PACIFIC CURRENT GROUP

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ASX ANNOUNCEMENT

1 September 2020

FY2020 Results Announcement, Investor Presentation & MD's Overview

Pacific Current Group Limited (ASX:**PAC**) attaches the following documents relating to PAC's Full year 2020 results announcement:

1. FY2020 Results Announcement;
2. FY2020 Results presentation (Revised - p.12); and
3. Managing Director's Financial Year Overview

AUTHORISED FOR LODGEMENT BY:
The Board of Pacific Current Group Limited

-ENDS-

CONTACT

For Investor enquiries:

- Paul Greenwood - Managing Director & CEO and CIO
  E: pgreenwood@paccurrent.com
  T: (+1) 253 617 7815

For Media enquiries in the US:

- Jessica Rettig - Director Marketing
  E: jrettig@paccurrent.com
  T: (+1) 720 398 6711

PACIFIC CURRENT GROUP

33° 51' 50.457" S, 151° 12' 23.437" E
Level 29, 259 George Street, Sydney NSW 2000
T: +61 2 8243 0400 // F: +61 2 8243 0410

31 August 2020

PACIFIC CURRENT GROUP FULL YEAR RESULTS

Year ended 30 June 2020

Pacific Current Group (ASX: PAC, "Pacific Current") is pleased to report the Company's full year results for the period ended 30 June 2020.

- Underlying net profit before tax (**NPBT**) of A$32.0m for the full year, up 17% compared to A$27.4m in FY19;
- Underlying net profit after tax (**NPAT**) of A$25.0m for the full year, up 21% compared to A$20.8m in FY19;
- Underlying earnings per share (**EPS**) of A$0.51, up 18% from A$0.44 in FY19;
- Fully franked final dividend of A$0.25 per share (total dividends of A$0.35 for FY20, a 40% increase over FY19);
- Statutory loss of A$17.5m, reflecting impairments in various assets
- Funds under management (**FUM**) of A$93.3bn at 30 June 2020,
  - increased 52%, when excluding the boutiques sold/acquired during the year
  - GQG continued its exceptional growth, with FUM growing from US$25.1bn to US$44.6bn
  - Carlisle and Victory Park posted solid gains, growing 31% and 19%, respectively. Seizert's FUM declined 32%
- COVID-19 meaningfully impacted asset gathering efforts of PAC and its portfolio companies. It also hurt valuations of some boutique portfolios and their prospects for near term performance fees

OPERATIONAL PERFORMANCE

PAC's underlying profits grew significantly in FY20, with underlying NPBT increasing 17% to A$32.0m and underlying NPAT growing 21% to A$25.0m. The share of earnings from boutiques grew 10% to A$43.6m, while corporate revenues fell 33% to A$5.1m as a result of declining commission revenues. Underlying operating expenses declined 16%, from A$19.8m to A$16.7m. A final dividend of A$0.25 per share was declared, bringing the total dividend for FY20 to A$0.35 per share, a 40% increase over FY19.

A statutory loss of A$17.5m was driven by impairments at various portfolio companies. Some of these impairments reflected firms facing challenging industry trends like Seizert Capital, while most of the impairments reflected delays in boutique asset gathering brought on by the COVID-19 pandemic. Some changes in boutique values are reflected in statutory earnings, such as Carlisle, while others are reflected as movements through equity on PAC's balance sheet, such as GQG.

FUM grew substantially in FY20. Excluding boutiques bought and sold during the year, FUM increased 52%. While FUM growth was broad across the portfolio, GQG's growth (US$25.1bn to US$44.6bn) was dramatic, as it remains one of the fastest growing boutique investment managers in the world.

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PORTFOLIO MANAGEMENT

There were numerous developments in the portfolio during FY20. PAC began the fiscal year with an A$6.8m investment in Roc Partners to increase PAC's stake from 18% to 30%. In September, PAC invested US$20.5m into a natural resource focused private equity manager, Proterra Investment Partners. In December PAC completed a US$20.0m investment in Pennybacker Capital Management, a leading private equity real estate manager.

During the year PAC sold its stake in FIM for approximately book value. It later closed AlphaShares after the firm lost its remaining client.

PIPELINE

PAC's pipeline of new investment opportunities continues to be strong and has not been slowed by the pandemic. It is confident that it will deploy capital into new, diversifying investments in FY21, though in such a dynamic environment the timing of any investment is uncertain.

OUTLOOK

Pacific Current's Chairman, Mr. Tony Robinson said, *"I am pleased with the growth we have been able to deliver in FY20, particularly given the COVID induced headwinds, and I am optimistic that investors' appreciation for the resilient portfolio we have built will continue to grow in FY21."*

Pacific Current's Managing Director & CEO and CIO, Mr. Paul Greenwood noted, *"FY20 was an unprecedented year. Our firm and portfolio were severely tested by COVID-19, and so far, we have weathered the storm well, though the disruption in the boutique fundraising environment has certainly delayed some of the growth we were expecting."* Greenwood added, *"We are confident that our boutiques are well positioned to secure new commitments in FY21 as institutional investor activity resumes."*

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Summary of Financial Results

	FY20	FY19	Change
Adjusted FUM at 30 June[2]	A$86.4b	A$56.9b	+52%
Underlying net profit before tax[3]	A$32.1m	A$27.4m	+17%
Underlying net profit after tax[3]	A$25.0m	A$20.8m	+21%
Underlying EPS[4]	A$0.51	A$0.44	+18%
Dividends per share	A$0.35	A$0.25	+40%
Investable cash on balance sheet[5]	A$7.7m	A$62.9m	-88%
Net assets per share	A$8.09	A$8.04	+1%
Franking credits available at 30 June	A$29.0m	A$31.6m	-7%

Please refer to the presentation attached for the details.

1 FUM of private equity funds is based on capital commitments to each fund and does not reflect any return of capital to date.

2 Adjusted FUM excludes boutiques sold/acquired during FY20 for a true comparison.

3 Underlying net profit before/after tax is unaudited and a non-IFRS financial measure used by PAC to manage its business.

4 EPS is based on weighted average number of shared based on their issue dates.

5 Investable cash is based on deconsolidated amounts, excluding Aether, Seizert and SCI. It is net of current assets and liabilities.

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CONFERENCE CALL

Investors and analysts are invited to participate in a conference call on **Tuesday, 1 September 2020 at 8:00am AEST.** The call will be hosted by Pacific Current Group's Chairman Tony Robinson, Paul Greenwood, CEO & CIO and Ashley Killick, CFO.

The dial-in details are as follows:

Location	Phone Number
Australia (toll free)	1800 573 793
Australia, Sydney	+61 2 9193 3706
New Zealand (toll free)	0800 423 970
New Zealand, Auckland	+64 9 9133 622
Singapore (toll free)	800 186 5107
Singapore	+65 6320 9025
United Kingdom (toll free)	0800 358 6377
United Kingdom	+44 330 336 9105
USA/Canada (toll free)	866 548 4713
USA, Los Angeles	+1 323 794 2093

Participant Passcode: **8051871**

Please join the event conference 5-10 minutes prior to the start time using the dial-in details and participant passcode listed above.

CONTACT

For Investor Enquiries:

Paul Greenwood
Managing Director & CEO and Global CIO
(+1) (253) 617-7815

ABOUT PACIFIC CURRENT GROUP // www.paccurrent.com

Pacific Current Group is a multi-boutique asset management firm dedicated to providing exceptional value to shareholders, investors and partners. We apply our strategic resources, including capital, institutional distribution capabilities and operational expertise to help our partners excel. As of 31 August 2020, Pacific Current Group has 15 boutique asset managers globally.

