

# PACIFIC CURRENT GROUP

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Level 14, 39 Martin Place, Sydney NSW 2000

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## ASX ANNOUNCEMENT

28 January 2016

### Funds Under Management

As at 31 December 2015

#### HIGHLIGHTS

- Total FUM of A\$30.9bn (excluding Trilogy), down A\$0.9bn (or 3.0%) since 30 September 2015, largely driven by RARE and Seizert. Total FUM does not include A\$18.2bn FUM related to recent investment in Aperio Group as this investment closed post quarter-end;
- Solid performance from “Core Boutiques” IML and Aether; and
- Strong business momentum from “Growth Boutiques” Blackcrane and EAM Global

Pacific Current Group (ASX:PAC, the Company, Pacific Current), a global multi-boutique asset management firm, today announces its Funds Under Management (FUM) for the quarter ended 31 December 2015.

As at 31 December 2015, PAC had aggregate FUM of A\$30.9bn (excluding Trilogy). For the quarter, this represents a decline of A\$0.9bn or 3.0% compared to an increase of 5.46% for the ASX 200, 7.04% for the S&P 500\* and 5.5% for the MSCI World Index\* over the same period. The key driver of this result was weakness at RARE (down 6.5%) and Seizert (off 6.9%), which was partially offset by strong results from IML (up 13.3%), Black Crane (up 42.5%) and EAM Global (up 85.4%).

#### *Subsequent Events*

Post quarter-end PAC successfully completed its investment in Aperio closed on 4 January 2016. Therefore, FUM numbers do not include US\$13.2bn related to this acquisition, which saw strong underlying growth up US\$1.4bn from US\$11.8bn at September quarter-end.

FUM also does not reflect A\$274m of new FUM from the first closing of Aether’s new fund, closing on 1 January 2016. This additional FUM will be partially reflected in quarter-ending 31 March 2016.

A key initiative for PAC has been to diversify its portfolio to include businesses that manage both open-ended and closed-ended pools of assets. As at 31 December 2015, total FUM from open-ended funds was A\$23.9bn while total FUM in closed-ended funds was A\$7.0bn. This diversification has provided stability during periods of high market-volatility. FUM in open-ended funds tends to fluctuate with the overall market, while closed-ended funds have consistent FUM even in volatile markets.

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\* S&P 500 and MSCI World Index returns are based on USD



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PAC has also worked to diversify its portfolio geographically. During the quarter the Australian dollar appreciated against the US dollar, negatively impacting overall FUM for the group by A\$0.4bn. Over time, diversification across geography is expected to reduce overall volatility in FUM. With continued market volatility, PAC believes this portfolio construction strategy will benefit investors.

## *Portfolio Commentary*

FUM within the portfolio varied widely. Growth boutiques continue to see FUM growth far exceeding market performance. “Core boutiques” faced mixed results with IML showing strong performance, Aether continuing to perform well (having closed on A\$274m the day following quarter-end), while RARE and Seizert underperformed.

IML and RARE saw continued strong retail inflows. IML, Blackcrane and EAM enjoyed Institutional inflows whilst RARE, Seizert and Tamro saw institutional outflows during the quarter.

During the quarter, PAC completed the sale of 75% of its holdings in RARE on 21 October 2015. This investment has crystallised exceptional return on investment for shareholders, delivering greater than 33x cash on cash return.

Tim Carver, CEO of Pacific Current, commented: “Against a backdrop of increased market volatility and uncertainty, our results reflect the ongoing successful execution across all aspects of our business, including good organic growth, continued diversification and additional resilience in our portfolio of boutiques”.

“We believe that our repositioning of the portfolio – reducing our ownership in RARE Infrastructure, reducing external debt, and investing in Aperio – has been a solid strategy, which will benefit shareholders in this market environment”.

“We continue to find many intriguing investment opportunities and are making meaningful progress toward the development of new partnerships. As we have noted previously, we have a keen interest in seeking increased exposure to non-active equity and private capital strategies”.



