PACIFIC CURRENT GROUP

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Responses to Shareholder Questions

Set out below are the Company's response to various questions submitted by shareholders that the Company has identified would be helpful to provide a written response.

What determines PAC's use of different securities in its investments?
When PAC invests in more established companies, it will typically do so by investing in a common equity security, and thus PAC receives its pro-rata share of earnings. For earlier stage investments and investments with more volatile financial results, PAC will often invest in multiple securities, typically a preferred security and common equity. Owning multiple securities provides PAC more ability to both limit its downside risk and increase its upside return potential when compared to investing purely in the common equity.

How does PAC Value its investments?
PAC estimates the fair values of the *Available for Sale* affiliates for the end of each reporting period, or more regularly when required. The valuations are a function of the projected financial outcomes for each of the affiliates. These projections are derived from PAC's proprietary models, or are provided by external specialists in circumstances where it is important to access additional expertise in this complicated area. We used an external specialist, for example, when we simplified our capital structure this calendar year.

Our models are also the basis by which management assess and tests Equity Accounted Investments for impairment. The models employ, for each affiliate, a consistent and repeatable process for selecting growth assumptions and for projecting near-term asset growth based on recent organic growth. Using a standard discounted cash flow (DCF) method, the model discounts to present value the projected cash flows for each affiliate over a discrete period. The discount rate for each affiliate is based on a general Capital Asset Pricing Model (CAPM) (risk free rates, market risk premium, etc.), with additional consideration given to country risk premium and company-specific considerations. Because most boutiques' financial projections forecast limited years into the future, the model adds a "terminal value" to the projected cash flows in order to value each boutique's future income beyond the projections within the scope of the model. For these purposes, PAC utilizes the Gordon Growth method for determining the value of cash flows beyond the projection period of the model.

Investors need to be aware that valuing boutiques requires the Company to make future cash flow projections based on imperfect information about factors beyond the Company's control, like market movements, the timing of boutique cash flows, and the like. We work hard to forecast accurately, we access experts to assist us (especially on the toughest calls), and we continue to refine our approach. Investors should recognize that even when the actual numbers differ from projections, it does not necessarily imply that significant changes in value have occurred, or that the underlying assumption were inappropriate: it may be the actual results were still within a projected range, albeit on the far end (positively or negatively) of predicted outcomes. Regardless, it is the nature of this process that small deviations from forecasts, whether or not captured by the modeling, may occasionally have outsized impact on valuation and on the P&L.

How is GQG valued?
In many of the boutiques, PAC holds securities in multiple classes, commonly equity and preferred. Sometimes the common equity terms serve only to determine PAC's participation in a liquidation event, such as the sale of the firm, with PAC's ongoing economic participation primarily determined by the terms of the preferred securities.

PAC's investment in multiple security classes is one of many reasons that PAC consistently cautions against assuming PAC's ongoing economic participation is proportional to its common equity stake. Typically, it is the preferred security that exerts the greatest influence on the ongoing earnings to PAC from the boutique, and therefore the boutique's valuation.

PAC owns 5% of the common equity of GQG, but has consistently noted that the carrying value of its investment in GQG is based on its preferred equity stake. Sales compensation PAC receives from GQG is not figured into GQG's capital valuation because it is in the nature of "fee for service" revenue.

At 30 June 2017, PAC held its investment in GQG at approximately A$21m. This reflects primarily the value of PAC's preferred security in GQG, not PAC's common equity security. It is not at all appropriate to ascribe the A$21M valuation of PAC's interest in GQG primarily to PAC's 5% ownership of GQG's common equity securities, (and therefore incorrectly imputing a valuation of A$419m for the firm as a whole).

Because of certain option-like features in our arrangement with GQG, PAC is required to account for its investment in GQG as an *Asset Held for Sale.* This means that PAC is required to mark the value of GQG to market every reporting period. Given the rapid growth of the firm, shareholders have seen the value increase from A$9.9m on 31 December 2016 to A$21m on 30 June 2017. Further write-ups are currently anticipated in the short term; however, over time, it is reasonable to expect there will be periods where PAC's carrying value of GQG could be reduced. We note that EAM Global and Nereus are investments that are also categorized as *Assets Held for Sale.*

How does Global Marketing distribution work?

