# PACIFIC CURRENT GROUP

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*28 February 2017*

**PACIFIC CURRENT GROUP INTERIM RESULTS**
*Period ended 31 December 2016*

## HIGHLIGHTS

- PAC underlying NPAT of A$5.8m for half year;
- The growth of GQG over the six months resulted in a revaluation increment of A$9.9m (Aurora) reflected in asset revaluation reserve posted on the Aurora Trust balance sheet;
- Net profit of A$2.2m includes significant non-recurring expenses, including an impairment charge of A$11.4m at Aurora primarily related to Aether and Nereus (PAC share A$7.6m);
- A revaluation loss of A$7.7m at Aurora Trust in relation to the investment in RARE (PAC share A$5.0m);
- Continued focus on simplifying PAC corporate structure, reducing headcount, removing material costs and selling some smaller boutiques;
- Interim dividend deferred, full year dividend will be based on full year results;
- Aggregate FUM of A$51.7bn, up 5.5% primarily due to strong market returns.

SYDNEY (28 February 2017) - Pacific Current Group (ASX: PAC, "Pacific Current"), a global multi-boutique asset management firm, is pleased to report the Company's half-year results for the six month period ended 31 December 2016. Over the six months, Management continued to focus its efforts on restructuring the business and simplifying the overall corporate structure with an Extraordinary General Meeting scheduled for 15 March 2017 to vote on key resolutions necessary to approve the simplification plan.

PAC is a listed company that owns 65% of the Aurora Trust ("Trust") established by the merger between Treasury Group and Northern Lights Capital Partners, LLC ("Northern Lights") in November 2014. The Trust holds the business operations and interests in the boutiques of the combined businesses.

## FOCUS ON RESTRUCTURE AND SIMPLIFICATION

The focus of management and the Board during the year was the restructure of business operations with the overall aim of simplifying PAC's corporate structure while repositioning and growing the investments in the portfolio. Significant effort was spent on the proposed simplification, which was announced to the market on 21 December 2016 with the Explanatory Memorandum and Notice of Meeting issued on 13 February 2017. The team also completed the funding of the final tranche of the Aperio Group LLC ("Aperio") investment in December, in part with a two-year debt facility of US$10m. Two smaller boutiques, Raven Capital Management, LLC and Aubrey Capital Management, were sold

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during the period. The Board will consider further divestment of non-core investments subject to pricing and terms.

A review of the portfolio companies owned by the Trust resulted in the carrying values of investments being affected by an impairment charge of A$11.4m in the Trust result which therefore affected the PAC result by A$7.6m. A revaluation increment of A$9.9m was recognized through reserves to reflect the uplift in value of GQG Partners, LLC ("GQG") over the period.

A review of the carrying value of the X-RPU, a contingent liability that is dependent on the relative performance of ex-Northern Lights alternative investments relative to two ex-Treasury Group investments, resulted in a revaluation from A$43m down to A$28m. This resulted in a revaluation gain to the Profit and Loss of Aurora of approximately A$15.3m.

## OPERATIONAL RESULTS

One of the pleasing aspects over the last six months has been the improved investment performance of Seizert Capital Partners, LLC ("Seizert"). Seizert had gone through a difficult performance period over the 18 months ended 30 June 2016; however, its performance rebounded sharply over the last six months. While the firm has experienced net outflows over the last six months, FUM actually increased over the period from A$4.04bn to A$4.4bn due to the strong performance. The other business that has seen a significant shift in investment performance has been the Australian small company manager Celeste Funds Management ("Celeste"). Whilst it suffered modest outflows, FUM at Celeste t increased to A$440m from A$393m.

All core businesses demonstrated growth, with notable growth at Investors Mutual Ltd ("IML") through net inflows and strong investment performance. Aether Investment Partners, LLC ("Aether") successfully raised its fourth fund of approximately US$255m and a co-investment fund of a further US$45m. Aperio's steady growth was interrupted in the fourth quarter; however as expected, growth has resumed in 2017. Aurora still holds a 10% interest in RARE Infrastructure. Over the six months, RARE suffered institutional outflows, which saw overall FUM fall from $8.2bn to $7.3bn. As a result, the carrying value of the investment in RARE was reduced by A$7.7m. Investment performance over the last six months has shown vast improvement over the first six months of 2016 and the team at RARE has also expanded the product base over the period.

In June 2016, Aurora announced its co-investment in GQG Partners, a Florida based investment management firm founded by Rajiv Jain. As at 31 December 2016, GQG had FUM of just over A$1bn, up more than A$800m in the fourth quarter of 2016. Based on the ongoing level of interest from potential clients in Australia and the US, and new business that has been "won" but not yet funded, the Board is confident that the business will grow meaningfully over the coming 12 months. The carrying value of this investment was increased by A$9.9m, however, the increment is reflected in reserves.

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The period also saw growth in firms such as Blackcrane Capital, LLC and EAM Global Investors, LLC. Management is optimistic about the additional growth of both firms based on FUM flows that have already occurred in 2017 and/or the feedback being received from prospective clients. ROC Partners saw a reduction in its FUM over the period due to the loss of one client. It is not expected that the loss will impact on the profitability in any meaningful way due to the fee structure. Management is confident that ROC will show increased earnings over the medium term based on business initiatives being explored by the ROC management team.