FY20 RESULTS PRESENTATION

31 August 2020

DISCLAIMER

The information in this presentation is general information about Pacific Current Group (‘Pacific Current’ or ‘PAC’) 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, nor is it an invitation to any person to acquire securities in Pacific Current;
- 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.

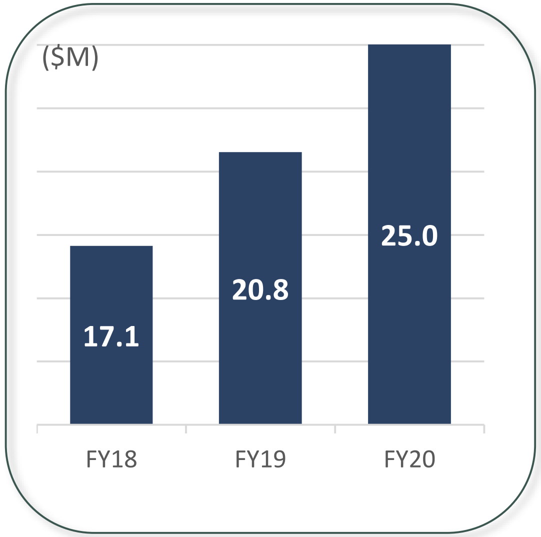
Note that the relationship between FUM and the economic benefits received by Pacific Current can vary dramatically based on each boutique’s fee levels, PAC’s ownership stakes, and the specific economic features of each relationship. Accordingly, management cautions against simple extrapolation based on FUM updates/ trends.

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.

PERFORMANCE SNAPSHOT

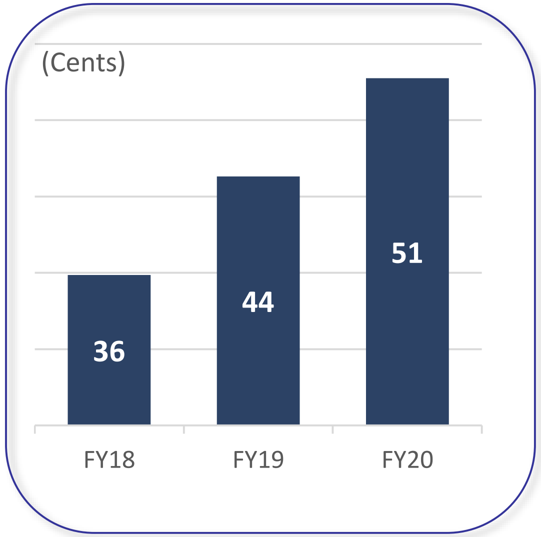
The business achieved record underlying profit, a 40% increase in fully franked dividend, and substantial growth in funds under management.

21% on pcp



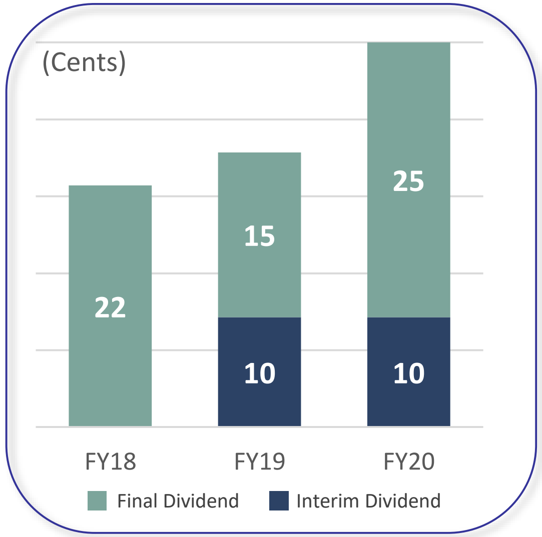
Underlying NPAT*

18% on pcp



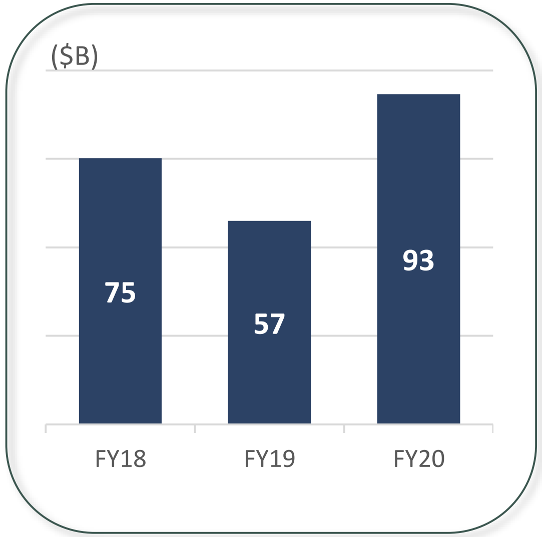
Underlying EPS

40% on pcp



Dividend Declared
(Fully Franked)

62% on pcp



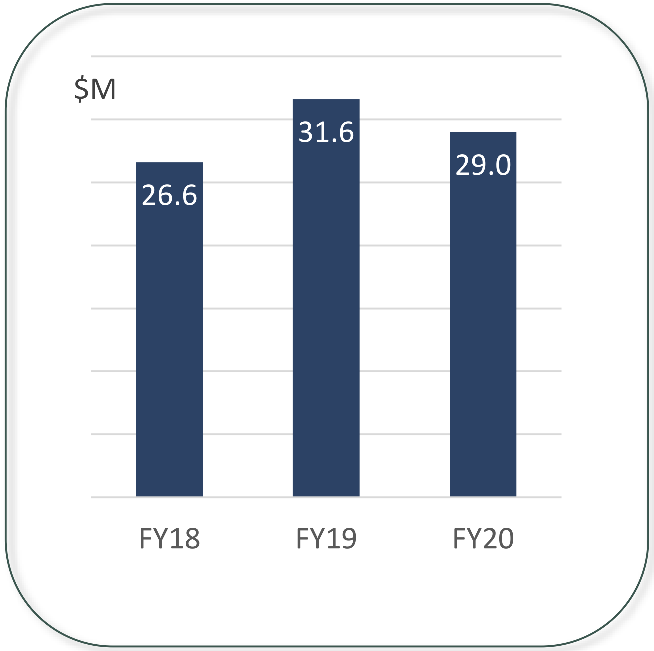
FUM

*Underlying profit restates P&L on a look-through basis, eliminating one-off and non-cash items to give a clearer view of performance.

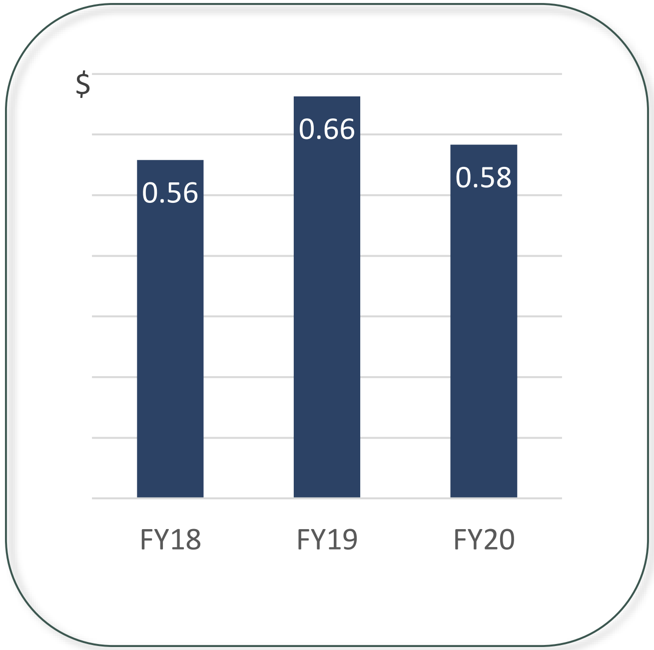
SHAREHOLDER VALUE

PAC has an extensive bank of franking credits to support ongoing shareholder value and a level of asset backing that sits at a premium to its current share price.

