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#### 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 the Macquarie Australia Conference to be held on 2 May 2019.

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

Calvin Kwok
General Counsel and Company Secretary



# Macquarie Australia Conference

2 May 2019

Ian Macoun – Managing Director Ramsin Jajoo – Director, Retail

## Agenda



- Introduction to PNI
- Latest Update
- 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

### Introduction to PNI



#### What we do

- A 'pure play' investment management firm providing affiliated investment managers with the distribution, infrastructure and other support services they need
- o Founded in 2006, Pinnacle currently holds an equity interest in 13 specialist investment managers
- o 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 the S&P/ASX 200 index in March 2019 (added to the S&P/ASX 300 and the MSCI Australian Small Cap Index in August 2018)

#### How we generate our profits

- Our share of Affiliates' profits equity accounted (FY18 NPAT our share \$24.9m of \$61.6m total)
- o '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 \$50.7 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)
- O See various Research Reports for information relating to expected future growth

# 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

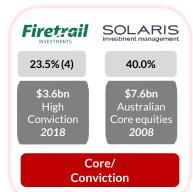
Distribution and client services

Middle office and fund administration

RE, compliance, finance, legal

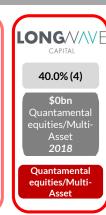
Technology and other firm 'infrastructure'

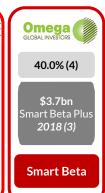
Interface for outsourced services









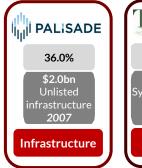




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Gross FUM as at 31 December 18. $50.7 billion at 31 March 2019.
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The percentage represents Pinnacle's total shareholding in the Affiliate. Pinnacle currently holds less than 1% of the voting shares in the Affiliate. However, it has full economic rights in respect of its holding.







<sup>2)</sup> Founded in 2011. Pinnacle acquired equity in July 2018

<sup>3)</sup> Founded in 2008. Pinnacle acquired equity in July 2018

## Pinnacle business philosophy and approach



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

### Pinnacle differentiation



### 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.

### PNI Continues to Grow



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

#### Three Horizons of Growth



- 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

#### Horizon 1

Sustain organic growth of the existing business of each Affiliate

Any costs internally funded by the Affiliate

#### Horizon 2

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

Impacts Pinnacle 'parent' loss

#### Horizon 3

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

Requires capital to fund acquisitions



### Latest Update



- FUM at 31 March 2019: \$50.7 billion (including \$10.2 billion retail).
- PNI added to the S&P/ASX 200 index in March 2019 (added to the S&P/ASX 300 in August 2018).
- Metrics' new listed investment trust (Metrics Opportunity Trust 'MOT') closed early, at the maximum of \$300m, oversubscribed.
  - Metrics has announced an entitlement offer to raise up to approximately \$400m into MXT, with a record date of 2 May 2019 and a closing date of 27 May 2019
- Equity markets have rebounded strongly 2019 calendar year to date:
  - ASX/S&P 300 index up 9.5% in the three months to 31 March and a further 2.4% to 30 April;
  - MSCI World index up 11.6% in the three months to 31 March and a further 3.1% April to date

## First half FY19 financial highlights



#### **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<sup>2</sup>
- 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

## 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 2, 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>&</sup>lt;sup>1</sup>includes \$6.8 billion 'acquired' in July 2018.

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

<sup>3\$50.7</sup> billion at 31 March 2019.

# Understanding 1HFY19 financial outcome



- 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 March 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
Pinnacle			
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%
Net profit before tax (NPBT) from continuing operations	10.1	8.1	24.7%
Taxation	-	-	
NPAT from continuing operations	10.1	8.1	24.7%
Basic earnings per share:			
From continuing operations	6.1	5.4	13.0%
Total attributable to shareholders	6.1	5.4	13.0%
Diluted earnings per share:			
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>&</sup>lt;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.

