

16 November 2018

***By electronic lodgement***

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

**Pinnacle Investment Management Group Limited – Presentation**

Pinnacle Investment Management Group Limited is pleased to attach a copy of a presentation that will be given to investors and analysts at a Rapid Insights conference to be hosted by Wilsons Advisory on 20 November 2018.

For further information, please contact Ian Macoun on +61 2 8970 7700.

**Calvin Kwok**  
**General Counsel and Company Secretary**



**Pinnacle**  
INVESTMENT MANAGEMENT

## **Pinnacle Investment Management Group Limited (PNI)**

Wilsons Advisory – Rapid Insights Conference – Sydney

20 November 2018

- Latest Update
- Introduction to PNI
- Business Focus
- Metrics Credit Partners
- Longwave Capital Partners
- FY18 Financial Highlights
- FY18 Business Highlights
- FY18 Results Discussion
- Distribution Update
- Pinnacle Outlook
- Group Overview

- Funds under management (**FUM**) of \$47.2 billion\* as at 31 October 2018
  - Down \$0.6 billion from 30 September 2018 and up \$9.2 billion (including \$6.8 billion 'acquired' in July) on 30 June 2018
  - Includes \$3.4 billion invested with Firetrail as at 31 October 2018 (mostly institutional – current strategies essentially closed to institutional investors)
  - Includes \$9.4 billion retail FUM
- Net inflows for the four months ended 31 October 2018 of \$4.1 billion
  - Includes \$1.04 billion retail (of which \$174m was ASX:APL Options exercise)
- ASX 300 index was up 0.2% during the 3 months to 30 September 2018 and down 6.2% during October 2018
- MSCI World index was up 3.8% during 3 months to 30 September 2018 and down 7.6% during October 2018

- What we do
  - A 'pure play' investment management firm providing affiliated investment managers with the distribution, infrastructure and other support services they need
  - Founded in 2006, Pinnacle currently holds an equity interest in 12 specialist investment managers
  - Pinnacle's affiliated investment managers continue to deliver sustained, long term outperformance over their benchmarks
  - Pinnacle was recognised as the Zenith Distributor of the Year for 2018 (the third consecutive year)
  - Added to MSCI Australian Small Cap Index and the S&P/ASX 300 Index in September 2018
- How we generate our profits
  - Our share of Affiliates' profits – equity accounted (FY18 NPAT – our share \$24.9m of \$61.6m total)
  - 'Parent' revenues for our services, offset by costs of provision and 'Horizon 2' investment for future growth
- We Continue to Grow
  - Sources of future growth (3 Horizons)
  - FUM \$47.2 billion\* - up from \$26.5 billion at 1 July 2017 (incl \$6.8 billion 'acquired' in July 2018)
  - Net inflows of \$7.9 billion in FY18 (including \$2.2 billion retail net inflows)
  - See the two Wilsons Research Reports for information relating to expected future growth - 29 August 2018 and 1 October 2018

\* as at 31 October 2018, at 100% of Affiliate FUM

# Building a strong diversified platform

## Continuing to invest in a diversified platform to strengthen future growth



- 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

**Firetrail**  
INVESTMENTS

**SOLARIS**  
investment management

24.4% (4)

40.0%

\$0.1bn  
High  
Conviction  
2018

\$8.3bn  
Australian  
Core equities  
2008

**Core/  
Conviction**

**HYPERION**  
ASSET MANAGEMENT

**Plato**  
INVESTMENT MANAGEMENT

49.9%

46.6%

\$6.5bn  
Global & Aus.  
Growth  
equities  
1998

\$4.9bn  
Global & Aus.  
Quant equities  
2006

**Domestic/Global**

**ANTIPODES**  
GLOBAL INVESTMENT PARTNERS

23.5%

\$7.5bn  
Global L/S &  
long only  
Equities  
2015

**Global**

**Spheria**  
ASSET MANAGEMENT

40.0% (4)

\$0.7bn  
Small/  
Microcaps  
2016

**Small Cap**

**LONGWAVE**  
CAPITAL

40.0% (4)

\$0bn  
Quantamental  
equities/Multi-  
Asset  
2018 (5)

**Quantamental  
equities/Multi-  
Asset**

**Omega**  
GLOBAL INVESTORS

40.0% (4)

\$4.2bn  
Smart Beta Plus  
2018 (3)

**Smart Beta**

**RESOLUTION  
CAPITAL**

41.5%

\$8.0bn  
Global REITs  
2007

**Global Real  
Estate Securities**

**MCP**  
METRICS CREDIT PARTNERS

35.0%

\$2.5bn  
Debt  
2018 (2)

**Debt**

**PALISADE**

38.3%

\$1.8bn  
Unlisted  
infrastructure  
2007

**Infrastructure**

**Two Trees**  
INVESTMENT MANAGEMENT

44.0%

\$0.7bn  
Global  
Macro  
2017

**Macro**

- (1) Gross FUM as at 30 June 18. Total Pinnacle FUM at 31 October 2018 was \$47.2bn
- (2) Founded in 2011. Pinnacle acquired equity in July 2018
- (3) Founded in 2008. Pinnacle acquired equity in July 2018
- (4) The percentage represents Pinnacle's total shareholding in the Affiliate. Pinnacle currently holds less than 1% of the voting shares in the Affiliate. However, it has full economic rights in respect of its holding.
- (5) Founded in September 2018

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

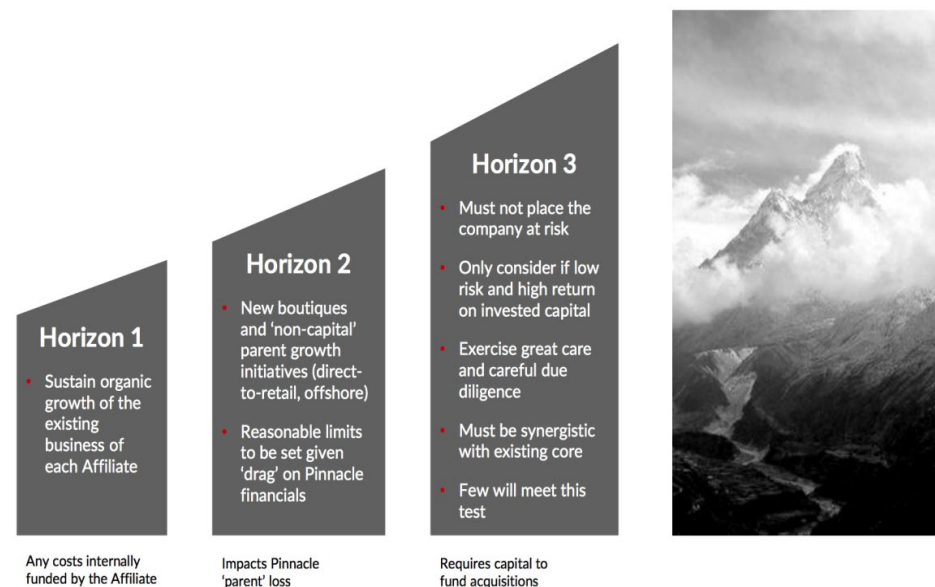


Investors want their investment managers to be long term, enduring and sustainable.



- Three Horizons of Growth
- See subsequent slides for Historical Growth
- Analyst Research – projections of 'Horizon 1' growth in FUM, Profitability, Capacity, and Performance Fee Upside

- Continue to build Pinnacle by taking a measured approach to growth
  - Support the growth of our current affiliates with increased investment in distribution channels (e.g. international and listed markets)
  - Invest in / seed new affiliates where management teams have a strong track record and growth potential
  - Seeking to diversify into asset classes with substantial growth potential:
    - Global equities (developed & emerging markets)
    - Private capital (debt & equity)
    - Absolute return (single & multi-asset)
- M&A only considered after rigorous evaluation process



# Metrics Credit Partners acquisition

- Building on Pinnacle's existing distribution partnership with MCP, Pinnacle acquired a 35% interest in MCP
  - Remaining MCP equity retained by management
- Investment of \$46m of equity capital
  - Post the transaction Pinnacle own 35% of MCP which has approximately \$40m cash on balance sheet to deploy in growth investments
- Conversion of existing revenue share agreement to 'evergreen' term (>\$1m p.a.)
- Shareholders agreement
  - Pinnacle has the right to appoint two Directors
  - Standard minority protections (matters which require Pinnacle approval) including issue of new equity securities, adoption or variation of budgets and business plans, amendment to dividend policy

## High quality management

- Four partners with over 100 years of combined credit experience and 18 employees
- MCP has lent \$4.6bn across 172 transactions since June 2013
- All MCP strategies have exceeded their investment objectives since inception
- Pinnacle has worked extensively with the management team since 2013

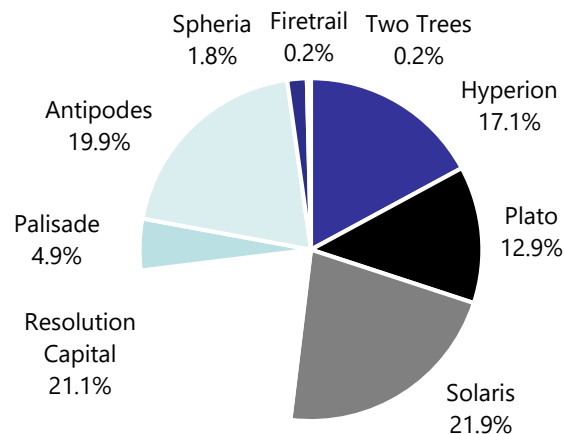
## Diversification

- Diversification into a new 'alternative' asset class that has substantial structural growth potential
- Non equity market linked revenues

