



Pinnacle
INVESTMENT MANAGEMENT

Pinnacle Investment Management Group Limited (PNI)

2017 Annual General Meeting

23 November 2017

- Chairman's Address – Alan Watson
- Ordinary Business
- Managing Director's Address – Ian Macoun
- Changing landscape of Retail Distribution – Adrian Whittingham
- Q&A
- Results of meeting



Pinnacle
INVESTMENT MANAGEMENT

Chairman's Address

Alan Watson, Chairman



- Ongoing strong growth in the markets in which we operate
- Background on PNI – beneficiary of market growth
- Overview of Pinnacle Affiliates
- FY17 Highlights

Ongoing strong growth in the markets in which we operate

- The institutional market and the intermediated retail market
 - Strong tailwinds for many years ahead
- SGC compulsory superannuation drives projected high growth rates
- \$2.3 trillion¹ of superannuation assets will more than double over the next 10 years² and forecast to grow to \$8-10 trillion in 20 years¹ (from \$360b 20 years ago; \$900b 10 years ago)
- ASX All Ordinaries market capitalisation of \$1.8 trillion³
- Currently 23% Australian listed equities, 23% international equities, 13% property and infrastructure and 4% in other 'alternatives'¹

1. AFSA 'Superannuation Statistics' – August 2017

2. Rice Warner Actuaries – 'Superannuation Market Projections 2016'

3. Factset – as at 31 October 2017

1. Owner of minority equity shareholdings in high quality owner driven Funds Management firms
2. How does PNI make money?
 - Equity
 - Share of profits (driven by base fees and performance fees)
 - Dividends received from affiliates
 - Provision of services – distribution and infrastructure support
3. What drives our growth?
 - Assets under management
 - Net inflows
 - New products / affiliates
 - Market movement
 - Margins – increasing proportion AUM sourced from retail channels

Australia's leading 'multi-affiliate' investment management firm



49.9%

Global & Australian Growth equities 1998

46.6%

Global & Australian Quant equities 2006

42.0%

Global REITs 2007

39.5%

Unlisted infrastructure 2007

40.0%

Australian Core equities 2008

23.5%

Global long/short & long only equities 2015

40.0%

Small/Microcaps 2016

44.0%

Systematic Global Macro 2017



- Executives of both Pinnacle and Pinnacle Affiliates 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

Structure promotes independence, accountability, focus and longevity

The formula for investment success involves **experienced, dedicated, passionate money-makers**, free from distractions, spending most of their time on investing

Equity ownership for key investment professionals **attracts a higher calibre investment professional** and helps to **build an enduring business/legacy**

Pinnacle provides **institutional-grade resourcing and backing**, but within a genuine 'boutique' environment

Our people are **exceptional individuals** who have chosen to work within our particular **business model and culture**

Australia's leading "multi-affiliate" investment firm

Distinguished from competitors by comprising the highest quality investment management firms

High quality, experienced, dedicated, passionate investment professionals – strongly focused on performance; with substantial equity in their own business and their interests thus aligned with clients

All the advantages, benefits and superior conditions of a 'boutique environment'

Plus high quality shared common 'infrastructure', including major distribution capability (the 'best of both worlds')

Importance of succession planning within Affiliates; long term sustainable businesses

Investors want their investment managers to be long term, enduring and sustainable.

Historical milestones

2006

- Pinnacle Investment Management formally commenced 25 August 2006
- Hyperion Asset Management antecedent
- Plato Investment Management commenced

2007

- Investment into Resolution Capital
- Palisade Investment Partners commenced
- Solaris Investment Management commenced

2008

- Andrew Chambers and Adrian Whittingham join Pinnacle as distribution directors

2009

- Andrew Findlay joins Pinnacle as distribution director

2010

2011

2012

2013

- Commenced distribution for Metrics Credit Partners
- Internalised infrastructure and responsible entity capability

2014

- Secured Perennial International Equity and Real Estate funds

2015

- Antipodes Partners commenced

2016

- Spheria Asset Management commenced
- LIC for Antipodes Partners

2017

- LIC for Plato
- LIT for Metrics Credit Partners
- Two Trees Investment Management commenced
- Launched UCITS fund platform in Europe