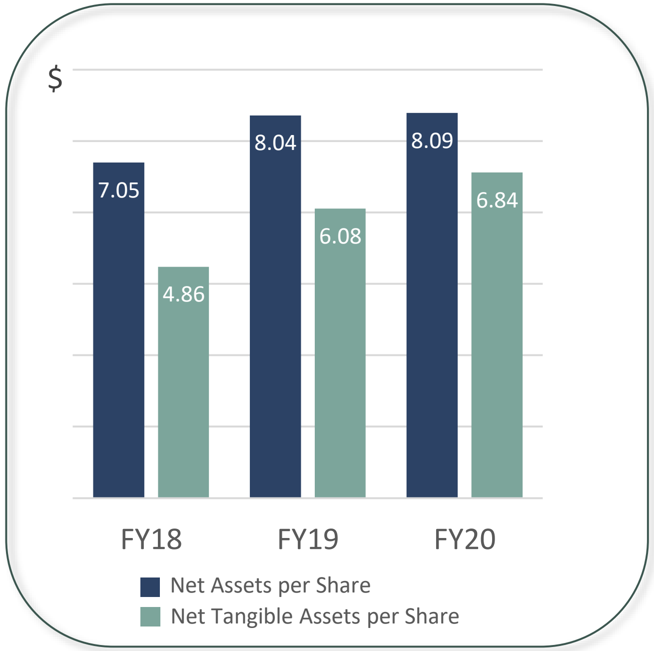
Franking Credit Balance



Franking Credits per Share



Net Assets per Share



FY20 HIGHLIGHTS

After significant change in the portfolio in FY19, the year was one of reinforcement and growth in contrast with the chaotic external environment.

FY20

Investments

» Proterra Investment Partners (US$20.5 million) - a private equity firm focused on natural resources
» Pennybacker Capital (US$20 million) - a private equity firm focused on real estate
» ROC Partners (A$6.8 million) – increased position from 18% to 30%

Portfolio Growth

» Funds Under Management grew 62% from A$57 billion in FY19 to A$93 billion in FY20
» GQG was a primary growth driver

Capital Raising

» Institutional placement for A$12 million ex-costs in December

Unsolicited Takeover Offer

» The board believed that the proposal was not sufficiently attractive to bring to shareholders for approval

Earnings & Dividend Growth

» Underlying NPAT of $25m representing a 21% increase over prior year.
» 40% increase in declared dividends

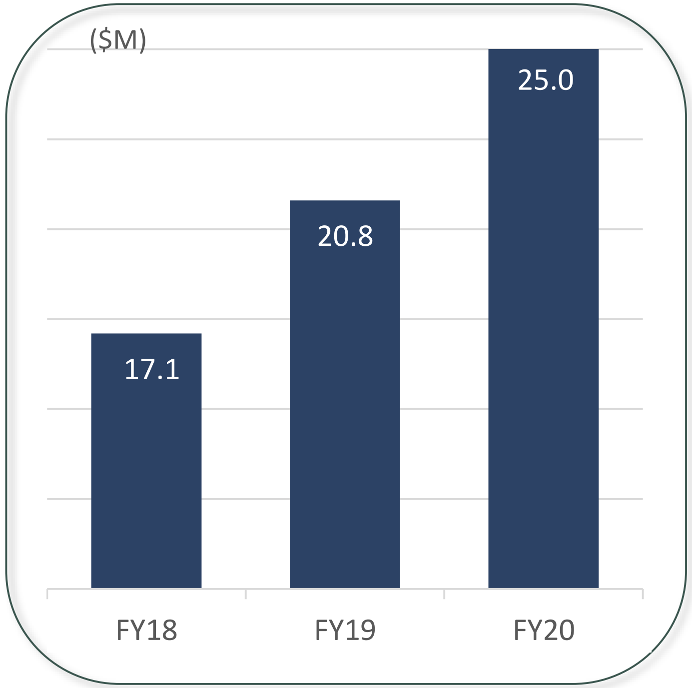
FINANCIAL PERFORMANCE

STATUTORY VERSUS UNDERLYING RESULTS

Underlying results are critical to understanding business performance and are the measures used to remove discrete or one-off items as noted below, which are otherwise required under the accounting standards.

Statutory NPAT

Underlying NPAT

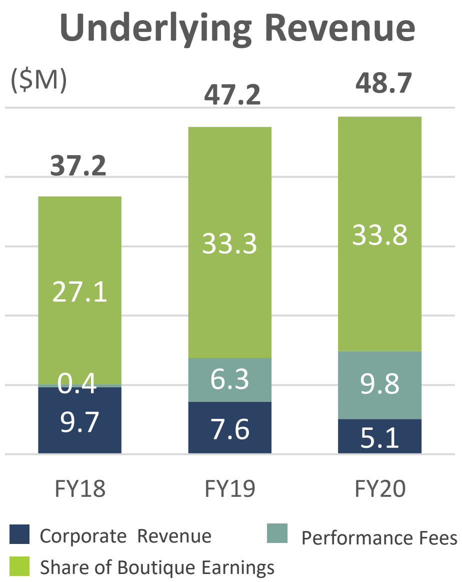


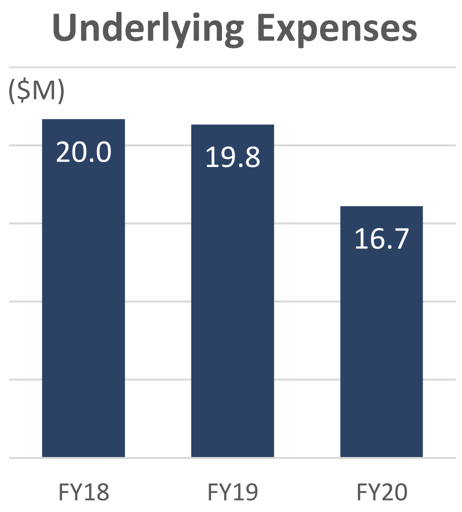
- Gains or losses on disposition are stripped out of underlying results
- Impairment and certain fair value adjustments are reflected in statutory results but not underlying
- Certain fair valued investments run through the balance sheet and thus don't appear in statutory results
- Non-recurring income or expenses are stripped out of underlying results
- Statutory results include the consolidation of Aether, Seizert, and SCI

UNDERLYING PROFIT DRIVERS

Growth in underlying profit was driven by increases in boutique contributions and active expense management.

(A$000s)		FY18	FY19	FY20
Revenue		**9,651**	**7,633**	**5,126**
Expenses	Employment	9,642	8,613	8,080
	Marketing/comms	2,349	2,462	1,548
	Travel/entertainment	905	1,125	688
	Advisory, tax and accounting	1,814	2,502	1,526
	Legal and consulting	459	1,141	983
	Insurance	450	681	615
	Depreciation	211	310	666
	Nereus shortfall	781	542	709
	Other	3,366	2,418	1,851
	Total	**19,976**	**19,794**	**16,667**
Profit before tax and share of boutiques		**(10,326)**	**(12,160)**	**(11,541)**
Share of boutique earnings		27,466	39,608	43,612
Underlying pro forma NPBT		**17,141**	**27,448**	**32,072**
Underlying pro forma NPAT		**17,073**	**20,765**	**25,034**





- Share of boutique earnings rose 10% due to:
  - contributions from new investments (Pennybacker and Proterra)
  - increased contributions from Aether, GQG, VPC, and ROC
  - growth in performance fees (VPC, Carlisle, & SCI)
- Corporate revenues declined due to multi-year commissions running off

- Underlying expenses decreased due to:
  - COVID-related travel restrictions
  - reduced commission expenses
  - sharp drop in tax/accounting expenses, partly due to simplified structure

ALTERNATIVE BALANCE SHEET

The economic strength of the business is shown in the alternative balance sheet, which highlights movement in the values of the portfolio companies different than the requirements of the statutory accounts.