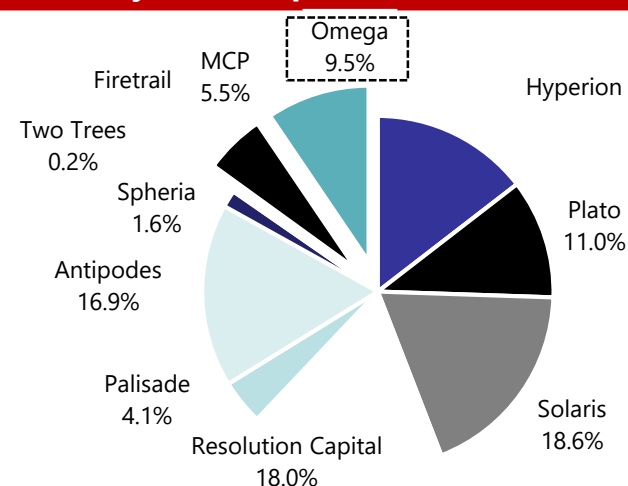
## FUM & EPS growth

- Material increase in Pinnacle's gross FUM of ~6.5% (excluding Omega)
- Increase in Pinnacle's gross retail FUM of ~10.3% (excluding Omega)
- MCP acquisition is forecast to be EPS accretive in the first 12 months<sup>(2)</sup>

### FUM by affiliate: pre-transaction (\$38.0bn)<sup>(1)</sup>



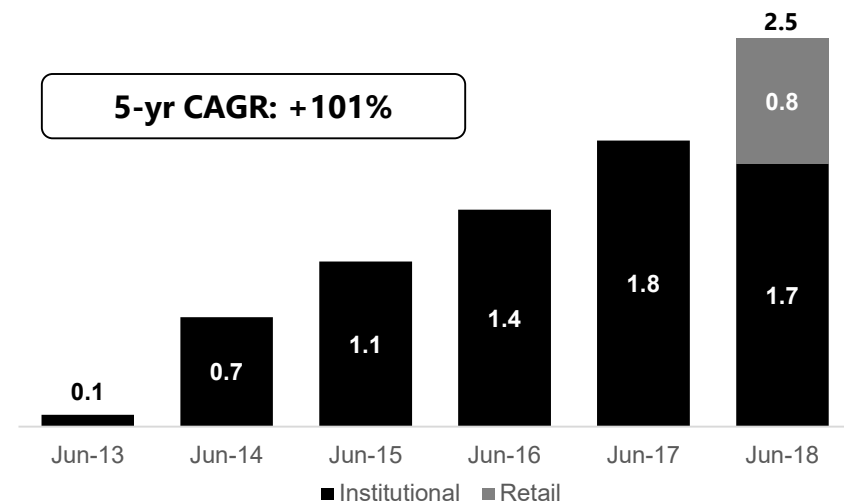
### FUM by affiliate: post-transactions (\$44.8bn)



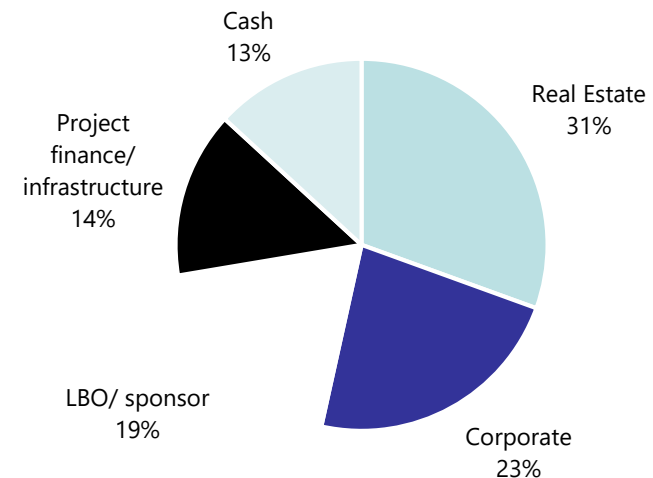
(1) Gross FUM as at 30-Jun-18  
(2) Excluding transaction costs

- MCP is a Sydney-based alternative asset manager specialising in private debt, fixed income and capital markets
- Assets under management ("AUM") of \$3.0bn as at 30 June 2018 of which FUM is \$2.5bn<sup>(1)</sup>
- FUM growth of 101% per annum over the last 5 years with strong growth outlook in FY19
- Retail FUM has grown to ~\$800m or 31% of total firm FUM in FY18
  - \$516m Listed Investment Trust IPO (ASX:MXT) in October 17 (led by Pinnacle)
  - \$212m entitlement offer in April 18
  - \$60m+ unlisted retail FUM
- AUM is diversified across all major bank loan product categories including project finance / infrastructure, real estate, LBO / sponsor and corporate loans

## FUM growth (FY13–FY18)<sup>(1)</sup>



## MCP AUM Mix (\$3.0bn)<sup>(2)</sup>



(1) AUM includes \$550m bank facility which is excluded from total FUM figures

(2) As at 30 June 18

## Large Market

- Australian corporate loan market is large (+\$700bn)<sup>(1)</sup>
- Large volume of annual issuance (+\$100bn)<sup>(1)</sup>

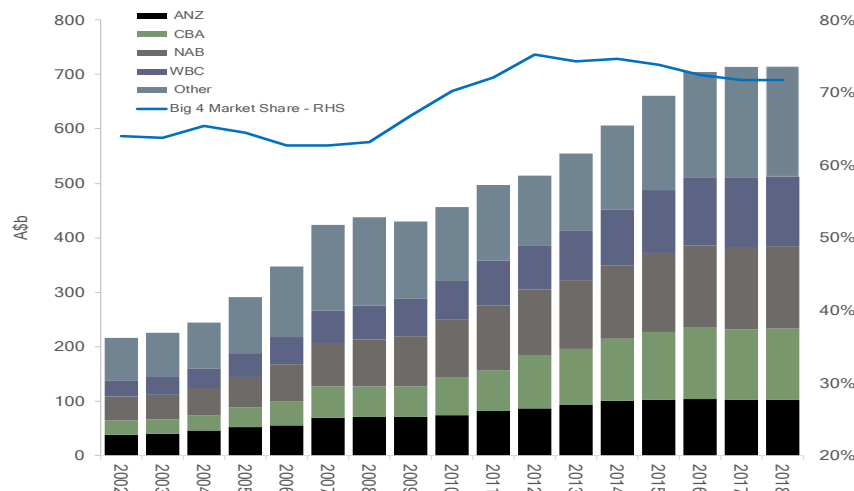
## Regulatory Change

- Banks have historically funded corporate Australia on their own balance sheets
- Changes in the regulatory environment (Basel III) has created a funding gap and an opportunity for non bank lenders to fill the void

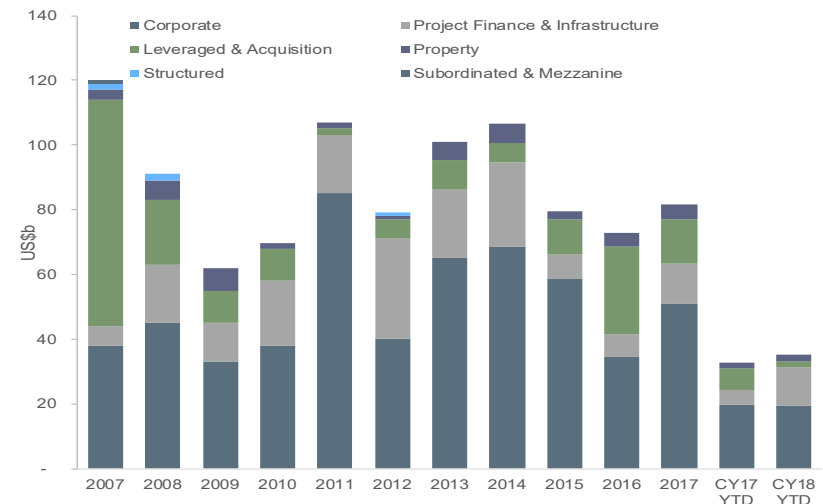
## Emerging Asset Class

- Most domestic institutional and retail investors are in early stages of asset class adoption
- International institutional investors expressing strong interest in accessing Australia and Developed Asia exposure via local specialists

### Bank balance sheets<sup>(1)</sup>



### Corporate debt issuance by loan product<sup>(2)</sup>



(1) RBA, Bloomberg and major bank APS330 reports (2) RBA and Bloomberg

- MCP continue to see significant opportunity for FUM growth in the private debt market
- MCP intends to continue to grow its FUM in its existing strategies (i.e. Australian senior loans, secured private debt and real estate debt) and to expand into adjacent offerings that will appeal to new cohorts of investors in Australia and offshore
- In particular MCP believes there is significant opportunity within the high yield debt market and is exploring opportunities within this sector
- Pinnacle is an ideal partner for MCP as it seeks to grow providing both distribution power and access to capital
- Following Pinnacle's investment, MCP has \$40m of cash on balance sheet that can be used to invest in the existing platform, seed new strategies and co-invest alongside investors
- The strengthened balance sheet and ability to co-invest is seen as an important evolution of the MCP business in deepening relationships with borrowers (enhancing loan origination) and maximising returns for investors and MCP alike



