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ABN 28 126 385 822



11 December 2020

Company Announcements Office  
ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000

**Pendal Group Limited Annual General Meeting (AGM)**

The following documents are attached for lodgement:

- Chairman's and Group Chief Executive Officer's AGM Addresses and AGM Presentation.

Yours sincerely

A handwritten signature in black ink, appearing to read "Joanne Hawkins".

Authorising Officer

Joanne Hawkins  
Group Company Secretary  
Pendal Group Limited  
Tel: +61 2 9220 2000

## AGM 2020 Chairman's address

Date: 11 December 2020

Good morning ladies and gentlemen,

It is my pleasure to welcome you to our 13<sup>th</sup> Annual General Meeting.

I am James Evans, the Chairman of Pendal Group.

It was Benjamin Disraeli who once said: "There is no education like adversity."

2020 was a year of adversity in the form of impacts of US-China trade disputes, Brexit and COVID; on our markets, on our clients, on our people and on our performance.

Today's address is coming to you in a virtual rather than face-to-face format because of COVID. We have tried to keep everything as normal as possible, offering all options to communicate that would be available, as if we were in the same room together. This meeting format is just one example of how this pandemic has disrupted our lives. No one could have predicted the depth, the extent or the impact of the pandemic.

That said, our employees have shown their strength in the face of this adversity. They have also learned from these hard times by adjusting and adapting to this environment, by maintaining business continuity and by supporting our clients.

Because this has been done without disruption to our business, I would like to thank each and every one of our employees for their efforts.

Let me turn now to an overview of the performance of the business and financial results.

Our Cash Net Profit After Tax (Cash NPAT) was \$146.8 million. This is down by 10 per cent on the previous year, with the effects of COVID, ongoing trade wars and geo-political risk having an impact on markets, client confidence and flows.

Statutory Net Profit After Tax (Statutory NPAT) was \$116.4 million for the 12 months to 30 September 2020.

This is down 25 per cent on the previous year, impacted by declining mark-to-market movements in seed investments.

These financial results were not unexpected given what I noted above, and given that the performance of the business is largely determined by revenue from base management fees – meaning we are linked to markets and the value of our Funds Under Management.

We are a profitable business with healthy cash flow and good margins. As I said in my letter in the Annual Report, this year was a year of many parts. However, it was pleasing to see that in the fourth quarter of the financial year, there was strong investment performance in key funds, an uplift in unrealised performance fees and, in the second half of Financial Year 2020, an improvement in net flows.

Our diversified business model, scale, financial strength, and the quality of our people have stood us in good stead during this extraordinary year and give us confidence in the future.

While some companies are delaying or not declaring dividends, Pendal's strong balance sheet and business model enables it to continue to support returns to shareholders, with no change to our dividend payout policy.

We declared a final dividend of 22 cents per share. The final dividend will be 10 per cent franked and paid on 17 December 2020, to ordinary shareholders at a record date of 4 December 2020. This takes the full year dividend to 37 cents per share.

This is a payout ratio of 81 per cent, which is within the 80 to 90 per cent of the Cash NPAT range of the dividend policy.

We announced with our year-end results that from the 2021 Financial Year onwards, Pandal Group will be using 'Underlying Profit After Tax' (UPAT), to report the underlying earnings of the business.

This will simplify reporting and is aligned to market practice.

With this change, the Group's Dividend Policy will be to pay out 80 per cent to 95 per cent of UPAT each year.

This year we determined to activate the Dividend Reinvestment Plan for the 2020 final dividend. This will support Pandal's increased pace of investment over the coming years. Emilio will discuss the investment program in his address.

This is a good juncture to reflect on long-term performance and superior returns to shareholders.

Total Shareholder Return (TSR) since listing is 128 per cent. This is more than double the 53 per cent return of the Standard and Poor's ASX200 Accumulation Index over the same period.

The 'Black Swan' event of COVID-19 and its wide-ranging ramifications have defined 2020.

Despite the positive news about the development of vaccines, which have provided the world with a renewed sense of hope and optimism, and seen share markets rise, the ongoing impacts are yet to fully play out.

