

**PACIFIC CURRENT GROUP**

# Investor Presentation

**Presenters**

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Tony Robinson, Executive Director

**March 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 the Aurora Trust 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.

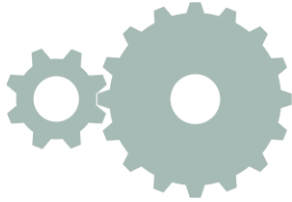
# Agenda

1. Overview
2. Portfolio Performance
3. Financials
4. Summary
5. Q & A
6. Appendix

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# 1 OVERVIEW

# Business update



- › **All resolutions successfully passed** at the EGM on 15 March 2017, enabling a simplification of the business structure for Pacific Current Group (“PAC”)
  - Conversion ratio of Class B units to PAC shares is accretive for existing PAC shareholders
  - Expenses at the corporate level reduced, with additional reductions planned in the second half of FY17 and beyond
  - Contingent X-RPU liability negotiated to a smaller, defined figure of US\$21m










- › **Aggregate FUM of A\$51.7bn** as at 31 December 2016 – increase of A\$2.7bn or 5.5% versus 30 June 2016 after adjusting for boutiques sold during the six month period
  - Very strong flow of funds in the first two months of CY17, with inflows of ~US\$1.3bn for US boutiques and ~A\$100m for IML



- › **Growth boutiques continue to gain traction** in the marketplace and are expected to make a positive contribution to earnings in 2H17
  - GQG Partners experiencing very rapid FUM growth
  - Blackcrane and EAM also demonstrating meaningful FUM growth

# Progress on Strategic Plan

1	<h2>Simplify business and structure</h2>	<ul style="list-style-type: none"> <li>» EGM held on 15 March 2017 to finalise restructure and simplification</li> <li>» Sold Raven and Aubrey. Further sales of smaller portfolio companies may occur in the near term</li> </ul>	 
2	<h2>Diversify into “sunrise” businesses</h2>	<ul style="list-style-type: none"> <li>» Acquired Aperio, a firm with an excellent track record of FUM growth and well positioned for future growth</li> <li>» Robust pipeline of new investment opportunities in growing market segments</li> </ul>	 
3	<h2>Focus on costs &amp; increase efficiencies</h2>	<ul style="list-style-type: none"> <li>» Continued reduction of PAC’s operational costs, with further reductions planned in the second half of FY17 and beyond</li> </ul>	
4	<h2>Reduce leverage</h2>	<ul style="list-style-type: none"> <li>» Significant reduction in interest expense compared to prior comparative period</li> <li>» Work towards strengthening balance sheet in order to enable greater flexibility</li> </ul>	 

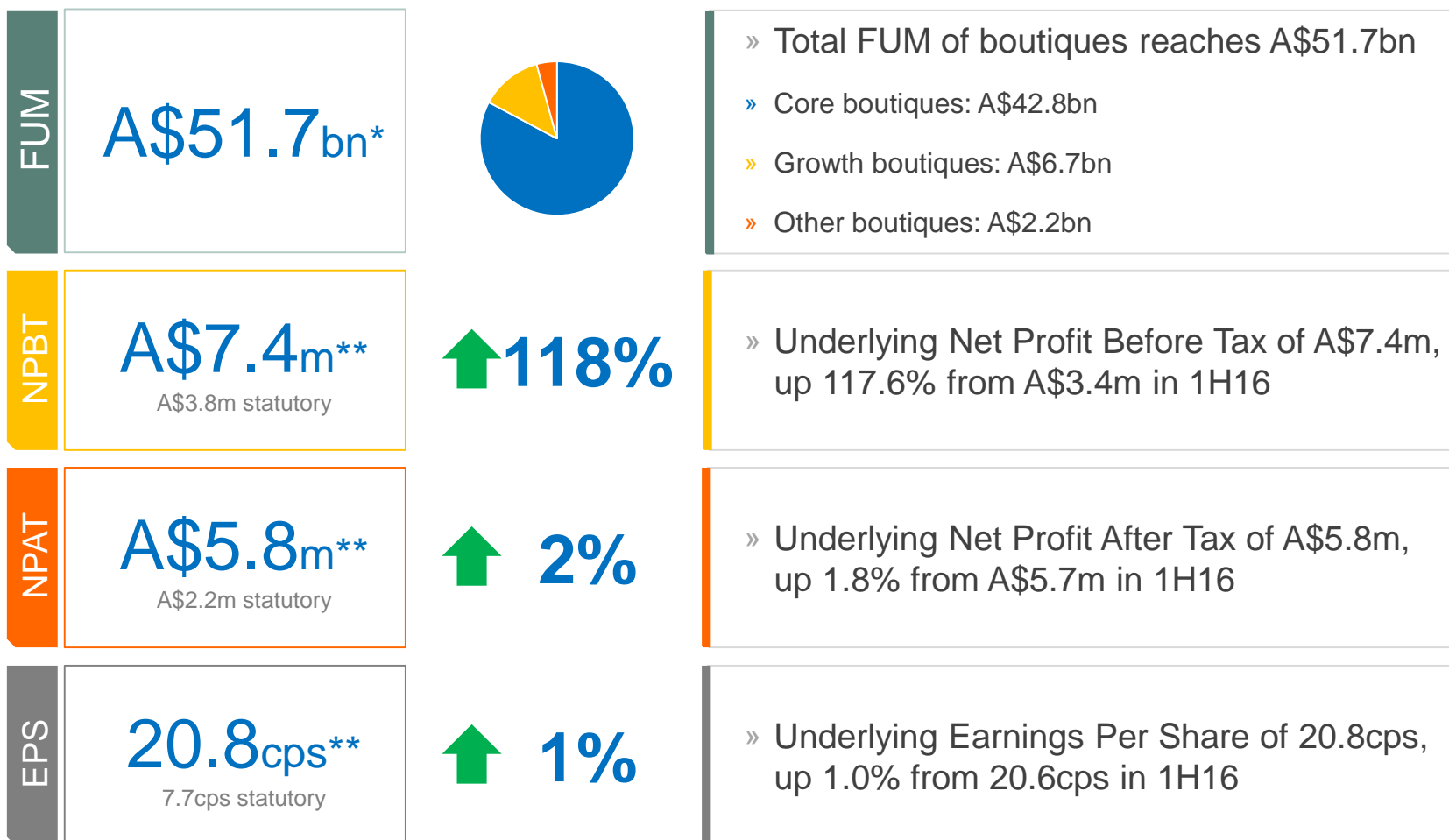
# Overview of PAC

The simplification and restructure will result in PAC owning 100% of the Aurora Trust

