

22 February 2019

**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) 2019 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 \$10.1 million for the six months to 31 December 2018 compared with \$8.1 million for the prior corresponding period (**PCP**). Highlights of the 1HFY19 financial results are as follows:

- > Net Profit After Tax (**NPAT**) from continuing operations \$10.1m for the 1HFY19 half year, compared with \$8.1m for the PCP (an increase of 24.7%) and \$23.1m for the FY18 full year
- > Basic EPS from continuing operations of 6.1 cps, up 13.0% from 5.4 cps in the PCP. Diluted EPS from continuing operations of 5.7 cps, up 14.0% from 5.0 cps in the PCP
- > Fully franked interim dividend per share of 6.1 cents, up 33% from 4.6 cents in PCP
- > Pinnacle's share of Affiliates' NPAT \$14.3 million up 44% from \$9.9 million in PCP
- > Pinnacle funds under management (**FUM**) of \$46.7 billion<sup>1,2</sup> at 31 December 2018, up from \$38.0 billion at 30 June 2018 and up from \$32.3 billion at 31 December 2017

**Composition of Group Results**

Pinnacle reminds shareholders that NPAT during the first half of each financial year is typically a smaller proportion of full year NPAT than NPAT during the second half. Substantial potential performance fees crystallise on an annual basis and are therefore potentially received in the second half of each financial year, with no accruals recognised in the first half. Also, substantial distribution fees are 'success' related and calculated on an annual basis and therefore potentially received from Affiliates in the second half of each financial year, with no accruals recognised in the first half. Performance fee revenue earned by Affiliates during the half year to 31 December 2018 was only \$0.6m, compared with \$0.5m in the PCP and \$17.2m in the FY18 full year.

<sup>1</sup>includes \$6.8 billion 'acquired' in July 2018. Percentage increase excluding this 'acquired' FUM was 5.0%.

<sup>2</sup>\$48.7bn at 31 January 2019

	1H2019	1H2018	YoY change
<b>Pinnacle</b>			
Revenue	7.5 <sup>2</sup>	6.0 <sup>2</sup>	25.0%
Expenses	(11.7)	(7.8)	50.0%
Share of Pinnacle Affiliates net profit after tax	14.3	9.9	44.4%
<b>Net profit before tax (NPBT) from continuing operations</b>	<b>10.1</b>	<b>8.1</b>	<b>24.7%</b>
Taxation	-	-	
<b>NPAT from continuing operations</b>	<b>10.1</b>	<b>8.1</b>	<b>24.7%</b>
<b>Basic earnings per share:</b>			
From continuing operations	6.1	5.4	13.0%
Total attributable to shareholders	6.1	5.4	13.0%
<b>Diluted earnings per share:</b>			
From continuing operations	5.7	5.0	14.0%
Total attributable to shareholders	5.7	5.0	14.0%

<sup>1</sup>\$48.7bn at 31 January 2019

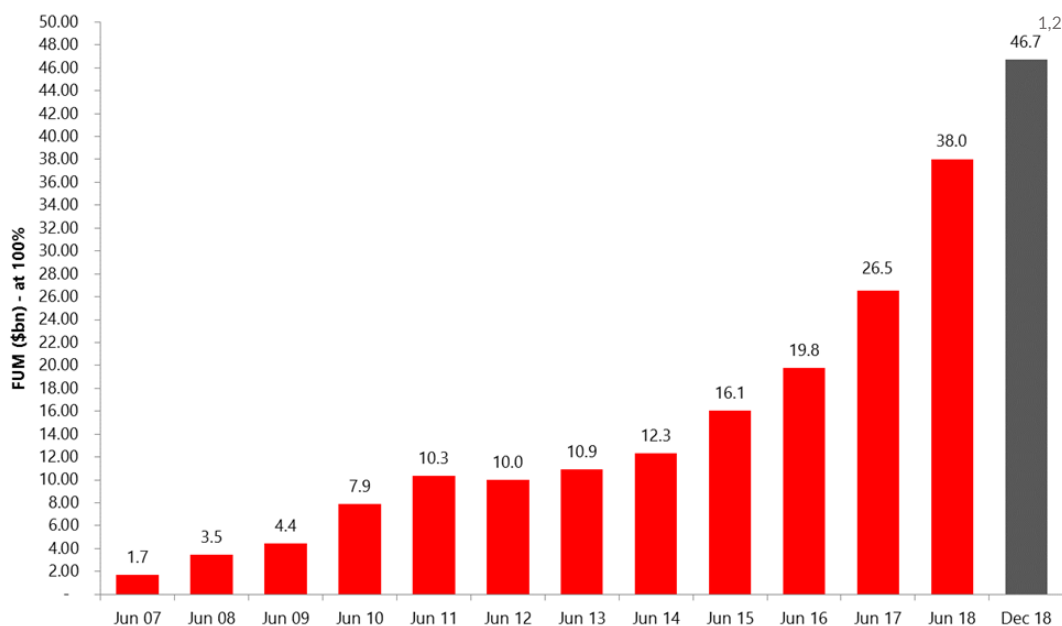
<sup>2</sup>Includes net impact of realized and unrealized losses on principal investments. Nil revenues from upfront fees on LIC/LIT IPOs in 1HFY19; these were \$928k in 1HFY18.

### Funds under management (FUM)

The FUM of Pinnacle's eleven operating Affiliates as at 31 December 2018 was \$46.7 billion<sup>1</sup>, which represents:

- > an increase in FUM of \$8.7 billion or 22.9% during the six-month period from 30 June 2018 to 31 December 2018 (5.0% excluding acquired FUM):
  - \$6.8 billion of FUM was 'acquired' in the July 2018 Metrics Credit and Omega transactions
  - Net fund inflows were \$5.0 billion during the six-month period from 30 June 2018 to 31 December 2018
  - Reductions due to market movements/investment performance during the six-month period from 30 June 2018 to 31 December 2018 were \$3.1 billion. During this period, the S&P/ASX 300 fell 9.0% and the MSCI World Index fell 9.8%.
- > a compound annual growth rate (**CAGR**) of 29.2% p.a. over the last 10 years (27.3% excluding Metrics Credit and Omega) and 35.1% p.a. over the last 3 years (28.6% excluding Metrics Credit and Omega).