We are constantly mindful of the interruption that is COVID, and how this is affecting our people, clients, markets and society overall.

In these particularly tough and 'emotional' times, Pandal's priorities are the health, safety, and wellbeing of our people; ensuring business continuity, and supporting our clients.

I have lost track of how many times the word 'volatility' has been used to describe the movements of domestic and global markets this year.

I would like to stress that while this may be the case and even the 'new normal' when it comes to markets, at Pandal we are not complacent, and always remember that we operate in a globally contested marketplace.

The proactiveness of our investment management teams and their high level of engagement with clients, and always being 'true to label', means the business is well positioned to respond, adapt, and perform in the new environment.

I believe governance and risk management go hand-in-hand and risk management has certainly been front and centre for the Board.

In recognition of this approach, your Board has had double the number of formal Board Meetings in 2020.

The Board have also worked more closely this year with our Global Executive team and our regional business leaders and fund managers, to make sure we are fully informed about the different risks and issues facing the business in each region.

Looking to the future, I am pleased to say that Pandal has taken the adversity associated with 2020 in its stride and I am confident our long-term strategy will deliver positive outcomes for all stakeholders through the market cycles.

We have a stable and diversified client base, which includes some of the world's largest and strongest financial institutions; including pension funds, insurers and wealth managers.

We offer clients a broad choice of investment strategies; with varying styles including defensive, growth, value, fixed income and multi-asset. This provides existing and new clients options for investment at different points in the cycle. Importantly, our clients expect that our investment

strategies always remain 'true to label' and in these uncertain times, this is more important than ever.

COVID is still with us and this underscores the need to increase the pace of investment in areas such as data and technology, distribution and client service, and the global operating platform.

The areas where we see the most potential are product development – particularly Impact investing and ESG – improved data and technology capabilities and increasing our global distribution footprint.

Pendal is an active fund manager and therefore always looks to opportunities in market cycles, but also looks to the long term, an important part of which is investing in the future.

In closing, I would like to sincerely thank our people for their commitment and effort during 2020.

I would also like to thank and acknowledge my Board colleagues for their support and the extra time they have willingly contributed to Pendal Group during the year.

Finally, a heartfelt thank you to you – our owners, for your loyalty. Stay safe and have a prosperous 2021.

I would like to thank you for attending today and for your ongoing support.

Pendal Group Limited

## AGM 2020

# Group Chief Executive Officer's address

Date: 11 December 2020

Thank you, Jim, and good morning everyone.

As Jim has already pointed out it has been an extraordinary year and one that no one could have predicted.

Ordinarily we would be meeting in person, and I would be catching up and chatting with shareholders post the formal proceedings, many whom I have met over many years. Sadly, this is not possible.

2020 has been a year like no other, and I am incredibly proud of the way in which our people have managed throughout the year. The way they have continued to connect, collaborate, and support one another while providing excellent service to our clients and ensuring business continuity. Engagement has been high, a testament to our people leaders on the ground in each of our key regions - Australia, UK, Singapore and US - their support, insights and contribution during the year has been invaluable.

Our investment teams demonstrated the depth of their experience, expertly navigating the challenging market conditions while keeping clients informed on a regular basis.

It was very much a year of two halves with the second half dominated by COVID and the related events. Despite that, our investment performance has improved, our flows have improved and we are investing in areas we can win.

We finished the year in a stronger position than when we started with a clear strategy for growth.

As at the end of the financial year, 72 per cent of our funds under management were outperforming their respective benchmarks over one year. This strong performance has been reflected in the Group's flows, with positive inflows of \$1.2 billion in the September quarter.

Performance fees were higher at \$13.4 million from the previous year's outcome of \$5.9 million. This result was driven by impressive performance in our Australian equity strategies, particularly the MicroCap Opportunities Fund which achieved excess returns of 23.4 per cent above its benchmark for the year.

This consistency of performance and focus on delivering for our clients has been recognised with Pendal Australia being awarded the Fund Manager of the Year by respected research house Zenith as well as Money Magazine's Best of the Best Investment Manager of the Year award. This is pleasing recognition particularly in the most difficult of years.