Book Value (A$000)	FY18	FY19	FY20
Cash	122,229	68,338	7,431
Other Current Assets	10,096	15,704	16,345
Current Liabilities	(30,933)	(21,134)	(16,053)
Investable Cash	**101,392**	**62,908**	**7,723**
Investment in Boutiques			
- Subsidiaries	117,466	95,286	71,452
- Associates & Joint Ventures	46,201	110,143	133,606
- FVTPL	25,830	52,621	94,264
- FVTOCI	53,616	66,600	102,762
Other Non-Current Assets	9,370	3,443	4,113
Deferred Tax Liability	(5,452)	(7,372)	(6,643)
Other Non-Current Liabilities	(12,620)	(639)	(5,261)
Net Assets	**335,803**	**382,990**	**402,016**

- » Reflects deconsolidation of operating subsidiaries (i.e. Aether, Seizert, and SCI) to present PAC on a “look through” basis
- » Investable cash balance assumes that all current assets and liabilities have been realised at balance date, ignoring underlying cash that will be earned over the next 12 months as these current assets and liabilities are realised
- » Impairment of Seizert was primary contributor in the decline in the value of subsidiaries
- » Acquisition of Pennybacker (Dec-19) US$20.0m offset by the impairment of VPC was the primary driver to the increased value of associates and joint venture partners
- » Acquisition of Proterra (Sept-19) US$20.5m and the improved value of Carlisle resulted in an increase in FVTPL investments
- » Improved value of GQG resulted in FVTOCI increasing

* Presentation of Alternative Balance Sheet is an unaudited and a non-IFRS financial measure used by PAC to manage its business.

OPERATIONAL PERFORMANCE

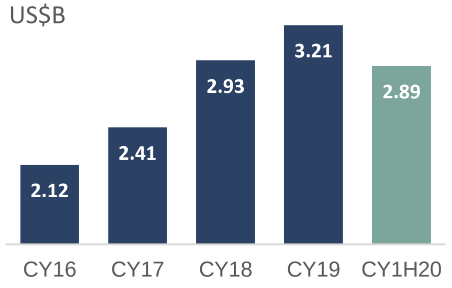
NEW INVESTMENTS

In 1H20, the business invested in two new funds, Proterra Investment Partners, a private equity firm focused on investing in natural resources, and Pennybacker Capital, a private real estate investment fund.

PROTERRA INVESTMENT PARTNERS

PAC Classification:	Tier 1*
Profile:	An alternative investment manager focused on private equity investments in the natural resource sectors of agriculture, food, metals and mining
Equity Ownership:	8% of management fees and 16% of the value of the firm's management fees
Investment Level:	US$20.5 million plus US$9.5 million subject to specific milestones
FUM (30 June 2020):	A$4.2 billion

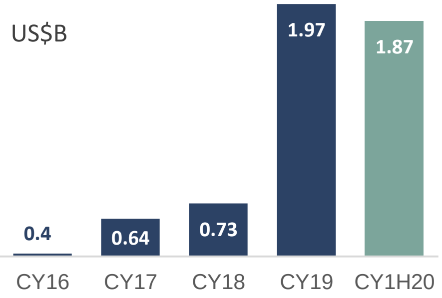
Recent FUM Growth:



PENNYBACKER CAPITAL

PAC Classification:	Tier 2*
Profile:	An Austin, Texas-based alternative investment manager offering private equity investment strategies across a variety of real estate sectors
Equity Ownership:	16.5% of net income and 2.5% of all carried interest from new funds/accounts
Investment Level:	US$20 million plus US$7.5 million subject to specific milestones
FUM (30 June 2020):	A$2.7 billion

Recent FUM Growth:

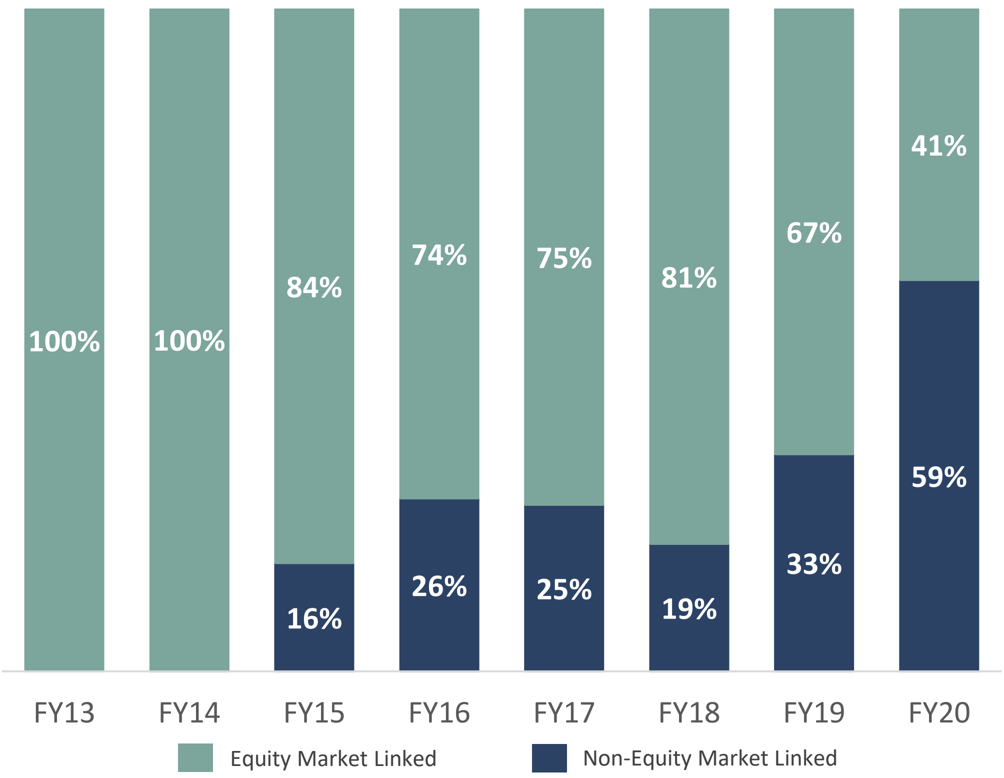


* Tier 1 is expected to contribute an average of A$4 million of earnings per year over the next 3 years, though it is not certain they will achieve this threshold. Tier 2 boutiques are expected to contribute below this level.

REVENUE DIVERSIFICATION

PAC's underlying revenue shift away from equity market dominance underscores the increased diversification across boutiques, investment classes, geographies, and industry sectors.

