PACIFIC CURRENT GROUP

# ANNUAL GENERAL MEETING

November 30, 2018

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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.

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# Agenda

Welcome to the FY18 Annual General Meeting of Pacific Current Group (PAC)

- Chairman’s Overview - Tony Robinson
- Business Overview - Paul Greenwood, Managing Director, CEO & CIO
- FY18 Financial Results - Joe Ferragina, CFO
- Questions & Answers
- Consideration of Reports
- Resolutions
- Poll Close
- Conclusion & Reception

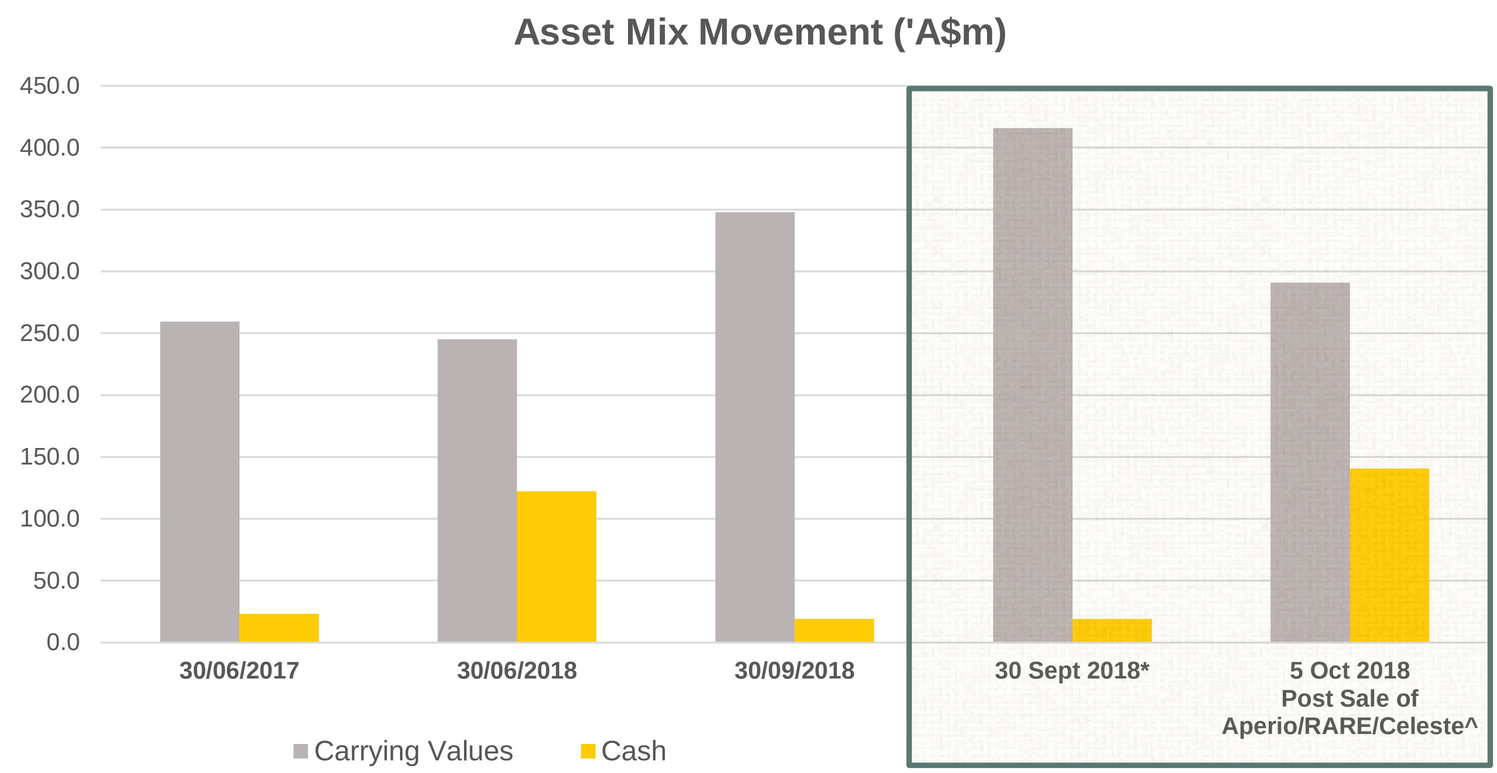
# CHAIRMAN'S REMARKS

Tony Robinson, Chairman

# Introduction to the AGM

# Chairman's Overview

*Change in asset mix*

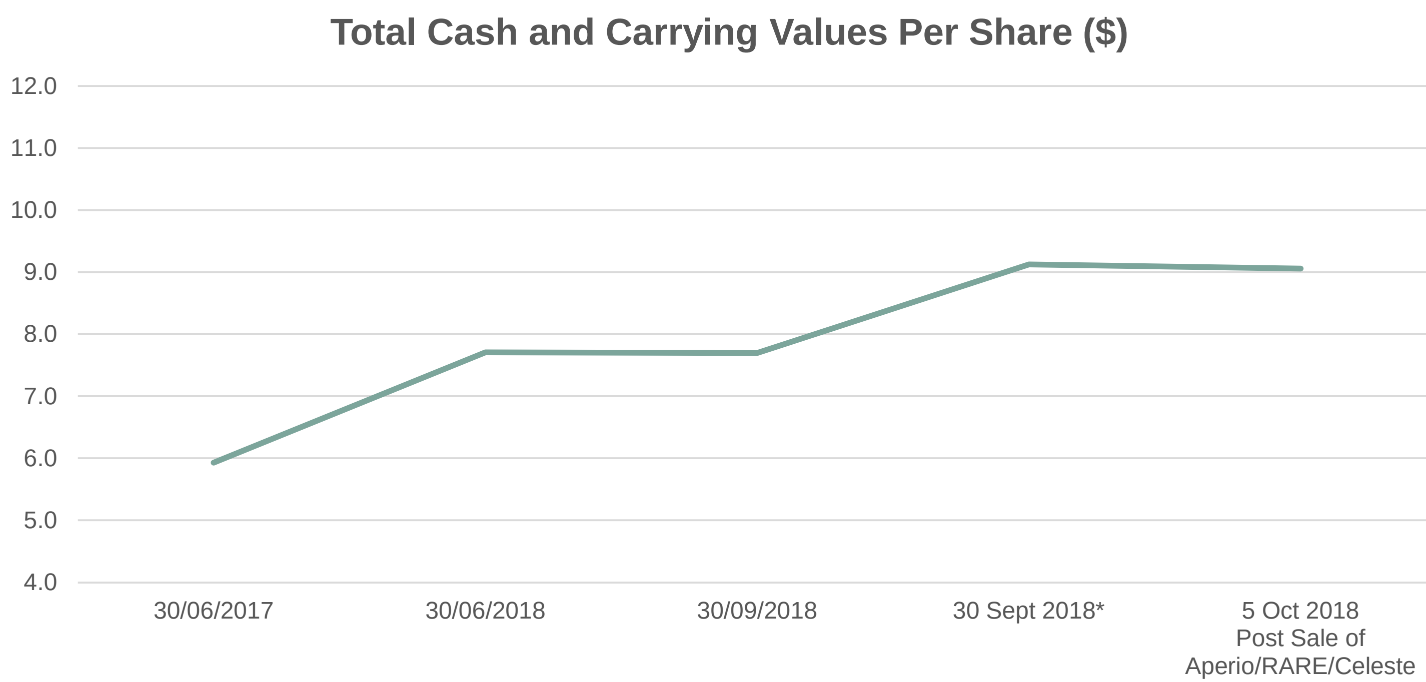



* The 30 September 2018 values are unaudited and adjusted to reflect uplift in carrying value of Aperio.

^ The 5 October 2018 figures reflect asset mix post sale of Aperio, Celeste and RARE and subsequent increase in cash balance.