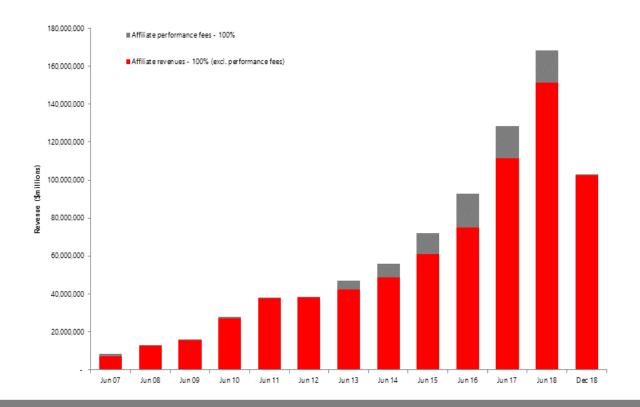
<sup>&</sup>lt;sup>2</sup> Realised and unrealised losses on principal investments have been deducted in calculating Revenue number. Nil revenues from upfront fees on LIC/LIT IPOs in 1HFY19; these were \$928k in 1HFY18.

# Highlights of interim results - Affiliates



	1H2019	1H2018	YoY change
Pinnacle Affiliates (100% aggregate basis)			
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>&</sup>lt;sup>1</sup>\$50.7 billion at 31 March 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
  - o 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
  - o Impact of higher starting FUM, tempered by the decline in equities markets in the second half of 1HFY19
  - o 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

# A strong and flexible balance sheet

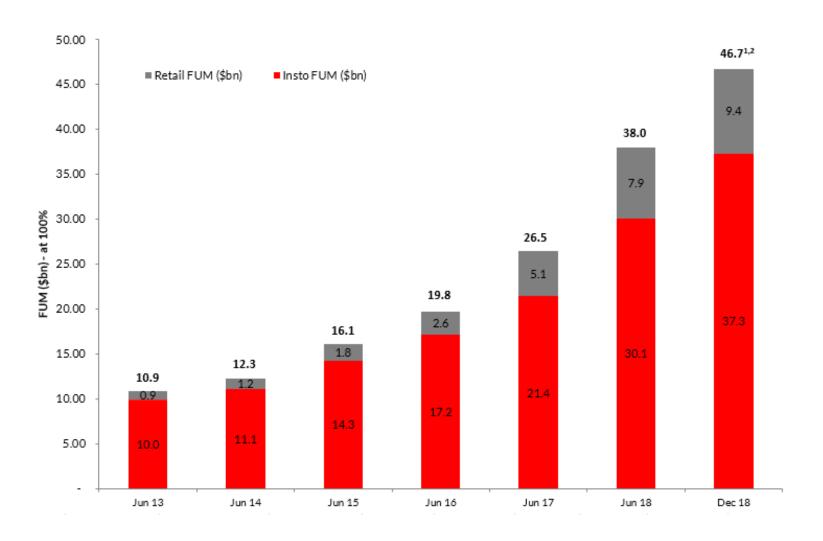


#### At 31 December 2018:

- \$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





# 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	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	-	-	-	-	-

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

Date	Pinnacle	Hyperion	Plato	Solaris	RCL	Palisade	Antipodes	Spheria	Two Trees	Firetrail	Metrics	Omega	Longwave
	(total)												
Change in FUM - 30 Jun 18 to 31 Dec 18	22.9%	1 (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%	(7.6%)	0.8%	14.9%	18.7%	26.8%	30.2%	7.4%	721.5%	-	-	-	-

<sup>&</sup>lt;sup>1</sup>5.0% excluding Metrics and Omega

<sup>&</sup>lt;sup>2</sup> 23.5% excluding Metrics and Omega

<sup>&</sup>lt;sup>3</sup>\$50.7 billion at 31 March 2019.

