

ASX ANNOUNCEMENT

15 March 2024

Pacific Current Group Announces Strategic Initiative

Pacific Current Group Limited (ASX: PAC) (**PAC**) is pleased to announce a strategic initiative intended to maximise value for all shareholders. PAC has entered into agreements to externalise investment management by appointing an affiliate of GQG Partners Inc. (ASX: GQG) (**GQG**) to provide investment management services to PAC and has also agreed to sell three boutique investments to another affiliate of GQG (**Buyer**).

The majority of PAC's US-based employees, including the investment team led by current PAC Managing Director, Chief Executive Officer and Chief Investment Officer Paul Greenwood, would become full time employees of GQG, ensuring continuity while providing PAC a significantly lower cost structure more appropriate for the nature of its portfolio going forward.

Strategic Initiative Overview

- PAC will appoint an affiliate of GQG to provide investment management services to PAC for two years, with the possibility of extending the relationship for an additional two years upon mutual agreement (the **Externalisation**). Paul Greenwood will act as portfolio manager, and the PAC Board will continue to consider and approve all major portfolio and company actions
- The investment management fee will be 0.75% of the fair value of PAC's investment portfolio (excluding cash). The Externalisation together with a restructure of PAC's US back office operations is expected to result in an immediate net cost saving for PAC of approximately A\$6m compared to 1H24 on an annualised basis, with the potential for further cost savings as the PAC operating model continues to simplify
- PAC will receive US\$71.25m from the Buyer for its holdings in Proterra Investment Partners, Cordillera Investment Partners, and Avante Capital (the **Boutiques Sale**), in-line with PAC's assessed aggregate net fair market value for the three investments as of 31 December 2023. PAC will also have the right, but not the obligation, to invest in any GQG sponsored investment vehicles focused on GP stakes
- PAC will seek PAC shareholder approval for the Externalisation and Boutiques Sale (together, the **Proposal**) at an extraordinary general meeting (**EGM**) in April 2024. River Capital, which has a 19.8% holding in PAC, has confirmed it will vote in favour of the Proposal. Perpetual, which has a 15.0% holding in PAC, has also indicated its support for the Proposal

PAC Chair Tony Robinson said:

"The Pacific Current Board believes this initiative delivers significant strategic and operational flexibility along with a meaningful release of capital."

Externalisation of investment management to an affiliate of GQG allows PAC to reduce overall costs and convert a significant proportion of expenses from fixed to variable during a period of portfolio reshaping, while providing continuity of personnel to oversee PAC's current portfolio."

Further, having closely reviewed our portfolio as part of the strategic transaction process undertaken by PAC last year, we believe the Boutiques Sale to an affiliate of GQG represents attractive value for Proterra, Cordillera and Avante, and an opportunity to monetise part of the portfolio for the benefit of shareholders and provide additional firepower for potential future capital management. We are confident the remaining investment portfolio has attractive value upside relative to PAC's current share price."

The PAC Board is considering the most appropriate uses of the proceeds from the Boutiques Sale, together with receipts from the recent realisation of PAC's investment in GQG. It is currently anticipated that a significant amount of the aggregate proceeds will be returned to PAC shareholders and work is being undertaken to determine the most appropriate mechanism by which this will occur, which may include a share buyback. A further update on potential capital management initiatives is anticipated to be provided to PAC shareholders prior to the EGM.

Background

PAC received significant shareholder feedback as part of the strategic transaction process that concluded in November 2023. While a whole-of-company transaction was not achievable in the circumstances, the PAC Board is mindful of this feedback and the continued gap between PAC's share price and its estimated fair value net asset value, and accordingly has continued to consider a range of opportunities to maximise value for all shareholders.