Overview of Pinnacle Affiliates



- Antipodes Partners – a pragmatic value manager of global equities (long only and long-short)
 - Funds under management have grown to in excess of \$5.5 billion in approximately 2 years



- Hyperion Asset Management – a specialist manager of Australian and Global equities following a growth style.
 - Global Fund now has a three-year track record and has out-performed the index by >6.0% pa since inception in May 2014



- Palisade Investment Partners – a specialist manager of unlisted infrastructure assets with both pooled funds and separately managed portfolios for institutional investors.
 - Renewable Energy Fund launched during the year



- Plato Investment Management – a specialist manager of Australian and Global equities following a quantitative style.
 - Funds under management increased to over \$4.0 billion

Overview of Pinnacle Affiliates (continued)

RESOLUTION CAPITAL

- Resolution Capital – a specialist manager of Australian and Global listed real estate securities portfolios.
 - Funds under management grew to more than \$6.0 billion.

SOLARIS investment management

- Solaris Investment Management – a specialist manager of Australian equities following a style-neutral approach to investing.
 - Successful launch of the long/short strategy

Spheria ASSET MANAGEMENT

- Spheria Asset Management – a fundamental-based investment manager with a bottom-up focus specialising in small and microcap companies.
 - FUM has grown to in excess of \$400 million

T Two Trees INVESTMENT MANAGEMENT

- Two Trees Investment Management – a specialist Systematic Global Macro investment firm
 - Commenced to manage money 1 November 2017

- NPAT from continuing operations attributable to shareholders of \$12.0 million, up 108% from \$5.8 million in the prior year
- Earnings per share from continuing operations of 8.1 cents, up 56% from 5.2 cents in the prior year
- NPAT attributable to shareholders of \$13.1 million, delivering earnings of 8.9 cents per share
- Fully franked final dividend of 4.8 cents per share payable on 6 October 2017
 - Total 2017 ordinary dividends 7.0 cents per share, up 112% on 2016 ordinary dividends of 3.3 cents per share

- Item 1 – Tabling of FY17 financial statements
- Item 2 – Adoption of Remuneration Report
- Item 3 – Re-election of directors
- Item 4 – Ratification of issue of securities under a placement

Item 1 – Tabling of FY17 financial statements

- Tabling of FY17 financial statements

- To consider and, if thought fit, to pass the following as an ordinary resolution:

“To adopt the Remuneration Report for the financial year ended 30 June 2017.”

Item 2 – Adoption of Remuneration Report

	Resolution 2
Resolution by proxy	Adoption of Remuneration Report
% of eligible proxies in favour	99.61%
Total number votes cast	27,716,868
For	27,608,845
Against	51,810
Open usable	56,213
Excluded votes	58,828,000
Abstain	5,582,092

Board and Committee Structure

Board Member	Classification	Equity ownership	Committees	
			Audit, compliance and risk management	Remunerations and nominations
Alan Watson (Chair)	Independent, non-executive	Yes		Chair
Ian Macoun (Managing Director)	Executive	Yes		
Deborah Beale	Independent, non-executive	Yes	Member	Member
Gerard Bradley	Independent, non-executive	Yes	Chair	Member
Andrew Chambers	Executive	Yes		
Adrian Whittingham	Executive	Yes		
Steve Wilson AM	Non-executive	Yes	Member	Member

- To consider and, if thought fit, to pass the following as an ordinary resolution:

“That Alan Watson, who retires from the office of Director by rotation and, being eligible, offers himself for re-election, is re-elected as a Director.”

Item 3(a) – Re-election of Mr Alan Watson

	Resolution 3(a)
Resolution by proxy	Re-election of Alan Watson
% of eligible proxies in favour	99.45%
Total number votes cast	92,122,955
For	91,616,865
Against	449,877
Open usable	56,213
Excluded votes	0
Abstain	4,005

- To consider and, if thought fit, to pass the following as an ordinary resolution:

“That Steve Wilson AM, who retires from the office of Director by rotation and, being eligible, offers himself for re-election, is re-elected as a Director for a period up to the Company’s 2018 annual general meeting.”