# Chairman's Overview

| $m | 30/06/2017 | 30/06/2018 | 30/09/2018 | Adjusted 30/09/2018 | 5 Oct 2018 Post Sale of Aperio/RARE/ Celeste |
|---|---|---|---|---|---|
| Carrying Values of Investments | 259.4 | 245.0 | 347.8 | 415.8 | 290.8 |
| Cash on balance sheet | 23.2 | 122.2 | 19.1 | 19.1 | 140.7 |
| **Total** | **282.6** | **367.3** | **366.8** | **434.8** | **431.5** |
| | | | | | |
| Number of shares (in millions) | 47.6 | 47.6 | 47.6 | 47.6 | 47.6 |
| | | | | | |
| **Per share value ($)** | **5.9** | **7.7** | **7.7** | **9.1** | **9.1** |



# BUSINESS OVERVIEW

## Paul Greenwood, CEO & CIO

# Business Overview

*FTY18 saw strong progress in underlying portfolio*

- **Financial Strength**
  - Underlying net profit after tax of A$17.8m compared to A$16.6m in FY17
  - Statutory profit of A$90.8m compared to a loss of A$66.0m in FY17
  - Dividend of A$0.22 per share, which compares to A$0.18 per share in FY17
  - Underlying EPS of 37.4c vs 53.3c in FY17 due to increase in shares outstanding following simplification in April 2017
  - Results achieved despite IML proceeds not being reinvested until FY19
- **Structural Simplification**
  - X-RPU liability redeemed in October, resulting in significantly reduced liabilities
  - PAC owns 100% of Aurora Trust, reducing expense and adding transparency
- **Organization**
  - Headcount flat over last year
  - Expenses up less than 3% despite $2.4m increase in commission expense, which stems from PAC's sales team raising significant FUM for its boutiques

# FY18 Portfolio Company Highlights

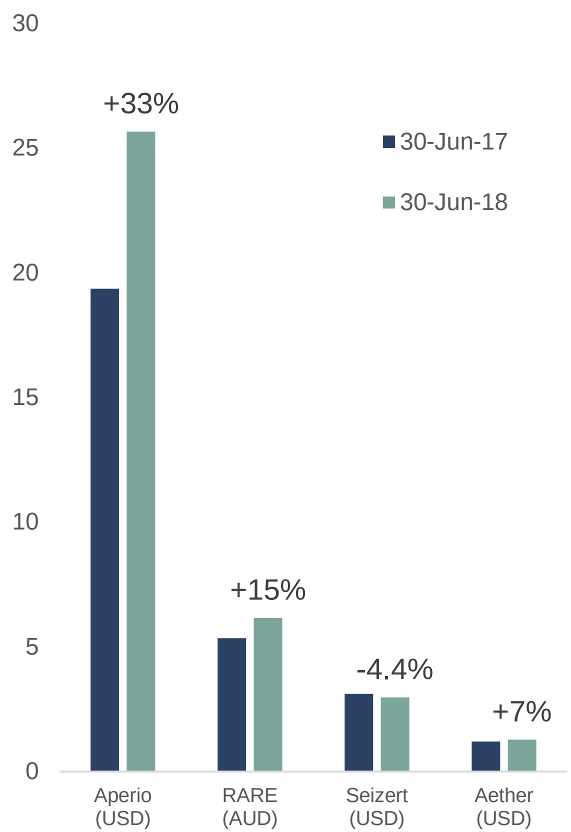
*11 out of 12 portfolio companies managing assets grew FUM during the year*

- **FY18 was a strong year of growth with FUM increasing 45%.**
  - **GQG Partners** - GQG continued its fast growth, increasing assets under management from US$7.3B to US$15.7B during FY2018.
  - **EAM Investors** - EAM increased assets under management by 71% across its domestic and global strategies.
  - **Aether Investment Partners** - Aether enjoyed a successful first close (US$145m) of its ARA V fund and secured a US$135m fund-of-one for the State of New Jersey.
  - **Aperio Group** - With consistently strong inflows, Aperio grew its assets by 33%.
  - **Seizert Capital Partners** - Seizert faced the same headwinds of many active managers in the United States, saw FUM decline 4% despite winning some new mandates.
  - **Nereus Capital -** A disappointing investment. We continue to work with Nereus to exit its Indian solar projects at acceptable prices
- **Investment Performance**
  - FY18 strong performance for Growth managers, mixed for Core managers
  - Private capital managers performed well
  - 3Q18 performance difficult for several managers

