

24 February 2017

***By Electronic Lodgement***

The Manager  
Company Announcements Office  
ASX Ltd  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

**Pinnacle Investment Management Group Limited (ASX: PNI) 2017 Interim Results**

Pinnacle Investment Management Group Limited (**Pinnacle**) is pleased to advise shareholders that the net profit after tax from continuing operations attributable to shareholders is \$3.0 million for the six months to 31 December 2016 compared with \$2.0 million for the prior corresponding period (**PCP**). Highlights of the 1H2017 financial results are as follows:

- > Net profit after tax from continuing operations attributable to shareholders of \$3.0 million up 50% from \$2.0 million in prior corresponding period (PCP)\*.
- > Earnings per share from continuing operations of 2.1 cents up 17% from 1.8 cents in PCP.
- > Earnings per share (after discontinued operations) of 2.0 cents, up 25% from 1.6 cents from PCP
- > Fully franked interim dividend per share of [2.2] cents up 57% from 1.4 cents in PCP.
- > Pinnacle's share of Affiliates NPAT \$7.1 million down 11% from \$8.0 million in PCP\*\*.
- > Pinnacle funds under management (FUM) of \$23.3 billion\*\*\* at 31 December 2016, up 18% from \$19.8 billion at 30 June 2016.

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\*Shareholders should note that the PCP does not represent a direct comparison since it was prior to the acquisition of the remaining 24.99% equity in Pinnacle's principal operation subsidiary (Pinnacle Investment Management Limited (PIML)) which Pinnacle did not previously own. Completion of this transaction occurred on 25 August 2016, following which Pinnacle has had a 100% share of the cash flows and revenues of PIML, as opposed to a 75% share in the PCP.

\*\*Note that there were large, variable performance fees in the PCP that were not repeated in the current period. As previously advised, we expect the usual pattern of 'within year variability' in performance fees, with H2 NPAT typically larger than H1.

\*\*\*\$22.9 billion at 31 January 2017

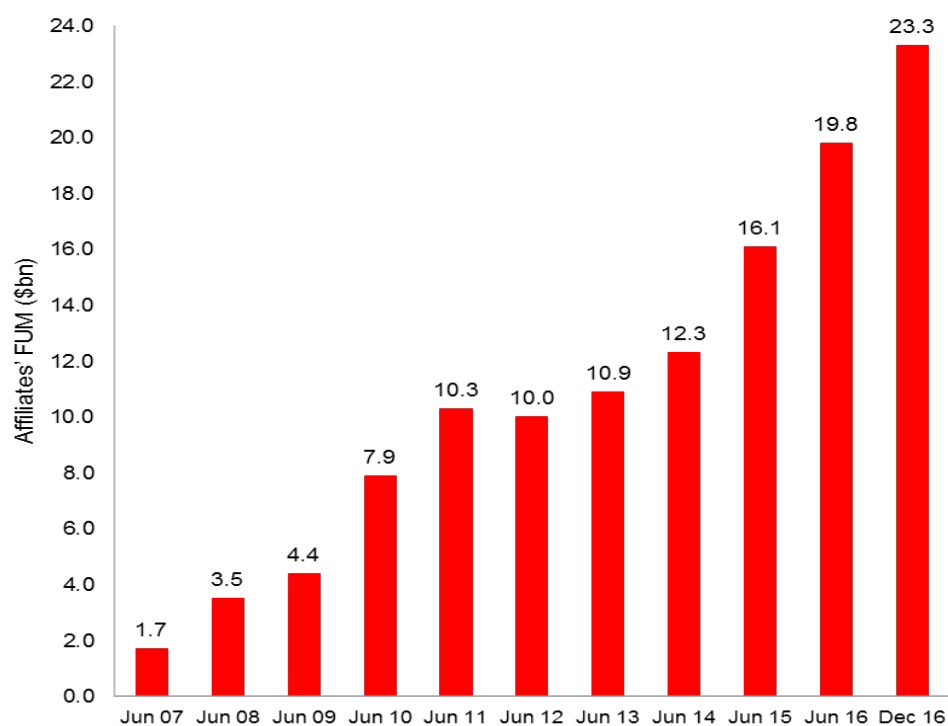
## Composition of Group Results

As previously advised to shareholders, in accordance with Accounting Standards, the 1H2017 interim results do not include any accrual for performance fees that have not been definitely earned.

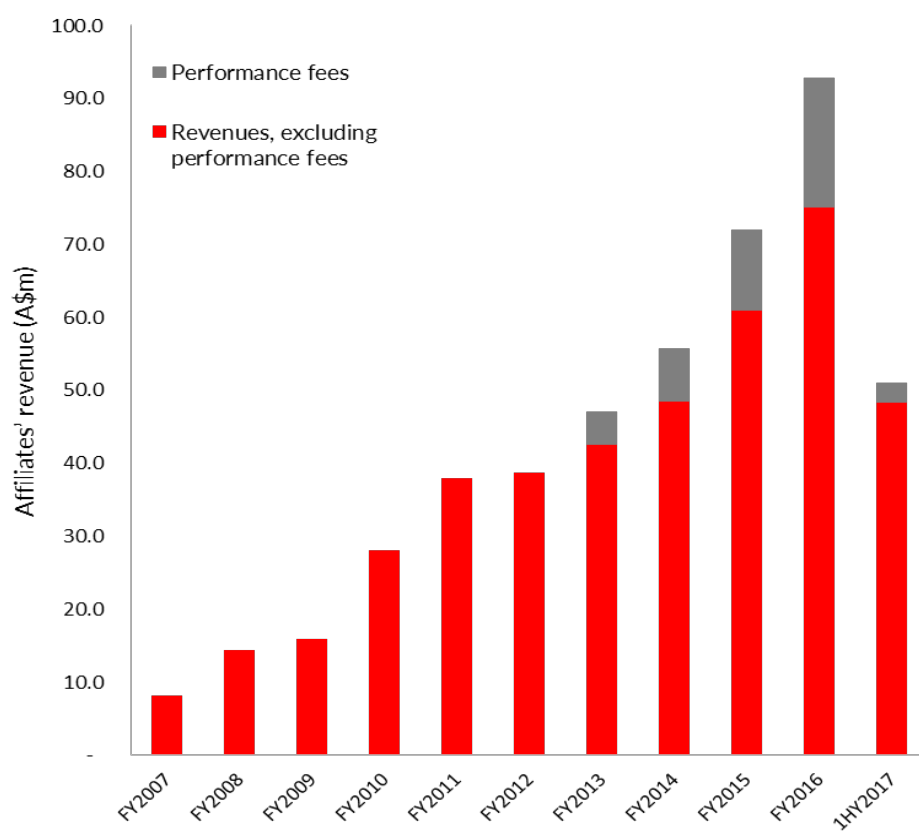
Composition of Group Results (\$m)	1H2017	1H2016
<b>Pinnacle*</b>	<b>4.1</b>	<b>4.7</b>
<b>Group overheads (Wilson Group)</b>	<b>(0.9)</b>	<b>(1.4)</b>
<b>Profit before tax (PBT) from continuing operations</b>	<b>3.2</b>	<b>3.3</b>
Minority Interests	(0.2)	(1.2)
<b>PBT from continuing operations attributable to shareholders</b>	<b>3.0</b>	<b>2.1</b>
Tax (expense)/benefit - continuing operations pre DTA derecognition	0.0	(0.1)
<b>NPAT from continuing operations attributable to shareholders</b>	<b>3.0</b>	<b>2.0</b>
Discontinued operations - Securities business	(0.2)	(0.3)
<b>Net profit / (loss) attributable to shareholders</b>	<b>2.8</b>	<b>1.7</b>
 * Includes share of Pinnacle affiliates' profit after tax	 7.1	 8.0
<b>Earnings per share:</b>		
From continuing operations	2.1	1.8
Total attributable to shareholders	2.0	1.6

Aggregate FUM of the Pinnacle Affiliates is reported as \$23.3 billion at 31 December 2016, compared with \$18.9 billion at 31 December 2015, and \$19.8 billion as at 30 June 2016.

	1H2017	1H2016
<b>Pinnacle Affiliates (100% aggregate basis)</b>		
FUM (\$billion)	23.3	18.9
Revenue (\$million)	52.3	48.0
<b>Net profit before tax</b>	<b>24.3</b>	<b>25.1</b>
Tax expense	(7.1)	(7.4)
<b>Net profit after tax</b>	<b>17.2</b>	<b>17.7</b>
<b>Pinnacle</b>		
Revenue	3.7	2.9
Expenses	(6.7)	(6.2)
Share of Pinnacle Affiliates net profit after tax statutory result	7.1	8.0
<b>Pinnacle Group statutory result #</b>	<b>4.1</b>	<b>4.7</b>



\*Funds under management shown as the aggregation of 100% of Pinnacle Affiliates.



## Outlook for 2H2017

At the time of the recent capital raising, the Board set out its expectations in respect of Pinnacle's financial performance for 2H2017, which expectations remain unchanged.

We remind shareholders again that performance fees are only included in Pinnacle's financial statements once they have been definitely earned, in accordance with prevailing accounting principles.

In our presentation to shareholders at Pinnacle's annual general meeting on 14 November 2016 we advised shareholders that *"because significant likely performance fees in certain affiliates are scheduled to crystallise on 30 June 2017, Pinnacle NPAT is likely to be a lower % of the FY17 total in 1H2017 and a higher % of the FY17 total in 2H2017"*. We foreshadowed this likely 'within year variability' in Pinnacle's results *"with 2H results proportionately larger and 1H proportionately smaller than in FY16"*.

This remains our expectation for the 2017 financial year.

For the 2016 financial year, NPAT from continuing operations in 1H2016 represented approximately 35% of the NPAT from continuing operations for the full 2016 financial year.

Recognising the skew of performance fees to the second half of the financial year, the 2H2017 results can be influenced by a range of factors which are difficult to predict, such as the level of performance fees earned, movements in investment markets and investment conditions generally, the extent to which Pinnacle invests in additional resources to support future growth and other variables. Taking these variables into consideration and having made certain assumptions (including the assumptions set out below) Pinnacle expects the following for the full year ended 30 June 2017:

	FY16	FY17	Change
NPAT (continuing ops)	\$8.4m	≥\$10m	≥+19%
Group NPAT	\$7.2m	≥\$11m	≥+53%
EPS (continuing ops)	5.2c	≥6.6c	≥+27%
Group EPS	4.1c	≥7.2c	≥+76%

Note: FY16 NPAT numbers adjusted to add back effect of minorities.  
EPS calculations include dilutive effect of new share capital, but assumes zero contribution from new capital raised for FY17.  
Dilution assumes approximately 12.5 million shares issued, and in issue from 1 February 2017.