The work to simplify the business and reduce costs has meant that the responsible entity within the group has been wound down. Once funds such as RARE were transitioned, the level of risk and compliance cost meant that it was no longer viable to maintain the responsible entity. In addition, it will mean that capital can be allocated more efficiently.

## PORTFOLIO AND FUM UPDATE

Despite continued market volatility during the six months to 31 December 2016, Core boutiques generally performed well, with results from Aperio, Aether and IML providing a solid earnings foundation. Management is optimistic that these boutiques will continue to deliver solid growth going forward. Growth boutiques also achieved a positive result, with A$806m of net inflows as at 31 December 2016, with much of the increase due to the rapid growth of GQG Partners during the fourth quarter.

Total funds under management at 31 December 2016 was A$51.7bn, up 5.5% for the six months ended 31 December 2016, mainly due to strong market returns during the June quarter. Total funds under management represents the aggregate of all boutique FUM as if each boutique was 100% owned by the Trust.

Note that the relationship between FUM and the economic benefits received by Aurora can vary dramatically based on each boutique's fee levels, Aurora's ownership stakes, and the specific economic features of each relationship. Accordingly, management cautions against simple extrapolation based on FUM updates / trends.

## FINANCIAL RESULTS FOR THE TRUST

Trust consolidated statutory profit for the six months to 31 December 2016 was A$5.5m. The underlying result adjusting for one offs and non-cash items was A$10.8m. Included in the result was A$11.4m of impairment charges, A$7.7m revaluation losses and a revaluation gain on the X-RPU of A$15.3m.

The impairments were predominantly due to Aether and Nereus Holdings LP (Nereus). In the case of Aether, the valuation at June 2016 expected the fourth fund to raise of US$300m and co-investment of US$50m. The fund was closed at US$255m and co-investment closed at US$45m. Management also revised the discount rate upward.

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Although it has finalized and commissioned two projects, Nereus was impaired due to the delay in the commissioning of two additional solar projects in India and the failure to secure additional projects in the time expected in the June 2016 valuation model.

## FINANCIAL RESULTS FOR PAC

PAC holds a 65% interest in the Trust, therefore the results from the Trust (above) should be considered when holistically understanding PAC results. PAC's underlying earnings were A$5.8m for 1H17, up from the result of A$5.7m in 1H16.

## DIVIDEND

The Board has declared no interim dividend, full year dividend will be based on full year results.

## PROFIT AND LOSS SUMMARY FOR THE HALF-YEAR ENDED 31 DECEMBER 2016

| **A$m** | **1H17** | **1H16** | **% change** |
|---|---|---|---|
| Total Revenue | 1.8 | 2.7 | (33.3%) |
| Share of equity accounted investments | 3.6 | (13.3) | n/a |
| Expenses | 1.6 | 1.7 | (5.9%) |
| **Underlying Net Profit After Tax** | **5.8** | **5.7** | **1.8%** |
| Underlying earnings per share (cents) | 20.8 | 20.6 | 1.0% |
| Dividend per share (cents) | - | 20.0 | n/a |

## OUTLOOK

Pacific Current's Chairman, Mr Mike Fitzpatrick commented:

"Changes in the corporate structure and positive momentum across most of the portfolio companies sets the company for a stronger path ahead. By addressing investor concerns over complexity and creating greater alignment across all stakeholders will strengthen the culture and platform going forward. Our next focus will be strengthening the balance sheet and to look at further opportunistic refinements of the portfolio.

The Board believes that the simplification will result in a much more streamlined and efficient business that can deliver better results and shareholder returns going forward."

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Pacific Current President, North America & Global CIO, Paul Greenwood added:

"The last six months showed that we made significant progress on numerous fronts. Proven businesses such as Aperio, Aether and IML coupled with the growth we are experiencing at GQG, EAM and Blackcrane give us heightened confidence in our portfolio's prospects for the rest of 2017. Additionally, the sale of two businesses and closure of the responsible entity business create more streamlined and efficient operations. We are excited to get beyond the simplification process so we can devote all our energies to building the business."

## CONFERENCE CALL

Investors and analysts are invited to participate in a conference call at **11:00am AEDT on Wednesday, 1 March 2017** to be hosted by Pacific Current Group's Chairman Mike Fitzpatrick, President, North America & Global CIO, Paul Greenwood, Chief Financial Officer and COO, Joe Ferragina, and Executive Director, Tony Robinson.

The dial-in details are as follows:

| **Location** | **Phone Number** |
|---|---|
| Australia (toll free) | 1800 590 693 |
| Australia, Sydney | +61 2 9193 3719 |
| New Zealand (toll free) | 0800 423 972 |
| New Zealand, Auckland | +64 9 9133 624 |
| Singapore (toll free) | 800 186 5106 |
| Singapore | +65 6320 9041 |
| United Kingdom (toll free) | 0800 358 6374 |
| United Kingdom | +44 330 336 9104 |
| USA/Canada (toll free) | 888 337 8199 |
| USA, Colorado Springs | +1 719 325 2403 |

Participant Passcode: **291140**

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## CONTACT

| | |
|---|---|
| For Investor Enquiries: | Paul Greenwood<br>President, North America & Global CIO<br>(+1) (253) 617-7815 |
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## ABOUT PACIFIC CURRENT GROUP // 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 31 December 2016, Pacific Current Group has 15 boutique asset managers globally.

