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Australia  
ABN 28 126 385 822



13 December 2019

Company Announcements Office  
ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000

**Pendal Group Limited Annual General Meeting 13 December 2019**

In accordance with the ASX Listing Rules, the Chairman's and Group Chief Executive Officer's addresses to be delivered at the Annual General Meeting of Pendal Group Limited today are attached for lodgement.

Yours sincerely

A handwritten signature in black ink, appearing to read "Joanne Hawkins", written in a cursive style.

Joanne Hawkins  
Group Company Secretary  
Pendal Group Limited  
Tel: +61 2 9220 2000

## Pendal Group Limited

# 2019 AGM – Chairman’s and Group Chief Executive Officer’s addresses

Date: 13 December 2019

### Chairman’s address

Good morning ladies and gentlemen, it is my great pleasure to welcome you to our 12<sup>th</sup> Annual General Meeting. I am James Evans, the Chairman of Pendal Group.

2019 has been a tumultuous year. We have seen geo-political ructions continue and macroeconomic events that have not been witnessed before.

As a global fund manager, we are affected by such circumstances. Pendal takes a long-term view of our business and our investing style.

The collapse of the global economic system has been predicted regularly and often. But we are all still here. Certainly, these are unusual times, particularly for monetary policy. The combination of zero or close to zero and in some countries negative interest rates, whilst in some instances supplemented by quantitative easing, and a low inflation environment; is the opposite of the issues that Western economies have had to deal with in the past. Double digit inflation and interest rates are well within the lived experience of many of us. We cannot be sure as to what the future holds – but every period in history, where there has been great uncertainty, even the appearance of the world peering into an abyss, has seen the global community come out the other side. Looking, at the bigger picture, despite global ructions over time, we have seen standard of living and human longevity has improved generation by generation in most cases markedly.

This period of uncertainty will pass, but as to when we do not know. All I can say, is that Pendal looks at the bigger picture; remaining alert to opportunities, protects against the downside to the extent possible, and is always looking to the long term.

## Long-term shareholder returns

For the first time in eight years this global uncertainty has seen Pandal report a reduced profit on the previous year.

Our Cash Net Profit After Tax, which is our key measure of financial performance, was \$163.5 million, down by 19 per cent. This is a reduction of 19 per cent in cash earnings per share to 51.3 cents.

The most significant impact on our profitability was lower performance fees, which were down 89 per cent on the previous financial year from \$54.5 million to \$5.9 million. It is worth noting that our base management fees, which is our annuity revenue, were only reduced by 4 per cent to \$482.6 million. This, I think, signals the strength of the long-term, underlying business.

A final dividend of 25 cents per share was declared, bringing total dividends for the year to 45 cents per share. Total Shareholder Return since listing is 188 per cent, which is well above the 67 per cent return of the Standard and Poor's ASX 200 Accumulation Index over the same period.

I will talk about the outlook and how we are positioned for growth, but first I would like to address the factors behind the result.

As I said in my letter to shareholders in this Financial Year results, a confluence of events, including a significant reduction in performance fees from J O Hambro Capital Management (JOHCM), and impacts on revenue as a result of investor sentiment in reaction to geo-political and macroeconomic events, have contributed to our reduced profit outcome for the year.

We are a global asset manager and as such, are alive to cycles, but we always look to the long term and to consistently execute our long-term strategy. We pursue long-term growth opportunities. Our asset managers invest to deliver long-term returns for their clients. As a listed company, we seek to deliver sustainable, long-term growth for our shareholders.

Cautious investor sentiment has produced some significant shifts out of equities and into bonds, which has affected both flows and margins. It is significant that a majority of Pandal's outflows have been from our European equity strategies, largely as a result of the turmoil of Brexit, along with the trade tensions impacting on global growth and the general 'flight to security' by investors.

During the year, global markets continued to experience market movements related to Brexit, the US/China trade dispute and concerns over the outlook for global growth. Cautious investor sentiment has led to de-risking of portfolios and subdued industry flows in equities globally, and in particular, in Europe.

In Australia, the implications of the Banking Royal Commission have eroded investor trust and confidence. Consequently, flows have been affected across the financial services industry, and the diversified financials sector, generally, has experienced a de-rating in Australia.

The markets are beyond our direct control. This is why we expect, and plan for, market fluctuations. Movements are part of the cycle. Our own actions are what we can control. We always remain true to label and invest for the long term.

Our core business is active investment. The constants are our strategy of diversification; our emphasis on investment independence; our operating platform supporting a diverse range of investment teams; and our disciplined approach to capital management. They are why we have consistently delivered for shareholders and clients since listing.

Based on these fundamentals, along with the strength of the business and our debt-free position, we are well placed to ride out the current uncertainty.

## Remuneration and shareholder alignment

I would like to now turn to remuneration. Pental is a talent business and it is worth underlining because our people really are the essential element of our value proposition. Amid challenging industry conditions and in an extremely competitive global talent marketplace, an effective remuneration policy is vital to the operation and growth of our business.

Remuneration is, of course, an issue of significant interest to shareholders, regulators, governments and the general public. We are acutely aware of this and also monitor prevailing sentiment and trends to ensure we are meeting expectations and comply with any regulatory changes in the jurisdictions in which we operate.

Pental's Global Reward Framework is made up of three key principles that are directly aligned to our business strategy. Firstly, remuneration is weighted towards medium and long-term share rewards because we want our employees to be aligned to our shareholders and have an ownership mindset. Secondly, recruiting exceptional talent relies on market benchmarking, which is paying fairly for skills, ability and responsibility. The third principle is performance accountability, which includes delivering annual business results within the risk tolerances set by the Board. The Board applies these principles to attract and retain the talent necessary to deliver for our clients and create long-term value for our shareholders.

While we continue to review and refine our remuneration arrangements, it is noteworthy that the alignment principle is working. This has been demonstrated with the Short-Term Incentive (STI) program, and the Long-Term Incentive (LTI) program awards to executives, being reduced this year in response to the decline in profitability and share price.

The STI is structured to align with shareholder returns and defers vesting of the share component, which represents up to 50 per cent of the STI, over five years. Therefore, prior year awards for all executives have been negatively impacted as a result of the reduction in the Pental share price. This is in line with the remuneration framework's intent to align remuneration and shareholder outcomes.

The alignment principle was also evident in respect of the Group CEO's total remuneration, which decreased by 22 per cent compared to the previous year. As well, all 2016 LTI grants have not vested because neither the Cash Earnings Per Share nor the Total Shareholder Return hurdles met their targets. All Pental executives forfeited 100 per cent of their 2016 LTI grant.

## Governance

The Board considers the ongoing review of our procedures to be a bedrock of our business strategy. Last year we sought to strengthen and enhance Board performance through an independent expert review, the recommendations of which we have been assiduously implementing. The election of Non-Executive Directors Sally Collier and Christopher Jones to the Board at the 2018 Annual General Meeting reflected our commitment to continual Board renewal. Our inclusion of international, and internationally experienced, Directors speaks to our commitment to our growth strategy.

We have in place a formal skills matrix identifying the skills and experience that are critical to the effective functioning of the Board. Our Remuneration and Nominations Committee assesses the collective skills, experience, diversity, independence and personal attributes, which the Board requires to discharge its responsibilities effectively.

The Board engages actively with the management team who runs the business on a day-to-day basis, and with our fund managers, who invest our clients' money. This engagement is fundamental to risk management. We talk to, question and discuss all the important elements of our business with those who have day-to-day responsibility. To this end, as a global business, we hold Board meetings in our key geographic hubs; Boston, London and Sydney.

This ensures we are 'boots on the ground' and alert to the risks and opportunities our business faces in its various regions. This is particularly important as we continue to invest in future growth.

## Investing for growth

As Emilio will present in more detail, we are continuing to invest for growth. A fundamental element of this investment has been to boost our global executive team, so we have the appropriate bandwidth and senior executives with the talent and experience to execute our growth strategy. This approach will enable us to leverage our global scale to identify and attract investment talent and extend our distribution opportunities to take advantage of increasing per capita wealth and the search for superior returns.

To this end, we have appointed two regional CEOs to lead our JOHCM business; a Global Chief Risk Officer and Investment Directors for both JOHCM and Pandal Australia.

Since the acquisition of the JOHCM business in 2011, our offshore presence has grown significantly and provided an increasing contribution to the Group's FUM and profit. On the 30 September 2019 Pandal had Funds Under Management (FUM) of \$100.4 billion. We have been able to increase our FUM from clients in North America to \$22.8 billion, which is more than 20 per cent of our total FUM. We have achieved that with a modest presence in that market.

As the largest investment market in the world, the US has great growth potential. In order to take advantage of the growth opportunities we see in the US; we have appointed Nick Good as CEO of the JOHCM US business. His mandate is quite simply to grow the business.