- Business established in September 2018
- Multi-asset and Australian equities
- Led by David Wanis
- Expected launch Q1 2019
- Terms
  - Pinnacle holds 40% of the total shareholding in Longwave and has full economic rights in respect of its holding. The holding will represent less than 1% of the voting shares in Longwave
  - Distribution revenue for Pinnacle

- How does 'Horizon 2' add value in the Medium Term?
  - Investment in growth initiatives that don't require additional capital to be raised - ETF initiative commenced
  - Reasonable limits to be set given short-term 'drag' on Pinnacle parent P&L
  - In addition to growing affiliate revenue and profits, also creates additional revenue streams for Pinnacle parent – both, in the medium term
- This results in:
  - Adding new affiliates
  - 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)

### **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**

- Metrics Credit and Omega acquisitions in July 2018
- We will continue to explore opportunities such as:
  - existing profitable investment management firms that we could help
  - distribution/retail businesses that may be synergistic

- Stable & diversified platform
  - Continuing investment excellence
  - Widespread industry recognition and support
  - 'Article of faith' reputation
- Further investment in distribution capability
  - Direct to retail
  - International
- 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

# Pinnacle Full Year Results

	FY2018	FY2017	YoY change
<b>Pinnacle Affiliates (100% aggregate basis)</b>			
FUM (\$billion)	38.0	26.5	43.4%
Revenue (\$million)	168.4	128.3	31.3%
<b>Net profit before tax</b>	<b>88.9</b>	<b>62.7</b>	<b>41.8%</b>
Tax expense	(27.3)	(19.1)	42.9%
<b>Net profit after tax</b>	<b>61.6</b>	<b>43.6</b>	<b>41.3%</b>

	FY2018	FY2017	YoY change
<b>Pinnacle</b>			
Revenue	16.5	10.9	51.4%
Expenses	(18.3)	(16.4)	11.6%
Share of Pinnacle Affiliates net profit after tax	<b>24.9</b>	<b>17.6</b>	<b>41.4%</b>
<b>Net profit before tax (NPBT) from continuing operations</b>	<b>23.1</b>	<b>12.1</b>	<b>90.9%</b>
Minority interests	-	(0.1)	
<b>NPBT from continuing operations attributable to shareholders</b>	<b>23.1</b>	<b>12.0</b>	<b>92.5%</b>
Taxation	-	-	
<b>NPAT from continuing operations attributable to shareholders</b>	<b>23.1</b>	<b>12.0</b>	<b>92.5%</b>
Discontinued operations	0.3	1.1	(72.7%)
<b>Total profit attributable to shareholders</b>	<b>23.4</b>	<b>13.1</b>	<b>78.6%</b>
<b>Basic earnings per share:</b>			
From continuing operations	<b>14.3</b>	<b>8.1</b>	<b>76.5%</b>
Total attributable to shareholders	<b>14.5</b>	<b>8.9</b>	<b>62.9%</b>
<b>Diluted earnings per share:</b>			
From continuing operations	<b>13.2</b>	<b>7.6</b>	<b>73.7%</b>
Total attributable to shareholders	<b>13.4</b>	<b>8.2</b>	<b>63.4%</b>

# 2018 Financial Highlights

- NPAT from continuing operations attributable to shareholders of \$23.1 million, up 92.5% from \$12.0 million in the prior year
- Earnings per share from continuing operations of 14.3 cents, up 76.5% from 8.1 cents in the prior year
- NPAT attributable to shareholders of \$23.4 million, delivering earnings of 14.5 cents per share
- Share of NPAT from Pinnacle Affiliates of \$24.9 million, up 41.4% from \$17.6 million
- Fully franked final dividend of 7.0 cents per share paid on 5 October 2018
- Cash and Principal Investments of \$31.4 million as at 30 June 2018
- Significant increase in the share price (85%) from \$2.90 at the start of the financial year to \$5.37 at 30 June 2018

# Group financial summary

	FY2018	FY2017	YoY change
<b>Pinnacle</b>			
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Expenses	(18.3)	(16.4)	11.6%
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- Strong growth in Pinnacle earnings
- Significant growth in 'Pinnacle Parent' revenues and costs
- 92.5% increase in net profit after tax from continuing operations attributable to shareholders
- 76.5% increase in Earnings per share from continuing operations

# Significant components of FY 2018 results

- Significant growth in 'Pinnacle Parent' revenues and costs
  - Strong growth in distribution revenue from Affiliates, including 'opening new channels'
  - Continuing 'P&L investment' in 'Horizon 2' activities (for example, Offshore Distribution)
  - Net loss on 'principal investments' of \$705k (including hedging 'mismatch'); \$155k in the second half
- Significant growth in Pinnacle's share of Affiliate profits on the PCP
  - Impact of higher starting FUM each year
  - Still significant investment for future growth in some Affiliates (and significant capacity for future growth)
  - Cost of Two Trees and Firetrail included as negative NPAT; Spheria now profitable
  - Palisade NPAT significantly higher than 1H FY2018 – impact of annual performance fees 30 June
  - Relatively low total performance fees in this financial year



# PNI balance sheet

	FY2018	FY2017	YoY change
<b>Current Assets</b>			
Cash and cash equivalents	9.3	10.9	(14.7%)
Financial assets	22.1	31.6	(30.1%)
<b>Total cash and financial assets</b>	<b>31.4</b>	<b>42.5</b>	<b>(26.1%)</b>
Other current assets	12.6	6.2	103.2%
<b>Total current assets</b>	<b>44.0</b>	<b>48.7</b>	<b>(9.7%)</b>
<b>Non-current assets</b>			
Investment in affiliates	55.6	32.6	70.6%
Other	5.3	0.6	783.3%
<b>Total non-current assets</b>	<b>60.9</b>	<b>33.2</b>	<b>83.4%</b>
<b>Total assets</b>	<b>104.9</b>	<b>81.9</b>	<b>28.1%</b>
<b>Total liabilities</b>	<b>6.8</b>	<b>6.3</b>	<b>7.9%</b>
<b>Net assets</b>	<b>98.1</b>	<b>75.6</b>	<b>29.8%</b>
<b>Net shareholders' equity</b>	<b>98.1</b>	<b>75.6</b>	<b>29.8%</b>
<b>No. of shares issued (at 30 June)</b>	<b>163.9m</b>	<b>160.7m</b>	
Institutional Placement	10.9m		
SPP	1.8m		
<b>Shares issued (27 Aug. 2018)</b>	<b>176.6m</b>		

- Cash and Principal Investments of \$31.4 million
- Includes \$21.1 million in strategies managed by Pinnacle Affiliates
- Excludes post balance date impact of final dividend of 7.0 cents per share, \$60m capital raising (10.9m shares), \$10m Share Purchase Plan proceeds (1.8m shares), and investment into both Metrics Credit Partners and Omega Global Investors, as well as final dividends paid by Affiliates

## Building balance sheet strength for future opportunities

- \$31.4m of cash\* and principal investments
- Includes \$21.1m invested in strategies managed by Pinnacle Affiliates
- Excludes nearly \$12m of cash applied for Affiliate equity recycling loans and Affiliate equity purchased
- Excludes post balance date impact of final dividend of 7.0 cents per share, \$60m capital raising, Share Purchase Plan proceeds, and investment into both Metrics Credit Partners and Omega Global Investors, as well as final dividends paid by Affiliates
- Investment into Firetrail part-cash, part-options over PNI shares (options valued at \$9.4m)
- Strategically valuable for Pinnacle to have capital available to seed new Affiliates, facilitate Affiliate equity recycling, and respond to very high quality 'Horizon 3' opportunities
- Franking credit balance (\$26.9m) at 30% company tax rate enables potential fully franked dividends of \$62.8m

*\*Approximately \$12m higher at the date of this presentation*

# Pinnacle Affiliates financial highlights

	FY2018	FY2017	YoY change
<b>Pinnacle Affiliates (100% aggregate basis)</b>			
FUM (\$billion)	38.0	26.5	43.4%
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<b>Net profit after tax</b>	<b>61.6</b>	<b>43.6</b>	<b>41.3%</b>

## Strong FUM and revenue growth in Pinnacle Affiliates:

- \$7.9 billion net inflows, \$2.2 billion of which were retail
- Total Affiliate Revenues of \$168.4m, including \$17.2m (or 10.2%) in performance fees (FY17: \$16.7m – 13.0% of \$128.3m in Performance Fees)
- 35.5% growth in Pinnacle Affiliates' base management fees

## **2016 Morningstar Fund Manager of the Year Awards:**

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

## **2017 Lonsec/Money Management Fund Manager of the Year:**

- 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

## **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

## **2018 Professional Planner | Zenith Fund Awards:**

- Pinnacle – Distributor of the Year (third consecutive year)
- Resolution Capital – Global REIT Category Winner (fifth consecutive year)
- Solaris Investment Management – Australian Equities – Alternative Strategies Category Winner
- Antipodes Partners – International Equities – Alternative Strategies Category Finalist
- Antipodes Partners – International Equities – Global Category Finalist
- Hyperion – International Equities – Global Category Finalist
- Spheria Asset Management – Australian Equities – Small Cap Category Finalist