Item 3(b) – Re-election of Mr Steve Wilson AM

Resolution 3(b)	
Resolution by proxy	Re-election of Steve Wilson AM
% of eligible proxies in favour	99.36%
Total number votes cast	92,123,920
For	91,536,105
Against	531,602
Open usable	56,213
Excluded votes	0
Abstain	3,040

- To consider and, if thought fit, to pass the following as an ordinary resolution:

“That, for the purposes of Listing Rule 7.4 and for all other purposes, shareholders ratify the issue of 12,500,000 fully paid ordinary shares at an issue price of \$2.40 on 30 January 2017, on the terms set out in the Explanatory Notes.”

Item 4 – Ratification of issue of securities

Resolution 4	
Resolution by proxy	Ratification of issue of securities under a placement
% of eligible proxies in favour	99.89%
Total number votes cast	89,329,472
For	89,231,779
Against	42,302
Open usable	55,391
Excluded votes	623,406
Abstain	2,174,082



Pinnacle
INVESTMENT MANAGEMENT

Managing Director's Address

Ian Macoun, Managing Director

- Group Financial Summary FY17 and Balance Sheet
- FUM and Net FUM Inflows
- Pinnacle Affiliates continue to win major industry Awards
- Continuing strong investment performance of Affiliates
- Progress to Date – Platform and Reputation
- Focus on managing the business so as to maximise profits and Company value over the medium term
- Recap on Horizon 3 – What could we acquire?
- Summary and plans for the remainder of FY18

	FY2017	FY2016
Pinnacle		
Revenue	10.9	8.4
Expenses	(16.4)	(15.8)
Share of Pinnacle Affiliates net profit after tax	17.6	15.9
Net profit before tax (NPBT) from continuing operations	12.1	8.5
Minority interests	(0.1)	(2.6)
NPBT from continuing operations attributable to shareholders	12.0	5.9
Taxation	-	(0.1)
NPAT from continuing operations attributable to shareholders	12.0	5.8
Discontinued operations	1.1	(1.3)
Total profit attributable to shareholders	13.1	4.5
Earnings per share:		
From continuing operations	8.1	5.2
Total attributable to shareholders	8.9	4.1

- Strong growth in Pinnacle earnings
- Reduction in net loss of “parent”
- 43% increase in net profit after tax from continuing operations
- 108% increase in NPAT from continuing operations attributable to shareholders
- Minority interests ceased from August 2017

(A\$m)	2017	2016
Current assets		
Cash and equivalents	10.9	13.6
Financial assets	31.6	10.9
Total cash and financial assets	42.5	24.5
Other current assets	6.2	8.3
Total current assets	48.7	32.8
Non-current assets		
Investment in affiliates	32.6	24.5
Other	0.6	1.1
Total non-current assets	33.2	25.6
Total assets	81.9	58.4
Total liabilities	6.3	8.8
Net assets	75.6	49.6
Pinnacle minorities	-	6.5
Net shareholders' equity	75.6	43.1

- Cash and Principal Investments of \$42.5 million
- Includes \$29.8 million in strategies managed by Pinnacle Affiliates
- Excludes post balance date impact of final dividend of \$7.7 million (4.8 cents per share), and strong Affiliate dividend inflows to PNI