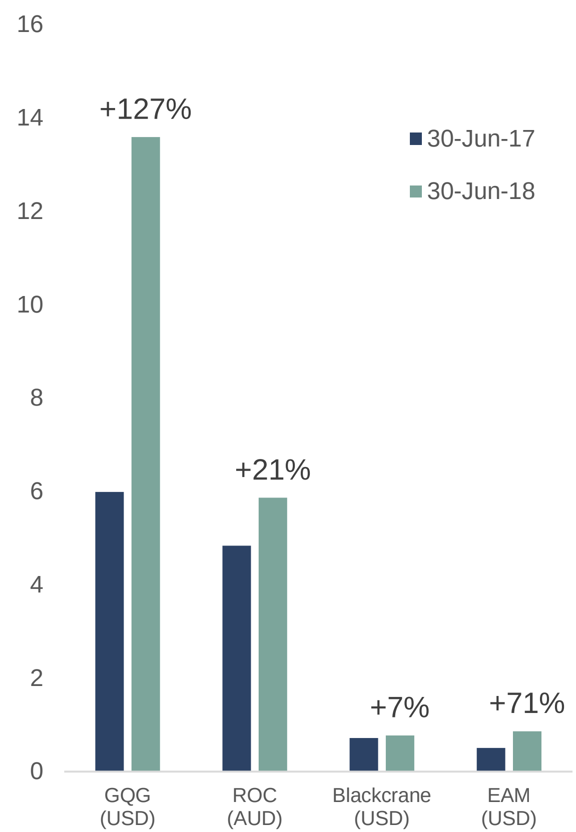
# Portfolio Company Update

## FUM 30 June 2017 vs. 30 June 2018 (in each manager's home currency)

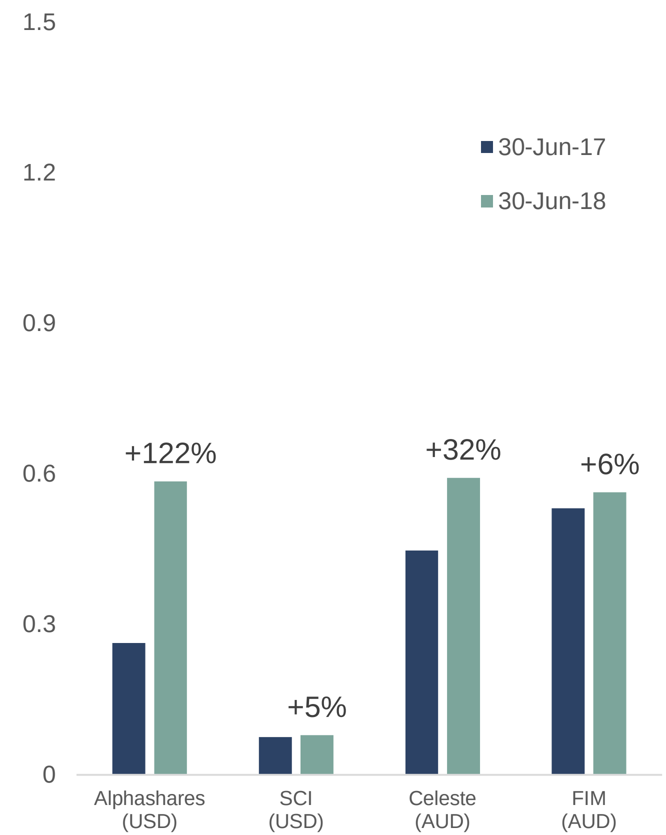
Core Boutiques




Growth Boutiques




Other Boutiques




* Boutiques sold during FY2018 are not shown.

