



Media Release

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LUMX GROUP LIMITED ANNOUNCES 2017 ANNUAL RESULTS

INCREASE IN FEE-EARNING ASSETS CONTINUED GROWTH OF LUMRISK CONVERTIBLE BONDS TO BE ISSUED TO NEW STRATEGIC INVESTOR

LumX Group Limited (ticker: LUMX) (“LumX”, the “Group”, the “Company”, “we” or “us”), an alternative investment specialist focused on providing leading investment, risk management, and structuring solutions, announces its annual results for the year ended 31 December 2017 as well as the execution of an agreement with a new strategic investor relating to two-year 3% coupon rate unsecured redeemable convertible bonds in an aggregate principal amount of CHF 4.5 million.

Highlights

- Total fee-earning assets for the Group were USD 7.4 billion at 31 December 2017 compared to USD 6.2 billion at 31 December 2016
- Continued growth of LumRisk subsidiary with additional contracts signed in 2017 for risk reporting services. LumRisk is expected to see significant growth in revenues in 2018. The Group is exploring strategic opportunities to capitalise on LumRisk’s growth prospects
- Continued streamlining of costs in all aspects of Group business by 17% on a like-for-like basis
- Net revenues of USD 12.4 million for the period compared with USD 16.0 million in 2016. New revenue stream from LumRisk business (USD 1.4 million).
- Net loss for the period of USD 7.0 million, of which USD 2.0 million related to an impairment of intangible assets
- LumX expects to receive in Q2 2018 the remaining USD 2.0 million of proceeds from the disposal of its stake in HS Group in 2017

Commenting, Arpad Busson, Executive Chairman stated:

“A significant amount of continued progress has been achieved in rebuilding our organisation over the last 12 months, and redefining our business model based on three key initiatives; LumX Asset Management, LumRisk, and LumMap, which can be offered as individual or complementary solutions. I am encouraged by the growth prospects of the LumRisk subsidiary, where strategic opportunities and alliances are being actively explored. I would like to thank the Board of Directors for laying the groundwork for future success, and shareholders and investors for their continued confidence.

For Additional Information

LumX Group Limited
Andrew Crawford
Tel: +41 22 363 6863

Media Enquiries
Jan Gregor
Tel: +41 44 212 4141



Assets

The fee-earning assets of the Group as at 31 December 2017 were USD 7.4 billion, an increase of 19% when compared with the figure of USD 6.2 billion at 31 December 2016.

The LumRisk business continued its expansion during 2017 with new reporting mandates signed. The value of client portfolios it provides consolidated risk reporting services on almost trebled to USD 4.5 billion. The Group anticipates that LumRisk will continue to be a driver of growth in 2018 as it grows its market share.

The Group saw growth in its multi-asset business, displayed under “other activities” in the table below, which saw inflows of approximately USD 150 million during the year.

Assets in the Group’s Alternative Investment Solutions business² of USD 2.5 billion (of which USD 1.9 billion are assets in respect of which advisory mandates are performed) decreased by 42% over the year, due to outflows from multi-manager strategies, including the loss of a discretionary mandate in the second half of the year. Assets in the alternative risk premia funds where LumX entities act as investment manager remain stable.

The breakdown of assets across business lines is as follows:

Fee-Earning Assets	Dec 2017 (USD billion)	Dec 2016 (USD billion)	% change
Alternative Investment Solutions ^{1, 2}	2.48	4.29	-42%
LumRisk ³	4.47	1.53	+193%
Other activities	0.45	0.39	+16%
Total fee-earning assets	7.40	6.21	+19%

¹ of which assets in respect of which the Group performs advisory mandates represented USD 1.87 billion as at December 2017 and USD 2.55 billion as at December 2016.

² of which managed account platform assets represented USD 0.26 billion as at December 2016

³This figure represents the fee-earning value of client mandates. When taking account of the notional value of the underlying instruments that some investors have in place directly with their banks, it represents gross exposure of approximately USD 27 billion of assets. LumRisk fee-earning assets displayed above exclude LumX-managed assets where risk reporting services are provided.