PACIFIC CURRENT GROUP

# Interim Results

## For the half year ended 31 December 2016

**Presenters**
Paul Greenwood, President North America and Global CIO
Joseph Ferragina, Chief Financial Officer and COO
Tony Robinson, Executive Director

28 February 2017

ASX: PAC

# Disclaimer

The information in this presentation is general information about Pacific Current Group and is current only at the date of this presentation. In particular, this presentation:

- is not an offer or recommendation to purchase or subscribe for securities in Pacific Current Group Limited, nor is it an invitation to any person to acquire securities in Pacific Current Group Limited;
- is not personal advice and does not take into account the potential and current individual investment objectives or the financial situation of investors; and
- contains information in summary form and does not purport to be complete.

Note that the relationship between FUM and the economic benefits received by Aurora can vary dramatically based on each boutique's fee levels, Aurora's ownership stakes, and the specific economic features of each relationship.  Accordingly, management cautions against simple extrapolation based on FUM updates / trends.

Certain statements in this presentation may constitute 'forward-looking statements.' Forward-looking statements are neither promises nor guarantees and involve known and unknown risks, uncertainties and other factors which may cause actual results to vary materially from any projection, future results or performance expressed or implied by such forward-looking statements.

# Agenda

# 1 OVERVIEW

# Interim Highlights

*First Half of FY2017 Achievements:*

- PAC underlying profit after tax of A$5.8m, Aurora Trust underlying profit of A$10.8m for the half year
- Conditional agreement reached on restructure and simplification with explanatory memorandum and notice of meeting issued.  Awaiting shareholder approval at EGM on 15 March 2017
- Payment of final installment of Aperio investment
- Successful launch of GQG Partners, now experiencing very rapid FUM growth ( A$140m to > A$1bn in December 2016 quarter)
- Sale of Raven and Aubrey to continue rebalancing portfolio
- Dramatic investment performance rebound at Seizert, though FUM flows still negative
- Expenses at the corporate level reduced, with additional reductions likely

# Progress on Strategic Plan

| | | |
|---|---|---|
| 1 | **Simplify business and structure** | › EGM scheduled for 15 March 2017 to finalize restructure and simplification<br>› Sold Raven and Aubrey. May sell one or two more smaller portfolio companies |
| 2 | **Further diversify into "sunrise" businesses** | › Final payment made to acquire a 23.4% interest in Aperio Group LLC ("Aperio"), a firm with an excellent track record of FUM growth and well positioned at the intersection of numerous powerful demand trends<br>› Investment in GQG Partners has been very successful with GQG growing rapidly |
| 3 | **Reduce costs & increase operational efficiencies** | › Continued reduction in operational costs, with further savings likely in the second half of FY17 |
| 4 | **Reduce leverage of Trust's balance sheet** | › Significant reduction in interest expense compared to prior comparative period<br>› Work towards strengthening balance sheet and adding more flexibility |

# Financial Results Summary

*For the half year ended 31 December 2016*

| A$ million | | 31 Dec 2016 | 31 Dec 2015 | % change |
|---|---|---|---|---|
| PAC | Statutory profit / (loss) | 2.2 | (10.0) | n/a |
| | Underlying profit | 5.8 | 5.7 | 1.8% |
| | Underlying EPS (cents) | 20.8 | 20.6 | 1.0% |
| | Interim dividend | - | 20.0cps | n/a |
| Trust | Statutory profit / (loss) | 5.5 | (20.5) | n/a |
| | Underlying profit | 10.8 | 3.5 | 208.6% |

# Operational Results

- Portfolio is well positioned in many companies with strong growth prospects. For example, Aether successfully closed Fund IV and its first co-invest Fund. IML is steadily growing, while Aperio's growth has resumed after last quarter's outflows. GQG is experiencing very rapid growth that we expect to continue throughout 2017.
- Statutory results were influenced by change in valuations of certain investments and X RPU
- Aggregate FUM of A$51.7bn as at 31 December 2016 – increase of A$2.7bn or 5.5% after adjusting for boutiques sold during the six months
- Increase in FUM mainly attributable to market performance and some due to weaker AUD compared to USD
- Growth boutiques continue to gain traction in the marketplace, most notably GQG Partners. Blackcrane also showing signs of meaningful growth
- Run rate operating expenses (salaries, travel and occupancy) have declined by approximately 30% versus the same period one year ago
- Revaluation loss of A$7.7m with respect to RARE due to institutional FUM outflows

# Valuations and Impairments

- Revaluation increment of A$9.9m with respect to GQG following strong start and encouraging prospects (increment posted through reserves on Aurora Trust balance sheet)
- Revaluation gain of the X RPU of A$15.3m
- Total impairment charge of A$11.4m at Aurora Trust from adjustments to the carrying values predominantly for Aether and Nereus due to higher discount rates and differences in outcomes relative to June 2016 valuation estimates

# Understanding Our Financial Results

- **Pacific Current (PAC)** is a listed corporation that owns 65% of the Aurora Trust ("Trust" or "Aurora"), which was established as a result of the merger between Treasury Group and Northern Lights Capital Partners in November 2014
- **Trust results** reflect those related to business operations, leadership, and portfolio updates
- **PAC results** reflect the ownership of 65% of the aforementioned Trust plus specific tax outcomes distinct to PAC
- Subject to the results of EGM on 15 March 2017;
  - Upon settlement, PAC will own 100% of the Aurora Trust; the contingent element of the XRPUs will be removed, alignment will be improved; a simpler and more transparent structure will be created for PAC, reducing administrative costs, while not materially shifting the value of the respective shareholders.