While the US represents our strongest prospect for growth, Europe remains the biggest portion of our business and has continuous growth potential. We have recruited an experienced leader in Alexandra Altinger to lead our business in the UK, Europe and Asia. Alexandra has broad experience across a range of markets and funds management businesses. Alexandra joins us here at the AGM today and looks forward to meeting you over a cup of tea at the end of the meeting.

Importantly, both JOHCM CEOs have strong track records of growing businesses through new ideas and innovation and are acutely aligned to our culture of independent investment.

## Looking to the long term and sustainable business growth

Ladies and gentlemen, I said in my letter in the 2019 Annual Report that searching for short-term consistency in financial markets is like looking for right-angles in a thundercloud. Markets are driven by sentiment and individual views of the future. Rational thoughts become clouded and decisions are shaped by emotion.

This is where clear-headed resolve and diligent planning come into play. Your Board manages heightened risk and always looks to the long term. This is an enduring strength of how we manage the business.

We never lose sight of our responsibilities as custodians of your investment. We are always willing, and able, to respond to uncertainty by deploying creative strategies, relative to the risks at hand. Our obligations to our investors are at the heart of our diversification strategy. Our diversification out of Australia and into Europe, the UK, Asia and the US allows us to intelligently manage volatility and the unique factors at play in each of those markets.

Not all markets move in the same direction at the same time or at the same speed. Our strategic commitment to diversification across products, clients, investment teams and regions, and our investment for long-term growth, has guided us through many market cycles and will do so again.

On behalf of the Board, I would like to thank every Pandal Group employee for their hard work and personal contribution this year. We are a strong business because we invest in talented people and their job is to deliver long-term investment outperformance for our clients.

I would like to thank our Group CEO Emilio Gonzalez and the Executive team, and also my Board colleagues, for their dedication and commitment.

I would also like to especially thank Emilio for relocating to London for over a year to manage the JOHCM business and recruit the right CEOs to lead that business. Now that Alexandra and Nick are on board, Emilio is back in Australia, but of course, continues to travel regularly in his role as Group CEO.

In closing, I would like to again note that we believe our business model has the requisite resilience and agility to manage through market cycles. We started the 2020 Financial Year on the back of a higher average FUM and an improved trend in net flows. We operate in markets, open to macroeconomic and geo-political forces that we cannot control. But you can be assured that we have a clear strategy in place, supported by our capability in investment teams and new product development, to deliver long-term value for our clients and for you, our shareholders.

I would like to thank you all for attending today and for your ongoing support.

# Pendal Group Limited

## 2019 AGM – Group Chief Executive Officer's address

Date: 13 December 2019

### Group Chief Executive Officer's address

Thank you Jim and good morning everyone. I am delighted to be here, and it's good to see some familiar faces and share with you the results of the business and our plans for the future.

### FY19 results highlights

As Jim has outlined, 2019 was a challenging one. Our cash net profit after tax and EPS contracted 19 per cent from the prior year. The primary drivers of the result were significantly lower performance fees and a difficult flow environment, particularly in the UK and Europe as a result of continued investor uncertainty around Brexit and concerns about growth in the EU.

Pre-performance fees, the financial indicators were more sound. Average FUM fell 1 per cent; base management fees were 4 per cent lower and operating profit, excluding performance fees was 8 per cent lower at \$198.5 million. Base management fee margins fell two basis points to 49 basis points primarily due to a change in asset mix as investors shifted from equities into lower margin cash and fixed income products where revenue margins are lower. Our expenses were down 8 per cent given our business model around reward is closely linked to movements in revenue.

Our last down year on an EPS basis was in 2012 but then as now we remain focused on our long-term strategic ambitions and despite some current headwinds on flows and investment performance we continue to invest for growth as this will drive future earnings.

We do this from a position of strength and with confidence.

We have a financially strong business with quality people and in these tougher environments we manage through the cycle with an eye on the future.

Equally we are not complacent, and where there are areas for improvement we are resolute on turning things around.

## Delivering investment strategies globally

We have a proven and successful business model that is, to focus on attracting and retaining superior investment talent to deliver exceptional investment returns for our clients through active management while maintaining financial strength, investing for growth and continuing to diversify our investment capabilities. This relentless focus has been critical to our success over the long term.

Over the past ten years, our cash Net Profit after Tax has increased six fold with funds under management today around \$100 billion, three times that of ten years ago.

The business is much more diversified; across regions, clients and investment strategies which now include regional and global equities, cash and fixed income, multi-asset and as announced this morning, expanding in to impact investment following the hire of a global equities impact team.

Across the Group and since the purchase of the JOHCM business in 2011 our global reach and distribution has grown significantly and we now have a presence in the UK, Europe, the US and Asia.

Approximately half of our FUM is in Australia, 30 per cent in the UK, Europe and Asia and just over 20 per cent in our North American business.

Although we are significantly larger and more diverse, our multi-boutique culture, partnership with fund managers and ability to respond quickly to business opportunities and changes in our environment remains.

## Macroeconomic drivers

I will now provide some colour around the drivers of the FY19 result and our plans for the future.

There are three drivers of our revenue - markets, currencies and flows.

Firstly, markets. Despite recent record market levels, on average, world markets were slightly lower in local currency terms. Both the US and Australian markets on average finished up 3.5 per cent and 2.8 per cent respectively with the UK, Europe and Japanese average market levels lower for the year.

The first quarter of the 2019 financial year was not the best start for markets. If you recall there was an expectation of tightening in US interest rates on the back of some encouraging economic numbers and with the prospect of a reversal in monetary policy, equity markets globally declined. Indeed, in the December quarter global markets were down about 13.5 per cent. This is relevant because a market decline of that magnitude in the first quarter of a financial year has a significant impact on the average FUM level for the year and it is this average FUM that is the key driver of our revenue.

Global markets did recover and recovered quite strongly in the March quarter as the outlook for interest rates reversed and somewhat perversely markets rallied despite growing tension between the US and China on trade and the negative impact this would have on global growth.

Coupled with continued uncertainty over Brexit, it is not surprising that for the first time in a long period, global flows did not respond to a strong rally in equity markets. It indicates a degree of nervousness and investors' reluctance to take on equity risk.

Currency movements were mildly supportive with key offshore currencies stronger against the Australian dollar which net/net is a positive when translating revenue and expenses back into Australian dollars.



## Global industry flows

Turning to flows, the charts on the screen show global industry flows by region as well as by asset class.

As you can see, industry flows globally are down significantly on previous years. In fact they are at the lowest level since 2012 or if you go further back, they are the lowest since 2006. The other notable point is the nature of the flows, with flows into equity products negligible at best. In fact, net flows have almost exclusively been in to the defensive income and bond category.

These trends have been reflected in the nature of our own flows during the course of the year which I will cover in more detail over the next few slides, as we look at each region.

## Australia

For the Australian business, 2019 saw strong flows into our cash and fixed interest products with net positive flows of \$2.0 billion. This was primarily through the institutional channel as a number of our clients parked their cash holdings in light of global uncertainty, the federal election at the time and repercussions from the Royal Commission into Misconduct in the Banking, Superannuation and Financial Services Industry.

During the year we had further outflows of \$3.3 billion from our book of business with Westpac largely due to the ongoing transition of Westpac's corporate superannuation book.

In the wholesale channel we received positive flows in to our large cap Australian equities, fixed interest, diversified and emerging market strategies.

The financial advice market, as many of you would know is going through significant change. The major banks are exiting financial advice and many other major advice firms are losing advisors to alternate business models and propositions.

In Australia, we have aligned our sales team within the wholesale area more along client segment given changes within the distribution network post the Royal Commission. And recently, we have initiated a brand campaign to raise the profile of Pandal Australia amongst advisors.

The digital campaign started in October with the primary aim of building advocacy for Pandal amongst our key client base in the wholesale market, and this is advisers. The campaign showcases the good work that advisors do through some real life experiences and that the future is worth investing in with the support of Pandal. This campaign has received very positive feedback.

Outside in the foyer there are some displays of the campaign.

Moving on to the UK, Europe and Asia.

## UK, Europe and Asia

As Jim mentioned earlier, we recently appointed Alexandra Altinger as CEO. I am delighted to have her on board and to have her with us today. It wasn't the best year for the UK and Continental Europe in general. We saw net outflows collectively in our UK and European strategies, particularly in the wholesale channel represented by the OEICs. This was largely due to concerns over Brexit and the growth outlook for Europe given the growing tension between the US and China on trade which has significant implications for open economies such as Europe with strong trade links into China. Industry figures show that in calendar year 2019 European equities were in net outflows to the tune of €70 billion. We have not been immune to these trends and in a period where our investment performance in European equities was down we saw net outflows of \$2.7 billion from our European equity strategies.