- Group NPAT attributable to shareholders of at least \$11 million which incorporates the expected crystallisation of approximately \$0.9 million related to discontinued operations and would represent a 53% increase on FY16 (adjusted for minorities).
- Group NPAT from continuing operations of at least \$10 million which would represent an increase of 19% compared to FY16 (adjusted for the minorities).
- Group EPS of at least 7.2 cents per share representing a 76% increase of FY16.
- EPS from continuing operations of 6.6 cents per share representing a 27% increase on FY16.

This expectation assumes:

- Investment markets remain broadly at the levels prevailing at 31 December 2016;
- No unusual events or factors emerge to materially adversely impact the business of Pinnacle or any of its Affiliates.

In addition, no attempt has been made to incorporate any impact of the Hunter Hall takeover offer that remains extant (see below).

### **Hunter Hall Offer**

On 23 January 2017, Pinnacle announced its intention to make an off-market takeover offer via its subsidiary Pinnacle Ethical Investments Pty Ltd for all of the shares of Hunter Hall International Limited (HHL). A bidder's statement was lodged with the ASX on 30 January 2017 and a supplementary bidder's statement was lodged on 14 February 2017. HHL had 27,309,816 shares on issue as at date of the bidder's statement. On 20 February 2017, Pinnacle revised its offer for HHL to \$2.40 per share, conditional on acquiring an interest of at least 24% of HHL shares on issue before the Company's offer closes. As at the lodgement of this announcement, this offer remains outstanding.

### **Legacy Operations**

Following the sale of the Group's securities business (now renamed Wilsons Advisory), Pinnacle may receive additional value for deferred tax assets and/or a future profit share in relation to the 2016, 2017 and/or 2018 financial years. Pinnacle also, however, has contingent liability relating to its historical ownership which is running off over time. Pinnacle has completed the payment of certain staff related costs, run off insurances and other items.

Next Financial's operations have now been finalised.

### **Capital Raising**

As previously advised to shareholders, on 30 January 2017 Pinnacle completed a placement of \$30 million (pre expenses) via an underwritten placement to institutional and sophisticated investors. Pinnacle intends to utilise the additional capital to support its strategy to grow FUM and profitability through organic growth from its existing investment affiliates, supporting the creation of new investment managers, and making acquisitions when attractive opportunities which satisfy its criteria arise.

### **Dividend**

The Board has resolved to declare a fully franked interim dividend of 2.2 cents per share to shareholders recorded as such on the register on 7 March 2017 and payable on 17 March 2017.

Yours faithfully



**Eleanor Padman**  
**Company Secretary**

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+61 2 8970 7726



**Pinnacle**  
INVESTMENT MANAGEMENT

# **Interim Results**

*for the period ended 31 December 2016*

24 February 2017

# 1H2017 Financial Highlights

- Net profit after tax (**NPAT**) from continuing operations attributable to shareholders of \$3.0 million up 50% from \$2.0 million in prior corresponding period (**PCP**)\*.
- Earnings per share from continuing operations of 2.1 cents up 17% from 1.8 cents in PCP.
- Earnings per share (after discontinued operations) of 2.0 cents, up 25% from 1.6 cents from PCP
- Fully franked interim dividend per share of 2.2 cents up 57% from 1.4 cents in PCP.
- Pinnacle's share of Affiliates' NPAT \$7.1 million down 11% from \$8.0 million in PCP\*\*.
- Pinnacle funds under management (**FUM**) of \$23.3 billion\*\*\* at 31 December 2016, up 18% from \$19.8 billion at 30 June 2016.

\*Shareholders should note that the PCP does not represent a direct comparison since it was prior to the acquisition of the remaining 24.99% equity in Pinnacle's principal operation subsidiary (Pinnacle Investment Management Limited (**PIML**)) which Pinnacle did not previously own. Completion of this transaction occurred on 25 August 2016, following which Pinnacle has had a 100% share of the cash flows and revenues of PIML, as opposed to a 75% share in the PCP.

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\*\*\*\$22.9 billion at 31 January 2017

# Financial Summary

Composition of Group Results (\$m)	1H2017	1H2016
Pinnacle*	4.1	4.7
Group overheads (Wilson Group)	(0.9)	(1.4)
Profit before tax (PBT) from continuing operations	3.2	3.3
Minority Interests	(0.2)	(1.2)
PBT from continuing operations attributable to shareholders	3.0	2.1
Tax (expense)/benefit - continuing operations pre DTA derecognition	0.0	(0.1)
<b>NPAT from continuing operations attributable to shareholders</b>	<b>3.0</b>	<b>2.0</b>
Discontinued operations - Securities business	(0.2)	(0.3)
<b>Net profit / (loss) attributable to shareholders</b>	<b>2.8</b>	<b>1.7</b>
* Includes share of Pinnacle Boutiques profit after tax	7.1	8.0
<b>Earnings per share:</b>		
From continuing operations	2.1	1.8
Total attributable to shareholders	2.0	1.6

- Strong growth in underlying Pinnacle earnings – 1H2016 numbers included a large Hyperion performance fee
- Affiliate base management fees have increased by 31% on the PCP
- 50% increase in net profit after tax from continuing operations
- Minority interests ceased from August 2016



# Highlights of interim results

	1H2017	1H2016
<b>Pinnacle Affiliates (100% aggregate basis)</b>		
FUM (\$billion)	23.3	18.9
Revenue (\$million)	52.3	48.0
<b>Net profit before tax</b>	<b>24.3</b>	<b>25.1</b>
Tax expense	(7.1)	(7.4)
<b>Net profit after tax</b>	<b>17.2</b>	<b>17.7</b>
<b>Pinnacle</b>		
Revenue	3.7	2.9
Expenses	(6.7)	(6.2)
Share of Pinnacle Affiliates net profit after tax statutory result	7.1	8.0
<b>Pinnacle Group statutory result <sup>#</sup></b>	<b>4.1</b>	<b>4.7</b>

- Strong FUM and revenue growth
- Total Affiliates' Revenues of \$52.3m, including \$2.4m (or 5%) in performance fees. In 1H2016, total Affiliates' Revenues of \$48.0m, including \$9.9m (or 21%) in performance fees.
- Due to previously advised within year variability, profits for 1H2017 are expected to be a lower proportion of the full year total than in 2016

# Balance Sheet

As At	31-Dec-16	30-Jun-16
	\$m	\$m
<b>Assets</b>		
Cash and cash equivalents	6.6	13.5
Financial assets	8.1	10.9
Trade and other receivables	3.5	5.6
Other current assets	0.8	2.7
Investments accounted for using the equity method	25.8	24.5
Other non-current assets	1.1	1.2
<b>Total Assets</b>	<b>45.9</b>	<b>58.4</b>
<b>Liabilities</b>		
Trade and other payables	4.4	6.2
Other current liabilities and provisions	0.8	2.5
Non-current liabilities	0.1	0.1
<b>Total Liabilities</b>	<b>5.3</b>	<b>8.8</b>
<b>Net Assets</b>	<b>40.6</b>	<b>49.6</b>

- Cash and Principal Investments of \$14.7m, before proceeds from \$30m (pre expenses) placement in January 2017
- The change in NTA is attributable to statutory accounting adjustments and equity accounting for the acquisition of the minority interest in PIML
- Significant items:
  - special dividend of \$5.5m (5 cents per share) on 9 September 2016
  - final dividend of \$2.8m (1.9 cents per share) on 3 October 2016
  - employee loans of \$3m associated with acquisition of shares from Deutsche Bank

- Pinnacle is an investment management firm providing affiliated investment managers with the infrastructure, resources and distribution required to generate superior performance
- Founded in 2006, Pinnacle currently holds an equity interest in each of seven specialist investment managers (**Affiliates**)
- Funds under management (**FUM**) of \$23.3 billion as at 31 December 2016
- All of Pinnacle's affiliated investment managers have outperformed their benchmarks from inception and over the five years to 31 December 2016
- Pinnacle was recently recognised as the 2016 Distributor of the Year by the Zenith Fund Awards

# Australia's leading investment "house of affiliated investment managers"



Structure promotes independence, accountability, focus and longevity



- Executives of both Pinnacle and affiliated managers have significant equity interests
- Equity ownership enhances alignment with shareholders

Seed FUM and working capital

RE, compliance, finance, legal

Distribution and client services

Technology and other firm 'infrastructure'

Middle office and fund administration

Interface for outsourced services

49.9%

**HYPERION**  
ASSET MANAGEMENT

Global & Australian  
equities  
1996

47.9%

**Plato**  
INVESTMENT MANAGEMENT

Global & Australian  
Quant equities  
2006

40.0%

**RESOLUTION**  
CAPITAL

Global REITs  
2007

35.7%

**PALISADE**

Unlisted infrastructure  
2007

40.0%

**SOLARIS**  
investment management

Australian  
Core equities  
2008

23.5%

**ANTIPODES**  
GLOBAL INVESTMENT PARTNERS

Global & Asia long/short  
& long only equities  
2015

40.0%

**Spheria**  
ASSET MANAGEMENT

Small / Microcaps  
2016

Third party distribution

**METRICS CREDIT**  
PARTNERS

**SIGMA**  
FUNDS MANAGEMENT



- **FUM (as at 31 December 2016): \$5.7 billion**
- **Pinnacle Group equity interest: 49.9%**
- Leading specialist manager of Australian equities following a quality style
- Global Equities Fund launched in May 2014 and is expected to drive future FUM growth
- Hyperion won Morningstar's Fund Manager of the Year overall and both the Domestic Equities – Large Caps Category and the Domestic Equities – Small Caps Category awards in 2016
- Hyperion's Australian funds outperformed their respective benchmarks (by 5.8% p.a. and 18.5% p.a. in the 5 years to 31 December 2016) since inception more than 20 years ago