Rationale

The PAC Board, with the support of its external advisers, has concluded that a path that delivers strategic and operational flexibility along with a significant capital release is in the best interest of all PAC shareholders. Specifically, the PAC Board believes the Proposal will achieve the desired outcome by (1) substantially reducing PAC's expense structure, (2) maintaining continuity in the management of PAC's current portfolio, (3) preserving optionality to continue investing in boutique asset managers, including in GP stakes opportunities through GQG sponsored vehicles, (4) monetising part of PAC's portfolio at an attractive price, and (5) retaining investments that have attractive value upside relative to PAC's current share price.

Process & Approvals

PAC shareholders will be asked to vote on the Proposal at an EGM to be held on 18 April 2024.

The PAC Board, other than Paul Greenwood who is abstaining given his position as a director of GQG, unanimously recommends that shareholders vote in favour of the Proposal, and each PAC Director intends to vote all shares over which they have control, or in which they have a relevant interest, in favour of the Proposal.

River Capital Pty Ltd (**River**) (on its own behalf and on behalf of its related bodies corporate) has confirmed to PAC that it will vote all shares held or controlled by them (or in respect of which they have a relevant interest) on the date of the PAC shareholder meeting, in favour of the Proposal. It currently holds 19.8%.

In the absence of a superior proposal and subject to Perpetual Limited (**Perpetual**) continuing to hold its PAC shares on the date of the EGM to vote on the Proposal, Perpetual will vote all of its shares in favour of the Proposal. Perpetual currently has a holding of 15.0% in PAC.

Both River and Perpetual have also confirmed to PAC that they have made these statements in the knowledge that they will be relied upon by other PAC shareholders and the market.

The sale of Proterra will be contingent on receiving UK Financial Conduct Authority approval and the sale of Avante on receiving approval from the US Small Business Administration.

Under the terms of its investment in the Boutiques, PAC is required to receive consent on a sale of its holding from each of Proterra, Cordillera and Avante.

Exclusivity

PAC has granted GQG exclusivity on customary terms which include no shop, no talk, and no due diligence restrictions (subject to required customary fiduciary exceptions), and an obligation for PAC to notify GQG if it receives a competing proposal. A summary of the exclusivity arrangements is set out in Annexure A to this announcement.

The Acquisition agreement also includes certain circumstances in which a break fee of US\$712,500 is payable by PAC to an affiliate of GQG, including if shareholders do not approve the Proposal at the EGM.

Other Matters

Should the Proposal complete, the PAC Board intends to vest all outstanding options and substantially all performance rights in accordance with the discretion accorded by the long term incentive (LTI) plan. The PAC Board believes that the intended objectives of the LTI plan, namely shareholder value creation, will have been achieved by enacting the Proposal.

The LTI will be predominantly payable in PAC shares, indicatively equating to a ~2% increase in PAC shares on issue, potentially with a portion in cash. 40% of the LTI shares will be held in escrow in line with the IMA period.

Paul Greenwood would step down from the PAC Board at the time of completion of the Proposal.

Indicative Timetable and Next Steps

The EGM notice of meeting is anticipated to be distributed to PAC shareholders in the coming days.

Key dates	Date
Proposed Date for PAC Extraordinary General Meeting	Thursday, 18 April 2024
Indicative Completion Date	First half calendar 2024

Note: All times and dates in the above timetable are references to the time and date in Sydney, New South Wales (AEDT). All dates are indicative only.

Advisers

PAC is being advised by Flagstaff Partners, Allens and Sidley Austin.

This announcement was authorised for release by the Board of Pacific Current Group Ltd.

Further information

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Annexure A: Exclusivity Terms

During the Exclusivity Period (defined below), PAC must not, and must ensure that each of its representatives and associates, do not, directly or indirectly:

- (a) **(No shop)** solicit, invite, encourage or initiate (including by the provision of non-public information to any third party) any inquiry, expression of interest, offer, proposal, discussion or other communication by any person in relation to, or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal (defined below) (other than, from the RCP Date (defined below), a Relevant Competing Proposal (defined below)), or communicate to any person an intention to do anything referred to in this clause.
- (b) **(No talk)** subject to fiduciary exceptions, facilitate, participate in or continue any inquiry, expression of interest, offer, proposal, negotiations, discussions or other communications by or with any person in relation to an actual, proposed or potential Competing Proposal (other than, from the RCP Date, a Relevant Competing Proposal), or negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into, any agreement, arrangement or understanding regarding an actual, proposed or potential Competing Proposal.
- (c) **(No due diligence)** subject to fiduciary exceptions:
- (i) make available to any person (other than GQG), or permit any person (other than GQG) to receive, any confidential or non-public information relating to PAC, which could reasonably be expected to encourage such person to formulate, develop or finalise a Competing Proposal other than, from the RCP Date, a Relevant Competing Proposal; and
 - (ii) PAC agrees not to waive, and to enforce, any standstill obligations and any confidentiality obligations owed by any third party to PAC.

Additionally, during the Exclusivity Period, PAC must notify GQG in writing within 24 hours if it becomes aware of any:

- receipt of Competing Proposal (other than, from the RCP Date, a Relevant Competing Proposal);
- an approach, inquiry, proposal or request to initiate any discussions in respect of any actual, proposed or potential Competing Proposal (other than, from the RCP Date, a Relevant Competing Proposal);
- request for information relating to a PAC in relation to actual, proposed or potential Competing Proposal (other than, from the RCP Date, a Relevant Competing Proposal) or which PAC has any grounds to suspect may relate to an actual, proposed or potential Competing Proposal (other than, from the RCP Date, a Relevant Competing Proposal); and
- provision by PAC of any material non-public information to any third party in relation to a Competing Proposal (other than, from the RCP Date, a Relevant Competing Proposal).

Exclusivity Period means the period from and including the date of the Deed and ending on the earlier of either the termination of the Deed, on completion of the Proposal, or the End Date (which is defined to mean 5 months after the date of the Deed).

Competing Proposal means any proposal, agreement, arrangement or transaction (or expression of interest therefor), which, if entered into or completed, would or may result in a third party either alone or together with any associate (other than GQG or related entities):

- directly or indirectly acquiring a relevant interest in, or having a right to acquire, a legal, beneficial or economic interest in, or control of, 20% or more of the shares in PAC;
- acquiring control of PAC (as determined in accordance with section 50AA of the Corporations Act 2001 (Cth));
- directly or indirectly acquiring or becoming the holder of, or otherwise acquiring or having a right to acquire, a legal, beneficial or economic interest in, or control of, all or a substantial part of PAC's business or assets or the business or assets of the PAC;
- otherwise directly or indirectly acquiring or merging, or being involved in an 'amalgamation' or 'reconstruction' (as those terms are used in section 413(1) of the Corporations Act 2001 (Cth)), with PAC or a material subsidiary of PAC; or
- requiring PAC to abandon, or otherwise fail to proceed with, the Proposal, (and includes, but is not limited to, a competing proposal in relation to PAC's holdings in Proterra Investment Partners, Cordillera Investment Partners, and Avante Capital) whether by way of takeover bid, members' or creditors' scheme of arrangement, reverse takeover, shareholder approved acquisition, capital reduction, buy back, sale or purchase of shares, other securities or assets, assignment of assets and liabilities, incorporated or unincorporated joint venture, dual listed company structure (or other synthetic merger), deed of company arrangement, any debt for equity arrangement, recapitalisation, refinancing or other transaction or arrangement.

Relevant Competing Proposal means a Competing Proposal which:

- is not conditional on the Proposal not completing and does not otherwise require PAC to abandon, or otherwise not proceed with, the Proposal; or
- is conditional on the Proposal completing.

RCP date means the business day after the date on which the business of the EGM has been concluded and determined.

ABOUT PACIFIC CURRENT GROUP

Pacific Current Group Limited is a multi-boutique asset management firm dedicated to providing exceptional value to shareholders, investors and partners. We apply our strategic resources, including capital, institutional distribution capabilities and operational expertise to help our partners excel. As of 15 March 2024, Pacific Current Group has investments in 15 boutique firms globally.

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