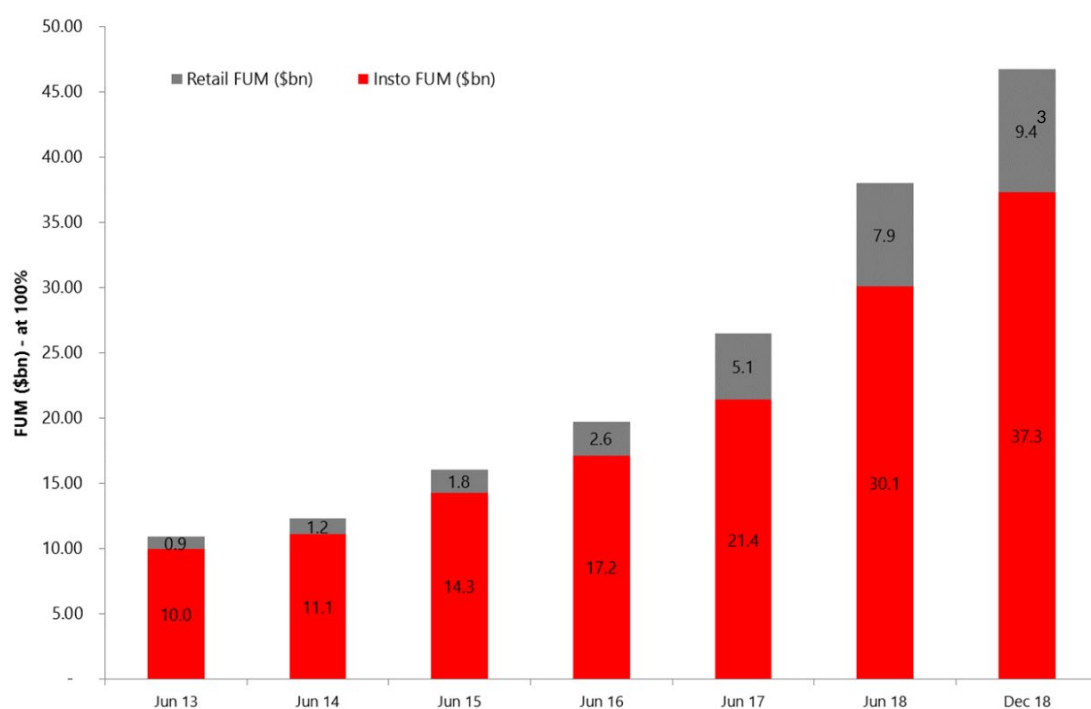
Firetrail institutional inflows accounted for the majority of the total Pinnacle Affiliate institutional net inflows during the 1HFY19 half year period. Firetrail institutional inflows are not expected to be substantial during the second half as the capacity allocated by Firetrail to the institutional market in its two initial investment strategies has largely been filled.



## Retail FUM

Retail FUM stood at \$9.4 billion<sup>3</sup> at 31 December 2018, compared with \$7.9 billion at 30 June 2018. This \$1.5 billion growth was attributable to \$1.4 billion net inflows, \$0.7 billion 'acquired' FUM (ASX:MXT), with reductions due to market movements/investment performance of \$0.6 billion.

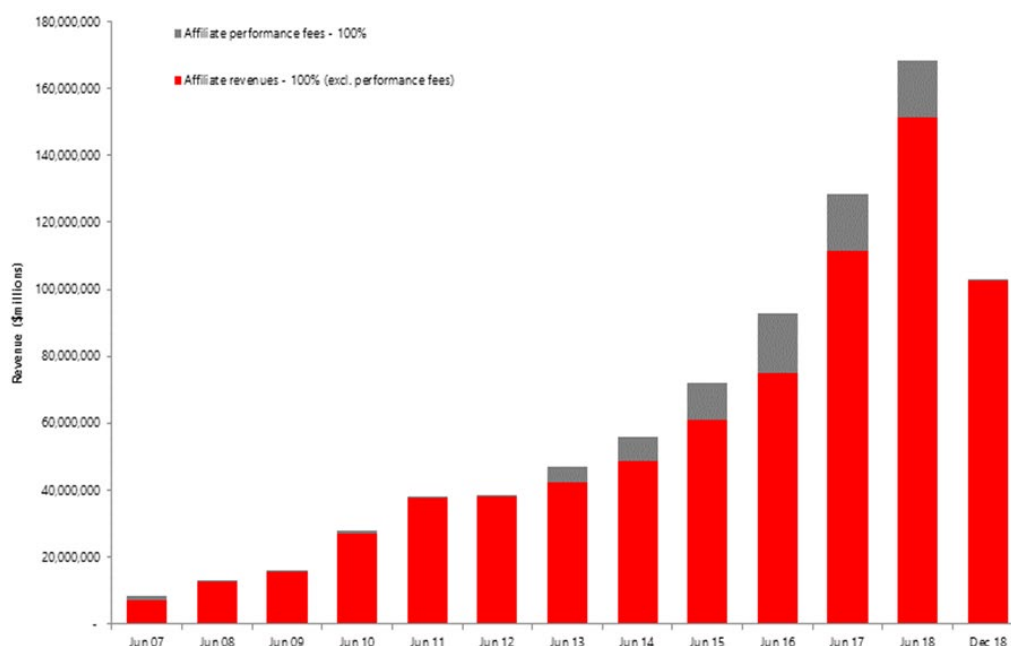
Of the \$5.0 billion of total net inflows for the half year to 31 December 2018, \$1.4 billion was retail, which includes \$176m of LIC FUM inflows (from the exercise of outstanding options, predominantly APL). This compares with \$1.35 billion of retail net inflows in the PCP, which included \$132 million of LIC FUM inflows (ASX:SEC) and \$2.2 billion for the full year to 30 June 2018, which included \$210 million of LIC inflows (SEC and options exercised).



<sup>1</sup>includes \$6.8 billion 'acquired' in July 2018. Percentage increase excluding this 'acquired' FUM was 5.0%.

<sup>2</sup>\$48.7bn at 31 January 2019

<sup>3</sup>includes \$0.7 billion 'acquired' in July 2018.



## Dividend

The Board has resolved to pay a fully franked interim dividend of 6.1 cents per share to shareholders recorded on the register on 8 March 2019 and payable on 22 March 2019.

The Dividend Reinvestment Plan (**DRP**) is applicable to this dividend. Please contact our share registry, Computershare Investor Services Pty Limited by calling 1300 850 505 or online at [www.investorcentre.com/contact](http://www.investorcentre.com/contact) to obtain a DRP election form to participate in the DRP in respect of this dividend.

Our thanks to those shareholders who directed a portion of your 2018 final dividend to the Pinnacle Charitable Foundation, in support of our efforts to help those suffering mental illness. It is the Board's intention to again invite shareholders to contribute to the Foundation in conjunction with PNI's 2019 final dividend later this year.