# 2 PORTFOLIO PERFORMANCE

# Core Boutiques

AETHER INVESTMENT PARTNERS, LLC

aperio

IML INVESTORS MUTUAL LTD

RARE

SCP SEIZERT CAPITAL PARTNERS

| | Core Boutiques |
|---|---|
| FUM as at 31 Dec 2016 | **A$42.8b*** |
| Revenue | **A$104.2m** |
| Contribution to Aurora Trust earnings | **A$16.4m** |
| Share of earnings to Pacific Current | **A$10.7m** |

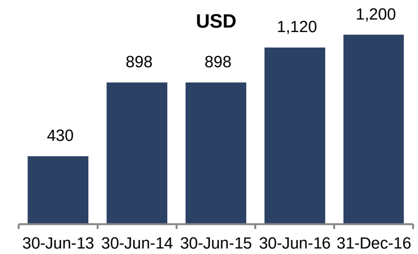
** FUM of private equity funds is based on capital commitments to each fund and does not reflect and return of capital to-date.*

# Core Boutiques

**ASSET GROWTH**

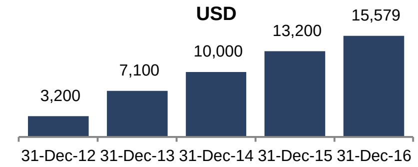
AETHER INVESTMENT PARTNERS, LLC

- Invested at firm inception in 2008, zero FUM
- 2010 closed on Fund I of US$127 million
- 2012 closed on Fund II of US$303 million
- 2013 closed on Fund III and related fund of US$179 million
- 2016 closed on Fund IV raising US$255m & co-invest fund of US$45m
- 31 December 2016 FUM of US$1.2 billion



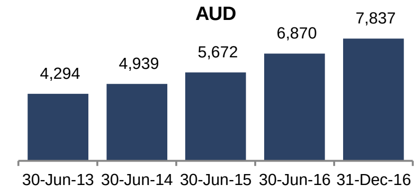

aperio

- Invested in existing firm in January 2016, when FUM was US13.2billion
- 31 December 2016 FUM of US$15.6 billion



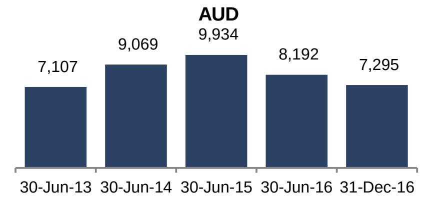

IML INVESTORS MUTUAL LTD

- Initial investment in 2001, FUM of A$300 million
- 31 December 2016 FUM of A$7.8 billion



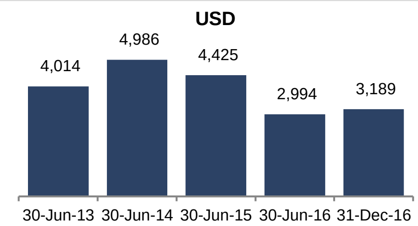

RARE

- Invested at firm inception in 2006, zero FUM
- Sold 75% of the investment to Legg Mason in October 2015, remaining ownership of 10%
- 31 December 2016 FUM of A$7.3 billion




SCP SEIZERT CAPITAL PARTNERS

- Invested in existing firm in 2008, FUM of US$826 million
- Difficult 2015 investment performance followed by strong rebound in second half of 2016
- 31 December 2016 FUM of US$3.2 billion



# Growth Boutiques

Blackcrane CAPITAL

EAM GLOBAL INVESTORS

ROC PARTNERS

GQG PARTNERS

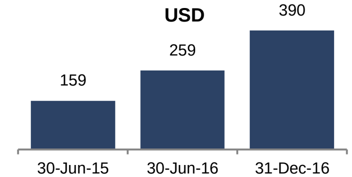
| | Growth Boutiques |
|---|---|
| FUM as at 31 Dec 2016 | **A$6.7b*** |
| Revenue | **A$6.6m** |
| Contribution to Aurora Trust earnings | **(A$0.2m)** |
| Share of earnings to Pacific Current | **(A$0.1m)** |

** FUM of private equity funds is based on capital commitments to each fund and does not reflect and return of capital to-date.*

# Growth Boutiques

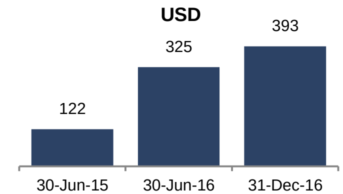
**Blackcrane Capital**

- Invested in existing firm in 2014, FUM of approximately US$3 million
- Secured anchor investor (SEI) in 2014 and initiated global distribution effort
- 31 December 2016 FUM of US$390 million



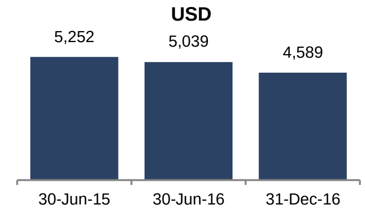

**EAM Global Investors**

- Invested in existing firm in 2014 to launch non-US strategies through a new EAM subsidiary
- PAC conducted over 300 meetings globally to raise assets
- 31 December 2016 FUM of US$393 million



