

PERPETUAL PURE MICROCAP FUND - CLASS A

November 2016



Our Fund only invests in profitable, well-capitalised and well-managed businesses. By conducting our own in depth, bottom up analysis we seek the best opportunities for our investors. Many of these companies often have little or no research published on them, which leads to them being overlooked and/or mispriced. As investors, we look to capitalise on these market inefficiencies. It is worth noting that our Fund will not speculate in unprofitable businesses.

PERFORMANCE SUMMARY (AFTER FEES) AS AT 31 OCTOBER 2016

	1 MONTH %	3 MONTHS %	6 MONTHS %	1 YR %	2 YR %	3 YR %	SINCE INCEPTION % PA*
Perpetual Pure Microcap Fund – Class A	-2.3%	3.7%	17.4%	52.2%	33.4%	30.4%	35.1%
S&P/ASX Small Ordinaries Accumulation Index	-4.7%	-4.8%	6.2%	14.9%	8.5%	4.4%	5.1%

*Inception date: 2 September 2013

PACIFIC CURRENT GROUP is a multi-boutique asset management firm with investments in 17 managers globally with a combined FUM of \$52.3 billion* at September 2016. It was formed via the merger of Australian-based and ASX listed Treasury Group and US based Northern Lights Capital Group. Whilst both Treasury Group and Northern Lights have had a strong history of making solid, profitable investments, some recent investment managers have underperformed, resulting in large FUM losses which has reduced the value of the underlying businesses, and impacted both the earnings and the share price performance of PAC.

More recently however, the board and management have taken steps to reduce costs significantly at the corporate level, optimise the portfolio via divesting underperforming boutiques, and then recycle that capital into alternative strategies which are more relevant to today's investors, including those that focus on after-tax returns, smart beta & ESG. From an earnings perspective, the profits of these strategies are also less correlated to traditional market movements, FUM and Flows. Having said that, recent FUM performance across the group has improved with \$1.5 billion* of net inflows across the September 2016 quarter alone.

Another positive near term catalyst relates to the work being undertaken to simplify the structure of the Trust within which the boutiques investments are held. This will not only reduce balance sheet liabilities relating to future conversion of unlisted unit holders to PAC shares, but also provide the equity market a much cleaner look through value. We believe that once this occurs PAC will begin to track towards its fundamental sum of the parts which remains well above the current share price.

*Pacific Current Group ASX announcement <http://www.asx.com.au/asxpdf/20161024/pdf/43c7n4wfvf958.pdf>

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MORE INFORMATION

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