



PACIFIC CURRENT GROUP  
17 SEPTEMBER 2018

# COMPETITIVE DIFFERENTIATION

# Disclaimer

The information in this presentation is general information about Pacific Current Group ('Pacific Current' or 'PAC') 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, nor is it an invitation to any person to acquire securities in Pacific Current;
- › 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 Pacific Current can vary dramatically based on each boutique's fee levels, PAC'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.

# Competitive Landscape

- › There are a growing number of competitors entering our space
- › We will tend to run into competition at deal sizes >US\$25m
- › Though competition puts pressure on pricing, we possess key attributes that allow us to compete - even on larger investments

# Our Competition

## › **Private Equity**

- Many large, generalist PE firms regularly make investments in asset management
- Several PE firms are dedicated to asset management and financial services
- Asset managers almost always prefer permanent capital over investments from finite-life funds, which makes competing with traditional PE very manageable

## › **Large Strategic**

- Numerous large investment managers and banks are constantly in the market
- Their appeal is greatest for firms that want to cash out, because these investors tend to focus on large firms and generally seek control or integration

## › **Permanent Minority**

- This is the real competition, but we can still differentiate ourselves

# Our Differentiation

## > **Size**

- We consider opportunities across a very broad size spectrum (\$1m - \$100m)
- Few institutional competitors for earlier stage / smaller deals, particularly in North America
- We do not seek a minimum percentage or to deploy a minimum dollar amount

## > **Governance**

- We typically request less operational control than others
- Focus our governance demands on the protection of our economics

## > **Strategic**

- Very few permanent minority investors can offer strategic / distribution assistance

## > **Flexibility**

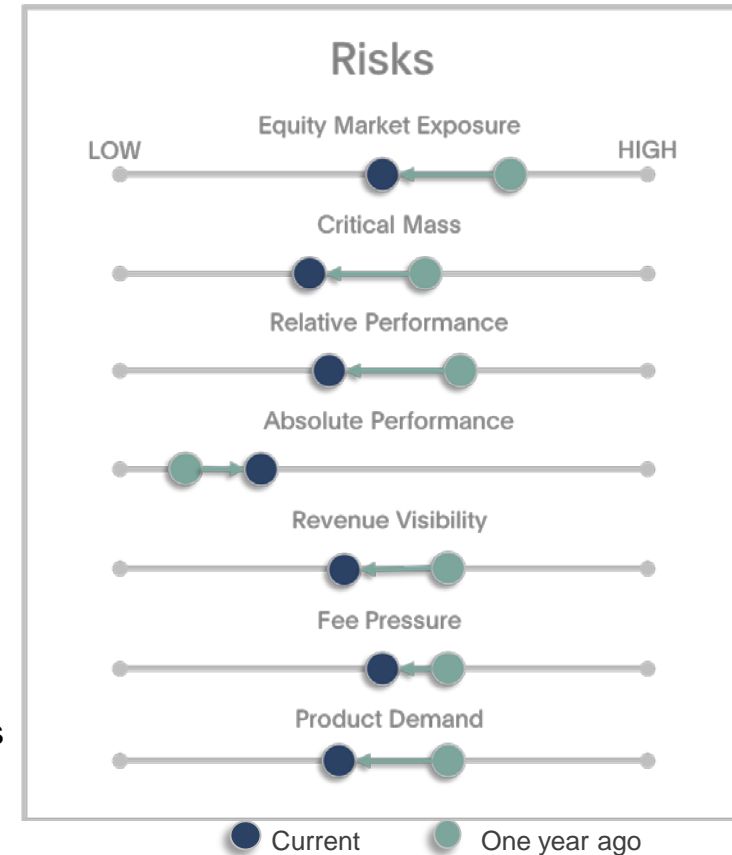
- We don't have a one-size-fits-all deal structure template like many others
- We are much more willing to customize structures to fit the opportunity (i.e. buying management fees but not carried interest, starting new subsidiaries, etc.)
- We will entertain a broader array of strategies than most of our competitors

## > **Experience**

- Our reputation as a good partner is a key selling point to prospective partners
- Most new deals come from a network of contacts built up over the years, where many competitors are new to the space

# Our Portfolio Continues to Evolve

- **Near Term**
  - Contractual revenues via private capital managers
  - Companies with permanent capital vehicles
  - Less equity, particularly active domestic equity exposure
  - Strategies less vulnerable to inexpensive replication
  - More exposure to rapidly growing market segments
  - Leaders in niche market segments
- **Long Term**
  - Beneficiaries of the “democratization” of alternative investments
  - Firms deriving competitive advantages from big data / AI
  - Less performance centric, more platform oriented firms



# Opportunities - By Asset Class & Size of Deal



» Based on new deal opportunities recorded since 1-1-17

# Summary Thoughts

- › We are well positioned to continue growing PAC via new investments
- › The supply of attractive investments is excellent
- › Solid progress has been made toward enhancing the risk posture of our portfolio
- › Intense focus on increasing diversification into asset classes with different risk/return drivers
- › We will complement diversification with structural risk mitigation whenever possible