

# PACIFIC CURRENT GROUP

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## ASX ANNOUNCEMENT

15 July 2016

### UPDATE AND PORTFOLIO VALUATIONS

The Chairman of PAC, Mr Mike Fitzpatrick, today announced that the new PAC (ASX: PAC, the Company) executive leadership team of Paul Greenwood, President North America and Global CIO, Joe Ferragina, Chief Operating Officer and Tony Robinson, Executive Director, have worked assiduously to restructure and refocus the business. Changes have been made to staffing, costs, the portfolio structure, carrying values, and work has commenced on strategic initiatives as set out below.

#### Headcount

The current head count is over 25% below the headcount at the time of the merger. In addition, the sales force has been restructured to more closely reflect the needs of our investee companies.

#### Non Labour Costs

This year's reporting to 30 June 2016 will have a series of interest charges and other non labour costs which will not carry through into 2016/17. This will make a material difference to cash and earnings going forward.

#### Portfolio

Your board is working its way through the assets in the PAC portfolio which it considers will not make a material contribution in the future. Shareholders will have already observed that Octis has been sold. The sales of several other small boutiques are being contemplated.

#### Portfolio Valuations

Following a detailed review and assessment of the portfolio companies owned by the Aurora Trust, the carrying values of the investments will be impacted by an impairment charge of approximately A\$89 million in the result of the Aurora Trust. Pacific Current Limited has a 65% interest in Aurora Trust and its results at 30 June 2016 will consequently be impacted by approximately A\$58 million. These numbers are subject to finalisation of audited accounts.

The significant attribution of this impairment is due to the continued FUM losses at Seizert Capital Partners. The current environment has proven challenging to the firm, but Seizert has navigated similarly challenging environments in past and continues to manage funds true to their stated value discipline. Applying a more conservative basis of assumptions in



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terms of expected performance and timing of flows has resulted in a reduction in the carrying value of Seizert at Aurora of approximately A\$75 million.

The balance of the impairment charge is attributable to changes in the assumptions used in establishing the appropriate carrying values with respect to Raven, Nereus and Alphashares.

Other than Seizert, our core boutiques are performing well and achieving sound inflows, particularly Aperio, and IML, and the engagement from the market with Rajiv Jain's GQG has been very encouraging.

## **Simplification**

Last but not least the Board is aware that the current financial structure of the group is complex and cumbersome to operate and is therefore working diligently on a simplification. Discussions are under way with all the relevant parties and the board believes an agreement on changes can be reached in the near term.

## **Strategic**

In summary, under the new senior management team, material costs have been taken out of the business, and progress is being made on simplifying the corporate structure and refining the line-up of asset managers. Shareholders in PAC can look forward to more positive outcomes in the 2016/2017 financial year.

*Note: the USD/AUD exchange rate used was A\$1: USD 0.74 which was the spot rate as at 30 June 2016*

ENDS.

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