## PACIFIC CURRENT GROUP



# PAC 1H17 Financial Results Summary



\*FUM of private equity funds is based on Capital Commitments to each fund and does not reflect any return of capital to date. \*\* Underlying net profit before tax and underlying net profit after tax are non IFRS financial measures used by PAC to manage its business. See Appendix 2 (slide 33) for reconciliation between statutory and underlying net profit before tax



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## 2 **PORTFOLIO PERFORMANCE**

# Summary of Boutique Economics

	Core Boutiques	Growth Boutiques	Other Boutiques
<p><b><u>Traditional Economics</u></b></p> <p>Economics to PAC are broadly correlated with their equity ownership in the funds</p>			
<p><b><u>Non-traditional Economics</u></b></p> <p>Economics to PAC are leveraged to revenue and FUM growth of the funds</p>			

- > **PAC earnings from Core boutiques** generally operate under traditional economics, with fees predominantly directly correlated to FUM
  - Core boutiques accounted for > 95% of boutique earnings in 1H17; IML was the largest contributor, with Aether, Aperio and Seizert contributing approximately equal proportions
- > **PAC earnings from Growth boutiques** are generally disproportionate to its shareholding, with potential for PAC to earn fee income above level of equity ownership
  - Growth boutiques expected to be an increasing contributor to earnings going forward

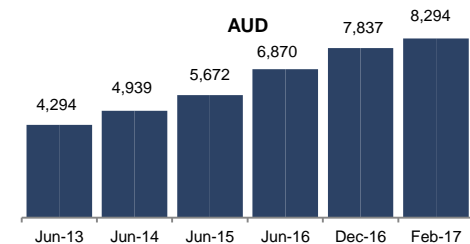
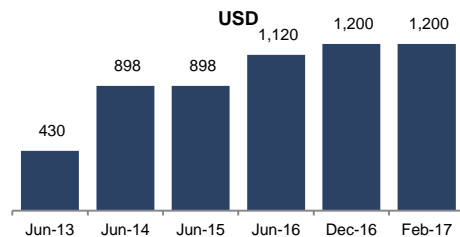
# Core Boutiques

Boutique:



Equity ownership:	100%	40%
PM / CIO:	Sean Goodrich and Troy Schell	Anton Tagliaferro and Hugh Giddy
Economics:	100% of excess management fee*	Equity share
FUM as at Feb 17:	US\$1.2bn	A\$8.3bn
Fund flows:	» Closed new funds totaling approx. US\$300m in late 2016	» Steadily growing FUM, increasing more than 5% since December 2016
First investment:	» Invested at firm inception in 2008, zero FUM	» Initial investment in 2001, FUM of A\$300m
Commentary:	» Just completed raising of ARA IV and first co-invest fund in long term closed-end vehicles	» Anton Tagliaferro commented “All IML Funds delivered pleasing returns once again to our investors” (4 January 2017)

Asset growth:



\*Excess management fee relates to management fees less operating expenses

# Core Boutiques



Boutique:

Equity ownership:

23.4%

100%

10%

PM / CIO:

Patrick Geddes

Gerald Seizert, David Collon and Edward Eberle

Richard Elmslie and Nick Langley

Economics:

Equity share

Preferred profit share, reduced to pro rata after certain milestones

Revenue share

FUM as at Feb 17:

US\$16.89bn

US\$3.32bn

A\$7.2bn\*

Fund flows:

»Consistently strong flows except for 4Q16

»Stronger performance has slowed outflow of funds

»Rate of fund outflows decreasing

First investment:

»Invested in existing firm in January 2016, when FUM was US\$13.2bn

»Invested in existing firm in 2008, FUM of US\$826 million

»Invested at firm inception in 2006, zero FUM

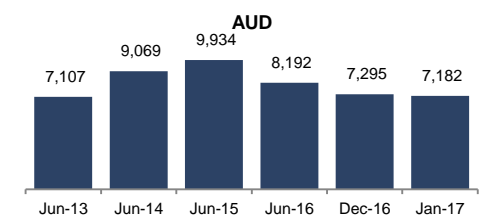
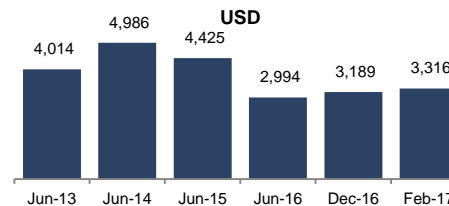
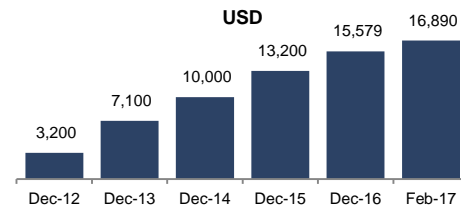
Commentary:

»Benefitting from numerous powerful trends, including ESG, passive and smart beta

»US equity investor that experienced dramatic performance rebound in las 6 months

»Sold 75% of the investment to Legg Mason in October 2015, remaining ownership of 10%\*\*

Asset growth:



\* RARE FUM as at 31 January 2017 \*\*Remaining 10% ownership in RARE subject to a Put/Call option exercisable in October 2017

# Growth Boutiques



**Boutique:**

**Equity ownership:**

25%

16%

**PM / CIO:**

David Kim

Travis Prentice and  
Josh Moss

**Economics:**

Equity share

Equity and revenue share

**FUM as at Feb 17:**

US\$542.0m

US\$433.5m

**Fund flows:**

» Significant inflows, with FUM increasing 33% since Dec-16

» Solid growth over last 18 months. Interest in strategies growing

**First investment:**

» Invested in existing firm in 2014, FUM of approximately US\$3 million

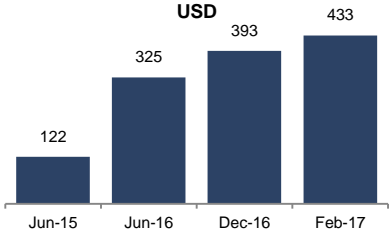
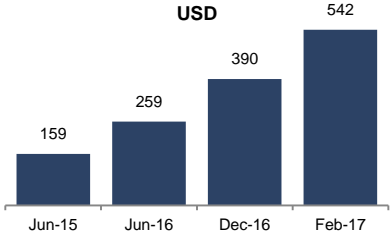
» Invested in existing firm in 2014 to launch non-US strategies through a new EAM subsidiary

**Commentary:**

» Accelerating growth has helped Blackcrane reach critical mass

» EAM landed first Australian institutional client with PAC's assistance in 2016

**Asset growth:**



# Growth Boutiques



**Boutique:**

**Equity ownership:**

5%

18%

**PM / CIO:**

Rajiv Jain

Michael Lukin and Shaw Ng

**Economics:**

Revenue share

Equity share

**FUM as at Feb 17:**

US\$1.5bn

A\$4.6bn\*

**Fund flows:**

» Currently in hyper growth phase, doubling FUM since Dec-16

» n/a

**First investment:**

» Invested at firm inception in June of 2016, zero FUM

» Supported management buyout in 2014

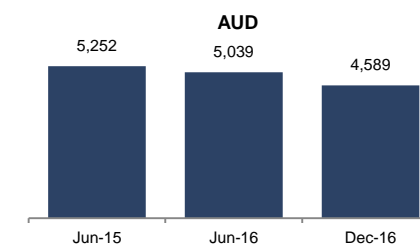
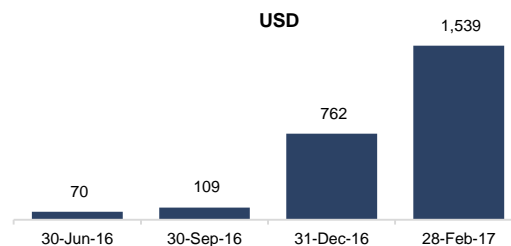
**Commentary:**

» Experiencing significant growth in FUM with a high level of interest from pension and industry funds in Australia and the USA

» In 4Q 2016 launched co-branded mutual fund with Goldman Sachs

» Specialised investment firm offering both pooled and customised Asia Pacific private equity solutions

**Asset growth:**



\* ROC FUM as at 31 December 2016

# Other Boutiques



- » Provides investors with direct exposure to Chinese markets primarily through a series of China indexes
- » Revenue generated through a licensing agreement
- » Equity ownership: 76%, Feb-2017 FUM: US\$202m



- » Australian small cap fund providing above benchmark returns over the medium to long term
- » Equity ownership: 27.5%, Dec-2016 FUM: A\$440m



- » Specialist investment manager focusing on Australian and global real estate and infrastructure sectors
- » Equity ownership: 31%, Dec-2016 FUM: A\$427m



- » Multi-boutique manager with investment strategies across global equities, japan equities and emerging markets
- » Equity ownership: 18.8%, Feb-2017 FUM: US\$685m



- » Private equity fund focused on alternative energy infrastructure and project development in India
- » Equity ownership 50%, FUM: n/a



- » Strategic partner and financial advisory business for private companies, hedge funds and private equity
- » Equity ownership: 25%, FUM: n/a



- » Hedge fund seeding and acceleration investing in sub-scale and new hedge funds
- » Equity ownership 54%, Feb-2017 FUM: US\$76m

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

# Impressive track record of outperformance from key boutiques



<b>Blackcrane Performance</b>	<b>1Y (%)</b>	<b>3Y (%)</b>	<b>5Y (%)</b>	<b>Inception (%)</b>	<b>Benchmark</b>
Blackcrane Overseas Alpha	-3.14	0.89	n/a	9.24	MSCI EAFE-ND
<i>Performance against Benchmark</i>	<i>-4.14</i>	<i>2.49</i>	<i>n/a</i>	<i>6.51</i>	

Source: PAC boutiques and eVestment

As of December 31, 2016. All periods greater than one year are annualized. All performance is gross of management fees and shown in USD. Benchmark reflects the stated index determined by the respective affiliate manager. Since Inception reflects performance for the period starting on the respective inception date for each strategy through December 31, 2016. Inception dates for the strategies are as follows: Seizert Concentrated Equity: April 1, 2008; Seizert Core Equity: January 1, 2001; Seizert Large Cap Value: April 1, 2002; Seizert Mid Cap: April 1, 2002; Seizert Small Cap Value: January 1, 2010; Blackcrane Overseas Alpha: February 1, 2013; EAM Emerging Markets Small Cap: April 1, 2012; EAM International Micro: June 1, 2014; EAM International Small Cap: May 1, 2011; GQG Emerging Markets Equity: December 1, 2014; GQG Global Equity: October 1, 2014; GQG International Equity: December 1, 2014.