- **FUM (as at 31 December 2016): \$1.5 billion (\$2.3 billion including investor commitments)**
- **Pinnacle Group equity interest: 35.7%**
- Specialist manager of unlisted infrastructure assets focusing on mid-market Australian assets
- Offers both pooled funds and separately managed portfolios for institutional investors
- Palisade funds have provided high yields and gross returns of between 12.2% and 17.4% p.a. over the past five years
- Palisade recently launched its Renewable Energy Fund and has a strong pipeline of investment opportunities



- **FUM (as at 31 December 2016): \$3.5 billion**
- **Pinnacle Group equity interest: 47.9%**
- Manager of Australian equities & global equities following a systematic style
- Specialises in retirement income for pension phase investors and SMSFs
- Its beta one and low volatility strategies have continued to outperform over the past three years while income strategies have delivered on their income targets
- Global Shares Income Fund was launched in November 2015 and has outperformed the market in its first year, delivering a 7.8% gross yield

## SOLARIS

investment management

- **FUM (as at 31 December 2016): \$5.0 billion**
- **Pinnacle Group equity interest: 40.0%**
- Specialist manager of Australian equities using a style-neutral investment approach
- All Solaris funds have outperformed their respective benchmarks over the past 5 years and since inception 9 years ago

## **RESOLUTION CAPITAL**

- **FUM (as at 31 December 2016): \$5.3 billion**
- **Pinnacle Group equity interest: 40.0%**
- Specialist manager of Australian and global listed real estate securities portfolios
- Awarded Zenith's Global REIT Fund Manager of the Year in 2016 for the third consecutive year
- Strong long-term outperformance
- Resolution Capital's funds outperformed their respective benchmarks over the 5 years to 31 December 2016 and since inception more than 10 years ago



- **FUM (as at 31 December 2016): \$2.2 billion**
- **Pinnacle Group equity interest: 23.5%**
- Specialist manager of global and Asian equities founded in 2015
- Successful IPO of the Antipodes Global Investment Company Limited (ASX:APL) in October 2016 which raised \$313 million
- Awarded Zenith's International Equities – Alternative Strategies Fund Manager of the Year in 2016
- Rapid growth in FUM since inception in 2015
- Antipodes' funds have strongly outperformed their benchmarks over the period of approximately 18 months since inception (by amounts ranging from 7.5% p.a. to 10.2% p.a.) to 31 December 2016

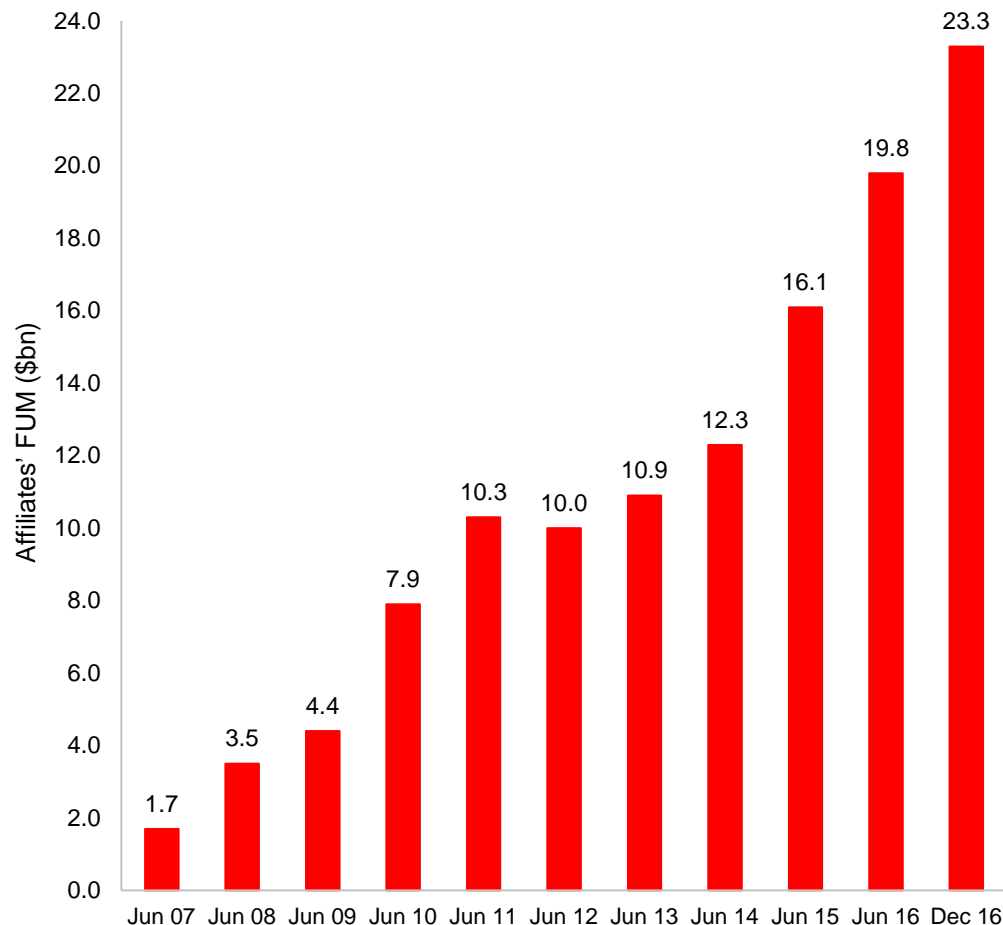


- **FUM (as at 31 December 2016): \$0.2 billion**
- **Pinnacle Group equity interest: 40.0%**
- Fundamental-based manager with a bottom-up approach focusing on small and microcap companies
- Commenced operations in April 2016
- Appointed as manager of Priority Growth Fund and Priority Core Fund in July 2016
- All Spheria funds have outperformed their benchmarks since inception approximately 6 months ago to 31 December 2016 (by 12% in the case of the Microcap Fund and 3.3% in the case of the Smaller Companies Fund)



# Pinnacle: Funds under management

## Aggregate funds under management (\$bn)<sup>(1)</sup>

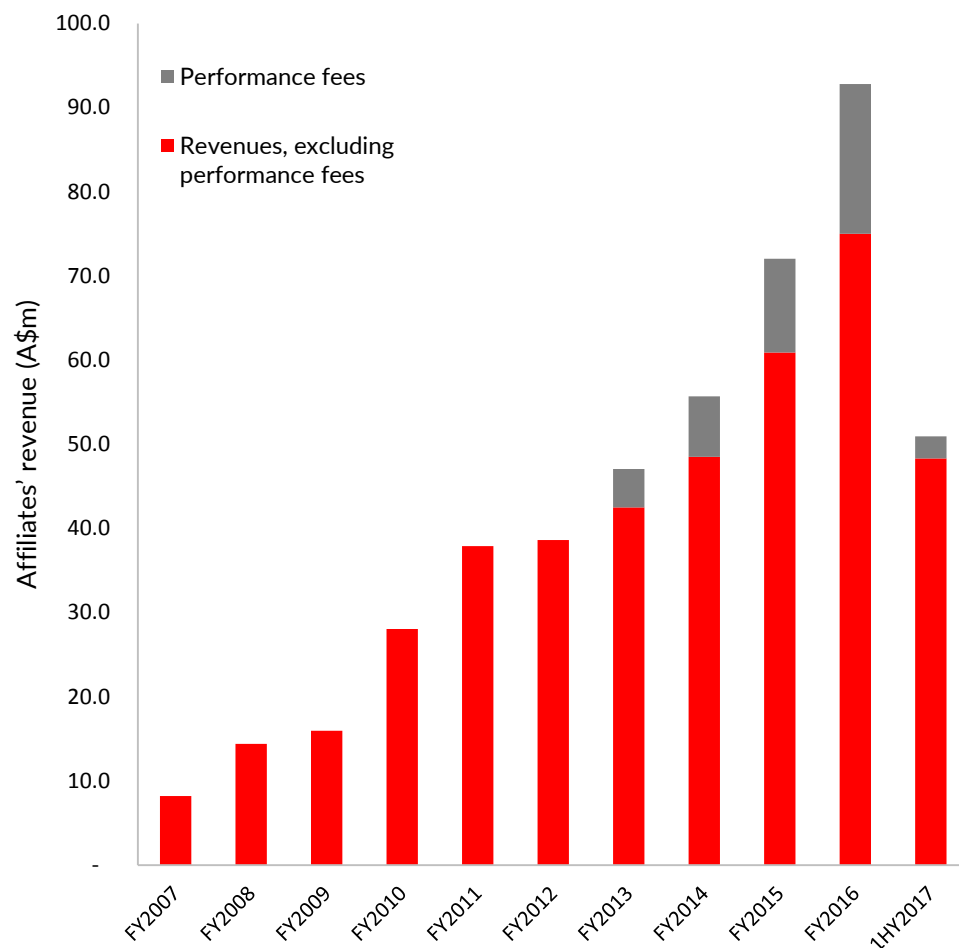


(1) Pinnacle FUM is 100% of FUM managed by Pinnacle Affiliates.

- FUM of \$23.3 billion at 31 December 2016\*
- FUM has grown at a CAGR of 32.5% p.a. over the last ten years
- Increase in FUM of \$3.58 billion in the six months to 31 December 2016, driven by net inflows of \$2.44 billion\* and market movements/investment performance of \$1.14 billion\*
- Of the \$2.44 billion of net inflows in the six months to 31 December 2016, over \$1 billion\*, including the Antipodes LIC, was retail
- Recently established Affiliates, Antipodes and Spheria, have grown rapidly since inception
  - Antipodes FUM exceeded \$2.2 billion as at 31 December 2016 following the successful IPO of Antipodes Global Investment Company (ASX:APL)

\*FUM at 31 January 2017 was \$22.9 billion, an increase of \$3.18 billion for the seven months, driven by net inflows of \$2.66 billion (of which over \$1.1 billion was retail) and market movements/investment performance of \$520 million

## Aggregate affiliate revenues (\$m)<sup>(1)</sup>



- Group NPAT from continuing operations of \$3.0 million, compared to \$2.0 million in 1HY16
- EPS from continuing operations of 2.1 cents per share, compared to 1H2016 EPS of 1.8 cents per share
- Fully franked interim dividend of 2.2 cents per share payable on 17 March 2017.