## Half year FY2019 financial results teleconference

Investors and analysts are invited to attend a teleconference on 22 February 2019 with Alan Watson (Chairman), Ian Macoun (Managing Director) and Adrian Whittingham (Director, Distribution) who will discuss the half year FY2019 financial results and answer questions.

Please note that the call will be available via teleconference only. There will be no live audience. However, a recording of the call will be made available on Pinnacle's website shortly after it is completed.

**Date:** Friday, 22 February 2019

**Time:** 9.00 am (AEDT)

If you would like to join via teleconference, please use the following dial-in numbers:

<b>Dial in numbers:</b>	Australia	(02) 8373 3507
	International	+61 2 8373 3550
<b>Conference ID</b>	8786009	

Please contact Ian Macoun on +61 2 8970 7700 if you require any further information.

Yours faithfully

**Calvin Kwok**

**General Counsel and Company Secretary**

#### **Forward-looking statements**

This announcement includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Pinnacle. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

#### **Disclaimer**

The information in this announcement is given in summary form and does not purport to be complete. Investors or potential investors should seek their own independent advice. This material is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of a particular investor. These should be considered when deciding if a particular investment is appropriate.



**Pinnacle**  
INVESTMENT MANAGEMENT

# Interim Results

*For the period ended 31 December 2018*

22 February 2019

- First half FY19 Financial Highlights
- First half FY19 Business Highlights
- First half FY19 Results Discussion
- Additional material:
  - Group Overview and Business Focus
  - Horizon 2 Initiatives
  - Distribution Update
  - Summary and plans for the remainder of FY19

## **Announced 22<sup>nd</sup> February 2019**

- Pinnacle's share of Affiliates' NPAT \$14.3 million, up 44% from \$9.9 million in PCP
- Pinnacle funds under management (FUM) of \$48.7bn at 31 January 2019
- Fully franked interim dividend of 6.1 cents per share payable on 22 March 2019, up 33% from 4.6 cents per share in PCP

## **Previously announced 23rd January 2019**

- NPAT from continuing operations attributable to shareholders of \$10.1 million, up 25% from \$8.1 million in prior corresponding period (PCP).
- Basic earnings per share from continuing operations of 6.1 cents up 13% from 5.4 cents in PCP
- Diluted earnings per share from continuing operations of 5.7 cents up 14% from 5.0 cents in PCP
- Pinnacle funds under management (FUM) of \$46.7 billion<sup>1</sup> at 31 December 2018, up from \$38.0 billion at 30 June 2018 and up from \$32.3 billion at 31 December 2017
- Cash and principal investments of \$47.6 million at 31 December 2018

<sup>1</sup>includes \$6.8 billion 'acquired' in July 2018.



# First half FY19 business highlights

- FUM at 31 December 2018 \$46.7 billion<sup>1,3</sup>
  - up \$8.7 billion or 23% from \$38.0 billion at 30 June 2018
  - up \$14.4 billion or 45% from \$32.3 billion at 31 December 2017
- Retail FUM now \$9.4 billion<sup>2</sup>, up 19% from \$7.9 billion at 30 June 2018
- Net inflows for the half-year ended 31 December 2018 of \$5.0 billion, including \$1.4 billion retail
- Large institutional flows into Firetrail; now close to 'institutional capacity'
- Acquisition of a 35% interest in Metrics for \$46 million in July 2018. Following the acquisition, Metrics had approximately \$40m of cash to deploy in support of its medium term growth initiatives
- Acquisition of a 40% interest in Omega Global Investors
- Longwave Capital Partners established in September 2018 (Pinnacle holds a 40% interest) – commenced managing money 1 February 2019
- Significant downturn in equities markets during the period – ASX 300 index down 9.0%, MSCI World Index down 9.8% during the six months to 31 December 2018 (FUM reductions due to market movements/investment performance during the six-month period from 30 June 2018 to 31 December 2018 were \$3.1 billion, \$0.6 billion of which was retail).

The large downturn occurred during the last quarter of calendar 2018 when the ASX 300 was down 9.2% and the MSCI World Index down 13.1%. The market movement impact on total PNI FUM during this quarter was approximately 7.5% of the average FUM during the period.

<sup>1</sup>includes \$6.8 billion 'acquired' in July 2018.

<sup>2</sup>includes \$0.7 billion 'acquired' in July 2018.

<sup>3</sup>\$48.7bn at 31 January 2019

- Pinnacle remains well positioned to deliver superior business and financial performance in the medium term:
  - Proven deep expertise and diversity of our 12 Affiliates – 94% of Pinnacle Affiliated Investment Manager strategies and products (with a track record exceeding 5 years) have out performed their benchmarks over the 5 years to 31 January 2019
  - Strong and conservative balance sheet that allows us to both invest in growth initiatives throughout the cycle, and preparedness to respond to opportunities presented by changing market conditions
  - Proven strong distribution – and continuing to grow capability
  - Strong risk management framework and culture – and continuing to enhance capability
- We have invested, and will continue to invest, in Horizon 2 initiatives, with this investment for growth preceding resulting revenues. Therefore Pinnacle parent loss, which will vary with prevailing market conditions, is always managed with extreme vigilance.
- During this half, our costs ramped up as planned, in preparation for ongoing growth, but Pinnacle parent revenues did not grow as strongly as originally expected, due to weak market conditions over the four months from September to December 2018. Pinnacle parent loss in 2HFY19 is expected to be less than in 1HFY19

# Financial summary

	1H2019	1H2018	YoY change
<b>Pinnacle</b>			
Revenue	7.5	6.0	25.0%
Expenses	(11.7) <sup>2</sup>	(7.8) <sup>2</sup>	50.0%
Share of Pinnacle Affiliates net profit after tax	14.3 <sup>1</sup>	9.9	44.4%
<b>Net profit before tax (NPBT) from continuing operations</b>	<b>10.1</b>	<b>8.1</b>	<b>24.7%</b>
Taxation	-	-	
<b>NPAT from continuing operations</b>	<b>10.1</b>	<b>8.1</b>	<b>24.7%</b>
<b>Basic earnings per share:</b>			
From continuing operations	6.1	5.4	13.0%
Total attributable to shareholders	6.1	5.4	13.0%
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From continuing operations	5.7	5.0	14.0%
Total attributable to shareholders	5.7	5.0	14.0%

- 'P&L' investment in support of Horizon 2 growth – adding resources to cater for growth (including ahead of forthcoming growth)
- As we have consistently stated, we will continue to invest in activities which we believe will bring substantial benefits over the medium term, whilst recognising that such investment may restrain our profits to some degree in the short term
- Pinnacle parent loss in 2HFY19 is expected to be less than in 1HFY19
- FUM inflows drive share of profits from Affiliates, tempered by market decline in the second half of 1HFY19
- Increased number of shares on issue following July capital raise and LTI

