

# 2018 Annual General Meeting

**PENDAL**  
GROUP

Pendal Group Limited

14 December 2018

# Chairman's address

# FY18 in review

Sixth consecutive increase in dividend up 16% to

**52.0** cents per share

Closing funds under management (FUM) up 6% to

**\$101.6** billion

Average FUM up 10% to

**\$99.5** billion

Base management fees 12% higher to

**\$501.1** million

Performance fees up 44% to

**\$54.5** million

Revenue higher 14% to

**\$558.5** million

Cash NPAT 17% higher to

**\$201.6** million

Cash EPS increase of 15% to

**63.7** cents per share

Debt remained at

**Zero**

Note: All comparative numbers to prior corresponding period (pcp) FY17

# Investing in people

- Investment independence
- Transparent remuneration structure
- Collaborative and mutual respect culture
- Opportunity to move into step-out strategies
- Global distribution capabilities
- Opportunity for all staff to own equity

Stable investment teams with long-term track record:

**78** investment professionals

**19** investment teams

**19** years average industry experience

**8** years average tenure across Pental Group

**3%** turnover of investment staff is over the last 5 years<sup>1</sup>

1. Includes voluntary resignations only, excludes retirement and involuntary departures

# Board composition



Sally Collier

- Based in **Australia**
- Over **30 years' experience** in the financial services industry
- Held **senior executive positions** in financial services businesses in the UK and Hong Kong



Christopher Jones

- Based in **USA**
- Over **35 years' experience** in the financial services industry
- Significant experience as both a **Chief Investment Officer and Portfolio Manager** in the US

# Pendal our heritage and opportunity

**Independence respected.**

**Trust earned.**

**Relationships nurtured.**

**Success shared.**

- Reverse of Dal(gety) and Pen(sion)
- Originates from BT's nominee firm in 1971 to hold assets on behalf of initial potential client Dalgety
- Opportunity to distill and articulate vision, purpose and company values
- A global and diversified business which delivers both resilience and increasing growth opportunities

Note: The change of name applies to the listed parent company and the Australian business only.

The Group's international business, J O Hambro Capital Management Limited, will continue to operate under its existing name and branding, subject to its brand license arrangements.

# Outlook

1

Business model supports managing through market cycles

2

Investor caution due to volatile macro-economic conditions and geo-political circumstances

3

Managing for the short term but with strategy directed to the long term — to deliver outperformance for clients and value for shareholders