<b>IML Performance</b>	<b>1Y (%)</b>	<b>3Y (%)</b>	<b>5Y (%)</b>	<b>Inception (%)</b>	<b>Benchmark</b>
Australian Share Fund	15.10	9.06	13.25	11.20	S&P/ASX300 Acc. Index
<i>Performance against Benchmark</i>	<i>-2.22</i>	<i>1.69</i>	<i>2.89</i>	<i>2.59</i>	
All Industrials Share Fund	13.42	10.20	15.07	9.61	S&P/ASX300 Industrial Acc. Index
<i>Performance against Benchmark</i>	<i>2.60</i>	<i>0.88</i>	<i>0.24</i>	<i>1.36</i>	
Concentrated Australian Share Fund	13.67	13.15	15.40	13.34	S&P/ASX300 Acc. Index
<i>Performance against Benchmark</i>	<i>-3.65</i>	<i>5.78</i>	<i>5.04</i>	<i>4.93</i>	
Future Leaders Fund	18.83	15.57	16.16	11.88	S&P/ASX50 ex LPT
<i>Performance against Benchmark</i>	<i>-1.38</i>	<i>4.68</i>	<i>8.43</i>	<i>3.33</i>	
Australian Smaller Companies Fund	20.87	14.82	16.44	15.46	S&P/ASX Small Ords Index (Ex. LPT)
<i>Performance against Benchmark</i>	<i>3.73</i>	<i>9.35</i>	<i>14.65</i>	<i>9.90</i>	
Small Cap Fund	21.46	17.20	17.72	10.55	S&P/ASX Small Ords Acc. Index
<i>Performance against Benchmark</i>	<i>5.11</i>	<i>10.84</i>	<i>14.91</i>	<i>11.26</i>	
Equity Income Fund	10.20	10.59	12.16	10.98	S&P/ASX300 Acc. Index
<i>Performance against Benchmark</i>	<i>-7.12</i>	<i>3.22</i>	<i>1.80</i>	<i>3.72</i>	

Source: <https://www.iml.com.au/performance/fund-performance>



# Impressive track record of outperformance from key boutiques



<b>Aether Performance</b>	<b>Vintage Year</b>	<b>Distributions / Paid-In Capital (net)</b>	<b>Total Value / Paid-in Capital (net)</b>	<b>Internal Rate of Return (net)*</b>
ARA I	2009	0.51x	1.04x	1.4%
ARA II	2012	0.04x	1.09x	3.8%
ARA III	2013	0.02x	1.12x	10.0%
ARA III Surplus	2013	0.01x	1.10x	7.9%
ARA IV	2016	n/a	n/a	n/a
ARA Co-Invest	2016	n/a	n/a	n/a

*Performance shown net of management fees as at 30 September 2016*

*Source: PAC boutiques and eVestment*

*\* Investors should not that the IRR is a measure of performance of the fund that has been calculated based on the existing and projected cashflows to investors in that fund, and includes assumptions regarding the timing of proceeds arising from, and the costs associated with, the disposal of assets in the fund, as well as timing of distributions to investors. IRRs are calculated from the due date of the initial capital call for the Fund through the date applicable herein. Both gross and net IRRs reflect the deduction of fees and expenses attributable to underlying investments. Net IRR reflects the deduction of fees, expenses and carried interest attributable to the Fund. Not all Funds are subject to the same fees and carried interest, which will affect net returns. Carried interest and/or management fees may be discounted in certain cases, which may result in higher net IRRs compared to returns for investors. Accordingly, IRRs do not necessarily correlate to the actual returns received by Aurora Trust or PAC. Carried interest and/or management fees may be discounted in certain cases, which may result in higher net IRRs compared to returns for investors. Accordingly, IRRs do not necessarily correlate to the actual returns received by Aurora Trust or PAC*

# Impressive track record of outperformance from key boutiques



<b>EAM Performance</b>	<b>1Y (%)</b>	<b>3Y (%)</b>	<b>5Y (%)</b>	<b>Inception (%)</b>	<b>Benchmark</b>
EAM Emerging Markets Small Cap	-2.66	-1.88	n/a	8.25	MSCI EM Small Cap-ND
<i>Performance against Benchmark</i>	<i>-4.94</i>	<i>-0.61</i>	<i>n/a</i>	<i>7.85</i>	
EAM International Micro Cap	2.41	n/a	n/a	7.33	Russell Gloal ex-US Micro Cap
<i>Performance against Benchmark</i>	<i>-4.07</i>	<i>n/a</i>	<i>n/a</i>	<i>8.61</i>	
EAM International Small Cap	-1.67	4.31	15.43	8.41	MSCI ACWI ex-US Small Cap-ND
<i>Performance against Benchmark</i>	<i>-5.58</i>	<i>3.55</i>	<i>7.69</i>	<i>6.59</i>	

Source: PAC boutiques and eVestment



<b>GQG Performance</b>	<b>1Y (%)</b>	<b>3Y (%)</b>	<b>5Y (%)</b>	<b>Inception (%)</b>	<b>Benchmark</b>
GQG Emerging Markets Equity	7.39	n/a	n/a	-3.40	MSCI EM-GD
<i>Performance against Benchmark</i>	<i>-4.94</i>	<i>n/a</i>	<i>n/a</i>	<i>1.04</i>	
GQG Global Equity	12.00	n/a	n/a	8.35	MSCI ACWI-GD
<i>Performance against Benchmark</i>	<i>3.52</i>	<i>n/a</i>	<i>n/a</i>	<i>5.28</i>	
GQG International Equity	4.91	n/a	n/a	0.96	MSCI ACWI ex-US-GD
<i>Performance against Benchmark</i>	<i>-0.10</i>	<i>n/a</i>	<i>n/a</i>	<i>2.93</i>	

Source: PAC boutiques and eVestment

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# Impressive track record of outperformance from key boutiques