Note: percentage changes and amounts are rounded.

Strategy and Plans

Management and staff at LumX Group have worked tirelessly to execute the Group’s long-term strategy and reposition the organization for anticipated growth opportunities. The Group is starting to see returns on this investment, and is considering hiring key talent to strengthen its team at management, operational, and quantitative levels.

The Group has received confirmation that it will receive the remaining USD 2.0 million from the 2017 sale of its stake in HS Group. The proceeds are expected to be paid in Q2 2018. The Group continues to review its participations in each of its different businesses and partnerships, exploring potential synergies, strategic opportunities, and alliances for all areas of the Company’s business, including LumRisk.

Today, LumX Group offers a full range of integrated investment solutions and services based on three individual business lines that have the capacity to complement each other: asset management (**LumX**), risk aggregation and reporting (**LumRisk**), and managed account platform & structuring (**LumMap**). These activities and services extend across multiple asset classes and cover both traditional and alternative investment strategies.



Despite setbacks relating to the loss of certain legacy mandates in 2017, the Group's alternative solutions business continues to evolve in response to investor trends and the growing acceptance of alternative risk premia and factor investing by institutional investors. Building on the investment team's experience in managing multi-provider portfolios of alternative risk premia ("ARP"), LumX Asset Management will launch its first in-house trend-following risk premium product in May 2018, and will follow up with FX and equity premia at a later stage. Other projects include the intended launch of a strategy specific portfolio of high conviction active alpha managers, and the construction of a hybrid portfolio of hedge funds and ARP. An existing key client has also confirmed their request to convert their existing risk premia account to a more actively managed mandate, which is effective from mid-April 2018, and will have a positive impact on revenues.

2017 saw the Group exceed its expectations relating to the raising of new assets related to its multi-asset offering, and the Group expects this aspect of its business to be an integral part of its overall offering going forward.

LumRisk, a risk aggregation and reporting fintech business, and Group subsidiary, experienced significant growth in the number of mandates won and has expanded its penetration of investment banking networks, asset owners, and asset managers. The Company believes that LumRisk is in a good position to grow its market share and capitalise on opportunities to provide consolidated risk transparency for multi-asset investments, and is exploring strategic alliances and synergies with outside firms. It continues to invest significantly in developing its technology, and is looking to hire additional key talent for the next phase of expansion, which will ensure secure, speedy, and scalable access to a growing number of users covering a wide range of asset classes and securities.

The Company has invested resources into its LumMap structuring services, which designs bespoke investment solutions to answer the regulatory and compliance needs of managers and investors, and offer allocators high standards of governance by creating fiduciary envelopes for their investments. The LumMap managed account platform has been redomiciled in Dublin and is positioned to cater for the needs of managers to distribute their funds under AIFMD, with the first fund scheduled to launch in June 2018. The Group is in advanced discussion with various managers, institutions, and family offices interested in the flexibility of the LumMap infrastructure, combined with the benefits of full transparency offered by LumRisk and potential advisory services offered by the asset management team.

Outlook

The recent market turmoil and increase in volatility in early February 2018, combined with the end of quantitative easing, may be a sign of a changing environment for investors, driven more by economic fundamentals. Such an environment should favour macro and active managers with a strong risk management philosophy, and all types of alternative investments. The Group believes that it is well placed to benefit from the potential investment opportunities that will arise, and from the growing interest from institutional investors for customized portfolio management, fund structuring and risk management solutions.

Challenges to the business remain, with the key risks to the Group today being the ability to execute our strategy in the face of cashflow pressures, replacing client assets, and generating new revenues. The Group's focus in 2018 will be to build on the progress made to date with the three business initiatives:

- Continued development of **LumX's** tailor-made solutions business, covering multi-asset investments, hedge funds, and alternative risk premia. Innovative new products are scheduled to launch later this year that benefit from the investment team's robust systematic quantitative tools and 25 years' experience analysing investment strategies and managing clients' capital.
- Growth of the **LumMap** managed account platform offering to include a wide range of external fund managers that will benefit from the platform's EU domicile and the



corresponding AIFMD benefits. The LumMap team also intends to further develop its custom fund structuring business and is in advanced discussions with institutions and family offices.