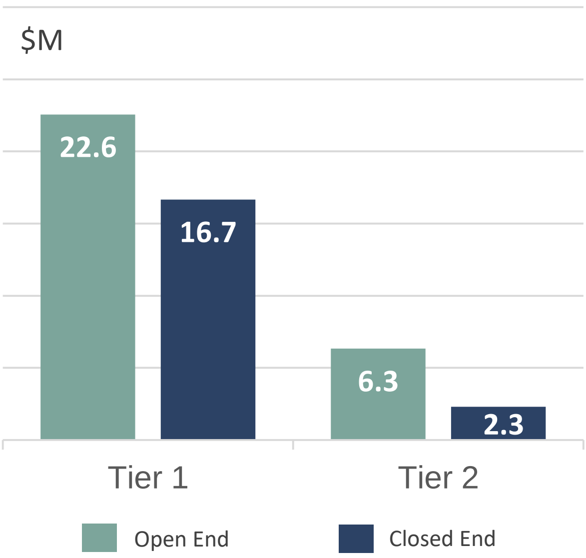
Share of Revenue^ Linked to Equity Markets*



» In FY20 revenues continued to shift away from active equity managers and toward closed-end vehicles

» Proportion of public equity-oriented revenues likely to decline further in FY21, as closed-end revenues increase

FY20 Revenue by Fund Type^

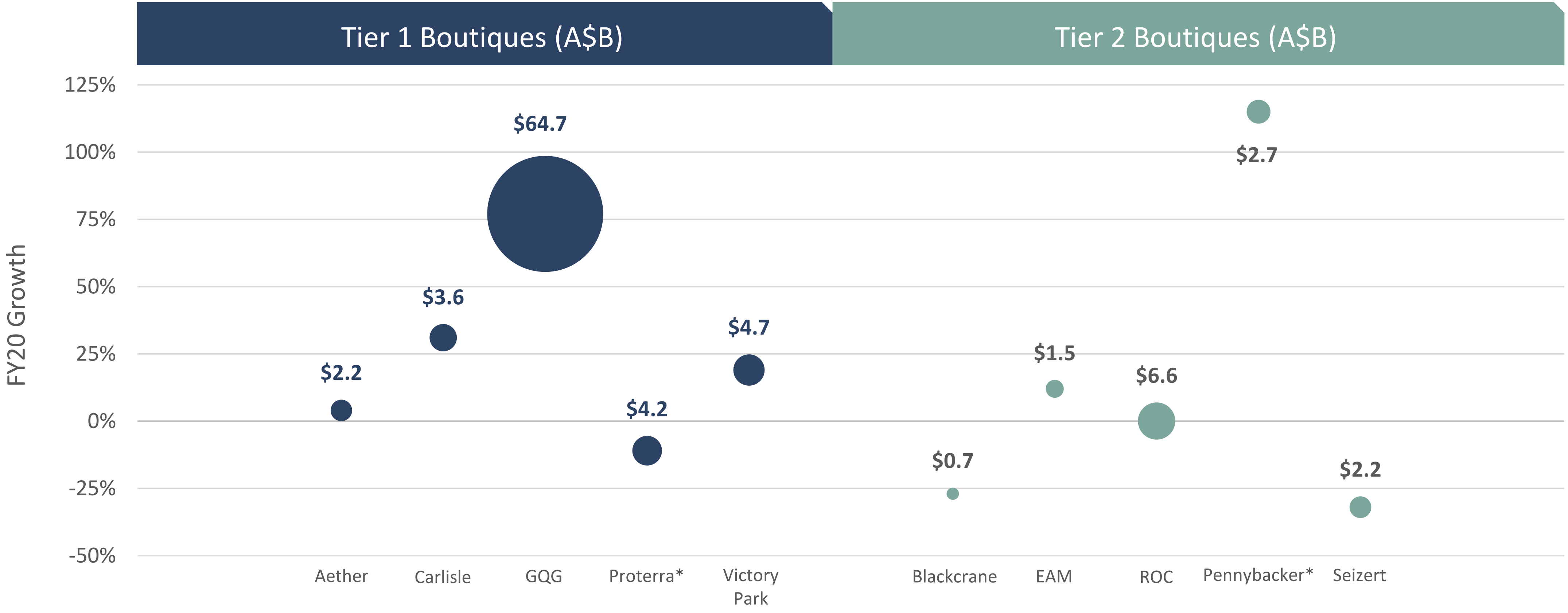


* Definition of "equity" linked includes revenues from SCI and FIM, that may invest in securities beyond public equities as well as IFP, an advisory firm whose clients have portfolios that include other asset classes beyond equities.

^ Definition of "Revenue" includes share of profit from boutiques as well as commission and retainer revenues earned from those boutiques.

FUM GROWTH BY MANAGER

A number of funds performed well but were overshadowed by the spectacular results of GQG, which grew 77% off an already large base.



* PAC invested in Proterra in September 2019 and Pennybacker in December 2019. June 2020 FUM for these two represents FUM from one quarter in arrears.

COVID-19 IMPACT

In general, portfolio companies have held up well since the onset of the pandemic, further validating our diversification strategy. We are beginning to see early signs of increased sales activity as the investment community grapples with the new paradigm.

Primary impact of COVID-19 on PAC

- Inability for PAC and its portfolio companies to prospect for new business
- Sharp decline in allocator activity
- Decline in some asset prices/ability of boutiques to sell assets resulting in the deferral or elimination of expected performance fees
- Impairments of some boutique carrying values due to delayed fundraising
- Uncertainty around how pandemic will change allocator preferences

STRATEGY AND OUTLOOK

STRATEGY

While focused on distribution and new investments, PAC remains committed to devising innovative ways to access capital for growth, a possible option being the establishment of a private investment fund alongside its traditional activities.

Invest and Diversify

- Continue pursuing private capital strategies
- Focus on firms with innovative business models
- Act opportunistically whenever we can invest in a compelling investor

Enhance Distribution

- Increase breadth of PAC's distribution engagement
- Work with boutiques to facilitate access to other distribution channels or resources

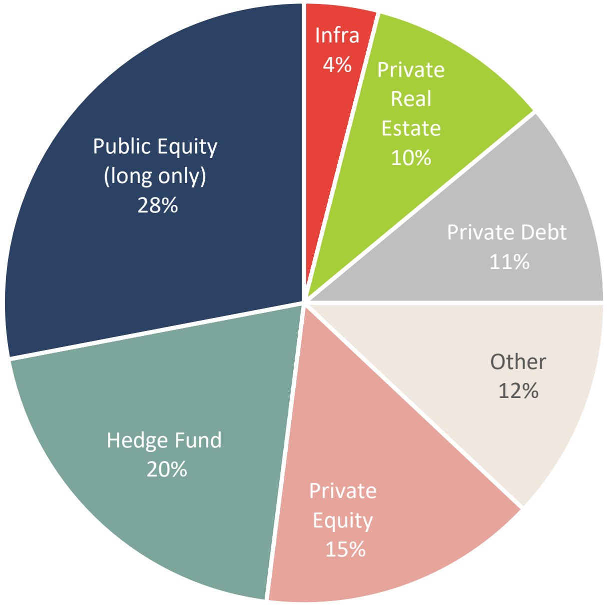
Explore New Revenue Sources

- PAC has the ability to deploy far more capital than it can access
- Considering raising a private fund to invest alongside PAC
- PAC would receive management fee revenues from fund and co-investment rights

INVESTMENT OPPORTUNITIES

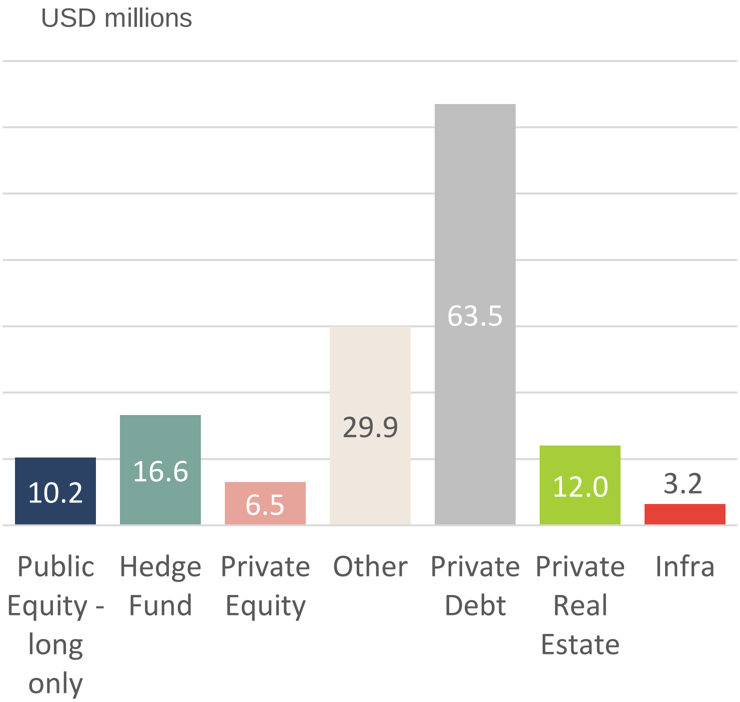
PAC continues to see an increase in attractive investment opportunities despite current economic environment

Opportunities by Asset Class



- 145+ deal opportunities reviewed in the last 12 months
- More than A$65m has been deployed since 30 June 2019
- PAC continues to emphasize firms with private capital strategies, niche market segments, and unique business models

Average Deal Size by Asset Class



OUTLOOK AND INVESTMENT RATIONALE

Shareholders should expect to see continued exposure to private capital strategies due to their more resilient cash flows and long-term growth prospects.