(1) Revenue shown is 100% of all Pinnacle Affiliates' revenue.  
Fees not split between Performance and Base prior to FY2012/13.

# Affiliates' investment performance to 31/01/2017

	1Y	3Y	5Y	10Y	Inception	Inception date
<b>Pinnacle Investment Management</b>						
<b>Hyperion Asset Management - Gross Performance</b>						
Hyperion Australian Growth Companies Fund	3.92%	9.27%	15.58%	7.63%	12.12%	1/10/2002
<i>Outperformance</i>	-13.40%	1.90%	5.22%	3.52%	3.00%	
Hyperion Small Growth Companies Fund	1.15%	12.84%	21.67%	12.69%	17.51%	1/10/2002
<i>Outperformance</i>	-15.20%	6.48%	18.86%	13.40%	10.85%	
Hyperion Australian Equities Composite	3.59%	9.13%	15.45%	7.57%	13.40%	1/11/1996
<i>Outperformance</i>	-13.73%	1.76%	5.09%	3.46%	4.50%	
Hyperion Australian Equities ASX300 Composite	3.67%	8.83%	15.16%	8.06%	13.19%	1/05/2003
<i>Outperformance</i>	-13.65%	1.46%	4.80%	3.95%	3.95%	
Hyperion Global Growth Companies Fund (Class B Units)	5.40%				16.83%	22/05/2014
<i>Outperformance</i>	-4.36%				3.35%	
<b>Plato Asset Management - Gross Performance</b>						
Plato Australian Shares Core Fund	15.16%	8.11%	11.79%		5.81%	30/10/2006
<i>Composite active return over S&amp;P/ASX300 Accumulation Index</i>	-2.16%	0.73%	1.44%		1.01%	
Plato Australian Shares Equity Income Fund - Class A	17.80%	10.53%	14.69%		12.34%	9/09/2011
<i>Composite active return over S&amp;P/ASX200 Accumulation Index</i>	-1.25%	1.50%	2.41%		2.69%	
Plato Global Shares Income Fund	7.28%				1.53%	30/11/2015
<i>Excess return over MSCI World Ex-Aus, Net Returns Unhedged</i>	-1.60%				-1.01%	
<b>Solaris Investment Management - Gross Performance</b>						
Solaris Core Australian Equity Fund	18.96%	9.22%	12.77%		5.75%	9/01/2008
<i>Active return, institutional investors</i>	1.61%	1.82%	2.20%		2.08%	
Solaris High Alpha Australian Equity Fund	21.57%	8.82%	12.68%		6.55%	4/02/2008
<i>Active return, institutional investors</i>	4.22%	1.42%	2.11%		2.43%	
Solaris Total Return Fund (including franking credits)	20.63%	10.75%			10.00%	13/01/2014
<i>Active return, institutional investors</i>	1.59%	1.73%			1.83%	

# Affiliates' investment performance to 31/01/2017

	1Y	3Y	5Y	10Y	Inception	Inception date
<b>Pinnacle Investment Management</b>						
<b>Resolution Capital - Gross Performance</b>						
Resolution Capital Core Plus Property Securities Fund	9.82%	17.38%	17.44%		8.49%	30/09/2008
<i>Alpha</i>	2.99%	1.48%	1.31%		2.75%	
Resolution Capital Global Property Securities Fund	11.33%	13.31%	14.75%		12.19%	30/09/2008
<i>Alpha</i>	1.92%	2.01%	2.50%		4.57%	
<b>Palisade Investment Partners - Gross Performance</b>						
Palisade Diversified Infrastructure Fund	19.67%	13.83%	14.37%		10.51%	1/08/2008
Palisade Australian Social Infrastructure Fund	17.25%	16.78%			17.13%	31/05/2011
<b>Antipodes Partners - Gross Performance</b>						
Global Fund	17.07%				13.07%	1/07/2015
<i>Alpha</i>	7.19%				8.92%	
Global Long Only	18.43%				11.06%	1/07/2015
<i>Alpha</i>	8.56%				6.90%	
Asia Fund	19.40%				6.52%	1/07/2015
<i>Alpha</i>	6.43%				8.01%	
<b>Spheria Asset Management - Gross Performance</b>						
Microcap Fund					23.40%	16/05/2016
<i>Alpha</i>					20.18%	
Smaller Companies Fund					2.94%	11/07/2016
<i>Alpha</i>					4.69%	
Midcap Fund					2.98%	11/07/2016
<i>Alpha</i>					0.32%	

# Pinnacle: FY2017 outlook

- Pinnacle expects to report the following for the full year ended 30 June 2017:

	FY16	FY17	Change
NPAT (continuing ops)	\$8.4m	≥ \$10m	≥+19%
Group NPAT	\$7.2m	≥ \$11m	≥+53%
EPS (continuing ops)	5.2c	≥ 6.6c	≥+27%
Group EPS	4.1c	≥ 7.2c	≥+76%

Note: FY16 NPAT numbers adjusted to add back effect of minorities.  
EPS calculations include dilutive effect of recent issue of 12,500,000 new shares

- Performance fees are only included in Pinnacle's financial statements once they have been definitely earned, resulting in expectations for second half year results exceeding first half year results.
- Note that results may be influenced by a range of factors.
- FY17 outlook does not account for any contribution from new capital raised.

- Protect the Core:
  - Continue to provide high quality distribution, Responsible Entity and infrastructure services.
  - Support affiliated fund managers' high standards.
  - Remain focused on investing to enable continued strong performance and FUM growth.
  - Grow retail FUM.
- Horizon 2 and 3 opportunities
  - Continue to assess third party distribution and new affiliate opportunities
  - Assess limited number of horizon 3 opportunities which meet our criteria.

## Horizon 1

- Sustain organic growth of the existing business of each affiliated IM

Any costs internally funded by the affiliated IM

## Horizon 2

- New affiliated boutiques and 'non-capital' parent growth initiatives (direct-to-retail, offshore)
- Reasonable limits to be set given 'drag' on Pinnacle financials

## Horizon 3

- Must not place the company at risk
- Only consider if low risk and high return on invested capital
- Exercise great care and careful due diligence
- Must be synergistic with existing core
- Few will meet this test



# Important notice and disclaimer

This presentation is issued by Pinnacle Investment Management Group Limited (ACN 100 325 184) (“**Company**” or “**Pinnacle**”).

## **Summary information**

This presentation contains summary information about Pinnacle and its subsidiaries and their activities which is current as at the date of this presentation. The information in this presentation is a general background and does not purport to be complete or to provide all information that an investor should consider when making an investment decision, nor does it contain all the information which would be required in a prospectus, product disclosure statement or other disclosure document prepared in accordance with the requirements of the Corporations Act. This presentation has been prepared by Pinnacle with due care but no representation or warranty, express or implied, is provided in relation to the accuracy or completeness of the information. Statements in this presentation are made only as of the date of this presentation unless otherwise stated and the information in this presentation remains subject to change without notice. Pinnacle is not responsible for updating, nor undertakes to update, this presentation. It should be read in conjunction with Pinnacle’s other periodic and continuous disclosure announcements lodged with the Australian Securities Exchange (“**ASX**”), which are available at [www.asx.com.au](http://www.asx.com.au).

## **Not financial product advice**

This presentation is not a financial product or investment advice, a recommendation to acquire shares in Pinnacle or accounting, legal or tax advice. It has been prepared without taking into account the objectives, financial or tax situation or needs of individuals. Before making any investment decision, prospective investors should consider the appropriateness of the information having regard to their own objectives, financial and tax situation and needs and seek legal and taxation advice appropriate for their jurisdiction. The Company is not licensed to provide financial product advice in respect of an investment in shares.

## **Effect of rounding**

A number of figures, amounts, percentages, estimates, calculations of value and fractions in this presentation are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this presentation.

## **Financial data**

All dollar values are in Australian dollars (“\$” or “A\$”) unless stated otherwise.

Investors should be aware that financial data in this presentation include “non-IFRS financial information” under ASIC Regulatory Guide 230 Disclosing non-IFRS financial information published by ASIC and also “non-GAAP financial measures” within the meaning of Regulation G under the U.S. Securities Exchange Act of 1934. The Company believes this non-IFRS/non-GAAP financial information provides useful information to users in measuring the financial performance and conditions of Pinnacle. The non-IFRS financial information do not have a standardised meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS/non-GAAP financial information and ratios included in this presentation.



# Important notice and disclaimer (cont.)

## **Past performance**

Past performance and any pro-forma financial information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of Pinnacle's views on its future financial performance or condition. Investors should note that past performance of Pinnacle, including the historical trading price of its shares, cannot be relied upon as an indicator of (and provides no guidance as to) future Pinnacle performance, including the future trading price of shares. The historical information included in this presentation is, or is based on, information that has previously been released to the market.

## **Future performance**

This presentation contains forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of forward-looking words such as “may”, “will”, “expect”, “intend”, “plan”, “estimate”, “anticipate”, “continue”, and “guidance”, or other similar words and may include, without limitation, statements regarding plans, strategies and objectives of management, the outcome and effects of the potential investment by Pinnacle in Hunter Hall International, should the off-market takeover bid be successful. Indications of, and guidance on, future earnings and financial position and performance are also forward-looking statements.

To the extent that this presentation contains forward-looking information, the forward-looking information is subject to a number of risk factors. Any such forward-looking statement also inherently involves known and unknown risks, uncertainties and other factors that may cause actual results, performance and achievements to be materially greater or less than estimated. Any such forward-looking statements are also based on current assumptions which may ultimately prove to be materially incorrect. Investors should consider the forward-looking statements contained in this presentation in light of those disclosures and not place reliance on such statements.

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# **Pinnacle Investment Management Group Limited**

ABN 22 100 325 184

## **Interim Financial Report for the half year 31 December 2016**

# **Pinnacle Investment Management Group Limited**

ABN 22 100 325 184

## **Interim Financial Report - 31 December 2016**

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## **Directors' report**

Your Directors present their report on the consolidated group consisting of Pinnacle Investment Management Group Limited (the Company) and the entities it controlled at the end of, or during, the half year ended 31 December 2016.