# Continuing strong investment performance of Affiliates

**93%** 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 2018

	5Y	10Y	Inception	Inception date
<b>Hyperion Asset Management - Gross Performance</b>				
Hyperion Australian Growth Companies Fund	8.50%	12.45%	11.97%	1/10/2002
<i>Outperformance</i>	2.50%	3.99%	3.12%	
Hyperion Small Growth Companies Fund	10.56%	19.01%	16.90%	1/10/2002
<i>Outperformance</i>	4.56%	12.28%	9.91%	
<b>Plato Investment Management - Gross Performance</b>				
Plato Australian Shares Core Fund	6.91%	9.35%	6.06%	30/10/2006
<i>Outperformance</i>	0.91%	0.89%	0.98%	
Plato Australian Shares Equity Income Fund - Class A	8.51%		11.34%	9/09/2011
<i>Outperformance</i>	0.90%		1.98%	
<b>Solaris Investment Management - Gross Performance</b>				
Solaris Core Australian Equity Fund	8.58%	10.45%	6.42%	9/01/2008
<i>Outperformance</i>	2.56%	1.92%	2.26%	
Solaris High Alpha Australian Equity Fund	8.91%	10.76%	7.27%	4/02/2008
<i>Outperformance</i>	2.89%	2.23%	2.73%	
<b>Resolution Capital - Gross Performance</b>				
Resolution Capital Core Plus Property Securities Fund	12.73%	11.19%	8.61%	30/09/2008
<i>Outperformance</i>	1.44%	1.92%	2.55%	
Resolution Capital Global Property Securities Fund	10.20%	13.91%	11.25%	30/09/2008
<i>Outperformance</i>	2.33%	2.68%	4.24%	
<b>Palisade Investment Partners - Gross Performance</b>				
Palisade Diversified Infrastructure Fund	13.51%		10.85%	1/08/2008
Palisade Australian Social Infrastructure Fund	15.02%		16.14%	31/05/2011
<b>Omega Global Investors - Gross Performance</b>				
Omega Global Corp Bonds Fund	4.25%		6.12%	11/03/2010
<i>Outperformance</i>	-0.45%		-0.64%	
Omega Australian Bonds Fund	4.65%		4.92%	12/09/2011
<i>Outperformance</i>	0.25%		0.22%	
Omega Global Listed Infrastructure Fund	9.73%		11.54%	3/08/2012
<i>Outperformance</i>	0.73%		0.55%	

# Pinnacle Affiliates – FY18 review



- » Funds under management grew to \$7.5 billion from \$3.8 billion at 30 June 2018
- » Out-performance across all strategies since inception in 2015
- » Addition of the Global fund across most retail platforms



- » Long-term performance remains excellent – Hyperion's Australian and Global funds have out-performed their respective benchmarks over 3 years and more
- » Global Fund now has a four-year track record and has out-performed the index by 9.8% since inception in May 2014
- » Global strategy well-placed to drive future FUM and revenue growth



- » Funds under management and investor commitments of \$2.7 billion as at 30 June (2017: \$2.4 billion). Palisade's flagship fund, Palisade's Diversified Infrastructure Fund, generated a gross return of 14.5% for the year, including 7.5% yield.
- » Recent investments in Port of Portland, Ross River Solar Farm, Sunshine Coast Airport and Casey Hospital Expansion Project.



- » Funds under management increased to over \$4.9 billion (2017: 4.0 billion)
- » All of Plato's domestic strategies have outperformed their benchmarks over five years and since inception, while income strategies have delivered on their strong income targets
- » Global Fund continues to gain traction delivering 6% income since inception



- » Funds under management grew to \$8.0 billion.
- » Out-performance from their global strategies in the year to 30 June 2018, over the five years to 30 June 2018, and since inception
- » Accelerating offshore growth. Aiming to launch US pooled fund



- » Funds under management grew to \$8.3 billion as at 30 June 2018 (2017: \$5.1 billion)
- » All strategies outperformed their benchmarks during the year to 30 June 2018, over the five years to 30 June 2018, and since inception nine years ago
- » Successful launch of the long/short strategy



- » Microcap and Small Caps strategies continued to outperform their benchmarks since inception
- » Funds under management \$702 million at 30 June 2018 up from \$211 million at 30 June 2017
- » Additions of Olivier Coulon (Senior Analyst) & Al Doeke (Dealer) to take the team to 5 team members



- » Systematic Global Macro manager, commenced idea generation in May 2017
- » First strategy launched attracting \$71m in the first year. Cayman Fund also launched in FY18



- » Absolute Return Fund and High Conviction Australian Equities Manager commenced in March 2018
- » Strong demand from institutional and retail investors



## Funds under management by Affiliate

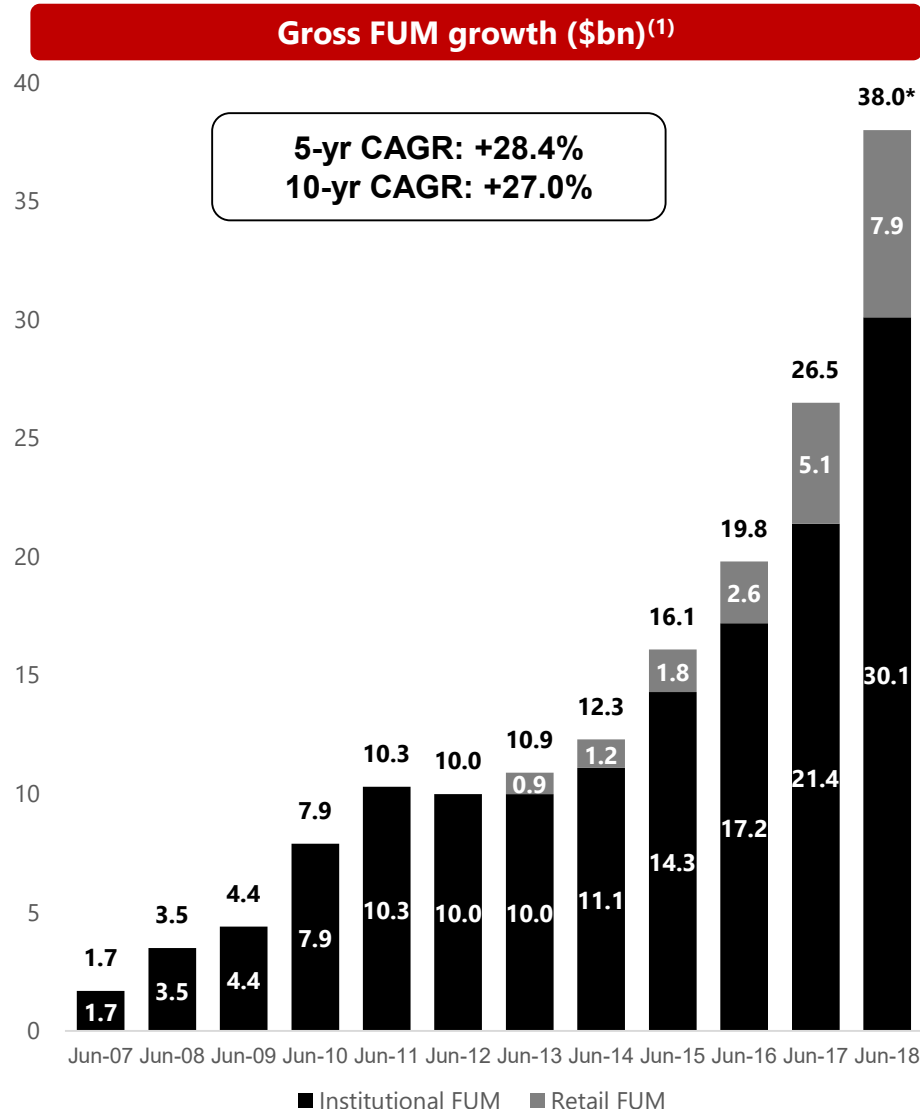
### Gross FUM by affiliate (\$m)

Date	Pinnacle (total)	Hyperion	Plato	Solaris	Resolution Capital	Palisade	Antipodes	Spheria	Two Trees	Firetrail
30 Jun 18	38,032	6,507	4,918	8,319	8,038	1,847	7,554	702	71	74
31 Dec 17	32,338	6,056	4,644	6,618	6,552	1,585	6,261	596	26	-
30 Jun 17	26,526	5,877	4,003	5,135	5,956	1,514	3,830	211	-	-
31 Dec 16	23,339	5,664	3,536	5,032	5,274	1,456	2,191	186	-	-
30 Jun 16	19,756	5,633	3,067	4,595	4,576	1,436	449	-	-	-

### Gross FUM by affiliate growth

Date	Pinnacle (total)	Hyperion	Plato	Solaris	Resolution Capital	Palisade	Antipodes	Spheria	Two Trees	Firetrail
30 Jun 17 - 30 Jun 18	43.4%	10.7%	22.9%	62.0%	35.0%	22.0%	97.2%	232.8%	n.a	n.a
31 Dec 17 - 30 Jun 18	17.6%	7.5%	5.9%	25.7%	22.7%	16.6%	20.7%	17.8%	172.6%	n.a
30 Jun 17 - 31 Dec 17	21.9%	3.0%	16.0%	28.9%	10.0%	4.7%	63.5%	182.5%	n.a	n.a
31 Dec 16 - 30 Jun 17	13.7%	3.8%	13.2%	2.0%	12.9%	4.0%	74.8%	13.4%	n.a	n.a
30 Jun 16 - 31 Dec 16	18.1%	0.6%	15.3%	9.5%	15.3%	1.4%	388.0%	n.a	n.a	n.a

