NAVIGATOR
GLOBAL INVESTMENTS

# ASX Announcement

9 January 2019

## Business & earnings update

**Key points:**

- Increased volatility and the downturn in global asset markets over the December 2018 quarter has reduced AUM due to slower than anticipated inflows and investment losses
- The FY19 H1 result has not been materially impacted, and we expect to report EBITDA of approximately US$20m for the six months to 31 December 2018[1]
- Management fee revenue for FY19 H2 is likely to see a drop of approximately 10% compared to FY19 H1, and performance fee revenue for FY19 is likely to be nominal
- Anticipated efficiencies from the integration of MAS into existing business processes are on schedule but unlikely to have a material impact on financial results this fiscal year

The Navigator Group is in the process of finalising its investment performance and Assets Under Management (AUM) for the December 2018 quarter. We expect this process to be complete early next week, after which we will be in a position to release our regular quarterly AUM update. However, given the significant volatility and associated downturn experienced across global asset markets over the last fiscal quarter and the impact it has had on the Group's future financial performance, the Board of Navigator considers that it is appropriate to provide a preliminary update prior to this release.

In our August 2018 briefing to shareholders and during the Chairman's Address at November's Annual General Meeting, we advised of our expectations that markets would become, and continue to be, very volatile in the December 2018 quarter. We also anticipated a transition period which would be difficult for our strategies to navigate. Both predictions proved accurate.

For the December 2018 quarter, global equity markets as measured by MSCI World were down 12.7% and US High Yield was down 4.4%. Hedge fund performance as measured by HFRX Global and HFRX Equity Hedge Indices were down 8.6%and 5.6%, respectively. In comparison, our Diversified strategy was down approximately 3.7%, whilst our Global Long Short strategy was down approximately 8.5%. Despite heightened market volatility, our strategy performance began to normalise in the second half of December.

[1] FY19 H1 EBITDA has not been reviewed by our external auditor and therefore may be subject to change.

The Group's AUM has been impacted in several ways:

- a reduction in AUM directly attributable to lower than expected investment performance;
- a faster than anticipated redemption cycle from certain transitioned MAS assets; and
- an elongated sales cycle on new opportunities, despite still having a promising pipeline for new business.

All of the above points have either been previously made in our public releases, or are a foreseeable consequence of the recent difficult markets on the asset management business.

The reduction in AUM for the December 2018 quarter has not had a material impact on the EBITDA of the Group for the six months to December 2018, and we expect to achieve an FY19 H1 EBITDA of approximately US$20m.

However, the cumulative effects of these reductions in AUM are likely to result in a fall in management fee revenue for the FY19 H2 of approximately 10% as compared to FY19 H1. In addition, efficiencies anticipated to be gained from the full integration of MAS into the existing business are unlikely to have a material impact on financial results for this financial year. As a result, we would expect FY19 H2 EBITDA to be approximately 20% lower compared to FY19 H1.

The Group anticipates releasing:

- its December 2018 AUM update early in the week commencing 14 January 2019; and
- its Appendix 4D and 2019 interim financial report on 14 February 2019, once our external auditor has completed their independent review process. Details of an investor briefing call will be announced closer to that date.

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