Seizert Performance	1Y (%)	3Y (%)	5Y (%)	Inception (%)	Benchmark
Seizert Concentrated Equity	16.58	6.51	15.25	10.12	Russell 1000
<i>Performance against Benchmark</i>	<i>4.53</i>	<i>-2.08</i>	<i>0.56</i>	<i>1.45</i>	
Seizert Core Equity	20.04	9.97	15.78	7.28	S&P 500
<i>Performance against Benchmark</i>	<i>8.08</i>	<i>1.10</i>	<i>1.12</i>	<i>1.85</i>	
Seizert Large Cap Value	20.04	9.74	16.43	9.01	Russell 1000 Value
<i>Performance against Benchmark</i>	<i>2.70</i>	<i>1.15</i>	<i>1.63</i>	<i>1.76</i>	
Seizert Mid Cap	25.22	6.16	17.05	12.22	Russell MidCap
<i>Performance against Benchmark</i>	<i>11.42</i>	<i>-1.76</i>	<i>2.33</i>	<i>2.85</i>	
Seizert Small Cap Value	30.63	7.04	16.31	14.97	Russell 2000 Value
<i>Performance against Benchmark</i>	<i>-1.11</i>	<i>-1.27</i>	<i>1.24</i>	<i>1.83</i>	

Source: PAC boutiques and eVestment

As of December 31, 2016. All periods greater than one year are annualized. All performance is gross of management fees and shown in USD. Benchmark reflects the stated index determined by the respective affiliate manager. Since Inception reflects performance for the period starting on the respective inception date for each strategy through December 31, 2016. Inception dates for the strategies are as follows: Seizert Concentrated Equity: April 1, 2008; Seizert Core Equity: January 1, 2001; Seizert Large Cap Value: April 1, 2002; Seizert Mid Cap: April 1, 2002; Seizert Small Cap Value: January 1, 2010; Blackcrane Overseas Alpha: February 1, 2013; EAM Emerging Markets Small Cap: April 1, 2012; EAM International Micro: June 1, 2014; EAM International Small Cap: May 1, 2011; GQG Emerging Markets Equity: December 1, 2014; GQG Global Equity: October 1, 2014; GQG International Equity: December 1, 2014.



Goodhart Performance	2016 (%)	3Y (%)	5Y (%)	Inception % (pa)	Benchmark
A GBP-Hedged <sup>1</sup>	-3.90	7.70	n/a	14.50	Topix Total Return Index
<i>Performance against Benchmark</i>	<i>-3.90</i>	<i>0.60</i>	<i>n/a</i>	<i>4.20</i>	
A USD-Hedged <sup>2</sup>	-2.80	7.90	n/a	16.60	Topix Total Return Index
<i>Performance against Benchmark</i>	<i>-2.80</i>	<i>0.80</i>	<i>n/a</i>	<i>3.30</i>	
A GBP-Hedged (income) <sup>3</sup>	-3.80	n/a	n/a	8.50	Topix Total Return Index
<i>Performance against Benchmark</i>	<i>-3.80</i>	<i>n/a</i>	<i>n/a</i>	<i>-1.20</i>	
A GBP (income) <sup>4</sup>	18.60	n/a	n/a	21.50	Topix Total Return Index
<i>Performance against Benchmark</i>	<i>-4.40</i>	<i>n/a</i>	<i>n/a</i>	<i>3.90</i>	
B USD	-0.50	n/a	n/a	n/a	Topix Total Return Index
<i>Performance against Benchmark</i>	<i>-2.60</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	

Source: State Street

Notes: (1) Inception date 01/03/11, (2) note part month, inception date 18/03/11. (3) A-GBP Hedged Income class launched 31/01/14 returns include dividends paid, (4) A GBP income class launched 30/06/15, Topix quoted in GBP terms. Returns shown are net of all fees. In December 2013, the Fund changed its valuation point from COB on the first business day of the month to COB on the last business day of the month. Data shown is to 31/12/16.

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# 3 FINANCIALS

# Pro forma financial results of PAC

*Pro forma PAC P&L on a 'look through' basis as if the Aurora Trust was 100% owned by PAC*

P&L Highlights (A\$m)	PAC Pro forma 1H16*	PAC Pro forma 1H17
Revenue	2.2	3.4
Share of Earnings from boutiques	17.8**	16.4
<b>Total revenue</b>	<b>20.0</b>	<b>19.8</b>
Gross employee expenses	(4.4)	(3.3)
Occupancy expenses	(0.7)	(0.5)
Travel and entertainment	(0.8)	(0.5)
Interest expense	(4.2)	(1.0)
Advisory fees	(2.3)	(2.9)
Depreciation	(0.1)	(0.1)
Other expenses	(1.5)	(0.4)
<b>Total expenses</b>	<b>(14.0)</b>	<b>(8.7)</b>
<b>Underlying Pro forma Net Profit / (Loss) Before Tax</b>	<b>6.0</b>	<b>11.1</b>
Non-recurring non-cash gains	10.2	16.4
Non-recurring cash expenses	(10.0)**	(0.1)
Non-recurring non-cash expenses	(24.2)	(21.6)
<b>Pro forma Net Profit (Loss) Before Tax*</b>	<b>(18.0)</b>	<b>5.8</b>

- > The corresponding table shows pro forma PAC P&L for 1H17 and 1H16 which has been adjusted to gross up significant revenue and expense items of PAC on a 'look through' basis, as if 100% of the Aurora Trust was owned and consolidated into PAC's results during the relevant financial period
- > Large non-recurring items are predominantly non-cash and include impairment of investments and gain on revaluation of X-RPUs. Refer to Appendix 2 for a breakdown of these items
- > Aether, Seizert and Strategic Capital Investors (SCI) are 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.
- > Expenses are generally weighted to the second half of the financial year
- > Refer to Appendix 2 (slide 35) for a reconciliation of PAC pro forma to statutory accounts

\*Refer to Appendix 2 (slide 35) for a reconciliation of PAC pro forma to statutory accounts. \*\*In order to present earnings for boutiques at an underlying level and for comparability across period, this item has been adjusted to add back one off RARE Transaction costs of A\$5.6 million that were incurred at the RARE P&L level during 1H16. These transaction costs have been included in the non-recurring cash expenses item.