In the UK, the industry has seen UK equities in constant outflows since Brexit but we are confident that there is pent-up demand with money on the sidelines waiting to be invested if some form of resolution on Brexit can be achieved. Net flows into our UK strategies was negative \$360 million, however the make-up of the flows did vary. We have four differentiated UK strategies that we offer and although three of those strategies were in net outflows, the UK Dynamic strategy had net inflows of \$900 million.

Despite the continued delays and uncertainty around Brexit, we moved forward on putting in place a structure predicated on a 'hard Brexit'. This involved setting up a separate legal entity in Dublin to ensure no matter what the outcome, we continue to have an EU passport for the distribution of our products across Europe. We will be looking to build a physical presence in Europe where in the past we have serviced the region from London. Europe is a significant market but is not necessarily homogenous, and so requires a strong understanding of the differences between countries in terms of distribution and product. This is something Alexandra will be closely focused on.

## North America

Turning to North America, the US has and continues to be a focus. Over the past five years we have had strong growth in our US business and it now represents almost a quarter of our funds under management. In August this year we announced the appointment of Nick Good as the CEO for that business. Nick started last week and I'm also excited to be working with Nick as we continue on our successful growth path in that region.

A key part of our success in the US has been the gradual build out of our distribution capabilities which we continued in 2019. Given our broadening product range and the sheer size of the US market we added on-the-ground sales resources on the US West Coast. This was previously serviced from our East Coast offices.

The US market performed better than other regions in terms of overall industry flows, market returns and our own net flows. During the year we generated net positive flows of \$0.7 billion in our range of pooled funds. This has been primarily from our well established International Select strategy but we also had positive flows into the Emerging Market and Emerging Market Small Cap strategies. We have also had early success in attracting funds for our Global Income Builder strategy. The Global Income Builder is a multi-asset strategy which we launched in November 2017 and which has since been approved on a number of US platforms opening up access to a growing number of financial advisers.

There will be times however that we need to review and decide whether to continue to support strategies that are not receiving client support and deliver little FUM. This year we made the decision to close the US SMID (small to mid-cap) and Global Small Cap strategies. Despite the investment performance exceeding benchmarks there has been little demand for US SMID core strategies which this product was targeting. It is also important that we allocate resources to where we feel we have the best opportunities to grow FUM and earnings.

The closure of the US SMID and Global Small Cap strategies has had little to no impact on our FUM but does free up seed capital of around A\$100 million which will support growth in some of our other strategies.

#### Investment performance

When it comes to investment performance it has been a tough year for active investment management and a number of our key funds, which led to a much reduced investment performance fee in the 2019 financial year. We have seen considerable outperformance of growth stocks over value, large caps over small caps, a rally in bond proxies and markets that have risen on the back of narrow leadership. In essence, if you are running a fund with a value bias, underweight large caps and not momentum driven, then you would be hard pressed to be outperforming. Given the distinct characteristics that have driven markets, our investment performance has varied but a number of our key strategies are behind benchmarks particularly those strategies that are more value orientated.

Against market benchmarks our five year numbers remain strong with 79 per cent of funds under management outperforming. The comparable figure across three years is at 52 per cent.

First and second quartile rankings over the one and five year time period ranges between 40-44 per cent. This is at the lower end of what we would prefer but we recognise that for a number of key funds style factors have played a part.

Improving our investment performance is always a focus of the business.

Part of our investment governance is the ongoing review of investment portfolios and during the year as investment performance has come off we continue to test our thesis and ensure we remain confident in our positioning.

We ensure our portfolio positioning is consistent with what has been articulated to our clients and back our conviction even in times when the market may be trading against us. We have a team of very experienced investment managers who have been tested through market cycles and understand the importance of not chasing returns in the short term at the expense of long term outcomes. This is an important component of active management.

In a world where clients are seeking highly active strategies they look towards active managers such as ourselves to differentiate, not simply follow the crowd. This requires conviction and patience that does pay off over the full cycle.

It is not lost that all of our key investment strategies across the Group, have outperformed since inception notwithstanding short term underperformance.

## Performance focus and initiatives

It is important however, that in periods where investment performance is challenged we remain very close to our clients and clearly articulate our portfolio positioning and why.

To this end, we have stepped up our engagement with clients through various initiatives and increased activity in the promotion of a number of funds including our UK Equity Income, Global Select, Global Opportunities and the Emerging Markets Opportunities.

We have also boosted resources and focused on providing investment support with the appointment of Investment Directors for JOHCM and Pandal Australia. Both Aled and Dan have significant experience and play an important role in supporting our investment teams.

Investment performance is core to what we do and key to our value proposition. There will be periods when our portfolio positions and conviction will be tested but the true value we bring to our clients is ensuring we provide them with the comfort and confidence that the active positions we take are the correct ones to generate superior returns over the long term, and in this we remain confident.

## Strategy - The future is worth investing in

Now to our strategy. As our tagline states, "The future is worth investing in" and it is worth investing in as we need to make the most of the opportunities in a tougher environment that will generate returns in the future.

We are investing in people, new capabilities, distribution and our operating platform.

Our guiding light remains consistent around:

- Attracting and retaining investment talent
- Disciplined capacity management
- Development of extension strategies and new products
- Continued investment for growth
- Developing and enhancing our distribution channels and
- Investing in technology to generate efficiencies and enhance client service.

## Growing income book

An area we have developed and seen continued growth is our income book through both product development and new capabilities. We know that the ageing population globally is driving increased demand for products to provide income in retirement, and investors are willing to pay for active managers to provide products that meet those income needs.

Over the past few years, we have progressively rolled out a series of income products that are now gaining broader representation and attracting flows.

This includes a series of products in the Australian market and the JOHCM Global Income Builder which raised over \$100 million in the past 12 months. This is becoming an increasing focus in our offering and whilst margins are lower than those of our equity products it adds to our overall revenue and profitability as well as stability to our portfolio. We plan on adding to our income range of products through extension strategies from our existing capability carefully targeted at meeting client demand.

## Investing in ESG / RI capabilities

Another area of strategic focus is the ESG or responsible investment (RI) sector. We have a strong heritage in this field, spanning more than 35 years having launched our first ESG product back in 1984.

The market opportunity is significant. In the U.S. alone, there is US\$11.6 trillion of professionally managed assets in ESG and RI strategies. In Europe, ESG is fast becoming a core requirement. And Asian investors are well on the path to embracing ESG specialist product.

One of our strategic objectives is to become a global leader in responsible investment. Earlier in the year, we moved to 100 per cent ownership of Regnan, a leading provider of ESG consulting, engagement and research; and the announcement this morning of the appointment of a specialist impact investment team, demonstrates our commitment to delivering on this strategy.

The team of four joins with a track record in managing a Global Equity Impact strategy and has been successful in raising FUM. The team will be based in London, and will establish our first impact investment product, the Global Equity Impact Fund under the Regnan brand. This development marks the expansion of Regnan's capabilities into responsible investment funds management. The product will be rolled out across our global distribution network in the second half of the 2020 calendar year.

This is an exciting development in our business to be delivering innovative and credible ESG and impact investment solutions.

## Outlook

Looking forward, macroeconomic and geo-political uncertainty will continue to dominate news and markets at least in the short term. As we speak the UK is going through one of its most tumultuous periods in political history. Although the election booths in the UK closed a few hours ago, any outcome that provides a clear path forward, we expect will be greeted positively by investors.

Our starting FUM was slightly higher than the FY19 average which represents a good starting point.

The start of the financial year has also seen an improved trend in net flows.

We are investing in new capabilities at a time which coincides with a greater interest from teams and individuals wanting to be part of the Group.

We have plans, which I have already outlined, around new product development and extension strategies.

We will also be making investments in our technology platform to upgrade our systems with both efficiencies and client benefits in mind.

Our model is proven and successful. Combined with our financial strength it provides a compelling proposition for investment talent.

Our business, like any other business will face challenges whether it be other competitors, the growth in passive, fee margins, growing regulatory pressures or product relevance. The key to our success will be to continue to offer investment management services that are relevant with a clear value proposition. That requires continued focus on the long term and the foresight and confidence to pursue ongoing long term development and investment notwithstanding the cyclical nature of our business. Success in the past has enabled us to invest for growth and execute on our strategy. We will maintain that conviction throughout the cycle.

I would like to thank all our people across the Pendal Group – in Australia, UK, Europe, Asia and the US - for their dedication and support.

And finally, a sincere thanks to you, our shareholders, for your ongoing support. I look forward to speaking with as many of you as possible after this meeting.

I will now hand back to Jim Evans.