# Portfolio Activity

*PAC took advantage of numerous opportunities to reshape its portfolio*

- **Portfolio Management**
  - PAC sold its 40% stake in Investors Mutual Limited (IML) for nearly A$120m
  - PAC increased its equity stake in EAM Global Investors from 15% to 18.75% to facilitate management's repurchase from an outside shareholder
  - PAC exited its nine-year investment in Goodhart Partners, selling its interest to the firm's founders and management team
  - The Company purchased an initial 20% stake in private infrastructure firm Capital & Asset Management Group (CAMG)
  - Other highlights following the end of FY18 include:
    - Sold remaining 10% equity stake in RARE for A$21.5m;
    - Invested US$70m investment in Victory Park Capital (VPC), a Chicago-based private credit investment firm;
    - Sold stake in Aperio for US$73m after Aperio management's decided to sell the majority of its business
    - Sold ownership in Celeste back to management for approximately A$1.6m

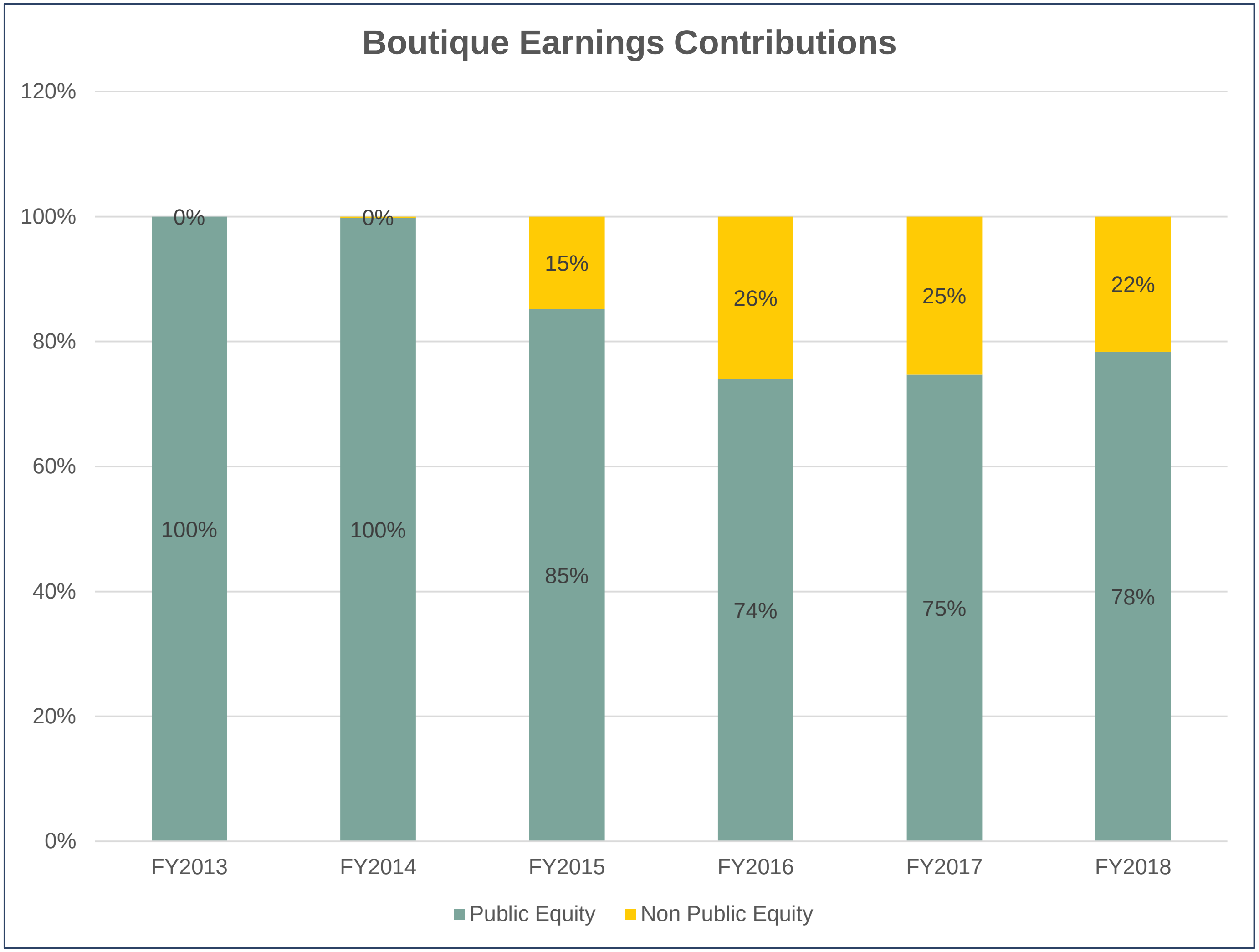
# Investment Strategy

*PAC is continuing to enhance earnings resilience through greater diversification*