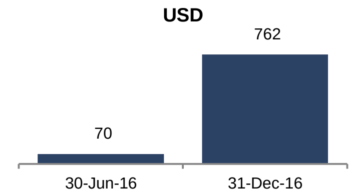

**ROC Partners**

- Supported management buyout in 2014, FUM of A$5 billion
- 31 December 2016 FUM of A$4.6 billion




**GQG Partners**

- Invested at firm inception in June of 2016, zero FUM
- High level of interest from prospects in numerous geographies
- In 4Q 2016 launched co-branded mutual fund with Goldman Sachs
- 31 December 2016 FUM of US$762 million



# Other Boutiques

ALPHA SHARES

Freehold Investment Management

CELESTE Funds Management

Nereus

Goodhart partners

STRATEGIC CAPITAL INVESTORS

| | Other Boutiques* |
|---|---|
| FUM as at 31 Dec 2016 | **A$2.2b** |
| Revenue | **A$5.7m** |
| Contribution to Aurora Trust earnings | **A$0.2m** |
| Share of earnings to Pacific Current | **A$0.1m** |

** Other than Nereus, none of these business require working capital support.*

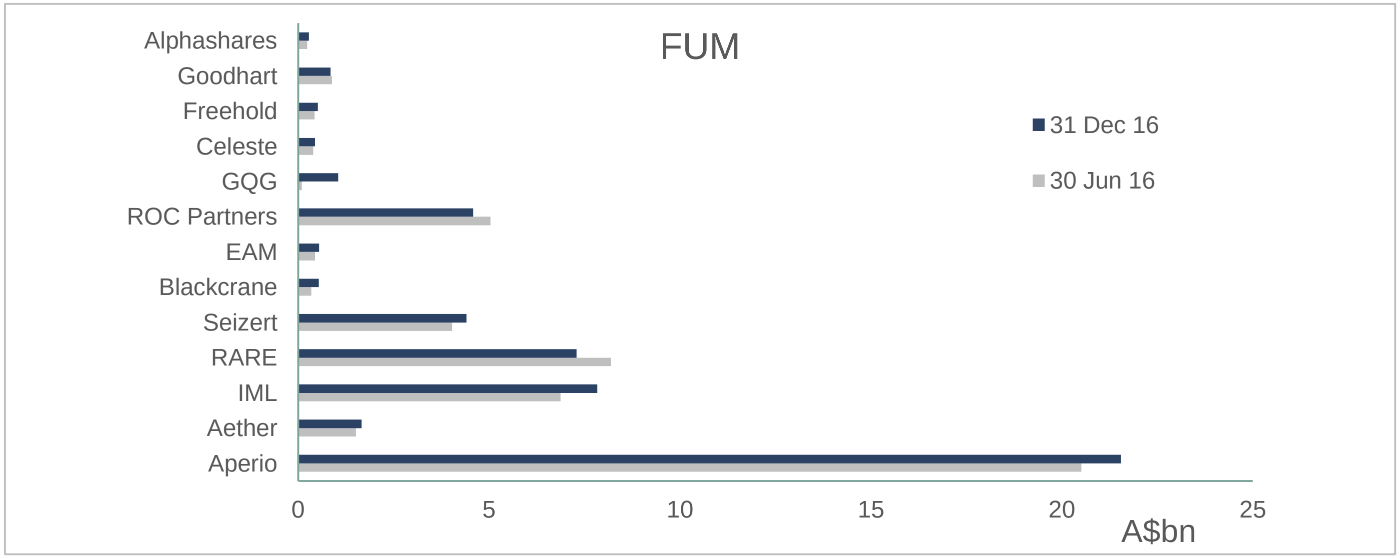
# 3 FUM ANALYSIS

# Translating the Aurora Trust Portfolio

| | Total FUM | Total Revenue | Total Contribution to Earnings |
|---|---|---|---|
| Core Boutiques | $42.8b | $104.2m | $16.4m |
| Growth Boutiques | $6.7b | $6.6m | ($0.2m) |
| Other Boutiques | $2.2b | $5.7m | $0.2m |
| **TOTAL:** | **$51.7b** | **$116.5m** | **$16.4m** |

Total Portfolio FUM: **$51.7b**

Total Portfolio Earnings to Aurora: **$16.4m**



# 4 PAC INTERIM RESULTS

# Review of Interim Results

*PAC Statutory P&L for six months to 31 December 2016*

| P&L Highlights (A$m) | PAC Statutory 31 Dec 2016 | PAC Statutory 31 Dec 2015 | % Change |
|---|---|---|---|
| Revenue | 1.8 | 2.7 | (33.3%) |
| Employee expenses | (1.1) | (1.4) | (21.4%) |
| Other expenses | (0.5) | (0.3) | 66.7% |
| Share of profit / (loss) from Aurora Trust | 3.6 | (13.3) | n/a |
| **Net Profit / (Loss) Before Tax** | **3.8** | **(12.4)** | **n/a** |
| Income tax (expense) / benefit | (1.6) | 2.3 | n/a |
| **Net Profit / (Loss) After Tax** | **2.2** | **(10.0)** | **n/a** |
| **Underlying Net Profit** | **5.8** | **5.7** | **1.8%** |
| Underlying Earnings Per Share (cents) | 20.8 | 20.6 | 1.0% |
| Dividend Per Share (cents) | - | 20.0 | n/a |