# Decrease in underlying expenses

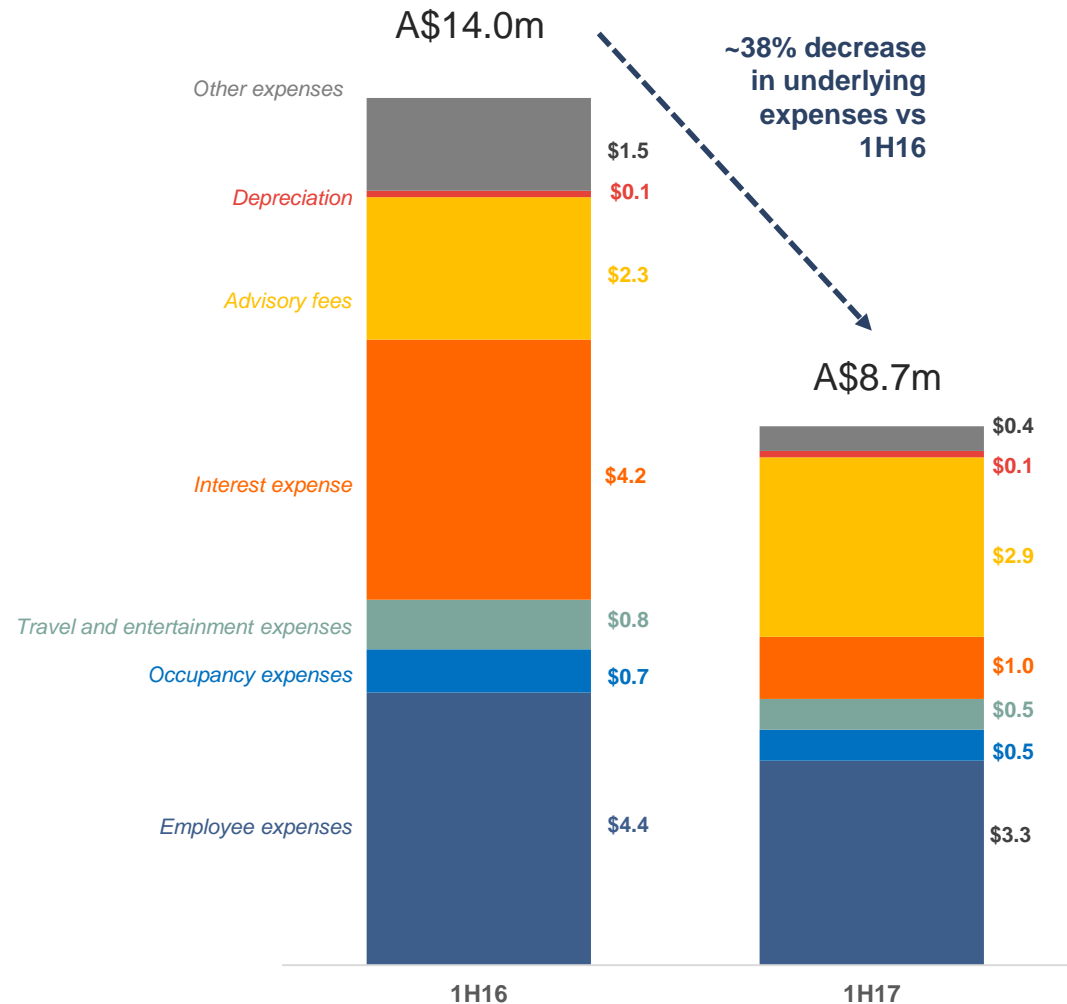
*Significant reduction in corporate costs and interest expense will improve earnings leverage*

## Corporate cost reductions

- › Reduced employee related expenses a significant driver of the reduced costs in 1H17, with lower occupancy and travel expenses also contributing factors
- › Further cost savings identified in the order of approximately A\$1m planned to be implemented in 2H17

## Interest expense reductions

- › Significant decrease in interest expense of > A\$3m, down c. 75% when compared to 1H16
  - Reduction due to the repayment of Medley debt in January 2016 that attracted a high interest rate
- › Interest expense expected to increase slightly in 2017 due to December 2016 investment in Aperio



# Capital Structure

*Interim dividend deferred whilst balance sheet in process of being strengthened*

## **Simplification:**

- › The restructure and simplification transactions were approved at a meeting of PAC shareholders on 15 March 2017 and will result in the following:
  - 13.7 million shares to be issued to current Aurora Trust Class B unitholders by 15 April 2017 with a related escrow period of up to 12 months – shares issued to Class B unitholders on a 1 for 1.1 ratio is EPS accretive for existing PAC shareholders
  - X-RPUs will be transferred from contingent to a fixed liability of US\$21m – payable by March 2018
  - Revaluation of intangible assets currently held on the Aurora Trust's balance sheet will be required within a 12 month period

## **Dividends:**

- › Final dividend will be based on full year FY17 results

## **Balance Sheet:**

- › Board and management are currently assessing options to strengthen the balance sheet in order to better position PAC to take advantage of strategic growth opportunities

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# 4 SUMMARY



# Summary

*Transparent structure and positive outlook ahead*

1

Continue to reduce debt and strengthen balance sheet

2

After completion of restructure our focus will be on growth and diversification

3

Expect meaningful acceleration in FUM from Growth boutiques in CY17

4

We expect to realise additional cost savings in 2H17 (exclusive of increased commissions from new business growth)