- **New Investments**
  - PAC's pipeline is at record levels
  - A number of opportunities are well advanced
- **Diversification**
  - PAC continues to focus on finding investments that provide strong diversification and benefit from secular tailwinds
  - With recent portfolio changes the amount of PAC's revenues directly tied to equity markets should decline significantly
  - New investments will continue to span a broad size spectrum while expanding PAC's exposure to different asset classes and geographies
- **Environment**
  - Asset management world is evolving rapidly, which has significant implications for the the types of investments we will make in the future
  - Competition is increasing, but we can readily compete due to:
    - Distribution capability
    - Permanent minority orientation
    - Flexibility with regard to structure
    - Global orientation

# Increased Diversification

*PAC earnings have become less sensitive to equity market fluctuations*



# FUM Update* - As at 30-Sep-18

*A new format to better describe the nature of PAC boutiques' FUM*

| | 30-Jun-18 Closing FUM | Net Flows | Other (1) | FX Impact (2) | 30-Sep-18 Closing FUM |
|---|---|---|---|---|---|
| | | | | | |
| Open End[1] | | | | | |
| Tier 1 | 57,158 | 5,216 | 1,607 | 1,507 | 65,487 |
| Tier 2 | 10,432 | 89 | (208) | 99 | 10,412 |
| | | | | | |
| Closed End[2] | | | | | |
| Tier 1 | 5,974 | (75) | (162) | 135 | 5,873 |
| Tier 2 | 5,863 | 106 | - | (106) | 5,863 |
| | | | | | |
| Total FUM | 79,427 | 5,336 | 1,237 | 1,634 | 87,634 |

*Note that the relationship between FUM and the economic benefits received by PAC 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.

[1]Open-end is a term used to indicate funds under management that are not committed for an agreed period and therefore can be redeemed by an investor on relatively short notice.

[2]Closed-end is a term used to denote funds under management where the investor has committed capital for a fixed period and redemption of these funds can only eventuate after an agreed time and in some cases at the end of the life of the fund.

# Capital Management Plan

*We plan to use the proceeds from our recent dispositions to enhance our diversification*

- We have a strong balance sheet with more than A$120m in deployable capital, as of Nov. 30, 2018.
- Mid year dividend decision will be assessed in the context of current investment opportunities
- We remain highly confident that we can deploy capital into high quality assets at reasonable valuations

# FY18 FINANCIAL RESULTS

Joe Ferragina, CFO

# Underlying Financial Results of PAC

## Pro forma PAC P&L on a 'look-through' basis adjusted for one-off/non-cash items

| P&L Highlights (A$m) | PAC Pro Forma* FY18 |
|---|---|
| Revenue | 7.8 |
| Share of earnings from boutiques | 29.9 |
| **Total income** | **37.7** |
| Gross employee expenses | 9.5 |
| Occupancy expenses | 0.5 |
| Travel and entertainment expenses | 1.0 |
| Commission expenses | 2.4 |
| Interest expenses | - |
| Advisory, tax and accounting expenses | 1.6 |
| Legal and consulting expenses | 0.7 |
| Insurance expenses | 0.5 |
| Depreciation expenses | 0.2 |
| Nereus write-off | 0.8 |
| Other expenses | 1.9 |
| **Total expenses** | **19.1** |
| **Underlying pro forma net profit before tax** | **18.6** |

- Excludes non-recurring and/or non-cash items to show underlying business performance
- Aether, Seizert and Strategic Capital Investors (SCI) were consolidated into PAC's statutory accounts. For consistency of presentation with other boutiques, and to assist investors to understand expenses at a PAC corporate level, Aether, Seizert and SCI are not consolidated into the pro forma accounts, with contributions included as share of earnings from boutiques
- Employment expense excludes non-cash LTI amortisation
- GQG contributions through 31 March not 30 June

* Presentation of P&L above is a non-IFRS financial measure used by PAC to manage its business.