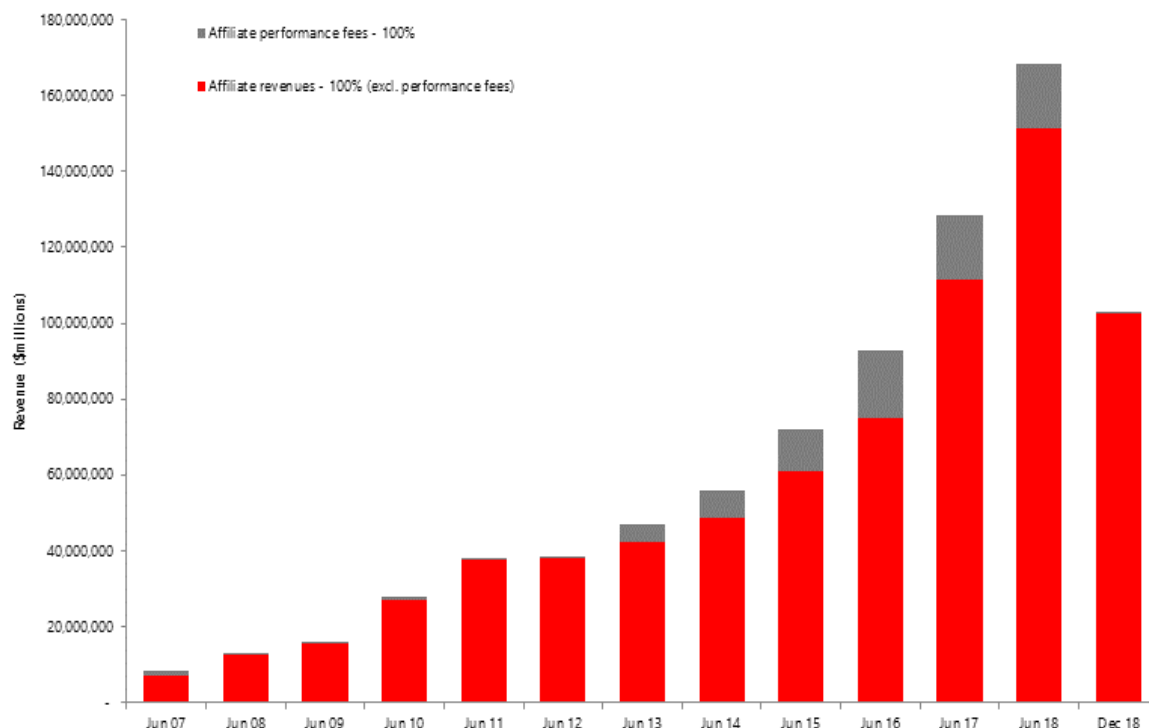
<sup>1</sup> Includes salaries of additional people, recruitment costs etc. – number of people in 'Pinnacle parent' increased from 39 at 1 July 2017 to 61 at 31 December 2018 (approximately 50% distribution and marketing; 50% infrastructure/fund services). Unusually high property costs – will not be as high in 2HFY19.

<sup>2</sup> Realised and unrealised losses on principal investments have been deducted in calculating Revenue number. Nil revenues from upfront fees on LIC/LIT IPOs in 1HFY19; these were \$928k in 1HFY18.

# Highlights of interim results - Affiliates

	1H2019	1H2018	YoY change
<b>Pinnacle Affiliates (100% aggregate basis)</b>			
FUM (\$billion)	46.7 <sup>1</sup>	32.3	44.6%
Revenue (\$million)	103.1	70.5	46.2%
Net profit before tax	52.3	36.1	45.0%
Tax expense	(14.6)	(10.7)	36.0%
Net profit after tax	37.8	25.4	48.7%

<sup>1</sup>\$48.7bn at 31 January 2019



- Continuing FUM and revenue growth
- Total Affiliates' Revenues of \$103.1m, including \$0.6m (0.6%) in performance fees. In 1HFY18, total Affiliates' Revenues of \$70.5m included \$0.5m (or 0.7%) in performance fees.
- As previously advised, NPAT during the first half of each financial year is typically a smaller proportion of full year NPAT than NPAT during the second half

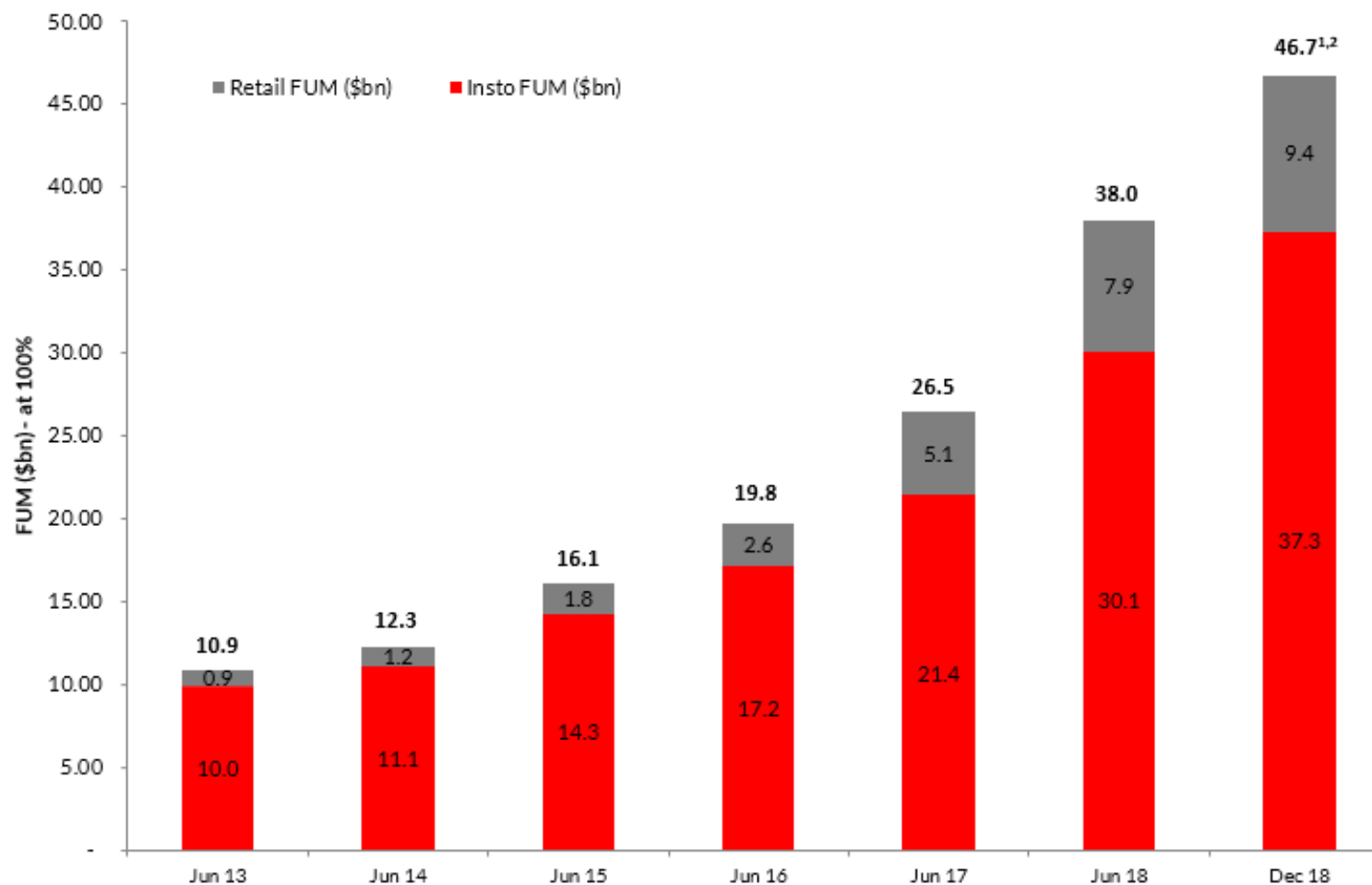
# Significant components of 1HFY19 financial result