### **Directors**

The following persons were Directors of Pinnacle Investment Management Group Limited during the whole of the half year (except where noted) and up to the date of this report:

Mr A Watson  
Mr S M Wilson AM  
Mr I Macoun (appointed 25 August 2016)  
Ms D Beale (appointed 1 September 2016)  
Mr G Bradley (appointed 1 September 2016)  
Mr A Chambers (appointed 1 September 2016)  
Mr A Whittingham (appointed 1 September 2016)  
Mr A W M Grant (resigned 16 August 2016)  
Mr S M Skala AO (resigned 26 August 2016)

### **Review of operations**

During the period under review, the Group completed its transition to a funds management business by acquiring on 25 August 2016 the 24.99% of Pinnacle Investment Management Limited (PIML) that it did not already own and changing the name of the Company from Wilson Group Limited to Pinnacle Investment Management Group Limited. The Company now operates one business segment being the funds management operations of Pinnacle.

Profit before tax attributable to shareholders for the half-year was \$2.8 million (2.0 cents per share), compared with \$1.8 million (1.6 cents per share) in the prior corresponding period.

The Group's continuing operations produced pre-tax profit attributable to shareholders of \$3.0 million and earnings per share of 2.1 cents for the half-year. The share of profit of non-controlling interests for the period 1 July 2016 to 25 August 2016 was \$0.2 million.

A fully franked interim dividend of 2.2 cents has been declared and will be payable on 17 March 2017 to shareholders registered on the record date of 7 March 2017.

Funds under management (FUM) increased by 17.7% during the half-year from \$19.8 billion at 30 June 2016 to \$23.3 billion at 31 December 2016.

On 1 July 2016 Spheria Asset Management Pty Ltd, an affiliated funds manager of the Group, was appointed the investment manager of trusts previously associated with the Priority Funds. The Australian Financial Services License of Next Financial was cancelled effective 8 July 2016 and we expect minimal continuing costs to be incurred in relation to this business.

The Group incurred a loss in relation to discontinued operations of \$0.2 million for the half-year, which relates to post-sale expenses for the Wilsons Advisory Securities business that was sold on 1 July 2015. In the prior corresponding period discontinued operations incurred a loss of \$0.3 million.

No income tax expense was recognised during the period. The Group's deferred tax assets were de-recognised at 30 June 2015. In the prior corresponding period the Group recognised an income tax expense of \$0.1 million.

As approved by shareholders at an extraordinary general meeting held on 16 August 2016, 37,043,917 shares of the Company were issued on 25 August 2016 as consideration for the acquisition of the minority interests of PIML at a prevailing market value of \$1.76 per share, giving a total value of shares issued of \$65.2 million. The carrying value of non-controlling interests acquired at completion date was \$6.6 million. Under relevant accounting standard AASB10, as the shares were issued to acquire a non-controlling interest in an existing subsidiary of the Group, the excess of the value of shares issued over the carrying value of the non-controlling interest acquired of \$58.6 million, plus applicable transaction costs of \$1.0 million, is accounted for as an adjustment to equity – included in Transactions with non-controlling interests reserve - rather than as an increase in net assets of the Group. As a consequence, the net tangible assets per share at balance date was 27 cents, a decrease from 45 cents per share reported at 30 June 2016. It should be noted that this is not reflective of a reduction in value of the underlying business. Additionally, during the half-year dividends totaling \$8.4 million have been paid to shareholders by the Company.

The balance of cash and principal investments reduced by \$9.8 million during the half-year to \$14.7 million at 31 December 2016. The reduction relates largely to outlays from the completion of the acquisition of non-controlling interests of PIML, along with the payment of dividends during the period. The Group continued to have no corporate borrowings at 31 December 2016.

**Matters subsequent to the end of the reporting period**

Since the end of the half-year, the following material events have occurred as disclosed further in note 17 of the financial statements:

- The placement of 12,500,000 shares with sophisticated and institutional investors at an issue price of \$2.40 raising \$30,000,000, pre applicable expenses;
- The launch of a takeover offer for 100% of the issued capital of Hunter Hall International Limited (HHL) and the provision of a binding commitment letter for an associated debt facility of up to \$30 million by the Commonwealth Bank of Australia.

Apart from the above items, there has not arisen in the interval between the end of the half year and the date of this directors' report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the Company, to significantly affect the :

- Group's operations in future financial years; or
- Results of those operations in future financial years; or
- Group's state of affairs in future financial years.

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

**Rounding of amounts**

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.



Mr A Watson  
Chairman  
Sydney  
24 February 2017



## Auditor's Independence Declaration

As lead auditor for the review of Pinnacle Investment Management Group Limited for the half-year ended 31 December 2016, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Pinnacle Investment Management Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read "Craig Thomason", with a long horizontal flourish extending to the right.

Craig Thomason  
Partner  
PricewaterhouseCoopers

Sydney  
24 February 2017

# Pinnacle Investment Management Group Limited

ABN 22 100 325 184

## Interim Financial Report - 31 December 2016

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Pinnacle Investment Management Group Limited (formerly Wilson Group Limited with name change effective 25 August 2016) during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim financial report covers the consolidated entity consisting of Pinnacle Investment Management Group Limited and its subsidiaries.

The financial report is presented in Australian currency.

Pinnacle Investment Management Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Pinnacle Investment Management Group Limited  
Level 19, 307 Queen Street  
Brisbane QLD 4000

The financial statements were authorised for issue by the Directors on 24 February 2017. The directors have the power to amend and re-issue the financial statements.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete and available globally at minimum cost to the Company. All press releases, financial reports and other information are available at the 'about us' and investor relations pages on our website:

[www.pinnacleinvestment.com/shareholders-investor-centre/](http://www.pinnacleinvestment.com/shareholders-investor-centre/)

**Pinnacle Investment Management Group Limited**  
**Condensed Consolidated Statement of Profit or Loss**  
**For the half year ended 31 December 2016**

		<b>Half Year</b>	
	Notes	<b>31 December 2016</b>	31 December 2015
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue from continuing operations</b>	3	<b>4,848</b>	3,646
Fair value gains/(losses) on financial assets at fair value through profit or loss		<b>(783)</b>	162
Employee benefits expense		<b>(3,696)</b>	(3,830)
Incentives expense		<b>(2,235)</b>	(1,727)
Legal and professional services expense		<b>(497)</b>	(478)
Property expense	4	<b>(292)</b>	(455)
Consultants fees		<b>(272)</b>	(473)
Travel and entertainment expense		<b>(232)</b>	(204)
Technology and communications expense		<b>(179)</b>	(313)
Insurance expense		<b>(142)</b>	(189)
Finance cost expense	4	<b>(46)</b>	(47)
Depreciation and amortisation expense		<b>(24)</b>	(12)
Impairment expense	4	<b>-</b>	(445)
Other expenses from operating activities		<b>(311)</b>	(240)
Share of net profit of jointly controlled entities accounted for using the equity method		<b>7,064</b>	7,951
<b>Profit before income tax from continuing operations</b>		<b>3,203</b>	3,346
Income tax expense	5	<b>-</b>	(132)
<b>Profit from continuing operations</b>		<b>3,203</b>	3,214
Loss from discontinued operations	15(b)	<b>(216)</b>	(265)
<b>Profit for the half-year</b>		<b>2,987</b>	2,949
Profit for the half-year is attributable to:			
<b>Owners of Pinnacle Investment Management Group Limited</b>		<b>2,828</b>	1,764
Non-controlling interests		<b>159</b>	1,185
		<b>2,987</b>	2,949
		<b>Cents</b>	Cents
<b>Earnings per share:</b>			
<b>From continuing operations attributable to owners of Pinnacle Investment Management Group Limited</b>			
Basic earnings per share	9	<b>2.1</b>	1.8
Diluted earnings per share	9	<b>2.1</b>	1.8
<b>Total profit attributable to owners of Pinnacle Investment Management Group Limited</b>			
Basic earnings per share	9	<b>2.0</b>	1.6
Diluted earnings per share	9	<b>2.0</b>	1.6

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.



**Pinnacle Investment Management Group Limited**  
**Condensed Consolidated Statement of Comprehensive Income**  
**For the half year ended 31 December 2016**  
**(continued)**

		<b>Half Year</b>	
	Notes	<b>31 December 2016 \$'000</b>	31 December 2015 \$'000
<b>Profit/(loss) for the half-year</b>		<b>2,987</b>	2,949
<b>Other comprehensive income:</b>			
<i>Items that may be reclassified to profit or loss</i>			
Changes to the fair value of available-for-sale financial assets	16(c)	-	-
<b>Total comprehensive income for the half-year</b>		<b>2,987</b>	2,949
Total comprehensive income for the half-year is attributable to:			
<b>Owners of Pinnacle Investment Management Group Limited</b>		<b>2,828</b>	1,764
Non-controlling interests		159	1,185
		<b>2,987</b>	2,949
Total comprehensive income for the half-year attributable to owners of Pinnacle Investment Management Group Limited arises from:			
<b>Continuing operations</b>		<b>3,044</b>	2,029
Discontinued operations	15(b)	(216)	(265)
		<b>2,828</b>	1,764

The above condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

**Pinnacle Investment Management Group Limited**  
**Condensed Consolidated Statement of Financial Position**  
**As at 31 December 2016**

	Notes	31 December 2016 \$'000	30 June 2016 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	6,597	13,544
Trade and other receivables		3,473	5,670
Financial assets at fair value through profit or loss		8,132	10,918
Other current assets		864	2,661
<b>Total current assets</b>		<b>19,066</b>	<b>32,793</b>
<b>Non-current assets</b>			
Investments accounted for using the equity method		25,830	24,528
Property, plant and equipment		132	135
Intangible assets		12	14
Available-for-sale financial assets		943	943
<b>Total non-current assets</b>		<b>26,917</b>	<b>25,620</b>
<b>Total assets</b>		<b>45,983</b>	<b>58,413</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		4,447	6,206
Provisions		849	979
Other current liabilities		-	1,572
<b>Total current liabilities</b>		<b>5,296</b>	<b>8,757</b>
<b>Non-current liabilities</b>			
Provisions		118	73
<b>Total non-current liabilities</b>		<b>118</b>	<b>73</b>
<b>Total liabilities</b>		<b>5,414</b>	<b>8,830</b>
<b>Net assets</b>		<b>40,569</b>	<b>49,583</b>
<b>EQUITY</b>			
Contributed equity	7	120,229	61,946
Reserves	8(a)	(54,134)	1,167
Accumulated losses	8(b)	(25,526)	(19,982)
<b>Capital and reserves attributable to owners of Pinnacle Investment Management Group Limited</b>		<b>40,569</b>	<b>43,131</b>
Non-controlling interests		-	6,452
<b>Total equity</b>		<b>40,569</b>	<b>49,583</b>