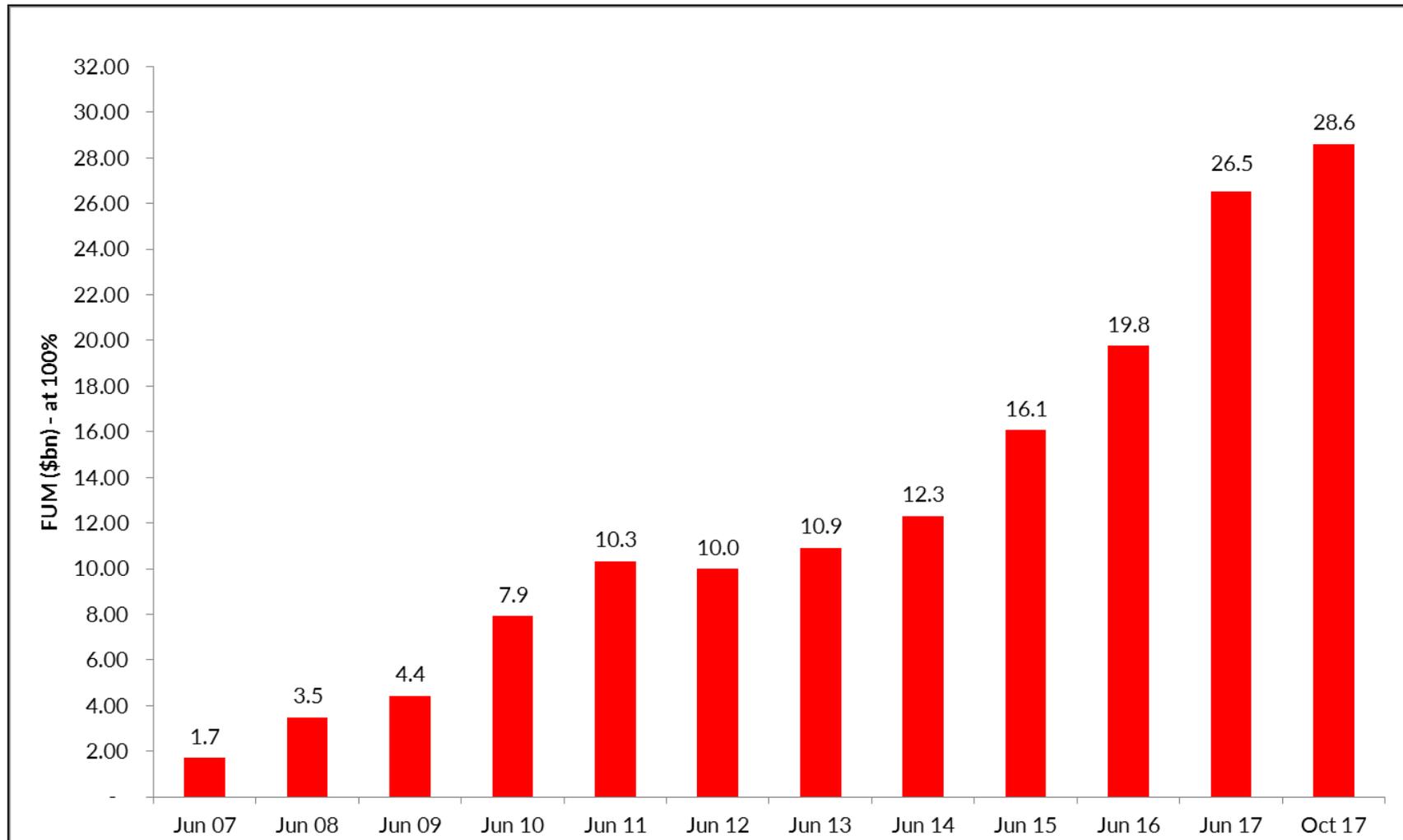
- FUM at 31 October 2017 \$28.6 billion (up \$2.1 billion or 7.8% on \$26.5 billion at 30 June 2017; and up \$8.8 billion or 44% on \$19.8 billion at 30 June 2016).
- These numbers exclude Metrics Credit FUM of in excess of \$2.5 billion, and exclude the Metrics Credit LIT which raised \$516m during October 2017.

Note: Metrics Credit FUM are not included in our FUM numbers as Pinnacle does not own equity in Metrics Credit.

Pinnacle does, however receive a share of Metrics Credit revenue – including \$795k for the LIT raising.

- Spheria LIC raising under way, closes tomorrow. Expected raise in excess of \$130m.
- Net inflows \$4.9 billion during FY17, including \$2.5 billion retail
- Retail inflows: average monthly Retail Net Inflows (excluding LIC/LITs) YTD have exceeded the average for FY17.
- Total Net Inflows: institutional flows, by their nature, are ‘lumpy’/variable month to month but our expectation is that Total Net Inflows during the 6 months to 31 December will also exceed the average monthly rate of such Inflows during FY17.