- Continued expansion of the **LumRisk** business to consolidate its position in the market for secure, speedy, and scalable web-based ARP reporting. LumRisk is investing resources in the continued development of its bespoke risk aggregation and reporting offering across multi-asset portfolios, ranging from traditional and illiquid asset classes to liquid alternatives, and providing increasingly granular performance attribution information down to individual positions. The Group is exploring strategic opportunities and potential synergies to capitalise on LumRisk's growth prospects.

Financials

The Group's gross revenues for 2017 were USD 12.8 million compared to USD 17.8 million in 2016. Management fees were USD 10.3 million (2016: USD 16.4 million), reflecting lower assets in multi-manager funds, whilst performance fees were USD 0.7 million (2016: USD 0.3 million). A new revenue stream from the LumRisk business generated USD 1.4 million. Referral fee expenses amounted to USD 0.4 million (2016: USD 1.8 million), resulting in net revenues of USD 12.4 million, a decrease of 22% compared to 2016 (USD 16.0 million).

The net loss for 2017 was USD 7.0 million. Excluding the impairment of USD 2.0 million of intangible assets due to the loss of mandates that were recognised at the merger with EIM, the adjusted loss was USD 5.0 million, showing progress towards the Group's profitability objectives when compared with the loss of USD 7.9 million in 2016. The continued growth and future success of the Group is dependent on successfully onboarding new client mandates.

Non-current liabilities include USD 3.4 million of defined retirement benefits reported in accordance with IFRS.

Excluding this impairment and usual amortisation expenses, total operating costs declined by 17% in 2017, to USD 17.6 million, down from USD 21.2 million in 2016, thanks to better management of professional service providers. Personnel expenses represented the bulk of costs at USD 11.4 million (2016: USD 12.1 million). LumX employed 51 employees on a full time equivalent basis at year-end (2016: 58).

The Board proposes no dividend for the financial year 2017.



Consolidated Income Statement (USD mln)	Dec-17	Dec-16	Change (%)
Management Fees	10.3	16.4	-37%
Performance Fees	0.7	0.3	94%
Advisory Fees	0.1	0.2	-25%
LumRisk Fees	1.4	0.3	325%
Other Fees	0.3	0.5	-48%
Gross revenues	12.8	17.8	-28%
Total referral fee expense ¹	(0.4)	(1.8)	-80%
Net Revenues	12.4	16.0	-22%
Personnel expenses	(11.4)	(12.1)	-6%
Establishment expenses	(1.4)	(2.4)	-43%
Professional expenses	(1.7)	(3.1)	-44%
IT and data expenses	(2.0)	(2.3)	-16%
FX gain / (loss)	0.1	(0.6)	-113%
Other expenses	(0.7)	(0.0)	-
Marketing and representation cost	(0.6)	(0.6)	2%
Operating expenses from operations	(17.6)	(21.2)	-17%
Gain/Loss on disposal of a business	0.0	(0.2)	-
Operating result before amortisation and impairment	(5.2)	(5.5)	-4%
Amortisation of intangible and fixed assets	(1.6)	(1.8)	-13%
Impairment of intangible assets	(2.0)	0.0	-
Operating result after amortisation and impairment	(8.8)	(7.3)	22%
Finance income/(cost)	0.1	0.1	12%
Net profit/(loss) on financial assets	1.3	(0.3)	-589%
Share of post-tax profits/(losses) of associates	0.1	0.1	14%
Profit before tax	(7.4)	(7.4)	0%
Income tax (expense)/credit	0.4	(0.6)	-167%
Net loss	(7.0)	(7.9)	-12%
Attributable to:			
Non-controlling interest	0.04	(0.1)	-132%
Loss attributable to shareholders	(7.0)	(7.8)	-11%
Loss for the period	(7.0)	(7.9)	-12%
Weighted average number of shares for diluted EPS calculation (millions)	105.3	67.3	57%
Diluted EPS (USD)	(0.07)	(0.12)	-42%

Note: numbers are rounded, percentages are actual, percentage change sign on accounting basis.

