

ASX Announcement – KPG

Wednesday 27 November 2019

Kelly+Partners Investment Office – Progress Update

Kelly+Partners Group Holdings Limited (“Group”, ASX:KPG) is pleased to provide a progress update on the performance of Kelly Partners Investment Office (“KPIO”) and the Special Opportunities Fund #1 (“Fund”).

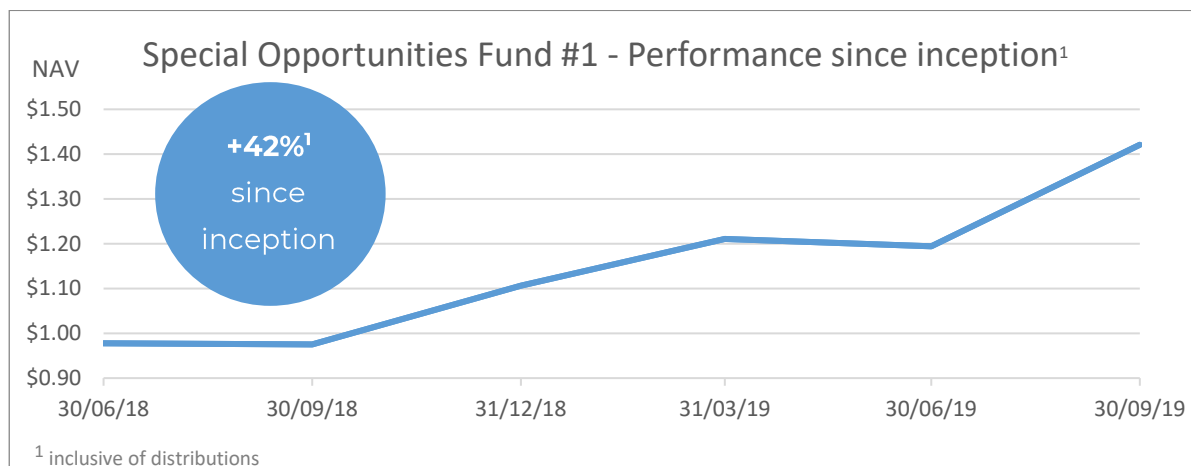
Background

KPIO was established in late 2017 to provide further alignment and financial benefits to the operating partners in our Kelly+Partners partnerships. The first fund was launched in June 2018 to pool our partners’ capital for investment opportunities generated across the Kelly+Partners offices. It was also offered to interested clients and other external investors as an opportunity to access the unique deal flow of the Group.

Chief Executive Officer of Kelly+Partners, Brett Kelly, said “The KPIO fund was established to assist our SME clients with the capital required for their business growth, succession requirements or other transactions. In addition, it also provides an opportunity for any partner, client or friend of Kelly+Partners to invest in the Fund and thereby have access to the exclusive deal flow generated by the Group.”

Progress Update

As at the end of the September 2019 quarter, KPIO’s Special Opportunities Fund #1 had generated a return of 42% (inclusive of distributions and net of all fees) since commencement in June 2018. Strong returns have been driven by a combination of pre-IPO investments, direct equity investments and other income-bearing instruments. These opportunities have arisen from the Group’s extensive SME client network plus selected market counterparties. Over the last quarter, the Fund has begun the process of returning capital to unitholders as investment gains are realised.



Target Returns, Term of the Fund and Investment Period

The Fund has a target IRR of 20-25%. It is a closed fund with a 10 year term and a 5 year investment period. The fund operates on a 2% management fee and 20% carry basis, as outlined in the Information Memorandum dated 8 December 2017.

Targeted Investments

The Fund's mandate allows for investment a broad range of assets and opportunities including equity, debt and hybrid instruments issued by both listed and unlisted SME companies, based in Australia and offshore. The Fund may also invest in direct property and property securities, however it will not invest in derivatives or foreign exchange products. Target investment sizes are typically \$0.5m to \$1.0m per investment.

Group's share of profit to date

The Group's share of the profit (unaudited) since inception to September 2019 has been \$190,302 which includes \$137,517 in carry².

New Opportunities

Based on the success of its first fund, KPIO is currently exploring all strategic options to further grow its investment management business.

² Carry is subject to clawback at the end of the 10 year term of the Fund, to the extent that investors have not received a positive return of their initial capital over the life of the Fund.

Kelly+Partners – Current Office Locations



About Kelly+Partners

Kelly+Partners is a specialist chartered accounting network established in 2006 to provide a better service to private clients, private businesses & their owners, and families. Growing from two greenfield offices in North Sydney and the Central Coast, Kelly+Partners now consists of 21 operating businesses across 15 locations in Greater Sydney, Melbourne, Hong Kong and Auckland. In total, the team consists of more than 250 people, including 48 operating partners, who service over 7,500 SME clients. Our holding company, Kelly Partners Group Holdings, was successfully listed on ASX on 21 June 2017. Over the past 13 years, Kelly+Partners has undertaken 28 individual transactions in order to build the current accounting network. This includes the transformation of 15 external firms, and the launch of 13 greenfield businesses. Our ownership structure and operating model is unique in the Australian accounting market, and provides a strong platform for long-term sustainable growth. The combination of a proven business model and specialist operational expertise enables Kelly+Partners to help solve many of the issues currently facing both the accounting sector and our SME clients.

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