# Group Chief Executive Officer's address

# FY18 summary

Cash NPAT 17% higher to

**\$201.6** million

Cash EPS increased 15% to

**¢63.7** per share

Record closing FUM

**\$101.6** billion

Full year dividend up 16% to

**¢52.0** per share

Base management fee  
increased 12% to

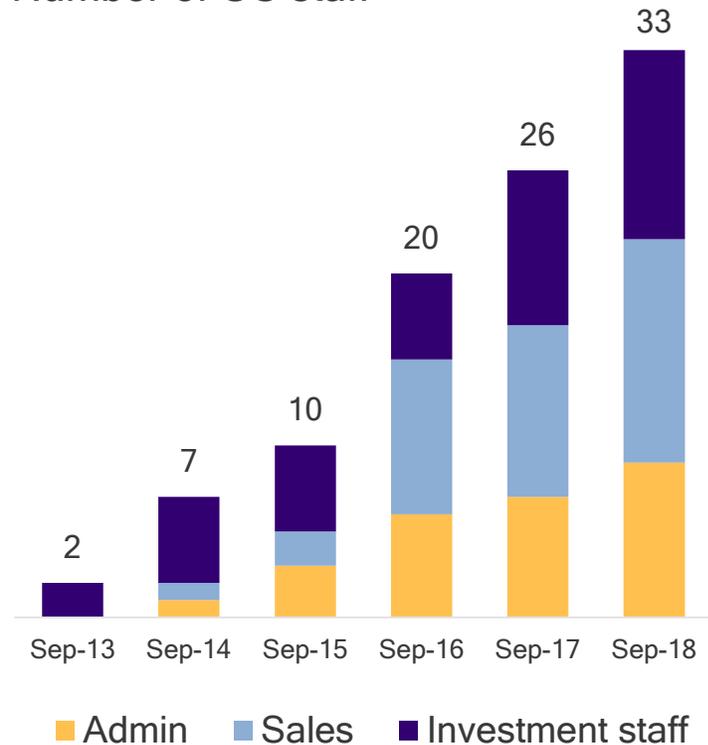
**\$501.1** million

## FUM growth of \$5.8 billion

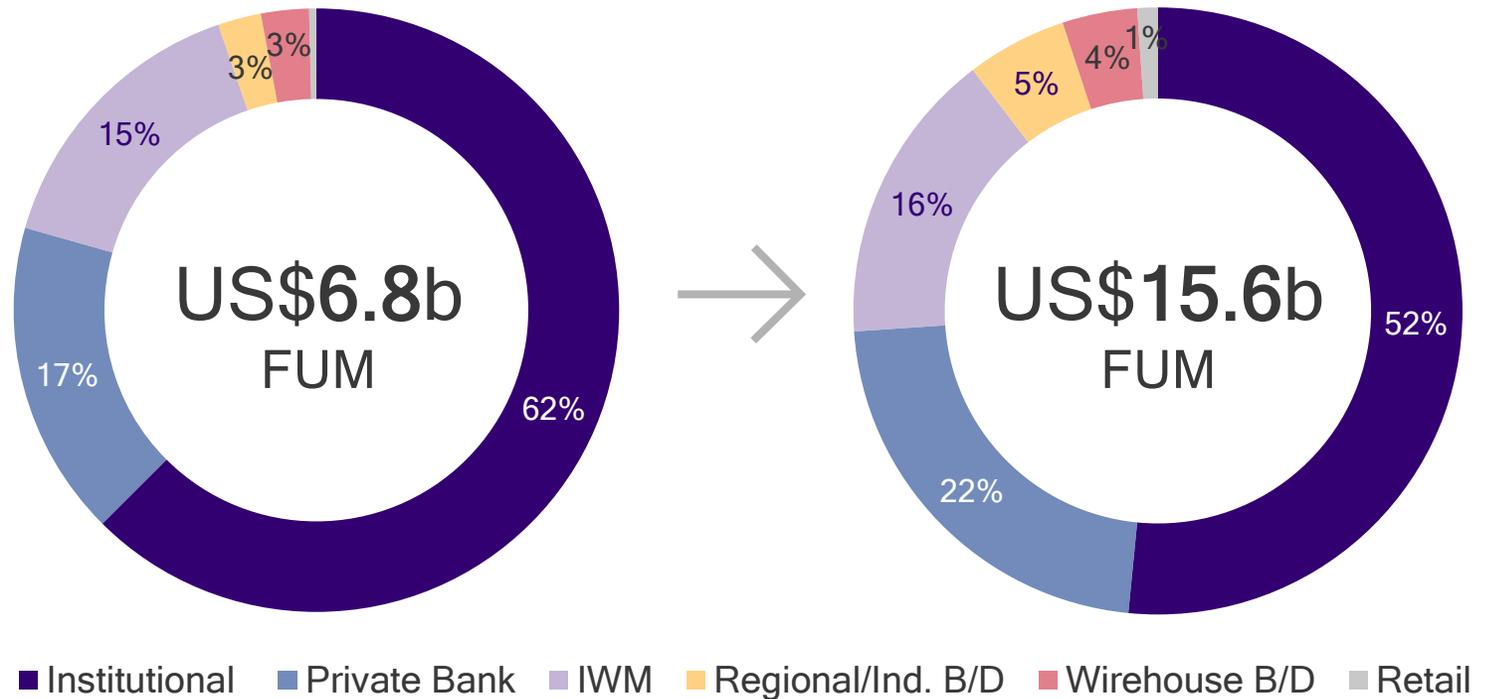
- Net outflows of \$3.7 billion mainly due to:
  - Redemptions following BT Financial Group MySuper portfolio reconfiguration
  - UK Opportunities strategy outflows from retirement of a senior fund manager
  - Net outflows from European and Asian strategies
- Pental Australia achieved record year of \$4.1 billion net flows outside the Westpac portfolio
- Continued momentum in flows into the US pooled funds
- Strong client support for Australian equities, European Concentrated Values and UK Dynamic strategies