- Statutory PAC Profit and loss primarily reflects share of profit and loss from Aurora Trust, the business operations of the Group
- Aurora Trust impacted by impairment charges, mainly due to Aether and Nereus. Impairment losses reflect changes in the valuation models from 30 June 2016.
- Interim dividend deferred, final dividend will be based on full year results
- Ongoing cost reduction focus

# Significant Non-recurring Items

*Impairment charges, non-labour costs incurred as a result of restructure*

| PAC P&L (A$m) | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|
| **PAC Statutory Profit / (Loss) After Tax** | **2.2** | **(10.0)** |
| Gain on revaluation of X RPU | (10.0) | - |
| Gain on sale of investments | (0.7) | (6.6) |
| Impairment of investments | 7.6 | 13.6 |
| Loss on revaluation of FVTPL investment | 5.0 | - |
| Amortisation of identifiable intangibles | 0.7 | 0.8 |
| Fair value adjustments | 0.6 | 1.4 |
| Long term incentives amortisation | 0.5 | - |
| Transaction costs at RARE | - | 3.7 |
| Prepayment penalty on Medley debt/loan origination costs write off | - | 1.5 |
| Transaction costs at the Trust for RARE | - | 1.0 |
| Deal costs | - | 0.3 |
| Employee restructuring | - | 0.1 |
| **PAC Underlying Profit After Tax** | **5.8** | **5.7** |

- All non-recurring items are PAC's share of expense/gain from Aurora Trust
- Impairment of investments mainly Aether and Nereus
- Gain on sale of investment reflects profit on sale of Raven
- Revaluation loss at RARE due to the fall in FUM from $8.2b to $7.3b
- Revaluation gain on the valuation of the X RPUs

# Dividends

*Interim Dividend deferred*

**Dividends:**

- The board has declared no dividend for the half year in light of impending changes including:
  - EGM will be held on 15 March 2017 to seek shareholder approval on restructure and simplification. If approved by PAC shareholders and B shareholders, it will result in the issuance of PAC shares in exchange for class B units of the Trust.
- Interim dividend deferred, final dividend will be based on full year results

**Balance Sheet:**

- Settlement of large liabilities during the year including final instalment paid for Aperio Group LLC US$16.3m
- X RPUs are also subject to amendment and if approved at the EGM, will be transferred from contingent to a fixed liability of US$21m. Independent valuation expert has assessed fair market value of liability between US$18m to US$22m.
- Management will continue to look at opportunistic divestments
- Board and management are currently assessing options to strengthen the balance sheet in order to better position PAC to the advantage of strategic growth opportunities

# 5 AURORA TRUST INTERIM RESULTS

# Aurora Trust – P&L

| P&L Highlights (A$m) | 31 Dec 2016 | 31 Dec 2015 | % change |
|---|---|---|---|
| Revenue | 3.1 | 2.2 | 40.9% |
| Gain on sale of investments | 1.1 | 10.2 | (89.2%) |
| Gain on revaluation of X-RPU | 15.3 | - | n/a |
| Share of earnings from boutiques | 16.4 | 12.2 | 34.4% |
| **Cash Expenses** | | | |
| Employee expenses | 1.8 | 5.0 | (64.0%) |
| Travel and entertainment | 0.5 | 0.8 | (37.5%) |
| Interest expense | 1.0 | 4.2 | (76.2%) |
| Audit and tax advisory | 1.1 | 1.5 | (26.7%) |
| Legal and advisory expenses | 1.8 | 0.8 | 125.0% |
| Occupancy costs | 0.4 | 0.7 | (42.9%) |
| Other expenses | 2.7 | 2.0 | 35.0% |
| Deal costs | 0.1 | 2.0 | (95.0%) |
| Prepayment penalty on Medley debt | - | 2.3 | n/a |
| Realised FX (gain) / loss | (0.4) | - | n/a |
| | **9.0** | **19.3** | **(53.4%)** |
| **Non Cash Expenses** | | | |
| Amortisation of identifiable intangible assets | 1.1 | 1.3 | (15.4%) |
| Impairment of investments | 11.4 | 20.8 | (45.2%) |
| Loss on revaluation of FVTPL investment | 7.7 | - | n/a |
| Depreciation | 0.1 | 0.1 | - |
| Fair value adjustments | 0.9 | 2.1 | (57.1%) |
| | **21.2** | **24.3** | **(44.4%)** |
| **Net Profit / (Loss) Before Tax** | **5.6** | **(19.0)** | **n/a** |
| Income tax expense | 0.1 | 1.5 | n/a |
| **Net Profit / (Loss) after tax** | **5.5** | **(20.5)** | **n/a** |
| **PAC Share of Net Profit / (Loss) after tax** | **3.6** | **(13.3)** | **n/a** |

- Revenue includes service fee revenue
- Share of earnings from boutiques include Aether and Seizert
- Employee expenses exclude any uncommitted bonus accruals at half year as per statutory reporting requirement
- Other expenses include Insurance expense and Directors fees
- Fair value adjustments include revaluation loss in relation to RARE and revaluation gain on X RPU
- Legal and advisory expenses include estimated costs related to simplification of the structure (A$0.6m)
- Impairment charges mainly due to Aether and Nereus. In the case of Aether, June 2016 valuation included fund IV to be closed at US$300m, it closed at US$255m. Delayed commissioning and inability to source new projects impaired the Nereus valuation.