Funds Under Management – 31 October 2017



Morningstar Fund Manager of the Year Awards, 2016:

- Hyperion – Australian Fund Manager of the Year
- Hyperion – Domestic Equities Category Winner, Australia
- Hyperion – Domestic Equities Small Caps Category Winner, Australia

Lonsec/Money Management Fund Manager of the Year 2017:

- Antipodes Partners – Equities (Long Short) Category Winner
- Antipodes Partners – Global Equities (Broad Cap) Category Winner
- Antipodes Partners – Emerging Manager Category Winner
- Antipodes Partners – Overall Fund Manager of the Year Finalist
- Spheria Asset Management – Emerging Manager Finalist

Hedge Funds Rock & The Alternative Australian Investment Awards 2017:

- Pinnacle – Best Investor supporting Australian managers

2017 Professional Planner | Zenith Fund Awards:

- Pinnacle – Distributor of the Year (second consecutive year)
- Resolution Capital – Global REIT Category Winner (fourth consecutive year)
- Antipodes Partners – International Equities – Alternative Strategies Category Winner (second consecutive year)
- Antipodes Partners – International Equities – Global Category Winner
- Antipodes Partners – Overall Fund Manager of the Year

The Professional Planner | Zenith Fund Awards are determined using proprietary methodologies. Fund Awards were issued October 6, 2017 and are solely statements of opinion and do not represent recommendations to purchase, hold or sell any securities or make any other investment decisions. Fund Awards are current for 12 months from the date awarded and are subject to change at any time. Fund Awards for previous years are referenced for historical purposes only.

Continuing strong investment performance of Affiliates

100% of Pinnacle Affiliated Investment Manager strategies and products (with a track record exceeding 5 years) **have outperformed** their benchmarks over the 5 years to 31 October 2017

	5Y	10Y	Inception	Inception Date
Pinnacle Investment Management				
Hyperion Asset Management – Gross Performance				
Hyperion Australian Growth Companies Fund	14.72%	6.76%	12.35%	01/10/2002
Outperformance	4.54%	3.71%	3.09%	
Hyperion Small Growth Companies Fund	17.88%	11.72%	17.45%	01/10/2002
Outperformance	11.83%	13.07%	10.16%	
Hyperion Australian Equities Composite	14.42%	6.71%	13.50%	01/11/1996
Outperformance	4.24%	3.66%	4.49%	
Plato Asset Management – Gross Performance				
Plato Australian Shares Core Fund	11.95%	3.79%	6.39%	30/10/2006
Outperformance	1.77%	0.73%	1.07%	
Plato Australian Shares Equity Income Fund – Class A	13.43%		14.17%	09/09/2011
Outperformance	1.37%		2.15%	
Solaris Investment Management – Gross Performance				
Solaris Core Australian Equity Fund	13.01%		6.45%	09/01/2008
Outperformance	2.70%		2.17%	
Solaris High Alpha Australian Equity Fund	13.55%		7.33%	04/02/2008
Outperformance	3.24%		2.62%	
Resolution Capital – Gross Performance				
Resolution Capital Core Plus Property Securities Fund	14.15%		8.74%	30/09/2008
Outperformance	1.61%		2.81%	
Resolution Capital Global Property Securities Fund	13.26%		12.27%	30/09/2008
Outperformance	3.00%		4.70%	
Palisade Investment Partners – Gross Performance				
Palisade Diversified Infrastructure Fund	14.75%		10.47%	01/08/2008
Palisade Australian Social Infrastructure Fund	15.34%		16.39%	31/05/2011