# 2019 Annual General Meeting

**PENDAL**  
GROUP

13 December 2019

# Chairman's address

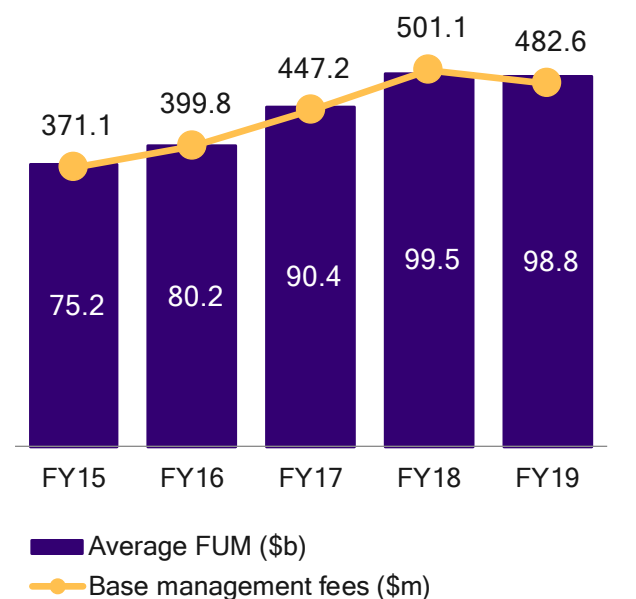


James Evans



# Long-term shareholder returns

Average FUM and base management fees



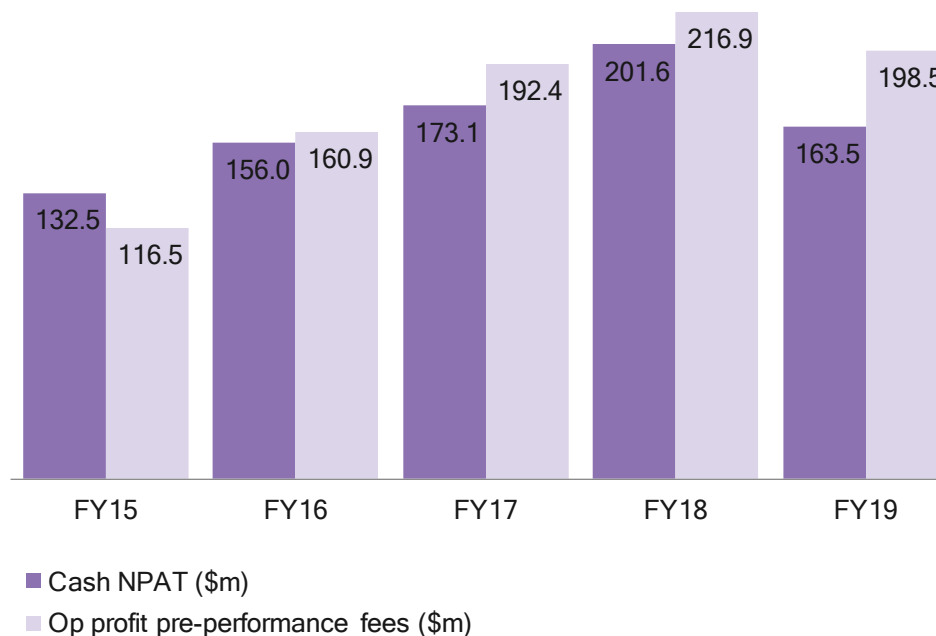
Ave FUM CAGR +7%



Base fees CAGR +7%



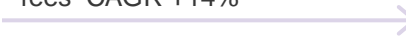
Cash NPAT and operating profit pre-performance fees



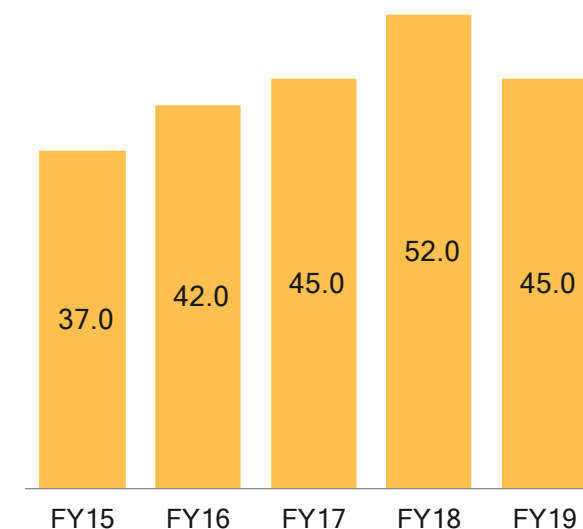
CNPAT CAGR +5%



Op profit pre-performance fees CAGR +14%



Full year dividend (cps)



Full year dividend CAGR +5%



# Remuneration and shareholder alignment

## Pendal Group strategic drivers

- Identify new investment capabilities to diversify and provide for future growth
- Attract, develop and retain superior investment staff that promotes a long-term business
- Develop products and enhance distribution channels to drive sales
- Create an operational platform that enables efficient execution of strategic priorities

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## Key principles

1. Weighted towards medium and long-term share rewards
2. Market benchmarking
3. Performance accountability



# Governance

- Commitment to continual Board renewal
- Implementing recommendations of an independent expert review (2018)
- Inclusion of internationally experienced Directors aligned with growth strategy
- Formal skills matrix assesses the Board's collective skills, experience, diversity, independence and personal attributes
- Board meetings held in key geographic hubs

# Investing for growth

## Established new role of Global Chief Risk Officer



### **Bindesh Savjani**

20 years' working in financial services including extensive experience in senior risk roles

## Appointed regional CEOs for JOHCM



### **Alexandra Altinger**

**CEO UK, Europe & Asia**

Significant cross-border leadership experience and expertise in investment and wealth management



### **Nick Good**

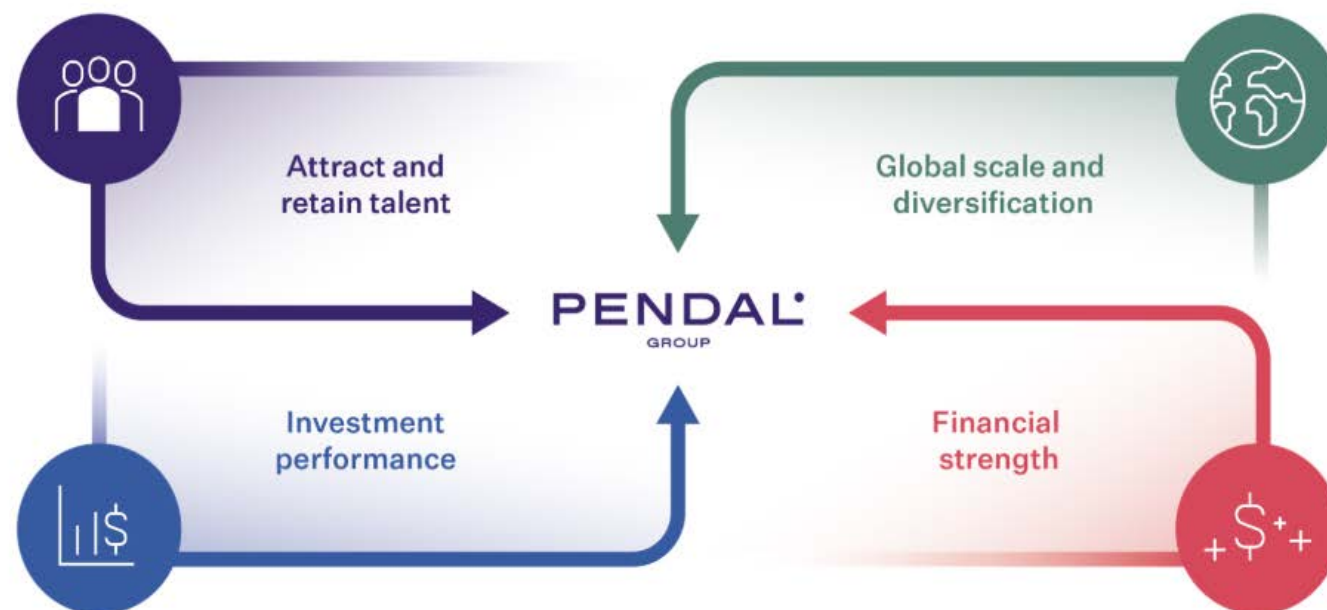
**CEO US**

Track record of success in developing strategy and building businesses in the asset management industry

# Looking to the long-term and sustainable business growth

## Business strengths

- Proven and successful business model
- Global distribution capabilities
- Diversified business across markets, distribution channels and asset classes
- Investment-led culture