¹ Referral fee expenses comprise third party commissions for client introductions and on-going client service, and some specific rebates to clients of the underlying LumX funds.



Statement of Financial Position (USD mln)	Dec-17	Dec-16	Change
Financial Investments	2.0	5.0	-59%
Goodwill	21.1	21.1	0%
Intangible assets	0.7	3.8	-81%
Investments in associates/JVs	2.3	2.5	-6%
Property, plant and equipment	0.3	0.3	11%
Receivables	0.5	0.1	244%
Deferred tax assets	2.0	1.2	62%
Total non-current assets	29.0	34.0	-15%
Trade debtors	2.5	2.0	27%
Other receivables	0.6	1.6	-63%
Tax assets	0.0	0.1	-94%
Financial Investments	2.0	0.0	-
Cash and short term financial investments	1.0	4.9	-80%
Current assets	6.1	8.5	-28%
Total assets	35.1	42.5	-17%
Total equity	21.9	28.6	-23%
Accruals and other creditors	0.2	1.8	-88%
Retirement benefit liabilities	3.4	3.0	13%
Deferred tax liabilities	0.2	0.0	-
Non-current liabilities	3.8	4.8	-22%
Trade creditors	2.8	1.5	82%
Deferred Income	0.3	0.1	361%
Other payables	6.2	7.4	-17%
Current tax liabilities and provisions	0.03	0.0	-
Total current liabilities	9.3	9.0	4%
Total liabilities	13.1	13.9	-5%
Total equity and liabilities	35.1	42.5	-17%

Note: numbers are rounded, percentages are actual, percentage change sign on accounting basis.

Please visit <https://www.lumxgroup.com/financial-information/financial-section> to view a copy of the 2017 annual results.

Convertible Bonds Agreements with New Strategic Investor and Existing Shareholder

The Company will enter into an agreement in early May with a new strategic investor, CS Asia Opportunities Master Fund, a company incorporated in the Cayman Islands, relating to two-year 3% coupon rate unsecured redeemable convertible bonds in an aggregate principal amount of CHF 4.5 million. Upon completion of this agreement, which is expected to occur within the next three months, subject to customary closing conditions, the Company will issue the convertible bonds against an aggregate subscription amount of CHF 4.5 million. The convertible bonds will bear interest at the rate of 3% per annum. Unless previously redeemed or converted, the Company will redeem the bonds on the maturity date, which is two years after



the date of issue, together with an amount which will make up an aggregate internal rate of return on the principal amount of 7.5% per annum. The bondholders will have the right to convert all or part of their outstanding bonds into shares of the Company at any time during the term of the bonds at a conversion price of CHF 0.2811 per share. This conversion price is subject to adjustments under specific circumstances. Under certain conditions, the Company has the right to redeem any outstanding bonds before the maturity date. Assuming that the entire amount of CHF 4.5 million is converted into shares, the new investor would acquire approximately 13% of the share capital of the Company (on a diluted basis, but not taking into consideration potential conversions of outstanding convertible loans granted to the Company by other parties).

Separately, the Group has entered into an agreement with one of its key shareholders offering conversion rights that entitle the shareholder to convert an existing loan of USD 1.0 million into shares of the Group at the lower of the average value per share at February 1, 2018 plus a premium of 25% (equal to CHF 0.295) or the average value per share at the date of conversion.

About LumX Group Limited

Incorporated in Guernsey and listed on the SIX Swiss Exchange, LumX Group Limited (ticker: **LUMX**) is the holding company of an alternative investment specialist focused on bringing leading investment and risk management solutions to a primarily institutional client base.

The LumX Group has offices in Guernsey, Geneva (Nyon), London, New York, Luxembourg, and an affiliate office in Melbourne.