Affiliates' investment performance to 31 October 2017

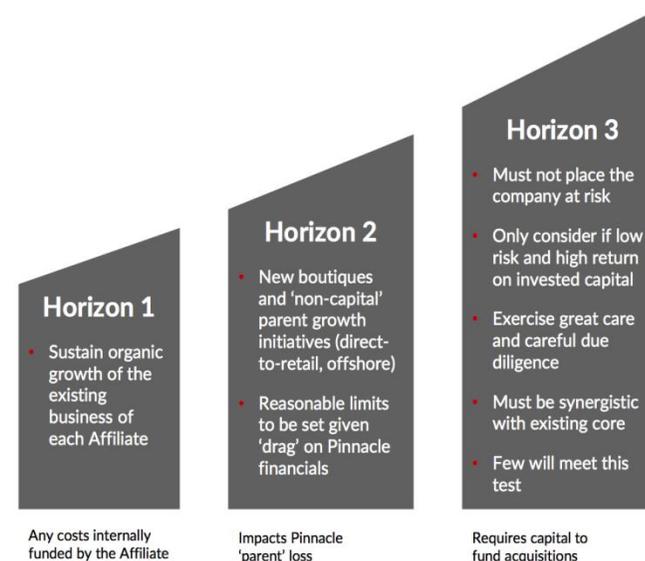
	1Y	3Y	5Y	Inception	Inception Date
Pinnacle Investment Management					
Hyperion Asset Management – Gross Performance					
Hyperion Australian Growth Companies Fund	10.89%	9.31%	14.72%	12.35%	01/10/2002
Outperformance	-5.03%	2.28%	4.54%	3.09%	
Hyperion Small Growth Companies Fund	7.91%	12.50%	17.88%	17.45%	01/10/2002
Outperformance	-6.67%	2.02%	11.83%	10.16%	
Hyperion Australian Equities Composite	10.59%	9.13%	14.42%	13.50%	01/11/1996
Outperformance	-5.33%	2.10%	4.24%	4.49%	
Hyperion Global Growth Companies Fund (CLASS B UNITS)	27.54%	22.80%		20.49%	22/05/2014
Outperformance	5.03%	9.01%		6.44%	
Plato Asset Management – Gross Performance					
Plato Australian Shares Core Fund	17.51%	8.17%	11.95%	6.39%	30/10/2006
Outperformance	1.59%	1.14%	1.77%	1.07%	
Plato Australian Shares Equity Income Fund – Class A	16.44%	8.78%	13.43%	14.17%	09/09/2011
Outperformance	-1.36%	0.17%	1.37%	2.15%	
Plato Global Shares Income Fund	19.03%			7.35%	30/11/2015
Outperformance	-2.97%			-1.58%	
Solaris Investment Management – Gross Performance					
Solaris Core Australian Equity Fund	19.21%	9.41%	13.01%	6.45%	09/01/2008
Outperformance	3.08%	2.47%	2.70%	2.17%	
Solaris High Alpha Australian Equity Fund	20.93%	9.86%	13.55%	7.33%	04/02/2008
Outperformance	4.80%	2.92%	3.24%	2.62%	
Solaris Total Return Fund (including franking credits)	20.58%	10.72%		11.25%	13/01/2014
Outperformance	2.75%	2.17%		1.99%	

Affiliates' investment performance to 31 October 2017

	1Y	3Y	5Y	Inception	Inception Date
Pinnacle Investment Management					
Resolution Capital – Gross Performance					
Resolution Capital Core Plus Property Securities Fund	11.28%	13.02%	14.15%	8.74%	30/09/2008
Outperformance	2.68%	2.09%	1.61%	2.81%	
Resolution Capital Global Property Securities Fund	11.75%	9.72%	13.26%	12.27%	30/09/2008
Outperformance	4.83%	3.24%	3.00%	4.70%	
Palisade Investment Partners – Gross Performance					
Palisade Diversified Infrastructure Fund	10.36%	13.04%	14.75%	10.47%	01/08/2008
Palisade Australian Social Infrastructure Fund	9.09%	14.57%	15.34%	16.39%	31/05/2011
Antipodes Partners – Gross Performance					
Global Fund	19.24%			15.38%	01/07/2015
Outperformance	-3.03%			6.11%	
Global Long Only	26.14%			16.70%	01/07/2015
Outperformance	3.87%			7.42%	
Asia Fund	25.31%			14.02%	01/07/2015
Outperformance	-4.14%			4.08%	
Spheria Asset Management – Gross Performance					
Microcap Fund	14.62%			22.59%	16/05/2016
Outperformance	0.04%			10.32%	
Smaller Companies Fund	14.19%			11.63%	11/07/2016
Outperformance	-0.39%			2.04%	
Opportunities Fund	19.06%			14.00%	11/07/2016
Outperformance	0.90%			0.38%	

- A platform for GROWTH
 - Continuing investment excellence
 - Widespread industry recognition and support
 - ‘Article of faith’ reputation
- Increasing diversification
- Proven ability to build high quality investment managers, and facilitate substantial success, quickly
- Expanding distribution capability, at high quality
- Critical to maintain highest standards of service and support to Pinnacle Affiliates
- Strong and flexible balance sheet

