

Shareholder Update

2 May 2019

Pendal Group reports financial results for the half year ended 31 March 2019

Dear Shareholder,

On 2 May, Pendal Group announced its results for the six months to 31 March 2019. Cash net profit after tax (Cash NPAT) was \$84.5 million, down 26 per cent compared to the previous corresponding period (pcp) while Statutory net profit after tax (NPAT) was \$69.6 million, down 37 per cent. Cash earnings per share (Cash EPS) was 26.6 cents for the half which was 27 per cent lower than pcp.

The Board has declared an interim dividend of 20.0 cents per share for the 2019 financial year, which will be 10 per cent franked and paid on 26 June 2019 to ordinary shareholders at record date, 24 May 2019. The Dividend Reinvestment Plan remains deactivated for the FY19 interim dividend.

	1H19	1H18	CHANGE
Half year to 31 March:			
• Cash NPAT	\$84.5m	\$114.5m	-26%
• Statutory NPAT	\$69.6m	\$110.1m	-37%
• Operating profit pre performance fees	\$105.2m	\$112.3m	-6%
• Fee revenue	\$243.0m	\$296.5m	-18%
• Base management fees	\$237.6m	\$247.9m	-4%
• Performance fees	\$4.4m	\$47.6m	-91%
• Operating expenses	\$140.0m	\$161.8m	-13%
• Operating profit margin	42%	45%	-7%
• Cash EPS	26.6 cps	36.2 cps	-27%
• Interim dividend	20.0 cps	22.0 cps	-9%
• Average FUM	\$97.4b	\$98.6b	-1%
As at 31 March:			
• Closing FUM	\$100.9b	\$99.0b	+2%

The result was primarily impacted by significantly lower performance fees, down 91 per cent to \$4.4 million compared to \$47.6 million in the pcp. Base management fee revenue during the period was down four per cent to \$237.6 million, as a result of a one per cent decline in average funds under management (FUM) and a contraction in base management fee margin, which was down 2 bps to 49 bps. The margin reduction resulted from a change in asset mix as investors moved out of equities and into more defensive and lower-margin cash and fixed income products.

Average FUM was down one per cent to \$97.4 billion, with the average levels of the MSCI AC World Index in local currency terms and the S&P/ASX 300 Index declining 2.7 per cent and 1.2 per cent respectively compared to pcp.

Cash operating expenses of \$140.0 million were down 13 per cent, largely led by lower variable staff costs given lower fee revenue. The operating profit margin for the half was 42 per cent which compares to 45 per cent versus pcp.

FUM closed at \$100.9 billion, down \$0.7 billion for the half led by lower market levels and partially offset by the lower Australian Dollar while net flows were flat for the period. While we experienced outflows across our European and Asian equity strategies, there were good institutional inflows into our Australian equities, cash and fixed income strategies.

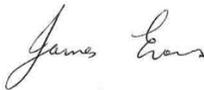
Strategic highlights during the period included the expansion of our US distribution footprint by establishing a presence on the West Coast, launching the Concentrated Global Share strategy through a UCITS vehicle in Europe, and moving to full ownership of Regnan, a leading ESG stewardship research advisor based in Australia. Regnan's recognised expertise along with Pental's heritage in the ESG space, positions us well to expand in this growing segment of the market as leading stewards of capital and offers the opportunity to leverage this capability globally.

The first half of 2019 was a challenging period for markets and investors. The market returns in the December quarter were the worst on record since the September 2011 quarter before rebounding again in the March quarter. This volatility, combined with Brexit uncertainty resulted in cautious investor sentiment, particularly on Europe and subdued industry flows in the region.

Despite the more difficult trading conditions, our strong balance sheet with no debt and good cashflow means the company is in a firm position to take advantage of opportunities to expand our capabilities and global presence, in line with our focused strategy around growth and diversification. We remain committed to expanding our investment and distribution capabilities, maintaining a disciplined approach to managing capacity and providing ongoing support to our investment talent through our investment-led culture and business model.

I encourage you to review Pental Group's results in more detail on our website: www.pentalgroup.com or under announcements on the ASX website: www.asx.com.au.

Yours faithfully



James Evans
Chairman
Pental Group Limited