- Continuing growth in 'Pinnacle Parent' revenues and costs
  - Significant 'P&L' investment in 1HFY19 in support of Horizon 2 initiatives (including Offshore distribution, ETF, Direct to retail consumers, new Affiliates)
  - Net loss on principal investments of \$615k
  - Unusually high property costs – will not be as high in 2HFY19
  - Continued strong inflows drive distribution fee revenues – however, no up-front LIC fees this half
  - Certain distribution fees are 'success-based' and only recognized in 2H
- Significant growth in Pinnacle's share of Affiliate profits on the PCP
  - Impact of higher starting FUM, tempered by the decline in equities markets in the second half of 1HFY19
  - Continuing investment in certain Affiliates ahead of future growth
  - Cost of Two Trees, Firetrail and Longwave included as negative NPAT, Firetrail profitable from September following significant early (predominantly institutional) inflows
  - Very low performance fees for 1HFY19 (also very low in 1HFY18)
  - As expected, Palisade NPAT significantly down on 2HFY18 – impact of annual performance fees to 30 June each year

At 31 December 2018:

- \$47.6m of cash and principal investments
- Includes \$37.1m invested in strategies managed by Pinnacle Affiliates
- Excludes nearly \$7m of cash applied for Affiliate equity recycling loans, working capital loans (Two Trees) and Affiliate equity purchased
- Pinnacle continues to support its Affiliates, including by seeding new products
- Excludes post balance date impact of dividend of \$11.0 million (interim dividend of 6.1 cents per share), and Affiliate dividend inflows to PNI since 31 December 2018
- Franking credit balance (\$26.9m) at 30% company tax rate enables potential fully franked dividends of \$63.1m

# Funds Under Management – 31 December 2018



<sup>1</sup>includes \$6.8 billion 'acquired' in July 2018.

<sup>2</sup>\$48.7bn at 31 January 2019

# Funds Under Management – 31 December 2018

Date	Pinnacle (total) (\$m)	Hyperion (\$m)	Plato (\$m)	Solaris (\$m)	RCL (\$m)	Palisade (\$m)	Antipodes (\$m)	Spheria (\$m)	Two Trees (\$m)	Firetrail (\$m)	Metrics (\$m)*	Omega (\$m)*	Longwave (\$m)
31 Dec 18	46,741 <sup>3</sup>	5,599	4,680	7,606	7,779	2,010	8,149	640	214	3,603	2,771	3,689	-
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	-	-	-	-	-

\*Pinnacle acquired equity interests in Metrics and Omega in July 2018. FUM not included prior to this date

Date	Pinnacle (total)	Hyperion	Plato	Solaris	RCL	Palisade	Antipodes	Spheria	Two Trees	Firetrail	Metrics	Omega	Longwave
Change in FUM - 30 Jun 18 to 31 Dec 18	22.9% <sup>1</sup>	(14.0%)	(4.8%)	(8.6%)	(3.2%)	8.8%	7.9%	(8.8%)	200.8%	4,768.9%	-	-	-
Change in FUM - 31 Dec 18 to 31 Dec 17	44.5% <sup>2</sup>	(7.6%)	0.8%	14.9%	18.7%	26.8%	30.2%	7.4%	721.5%	-	-	-	-

<sup>1</sup>15.0% excluding Metrics and Omega

<sup>2</sup>23.5% excluding Metrics and Omega

<sup>3</sup>\$48.7bn at 31 January 2019



## 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

The following slides provide additional information:

- 13 – Building a strong, diversified platform
- 14-16 – Overview of Pinnacle Affiliates
- 17-19 – Continuing strong investment performance of Affiliates (to 31 January 2019)
- 20-26 – Focus on managing the business so as to maximise profits and Company value over the medium term (including 23-24 – Building a more resilient platform to support Horizon 1 and 2 initiatives)
- 27 - Horizon 2 Progress
- 28 – Recap on Horizon 3 Criteria – What could we acquire?
- 29-30 – Evolution of Pinnacle’s Distribution capability
- 31 – Progress to date – Platform and Reputation
- 32 – Pinnacle Charitable Foundation
- 33 – Summary and plans for the remainder of FY19

# 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

23.5% (4)

40.0%

\$3.6bn  
High  
Conviction  
2018

\$7.6bn  
Australian  
Core equities  
2008

Core/  
Conviction

**HYPERION**  
ASSET MANAGEMENT

**Plato**  
INVESTMENT MANAGEMENT

49.9%

46.2%

\$5.6bn  
Global & Aus.  
Growth  
equities  
1998

\$4.7bn  
Global & Aus.  
Quant equities  
2006

Domestic/Global

**ANTIPODES**  
GLOBAL INVESTMENT PARTNERS

23.5%

\$8.1bn  
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

Quantamental  
equities/Multi-  
Asset

**Omega**  
GLOBAL INVESTORS

40.0% (4)

\$3.7bn  
Smart Beta Plus  
2018 (3)

Smart Beta

**RESOLUTION**  
CAPITAL

41.5%

\$7.8bn  
Global REITs  
2007

Global Real  
Estate Securities

**METRICS**

35.0%

\$2.8bn  
Debt  
2018 (2)

Debt

**PALISADE**

36.0%

\$2.0bn  
Unlisted  
infrastructure  
2007

Infrastructure

**TwoTrees**  
INVESTMENT MANAGEMENT

44.0%

\$0.2bn  
Systematic Global  
Macro  
2017

Macro

- (1) Gross FUM as at 31 December 18. \$48.7bn at 31 January 2019
- (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.