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## Funds under management

Boutique & Channel Split (A\$bn)	30-Sept-15		Other (1)	FX Impact (2)	31-Dec-15
	Closing FUM	Net Flows			Closing FUM
<b>Core Boutiques</b>					
Retail	6.92	0.18	0.25	(0.01)	7.34
Institutional	14.65	(0.54)	0.07	(0.26)	13.92
	<b>21.58</b>	<b>(0.36)</b>	<b>0.32</b>	<b>(0.28)</b>	<b>21.27</b>
<b>Growth Boutiques (3)</b>					
Retail	0.02	-	(0.01)	(0.01)	-
Institutional	6.42	0.22	(0.21)	(0.04)	6.40
	<b>6.44</b>	<b>0.22</b>	<b>(0.21)</b>	<b>(0.05)</b>	<b>6.40</b>
<b>Other Boutiques</b>					
Retail	0.53	(0.04)	-	(0.02)	0.48
Institutional	3.26	(0.65)	0.21	(0.10)	2.72
	<b>3.80</b>	<b>(0.68)</b>	<b>0.21</b>	<b>(0.12)</b>	<b>3.20</b>
<b>Total FUM (excluding Trilogy)</b>	<b>31.82</b>	<b>(0.82)</b>	<b>0.32</b>	<b>(0.45)</b>	<b>30.87</b>
Trilogy (4)	4.58	(0.09)	(0.01)	-	4.48

- (1) Includes investment performance, market movement and distributions.
- (2) The Australian dollar appreciated compared to US dollar during the quarter. The AUD/USD exchange rate went from 0.6978 as at 30 Sept 2015 to 0.7289 as at 31 December 2015.
- (3) Growth Boutiques historically have included AU\$1.7b of FUM as of 30 September 2015 related to EAM Investors, the majority owner of EAM Global Investors. As PAC does not own any economics in EAM Investors, the FUM being reported going forward only relates to EAM Global where PAC generates its economic return. EAM Global's FUM was A\$0.17bn and A\$0.31bn as of 30 September 2015 and 31 December 2015, respectively.
- (4) Trilogy has been separated from total FUM given its relative lower profit/FUM margin than other Pacific Current boutiques/affiliates.
- (5) Amounts may not add due to rounding.



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## Funds Under Management by Boutiques

(A\$bn)	30-Sept-15	31-Dec-15
<strong>Core Boutiques</strong>		
Aether	1.29	1.23
IML	5.48	6.20
RARE	9.48	8.86
Seizert	5.34	4.97
	<strong>21.58</strong>	<strong>21.27</strong>
<strong>Growth Boutiques</strong>		
Blackcrane	0.25	0.35
ROC Partners	5.36	5.12
Raven	0.67	0.61
EAM	0.17	0.31
	<strong>6.44</strong>	<strong>6.40</strong>
<strong>Other Boutiques</strong>	<strong>3.80</strong>	<strong>3.20</strong>
<strong>Total FUM (excluding Trilogy)</strong>	<strong>31.82</strong>	<strong>30.87</strong>

## OUTLOOK

PAC enters 2H16 with a portfolio of 20 boutiques across the group with improved diversification by strategy, clients and geographies.

Going forward, PAC continues to have an excellent pipeline of new investment opportunities, with management continuing to focus on investment opportunities that add diversification, resilience and growth to the portfolio.

The Company continues to deliver on its business growth strategy with the successful deal completion of Aperio on 5 January 2015; post quarter end. As previously indicated, PAC also repaid third party debt of A\$62m post-quarter end, which positively impacts earnings and provides additional balance sheet flexibility for both acquisitions and potential capital management.

With continuing strong momentum from many areas of the portfolio, significantly improved access to global clients, a strong pipeline of new opportunities and a strong balance sheet, PAC is well positioned to generate substantial incremental earnings growth over the medium to long-term.



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## ABOUT PACIFIC CURRENT GROUP // [www.paccurrent.com](http://www.paccurrent.com)

Pacific Current Group is a multi-boutique asset management firm dedicated to providing exceptional value to shareholders, investors and partners. We apply our strategic resources, including capital, institutional distribution capabilities and operational expertise to help our partners excel. As of 28 January 2016, Pacific Current Group has 20 boutique asset managers globally.

