

# Mainstream Group Holdings Limited (ASX: MAI)

## INVESTOR UPDATE

Released on 22 April 2020

### Presented by

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**MAINSTREAM**

# Mainstream overview



## ABOUT

- › **Founded in 2006, listed in October 2015 (ASX: MAI)**
- › **Global fund services for 348 clients with \$187 billion in funds under administration**
- › **274 employees in eight countries**
- › **Majority of revenue earned from long-term contracts to provide essential fund services to fund managers**
- › **Fees generally calculated on a combination of minimum fees or basis points plus the number of transactions and investors**
- › **Clients are diversified across asset classes, fund types and markets**



## SERVICES

- › **Delivering fund administration, custody, middle office and corporate services**
  - › **67% of clients use 2+ services**
- › **Focus on fund managers with listed, unlisted and alternative funds**



## STRATEGY

- › **Specialists in fund services**
- › **Growth in core markets**
- › **Multiple service delivery to clients**

# Summary

## STRONG FOUNDATIONS

- › We entered the current crisis with good momentum in our core markets of Australia, Hong Kong, Singapore and USA
- › Strong client relationships with long term agreements in place with all material clients

## TRADING UPDATE

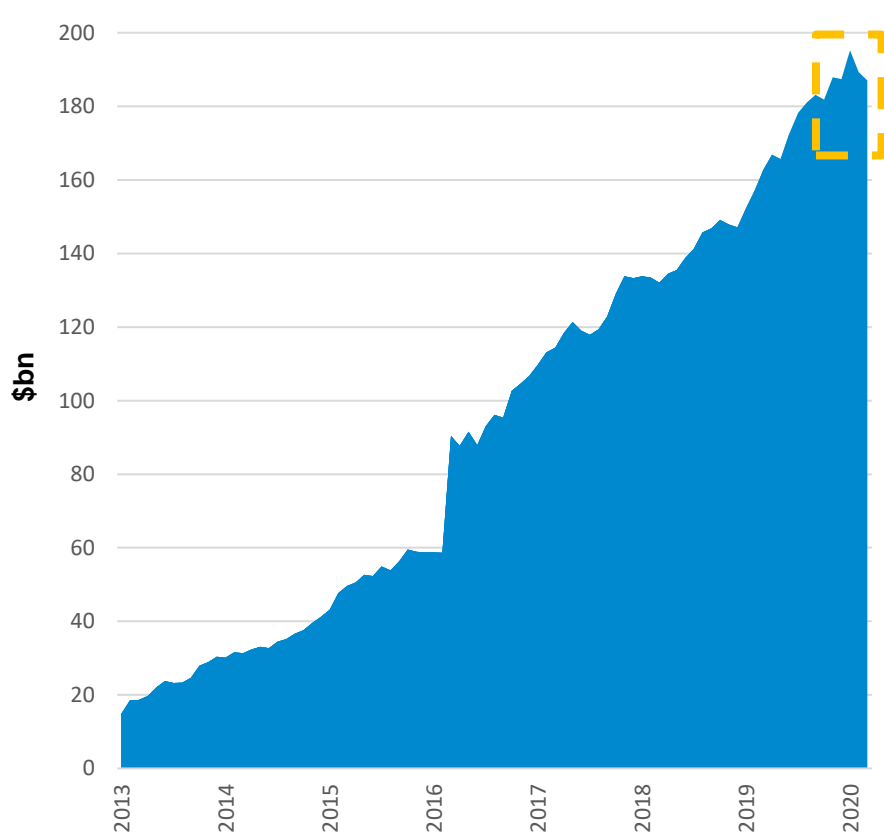
- › Group performance for the second half, up to March, has been in line with expectations
  - › Reduction in custody income (linked to official cash rates) somewhat cushioned by higher transaction volumes (resulting from market volatility)
  - › High annuity revenue remains reliable despite global shutdown
- › Funds under administration held steady during falling markets due to strong inflows
- › Continue to maintain net cash position in excess of regulatory capital requirements
  - › Cash position of \$10.5m with regulatory capital of \$8.1m
- › Client transitions proceeding as planned but expect subdued demand for fund launches and delays in new transitions
- › Given unknown duration of current volatility and disruption, challenging to forecast future conditions
- › When markets do recover, FUA expected to surpass \$200bn (Jan 2020 peaked at \$195bn)