# Group Chief Executive Officer's address

PENDAL  
GROUP



Emilio Gonzalez

# FY19 results highlights

Cash NPAT 19% lower to

**\$163.5 million**

Cash EPS decrease of 19% to

**51.3 cents per share**

Performance fees down 89% to

**\$5.9 million**

Average FUM down 1% to

**\$98.8 billion**

Base management fees down 4% to

**\$482.6 million**

Operating profit excl. performance fees down 8% to

**\$198.5 million**

Note: All comparative numbers to prior corresponding period (pcp) FY18

# Delivering investment strategies globally

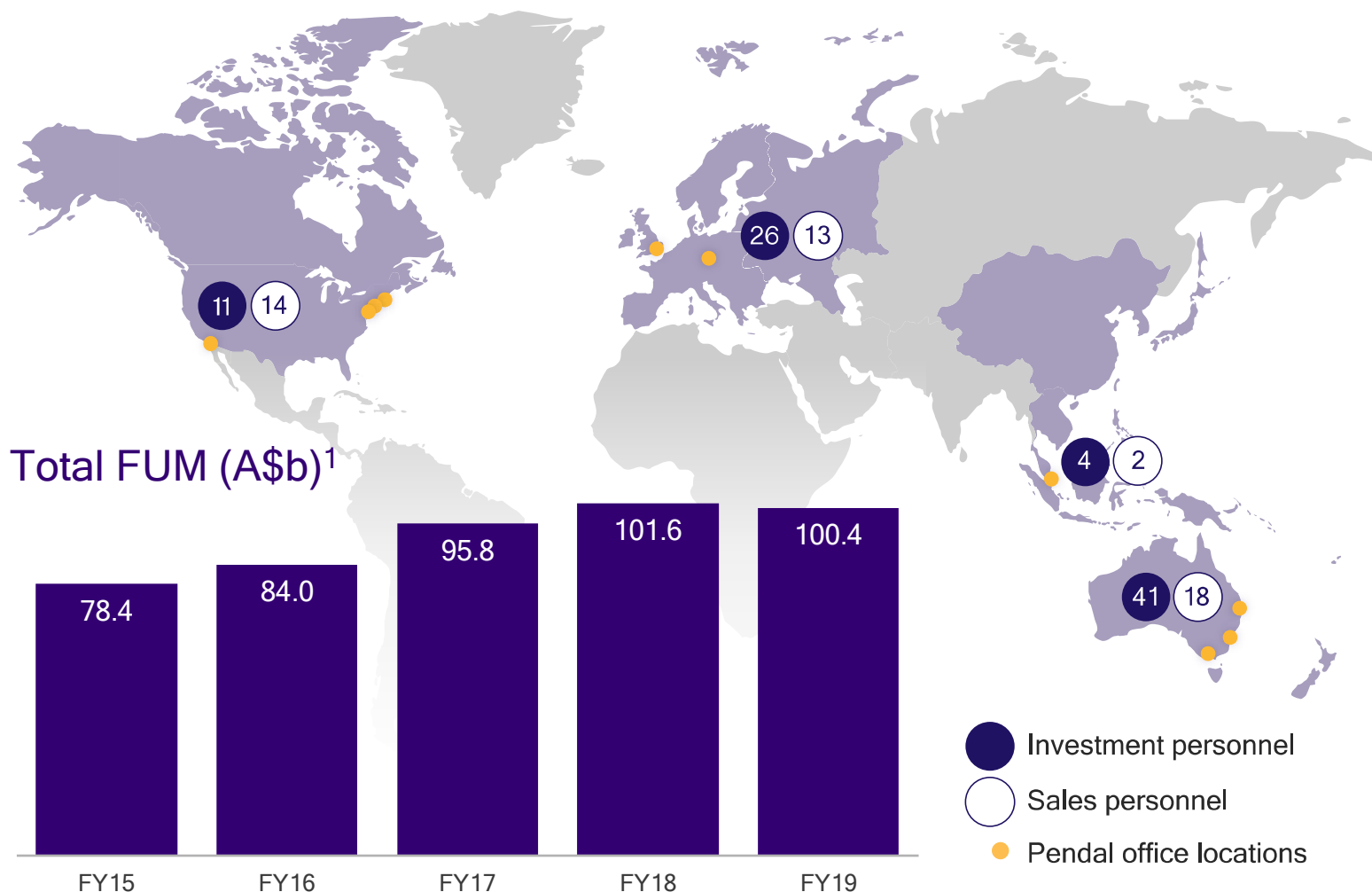
Our vision is to be a global investment management business that delivers exceptional investment returns to clients by attracting and retaining superior investment talent.

## Strategies:

- Regional Equities
- Global & International Equities
- Bonds, Income & Defensive Strategies
- Multi-Asset
- Responsible Investment