During the year we launched new products and on-boarded a four-person Global Equity Impact investment team. We restructured our distribution to align with our regional leaders, commenced the implementation of our global data strategy and made considerable progress on transitioning our back office away from Westpac.

If there was ever a year of demonstrating the importance of having a financially strong and robust business to withstand the most challenging and unpredictable of circumstances, 2020 was that year. Although our revenue and profits were lower, our strategy of diversification served us well providing resilience through significant market volatility and geopolitical uncertainty.

- Our average funds under management of \$94.8 billion was lower by four per cent which contributed to lower base management fees of \$458.1 million;
- Cash NPAT was \$146.8 million, a decline of 10 per cent on the 2019 Financial Year; and
- Cash EPS of 45.5 cents down from 51.3 cents the prior year.

The business posted net outflows of \$6.5 billion during the year, driven by redemptions from the Westpac book and outflows from the OEICs channel where fund flows in our European strategies were under pressure due to a combination of ongoing Brexit concerns, negative investment sentiment towards the region and underperformance.

We did see improved flows in our institutional, US wholesale and Australian wholesale channels in the second half of the year. The fourth quarter of the year in particular saw a number of institutional mandates being funded, strong flows in the US pooled funds and improved flows in UK/Europe.

As a global active investment manager, delivering strong investment outcomes for our clients is core to what we do and key to our enduring success. Investment performance is what we sell to our clients.

Our ability to generate consistent investment returns over the long term is the result of our ability to attract and retain superior investment talent. Our people drive our success.

At Pandal we have a stable team with 85 investment professionals with an average of 20 years' industry experience and an average of 10 years with Pandal Group.

We have an investment-led culture that provides our boutique investment teams with investment autonomy and an environment that supports and encourages innovative thinking. Our remuneration structure is transparent and competitive. Incentives are aligned with client outcomes and employees are given the opportunity to own equity in the business which aligns staff with our shareholders.

This year the importance of active management was highlighted in a number of our strategies as our fund managers were able to swiftly adjust portfolios and take advantage of opportunities that emerged as a result of the extreme market volatility. Our ability to be flexible in a challenging environment has produced some strong investment performance outcomes, particularly in our JOHCM Global and International Select equity strategies, Australian equities and our fixed interest funds. All producing impressive results.

As I mentioned earlier, over the year to 30 September 2020, 72 per cent of our funds under management outperformed their respective benchmarks, 71 per cent of our funds under management has outperformed over three years, 70 per cent over five years and an impressive 88 per cent of funds under management since inception.

Where we have had underperformance, it has been in those funds with a value bias and an investment philosophy underpinning their investment strategies that has not suited market conditions. Nonetheless, clients expect us to invest as we said we would; that is why they place their trust in us. For these strategies it has not been easy and reminds me of the period during the 2000 'dotcom boom' where valuation dispersion between sectors and stocks were at stretched levels for sustained periods - it required strong resolve before it snapped back. History has a way of repeating itself in different forms, but the lessons are the same. Then, like now, it is important to continue to test the investment thesis and if it continues to hold up then it requires an abundance of client communication and patience.

More recently, what we have seen in November is a similar snap back with one of the biggest market style rotations favouring stocks with a value bias, as the market has factored in a more bullish upswing in earnings and dividends with the positive news around the development of the COVID-19 vaccine. This has resulted in strong outperformance from funds such as JOHCM UK

Equity Income, UK Dynamic, UK Growth and European Select Values. These are all strategies that have been under pressure from outflows. One month does not create a trend but is a demonstration of how quickly extreme market positions can turn and with it investment performance. It will require a more sustained relative outperformance to provide confidence.

There is no doubt that 2020 will be remembered for the global pandemic and how it has changed the world.

These events have accelerated a number of business trends many of which were already in motion pre-COVID and will have a profound impact on how we live and work. The trends most relevant to our business as a global fund manager include the growing importance of technology in doing business and the increased focus on ESG.

We have all experienced the power of technology to connect and collaborate throughout the pandemic. With it new business models have emerged. Overnight, remote working has become the norm and we swiftly moved our meetings from the office to online platforms, such as Zoom and Microsoft Teams. In a fast changing technologically enabled environment, we have also seen an evolution in client behaviour. Traditional methods of selling and distribution are less relevant, and the digital experience is becoming the new mode of communication.