## COVID-19 RESPONSE

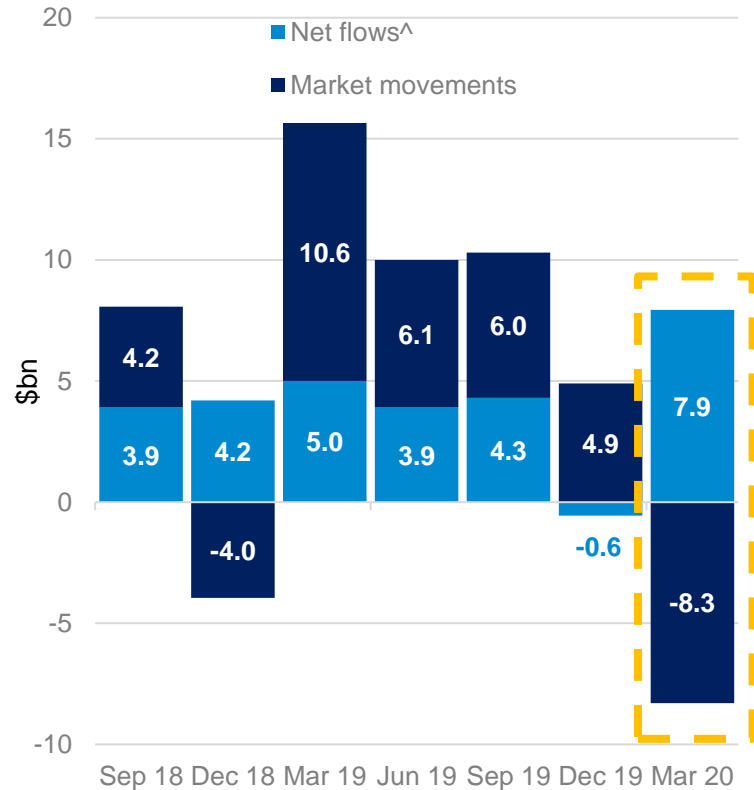
- › Reacted swiftly to the rapid escalation of the global crisis to safeguard our employees' well-being while ensuring ongoing service delivery to our clients
- › Focus on risk management and cost control while staying on strategy

# Strong and resilient Funds under Administration (FuA)

## Historic FuA by month



## FuA market movement and net inflows by quarter



^ Net inflows refers to applications and new clients less redemptions, cash distributions and lost clients.

## STABLE FUNDS IN A FALLING MARKET

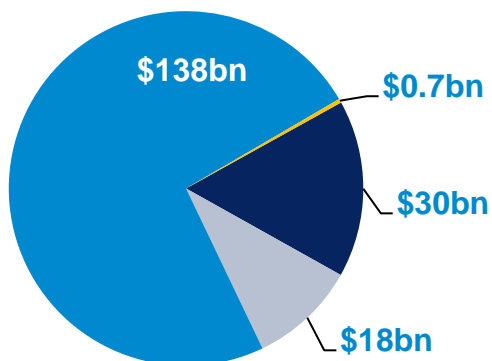
- › While global markets fell 20%+ during the quarter, Mainstream's exposure to market movements was cushioned by our diverse client base and strong inflows
- › As at 31 March 2020, FuA was \$187.1 billion, up 15% YoY and down -0.2% QoQ
- › Net inflows contributed 64% of the \$24.3 billion annual increase in FuA