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

**Pinnacle Investment Management Group Limited**  
**Condensed Consolidated Statement of Changes in Equity**  
**For the half year ended 31 December 2016**

		Attributable to owners of Pinnacle Investment Management Group Limited					
	Notes	Contributed equity \$'000	Reserves \$'000	Accumulated losses \$'000	Total \$'000	Non-con- trolling interests \$'000	Total equity \$'000
Opening balance at 1 July 2015		61,466	(307)	(20,486)	40,673	3,797	44,470
<b>Profit and total comprehensive income for the half year</b>		-	-	<b>1,764</b>	<b>1,764</b>	<b>1,185</b>	<b>2,949</b>
<b>Transactions with owners in their capacity as owners:</b>							
Issue of shares on exercise of options		122	-	-	122	-	122
Dividends paid to shareholders		10	-	(2,487)	(2,487)	-	(2,487)
Share-based payments		-	256	-	256	-	256
		122	256	(2,487)	(2,109)	-	(2,109)
<b>Closing balance at 31 December 2015</b>		<b>61,588</b>	<b>(51)</b>	<b>(21,209)</b>	<b>40,328</b>	<b>4,982</b>	<b>45,310</b>
Opening balance at 1 July 2016		61,946	1,167	(19,982)	43,131	6,452	49,583
<b>Profit and total comprehensive income for the half year</b>		-	-	<b>2,828</b>	<b>2,828</b>	<b>159</b>	<b>2,987</b>
<b>Transactions with owners in their capacity as owners:</b>							
Acquisition of non-controlling interests		14	65,197	(59,603)	-	5,594	(6,611)
Dividends paid to shareholders		10	-	-	(8,372)	(8,372)	-
Movement in treasury stock		7	(6,914)	3,973	-	(2,941)	-
Share-based payments		8	-	329	-	329	-
		58,283	(55,301)	(8,372)	(5,390)	(6,611)	(12,001)
<b>Closing balance at 31 December 2016</b>		<b>120,229</b>	<b>(54,134)</b>	<b>(25,526)</b>	<b>40,569</b>	<b>-</b>	<b>40,569</b>

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**Pinnacle Investment Management Group Limited**  
**Condensed Consolidated Statement of Cash Flows**  
**For the half year ended 31 December 2016**

		<b>Half Year</b>	
	Notes	<b>31 December 2016 \$'000</b>	31 December 2015 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		4,814	2,747
Payments to suppliers and employees		(10,047)	(8,656)
Dividends and distributions received		7,511	4,775
Interest received		54	185
Finance and borrowings costs paid		(46)	(2)
Proceeds from sale of financial assets at fair value through profit or loss		2,649	1,035
Payments to purchase financial assets at fair value through profit or loss		(500)	(3,312)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>4,435</b>	<b>(3,228)</b>
<b>Cash flows from investing activities</b>			
Sale of investments in subsidiaries	15(b)	(308)	4,000
Payments for property, plant and equipment		(19)	(85)
Loan repayments from related parties		1,025	2,453
Loan advances to related parties		(76)	(500)
Loans to shareholders		(3,000)	-
Repayments of loans to shareholders		67	-
Payments for investments accounted for using the equity method		(700)	(710)
<b>Net cash (outflow)/inflow from investing activities</b>		<b>(3,011)</b>	<b>5,158</b>
<b>Cash flows from financing activities</b>			
Dividends paid to shareholders	10	(8,372)	(2,487)
<b>Net cash (outflow) from financing activities</b>		<b>(8,372)</b>	<b>(2,487)</b>
<b>Net (decrease) in cash and cash equivalents</b>		<b>(6,946)</b>	<b>(557)</b>
Cash and cash equivalents at the beginning of the year		13,013	13,570
<b>Cash and cash equivalents at end of half year</b>	6	<b>6,597</b>	<b>13,013</b>

The consolidated statement of cash flows includes cash flows from continuing and discontinued operations.

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

## 1 Basis of preparation of half year report

This condensed consolidated interim financial report for the half year reporting period ended 31 December 2016 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by Pinnacle Investment Management Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

### (a) Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, as disclosed in the 30 June 2016 annual report.

### (b) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period, however, the Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these standards.

### (c) Adjustment of prior period balances

Prior period balances have been adjusted where changes in the business have resulted in additional or altered disclosures in the current period.

## 2 Segment information

During the period, the group re-assessed its business segmentation, identifying one business segment being the funds management operations of Pinnacle.

Previously, two business segments were identified, being Pinnacle and Wilson Group. The Wilson Group segment consisted of specialty funds management through the Priority Funds, holding selected investments as principal, and servicing structured products for clients via Next Financial. The investment management of the Priority Funds was transferred to Spheria Asset Management Pty Limited on 1 July 2016, and the Australian Financial Services License of Next Financial was cancelled effective 8 July 2016. Therefore Wilson Group is no longer identified as a segment and the results of principal investments are included within the broader Group results.

The funds management business of Pinnacle is conducted in one geographic location, being Australia.

## 3 Revenue from operations

	Half Year	
	31 December 2016	31 December 2015
	\$'000	\$'000
<i>Services revenue</i>		
Fund management fees	-	431
Service charges to entities under joint control	3,400	2,724
Interest income on structured products (Next Financial)	-	14
	<b>3,400</b>	<b>3,169</b>
<i>Other revenue</i>		
Interest received or due	72	175
Directors fees	22	22
Dividends and distributions	1,327	195
Other revenue	27	85
	<b>1,448</b>	<b>477</b>
	<b>4,848</b>	<b>3,646</b>

## 4 Expenses

	Half Year	
	31 December 2016	31 December 2015
	\$'000	\$'000
<b>Profit before income tax includes the following specific expenses:</b>		
<i>Finance cost expense</i>		
Interest and finance charges - corporate	46	47
	<b>46</b>	<b>47</b>
<i>Rental expense relating to operating leases</i>		
Minimum lease payments	232	339
	<b>232</b>	<b>339</b>
<i>Impairment expense</i>		
Impairment expense - loans to related parties and investments accounted for using the equity method	-	1,025
Reversal of impairment expense – loans to related parties and investments accounted for using the equity method	-	(580)
Net impairment expense	-	445

## 5 Income tax expense

### Numerical reconciliation of income tax expense to prima facie tax payable

	Half Year	
	31 December 2016	31 December 2015
	\$'000	\$'000
Profit from continuing operations before income tax expense	3,203	3,346
Loss from discontinued operations before income tax expense	(216)	(265)
Profit before income tax	<b>2,987</b>	<b>3,081</b>
Tax at the Australian tax rate of 30.0% (2015 - 30.0%)	896	924
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share of profits of jointly controlled entities	(2,119)	(2,385)
Non-deductible expenditure	118	94
Impairment	-	137
Sundry items	65	89
	<b>(1,040)</b>	<b>(1,141)</b>
Deferred tax assets not recognised *	1,040	1,141
Adjustments for tax of prior periods	-	132
Total income tax expense	-	132

\* Relates to deferred tax assets which have not been recognised on the basis that it is not considered probable that the tax losses giving rise to the deferred tax assets will be recovered.

## 6 Current assets - Cash and cash equivalents

	31 December 2016 \$'000	30 June 2016 \$'000
Available cash at bank and on hand	6,288	13,238
Fixed-term deposits	308	305
Other committed cash at bank and on hand	1	1
	<b>6,597</b>	<b>13,544</b>

## 7 Contributed equity

### (a) Share capital

	31 December 2016 Shares	30 June 2016 Shares	31 December 2016 \$'000	30 June 2016 \$'000
Ordinary shares:				
Fully paid contributed equity - Company	<b>137,318,238</b>	111,131,752	<b>120,229</b>	61,946
<b>Total contributed equity</b>	<b>137,318,238</b>	111,131,752	<b>120,229</b>	61,946

### (b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$'000
1 July 2016	<b>Opening balance</b>	<b>111,131,752</b>		<b>61,946</b>
	Issue of ordinary shares as consideration for acquisition of non-controlling interests of Pinnacle Investment Management Limited (refer note 14)	37,043,917	\$1.76	65,197
	Treasury stock held at the end of period	(10,857,431)		(6,914)
31 Dec 2016	<b>Balance</b>	<b>137,318,238</b>		<b>120,229</b>

### (c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

### (d) Treasury stock

Treasury stock are shares in Pinnacle Investment Management Group Limited that are subject to share mortgage under employee loans used for the purposes of acquiring interests in the Company (refer note 14). The value ascribed to treasury stock is the value of the loans secured by share mortgage at period end.

## 8 Reserves and accumulated losses

### (a) Reserves

	31 December 2016 \$'000	30 June 2016 \$'000
Share-based payments reserve	4,526	224
Available-for-sale financial assets reserve	943	943
Transactions with non-controlling interests reserve	(59,603)	-
	<u>(54,134)</u>	<u>1,167</u>

#### Movements:

	\$'000
<i>Share-based payments reserve</i>	
<b>Balance at 1 July 2016</b>	<b>224</b>
Share-based payments expense	329
Employee loans subject to share based payments arrangements	3,973
<b>Balance at 31 December 2016</b>	<b><u>4,526</u></b>
<i>Available-for-sale financial assets reserve</i>	
<b>Balance at 1 July 2016</b>	<b>943</b>
Changes in fair value of available-for-sale financial assets (refer note 16)	-
<b>Balance at 31 December 2016</b>	<b><u>943</u></b>
<i>Transactions with non-controlling interests reserve</i>	
<b>Balance at 1 July 2016</b>	<b>-</b>
Acquisition of non-controlling interests of Pinnacle Investment Management Limited (refer note 14)	(59,603)
<b>Balance at 31 December 2016</b>	<b><u>(59,603)</u></b>

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised;
- the grant date fair value of shares issued to employees;
- the issue of shares held by employee share plans to employees; and
- the grant date fair value of the Pinnacle Long-term Employee Incentive Plan.

The available-for-sale financial assets reserve is used to recognise changes in the fair value of available-for-sale financial assets.