The profound impact of the pandemic as well as the devastating bushfires in Australia and the US is driving increasing interest in environmental, social and governance matters and conversely responsible investment products that incorporate these factors in the investment process.

For all its terrible devastation, COVID-19 has laid bare the social infrastructure on which the economy depends along with increased recognition of the importance of shared social assets. As the social requirements of COVID-19 affect so many forms of economic activity, from education to entertainment, our eyes have been open to connections we ordinarily would not see. Demand for solutions that provide investors with an opportunity to invest in line with their values has been increasing for some time, and COVID-19 has accelerated this trend markedly in 2020.

As we move into 2021, we are well positioned to benefit from these trends having already invested in these areas, but we need to position our business to reflect a new reality and do more to thrive in this new environment.

The areas where we see the most potential are product development, particularly in ESG and expanding our global distribution footprint supported by a more technology enabled platform.

Executing on this strategy will require a multi-year investment with fixed costs in FY21 expecting to increase 8-10 per cent, approximately \$12-16 million. We believe this strategy will deliver a more cost-effective model and increase FUM by around 50 per cent by FY25.

Firstly, on ESG and Responsible Investing

I have spoken before about our proud heritage in ESG investment. We were pioneers in this sector and have been offering clients, a range of high-quality of responsible investment products for more than two decades.

Globally, the market for responsible investment assets is approximately US\$30 trillion and growing. We are in a position to leverage our strong reputation to grow in this space. Central to this, is the development and growth of our ESG specialist business, Regnan.

Originally spawned from BT as an independent firm specialising in ESG, Regnan has earned a strong reputation conducting research and engagement services and advising clients on how to integrate ESG into their business. In 2003 it received the prestigious, United Nations Royal Award for Responsible Investment. It is now a wholly owned business of Pandal Group and in December last year, we announced the appointment of a Global Equity Impact team to offer investment management services under the Regnan brand. Since then, we have launched two products.

Early in the year we launched the Regnan Credit Impact Trust and last month the Regnan Global Equity Impact Solutions strategy in the UK. The same strategy was launched in Australia this week. Although it is early days, both strategies are well on the way to exceeding \$100 million of funds under management in client money. Importantly, it sets a strong platform to develop extension

strategies and attract further investment talent to offer an expanding range of specialist ESG products.

We have also evolved the existing Pandal Australia ethical and sustainable strategies to better align with the needs of our clients and we are deepening the consideration of ESG matters in our JOHCM funds, including our flagship JOHCM Global Select strategy which has received a five-star sustainability rating from the global independent research house Morningstar. This is the highest rating possible.

This brings me to the second area of opportunity - global distribution. In a relationship-based business such as ours, it is imperative that we adapt to changes in client behaviour and equip our sales team with the right tools to facilitate building new relationships to grow market share.

Over the coming year, we plan to expand our distribution team, adding nine new team members to drive growth in the world's largest markets - the US and Europe. The expansion of our team will enable us to reach more clients through new and existing channels.

In the US, over the past seven years we have had good growth and now manage a little over \$26 billion in funds under management on behalf of US clients. Following the appointment of Nick Good as CEO for our US business, we are in a position to build on that success. Our high-performing Global and International Select strategies have performed well for clients in that region and we have launched new fund vehicles to ensure we are providing the right solutions for them.

Additionally, we have recently seeded a Credit Income Fund strategy which is an extension strategy of our successful multi-asset Global Income Builder strategy. To be able to leverage our strong position and compelling product offering in that market we are adding to our sales capability. With a good and growing product range in the US it is important that we have the right resources to reach as many clients and opportunities as possible, in what is, the world's largest market.

We also see great potential in the US\$13 trillion European market, particularly with the expansion of our ESG and RI strategies, including the Regnan Global Equity Impact Solutions fund. We plan to add sales resources to service the Continental European market, including the establishment of an office in Continental Europe. Our JOHCM CEO, Alexandra Altinger has extensive experience in distribution and knowledge of the region, and we have a sound base from which to grow. But to do so we require on the ground presence, particularly in light of Brexit.