### Pinnacle Affiliates continue to win major industry awards



#### 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

### Overview of Pinnacle Affiliates





- Antipodes Partners a pragmatic value manager of global equities (long only and long-short)
  - o 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
  - o 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
  - o 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
  - o 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
  - o 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 – 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





- FUM \$640m at 31 December 2018
- Contributing profitability to Pinnacle
- Two Trees Investment Management a specialist systematic global macro hedge fund manager



- o 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 out performed** their benchmarks over the 5 years to 31 March 2019

	5Y	10Y	Inception	Inception da
innacle Investment Management - gross performance unless otherwise stated				
Hyperion Asset Management				
Hyperion Australian Growth Companies Fund	8.62%	13.89%	12.19%	1/10/200
Outperformance	1.23%	3.64%	3.05%	
Hyperion Small Growth Companies Fund	11.96%	20.28%	17.41%	1/10/200
Outperformance	3.99%	11.92%	10.14%	
Hyperion Australian Equities Composite	8.66%	14.00%	13.26%	1/11/19
Outperformance	1.27%	3.75%	4.32%	
Plato Investment Management				
Plato Australian Shares Core Fund	8.09%	11.44%	6.56%	30/10/20
Outperformance	0.70%	1.19%	0.98%	
Plato Australian Shares Equity Income Fund - Class A	10.06%		12.18%	9/09/20
Outperformance	1.03%		2.14%	
Solaris Investment Management				
Solaris Core Australian Equity Fund	9.40%	11.68%	6.92%	9/01/20
Outperformance	2.00%	1.33%	2.18%	
Solaris High Alpha Australian Equity Fund	9.49%	11.72%	7.69%	4/02/20
Outperformance	2.09%	1.37%	2.57%	
Solaris Total Return Fund (including franking credits)	11.09%		11.70%	13/01/20
Outperformance	2.06%		2.28%	
Resolution Capital				
Resolution Capital Core Plus Property Securities Fund	16.40%	16.69%	9.85%	30/09/20
Outperformance	1.51%	1.41%	2.52%	
Resolution Capital Global Property Securities Fund	11.92%	18.76%	12.08%	30/09/20
Outperformance	2.37%	1.92%	4.25%	
Palisade Investment Partners				
Palisade Diversified Infrastructure Fund	12.16%	11.03%	10.17%	1/08/20
Palisade Australian Social Infrastucture Fund	14.39%		15.50%	31/05/2
Omega Global Investors				
Omega Global Corp Bonds Fund	4.68%		6.38%	11/03/2
Outperformance	-0.45%		-0.68%	
Omega Australian Cash Fund	2.23%		2.70%	12/09/2
Outperformance	0.39%		0.36%	
Omega Global Listed Infrastructure Fund	10.46%		12.52%	3/08/20
Outperformance	0.51%		0.47%	
Metrics Credit Partners				
DASLF	5.12%		5.37%	4/06/20
RBA Cash Rate	3.29%		3.44%	
BBSW (90 Days)	3.01%		3.18%	