The transactions with non-controlling interests reserve is used to recognise the excess of the consideration paid to acquire non-controlling interests above the carrying value of the non-controlling interest at time of acquisition.

### (b) Accumulated losses

Movements in accumulated losses were as follows:

	\$'000
<b>Balance at 1 July 2016</b>	<b>(19,982)</b>
Profit attributable to owners of Pinnacle Investment Management Group Limited	2,828
Dividends paid to shareholders (refer note 10)	(8,372)
<b>Balance at 31 December 2016</b>	<b><u>(25,526)</u></b>



## 9 Earnings per share

### (a) Basic earnings per share

	Half Year	
	31 December 2016	31 December 2015
	Cents	Cents
Attributable to the ordinary equity holders of the company:		
<b>From continuing operations</b>	2.1	1.8
From discontinued operations	(0.1)	(0.2)
<b>From total operations</b>	<u>2.0</u>	<u>1.6</u>

### (b) Diluted earnings per share

	Half Year	
	31 December 2016	31 December 2015
	Cents	Cents
Attributable to the ordinary equity holders of the company:		
<b>From continuing operations</b>	2.1	1.8
From discontinued operations	(0.1)	(0.2)
<b>From total operations</b>	<u>2.0</u>	<u>1.6</u>

### (c) Reconciliation of earnings used in calculating earnings per share

	Half Year	
	31 December 2016	31 December 2015
	\$'000	\$'000
<i>Basic and diluted earnings per share</i>		
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share:		
From continuing operations	3,044	2,029
From discontinued operations	(216)	(265)
Profit used in calculating basic and diluted earnings per share	<u>2,828</u>	<u>1,764</u>

### (d) Weighted average number of shares used as denominator

	Half Year	
	31 December 2016	31 December 2015
	Number	Number
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share</i>	141,934,574	110,531,752
Adjustments for calculation of diluted earnings per share:		
Weighted average options	1,914,861	239,985
<i>Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share</i>	<u>143,849,436</u>	<u>110,771,737</u>

### (e) Information concerning the classification of securities

Options granted to employees under employee share schemes are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

## 10 Dividends

	Half Year	
	31 December 2016 \$'000	31 December 2015 \$'000
<b>(a) Ordinary shares</b>		
Special dividend of 5.0 cents per fully paid ordinary share paid on 9 September 2016 (2015 – 2.25 cents paid on 18 September 2015) Fully franked based on tax paid @ 30.0%	5,557	2,487
Final dividend for the year ended 30 June 2016 of 1.9 cents per fully paid ordinary share paid on 3 October 2016 (2015 - \$nil) Fully franked based on tax paid @ 30.0%	2,815	-
Total dividends paid	<u>8,372</u>	<u>2,487</u>
<b>(b) Dividends not recognised at the end of the half year</b>		
Since period end the Directors have recommended the payment of an interim dividend of 2.2 cents per fully paid ordinary share (2015 - 1.4 cents), fully franked based on tax paid at 30%. The aggregate amount of the dividend expected to be paid on 17 March 2017 (2015 – 31 March 2016), but not recognised as a liability at half year end, is:	3,535	1,547

## 11 Borrowings and Financing Facilities

The Group has a bank facility subject to annual review which is secured by a general security deed over the assets of a subsidiary of the Group, Ariano Pty Ltd, and guarantees provided by the Company and other Group entities (excluding entities within the Pinnacle Investment Management Limited and Next Financial Limited groups). Details of the facility are as follows:

	Limit of facility	
	31 December 2016 \$'000	30 June 2016 \$'000
Bank guarantee (amount used at balance date \$5,050,000)	5,500	5,500

The bank facility is supported by a negative pledge that states that (subject to certain exceptions) the Group will not provide any security over its assets and that the Group's consolidated tangible net assets must not be less than 60% of its total tangible assets. Ongoing compliance with covenants is reviewed on a regular basis and compliance has been maintained during the period.

## 12 Contingencies

### Guarantees

The Group holds guarantees in respect of Australian Financial Services License Net Tangible Asset obligations (via bank guarantee) in respect of:

- (i) Pinnacle Funds Services Limited - \$5,000,000 (30 June 2016: \$5,000,000).
- (ii) Pinnacle RE Services Limited - \$50,000 (30 June 2016 - \$50,000)

These guarantees may give rise to liabilities in the Group if the related entities do not meet their obligations that are subject to the guarantees.

No material losses are anticipated in respect of any of the above contingent liabilities.

### Disposal of Securities Business

The group has contingent liabilities and assets in respect to its historical ownership of the Wilsons Advisory business prior to its disposal on 1 July 2015 (refer note 15).

### Acquisition of non-controlling interests of Pinnacle Investment Management Limited

The group has contingent liabilities in respect to warranties provided to the vendors of the non-controlling interests of Pinnacle Investment Management Limited, acquired on 25 August 2016 (refer note 14).

### 13 Related party transactions

The following significant related party transactions occurred during the period:

**(a) Issue of new loans approved at extraordinary general meeting on 16 August 2016**

As a result of negotiations concluded in May 2016 and approved by shareholders at an extraordinary general meeting held on 16 August 2016, on 25 August 2016 the Company provided senior executives of its subsidiary Pinnacle Investment Management Limited with loans totaling \$3,000,002, the proceeds of which were used to partially fund the acquisition of shares from Deutsche Australia (refer note 13(e)). This included loans of \$500,000 each to Mr Ian Macoun, Mr Alex Ihlenfeldt, Mr Adrian Whittingham and Mr Andrew Chambers who are key management personnel of the group.

The key terms of the loans are as follows:

- (a) The loans have a five year term, are limited recourse and are interest bearing;
- (b) They are secured by way of a share mortgage (see further detail below);
- (c) Repayment will occur at the earlier of the end of the five year term, the date on which any shares are sold or within six months of cessation of employment;
- (d) Events of default include cessation of employment, insolvency or any representation or warranty or statement of the borrower being incorrect or misleading.

As security for the loans, the Company has obtained a first ranking mortgage over 1,111,111 shares held by each executive. In the occasion of any event of default under the loans, the Company can exercise its rights to enforce its security including by the appointment of a receiver.

The balance of each loan at 31 December 2016 including capitalised interest was \$504,388.

**(b) Re-issue of existing loans approved at extraordinary general meeting on 16 August 2016**

As a consequence of the transaction to acquire non-controlling interests of Pinnacle Investment Management Limited, and as approved by shareholders at an extraordinary general meeting held on 16 August 2016, existing loans amounting to \$4,303,485 issued by Pinnacle Investment Management Limited in prior years to its senior executives were re-issued by the Company on 25 August 2016 (refer note 14). This included existing loans to Mr Ian Macoun, Mr Alex Ihlenfeldt, Mr Adrian Whittingham and Mr Andrew Chambers who are key management personnel of the group.

The loans date from 2009, 2011, 2012 and 2015 and were used to assist the executives to acquire equity in Pinnacle. The loans are interest free and repayable on termination of employment or when the underlying equity is sold, whichever event occurs earlier. The re-issued loans are also secured by share mortgages with limited recourse to the shares.

The value of re-issued loans for each of the key management personnel and repayments made during the half-year were as follows:

Key Management Personnel	Value of re-issued loans \$	Repayments made \$	Loan balance - 31 Dec 2016 \$
Ian Macoun	547,293	(10,946)	536,347
Alex Ihlenfeldt	725,622	(6,191)	719,431
Adrian Whittingham	781,547	(10,946)	770,601
Andrew Chambers	781,547	(10,946)	770,601

**(c) Repayment of I. Macoun loan approved at extraordinary general meeting on 16 August 2016**

In 2006, and as part of the arms' length commercial negotiations in relation to the establishment of Pinnacle, the WIG Group advanced Mr Ian Macoun a loan of \$1,119,000 to acquire shares in Pinnacle and agreed to pay, at the time of repayment of the loan (being the time of sale of the Pinnacle Shares by Mr Macoun) a bonus to Mr Macoun with a net value equal to the outstanding balance of the loan. The loan was unsecured and interest free.

### **13 Related party transactions (continued)**

As a consequence of the transaction to acquire non-controlling interests of Pinnacle Investment Management Limited, and as approved by shareholders at an extraordinary general meeting held on 16 August 2016, on 25 August 2016 the loan was repaid by Mr Macoun via the bonus payment, which has been accounted for in prior years with no expense recognised during the half-year.

#### **(d) Managed funds managed by subsidiaries**

A subsidiary of the Company, Priority Investment Management Pty Ltd ceased to be the investment manager of the Wilson Group Priority Funds on 1 July 2015 and was replaced by Spheria Asset Management Pty Limited, an entity under joint control. As a result, the group earned no management fees (31 December 2015 - \$430,000) in relation to managed funds managed by subsidiaries during the period.

#### **(e) Transactions with Deutsche Bank AG**

Deutsche Australia was a substantial shareholder of the Company until 25 August 2016. Part of its shareholding was sold to the vendors of the non-controlling interests of Pinnacle Investment Management Limited at the time of completion of the transaction (refer note 14 and Note 13(a)).

Mr Steven Skala AO was a non-executive director of the Company until his resignation on 26 August 2016 and is a director of Deutsche Australia Limited and Vice Chairman Australia and New Zealand of Deutsche Bank AG.

Deutsche Australia participated in the purchase of the Wilsons Advisory business from the Company on 1 July 2015 (refer note 15).

### **14 Acquisition of non-controlling interests**

Following approval by shareholders of the Company at an extraordinary general meeting held on 16 August 2016, on 25 August 2016 the Company acquired the remaining 24.99% interest in its subsidiary Pinnacle Investment Management Limited that it did not already own from Executive shareholders ("Vendors").

As a consequence of the transaction the Company:

- issued 37,043,917 shares in the Company to the Vendors in exchange for their shareholdings in Pinnacle Investment Management Limited;
- provided loans to the Vendors to assist them to acquire shares in the Company from Deutsche Australia (refer note 13(a));
- re-issued existing loans in respect of shares in Pinnacle Investment Management Limited that were being exchanged for the shares in the Company (refer note 13(b));
- took security in respect of the various loans described above by way of Share Mortgage;
- made a bonus payment to facilitate the repayment of a loan of \$1,119,000 on behalf of Mr Ian Macoun in accordance with contractual arrangements entered into in 2006 (refer note 13(c));
- appointed Mr Ian Macoun as Managing Director, Mr Adrian Whittingham and Mr Andrew Chambers as Executive Directors, and Mr Gerard Bradley and Ms Deborah Beale as Non-executive Directors; and
- changed the name of the Company from Wilson Group Limited to Pinnacle Investment Management Group Limited.