To support our global distribution team, we will be building out our digital marketing capability. The nature of the relationship with our clients is changing. Client relationships have historically relied on in person sales as the primary driver of new business, with client sales typically conducted in person and often built around portfolio managers' availability. However, asset management purchase criteria and decision-making processes are changing. Our clients want to engage with us on their terms and they are increasingly embracing technology. A strong marketing capability, especially in digital, integrated with a global data strategy will be much more important going forward in building sales and enhancing the overall client experience. Hence the need to support our distribution network with that capability.

As our global business expands, the ability to benefit from scale becomes increasingly important. In 2019 we embarked on a program to transition away from Westpac supported systems. This program will continue in the coming year resulting in reduced complexity in the business inherited at the IPO. It will also deliver improved systems, a lower cost operating platform, better leverage our global scale and the opportunity to consolidate service providers to drive efficiencies. This, over time will result in financial benefits for our clients and shareholders.

2020 has been an extraordinary year with far-reaching implications for the global economy and society. Although news of a vaccine has brought some hope for a long-term solution, the situation remains volatile and uncertain. We anticipate this will continue in the short-term.

As I mentioned earlier, FY20 has demonstrated the importance of having a financially strong and robust business, a healthy balance sheet, and good cash flow. As we enter FY21 we do so in a much-improved position despite the global uncertainty. We have seen an improvement in investment performance, and we are investing in areas that will grow our funds under



management, with a team that is focused and motivated. Our strategy is clear and we are working hard to make it successful.

In closing, I would like to thank all our people across Pandal Group - in Australia, UK, Europe, Asia, and the US - for their dedication and support, and the way they have adapted to continue to service our clients during the year.

And a sincere thanks to you, our shareholders, for your ongoing support.

I will now hand it back to Jim Evans.