- We have built Pinnacle to date by taking a medium term approach
 - Make decisions and release information when it is reliable and representative of 'real' or genuine trends
 - Selection process, quality control
 - Hyperion, Plato, Solaris, and Spheria = Horizon 2
 - Resolution Capital, Palisade, Antipodes = combination of Horizon 2 and Horizon 3



- How does 'Horizon 2' add value in the Medium Term?
 - Investment in growth initiatives that don't require additional capital to be raised
 - Reasonable limits to be set given short-term 'drag' on Pinnacle parent P&L
 - In addition to growing boutique revenue and profits, also creates additional revenue streams for Pinnacle parent – both, in the medium term
- This results in:
 - Adding new boutiques
 - Accessing new channels (e.g. direct-to-retail)
 - Adding expertise to support non-traditional AUM growth (e.g. LICs, LITs)
 - Geographic expansion of distribution platform (e.g. offshore, regional areas)
 - Establishing new “platforms” that can be leveraged by our boutiques (e.g. UCITS, Cayman)

Horizon 2 examples undertaken in last 12 months:

- Seeded Two Trees Global Macro Fund on 1 November 2017 with \$5m
 - Promising discussions with early-stage investors
- Established Dublin-domiciled UCITS fund platform
 - UCITS fund format preferred by European and Asian buyers
 - Antipodes Global Fund – UCITS launched on 7 July 2017 with US\$125m cornerstone investment
- Opened distribution office in London, UK
 - Initial sales hire commences Q1, 2018; additional hiring underway
 - Co-located with Antipodes Partners
- Expanded into New Zealand
 - NZ is a small but fast-growing marketplace with attractive competitive dynamics
 - Hired experienced NZ distribution professional

- Ongoing expansion of domestic distribution platform
 - Adding 'capital markets' expertise to accelerate launch of listed offerings (e.g. LICs, LITs, EQMFs)
 - Continued expansion of 'internal wholesale' (phone-based) team to broaden geographic reach
- Continued investment in direct-to-retail capability
 - Online applications process now live

Criteria

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

Status

- No (pure) Horizon 3 investments made yet – have explored a number of:
 - existing profitable investment management firms that we could help
 - distribution/retail businesses that may be synergistic

- Maintain current momentum and investment to deliver medium term growth
- Maintain culture – attract exceptional individuals to our business
- Continue to deliver growth within existing affiliates
- Continue to assess high quality new affiliate opportunities
- H1 FY18 results – expected 23 February 2018
- Full year FY18 results – expected 28 August 2018



Pinnacle
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Changing landscape of retail distribution

Adrian Whittingham, Director (Distribution)

- Fragmentation at an even more rapid rate
- Rapid growth of non-aligned advice firms
 - Cost effective outsourcing
 - Perceived conflicts removed
- Independent platforms
 - Continued rise of Netwealth and Hub24
- Technology
 - Managed accounts
- Listed Investments (listed investment companies / listed investment trusts / exchange quoted managed funds)
 - Movement to the exchange

- Structural change
 - Business models evolving to use listed strategies
 - Seeking greater efficiencies
 - Manager absorbing the costs
- Scale / growth
 - 104 strategies in total with 13 listed in 2017 (Nov 2017)
 - 6 raised in excess of \$100m (Plato and Metrics in excess of \$300m)
 - 8 trading above NTA including all 6 that raised above \$100m*

* As at 20 November 2017

- Transparency
 - Implementing an online portal for adviser / client access
- Accessibility
 - Boardroom lunches on average 2x per month
 - National roadshows
 - Webinars held monthly
- Servicing
 - Strict turn around times on queries
 - Implemented by Internal Wholesale Team
 - Online and call capabilities
- Innovation
 - Development of listed market capability
 - Micro Caps, Venture Capital, Long Short etc.
 - Partnering with select firms

- Adapt
 - Grow ahead of our boutiques
 - Listen to clients and move quickly to meet their evolving needs
 - Do not become the market – be ahead of it
- Resource
 - Growing adviser engagement – 15+ in retail
 - Direct (non advised & off platform) investments rising quickly
- Engage
 - As many conversations as possible – pick up the phone
 - Clever use of social platforms to establish and develop relationships
- Deliver
 - Accountability
 - Results focused