# Diversified and high quality client base

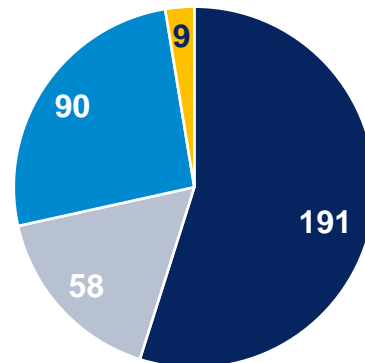
## Key metrics for the quarter ended 31 March 2020

	31 Mar 2020	31 Dec 2019	31 Mar 2019	QoQ* growth %	YoY** growth %
<b>FuA (\$billion)</b>	\$187.1	\$187.5	\$162.8	-0.2%	15%
<b>No. of Clients</b>	348	348	355	0%	-2%
<b>No. of Funds</b>	1,042	1,011	959	3%	9%

### Clients by funds under administration<sup>1</sup>



### Clients by type<sup>1</sup>



- Alternative fund managers
- Private equity fund managers
- Traditional fund managers
- Superannuation funds

Mainstream Group Holdings Limited (ASX: MAI)

## ADMINISTERING A RANGE OF FUNDS CREATES RESILIENCE

- › Diversification of our global business means varying impacts in different markets, asset classes and currencies during periods of market disruption
- › 31 new funds onboarded during the quarter, driven by US, Hong Kong and Singapore

1. As at 31 March 2020.

# Business snapshot: USA



## OVERVIEW

- › **Business name:** Mainstream Fund Services, Inc
- › **Founded:** 1999 (acquired by Mainstream in 2016)
- › **People:** 30 employees, led by Jay Maher, CEO Americas (promoted from CEO Private Equity in Feb 2020 management restructure)
- › **Funds administered:** 238
- › **Sales/service office:** Manhattan, NY
- › **Operations offices:** Long Island, NY (alternative funds) and Newburgh, IN (private equity funds)

## SERVICES

- › Full service fund administration for:
  - › Alternative (open ended) funds
  - › Private equity (PE), venture capital, real estate (closed ended) funds

## MARKET UPDATE

- › Significant growth investments made over last two years to fund PE build-out
  - › Senior hires in place to support PE growth opportunities
  - › PE business first profitable quarter in three months ended March 2020
- › Contracted pipeline in private equity remains strong despite COVID-19 shutdown
  - › Consolidation of smaller / unprofitable legacy clients
- › Provides good diversification to the Group in market downturn
  - › Alternatives and private equity returns generally not correlated to traditional asset classes

# COVID-19 update

## KEEPING OUR PEOPLE SAFE

- › We are managing well through the crisis
- › Health and safety is top priority
- › Globally, majority of employees have been working remotely for 4 weeks or longer
- › Our people have adapted and risen to the challenge of this crisis while managing high volumes of transactions and enquiries

## MAINTAINING SERVICE DELIVERY

- › We have continued to operate and deliver services to our clients and their investors remotely using a Hybrid of our BCP plan
- › Ongoing assistance to our clients in adapting to rapidly changing work and market conditions
- › In Unit Registry (Australia), redemptions spiked in March but are beginning to settle to pre COVID-19 levels and new investment applications beginning to recover

## COST CONTROL

- › Increased risk management focus to ensure continuity of delivery
- › Cost control initiatives underway until at least 30 June 2020 include:
  - › Board of director fees and CEO salary reduced by 30%
  - › Various executives reduced salary by 15-30%
  - › Review of growth investments and projects in line with market conditions and client demand
  - › Freeze on non-essential hiring and consultancy work
- › Potential access to employer stimulus packages in Hong Kong and Singapore

# Future focus

## Solid foundation to traverse uncertain market conditions

- › Continue to navigate COVID-19 crisis while preparing for future scenarios
  - › Maintain service levels and business continuity
  - › Support health and safety of our people
  - › Adjust to changing global government health guidelines
- › Focus on resilience through risk management and cost control
  - › Leverage experience from Global Financial Crisis
  - › Assess opportunities for permanent changes
- › Maintain robust balance sheet and cash position

**Ongoing commitment to our strategy of growth of fund services in core markets**



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This presentation was authorised for release by Martin Smith, Group CEO.