

Pacific Current Group Limited (ASX:PAC) and the sea-god Nereus

Time for Nereus Capital to Live Up to Its Namesake, says ASI!

In Greek mythology, the sea-god Nereus was famed for his truthfulness and virtue.

Constructivist equity investment manager Advocate Strategic Investments (ASI) hopes that this will be the case with Nereus Holdings LP (Nereus) which is based in the Cayman Islands. Nereus is a boutique fund manager (infrastructure) owned by its investee company Pacific Current Group Limited (PAC) through its controlled Aurora Trust. Nereus also controls Nereus Capital Investments (Singapore) Pte Ltd (NCI) which is a holding Company that was established on 25 September 2013.

In its campaign against the habitual secrecy and opacity that characterises the corporate governance and communications strategy of PAC, ASI points to Nereus as a typical example.

The Nereus entities, supposedly Indian-focused private equity boutique(s) investing in renewable energy infrastructure, are theoretically owned by the Aurora Trust – which is itself theoretically controlled by Pacific Current Limited – but ASI says PAC shareholders have no idea whether Nereus or the infrastructure funds even exist or indeed to a standard institutional or sophisticated investors would expect.

When the merger between Treasury Group Limited and Northern Lights was announced in August 2014, Nereus was one of the Northern Lights assets vended into the new entity. Apart from its description, as an Indian-based private equity boutique focused on renewable energy infrastructure, no figure for funds under management (FUM) was stated. The value placed on the Nereus investment to facilitate in part, the questionable Northern Lights merger, was in the order of \$15 million or more. PAC shareholders contributed further cash through their share of PAC's controlled Aurora Trust to Nereus in financial years 2015 and 2016 which amounted to a further \$6.5 million.

All that Pacific Current shareholders have really seen of Nereus is that Aurora Trust wrote it down by \$8.88 million in FY15 and by a further \$11.21 million in FY16 (the Trust continues to give shareholders money to Nereus).

This is just part of the more than \$120 million in write-downs that have been applied by Aurora Trust to the Northern Lights portfolio in less than two years.

When one visits the Nereus website, at <http://nereuscapital.com>, there are beautiful pictures and interesting videos on renewable energy, but very little in the way of hard information or numbers.

Nereus is supposed to have two funds, the India Alternative Energy Fund, which provides finance to independent power producers for construction and implementation of renewable energy projects, and the India Solar Investment Trust, which provides construction finance to utility-scale solar power projects that provide electricity to commercial or industrial users, and seeks to generate stable, low-volatility, annual yields from the contracted sale of power.

But even as a PAC shareholder, ASI has had problems locating valid and current information of any real kind on these two funds.

There is no investment performance data or funds under management information on the website.

The most recent press release on the Nereus website dates from August 2014.

The website contains no employees' names listed, no telephone number and no email address.

ASI has recently learned that in 2015, an institutional investor considering an investment into a Nereus Infrastructure fund withdrew at the last minute because it could not be provided with a bank account into which to deposit funds for investment?

ASI has also traced Nereus's Indian operations to a suite in the Westin Hotel in Mumbai?

ASI is continuing to investigate Nereus Capital, but to this point, finds it an entity where so little verifiable information exists, it is difficult to ascertain whether Nereus still exists, and in what form. ASI notes, however, that Pacific Current Group shareholders do have tangible evidence of their control of a Trust that owns Nereus – they have seen \$20.09 million of impairments in that Trust's accounts.

We have asked PAC for information concerning Nereus's and its infrastructure funds, the silence has been deafening!

Stand by for the next edition of ASI's attempts to identify and locate the activities of Nereus Holdings and its various entities.

As a constructivist equity investment manager, ASI will be engaging with the board and executive of Pacific Current Limited more earnestly to suggest strategic, operational and governance changes that it believes could help the broader stock market to better understand the Pacific Current Limited

business, and thus begin to redress the steep valuation discount currently being applied.

ASI maintains that both Pacific Current Limited and Aurora Trust are, as constituted at present, deliberately opaque with respect to their accounts and the operating performance of their assets, to the extent that shareholders cannot discover the true economic performance of their investment in Pacific Current Limited. Thus shareholders cannot have any confidence in the board and management of Pacific Current Limited with respect to redressing the dismaying loss of shareholder value since the company struck what ASI believes to have been a poorly thought-out merger. ASI has also questioned the scope of the company's audit, and the independence of the auditors, given the related advisory fees paid to the firm in 2014-2015.

ASI will engage with Pacific Current Limited in a constructive manner. It will continue to seek answers to specific questions that have been put to the Company which to date, have been mostly ignored, as well as others continuing to arise.

About ASI

ASI is a Melbourne-based independent investment management firm that provides institutional and sophisticated investor clients with customised alternative investment strategies. The firm's senior investment team uses its unique, company-specific, value-oriented investment approach, with a strong focus on equity special events and credit opportunities. ASI's approach is focused on the preservation of capital through extensive and rigorous investment analysis on a position and portfolio basis. ASI is the manager and adviser to the Advocate Partners Constructivist investment strategy. Shareholder constructivism is about advocating an owner's perspective in relation to how a public company is governed and operated, in order to build the conditions necessary for its equity value to appreciate.

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