# FY18 funds under management

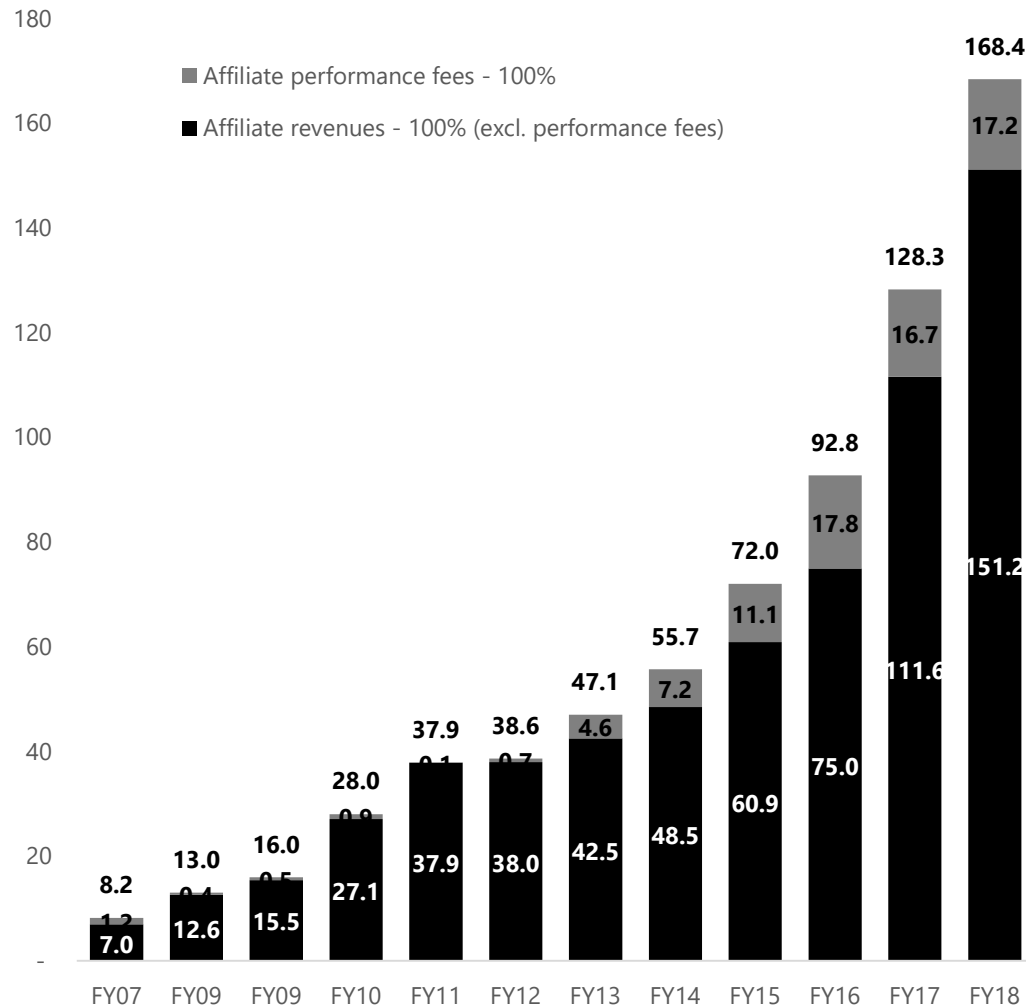


- FUM of \$38.0bn\* as at 30 June 2018 (increased to \$47.2bn\* at 31 October 2018) including Metrics Credit (\$2.5bn) and Omega (\$4.3bn)
- FUM has grown at a CAGR of 27.0% p.a. over the last ten years
- Increase in FUM of \$11.5bn in the year to 30 June 2018, driven by net inflows of \$7.9bn and market movements/investment performance of \$3.6bn
- Of the \$7.9bn of net inflows to 30 June 2018, \$2.2bn was retail
- Recently established affiliates have grown rapidly since inception: Antipodes (FUM: \$7.5bn; FY18 FUM growth: 97%) and Spheria (FUM: \$0.7bn; FY18 FUM growth: 233%)
- Firetrail established with substantial FUM growth expected over the next 12 months

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

# FY18 revenues

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



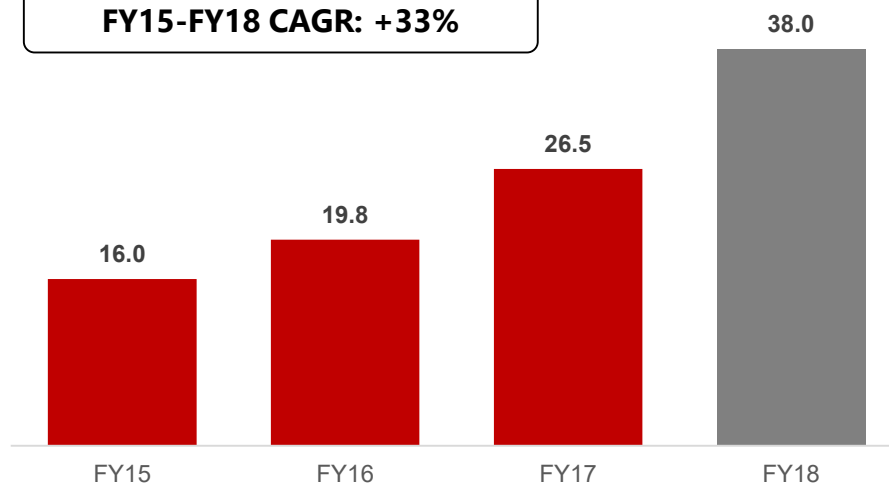
- Group NPAT from continuing operations of \$23.1m, compared to \$12m in FY17, an increase of 92.5%
- Revenue from affiliates of \$168.4m, compared to \$128.3m in FY17, an increase of 31.3%
- EPS from continuing operations of 14.3 cents per share, compared to FY17 EPS of 8.1 cents per share
- Fully franked final dividend of 7.0 cents per share declared, payable in October 2018
- Cash and principal investments of \$31.4m as at 30 June 2018

(1) Revenue shown is 100% of all Pinnacle Affiliates' revenue; fees not split between Performance and Base prior to FY2013

# Demonstrated growth track record

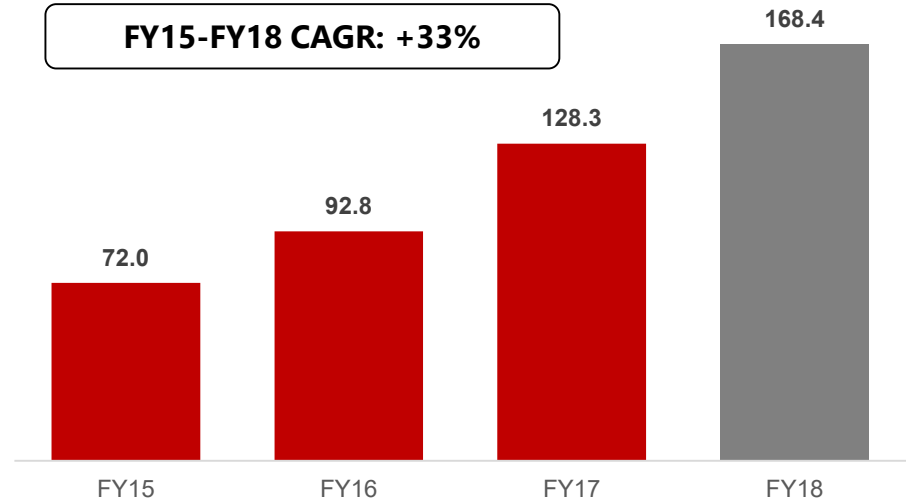
## Gross FUM (\$bn)<sup>(1)</sup>

**FY15-FY18 CAGR: +33%**



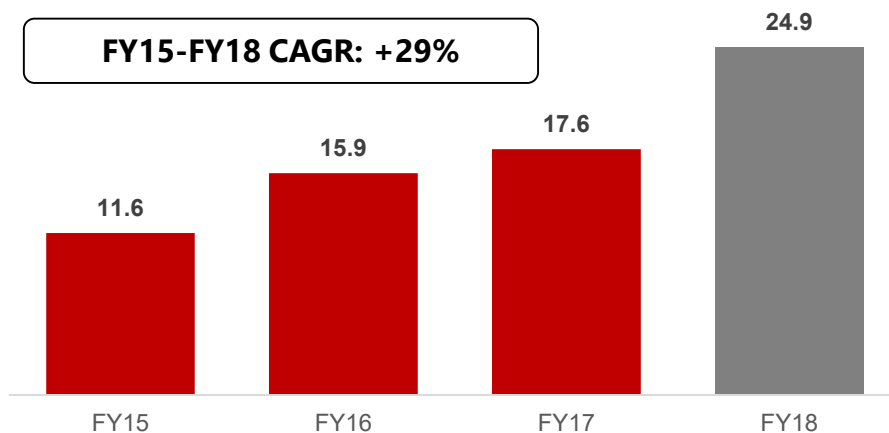
## Affiliate revenues (\$m)<sup>(2)</sup>