- Antipodes Partners – a pragmatic value manager of global equities (long only and long-short)
  - Funds under management have grown to in excess of \$8.1 billion in approximately 3.5 years



- Firetrail Investments – high conviction investment manager of Australian and Global equities
  - Absolute Return Fund and High Conviction Fund launched in March 2018
  - Absolute Return Fund Upgraded to ‘Highly Recommended’ by Zenith in February 2019
  - Funds under management \$3.6 billion at 31 December 2018



- Hyperion Asset Management – a specialist manager of Australian and Global equities following a quality growth style
  - Global Fund has a four-and-a-half-year track record and has out-performed the index by 6.9% pa (net of fees) since inception in June 2014. Upgraded to ‘Highly Recommended’ by Lonsec in February 2019



- Longwave Capital Partners – quantamental Australian equities and multi-asset
  - Longwave Australian Small Companies Fund launched 1 February 2019

# Overview of Pinnacle Affiliates (continued)



- Metrics 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
  - Recent further improved ratings from asset consultants and gatekeepers



- Plato Investment Management – an investment management firm specialising in objective-based Global and Australian equity investment solutions for wholesale and retail investors
  - Funds under management \$4.7bn at 31 December 2018
  - Plato Global Shares Income Fund upgraded to ‘Recommended’ by Lonsec in February 2019

# Overview of Pinnacle Affiliates (continued)

## **RESOLUTION CAPITAL**

- Resolution Capital – a high conviction manager of Australian and Global listed real estate securities
  - Funds under management \$7.8 billion at 31 December 2018
  - Launched Collective Investment Trust (CIT) for US institutional investors – secured seed client

## **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 – good performance, gaining traction in retail
  - Funds under management \$7.6bn at 31 December 2018

## **Sphera** ASSET MANAGEMENT

- Sphera Asset Management – a fundamental-based investment manager with a bottom-up focus specialising in small and microcap companies
  - FUM \$640m at 31 December 2018
  - Contributing profitability to Pinnacle

## **T** Two Trees INVESTMENT MANAGEMENT

- Two Trees Investment Management – a specialist systematic global macro hedge fund manager
  - Commenced managing money 1 November 2017
  - Seeded offshore Cayman fund; UCITS to follow

# Continuing strong investment performance of Affiliates

**94%** 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 January 2019

	5Y	10Y	Inception	Inception date
<b>Pinnacle Investment Management - Gross Performance unless otherwise stated</b>				
<b>Hyperion Asset Management</b>				
Hyperion Australian Growth Companies Fund	9.75%	13.97%	11.97%	1/10/2002
Outperformance	2.70%	4.10%	3.17%	
Hyperion Small Growth Companies Fund	12.53%	20.37%	16.97%	1/10/2002
Outperformance	5.16%	12.40%	10.04%	
Hyperion Australian Equities Composite	9.78%	14.05%	13.10%	1/11/1996
Outperformance	2.73%	4.18%	4.41%	
<b>Plato Investment Management</b>				
Plato Australian Shares Core Fund	7.78%	10.88%	6.05%	30/10/2006
Outperformance	0.73%	1.00%	0.96%	
Plato Australian Shares Equity Income Fund - Class A	9.74%		11.40%	9/09/2011
Outperformance	1.02%		2.10%	
<b>Solaris Investment Management</b>				
Solaris Core Australian Equity Fund	9.16%	11.38%	8.50%	9/01/2008
Outperformance	2.06%	1.42%	1.79%	
Solaris High Alpha Australian Equity Fund	9.10%	11.41%	10.76%	4/02/2008
Outperformance	2.00%	1.45%	2.20%	
Solaris Total Return Fund (including franking credits)	10.88%		10.44%	13/01/2014
Outperformance	2.18%		2.23%	
<b>Resolution Capital</b>				
Resolution Capital Core Plus Property Securities Fund	15.29%	14.24%	9.20%	30/09/2008
Outperformance	1.55%	1.82%	2.54%	
Resolution Capital Global Property Securities Fund	12.01%	17.38%	11.78%	30/09/2008
Outperformance	2.36%	2.66%	4.24%	
<b>Palisade Investment Partners</b>				
Palisade Diversified Infrastructure Fund	13.06%		10.78%	1/08/2008
Palisade Australian Social Infrastructure Fund	14.50%		15.54%	31/05/2011
<b>Omega Global Investors</b>				
Omega Global Corp Bonds Fund	4.47%		6.23%	11/03/2010
Outperformance	-0.43%		-0.66%	
Omega Australian Cash Fund	2.24%		2.70%	12/09/2011
Outperformance	0.37%		0.34%	
Omega Global Listed Infrastructure Fund	10.43%		11.86%	3/08/2012
Outperformance	0.61%		0.48%	
<b>Metrics</b>				
DASLF	5.12%		5.35%	4/06/2013
RBA Cash Rate	3.26%		3.42%	
BBSW (90 Days)	2.99%		3.19%	

The investment performance information above is shown for information purposes only. Outperformance is measured based on performance gross of fees (unless otherwise stated) vs relevant benchmark. The one strategy that has underperformed its benchmark was not under Pinnacle ownership for most of the five-year period.