PAC offers an institutional sales and marketing capability to help selected portfolio companies increase their funds under management by helping them secure new clients. Generally, the decision to use PAC's institutional sales and marketing capability is made by the boutique and by PAC at the time an investment is made. The 12 months ending 30 September has been the most productive 12 months in PAC's history, with PAC's team responsible for bringing in more than A$5B in FUM for its portfolio companies.

It is important to note several things about PAC's sales and marketing effort:

- PAC typically provides sales and marketing services to only 2 or 3 of its 15 portfolio companies at any time, as most of our boutiques already have fully developed capital raising capabilities.
- PAC has significant reasons to offer this capability beyond the fee revenue it generates: it helps to attract early stage investments, shortens the growth curve and reduces the risk associated with the start-up phase.
- PAC's efforts are institutionally focused as opposed to retail, because typically institutional distribution provides a much better return on investment than retail distribution efforts.

Why did some PAC employees move to GQQ?

Last year, PAC transitioned several of its sales people to GQG. It is not uncommon for our boutiques, upon achieving sufficient scale, to desire to bring the sales and marketing capabilities in-house. Indeed, PAC enters sales relationships with the expectation that the responsibility for sales and marketing will eventually be transitioned back to the boutiques. Given the exceptionally rapid growth of GQG, this happened sooner than PAC expected, but PAC is pleased with the economic terms it negotiated to modify this arrangement. Currently, PAC's sales team works with two of its portfolio companies, and is currently in negotiations to begin working with an additional portfolio company.

Why did PAC recently issue a prospectus?

PAC issued a prospectus in October 2017 to remove the "on-sale" trading restrictions relating to shares issued by PAC in April as part of the simplification process. As noted elsewhere, these shares were escrowed until October 2017. PAC's alternative to issuing the October prospectus

would have been to issue a cleansing notice at the time the escrowed shares were issued in April. PAC chose not to issue the escrowed shares in April with a cleansing notice or other disclosure on advice of counsel.

Why are some details of PAC's financial relationship with its partners treated as confidential?

In the private investment industry, it is standard practice for all parties (buyers and sellers) to sign non-disclosure agreements before exchanging detailed information or entering into negotiations. This is done so that relevant information can shared among the contracting parties without fear of that information being made public or used against the disclosing company. Almost always these non-disclosure obligations are part of a broader shareholders agreement when the transaction is completed.

Many of the companies PAC invests in are highly sensitive about disclosure of the financial details of their businesses. They fear that disclosure of sensitive information could hurt their competitive position by shedding on light on issues like product pricing, capital structure, and employee compensation. PAC endeavors to provide as much information to its shareholders as the portfolio company will allow. Moreover, in situations where PAC is constrained as to what it can disclose about the details of its economic arrangements, it endeavors to offer guidance as to how shareholders can gauge the approximate economic impact of a boutique's FUM growth on PAC.

How does PAC identify new Investments?

PAC is very active in its efforts to identify new investments. The vast majority of the 100 to 200 opportunities PAC explores every year are proprietary to PAC. These are primarily identified through a broad network of industry contacts established over nearly 30 years. PAC also reviews opportunities brought to it through a global network of investment banks specializing in the investment management industry, though this tends to be a less fertile source of opportunities.

PAC is relatively indifferent to the geography of the investment firms it seeks, though we prefer firms offering products that appeal to investors in multiple geographies. Typically, an investment manager's location is only relevant insofar as it ultimately impacts the target company's growth prospects or the economic risk of the investment. In a typical year, PAC will explore opportunities in 10 or more countries.

At any point in time there are specific target asset classes in which PAC would like to increase its exposure. These asset classes are ones PAC believes to be the beneficiaries of secular tailwinds, and thus face a more hospitable environment in which to grow. That said, PAC believes that it must remain highly opportunistic, as periodically it identifies compelling opportunities in asset classes with less favorable growth dynamics. PAC will consider investing in these opportunities only if the expected reward is sufficiently high to outweigh the greater risks.