**FY15-FY18 CAGR: +33%**



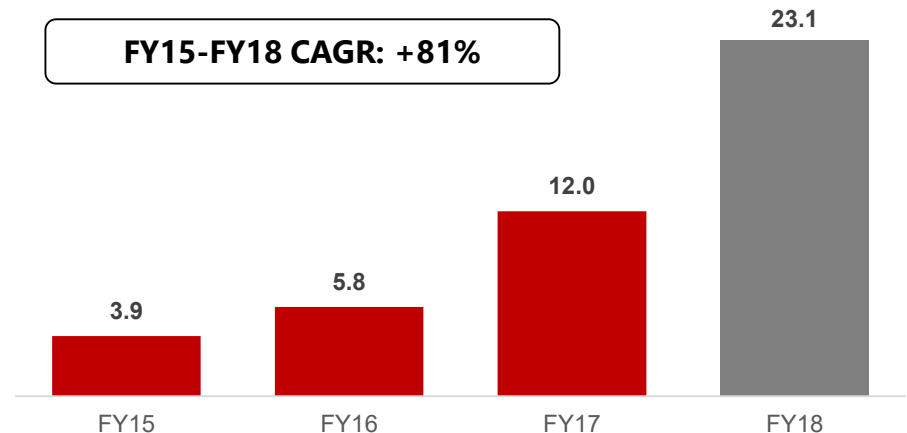
## Pinnacle share of affiliates' NPAT (\$m)<sup>(3)</sup>

**FY15-FY18 CAGR: +29%**



## Pinnacle NPAT from continued operations (\$m)<sup>(4)</sup>

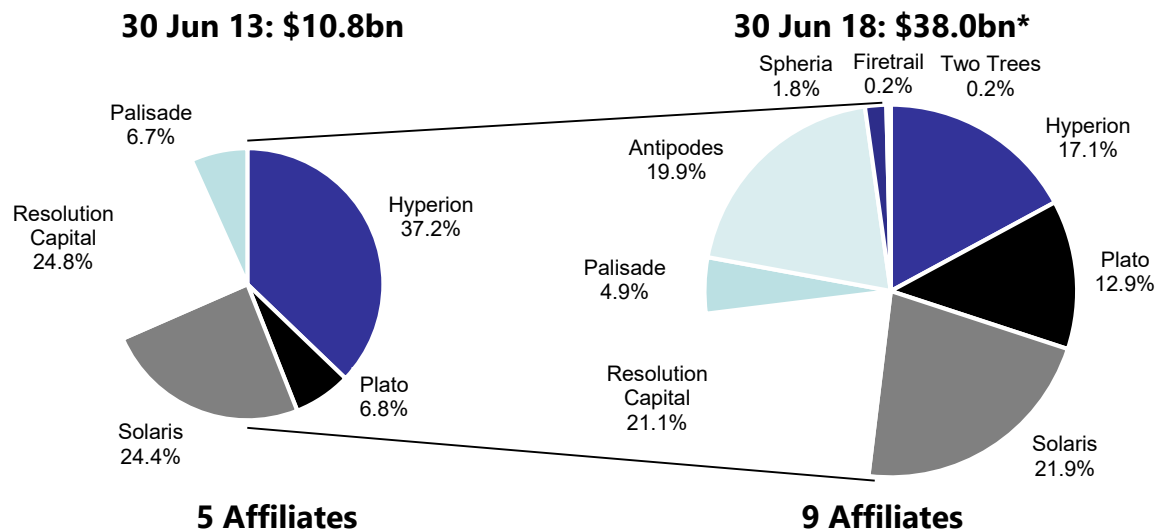
**FY15-FY18 CAGR: +81%**



- (1) Pinnacle Gross FUM is 100% of FUM managed by Pinnacle affiliates  
(2) Affiliate revenues on a gross 100% basis  
(3) Pinnacle's share of each affiliate's net profit after tax, based on Pinnacle's ownership interest of each fund  
(4) Pinnacle Investment Management Group Limited net profit after tax from continued operations

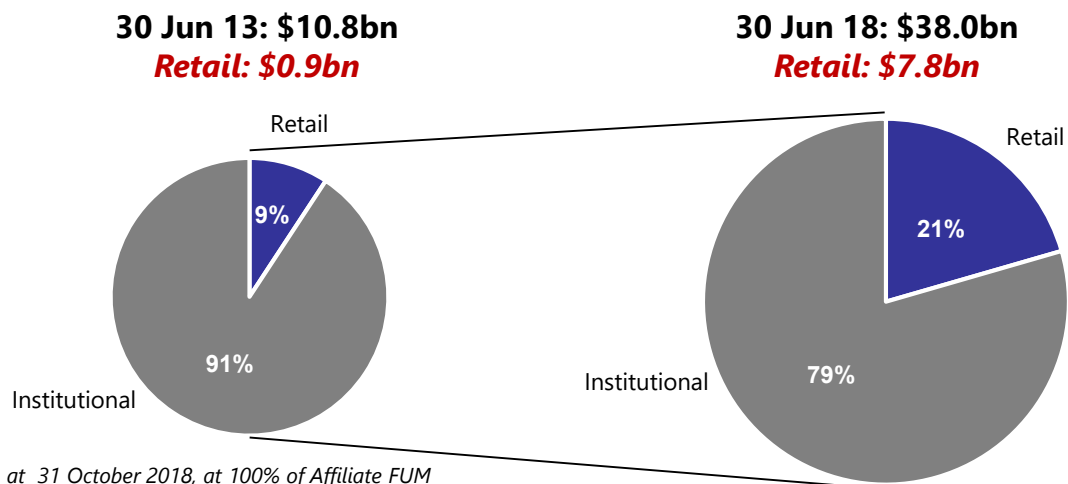
# Demonstrated growth track record

## Affiliate gross FUM evolution



- Addition of a number of new affiliates including Antipodes, Spheria, Two Trees and Firetrail
- A number of initiatives being pursued to continue the growth and evolution of Pinnacle including offshore and exchange traded funds
- Four additional affiliates since 30 June 13 account for 22.1% of gross FUM at 30 June 18

## Retail FUM evolution



- Pinnacle has invested significantly in retail distribution and has generated substantial retail FUM in the last 5 years (~\$7bn of retail FUM growth)
- Initiatives include growth of internal and external sales teams, direct retail and exchange traded funds (open & closed ended)

\*\$47.2bn at 31 October 2018, at 100% of Affiliate FUM

# 2018 Business Highlights

- Record FUM, FUM inflows and Affiliate Revenues
- FUM \$38.0 billion\* at 30 June 2018
  - up \$5.7 billion (17.6%) from 31 December 2017;
  - up \$11.5 billion (43.4%) from 30 June 2017
  - up \$14.7 billion (62.9%) from 31 December 2016; and
  - up \$18.2 billion (92.5%) from 30 June 2016
- Net inflows \$7.9 billion for the year, including \$2.2 billion retail
- Recently established affiliates have grown rapidly since inception: Antipodes (FUM: \$7.5bn; FY18 FUM growth: 97%) and Spheria (FUM: \$0.7bn; FY18 FUM growth: 233%)
- Firetrail established with substantial early FUM growth expected (this has now occurred - \$3.4bn at 31 October 2018, current strategies essentially closed to institutional investors)
- Two Trees has received a significant cornerstone commitment from a notable sovereign investor

\*\$47.2 billion at 31 October 2018 including Metrics Credit (\$2.5 billion) and Omega (\$4.3 billion)

## Talented Investors

- Proven track record of identifying and supporting world class investment teams and anticipating market demand
- All established affiliates have delivered strong long term outperformance
- CAGR in FUM 27.0% over the last ten years, supported by both organic growth and acquisitions

## Distribution Powerhouse

- 'Unusually driven' sales culture ensures rapid market success or a slow grinding victory
- A distribution team of 29 focusing on institutional, retail and international investors
- 2017 Professional Planner | Zenith Fund Awards – Distributor of the Year (second consecutive year)

## Positive Selection Bias

- Talented investors and a highly motivated salesforce attracts other talented managers to the firm
- Attracts new talented distribution executives who then drive sales growth further and harder

## Institutional

- Industry consolidation, internalisation, margin pressure and higher ODD hurdles, however ...
- Demand for high quality boutique active managers remains strong, particularly where capacity is scarce
- Globalise investment solutions, distribution force and infrastructure to maximise medium term growth and mitigate domestic market risks

## Retail

- Regulatory environment positive for investment managers
- Banks divesting wealth management
- Industry fragmentation = more buyers, better margin retention
- Distribution firepower remains central to success
- Market gravitating towards the exchange (closed-end and open-end) as the preferred medium for building portfolios

## International

- Consolidation of global asset consultants
- Rapid growth of OCIO services (fiduciary outsourcing) globally
- Strong demand for unconstrained equity strategies, liquid alternatives, private capital (debt and equity)
- Demographic shift from accumulation to decumulation – from compounding to consuming returns



- 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 proactive conversations as possible
  - Clever use of social platforms to establish and develop relationships
- Deliver
  - Accountability
  - Results focused