<sup>1</sup> FUM classified by client domicile

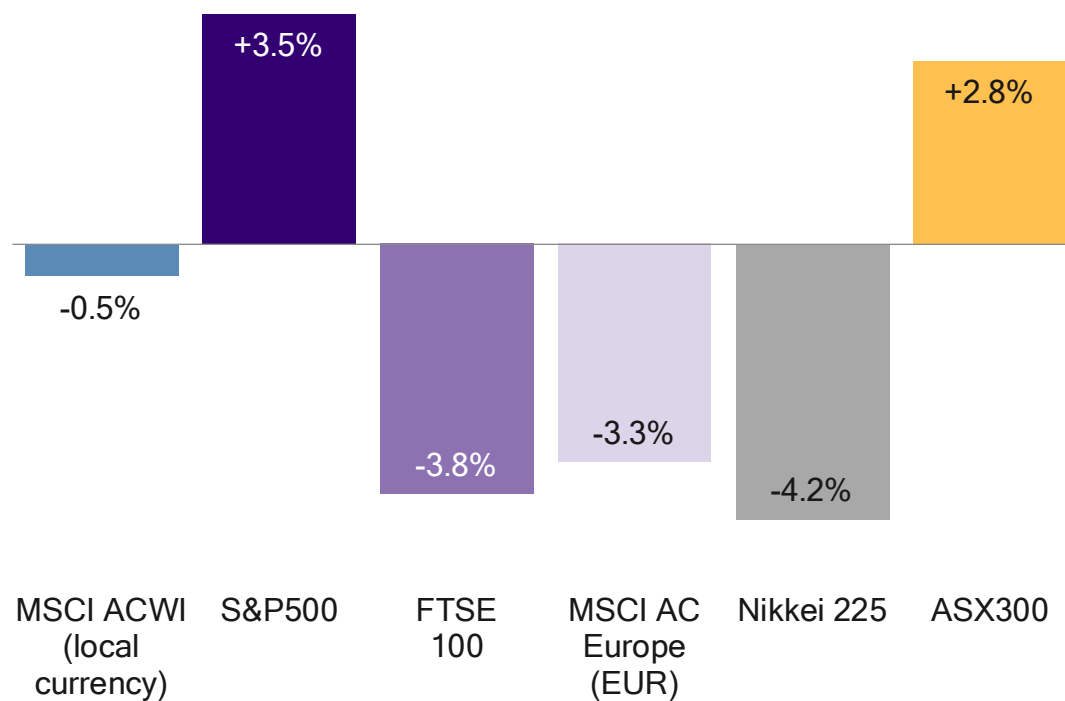
PENDAL  
GROUP



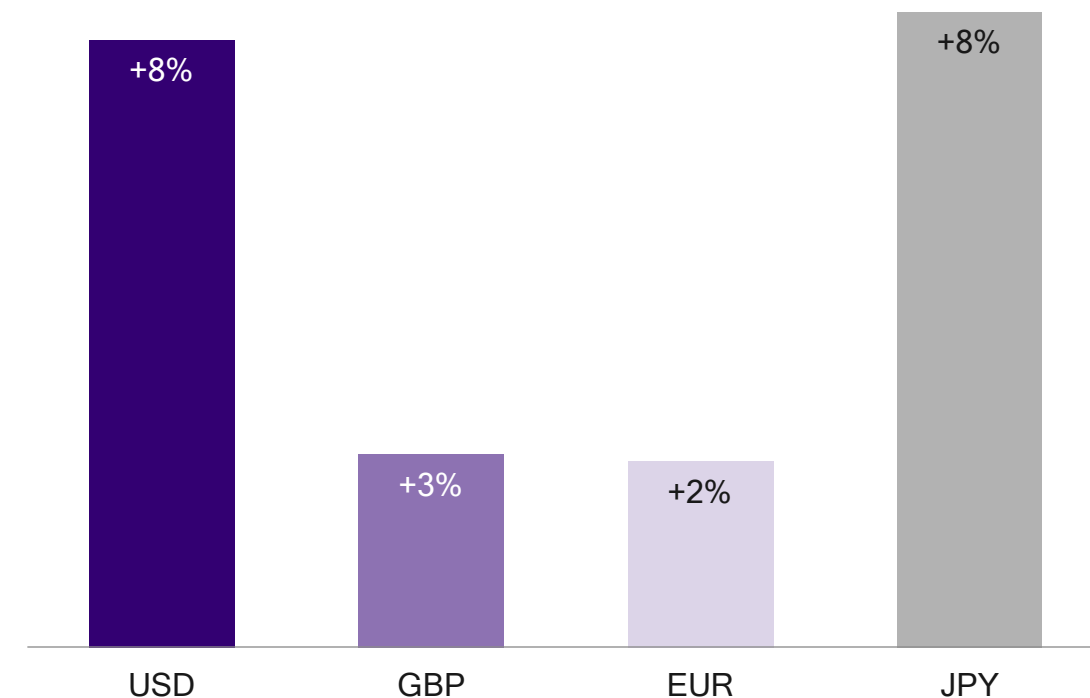


# Macroeconomic drivers

World markets<sup>1</sup>  
Average levels FY19 v FY18



Major currencies v AUD<sup>2</sup>  
Average levels FY19 v FY18

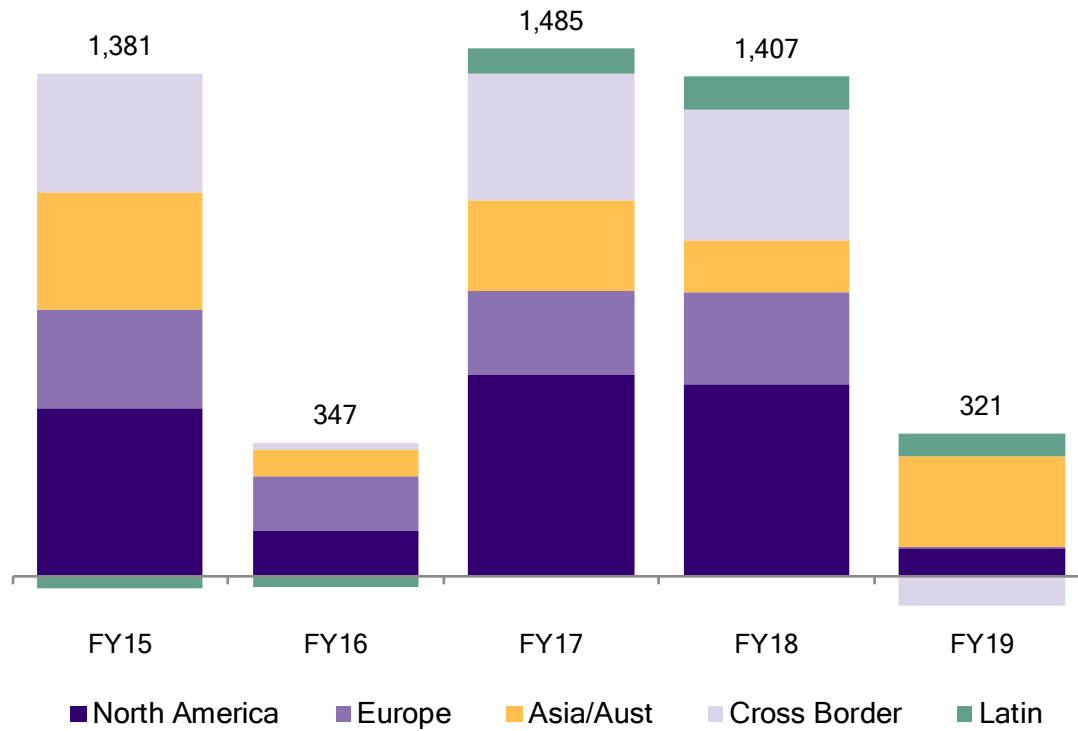


<sup>1</sup> Factset September 2019

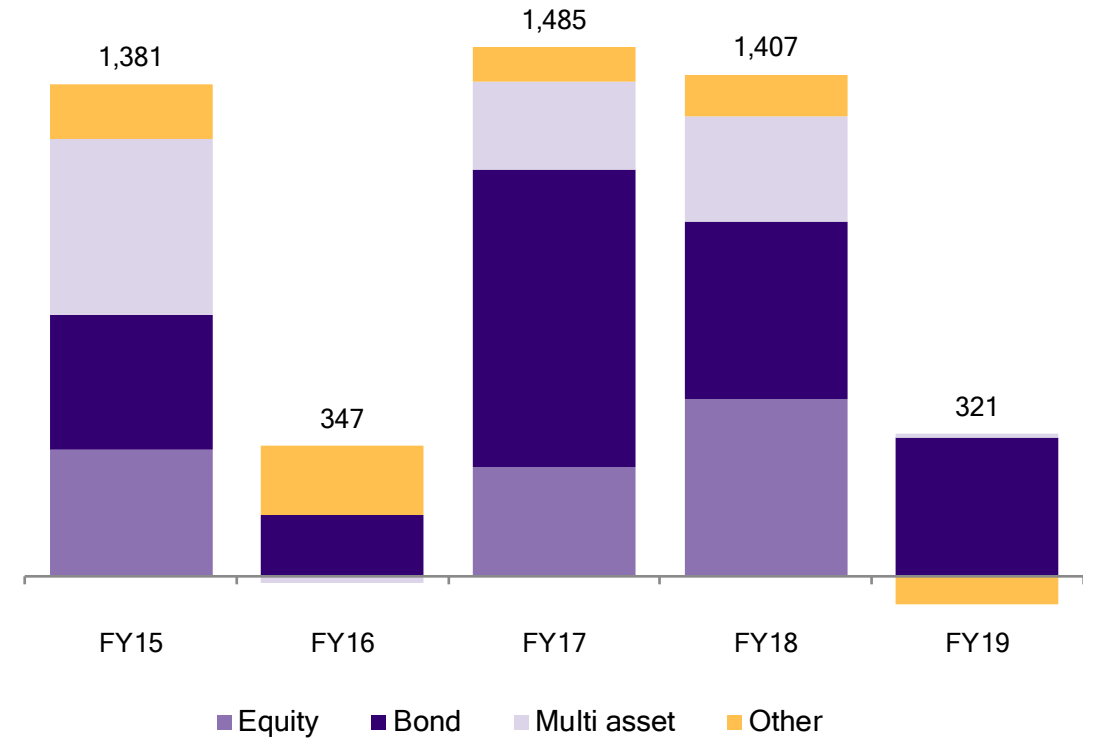
<sup>2</sup> RBA

# Global industry flows

By region (US\$b)



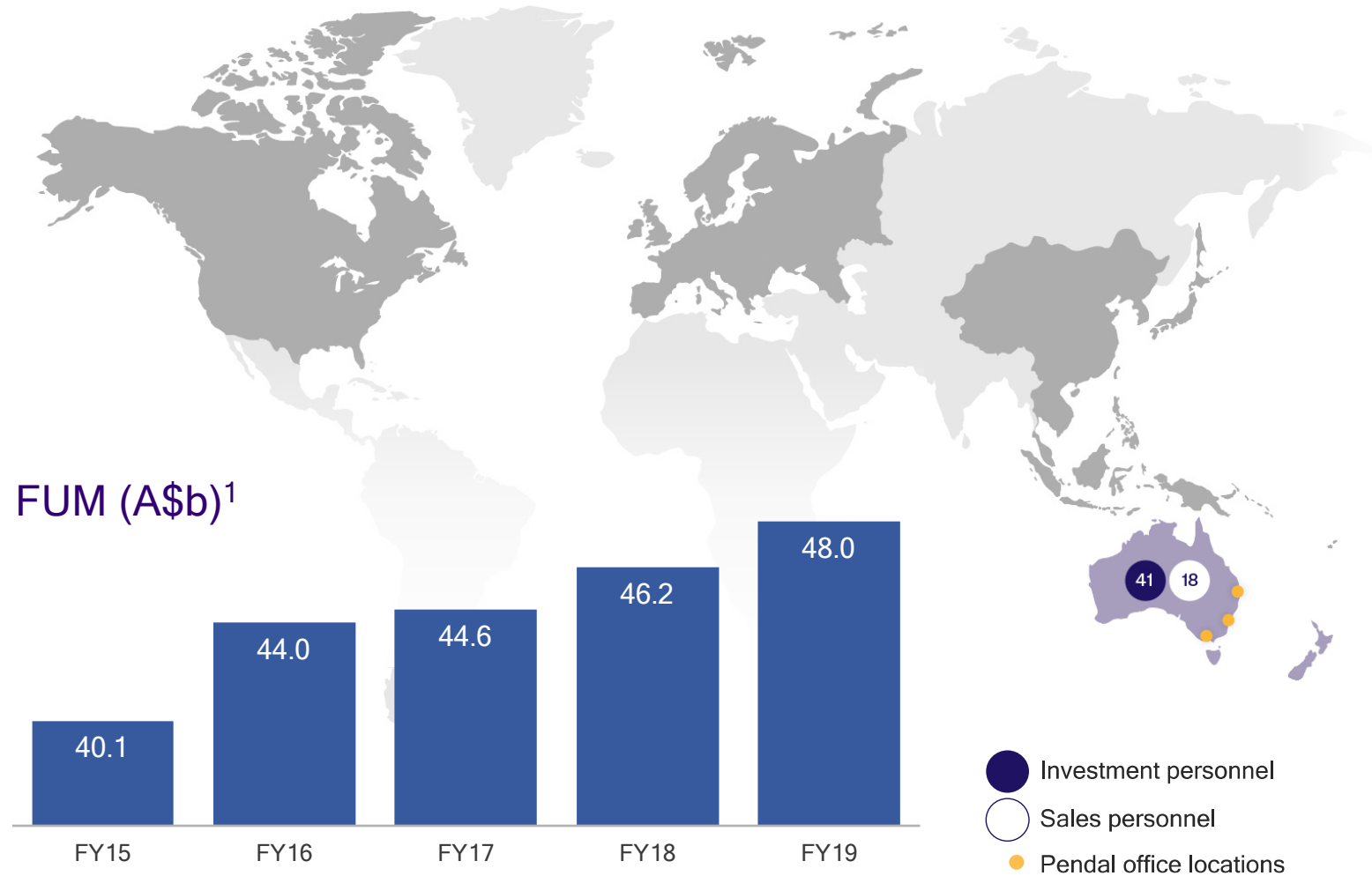
By asset class (US\$b)



