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PENDAL GROUP

Shareholder Update

8 November 2018

Pendal Group reports continued growth in earnings with a 17 per cent uplift in Cash NPAT for the year ended 30 September 2018

Dear Shareholder,

Global asset manager Pendal Group Limited (ASX: PDL), formerly BT Investment Management Limited, today announced continued growth in full year earnings to 30 September 2018 with Statutory net profit after tax increasing by 30 per cent to $191.0 million compared to the previous corresponding period (pcp). Cash net profit after tax (Cash NPAT) was 17 per cent higher to $201.6 million, while Cash earnings per share (Cash EPS) increased 15 per cent to 63.7 cents per share (cps) over the same period.

The Board has declared a final dividend of 30.0 cents per share bringing the total dividend for the year to 52.0 cents per share, up 16 per cent on the 2017 financial year. The final dividend will be 15 per cent franked and paid on 20 December 2018 to ordinary shareholders at record date 7 December 2018.

	FY18	FY17	Change
Full year to 30 September:			
• Cash NPAT	$201.6m	$173.1m	+17%
• Statutory NPAT	$191.0m	$147.5m	+30%
• Fee Revenue	$558.5m	$491.0m	+14%
• Base Management Fees	$501.1m	$447.2m	+12%
• Base Management Fee Margin	51 bps	50 bps	+1 bp
• Performance Fees	$54.5m	$37.9m	+44%
• Operating Expenses	$316.9m	$281.9m	+12%
• Operating Profit Margin	43%	43%	-
• Cash EPS	63.7 cps	55.3 cps	+15%
• Dividend	52.0 cps	45.0 cps	+16%
• Average FUM	$99.5b	$90.4b	+10%
As at 30 September:			
• Closing FUM	$101.6b	$95.8b	+6%

The result represents six years of uninterrupted growth in funds under management and dividend distributions to shareholders. This success is testament to the strength of our business and its diversification, which balances exposure to any one market, asset class or geographic region.

There were three significant corporate milestones achieved during the year. December 2017 marked 10 years since our listing on the ASX; we changed our name to Pendal Group in May 2018; and in the second half of the financial year, we achieved $100 billion in FUM for the first time.

The increase in average funds under management (FUM) over the period was assisted by higher markets with the average level of the MSCI All Countries World Index in local currency terms up 13 per cent, and the average level of the S&P/ASX 300 Index up six per cent.

Closing FUM was $101.6 billion as at 30 September 2018, representing a six per cent increase over the course of the year. The FUM uplift resulted from a $5.8 billion increase from positive markets and investment performance, and $3.7 billion from favourable foreign exchange movements as the Australian dollar weakened over the period. Partially offsetting these increases were net outflows of $3.7 billion.

Two key events affected net outflows during the year; firstly $4.6 billion was redeemed as a result of changes to the BT Financial Group MySuper portfolio, and secondly there was $2.7 billion in outflows from a UK equities strategy following the retirement of a fund manager in late 2017.

Of note is the record year of flows for Pendal Australia, which achieved $4.1 billion in net flows outside the Westpac portfolio. There were also strong flows into the US pooled funds, with $1.7 billion in net flows continuing good momentum over the last few years in this region.

Over the one to three-year time period, investment performance has been challenging due to market volatility and divergent investment outlooks as investors reassess the markets. In the long term, the fund performance track record remains strong with 93 per cent of FUM exceeding respective benchmarks over five years. However, JOHCM performance fees for the 2018 calendar year are tracking significantly lower due to weaker short term performance.

We finished the 2018 financial year with our FUM at historic highs and equity markets above their average FY18 levels, however there is increasing market volatility and investor caution. We remain confident that our high-conviction, investment-performance-led approach will continue to resonate with our clients in the years ahead.

The Board announced that the Dividend Reinvestment Plan (DRP) has been deactivated for the final FY18 dividend to be paid on 20 December 2018. Over the last six years, the DRP has supported the Company's need for capital in repaying all debt taken on at the time of the J O Hambro Capital Management acquisition in 2011, and increasing the size of the seed investment pool. The Board has determined there is no further need for additional capital to be raised via the DRP at this time.

I encourage you to review Pendal Group's 2018 Annual Report in more detail on our website: www.annual-report-2018.pendalgroup.com.au or under announcements on the ASX website: www.asx.com.au.

Yours faithfully

James Evans

James Evans
Chairman
Pendal Group Limited