- Traditional 'intermediated retail' distribution expertise expanded over time to include 'direct and exchange traded'
  - Intermediated (Financial Advisers)
    - Private managed funds – Platform & Direct
    - Exchange traded funds
  - Direct
    - Private managed funds – Self-Directed Individual Investors
    - Exchange traded funds – LICs/LITs
    - EQMFs/ETFs (coming)
- Distribution footprint and expertise progressively globalising
  - Whilst the Australian institutional market remains a ideal 'nursery' for seeding new boutiques, offshore markets provide a significantly better environment for expanding institutional sales margins
  - Strong opportunity in global private wealth channels for unconstrained global equities and liquid alternatives

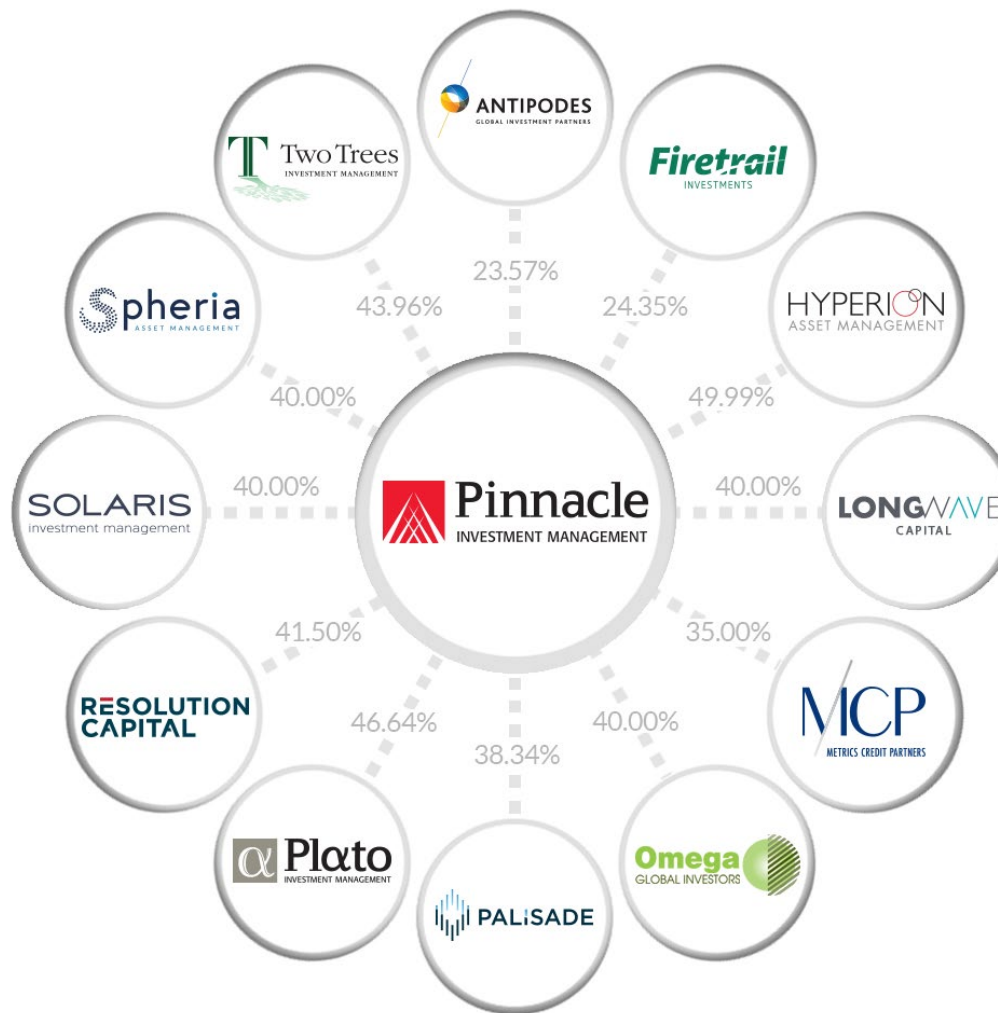
- Our people have elected to work within our business model and culture which is fundamental to our recent growth. To sustain an environment that promotes the continuation of the success of the business, and attract and retain a consistently high quality management team, we have updated our long term incentive arrangements to provide refreshed incentives for long-standing staff, as well as offering opportunities for both recent joiners and developing executives to earn equity:
  - Omnibus Incentive Plan provides for the ability to offer options, performance rights and loan funded Shares to staff
  - Aligns executives with external long term Shareholders through common long term equity ownership
  - Up to 5 million Shares can be issued
- First tranche of incentives (2,600,000 Shares acquired with loans provided by the Company) granted in September 2018 to 13 executives
- Second tranche of incentives (1,400,000 Shares acquired with loans provided by the Company) granted in November 2018 to 3 Executive Directors (following approval at the AGM)
- Non-Executive Directors expected to sacrifice 30%-40% of their fees in return for performance rights

- Lorraine Berends appointed to the PNI Board, with effect from 1<sup>st</sup> September 2018
- Long-serving director Steve Wilson retired from the Board at the AGM
- Takes the number of female directors to two, in line with our stated target
- **Increases the number of independent, non-executive directors to four (a majority)**
- All directors own shares in the Company

- Pinnacle has a strong belief in corporate Australia's responsibility to give back to the communities which sustain and inspire businesses both large and small
- In partnership with Affiliates, Pinnacle primarily supports the community through the Pinnacle Charitable Foundation, which operates as an independent public ancillary fund
- The Foundation has a mission to facilitate positive social change and help build an engaged and vibrant Australia. Support is frequently provided at an early stage, with seed funding offered to encourage trials, conduct specialist research and incubate new projects
- During the 2018 financial year donations totaling \$261,000 were made by the Foundation, supported by a further \$66,000 from Affiliates
- The majority of the total funding of \$327,000 was directed towards national prevention and early intervention programs and services, aiming to help reduce the high incidence of mental health problems across Australia. This included a new long-term partnership announced in June 2018 with suicide prevention charity R U OK?
- The Foundation was the largest recipient of an employee payroll giving program introduced in October 2017 by Pinnacle and several Affiliates. Donations made through salary sacrifice were matched by employers, resulting in a total of \$35,000 being distributed to 40 charities up to the end of June 2018

- Strong momentum going into FY19
  - Acquisition of MCP equity interest, expected to grow strongly
  - Acquisition of Omega equity interest, ETF initiative being pursued
  - Launch of Longwave Capital Partners
- Existing Affiliates continuing to grow (including the launch of new strategies)
- Firetrail FUM \$3.4 billion at 31 October 2018 (mostly institutional - current strategies essentially closed to institutional investors)
- Spheria and Two Trees gaining further traction
- Distribution and Funds Infrastructure Capabilities expanding to support ongoing growth
  - Including offshore (Two Trees and Antipodes offshore vehicles seeded)
  - Other global strategies to also be offered

# Pinnacle Group Overview



The diagram above shows the Pinnacle Affiliates and Pinnacle's effective ownership stake and economic rights in each as at the date of this presentation. In respect of Firetrail Investments, Omega Global Investors and Sphera, the percentage represents Pinnacle's total shareholding in the Affiliate. Pinnacle currently holds less than 1% of the voting shares in these Affiliates. However, it has full economic rights in respect of its holdings.



- Antipodes Partners – a pragmatic value manager of global equities (long only and long-short)
  - Funds under management have grown to in excess of \$7.5bn in under 3 years



- Firetrail Investments – high conviction investment manager of Australian and Global equities
  - Absolute Return Fund and High Conviction Fund launched in March 2018



- Hyperion Asset Management – a specialist manager of Australian and Global equities following a growth style
  - Global Fund has a three-year track record and has out-performed the index by >9.8% pa since inception in May 2014



- MCP is a Sydney-based alternative asset manager specializing in private debt, fixed income and capital markets
  - Pinnacle acquired a 35% interest in July 2018



- Omega Global Investors – Offers smart beta, factor investing and client solutions (including ESG) capabilities – further supports Pinnacle's strategy to gain exposure to ETF market
  - Pinnacle acquired a 40% interest (voting interest <1%) in July 2018



- 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 \$4.9bn



- Resolution Capital – a specialist manager of Australian and Global listed real estate securities portfolios

- Funds under management has grown to more than \$8.0bn



- Solaris Investment Management – a specialist manager of Australian equities following a style-neutral approach to investing

- Successful launch of the long/short strategy

- Funds under management over \$8.3bn



- Spheria Asset Management – a fundamental-based investment manager with a bottom-up focus specialising in small and microcap companies

- FUM has grown to over \$700m



- Two Trees Investment Management – a specialist Systematic Global Macro investment firm