### Affiliates' investment performance to 31 March 2019



	1Y	3Y	5Y	10Y	Inception	Inception dat
Pinnacle Investment Management - gross performance unless otherwise stated						
Hyperion Asset Management						
Hyperion Australian Growth Companies Fund	12.96%	8.68%	8.62%	13.89%	12.19%	1/10/2002
Outperformance	1.22%	-2.71%	1.23%	3.64%	3.05%	
Hyperion Small Growth Companies Fund	20.64%	10.65%	11.96%	20.28%	17.41%	1/10/2002
Outperformance	14.86%	-0.75%	3.99%	11.92%	10.14%	
Hyperion Australian Equities Composite	14.66%	8.84%	8.66%	14.00%	13.26%	1/11/1996
Outperformance	2.92%	-2.55%	1.27%	3.75%	4.32%	
Hyperion Global Growth Companies Fund (Class B Units)	30.85%	24.94%			22.80%	22/05/201
Outperformance	17.89%	10.64%			9.71%	
Plato Investment Management						
Plato Australian Shares Core Fund	11.68%	11.76%	8.09%	11.44%	6.56%	30/10/200
Outperformance	-0.06%	0.37%	0.70%	1.19%	0.98%	
Plato Australian Shares Equity Income Fund - Class A	16.89%	13.62%	10.06%		12.18%	9/09/2011
Outperformance	2.97%	0.48%	1.03%		2.14%	
Plato Global Shares Income Fund	6.17%	10.25%			6.84%	30/11/201
Outperformance	-6.12%	-3.46%			-2.65%	
Solaris Investment Management						
Solaris Core Australian Equity Fund	13.40%	13.74%	9.40%	11.68%	6.92%	9/01/2008
Outperformance	1.34%	2.28%	2.00%	1.33%	2.18%	
Solaris High Alpha Australian Equity Fund	13.13%	14.33%	9.49%	11.72%	7.69%	4/02/2008
Outperformance	1.07%	2.87%	2.09%	1.37%	2.57%	
Solaris Total Return Fund (including franking credits)	16.38%	15.69%	11.09%		11.70%	13/01/201
Outperformance	2.46%	2.55%	2.06%		2.28%	
Solaris Australian Equity Long Short Fund	19.39%				19.13%	1/03/2017
Outperformance	7.32%				10.54%	
Solaris Australian Equity Income Fund (including franking credits)	15.85%				12.59%	12/12/201
Outperformance	1.93%				1.49%	
Resolution Capital						
Resolution Capital Core Plus Property Securities Fund	26.59%	12.46%	16.40%	16.69%	9.85%	30/09/200
Outperformance	0.67%	2.27%	1.51%	1.41%	2.52%	
Resolution Capital Global Property Securities Fund	16.30%	9.71%	11.92%	18.76%	12.08%	30/09/200
Outperformance	0.14%	2.82%	2.37%	1.92%	4.25%	
Palisade Investment Partners						
Palisade Diversified Infrastructure Fund	10.78%	13.46%	12.16%	11.03%	10.17%	1/08/200
Palisade Australian Social Infrastucture Fund	8.84%	11.21%	14.39%		15.50%	31/05/201
Antipodes Partners						
Global Fund	1.87%	13.29%			11.55%	1/07/201
Outperformance	-8.92%	-0.36%			2.20%	
Global Fund Long	2.99%	16.25%			12.65%	1/07/201
Outperformance	-7.80%	2.60%			3.29%	1
Asia Fund	5.17%	16.24%			11.13%	1/07/201
Outperformance	2.82%	1.34%			3.25%	1,37,201