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# 5 Q&A

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# **APPENDIX 1:**

## **KEY PORTFOLIO MANAGER / CHIEF INVESTMENT OFFICER BIOGRAPHIES**

# Key Portfolio Manager / CIO Biographies



- » Sean and Troy are the co-founders of Aether Investment Partners and are jointly responsible for sourcing, evaluating and monitoring investments
- » Sean was previously Director of Alternative Investments at Jeffrey Slocum & Associates Inc. and led the firm's private capital and real asset research
- » Troy previously served as a Director and Portfolio Manager for BlackRock Alternative Advisors

Sean Goodrich



Troy Schell



- » Patrick serves as Chief Executive Officer and Chief Tax Economist of Aperio
- » Previously Patrick was Chief Financial Officer of Morningstar Inc and served as Director of Quantitative Research
- » Prior to Morningstar, Patrick spent five years providing quantitative analysis, currency hedging, and corporate tax optimisation to Amoco, now part of BP, in the US and Europe

Patrick Geddes



- » Daniel serves as Chief Executive Officer and Chief Investment Officer and is responsible for overseeing management, portfolio construction, and investment strategy at Blackcrane Capital, LLC
- » Previously Daniel was a Partner, Portfolio Manager and Director of Research of Mastholm Asset Management, LLC
- » Prior to Mastholm, Daniel worked in the corporate finance division of Samsung Electronics in Seoul, Korea

Daniel Kim



# Key Portfolio Manager / CIO Biographies



- » Travis and Josh co-founded EAM Investors in 2007
- » Travis serves as Chief Executive Officer and Chief Investment Officer of EAM Investors and acts as lead Portfolio Manager for the firm's micro cap and ultra micro cap investment strategies
- » Josh serves as a Director and Portfolio Manager of EAM Investors and is responsible for the firm's international investment strategies

Travis Prentice



Josh Moss



- » Rajiv is Chairman and Chief Investment Officer of GQG Partners
- » Rajiv Joined GQG Partners in June 2016, with over 25 years of investment experience
- » Previously Rajiv was Co-Chief Executive Officer and Chief Investment Officer and Head of Equities at Vontobel Asset Management where he built the business from less than US\$400 million of FUM to just under US\$50 billion in 2016

Rajiv Jain



- » Anton and Hugh act as co-managers of the Investors Mutual Australian Share Fund
- » Anton Established IML in 1998 and is the Portfolio Manager of the firm's All Industrial Share Fund
- » Hugh founded Cannae Capital Partners in 2007 which was merged into IML in 2010 and is Portfolio Manager of the firm's Concentrated Australian Share Fund

Anton Tagliaferro



Hugh Giddy



# Key Portfolio Manager / CIO Biographies



- » Richard and Nick serve as Co-Chief Executive Officer and Co-Chief Investment Officer of Rare
- » Richard previously spent 19 years in the global infrastructure sector, including five years as Head of Power and Joint Head of Infrastructure at UBS Investment Bank
- » Nick previously spent 11 years in the infrastructure sector including four years as a Principal of AMP Capital's Infrastructure Funds Management team and also the CFO of ASX-listed DUET Group

Richard Elmslie



Nick Langley



- » Michael and Shaw serve as Partners of ROC in Sydney
- » Prior to ROC, Michael was responsible for the management of Macquarie Investment Management Ltd Private Markets global operations
- » Shaw previously served as Senior Manager at Macquarie Investment Management Ltd and spent two years at Commonwealth Bank of Australia where he was responsible for structured finance and strategic acquisitions

Michael Lukin



Shaw Ng



- » Gerald is Managing Partner of Seizert. Previously Gerald was Co-CEO, Managing Director and CIO of Munder Capital Management
- » David is a Partner and Portfolio Manager of Seizert. Previously David served as a Portfolio Manager for Jay A. Fishman, Ltd.
- » Edward is a Partner and Portfolio Manager of Seizert. Previously Edward served as Executive Vice President and Portfolio Manager for Valenti Capital

Gerald Seizert



David Collon



Edward Eberle



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# **APPENDIX 2: PAC INTERIM RESULTS**

# PAC – Statutory P&L

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

P&L Highlights (A\$m)	PAC Statutory 1H16	PAC Statutory 1H17	% Change
Revenue	2.7	1.8	(33.3%)
Employee expenses	(1.4)	(1.1)	(21.4%)
Other expenses	(0.3)	(0.5)	66.7%
Share of profit / (loss) from Aurora Trust	(13.3)	3.6	n/a
<b>Net Profit / (Loss) Before Tax</b>	<b>(12.4)</b>	<b>3.8</b>	<b>n/a</b>
Income tax (expense) / benefit	<u>2.3</u>	<u>(1.6)</u>	<u>n/a</u>
<b>Net Profit / (Loss) After Tax</b>	<b>(10.0)</b>	<b>2.2</b>	<b>n/a</b>
<b>Underlying Net Profit After Tax</b>	<b>5.7</b>	<b>5.8</b>	<b>1.8%</b>
Underlying Earnings Per Share (cents)	20.6	20.8	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



# PAC – Underlying P&L

*Significant non-recurring items such as impairment charges, non-labour costs incurred as a result of restructure*

PAC underlying P&L (A\$m)	1H16	1H17
<b>PAC Statutory Net Profit / (Loss) After Tax</b>	<b>(10.0)</b>	<b>2.2</b>
Gain on revaluation of X-RPU	-	(10.0)
Gain on sale of investments	(6.6)	(0.7)
Impairment of investments	13.6	7.6
Loss on revaluation of FVTPL investment	-	5.0
Amortisation of identifiable intangibles	0.8	0.7
Fair value adjustments	1.4	0.6
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	-
<b>PAC Underlying Net Profit After Tax</b>	<b>5.7</b>	<b>5.8</b>
Add back: Income tax (benefit) / expense	(2.3)	1.6
<b>PAC Underlying Net Profit Before Tax</b>	<b>3.4</b>	<b>7.4</b>