- Commenced managing money 1 November 2017

- Seeded offshore Cayman fund; UCITS to follow

# Affiliates' investment performance – 31 October 2018

	1Y	3Y	5Y	10Y	Inception	Inception date
<b>Hyperion Asset Management - Gross Performance</b>						
Hyperion Australian Growth Companies Fund	6.31%	8.22%	8.50%	12.45%	11.97%	1/10/2002
<i>Outperformance</i>	3.43%	-0.02%	2.50%	3.99%	3.12%	
Hyperion Small Growth Companies Fund	7.50%	7.61%	10.56%	19.01%	16.90%	1/10/2002
<i>Outperformance</i>	4.91%	-2.93%	4.56%	12.28%	9.91%	
Hyperion Australian Equities Composite	6.07%	7.96%	8.29%	12.39%	13.06%	1/11/1996
<i>Outperformance</i>	3.19%	-0.28%	2.29%	3.93%	4.34%	
Hyperion Global Growth Companies Fund (Class B Units)	28.10%	18.36%			22.44%	22/05/2014
<i>Outperformance</i>	18.73%	10.49%			10.24%	
<b>Plato Investment Management - Gross Performance</b>						
Plato Australian Shares Core Fund	3.06%	8.27%	6.91%	9.35%	6.06%	30/10/2006
<i>Outperformance</i>	0.18%	0.03%	0.91%	0.89%	0.98%	
Plato Australian Shares Equity Income Fund - Class A	5.31%	9.77%	8.51%		11.34%	9/09/2011
<i>Outperformance</i>	0.88%	-0.06%	0.90%		1.98%	
Plato Global Shares Income Fund	5.67%				6.77%	30/11/2015
<i>Outperformance</i>	-3.94%				-2.39%	
<b>Solaris Investment Management - Gross Performance</b>						
Solaris Core Australian Equity Fund	6.09%	9.96%	8.58%	10.45%	6.42%	9/01/2008
<i>Outperformance</i>	3.16%	1.71%	2.56%	1.92%	2.26%	
Solaris High Alpha Australian Equity Fund	6.72%	10.64%	8.91%	10.76%	7.27%	4/02/2008
<i>Outperformance</i>	3.78%	2.39%	2.89%	2.23%	2.73%	
Solaris Total Return Fund (including franking credits)	7.71%	11.43%			10.51%	13/01/2014
<i>Outperformance</i>	3.28%	1.60%			2.26%	
<b>Resolution Capital - Gross Performance</b>						
Resolution Capital Core Plus Property Securities Fund	7.49%	9.40%	12.73%	11.19%	8.61%	30/09/2008
<i>Outperformance</i>	0.19%	1.98%	1.44%	1.92%	2.55%	
Resolution Capital Global Property Securities Fund	2.35%	5.80%	10.20%	13.91%	11.25%	30/09/2008
<i>Outperformance</i>	0.26%	1.78%	2.33%	2.68%	4.24%	
<b>Palisade Investment Partners - Gross Performance</b>						
Palisade Diversified Infrastructure Fund	14.31%	14.28%	13.51%		10.85%	1/08/2008
Palisade Australian Social Infrastructure Fund	14.53%	13.77%	15.02%		16.14%	31/05/2011
<b>Antipodes Partners - Gross Performance</b>						
Global Fund	9.60%	12.00%			13.80%	1/07/2015
<i>Outperformance</i>	2.00%	4.00%			5.00%	
Global Long Only	8.40%	13.50%			14.60%	1/07/2015
<i>Outperformance</i>	0.80%	5.50%			5.60%	
Asia Fund	0.80%	11.10%			10.30%	1/07/2015
<i>Outperformance</i>	7.40%	4.60%			5.60%	

# Affiliates' investment performance – 31 October 2018

	1Y	3Y	5Y	10Y	Inception	Inception date
<b>Spheria Asset Management - Gross Performance</b>						
Microcap Fund	5.71%				14.74%	16/05/2016
Outperformance	3.12%				6.50%	
Smaller Companies Fund	11.65%				11.75%	11/07/2016
Outperformance	9.06%				5.25%	
Opportunities Fund	11.03%				12.76%	11/07/2016
Outperformance	7.49%				3.64%	
<b>Two Trees Investment Management - Gross Performance</b>						
Global Macro Fund					-8.09%	1/11/2017
Outperformance					-9.98%	
<b>Firetrail Investments - Gross Performance</b>						
High Conviction Fund					-3.87%	14/03/2018
Outperformance					-4.33%	
Absolute Return Fund					2.02%	14/03/2018
Outperformance					1.08%	
<b>Omega Global Investors - Gross Performance</b>						
Omega Global Corp Bonds Fund	-0.99%	3.24%	4.25%		6.12%	11/03/2010
Outperformance	0.48%	-0.48%	-0.45%		-0.64%	
Omega Australian Bonds Fund	3.01%	3.27%	4.65%		4.92%	12/09/2011
Outperformance	-0.08%	0.35%	0.25%		0.22%	
Omega Global Listed Infrastructure Fund	-3.55%	6.75%	9.73%		11.54%	3/08/2012
Outperformance	-0.75%	0.43%	0.73%		0.55%	
<b>Metrics - Gross Performance</b>						
DASLF	4.75%	4.46%			4.96%	4/06/2013
Spread to RBA Cash Rate	3.25%	2.85%			3.00%	
Spread to Bank Bills	2.85%	2.55%			2.78%	
SPDF	7.96%				7.83%	26/11/2015
Spread to RBA Cash Rate	6.46%				6.22%	
Spread to Bank Bills	6.05%				5.91%	
SPDF II					8.94%	9/10/2017
Spread to RBA Cash Rate					7.43%	
Spread to Bank Bills					7.03%	

- » Investment professionals need a distraction-free environment and 'all else catered'
- » Alignment of interests with clients
- » Sustainability / longevity is highly valued by the market
- » An expert 'link' between investment professionals and the various service and support providers – Pinnacle takes responsibility for this, seeking to make life much easier for the investment professionals

**We are owners, not just employees; it is our business**



# 'Operations' services provided

- 1 Legal, compliance, and risk
- 2 Group corporate services, including company secretarial
- 3 Portfolio administration and client reporting
- 4 Finance, including account payments, statutory and ASIC financial reporting, audit, GS007 etc.
- 5 IT (Information and communication services) including back-up, DRP etc.
- 6 Marketing support, including press, presentation materials, internet
- 7 Administration, including office accommodation, office equipment, supplies etc.
- 8 Human Resources, including payroll, statutory obligations, policies
- 9 Insurance – full range of relevant insurances, large insured amount
- 10 RE services (for unit trusts) – including external compliance committee

## The Changing Landscape for Investment Management Distribution

## Large market underwritten by structural market growth

100+ Australian institutional funds with  
>\$1 billion

Super is the largest channel by AUM  
(\$2.7 trillion, \$100+ billion net inflows)

Institutional market \$1.4+ trillion AUM



## 20 years of Structural Change: Outsource or Merge

Largest Super funds (>\$25bn)  
have >75% of industry AUM,  
cashflows & members

Corporate Funds = Outsource

Industry & Public Funds =  
Merge

Fewer investors, larger  
mandates, fee compression &  
internalisation



## Positive for start ups, pivot towards retail & international

`Happy marriage' between  
large instos & start-up  
boutiques

Large instos prepared to pay  
for scarcity in 3 forms:  
pedigree, alpha and capacity

Pivot towards retail to improve  
yield and diversification = large  
distribution force; digital skills

Pivot offshore to improve yield  
and diversification = global  
products, infrastructure,  
distribution

*Source: APRA, KPMG Super Report, Pinnacle Analysis.  
Market size estimates 31/03/18.*

## Reversal of a 20 year super-cycle of consolidation

Retail \$1.3 trillion

'Big 6' consolidated  
Manufacturing, Administration  
& Distribution

Progressive reduction in pricing  
power and market access

FOFA, Royal Commission now  
triggering 'fragmentation'



## 'Fragmentation': IPO, Demerge, Trade-Sale, Spin-Off

CBA/CFS  
demerger/IPO

NAB/MLC  
demerger/IPO

ANZ Wealth trade  
sale to IOOF

Top practice 'spin  
offs' from vertically-  
integrated groups

Movement towards  
the exchange  
(LICs/LITs/EQMFs)

Growth of FinTech  
platforms &  
solutions (MDAs,  
Blockchain)



## Potential to increase market share & operating margins

Level playing field  
between 'best-in-class'  
and 'in-house'

Fragmentation = better  
pricing power, client  
diversification &  
retention

More 'points of sale' =  
greater distribution  
demands

Dedicated sales team to  
service growing  
exchange-traded market

Digital marketing key to  
accessing self-directed  
retail & SMSFs

*Source: APRA, KPMG Super Report, Pinnacle Analysis.  
Market size estimates 31/03/18.*

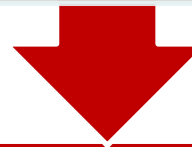


## International Market Opportunity

North America  
~US\$38 trillion market

Europe  
~US\$22 trillion market

Asia/Middle East  
~US\$16 trillion market



## Potential to Improve Business Yield & Lower Risk Profile

Extremely diverse universe of investors with different objectives & regulatory drivers

Potentially stronger operating margins relative Australian institutional market

Diversification of business revenue by geography, channel & currency

Mitigate risks associated with domestic market structural change



## Global Manufacturing, Distribution & Infrastructure

Global Equities (x4), Asian Equities, Global Listed Real Estate, Global Listed Infrastructure, Global Macro, Global Bonds, Asia Private Debt

Global distribution from Sydney, Melbourne & London focused on institutional and wealth channels

Cayman Islands Umbrella Platform, Dublin Domiciled UCITS Platform, US Collective Investment Trust

*Source: WillisTowersWatson, Cap Gemini, McKinsey, Pension & Investments, AMG Analysis, Pinnacle Analysis.  
Market size estimates 30/06/18.*

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