The share price of the Company at the date of acquisition was \$1.76, giving a fair value of the 37,043,917 shares issued of \$65,197,000. The carrying value of the non-controlling interest to the Group at the date of acquisition was \$6,611,000. The difference between the fair value of the consideration paid and the carrying value of the non-controlling interest of \$58,586,000, plus applicable transaction costs of \$1,017,000, has been recognised in equity in the Transactions with Non-Controlling Interests Reserve (refer note 8(a)).

Further detail of the transaction was provided in the notice of meeting dated 13 July 2016 provided for the extraordinary general meeting regarding the purchase of non-controlling interests of Pinnacle Investment Management Limited.

## **15 Discontinued operations**

### **(a) Description**

On 1 July 2015 the Company completed the sale of its Wilson HTM Securities business (now renamed Wilsons Advisory) to Craigs Investment Partners, Deutsche Australia Limited and staff representatives of the Securities business, following approval by shareholders at an extraordinary general meeting on 26 June 2015.

Under the terms of the sale agreement the Company:

- transferred its shareholdings in the subsidiaries comprising its Securities business to the purchasers;
- received cash consideration of \$4,000,000, and provided vendor finance with a fair value of \$868,000;
- may receive a future profit share for the first two years post completion of 50% of the profit before tax of the Securities business exceeding \$3,000,000, but capped at \$1,000,000 each year;
- may receive additional value for deferred tax assets if the amount utilised by the Securities business exceeds \$350,000 during the first three years post completion;
- has contingent liabilities relating to its historical ownership of the business which will run off over time;
- committed to pay certain staff related costs, run-off insurances and other items.

Following completion of the transaction, the Company and the purchasers further agreed to provide various services to each other to ensure a smooth transition of the ownership of the business.

Further detail of the transaction was provided in the notice of meeting dated 20 May 2015 provided for the extraordinary general meeting regarding the sale of the Securities business.

### **(b) Financial performance and cash flow information of discontinued operation**

The profit/(loss) for the current and prior corresponding period related to the discontinued operation is outlined below:

	<b>31 December 2016 \$'000</b>	31 December 2015 \$'000
Revenue	-	-
Expenses	<u>(216)</u>	<u>(254)</u>
Loss before income tax from operating activities	(216)	(254)
Loss on disposal of discontinued operation	-	(11)
Loss before tax from discontinued operations	<u>(216)</u>	<u>(265)</u>
Income tax expense	-	-
Loss from discontinued operation attributable to owners of Pinnacle Investment Management Group Limited	<u>(216)</u>	<u>(265)</u>
Changes in fair value of contingent consideration	-	-
Total comprehensive loss attributable to discontinued operation	<u>(216)</u>	<u>(265)</u>

The cash-flows of the current and prior corresponding period attributable to the discontinued operation are provided below:

	<b>31 December 2016 \$'000</b>	31 December 2015 \$'000
Net cash (outflow) from operating activities	(373)	-
Net cash (outflow)/inflow from investing activities	(308)	4,000
Net cash (outflow) from financing activities	-	-
Net cash (outflow) for the half-year	<u>(681)</u>	<u>4,000</u>

## 15 Discontinued operations (continued)

### (c) Details of the disposal

	31 December 2016 \$'000	31 December 2015 \$'000
Consideration received / receivable in cash and cash equivalents	-	5,264
Other consideration	-	868
<b>Disposal consideration</b>	<b>-</b>	<b>6,132</b>
Carrying value of net assets disposed of	-	(6,143)
<b>Gain on disposal before changes in fair value of contingent consideration</b>	<b>-</b>	<b>(11)</b>
Changes in fair value of contingent consideration recognised in other comprehensive income	-	-
<b>Loss on disposal</b>	<b>-</b>	<b>(11)</b>

The agreement for the disposal included items of contingent consideration relating to a profit-share over the first two years post disposal, and utilisation of deferred tax assets in the first 3 years following disposal. At 31 December 2016 the fair value of these items has been assessed at \$943,000 (30 June 2016 - \$943,000). This carrying value has been included in available-for-sale financial assets in the statement of financial position.

## 16 Fair value measurement of financial instruments

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report.

### (a) Fair value hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2016 and 30 June 2016 on a recurring basis:

31 December 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Australian listed securities	135	-	-	135
Unlisted unit trusts	7,633	-	-	7,633
Other unlisted equity securities	-	-	364	364
	<b>7,768</b>	<b>-</b>	<b>364</b>	<b>8,132</b>
<i>Available-for-sale financial assets:</i>				
Contingent consideration from disposal of discontinued operation	-	-	943	943
	<b>-</b>	<b>-</b>	<b>943</b>	<b>943</b>
<b>Total assets</b>	<b>7,768</b>	<b>-</b>	<b>1,307</b>	<b>9,075</b>

No liabilities were held at fair value at 31 December 2016.

## 16 Fair value measurement of financial instruments (continued)

### (a) Fair value hierarchy (continued)

30 June 2016	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Assets</b>				
<i>Financial assets at fair value through profit or loss:</i>				
Australian listed securities	285	-	-	285
Unlisted unit trusts	10,402	-	-	10,402
Other unlisted equity securities	-	-	231	231
	<b>10,687</b>	<b>-</b>	<b>231</b>	<b>10,918</b>
<i>Available-for-sale financial assets::</i>				
Contingent consideration from disposal of discontinued operation	-	-	943	943
	<b>-</b>	<b>-</b>	<b>943</b>	<b>943</b>
<b>Total assets</b>	<b>10,687</b>	<b>-</b>	<b>1,174</b>	<b>11,861</b>

No liabilities were held at fair value at 30 June 2016.

The Group did not measure any financial assets or liabilities at fair value on a non-recurring basis as at 31 December 2016.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

### (b) Valuation techniques used to determine fair values

The fair value of Australian listed securities and unlisted unit trusts is based on quoted market prices at the end of the reporting period. The quoted price used for Australian listed securities is the current bid price. The quoted market price used for unlisted unit trusts is the current exit unit price. These instruments are included in level 1.

The fair value of unlisted equity securities and contingent consideration from disposal of discontinued operation is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

## 16 Fair value measurement of financial instruments (continued)

### (b) Valuation techniques used to determine fair values (continued)

The carrying amounts of cash and cash equivalents, trade receivables and payables, loans to entities under joint control, loans to shareholders and other current liabilities are assumed to approximate their fair values due to their short-term nature. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

### (c) Fair value measurements using significant unobservable inputs (level 3)

Level 3 items include unlisted equity securities held by the Group, and contingent consideration from disposal of discontinued operation. The following table presents the changes in level 3 instruments for the half year ended 31 December 2016:

	Contingent Consideration \$'000	Unlisted equity securities \$'000
<b>Opening balance 1 July 2016</b>	<b>943</b>	<b>231</b>
Unrealised gains / (losses) recognised in fair value gains / (losses) on financial assets at fair value through profit and loss	-	133
Fair value adjustments recognised in other comprehensive income	-	-
<b>Closing balance 31 December 2016</b>	<b>943</b>	<b>364</b>

#### (i) Valuation process

Unlisted equity securities valued under Level 3 are investments in unlisted companies. Where possible, the investments are valued based on the most recent transaction involving the securities of the company. Where there is no recent information or the information is otherwise unavailable, the value is derived from calculations based on the value per security of the underlying net tangible assets of the investee company.

Contingent consideration valued under Level 3 relates to the disposal of discontinued operations (refer note 15(d)). The fair value of contingent consideration from disposal of the Securities business is determined based on forecasts of profits, taxable income and deferred tax asset utilisation using the latest financial information available for the business at balance date.

#### (ii) Transfer between levels 1 and 3

There were no transfers between levels 1 and 3 during the half year.

## 17 Events occurring after the reporting period

On 23 January 2017 the Company completed an underwritten placement of 12,500,000 shares to institutional and sophisticated investors at \$2.40 per share, raising \$30,000,000. Transaction costs in relation to the placement were \$1,295,000.

On 23 January 2017 the Company announced its intention to make an off-market takeover offer via its subsidiary Pinnacle Ethical Investments Pty Ltd for all of the shares of Hunter Hall International Limited (HHL), for which a bidder's statement was lodged with the ASX on 30 January 2017, and a supplementary bidder's statement on 14 February 2017. HHL had 27,309,816 shares on issue at date of the bidder's statement. On 20 February 2017 the Company revised its offer for HHL to \$2.40 per share, conditional on acquiring an interest of at least 24% of HHL shares on issue before the Company's offer closes. At the date of this report this offer remains open.

On 21 January 2017, Commonwealth Bank of Australia provided a subsidiary of the Company, Pinnacle Investment Management Limited, with a commitment to provide a bilateral term facility of up to \$30,000,000 for the purpose of contributing to funding the HHL offer.

Apart from the above no matter or circumstance has occurred subsequent to year-end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.



**Pinnacle Investment Management Group Limited**  
**Directors' Declaration**  
**For the half year ended 31 December 2016**

In the opinion of the Directors of Pinnacle Investment Management Group Limited (the Company):

- (a) the Interim financial report and notes set out on pages 5 to 23 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
  - (ii) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Mr A Watson  
Chairman  
Sydney  
24 February 2017



## **Independent auditor's review report to the members of Pinnacle Investment Management Group Limited**

### ***Report on the Half-Year Financial Report***

We have reviewed the accompanying half-year financial report of Pinnacle Investment Management Group Limited (the company), which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected explanatory notes and the directors' declaration for Pinnacle Investment Management Group Limited (the consolidated entity). The consolidated entity comprises the company and the entities it controlled during that half-year.

### ***Directors' responsibility for the half-year financial report***

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error.

### ***Auditor's responsibility***

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pinnacle Investment Management Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### ***Independence***

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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**PricewaterhouseCoopers, ABN 52 780 433 757**

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### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pinnacle Investment Management Group Limited is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Craig Thomason'.

Craig Thomason  
Partner

Sydney  
24 February 2017