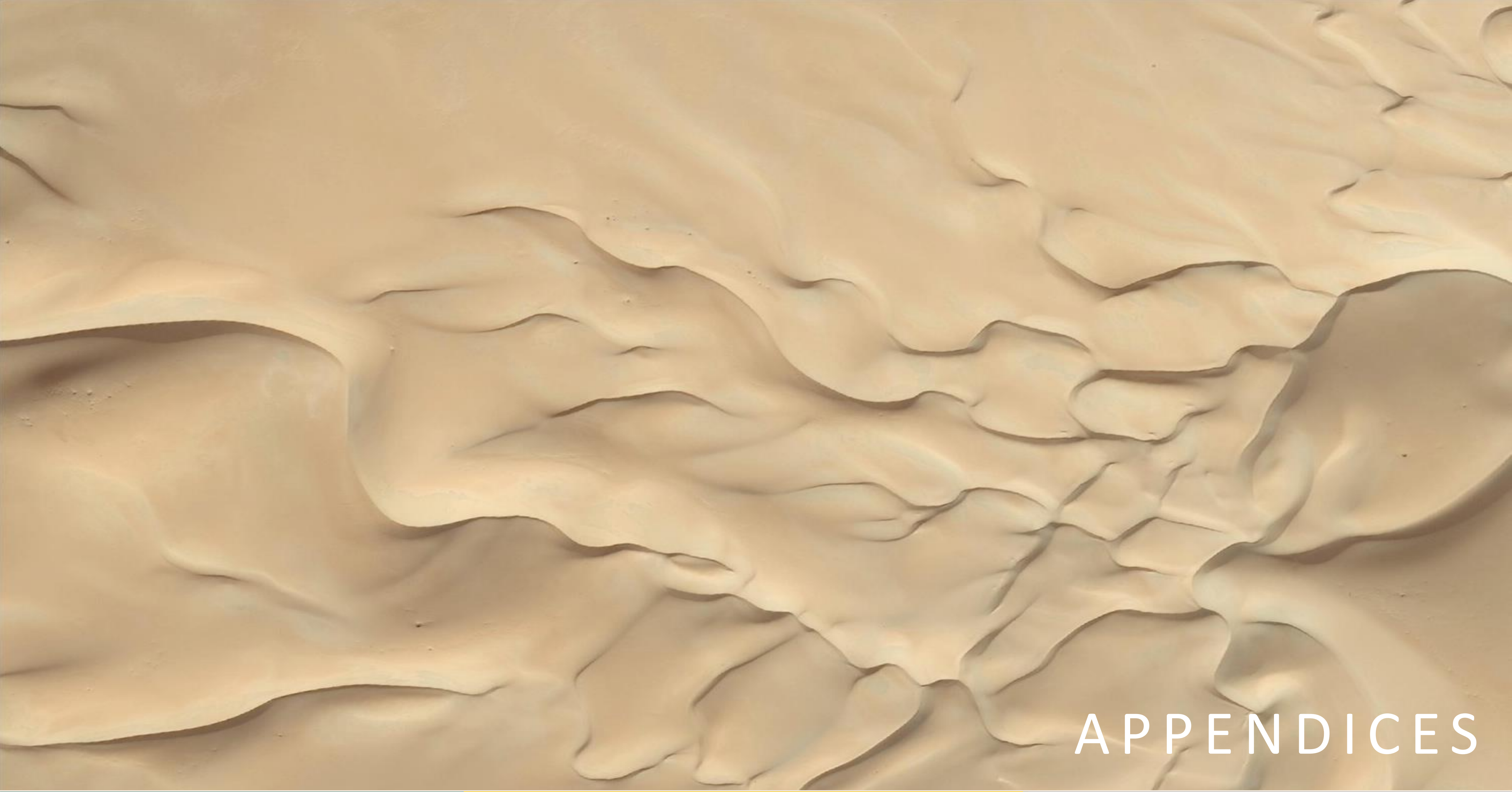
Outlook

- The COVID-driven fundraising delays will impact FY21, but it is difficult to quantify at this point
- We are seeing early signs of an improved fundraising environment and are optimistic about our boutiques’ prospects
- We have yet to begin fundraising for an outside capital fund, but initial exploratory work has been encouraging

Investment Rationale

PAC is distinctive because:

- its portfolio is diversified across asset classes, geographies, and revenue models, and proved resilient when stress tested in FY20
- on balance, the investment performance of the boutiques is strong, which is a necessary condition for growth
- the business has developed a track record of growth in underlying profits
- it has no significant debt
- it has a high dividend yield, and at current payout levels (60% to 80%), dividends will be fully franked for >3 years



APPENDICES

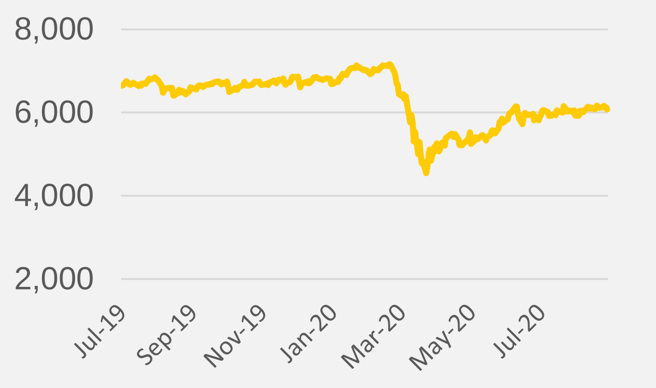
PACIFIC CURRENT OVERVIEW

Pacific Current is an ASX-listed, global, multi-boutique asset management business, which leverages its experience and resources to identify exceptional asset managers and help them grow.