# 2020 Annual General Meeting Pendal Group Limited

PENDAL  
GROUP

11 December 2020, at 10am (AEDT)



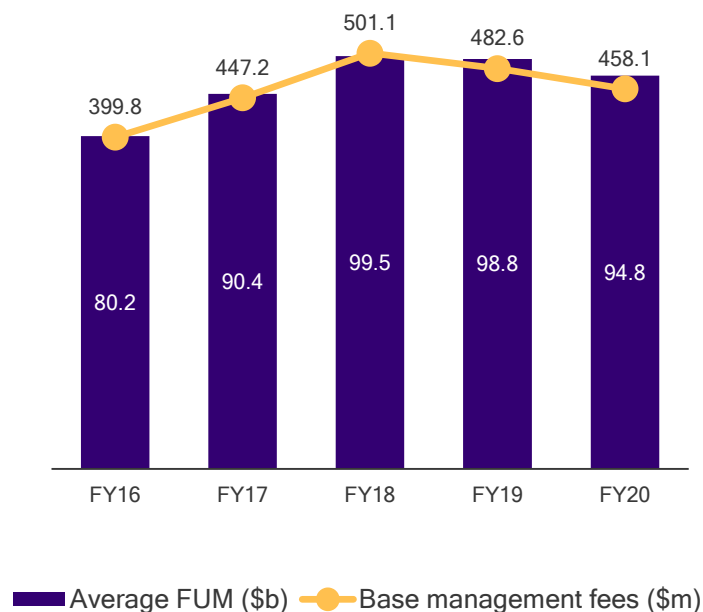
# Chairman's address



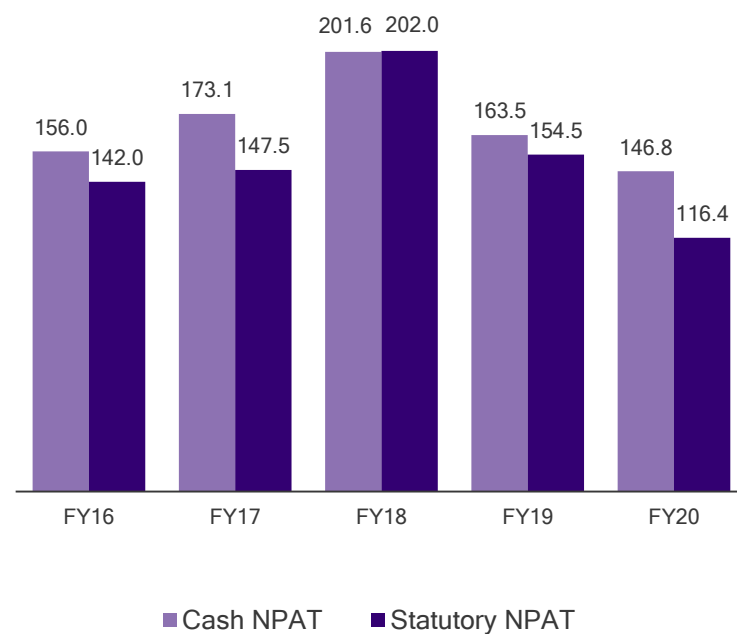
James Evans

# Long-term shareholder returns

Average FUM and base management fees

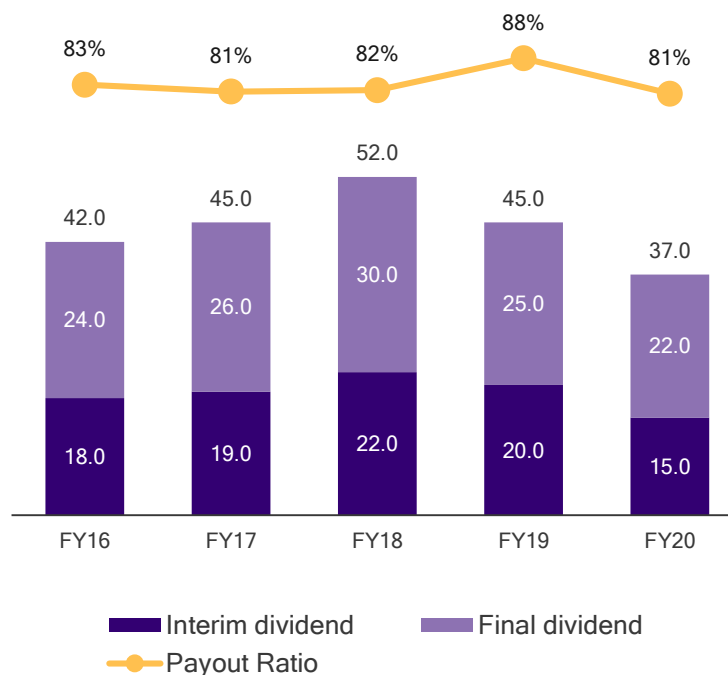


Statutory and Cash NPAT (\$m)



From FY21 onwards Underlying Profit After Tax (UPAT) will be used to report the underlying earnings of the business.

Full year dividend (cps)



From FY21 onwards, dividend policy revised to pay out 80-95% of UPAT, which is equivalent to 80-90% payout ratio under Cash NPAT.

# Response to COVID-19

## Ensuring business continuity and sustainability



### Employees

- Prioritised safety, health and wellbeing
- Employees working remotely and following government advice in each jurisdiction
- No disruption to new hires



### Clients

- Significantly increased client engagement
- No disruption to management of client funds
- 'True to label' investment strategies



### Governance

- Board meetings doubled
- Greater engagement with management and regional leaders
- Active management of risk framework

# Looking to the future

## Diversified business model supports sustainability of returns to shareholders

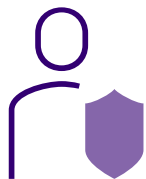
- Strong balance sheet with no debt.
- Business continues to be profitable with healthy cashflow and good margins.
- Stable and diversified client base, including some of the world's largest and strongest financial institutions;
  - E.g. pension funds, insurers, and wealth managers
- Investing in people, products and distribution and our global operating platform.
- Areas where we see the most potential:
  - Product development in Impact investing and ESG
  - Improved data and technology capabilities
  - Increasing global distribution footprint