# Affiliates' investment performance to 31 January 2019

	1Y	3Y	5Y	10Y	Inception	Inception date
<b>Pinnacle Investment Management - Gross Performance unless otherwise stated</b>						
<b>Hyperion Asset Management</b>						
Hyperion Australian Growth Companies Fund	6.30%	8.26%	9.75%	13.97%	11.97%	1/10/2002
Outperformance	5.22%	-1.78%	2.70%	4.10%	3.17%	
Hyperion Small Growth Companies Fund	7.12%	8.31%	12.53%	20.37%	16.97%	1/10/2002
Outperformance	10.18%	-3.03%	5.16%	12.40%	10.04%	
Hyperion Australian Equities Composite	6.92%	8.39%	9.78%	14.05%	13.10%	1/11/1996
Outperformance	5.84%	-1.65%	2.73%	4.18%	4.41%	
Hyperion Global Growth Companies Fund (Class B Units)	21.12%	19.79%			21.26%	22/05/2014
Outperformance	16.75%	9.03%			9.37%	
<b>Plato Investment Management</b>						
Plato Australian Shares Core Fund	1.51%	9.86%	7.78%	10.88%	6.05%	30/10/2006
Outperformance	0.43%	-0.19%	0.73%	1.00%	0.96%	
Plato Australian Shares Equity Income Fund - Class A	5.76%	11.56%	9.74%		11.40%	9/09/2011
Outperformance	2.80%	-0.17%	1.02%		2.10%	
Plato Global Shares Income Fund	2.26%	7.91%			5.71%	30/11/2015
Outperformance	-1.56%	-2.22%			-1.94%	
<b>Solaris Investment Management</b>						
Solaris Core Australian Equity Fund	3.05%	12.27%	9.16%	11.38%	8.50%	9/01/2008
Outperformance	1.68%	2.17%	2.06%	1.42%	1.79%	
Solaris High Alpha Australian Equity Fund	2.61%	13.40%	9.10%	11.41%	10.76%	4/02/2008
Outperformance	1.23%	3.31%	2.00%	1.45%	2.20%	
Solaris Total Return Fund (including franking credits)	5.72%	14.19%	10.88%		10.44%	13/01/2014
Outperformance	2.75%	2.45%	2.18%		2.23%	
Solaris Australian Equity Long Short Fund	9.41%				16.12%	1/03/2017
Outperformance	8.04%				10.44%	
Solaris Australian Equity Income Fund	5.18%				9.69%	12/12/2016
Outperformance	2.22%				1.35%	
<b>Resolution Capital</b>						
Resolution Capital Core Plus Property Securities Fund	13.66%	11.40%	15.29%	14.24%	9.20%	30/09/2008
Outperformance	0.56%	2.11%	1.55%	1.82%	2.54%	
Resolution Capital Global Property Securities Fund	6.79%	10.48%	12.01%	17.38%	11.78%	30/09/2008
Outperformance	-0.26%	2.56%	2.36%	2.66%	4.24%	
<b>Palisade Investment Partners</b>						
Palisade Diversified Infrastructure Fund	13.07%	14.43%	13.06%		10.78%	1/08/2008
Palisade Australian Social Infrastructure Fund	9.20%	13.14%	14.50%		15.54%	31/05/2011
<b>Antipodes Partners</b>						
Global Fund	2.74%	12.78%			11.89%	1/07/2015
Outperformance	-0.01%	2.28%			4.06%	
Global Long Only	-0.01%	15.05%			12.31%	1/07/2015
Outperformance	2.75%	10.50%			7.83%	
Asia Fund	-0.74%	14.67%			10.51%	1/07/2015
Outperformance	4.39%	1.69%			4.17%	

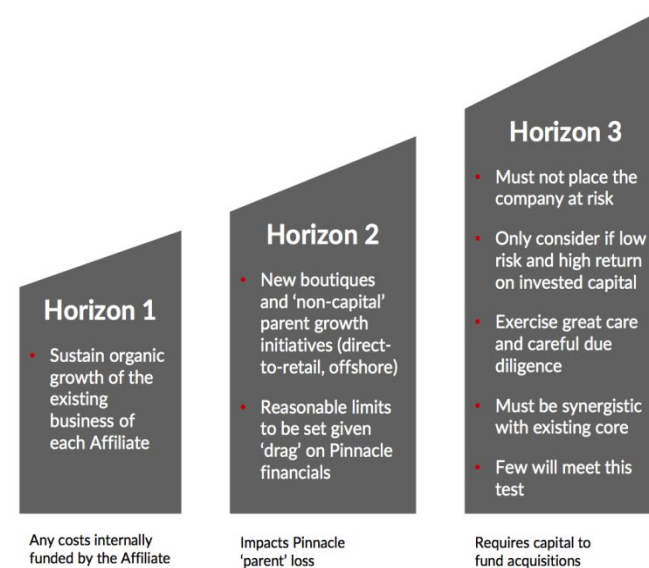
The investment performance information above is shown for information purposes only. Outperformance is measured based on performance gross of fees (unless otherwise stated) vs relevant benchmark.



# Affiliates' investment performance to 31 January 2019

	1Y	3Y	5Y	10Y	Inception	Inception date
<b>Pinnacle Investment Management - Gross Performance unless otherwise stated</b>						
<b>Spheria Asset Management</b>						
Microcap Fund	-13.10%				10.19%	16/05/2016
Outperformance	-10.04%				4.02%	
Smaller Companies Fund	-5.30%				9.70%	11/07/2016
Outperformance	-2.24%				3.54%	
Opportunities Fund	-2.27%				10.47%	11/07/2016
Outperformance	0.79%				4.31%	
<b>Two Trees Investment Management</b>						
Global Macro Fund	-0.30%				-3.58%	1/11/2017
Outperformance	-2.25%				-5.48%	
<b>Firetrail Investments</b>						
High Conviction Fund					-5.45%	14/03/2018
Outperformance					-7.36%	
Absolute Return Fund					-0.89%	14/03/2018
Outperformance					-2.21%	
<b>Omega Global Investors</b>						
Omega Global Corp Bonds Fund	1.71%	3.73%	4.47%		6.23%	11/03/2010
Outperformance	0.41%	-0.80%	-0.43%		-0.66%	
Omega Australian Cash Fund	1.91%	2.03%	2.24%		2.70%	12/09/2011
Outperformance	0.39%	0.45%	0.37%		0.34%	
Omega Global Listed Infrastructure Fund	7.04%	8.04%	10.43%		11.86%	3/08/2012
Outperformance	-1.31%	0.08%	0.61%		0.48%	
<b>Metrics</b>						
DASLF	5.40%	4.88%	5.12%		5.35%	4/06/2013
RBA Cash Rate	3.90%	3.31%	3.26%		3.42%	
BBSW (90 Days)	3.42%	2.98%	2.99%		3.19%	
SPDF	8.81%	8.36%			8.20%	26/11/2015
RBA Cash Rate	7.30%	6.79%			6.53%	
BBSW (90 Days)	6.83%	6.46%			6.22%	
SPDF II	9.28%				9.59%	9/10/2017
RBA Cash Rate	7.77%				7.88%	
BBSW (90 Days)	7.30%				7.43%	
REDF	8.89%				8.64%	
RBA Cash Rate	7.38%				6.92%	
BBSW (90 Days)	6.90%				6.47%	
WIT	6.75%				6.54%	
RBA Cash Rate	5.24%				4.82%	
BBSW (90 Days)	4.77%				4.37%	
MXT - net performance	5.50%				5.40%	
RBA Cash Rate	3.99%				3.89%	
BBSW (90 Days)	3.51%				3.47%	