# PAC – Underlying P&L

| Underlying P&L (A$m) | FY18 |
|---|---|
| Statutory Net Profit After Tax | 90.8 |
| Impairment of investments | 4.9 |
| Loss on revaluation of investment held at FVTPL | 1.2 |
| Amortisation of identifiable intangible assets | 1.4 |
| Fair value adjustments | 0.4 |
| Foreign currency losses | 2.7 |
| Long term incentives amortization | 1.4 |
| Other expenses | 0.4 |
| Deal costs and other legal, consulting and tax expenses | 1.6 |
| (Loss) on revaluation of X-RPUs | 0.8 |
| Adjustment in deferred commitments | (0.5) |
| Gain on sale of investments | (105.0) |
| Income Tax expense in relation to the sale of IML | 17.9 |
| Share of non-controlling interests on the non-recurring/non-cash items | (0.6) |
| Back-out income tax (benefit) on non-cash/non-recurring items and simplification accounting | (12.8) |
| Liability in relation to S Class | 12.9 |
| GIC in relation to ATO tax payment arrangement | 0.4 |
| Underlying Net Profit After Tax | 17.8 |

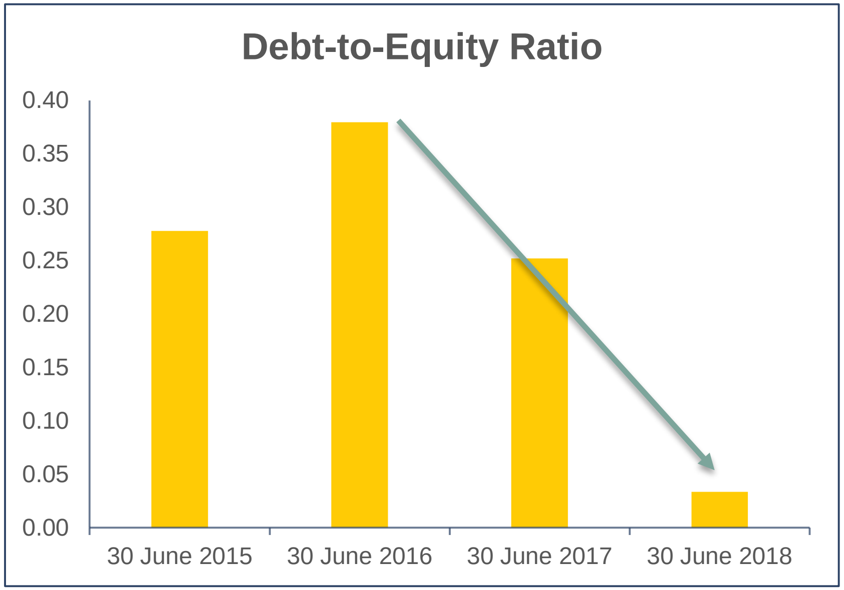
- Impairment of investment relates to NLAA
- Gain on sale of investment reflects sale of IML and Goodhart in 2018
- Includes expenses in relation to sale of IML, Simplification, restructuring of X-RPUs and other items in relation to new deals

# PAC – Balance Sheet

| Balance Sheet – PAC (A$m) | | As at 30 June 18 |
|---|---|---|
| Current Assets | | 150.4 |
| Non-Current Assets | | |
| Other financial assets | 75.1 | |
| Investments in associates | 46.0 | |
| Intangible assets | 104.8 | |
| Loans and other receivables | 7.3 | |
| Other assets, property and equipment | 3.7 | 237.0 |
| Total Assets | | 387.4 |
| Current Liabilities | | 33.9 |
| Non-Current Liabilities | | |
| Deferred tax liability | 17.7 | |
| Provisions | 0.2 | |
| Financial Liabilities | 12.4 | 30.2 |
| Total Liabilities | | 64.1 |
| Net Assets | | 323.3 |