MARKET INFORMATION *	
Shares on Issue	49,708,483
Options on Issue	0
Market Cap	$287.81M
52-Wk High	$7.40
52-Wk Low	$3.34
AV Volume	45,895

PAC SHARE PRICE MOVEMENT

ASX 200 MOVEMENT



FINANCIAL INFORMATION FY20	
Underlying P/E	11.3x
Underlying EPS	51 cents
Dividend Declared	35 cents
Gearing	0
Underlying Revenue	$48.7 million
Underlying NPAT	$25 million

DIRECTORS AND EXECUTIVES	
Mr Tony Robinson	Chairman
Mr Paul Greenwood	Managing Director
Mr Jerry Chafkin	Non Exec Director
Ms Melda Donnelly	Non Exec Director
Mr Gillies Guerin	Non Exec Director
Mr Peter Kennedy	Non Exec Director

COMPANY INFORMATION	
Incorporation	24/09/2004
IPO	24/09/2004
Offices	Sydney, Melbourne, Denver, Tacoma
No. of staff	20

* Information current as at close of business on 28/08/20

STATUTORY PROFIT & LOSS

A$000s	FY18*	FY19	FY20
Revenue from operations	37,484	41,501	35,811
Distributions and dividend income	5,293	19,851	25,271
Other income	3,629	1,501	1,644
Gains on investment disposal	104,187	73,013	(863)
Changes in fair value	(1,200)	(505)	9,748
	149,393	135,361	71,611
Employee expenses	(22,664)	(24,120)	(21,643)
Impairment expenses	(5,666)	(29,399)	(53,464)
Administration and general expenses	(17,992)	(25,351)	(20,826)
Depreciation and amortisation expenses	(1,613)	(2,992)	(4,326)
Interest expenses	(1,674)	(648)	(420)
	(49,609)	(82,510)	(100,679)
Share of net profits/(losses) of associates	(4,374)	1,118	1,751
Profit / (Loss) Before Tax	95,410	53,969	(27,317)
Income tax (expense) / benefit	2,769	(15,079)	11,028
Profit / (Loss) After Tax	98,179	38,890	(16,289)
Non-controlling interests	(576)	(1,278)	(1,220)
Profit / (Loss) After Tax attributable to the members of the Company	**97,603**	**37,612**	**(17,509)**

- Results include the revenues and expenses of operating subsidiaries (i.e. Seizert, Aether, and SCI)
- Dividends from Carlisle and Proterra improves dividend income
- Disposal of Aperio in FY19 compared to FY20
- Gain in fair value movement of Carlisle is recorded in P&L
- Impairments in FY20 reflect write-downs of Seizert, Aether, Blackcrane, IFP, and Victory Park
- Admin expenses in FY19 higher due to Nereus-related expenses
- Recognition of Aether Fund V Management rights results in an increased amortization charge
- Improved results from VPC (offset by loss of Aperio contribution) causes share of associates to improve
- Book impairment charges lead to income tax benefit

* FY18 results has been restated. Refer to Note 26 of the FY2019 Financial Statements

STATUTORY TO UNDERLYING RECONCILIATION

A$000s	FY19	FY20	Change %
Reported NPBT	53,969	(27,317)	(150.6)
Non-cash items			
Impairment of investments	28,857	52,693	82.6
Amortization expenses	4,310	6,168	37.1
Fair value adj of financial assets	91	(11,258)	-
Fair value adj of financial liabilities	414	1,510	264.7
Share-based payment expenses	1,016	961	(5.4)
Extraordinary items			
Provision for estimated Nereus liability	7,688	4,405	(42.7)
Legal, deal costs and break fee	1,201	2,819	134.7
Net foreign exchange loss	1,102	1,228	11.4
Gain on sale of investments	(73,013)	-	-
Broker and consulting fees	1,310	-	-
Other	503	863	71.4
Underlying NPBT	**27,448**	**32,072**	**16.8**
Income tax (expense)/benefit	(5,405)	(5,818)	8.8
Share of non-controlling interests	(1,278)	(1,220)	(4.5)
Underlying NPAT attributable to members of the parent	**20,765**	**25,034**	**20.5**

- Reported results impacted by extraordinary items
- Impairment of investments in FY20 relate to Seizert, Aether, Blackcrane, IFP, and Victory Park
- The change in value of investments held at FVTPL (Proterra and Carlisle) is recorded in P&L as fair value adjustment of financial assets
- Provision for Nereus liability recognized based on management's valuation of solar plants and potential liability to Hareon
- Legal, deal costs, and break fee – these are related primarily to ongoing derivative action, investment diligence, and rejected acquisition offer
- Gain on sale of investment in FY19 primarily reflects sale of Aperio
- Broker and consulting fees in FY19 relates to Nereus

Underlying NPBT and NPAT are unaudited and non-IFRS financial measures used by PAC to manage its business

STATUTORY BALANCE SHEET

Book Value (A$000)	FY18	FY19	FY20
Cash	130,096	80,232	20,154
Other Current Assets	20,351	25,184	21,705
Non-Current Assets			
Investments in associates and joint ventures	46,022	110,143	133,606
Intangible assets	104,826	94,094	62,732
Other financial assets	75,116	120,066	197,986
Other assets	11,030	1,462	3,614
Total Assets	387,443	431,181	439,797
Current Liabilities	32,947	36,211	19,313
Non-Current Liabilities			
Deferred tax liability	5,452	7,371	6,643
Provisions	191	219	181
Lease Liabilities	-	-	1,658
Financial Liabilities	12,429	3,853	9,443
Total Liabilities	51,019	47,654	37,238
Non controlling interests	621	537	543
Net Assets	336,424	383,527	402,559
Net Assets per share ($)	**7.05**	**8.04**	**8.09**

- Reflects the consolidation of corporate admin and operating subsidiaries (i.e. Aether, Seizert and SCI)
- Cash balance reduced with the acquisition of Proterra and Pennybacker, as well as the settlement of Seizert notes and Aether earn-out
- Carrying values have been tested and adjusted for:
  - Impairment charges for Seizert, Aether, Blackcrane, IFP and VPC
  - FV adjustments (PL) – Carlisle & Proterra
  - FV adjustments (OCI) – EAM and GQG
- Current liabilities are lower in FY20, primarily due to payment of A$7.5m for Seizert Notes and Aether Fund V earn-out liability of A$9.2m.
- The deferred consideration associated with the Proterra & Pennybacker investments and the recognition of long-term rental obligations under AASB 16 have resulted in an increase in Non-Current liabilities.
- The increased number of shares on issue following the capital raising in December 2019 and a stable Net Assets base has resulted in a dilution of the Net Assets per share.

ALTERNATIVE CASHFLOW

A$000	FY19	FY20
Underlying proforma NPBT	**27,448**	**32,072**
Accounting earnings from boutiques	(22,844)	(29,911)
Dividends from boutiques	25,568	26,966
Net Interest income / expense	(638)	(92)
Net interest received / paid	202	(154)
Impairment	542	709
Depreciation	368	1,047
Changes in operating assets & liabilities	(2,014)	(251)
Other	54	(118)
Pre tax cash earnings - Underlying	**28,686**	**30,266**
Legal, deal costs & break fees	(2,511)	(2,819)
FX	(686)	1,119
Other	(503)	-
Pre tax cash earnings	**24,986**	**28,566**
Income tax paid	(27,350)	(2,946)
Cash flows from operations	**(2,364)**	**25,620**

* Presentation of Alternative Cash Flow is an unaudited and a non-IFRS financial measure used by PAC to manage its business.

- Cash flow from operations in FY19 significantly impacted by the payment of taxes relating to gains on disposal of investments in prior years
- Strong conversion of Underlying Proforma NPBT into Underlying Pre-Tax Cash Earnings

33° 51' 50.457" S, 151° 12' 23.437" E
Level 29, 259 George Street, Sydney NSW 2000
T: +61 2 8243 0400 // F: +61 2 8243 0410

Managing Director's Financial Year Overview

I am pleased to provide an update on the business and performance of Pacific Current Group (PAC). What initially looked like another year of economic growth and equity market appreciation turned into an unprecedented global economic shock courtesy of the COVID-19 pandemic. Thus far, we have weathered this storm reasonably well, though the longer-term implications are still unclear, and we do not expect to escape completely unscathed. Overall, we feel the experience of FY20 has validated our diversification strategy and positioned us to benefit from some of the opportunities that we see arising in the year ahead.

Financial Progress

Despite the challenges brought on by the pandemic, PAC posted its largest underlying profits (in dollar terms) ever in FY20. Underlying net profit before tax ("NPBT") grew 17% in FY20 to A$32.0 million up from A$27.4 million in FY19. Underlying profits after tax ("NPAT") grew 21% to A$25.0 million compared to A$20.8 million in FY19. The board declared fully franked dividends for the year of 35 cents per share, a 40% increase over the prior year. The growth in underlying earnings reflects increased contributions from rapidly growing boutiques like GQG, as well as contributions from new investments like Pennybacker and Proterra, and surprisingly strong performance fees from SCI. Continued progress on expense reduction was also a major contributor to the enhanced bottom line.