- We continue to build Pinnacle 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
  - Horizon 2 examples – Hyperion, Plato, Solaris, Spheria, Two Trees and Longwave
  - Combination of Horizon 2 and Horizon 3 examples – Resolution Capital, Palisade, Antipodes and Firetrail
  - Horizon 3 examples – Metrics and Omega



- 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. Ability to leverage managers' skill and brands through extension strategies
  - In addition to growing Affiliate revenue and profits, also creates additional revenue streams for 'Pinnacle parent' through distribution, marketing and operation revenue
- This results in:
  - Adding new boutiques
  - Accessing new channels (e.g. Direct to retail consumers)
  - Adding expertise to support non-traditional AUM growth (e.g. LICs, LITs, ETFs)
  - Geographic expansion of distribution platform (e.g. offshore, regional areas)
  - Establishing new 'platforms' that can be leveraged by our boutiques (e.g. UCITS, Cayman)

- We have deliberately increased resources and costs in 'Pinnacle parent' to ensure excellent ongoing service to existing Affiliates, support of new strategies and of new Affiliates
- Every 'Horizon 2' initiative is based on a business plan for delivery of attractive financial benefits within a few years
- Current initiatives include
  - New Affiliates
    - Firetrail (transitioned out of Horizon 2 in September 2018)
    - Longwave
    - Two Trees
  - ETF initiative
  - LICs and LITs
  - Direct to retail consumers
  - Offshore Distribution, etc.
- Resources to support Horizons 1 and 2 added in Risk & Compliance, Middle Office, Finance etc. (infrastructure / fund services) not only in Distribution and Marketing

Risk and Compliance expansion in response to market expectations and Horizon 1 and 2 growth

- Appointment of a Chief Risk and Compliance Officer
- Team expansion from three to six members
- Appointment of independent non-executive Chair to the Compliance Committee of our Responsible Entity
- Implementation of Governance, Risk and Compliance (GRC) system to enhance management of obligations
- Maintain current momentum and investment to deliver medium term growth

Investment Management Services (“Middle Office”) expansion to support domestic and offshore growth

- Team increased from six to ten members
- Specialist focus on global and alternatives investment strategies
- Cayman and UCITS fund platforms launched

## Three Senior Executives included in additional resourcing

- Chris Meyer – Director, Listed Products
  - Former CEO RMI Investment Managers (South Africa)
  - Former CEO RMB Morgan Stanley (South Africa)
  - 20+ years industry experience, including in New York and London
- Chelsey Vaux – Director, Marketing
  - Former Managing Director - TBWA\Media Arts Lab AUNZ (Apple Creative Incubator)
  - 20 + years global marketing experience across diverse industries such as aviation, luxury, tech, finance, beverage
- Ramsin Jajoo – Director, Head of Retail
  - Former Head of Asset Management Solutions, Morningstar (US)
  - 20+ years industry experience

## Horizon 2 examples undertaken:

- Hyperion Global and Plato Global Income Funds launched (Lonsec rating upgrades February 2019)
- Longwave Capital incubation
  - Seeded Longwave Australian Small Companies Fund on Feb 1<sup>st</sup>
- Two Trees performance stabilising and assets growing despite challenging performance environment for systematic hedge funds globally
  - Two Trees Systematic Global Macro Fund (Cayman) achieves critical mass with US\$100m in assets
  - Secured meaningful anchor commitment for forthcoming UCITS launch
- Expanded Dublin-domiciled UCITS and Cayman Fund platforms
  - UCITS fund format preferred by European, Canadian and Asian buyers
  - Cayman preferred by US and Japanese buyers
  - Existing and forthcoming fund launches from Antipodes, Two Trees and Plato

- Progressive expansion of domestic and offshore distribution platform
  - Completed build out of 'capital markets' team focused on exchange-traded offerings
    - Closed End (LICs, LITs) - APL, PL8, SEC, MXT
    - Open-Ended Funds (EQMFs) - AGX1
  - Continued expansion of 'internal wholesale' team to broaden geographic reach
    - Supports intensive campaign-based selling including as LIC/LIT IPOs and options exercise programs
  - Offshore distribution platform
    - International sales conducted from London, Sydney, Melbourne, Auckland
    - Promising sales pipeline developing (currently ~\$2.5bn of AUM outside of Australia; \$1bn+ in offshore funds)
- Continued investment in direct-to-retail-consumers capability
  - Online applications process now live



Initiative	Status	Approximate \$m 31 Dec 18	Launched to market
Direct to Retail	Developing	\$480	2017
Capital Markets (LIC, LIT, ETF)	Developing	\$1,722	2017
Plato Global	Early Stage	\$55	2017
Two Trees	Developing	\$215	2018
Hyperion Global	Developing	\$470	2018
Spheria Opportunities	Developing	\$20	2018
Solaris Long/Short	Growth Accelerating	\$140	2018
Global Distribution	Early Stage	\$2,500	2018
UCITs Funds	Early Stage	\$870	2018
Cayman Funds	Early Stage	\$105	2018
Longwave	Incubation	\$2	2019

### 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 and Omega investments made July 2018 and have explored a number of:
  - existing profitable investment management firms that we could help
  - distribution/retail businesses that may be synergistic

- 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 an 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

- 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

- 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's mission is to facilitate positive social change through seeking out clever and creative thinkers, who are seeking answers to some of the country's biggest social challenges
- Innovative charities are frequently offered early stage backing – providing seed funding for them to conduct specialist research, incubate new projects and trial new programs
- During 2018 donations of \$285,000 were made by the Foundation, supported by a further \$75,000 from Affiliates. The total funding of \$360,000 was directed to causes identified together with Pinnacle and its Affiliates, supporting their business strategies and commitment to broad ESG principles
- A key focus area for the Foundation is mental illness, specifically supporting national prevention and early intervention programs and services. A long-term partnership will be implemented in 2019 with suicide prevention charity R U OK? to engage those in emergency services / frontline responders
- The Foundation remains the largest recipient of a workplace giving program offered by Pinnacle and several Affiliates. Employee donations made via salary sacrifice are matched by employers, resulting in a total of \$47,000 being distributed to 42 charities during 2018.

- Maintain current momentum and investment to deliver medium term growth
- Maintain culture – attract exceptional individuals to our business and retain them
- Horizon 2 initiatives under way
- Continue to deliver growth within existing affiliates
- Continue to assess high quality new affiliate opportunities
- Full year FY19 results – expected 27 August 2019

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