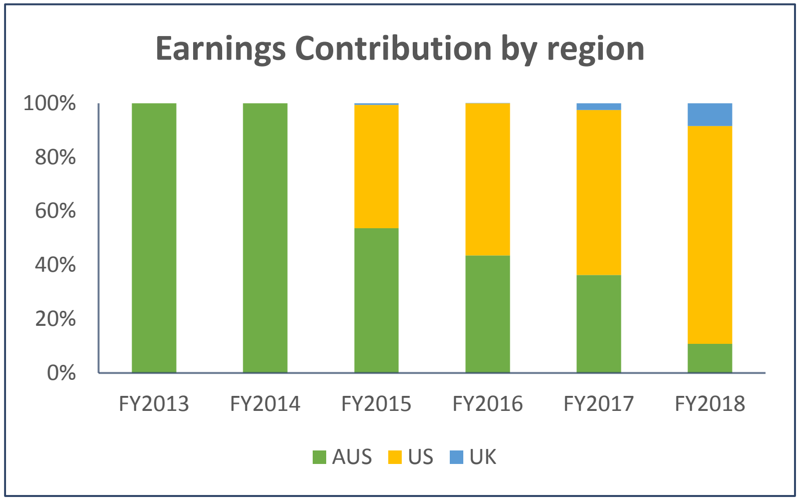
- Reflects consolidation of Aether, Seizert, Midco and its subsidiaries
- Carrying values have been tested and/or adjusted for impairment
- Deferred tax liability is recognized through the accounting on consolidation. It does not reflect tax provisions to the ATO

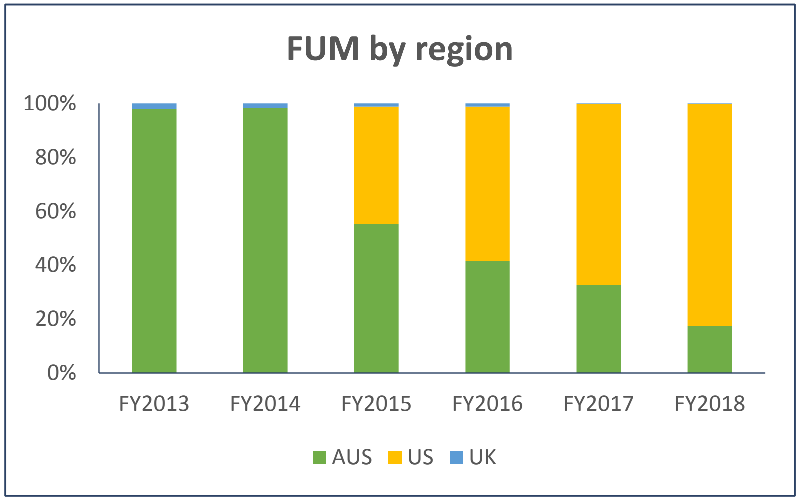
# Gearing – reduction in gearing of the business




- Debt-to-Equity Ratio shows data as of 30 June
- Over the past three years there has been a focus on reducing financial risk
- Moving forward the balance sheet will reflect an ongoing conservative discipline

# Geographical source of Earnings and FUM




- Earnings contribution shows PAC share of earnings from the respective boutiques
- FY2015 and FY2016 share of earnings show earnings on look-through basis
- The Group continues to evolve into a global business
- The opportunities that PAC is now exposed to would never have been presented if the business continued to be Australian centric

# Simplification of the structure

**25 Nov 2014**

- Merger of TRG and NLCG

**13 Apr 2017**

- Simplification completed - Class B unitholders converted to PAC shares

**11 Oct 2017**

- Settlement of X RPUs

- Group has gone from having two businesses contributing over 90% of earnings to five
- Earnings sourced from greater asset class diversification/increased exposure to alternatives
- Diversified geographic reach
- Distribution capability beyond Australian jurisdiction

# QUESTIONS