Results would have been even stronger if not for the disruption in equity markets and the near halt in boutique asset gathering efforts necessitated by COVID's arrival. Despite the second-half slowdown, our financial performance compares favorably to our peers, many of whom have struggled with portfolios of investment managers in more traditional asset classes where secular headwinds are quite strong.

PAC's net assets grew in FY20. This increase came despite recognizing A$53.4 million of impairments. Some of the impairments reflect boutiques that have faced strong industry headwinds, like Seizert Capital, while other impairments were more a function of delayed fundraising brought on by the global pandemic. These impairments were largely offset by the increased valuations of investments like GQG and Carlisle, which are "fair valued" assets.

For what are fairly esoteric accounting reasons some of PAC's investments can be written both up and down, while others can only be written down but never up. Some valuation changes go through the income statement, others go through the balance sheet, and some increases in value cannot be reported at all in the financial statements. For example, for accounting purposes, we carry some assets, like Roc Partners, at book value, but our estimate of fair value is actually multiples of this figure.

Performance fees were a larger component of our revenues in FY20 than they have been in the past. Of our A$43.6 million of contributions from boutiques, A$9.8 million represented PAC's share of performance fees realized by our boutiques. These were primarily generated by Victory Park, Carlisle, and SCI.

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It is our practice to recognize performance fees only when our entitlement to them is essentially assured. However, some of our boutiques accrue performance fees on their own books that we cannot yet recognize as earnings. As at 30 June, our boutiques had accrued A$7.0 million of such fees. If there is no adverse change to investment performance, we will ultimately recognize these fees as revenue. We expect these accrued performance fees to continue to grow over time, with periodic reductions that reflect the performance fees we actually receive.

Stock Performance
PAC's stock price appreciated 20% in FY20. For internal purposes, we track a pool of 14 similar investment management organizations. The average stock price for this group declined 12% over the last year. We attribute the relative price performance differential to the growth in our underlying earnings, as well as our lower exposure to public equity markets compared to our peers whose portfolios are more heavily weighted toward traditional active equity managers.

Portfolio Highlights
It was a quieter year in terms of changes to our portfolio. As is typical, we made minor modifications to several of our arrangements with our boutiques, such as Seizert Capital. We sold one small investment, Freehold Investment Management, and closed down another boutique, AlphaShares, after it lost its remaining sources of revenue. On the new investment front, we made an incremental investment of A$6.8m in Roc Partners in July of 2019. Roc has done an exceptional job evolving its legacy business into a direct private equity business, and thus we were excited to expand our ownership from 18% to 30%.

In addition to the follow-on investment in Roc, we made two new investments. The first was Proterra Investment Partners, a natural resources investment firm offering both private equity and private credit strategies. The firm is particularly well known for its food and agriculture strategies, an area of growing interest to asset allocators globally. The second investment was Pennybacker Capital Management, a private equity real estate investor that has made a name for itself through the exceptional returns it has delivered and its leading role in the application of sophisticated information technology to the investment management and client reporting processes.

In terms of PAC's legacy positions, the obvious standout was once again GQG Partners. Its exceptionally rapid growth continued, with FUM growing from US$25.1B to US$44.6B during FY20. This staggering increase came from multiple geographies and distribution channels. We expect continued growth, as it still has ample capacity left in most of its investment strategies.

From an investment performance perspective, FY20 was generally a strong year. Our active equity managers generally posted strong benchmark-relative results, while our private capital managers fared as well as could be expected given the market environment and their specific strategies. Several of our private capital boutiques took write-downs in their portfolios for the period ending 31 March, which was near the peak of economic uncertainty. For the quarter ending 30 June, many of these write-downs were partially or completely reversed.

33° 51' 50.457" S, 151° 12' 23.437" E
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COVID-19

Elsewhere in this report, we elaborate in greater depth on the impact COVID-19 has had on our business. That said, the brief summary is that: (1) some of our portfolio companies have modified their strategies to adapt to the impact of changing investor preferences, (2) some performance fees we expected our portfolio companies to realize in FY20 have been delayed and/or have become less likely, (3) short-term fundraising prospects for many of our boutiques have been hurt due to the inability to solicit prospective clients on an in-person basis, and (4) some of the valuations of our portfolio companies have been adversely impacted due to their revised business development expectations.

With the obvious exception of GQG, most of our portfolio experienced a near-complete shutdown in fundraising activities due to COVID-19. Simply put, raising capital for institutional investment products is a face-to-face proposition that is exceptionally difficult to perform when you are trapped at home. Moreover, many institutional allocators are still not willing to discuss new allocations given their concerns about their existing portfolios. Currently, most of our sales activity is being done via phone or through suddenly ubiquitous Zoom calls. We are now starting to see some early signs that allocators are beginning to warm up to new investments, but the level of activity is certainly well below pre-pandemic levels. Our expectation, based more on experience than data, is that fundraising for our portfolio companies has basically been set back at least a year.

Despite such delays, we have enough visibility into specific new business opportunities to be confident that many of our portfolio companies will generate significant new commitments during FY21.

Strategy

PAC's investment pipeline remains exceptionally robust. In fact, we believe that our ability to deploy capital into attractive new investments dramatically exceeds our existing capital to fund them. We are exploring a variety of avenues to access additional capital to fund these investments. One option under consideration is for PAC to manage a pool of capital for others. Under this approach, we would aim to secure one or more large institutional investors to invest in a fund that PAC would manage, making new investments in the fund similar to what we have been investing in on behalf of PAC over the last several years. PAC would receive management fee revenues from the fund and would seek the ability to co-invest in any investments the fund made.

Regardless of whether PAC manages outside capital, we expect to continue to invest available capital into attractive opportunities. Thematically, shareholders should expect to see us continue to increase our exposure to private capital strategies due to their more resilient cash flows and long-term growth prospects. We are also intrigued by how the investment management industry is evolving and the implications of this evolution on the traditional investment management business model. The net result is that we expect an increasing portion of our investments to be somewhat less traditional and focused on firms offering distinctive business or distribution models, and/or harnessing technology in new ways. Of course, if we run across an opportunity in a mainstream asset class that looks like the next GQG, we won't hesitate to grab it.

Final Thoughts
We believe our diversification into growing segments of the investment management world is one of our key strengths. One only has to look at the quarter ending 31 March to glimpse the risk that accompanies a portfolio full of active equity managers. The 20% - 30% decline in equity markets severely impacted other multi-boutiques but had a minimal impact on our results. This reality, combined with the fact that active managers continue to lose market share to passive managers and private capital strategies, is why we have charted such a different path. To the extent possible we want the risk we take to be unique to the specific investment and of our investment managers while minimizing shared risks such as stock market declines.

I must admit that having talked so much about diversification, I had never imagined that a global pandemic would be a risk we should attempt to guard against. In the short run, our results held up as expected because we have a portfolio of very different and highly talented investment firms. Over the longer term, the potential growth of our boutiques will be the key driver. In a very competitive world, we expect to devote an increasing portion of our bandwidth to helping all our portfolio companies capitalize on the new business opportunities in front of them.

Lastly, as we move into another year, heavy with uncertainty, it is appropriate to recognize the incredible work done by PAC employees. Challenging times test everyone's character, which is why I am so proud of the manner in which our team performed in FY20. Their efforts were exceptional, as was their adaptability and commitment. Going into FY21 we remain grateful for the support of our shareholders and optimistic about our business and the opportunities in front of us.