- › 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 and Aubrey
- › 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

# Reconciliation of significant items on a pro forma basis

*Reconciliation of pro forma P&L on a 'look through' basis and significant non-recurring items as if the Aurora Trust was owned 100% by PAC*

<b>Pro forma PAC P&amp;L (A\$m)</b>	<b>1H16*</b>	<b>1H17</b>
<b>PAC pro forma Profit / (Loss) Before Tax</b>	<b>(18.1)</b>	<b>5.8</b>
Gain on revaluation of X-RPU	-	(15.3)
Gain on sale of investments	(10.2)	(1.1)
Impairment of investments	20.8	11.4
Loss on revaluation of FVTPL investment	-	7.7
Amortisation of identifiable intangibles	1.3	1.1
Fair value adjustments	2.1	0.9
Long term incentives amortisation	-	0.5
RARE transaction costs	5.6	-
Prepayment penalty on Medley debt/loan origination costs write off	2.3	-
Aurora Trust transaction costs for RARE	1.5	-
Deal costs	0.5	0.1
Employee restructuring	0.1	-
<b>PAC pro forma Underlying Profit Before Tax</b>	<b>6.0</b>	<b>11.1</b>

- › The corresponding table shows the reconciliation of PAC pro forma net profit / (loss) before tax to PAC pro forma underlying net profit before tax
- › PAC Pro forma underlying profit before tax has been calculated as pro forma profit / (loss) before tax adjusting for significant non-recurring items at the Aurora Trust level as if the Aurora Trust was 100% owned by PAC during the relevant financial period
- › 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

\*Refer to Note 17 in PAC 1H17 accounts

# Reconciliation of PAC pro forma net profit to Statutory accounts

*Reconciliation on a 'look through' basis as if the Aurora Trust was owned 100% by PAC*

(A\$m)	1H16*	1H17
Aurora Trust (Management) Profit / (Loss) Before Tax	(19.0)	5.6
PAC Statutory Profit / (Loss) Before Tax	(12.4)	3.8
Excluding Aurora Trust share from PAC Statutory Profit / (Loss) Before Tax	13.3	(3.6)
PAC (excl Aurora Trust (Management) Profit / (Loss) Before Tax)	0.9	0.2
<b>PAC pro forma Net Profit / (Loss) Before Tax</b>	<b>(18.1)</b>	<b>5.8</b>

\*Refer to Note 17 in PAC 1H17 accounts

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# **APPENDIX 3: AURORA TRUST INTERIM RESULTS**

# Aurora Trust (Management) P&L

P&L Highlights (A\$m)	1H16	1H17	% change
Revenue	2.2	3.1	40.9%
Gain on sale of investments	10.2	1.1	(89.2%)
Gain on revaluation of X-RPU	-	15.3	n/a
Share of earnings from boutiques	12.2	16.4	34.4%
<b>Cash Expenses</b>			
Employee expenses	5.0	1.8	(64.0%)
Travel and entertainment	0.8	0.5	(37.5%)
Interest expense	4.2	1.0	(76.2%)
Audit and tax advisory	1.5	1.1	(26.7%)
Legal and advisory expenses	0.8	1.8	125.0%
Occupancy costs	0.7	0.4	(42.9%)
Other expenses	2.0	2.7	35.0%
Deal costs	2.0	0.1	(95.0%)
Prepayment penalty on Medley debt	2.3	-	n/a
Realised FX (gain) / loss	-	(0.4)	n/a
	<b>19.3</b>	<b>9.0</b>	<b>(53.4%)</b>
<b>Non Cash Expenses</b>			
Amortisation of identifiable intangible assets	1.3	1.1	(15.4%)
Impairment of investments	20.8	11.4	(45.2%)
Loss on revaluation of FVTPL investment	-	7.7	n/a
Depreciation	0.1	0.1	-
Fair value adjustments	<u>2.1</u>	<u>0.9</u>	<u>(57.1%)</u>
	<b>24.3</b>	<b>21.2</b>	<b>(44.4%)</b>
<b>Net Profit / (Loss) Before Tax</b>	<b>(19.0)</b>	<b>5.6</b>	<b>n/a</b>
Income tax expense	1.5	0.1	n/a
<b>Net Profit / (Loss) after tax</b>	<b>(20.5)</b>	<b>5.5</b>	<b>n/a</b>
<b>PAC Share of Net Profit / (Loss) after tax</b>	<b>(13.3)</b>	<b>3.6</b>	<b>n/a</b>

- › 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
- › 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)	1H16	1H17
<b>Aurora Net Profit / (Loss) After Tax</b>	<b>(20.5)</b>	<b>5.5</b>
Gain on revaluation of X-RPU	-	(15.3)
Gain on sale of investments	(10.2)	(1.1)
Impairment of investments	20.8	11.4
Loss on revaluation of FVTPL investment	-	7.7
Amortisation of identifiable intangibles	1.3	1.1
Fair value adjustments	2.1	0.9
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 Aurora Trust for RARE	1.5	-
Deal costs	0.5	0.1
Employee restructuring	0.1	-
<b>Aurora Underlying Net Profit After Tax</b>	<b>3.5</b>	<b>10.8</b>

- › The Aurora Trust's underlying profit after tax has been calculated as Aurora Trust (Management) profit / (loss) after tax after adjusting for the impact of significant non-recurring items
- › 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)		1H17
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	<u>17.5</u>	407.7
<b>Total Assets</b>		<b>440.5</b>
Current Liabilities		15.0
Non-Current Liabilities		
Debt, Vendor Finance, Promissory Notes	55.5	
Financial Liabilities	<u>6.6</u>	62.1
<b>Total Liabilities</b>		<b>77.1</b>
<b>Net Assets</b>		<b>363.3</b>

- › 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 defined to an amount of US\$21m as part of the EGM
- › 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)