case with the Company. The above table indicates that it is the Company's intention to hold a maximum of 20% of its assets as pre-ICO investments (however, these would be intended to be liquidated into fiat currency as soon as practicable and the funds would be reinvested).

It is intended that a maximum of 12% of its assets may be in equity investments in unlisted entities which are involved in, developing or utilising blockchain technologies and such investments would be approached in a consistent manner with which the Company has previously invested in unlisted entities.

It is noted that this overview is based on current market conditions and the present determination of the board. The board reserves the right to alter the investment strategy and indicative asset allocation at any time without notice. Should any relevant circumstances change, the board will reassess the proposed investment strategy to ensure it is the most appropriate for the Company and its shareholders.

Future investments in blockchain technology and cryptocurrencies

As part of the overall investment strategy, the Company proposes to make equity investments in blockchain companies and it may also separately invest in digital currencies via an ICO or Pre-ICO.

FGF proposes to include in its investment portfolio equity investments in companies involved in the blockchain industry. This is consistent with FGF's investments in various other unlisted companies, many of which have operated in the technology space. As is the case with FGF's existing investments in unlisted companies, this would involve the acquisition by FGF of shares, convertible securities or other equity securities in companies involved in the blockchain industry. As with any equity investment it makes, FGF would evaluate the company in accordance with its usual practices that it applies regarding of whether the company operates in the blockchain industry or any other industry, before acquiring equity interests in the company. Likewise, as with any other equity investment FGF makes, it may be that FGF is a minority holder in such a company and as such will not have any control over how the company operates.

FGF plans (as one part of its overall investment strategy) to invest in ICOs in particular pre-ICOs. It would only do so to the extent that it could satisfy itself that the ICO was undertaken in a lawful manner.

The Company also intends to establish an Advisory Business Unit (ABU) for the purpose of generating revenue and income from blockchain related activities and investments.

Again, it is important to note that any direct investment in digital currency via a pre-ICO or ICO investment or any equity investment in blockchain companies would only form part of FGF's overall investment strategy and asset allocation and would not be the sole investment of FGF.

Information regarding investing in ICOs

In accordance with ASX Compliance Update 01/18 the Company provides the following information:

Expertise

1. The Company has not as yet engaged any external third parties to provide advisory services regarding investments in or management of investments in ICO's and pre-ICO's. It may consider this in future and if it does it will provide any additional detail requested by the ASX in this regard.
2. Until such third party engagements are made by the Company, the board will make any investment decisions as a collective group having regard to the advice and recommendations provided by Anoosh Manzoori and Geoff Barnes and, on appointment, Daniel Zhang.
3. Anoosh Manzoori was appointed to the board in December 2017. Anoosh was appointed to the board having regard, in particular, to his experience in technology and investment advisory. Anoosh holds a Bachelor of Science (Monash University), Graduate Diploma Business Enterprise (University of Adelaide). He is also member of the Australia Institute of Directors. He is the CEO of Shape Capital Pty Ltd, an advisory and venture investment firm, and an Expert Network Member of the Department of Industry, Innovation and Science, supporting local innovative companies. Further details regarding Anoosh's skills and experience are set out in Annexure A.

4. Daniel Zhang is proposed to be appointed as a director of the Company on completion of the placement announced on 2 January 2018. Daniel holds a Bachelor Engineering, Masters Information Systems & Management. Daniel is currently the Chief Operations Officer (COO) of Blockshine, a leading China based communications company specialising in Blockchain Technology. Further details regarding Daniel's skills and experience are set out in Annexure A.
5. Geoff Barnes was appointed to the board in May 2014. He is a Founder and Director of Peloton). At Peloton, Geoff is responsible for Equity Markets and Private Client Operations, introduction of corporate transactions, and personally manages a select group of Sophisticated Investor Clients. Prior to founding Peloton Geoff spent 9 years at Macquarie Private Wealth (Sydney).

Management of volatility and liquidity

1. The Company acknowledges and understands that investments in digital currency (such as via ICOs or pre-ICOs) are highly volatile and amongst things face illiquidity risks. The Company intends to limit the volatility exposure of any investments in ICOs and pre-ICOs by liquidating into fiat currency as soon as practicable and upon such liquidation taking place the funds would be reinvested. It is not the Company's strategy to directly hold a particular digital currency long term and speculate on the value of that currency in the long term. Rather, the Company's strategy is to seek to invest part (maximum of 20%) of its funds at a pre-ICO stage if possible (or ICO stage) and then liquidate its investment as soon as practicable after listing on the exchanges. This is consistent with FGF's existing approach to investing in unlisted entities to achieve a liquidity event and increase value for shareholders. Additionally, if any tokens/coins are received as a 'bonus' by FGF in a blockchain business, those tokens would also be sold as soon as practicable once the token/coin is listed on the exchanges. This is the strategy the Company intends to use to manage market volatility in this asset class.
2. Mr Manzoori is skilled in rebalancing a digital currency portfolio during periods of uncertainty in the market including moving Digital Currencies to Fiat Currency (AUD or USD) and moving Digital Currency across exchanges (within minutes) providing fast access to liquidity and management of volatility.
3. FGF plans to convert its tokens to Fiat Currency as soon as its Digital Currency from the ICO is made available in the exchanges.
4. There are US\$ Billions worth of transactions per day on Digital Currency in exchanges. FGF intends to initially invest a maximum of \$250,000 per ICO and does not expect to have liquidity challenges. FGF acknowledges that some Digital currencies do go through periods of liquidity bottlenecks due to a number of reasons including high transaction volumes, network congestion, supply and demand, to name a few. FGF believes it will overcome this risk by:
 - a. There are over 1500 Digital Currencies and growing. This provides a big market to select multiple trade pair pathways to lead to fiat currency.
 - b. FGF can also break down its holding of a Digital Currency into smaller parcels across multiple exchanges and also chose multiple trading pairs that lead to fiat currency.