# Aurora Trust – Underlying P&L

*Significant non-recurring items*

| Aurora P&L (A$m) | 31 Dec 2016 | 31 Dec 2015 |
|---|---|---|
| **Aurora Profit / (Loss) After Tax** | **5.5** | **(20.5)** |
| Gain on revaluation of X RPU | (15.3) | - |
| Gain on sale of investments | (1.1) | (10.2) |
| Impairment of investments | 11.4 | 20.8 |
| Loss on revaluation of FVTPL investment | 7.7 | - |
| Amortisation of identifiable intangibles | 1.1 | 1.3 |
| Fair value adjustments | 0.9 | 2.1 |
| Long term incentives amortisation | 0.5 | - |
| Transaction costs at RARE | - | 5.6 |
| Prepayment penalty on Medley debt/loan origination costs write off | - | 2.3 |
| Transaction costs at the Trust for RARE | - | 1.5 |
| Deal costs | 0.1 | 0.5 |
| Employee restructuring | - | 0.1 |
| **Aurora Underlying Profit After Tax** | **10.8** | **3.5** |

- Impairment of investments in Aether and Nereus
- Revaluation loss with respect to RARE of A$7.7m
- Revaluation gain with respect to X RPU of A$15.3m

# Aurora Trust – Balance Sheet

*Immediate focus on balance sheet*

| Balance Sheet – Aurora Trust (A$m) | | 31 Dec 2016 |
|---|---|---|
| Current Assets | | 32.8 |
| Non-Current Assets | | |
| Available-for-sale investments | 28.6 | |
| Investment held at FVTPL | 29.9 | |
| Investments in Associates | 154.8 | |
| Goodwill and other Intangibles | 176.9 | |
| Other NCA | 17.5 | 407.7 |
| **Total Assets** | | **440.5** |
| Current Liabilities | | 15.0 |
| Non-Current Liabilities | | |
| Debt, Vendor Finance, Promissory Notes | 55.5 | |
| Financial Liabilities | 6.6 | 62.1 |
| **Total Liabilities** | | **77.1** |
| **Net Assets** | | **363.3** |

- PAC owned 65% of Aurora Trust as at 31 December 2016
- Reflects consolidation of Aether Investment Partners, Seizert Capital Partners, Midco and its subsidiaries
- Carrying values have been tested and/or adjusted for impairment
- Current liabilities paid during the period was second instalment of Aperio of US$16.3m
- X RPUs (Non-Current liability) are earn out arrangements related to merger consideration and will be fixed if resolution approved
- Cash on balance sheet includes,
  - US$5m for Nereus security deposit (Non-Current Asset)
  - A$5m for RE capital requirement (to be freed April 2017)

# Details of Non-Current Liabilities

| Name | Amount (Face Value) | Maturity | Notes |
|---|---|---|---|
| **Class X Redeemable Preference Units*** | US$21.0m | 31 March 2018 | Subject to changes to be approved by shareholders |
| **Promissory Notes** | US$17.5m | 50% Nov '18<br>50% Nov '19 | Vendor finance related to Seizert acquisition |

* If approved by shareholders at EGM on 15 March 2017 and B shareholders, the contingent element of the XRPUs will be removed, eliminating associated complexity and uncertainty.

# Financial Results of Boutiques

*Illustrative aggregation of portfolio P&L if all boutiques were 100% owned*

| Aggregate P&L for Boutiques | 31 Dec 2016 | 31 Dec 2015 | % change |
|---|---|---|---|
| Year end FUM (A$bn) | 51.7 | 30.9 | 67.3% |
| **(A$m)** | | | |
| Management Fees^ | 118.0 | 82.2 | 43.6% |
| Other income | 0.3 | 2.1 | (85.7%) |
| Gross Profit | 118.3 | 84.3 | 40.3% |
| Employee expenses | 39.2 | 21.6 | 81.5% |
| Other expenses | 22.1 | 21.9 | 0.9% |
| NPBT | 57.0 | 40.8 | 39.7% |
| Income Tax Expense | 7.1 | 4.4 | 61.4% |
| NPAT | **49.9** | **36.4** | **37.1%** |
| Aurora Share of After Tax Profit | **16.4** | **12.2** | **34.4%** |

- Excludes Aurora management and operating costs and interest expense
- Aurora 1H16 share of profit reflected $5.6m of transaction costs (Aurora share) incurred at RARE
- Other income for 1H16 included performance fee income
- 1H17 reflects six months of Aperio, which is not in the comparative. This is a large business with excess of 50 people hence the employment cost increase.
- 1H16 included Raven for six months. Raven was sold on 6 October 2016