# US market growth

Number of US staff



US funds under management<sup>1</sup> 30 September 2015 to 30 September 2018



1. Includes US pooled funds and mandates from US clients

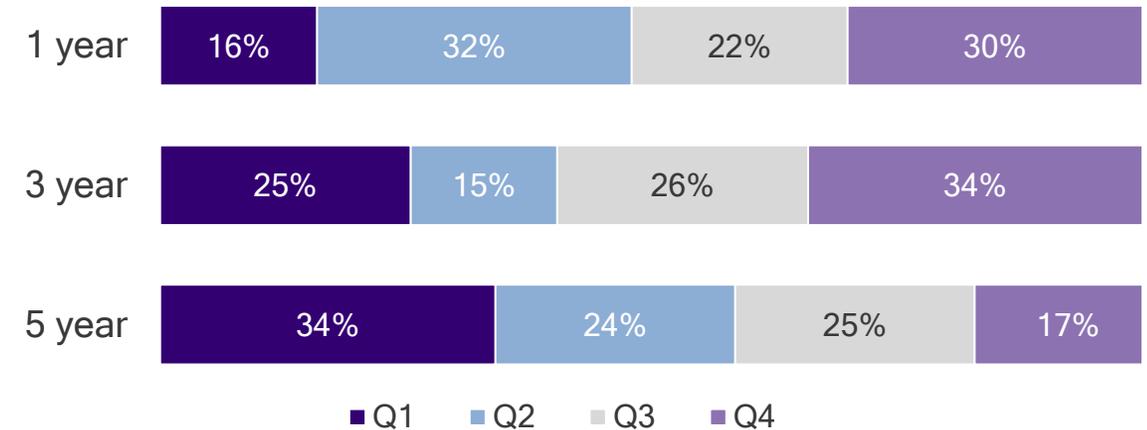
# Investment performance

	FUM 30-Sep-18 (\$b)	% FUM outperformed <sup>1</sup> 3 Yr	% FUM outperformed <sup>1</sup> 5 Yr
<b>Equities:</b>			
Australian	16.7	71%	92%
Global/International	28.9	67%	98%
UK	11.5	84%	100%
European	9.9	100%	100%
Emerging markets	4.6	83%	100%
Asian	2.7	1%	3%
<b>Property</b>			
	1.8	100%	100%
<b>Cash</b>			
	10.0	100%	100%
<b>Fixed Income</b>			
	6.8	44%	97%
<b>Multi asset</b>			
	7.7	1%	64%
<b>Other</b>			
	1.0	82%	100%
<b>Total FUM</b>	<b>101.6</b>	<b>69%</b>	<b>93%</b>

**69%** of FUM has outperformed<sup>1</sup> over 3 years

**93%** of FUM has outperformed<sup>1</sup> over 5 years

% of funds<sup>2</sup> across quartile rankings



1. Fund performance is pre-fee, pre-tax and relative to the fund benchmark; % of FUM outperforming relates to FUM with sufficient track record only  
 2. Funds represent funds on offer under prospectus with Lipper/Mercer rankings

# Capacity management

## Disciplined approach to capacity management

1

Soft closed five funds  
as at 30 September 2018

2

Launched three new  
investment strategies:

- JOHCM Global Income Builder Fund
- Pental Dynamic Income Fund
- Pental Multi-Asset Total Return Fund

3

Seed capital supporting  
new offerings and teams

# Talent and succession planning

## Succession planning

- Succession plans reviewed for each Investment Head and refreshed across a five year time horizon
- Established clear succession pathways for each role and planning across the five-year timeframe

## Employee engagement

- Continued to support the engagement drivers identified in staff engagement survey
- Focus centred on employee remuneration and as career development

## Professional development

- Leadership development programs
- Onsite and external training programs

## Brexit

- Preparing for no-deal Brexit
- Equivalence remains subject of discussion
- “Temporary Permission Regime” confirmed by FCA
- Commenced establishment of a presence in Ireland to meet European regulation post Brexit
- Ireland a natural fit to establish JOHCM “Manco” due to existing fund presence

---

## FCA Asset Management Market Study

- Appointment of independent directors
- Prescribed responsibility - SMCR
- All-in-fee disclosure
- Value for money assessment

## MiFID II

- Significant body of work through 2017 and met 3 January 2018 timetable
- Processes and reporting established and forming part of BAU
- Research costs now embedded in the P&L

---

## Australian Banking Royal Commission

- Independent product manufacturers preferred
- Could represent opportunities if regulatory environment changes

# The name change

**BT** Investment  
Management

has become >

**PENDAL**

Independence valued by clients

# Strategy

## Five-year track record

FUM growth  
from **\$58.3b** to **\$101.6b**

Cash NPAT growth  
from **\$61.9m** to **\$201.6m**

Cash EPS growth  
from **¢21.3** to **¢63.7**

## Pendal has a consistent focus on investing for growth and diversification

- Continued investment in the US for growth
- Develop and enhance distribution channels to drive sales
- Disciplined capacity management for the preservation of investment performance
- Attract and retain investment talent that creates a portfolio of complementary strategies
- Ageing population to drive increased demand for products to provide income in retirement
- Adding further resources in our ESG and Responsible Investment capabilities
- Invest in technology to increase efficiencies and enhance client service