Source: Strategic Insights; 30 June 2019

# Australia

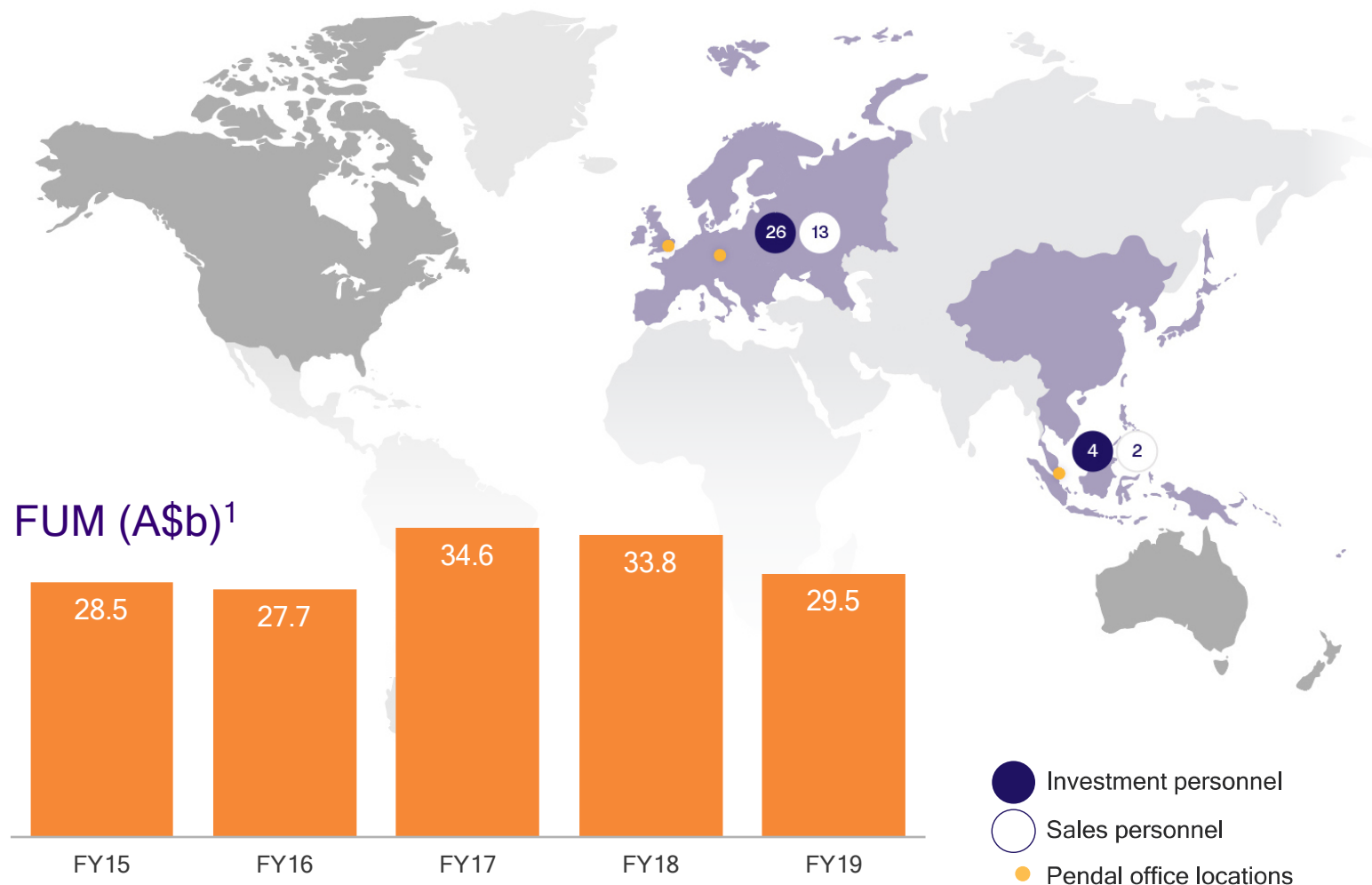
- Strong institutional flows into cash and fixed income
- Westpac outflows largely due to ongoing transition of corporate super book
- Realigned Australian sales team by client segment following Royal Commission
- Initiated brand campaign in Australia to raise Pendal brand awareness specifically with the adviser community



<sup>1</sup> FUM classified by client domicile

# UK, Europe & Asia

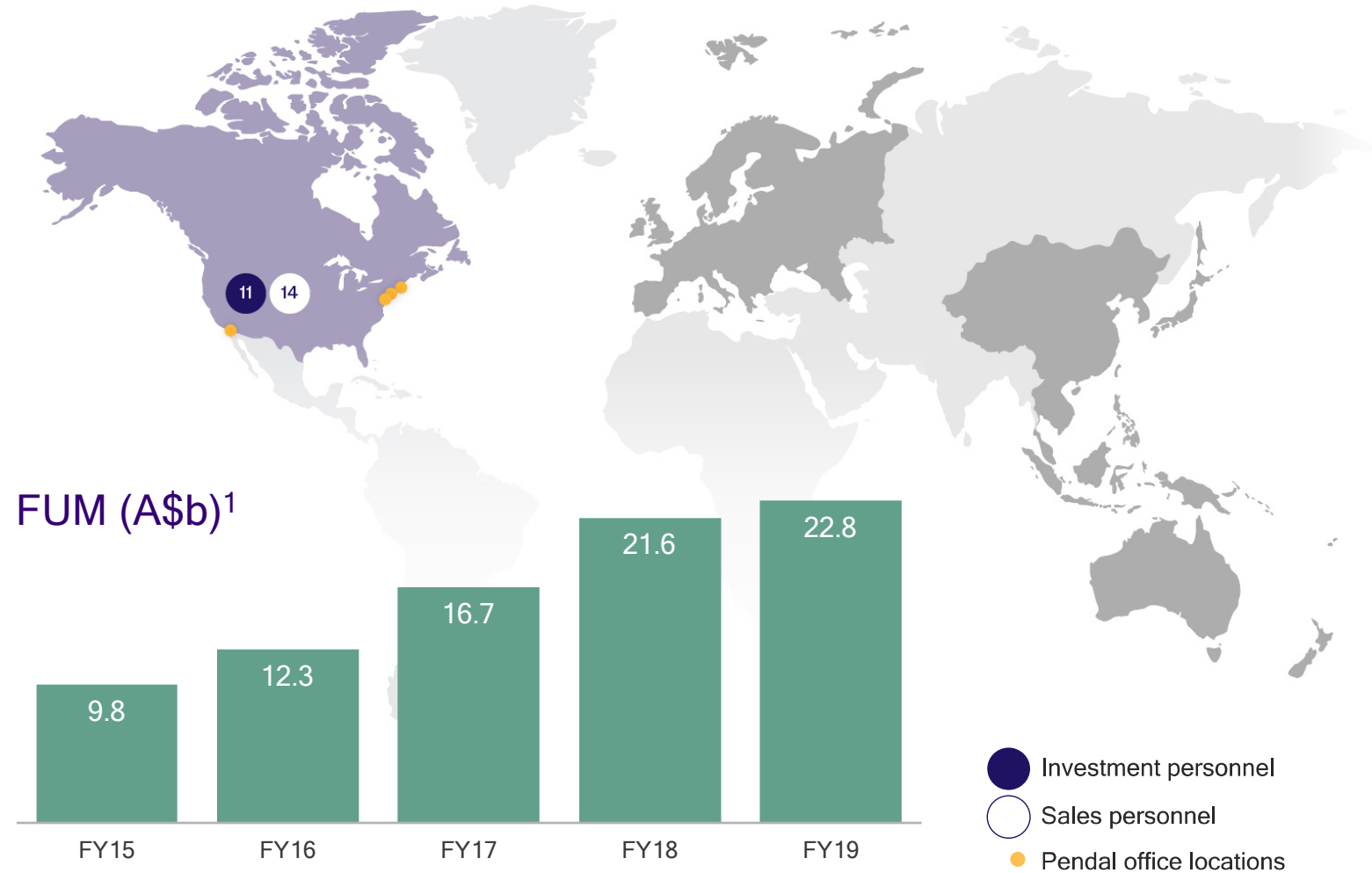
- Appointed Alexandra Altinger as JOHCM CEO - UK, Europe & Asia
- OEICs in the UK/Europe in net outflows due to concerns over Brexit and European growth
- Investors on the sideline waiting for clarity on Brexit
- Established UCITS ManCo in Dublin for the distribution of products across Europe