Risks

It should also be noted that:

1. an investment in digital currency is highly speculative in nature and has a number of risk factors due to the emergent nature of digital currency, including:
 - a. the emerging regulatory risks involved with such an investment; and
 - b. the changing regulatory environment in which the proposed investment operates;
2. digital currency and the related topics of ICOs and pre-ICOs raise legal, regulatory and public policy issues. A number of international regulators have issued guidance on the application of

their securities and financial services laws on ICOs, and the regulatory status of ICOs in a number of overseas jurisdictions is subject to considerable uncertainty and rapid change. For example:

- a. ICOs have recently been ruled to be securities under US law and therefore are only able to be offered in the US in compliance with their securities laws;
- b. ICOs have been banned altogether in China and South Korea;
- c. in Australia, Japan, Canada and elsewhere changes are being made to regulate crypto-currencies under anti-money laundering legislation and this could materially affect their value over time.

The Company will provide a detailed overview of some of the key the risks factors that may impact its investments in the emerging markets of digital currency and blockchain technology in its prospectus to be lodged on 28 February 2018.

Geoff Barnes

Chairman

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Annexure A

Experience of Anoosh Manzoori

Anoosh holds a Bachelor of Science (Monash University), Graduate Diploma Business Enterprise (University of Adelaide). He is also member of the Australia Institute of Directors. He is the CEO of Shape Capital Pty Ltd, an advisory and venture investment firm, and an Expert Network Member of the Department of Industry, Innovation and Science, supporting local innovative companies.

Anoosh has extensive commercial experience and has worked with technology companies across many different industry verticals.

Anoosh has been involved in ICO, Digital Currency and Blockchain technology since 2015. Some of this activity includes:

- (a) provision of advisory services to companies involved in blockchain technology on a number of commercial areas;
- (b) provision of financial and business models for setting up an incubator to support blockchain companies;
- (c) investor and advisor to company which is a Blockchain as a Service (BaaS) platform providing a middleware software solution for Digital Currencies to integrate their blockchain protocols which has also participated in direct investments in ICOs; advisory role includes assisting companies undertake an ICO, drafting white papers, token economics, technical advisory;
- (d) establishment and management of personal digital currency index fund creating an index fund of 250 Digital Currencies over 18 months. These were weighted based on a number of factors including an assessment of the underlying technology, commercial review, token economics, assessment of the management and lead developers, to name a few. Skills in due diligence assessments on various exchanges such as two factor authentication and provisions for Know Your Customer, liquidity and Digital Currency spread between trading pairs. Skills in rebalancing portfolio during periods of uncertainty in the market including moving Digital Currencies to Fiat Currency (AUD or USD) and moving Digital Currency across exchanges (within minutes) and providing fast access to liquidity and management of volatility. Management of private keys of Digital Currency portfolio via offline storage.

Anoosh previously founded the second largest cloud hosting company that reached 75,000 customers, in just 5 years of operation. One in ten Australian websites were hosted on his platform before the Company was sold to MYOB Limited in 2008. Anoosh has extensive experience in managing complex networks, large-scale infrastructure, and has expertise and understanding of Internet and network security.

Founding and scaling a hosting company has provided Anoosh with the innate understand of blockchain technology, Distributed Networks, Digital Currency and token economics that will assist FGF to assess the technical feasibility of each investment opportunity.

Experience of Daniel Zhang

Daniel Zhang is proposed to be appointed as a director of the Company on completion of the placement announced on 2 January 2018. Daniel holds a Bachelor Engineering (University of Birmingham (UK)) and a Masters Information Systems & Management (University of Warwick (UK)). Daniel is currently the Chief Operations Officer (COO) of Blockshine, a leading China based communications company specialising in Blockchain Technology.

Daniel Zhang's experience and background in Internet service history includes Big Data, Supply Chain, Retail Industry, Internet Product Manager & Operation Management, Finance & Accounting, Computer Networking Engineering and also Information System management.

Daniel Zhang joined the cryptocurrency world in early 2017 and started to work in the Blockchain industry and related business including Initial Coin Offers (ICOs).

Mr. Daniel Zhang is the COO of Blockshine Communications; Blockshine is a supplier in Blockchain-related information and technology. Blockshine's focus is to provide End-to-End solutions and

consulting services for project development of Blockchain-related technology, Blockchain applications, cryptocurrency exchanges and ICOs.

Daniel Zhang runs the End-to-End ICO solutions for all clients globally, and is familiar with all parts undertaken within an ICO process including:

- (a) Business model consulting
- (b) White paper producing
- (c) Business market value/size estimation
- (d) Coin/token ecosystem (Economy) structure build
- (e) Media consulting (Branding VI, website design, video making)
- (f) Promotion in Market (media coverage)
- (g) Community build (twitter, facebook, Youtube, telegram)
- (h) Legal support
- (i) Project management
- (j) Public relations
- (k) Investors profile (China's local mainstream blockchain investment fund)
- (l) Coin/token listing in mainstream exchanges
- (m) ICO campaigns
- (n) Post ICO management

Daniel's experience includes founder and CEO of TagU Social Network media platform for sharing of photos, Project Manager of Big Data program at Tesco China and Product Director of Penguin Guide, a Chinese Food, wine and lifestyle social media platform.