# Group Chief Executive Officer's address



Emilio Gonzalez

# FY20 overview



Focus on wellbeing of our people and delivering for our clients



Lower revenue and profit due to impact of COVID and geopolitical uncertainty



Improved performance



Improving trend in flows



Investment in strategic growth initiatives

**Fund Manager  
of the Year 2020**  
Zenith



**Best Investment  
Manager 2021**  
Money Magazine

\*Awarded to Pandal Australia



# Stable and experienced investment team

85

Investment  
professionals

20 years'  
average  
industry experience

20  
Investment  
teams

10 years'  
average tenure  
across Group

Turnover of investment staff is 2% over the past 5 years<sup>1</sup>

<sup>1</sup> Includes voluntary resignations only, excludes retirement and involuntary departures

# Investment performance

## Percentage of funds under management (FUM) outperforming benchmarks<sup>1</sup>

72%

of FUM over  
one year

71%

of FUM over  
three years

70%

of FUM over  
five years

88%

of FUM  
since inception

<sup>1</sup> Fund performance is pre-fee, pre-tax and relative to the fund benchmark; % of FUM outperformed relates to FUM with sufficient track record only

# Investing for the markets of tomorrow

## ESG / RI

Recruiting new teams  
and bringing new ESG  
products to market



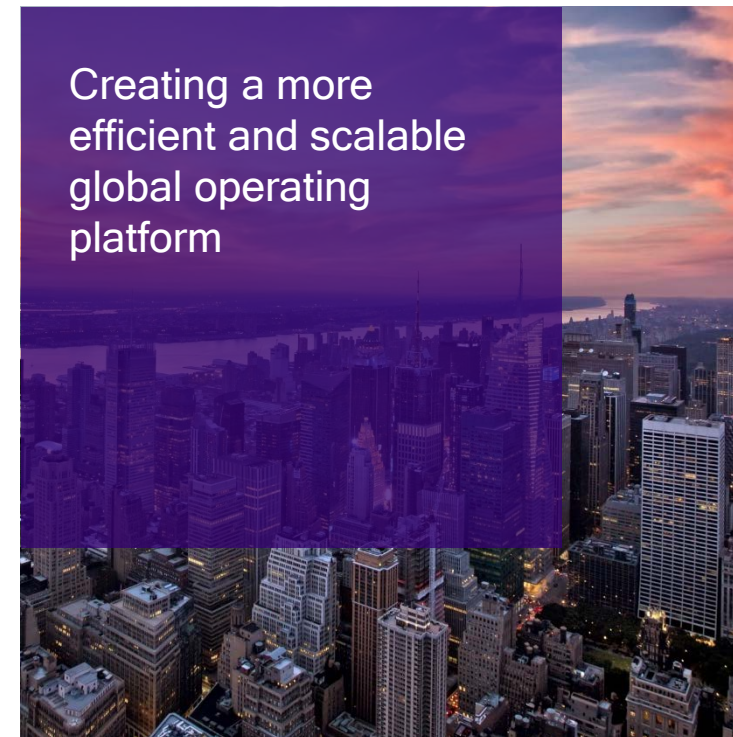
## Global distribution

Investing in key growth  
markets of the US and  
Europe




## Global operating platform

Creating a more  
efficient and scalable  
global operating  
platform



# ESG and RI



Recruiting new teams  
and bringing new ESG  
products to market

- Strong and long heritage in a rapidly growing US\$30T global market
- Strong platform to develop extension strategies and attract investment talent
- Recent launch of specialist ESG products under Regnan brand:
  - Regnan Credit Impact Trust
  - Regnan Global Equity Impact Solutions
- Evolving existing product suite to align with customer needs




# Investing in distribution in world's largest markets



- Expanding sales team to grow presence in world's largest markets - US and Europe
- Leveraging strong position and compelling product offering in the US
- Establishing on-the-ground presence in Continental Europe
- Investing in digital marketing capabilities to support global integrated marketing approach

# Global operating platform



Creating a more  
efficient and scalable  
global operating  
platform

- Transitioning away from Westpac supported systems
- Developing a more technology enabled platform to:
  - Reduce complexity
  - Improve systems
  - Lower costs
  - Leverage global scale
  - Consolidate service providers
  - Drive efficiencies
  - Deliver financial benefits to clients and shareholders



# Thank you

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# 2020 Annual General Meeting Pendal Group Limited

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