<sup>1</sup> FUM classified by client domicile

# North America

- Appointed Nick Good as JOHCM, CEO - US
- Expanded on-the-ground distribution reach to the US West Coast
- Continued positive flows in to US Pooled Funds
- Success in attracting funds in to Global Income Builder and Emerging Market strategies
- Closure of US SMID and Global Small Cap strategies



<sup>1</sup> FUM classified by client domicile

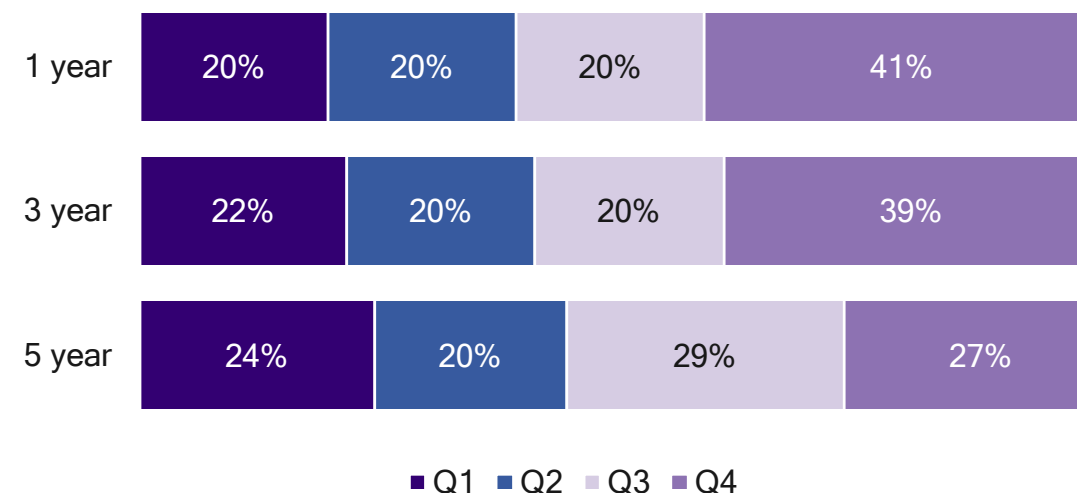
# Investment performance

	FUM FY19 (\$b)	% FUM outperformed <sup>1</sup> 3 Yr	% FUM outperformed <sup>1</sup> 5 Yr
<b>Equities:</b>			
Australia	17.3	80%	88%
Global/International	30.8	30%	76%
UK	10.6	88%	96%
Europe	6.7	0%	100%
Emerging Markets	4.4	70%	100%
Asia	1.9	0%	3%
<b>Property</b>	2.0	100%	100%
<b>Cash</b>	11.4	100%	100%
<b>Fixed Income</b>	8.3	50%	50%
<b>Multi-Asset</b>	6.3	2%	16%
<b>Other</b>	0.7	86%	86%
<b>Total FUM</b>	<b>100.4</b>	<b>52%</b>	<b>79%</b>

**52%** of FUM has  
outperformed<sup>1</sup> over 3 years

**79%** of FUM has  
outperformed<sup>1</sup> over 5 years

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



<sup>1</sup> Fund performance is pre-fee, pre-tax and relative to the fund benchmark; % of FUM outperforming relates to FUM with sufficient track record only

<sup>2</sup> Funds represent funds on offer under prospectus with Lipper/Mercer rankings

# Performance focus and initiatives

- Ongoing review of investment portfolios, including testing positioning, thesis and staying 'true to label'
- Boosted global leadership to support investment teams and assist in developing product strategies
- Intensified engagement with clients to ensure alignment with needs, expectations and portfolio understanding
- Increased promotion of UK Equity Income, Global Select, Global Opportunities, Global Emerging Markets Opportunities and Global Income Builder through marketing campaigns, roadshows and client events

## Investment Directors for JOHCM and Pental Australia



**Aled Smith**  
Investment Director  
JOHCM



**Daniel Campbell**  
Investment Director  
Pental Australia

# Strategy - The future is worth investing in

## Consistent focus on investing for growth and diversification

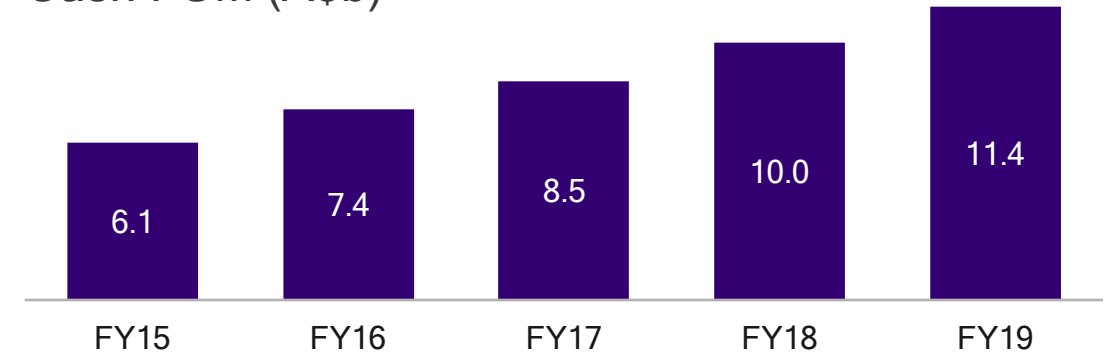
- Attract and retain investment talent
- Disciplined capacity management
- Development of extension strategies and new products
- Continued investment for growth
- Develop and enhance distribution channels
- Invest in technology to increase efficiencies and enhance client service



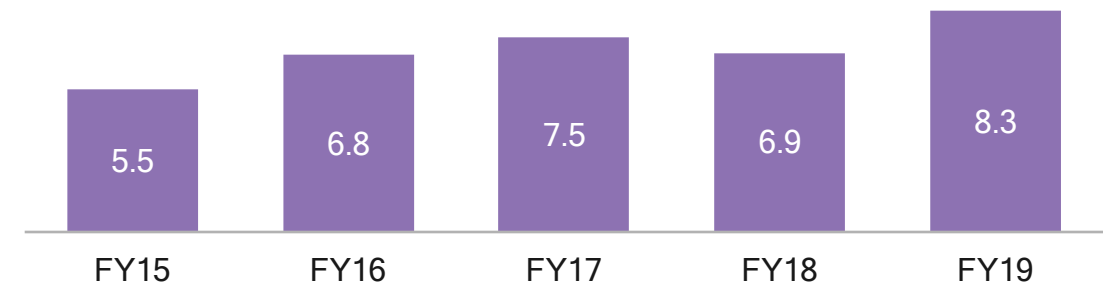
# Growing income book

- Ageing population is driving increased demand for products to provide income in retirement
- Investors willing to pay for active managers to provide products that meet income needs
- Progressively rolled out new products which are now getting broader platform representation and flows:
  - JOHCM Global Income Builder Fund
  - Pandal Wholesale Fixed Interest Fund
  - Pandal Monthly Income Plus Fund
  - Pandal Dynamic Income Fund
  - Pandal Multi-Asset Target Return Fund
  - Pandal Enhanced Cash Fund

Cash FUM (A\$b)



Fixed Income FUM (A\$b)



# Investing in ESG / RI capabilities

- Strong heritage in ESG investing that spans 35 years
- In-house expertise through Regnan, a specialist ESG research, advisory and engagement firm
- Investing to expand research capability and expertise to be a global leader
- Expansion of Regnan's capabilities into responsible investment management following appointment of global equities impact investment team (December 2019)
- Regnan Global Equity Impact fund to be launched in late 2020



Investor Group on  
Climate Change

Founding member

AUSTRALIAN ADVISORY BOARD  
ON **IMPACT** INVESTING

Board representation



JOHCM's Engagement  
Policy aligns with the FRC's  
UK Stewardship Code



Signatory and  
investor participant

# Outlook

- Macroeconomic and geo-political uncertainty to impact in the short term
- Starting FY20 FUM slightly higher than FY19 average FUM
- Started financial year on back of improved trend in net flows
- Investment in new capabilities and teams
- Focus on new product development and extension strategies
- Increased focus on income products
- Launch of new ESG / RI products
- Investment in technology platform
- Continue to invest and execute on our strategy

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# 2019 Annual General Meeting

**PENDAL**  
GROUP

13 December 2019