*^ Management fees exclude Performance fees*

# 6 RESTRUCTURE AND SIMPLIFICATION

# Restructure and Simplification

*EGM to be held on 15 March 2017*

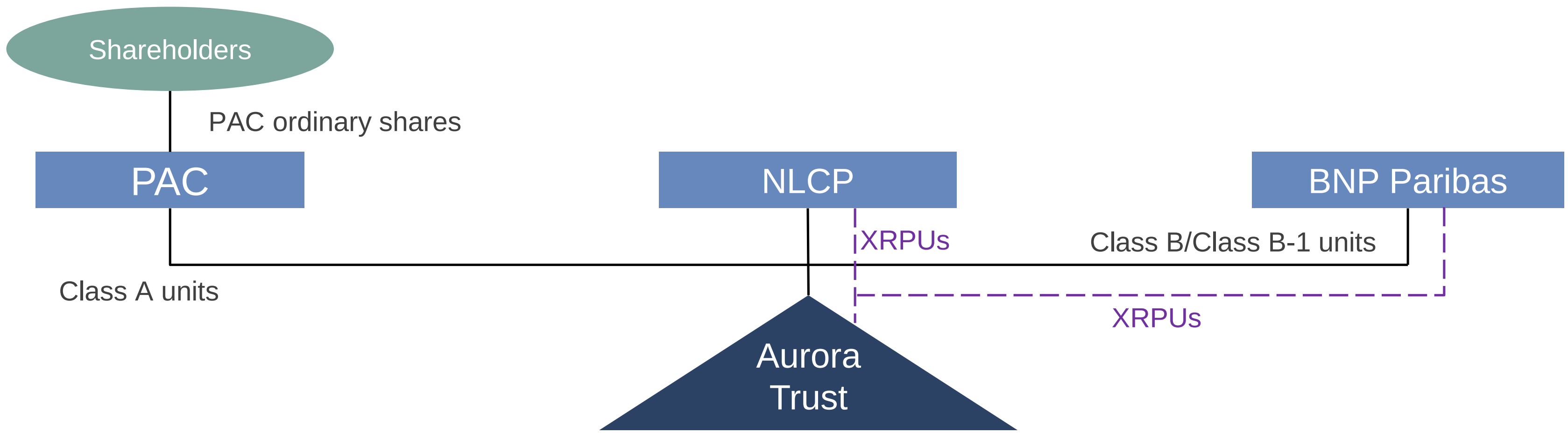
- Principal goal to create simpler and more transparent structure for PAC while not materially shifting the value of the respective stakeholders:
  - Reduction in complexity and uncertainty
  - Reduction in potential conflicts among stakeholders
  - One level of ownership through a common security after settlement of X RPU

A. Class B Units and vested Class B-1 Units are to be exchanged for PAC Shares

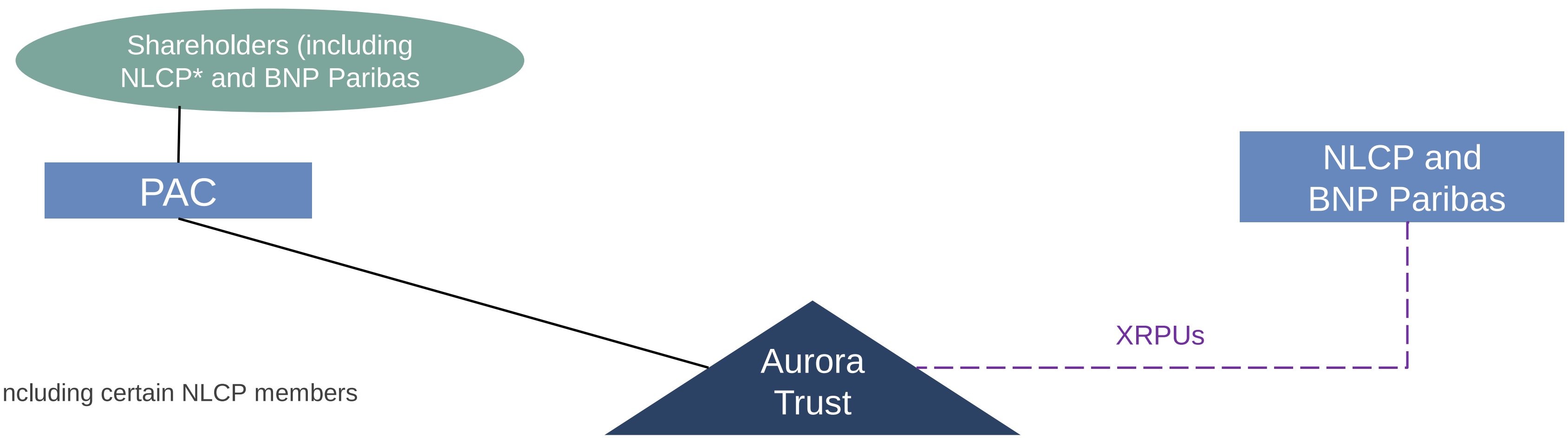
B. Terms of the X RPUs are to be modified so that:
  - The redemption price is fixed at US$21m in aggregate (currently it is US$42m contingent liability);
  - Redemption must occur on or before 31 March 2018; and
  - Should PAC fail to redeem the XPRUs by 31 March 2018, interest will be charged (beginning at a rate of 10% per annum) on the US$21m

# Restructure and Simplification

*Before the Exchange Transaction*




*After the Exchange Transaction*




* Including certain NLCP members

# 7 SUMMARY

# Summary

*Transparent structure and positive outlook ahead*

- Continue to reduce debt and strengthen balance sheet
- After completion of restructure our focus will be on growth and diversification
- Expect meaningful acceleration from Growth boutiques in CY17
- We expect to realize additional cost savings in second half of FY17 (exclusive of increased commissions from new business growth)
- Opportunistically consider selling smaller assets

# 8 Q&A