### Affiliates' investment performance to 31 March 2019



	1Y	3Y	5Y	10Y	Inception	Inception
Pinnacle Investment Management - gross performance unless otherwise stated						
Spheria Asset Management						
Microcap Fund	-1.49%				11.98%	16/05/2
Outperformance	-7.26%				2.24%	
Smaller Companies Fund	8.45%				12.05%	11/07/2
Outperformance	2.68%				3.73%	
Opportunities Fund	9.38%				12.55%	11/07/2
Outperformance	4.58%				2.89%	
Two Trees Investment Management						
Global Macro Fund	0.92%				-1.49%	1/11/2
Outperformance	-1.10%				-3.42%	
Firetrail Investments						
High Conviction Fund	1.96%				-0.30%	14/03/2
Outperformance	-10.11%				-8.69%	
Absolute Return Fund	-2.78%				-1.77%	14/03/2
Outperformance	-4.28%				-3.26%	
Omega Global Investors						
Omega Global Corp Bonds Fund	4.54%	3.71%	4.68%		6.38%	11/03/
Outperformance	-0.15%	-0.69%	-0.45%		-0.68%	
Omega Australian Cash Fund	2.01%	2.02%	2.23%		2.70%	12/09/
Outperformance	0.50%	0.48%	0.39%		0.36%	
Omega Global Listed Infrastructure Fund	16.31%	8.01%	10.46%		12.52%	3/08/2
Outperformance	-0.71%	0.00%	0.51%		0.47%	
Metrics Credit Partners						
DASLF	5.64%	4.96%	5.12%		5.37%	4/06/2
RBA Cash Rate	4.13%	3.42%	3.29%		3.44%	
BBSW (90 Days)	3.65%	3.09%	3.01%		3.18%	
SPDF	9.14%	8.42%			8.24%	26/11/
RBA Cash Rate	7.63%	6.88%			6.60%	
BBSW (90 Days)	7.15%	6.55%			6.26%	
SPDF II	9.35%				9.58%	9/10/2
RBA Cash Rate	7.84%				8.07%	
BBSW (90 Days)	7.36%				7.65%	
REDF	9.20%				8.73%	9/10/2
RBA Cash Rate	7.69%				7.22%	
BBSW (90 Days)	7.21%				6.80%	
WIT	7.02%				6.63%	9/10/2
RBA Cash Rate	5.52%				5.12%	
BBSW (90 Days)	5.03%				4.70%	
MXT - net performance	5.77%				5.51%	9/10/2
RBA Cash Rate	4.26%				4.00%	
BBSW (90 Days)	3.77%				3.58%	
Longwave Capital Partners	3.77%				0.5070	
Longwave Australian Small Companies Fund					8.73%	1/02/2
Outperformance					1.80%	1,02/2

### Focus on managing the business so as to maximise profits and Company value over the medium term



- 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 0
  - 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

# Horizon 1 Sustain organic growth of the existing business of each Affiliate

#### New boutiques and 'non-capital' parent growth initiatives (directto-retail, offshore

Horizon 2

Reasonable limits to be set given 'drag' on Pinnacle financials

Impacts Pinnacle

'parent' loss

Any costs internally funded by the Affiliate

Must not place the company at risk

Horizon 3

Only consider if low risk and high return on invested capital

Exercise great care and careful due diligence

Must be synergistic with existing core

Few will meet this test

Requires capital to fund acquisitions



# Focus on managing the business so as to maximise profits and Company value over the medium term



- How does 'Horizon 2' add value in the Medium Term?
  - o 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
  - o 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)

# Focus on managing the business so as to maximise profits and Company value over the medium term



- 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
  - o 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

# Building a more resilient platform to support Horizon 1 and 2 initiatives



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

# Building a more resilient platform to support Horizon 1 and 2 initiatives



#### 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

# Focus on managing the business so as to maximise profits and Company value over the medium term



### 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

# Focus on managing the business so as to maximise profits and Company value over the medium term



- 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
  - o 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
    - o 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

### Recap on Horizon 3 Criteria – What could we acquire?



#### 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
  - o distribution/retail businesses that may be synergistic



### **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
- Focus on business intelligence and digital transformation to drive further growth and operational efficiencies
- 2018 Professional Planner | Zenith Fund Awards Distributor of the Year (third 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 ...
- Accelerating closures of Australian large and small cap managers creating opportunities
- 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 remains positive for investment managers
- Banks divesting wealth management and industry fragmentation = more buyers, better margin retention
- Direct investors and unadvised retail channel offer strong growth prospects
- Market gravitating towards the exchange (closed-end and open-end) as the preferred medium for building portfolios
- Distribution firepower remains central to success

### 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

## Evolution of Pinnacle's Distribution capability



- Adapt
  - Grow ahead of our boutiques
  - Listen to clients and move quickly to meet their evolving needs
  - o Do not become the market be ahead of it
- Resource
  - o Growing adviser engagement 15+ in retail
  - o 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

## Evolution of Pinnacle's Distribution capability



- 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

# Progress to date - Platform and Reputation



- 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 Charitable Foundation



- 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.

## Summary and plans for the remainder of FY19



- 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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