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By Electronic Lodgement

Market Announcements Office
ASX Ltd
20 Bridge Street
SYDNEY NSW 2000

2021 Annual General Meeting – Managing Director's Address

Please find attached a copy of the Managing Director's address which will be delivered at the Pinnacle Investment Management Group Limited Annual General Meeting this morning.

Authorised by:

Calvin Kwok
Company Secretary

Refer to slide 24

What I would like to do today is:

- Firstly to review the key themes and outcomes for our company for the 2021 financial year;
- Then to provide an update on our performance during the first quarter of the new financial year;
- To briefly review the financial highlights for the 2021 financial year;
- To elaborate on the success we have had during the past several years in executing on our strategy of increasing the diversity and robustness of the business, whilst growing rapidly;
- To explain how this has created an excellent platform from which we can continue to grow rapidly, both in Australia and internationally, in a variety of ways (with three mutually reinforcing horizons of growth), whilst being able to react to any further external adversity that may arise; and
- To share some detail on the strong progress we have made in the vitally important area of corporate sustainability and the great work of the Pinnacle Charitable Foundation, which achieved even more in this year of heightened need in the community.

Refer to slide 25

As shareholders are aware, the 2021 financial year was a very successful year for your company. The recovery in the world's share markets that commenced late in the previous year was sustained through FY21 and our people continued to perform superbly, working hard to ensure a 'business as usual' environment, supporting our clients and their advisors throughout what remained a concerning period due to the emergence of the delta strain of the COVID-19 virus. The result was that our revenues, FUM and profitability for the 2021 financial year all increased greatly.

The slide now showing on your screens has been extracted from our Annual Results presentation of 5 August and sets out how we summarised the key themes and outcomes for our company for the 2021 financial year. I believe it is fair to say that shareholders and analysts agreed with this assessment.

It was a strong financial outcome, and represented the resumption of strong growth in profitability, in Funds Under Management and in net inflows after the still positive but lower levels of growth in the COVID crisis financial year of 2020. I will provide further detail on our profit, FUM and inflows growth shortly.

This was a powerful demonstration of the continuing benefits from the increasing diversity in our business of:

- Asset class and investment strategies of Affiliates
- Client type and domicile, and
- Performance fee exposure.

Although we are planning to continue this diversification process for many more years, the inflows from both retail and offshore investors, the growth of our Funds Under Management in a range of asset classes, greatly expanded beyond Australian equities, and the receipt by the Affiliates of \$86.2m of performance fees (our share of which was \$19.5m) in the 2021 financial year all contributed nicely to our record profit growth and give us confidence in the robustness of our business and our ability to be resilient in the face of any further external adversity that may lie ahead.

And we pointed out that we were entering the 2022 financial year confidently anticipating further growth, given that we were starting the new year with Funds Under Management more than 20% higher than the average FUM during the 2021 financial year; that we recognise the possibility of further external adversity but – as I mentioned earlier – we are resilient; and also we are prepared for, and actively seeking, further expansion opportunities both in Australia and overseas. As elaborated in the next slide, markets have held up and we have experienced continued growth, particularly with strong retail inflows, so far in this new (2022) financial year...

Refer to slide 26

The Aggregate of the Affiliates' Funds Under Management stood at \$90.2 billion at 30 September 2021. This was up \$800 million or 0.9% from \$89.4 billion at 30 June 2021. Excluding the \$3.9 billion outflow of a 'passive', very low fee, mandate during August, as anticipated and explained during our FY21 Annual Results presentations, aggregate FUM was up \$4.7 billion or 5.3% over the 3 months.

Total Retail Funds Under Management at 30 September 2021 stood at \$22.4 billion, which was up \$2.1 billion or 10.1% from \$20.3 billion at 30 June 2021.

Overall, equities markets did not impact fund levels very much from the beginning to the end of that 3-month period. The S&P/ASX 300 index was up just 0.4% over the three months ending 30 September 2021 and the MSCI World index was down 1.5%.

Refer to slide 27

Shareholders will recall that over the course of the 2021 financial year total FUM rose 52% from \$58.7 billion at 30 June 2020 to \$89.4 billion. This was a tremendous result which has taken the company to a much higher level of FUM and profitability, laying the foundation for a strong 2022 financial year and providing a buffer against any potential market adversity. The \$90.2 billion of aggregate FUM at 30 September 2021 is 30% higher than the average FUM through the FY21 financial year.

Overall, the Australian equities market was up 24.7% over the financial year, and world markets were up 37.2% over the course of the financial year.

Refer to slide 28

Underpinning that significant rise in FUM were the record flows achieved during FY21, totalling \$16.7 billion. This slide includes further details on those flows.

Refer to slide 29

This slide summarises the highlights of the 2021 financial year:

- Net profit after tax was \$67.0 million, up 108% from \$32.2 million in FY20
- Diluted earnings per share was 36.5 cents, up 104% from 17.9 cents in the FY20
- Our Share of NPAT from Pinnacle Affiliates was \$66.4 million, up 75% from \$38.0 million in FY20
 - including our share of performance fees after tax earned by Pinnacle Affiliates of \$19.5 million in FY21 (\$6.6 million in FY20)

- We had a healthy balance sheet, with cash and principal investments of \$155.0 million at 30 June 2021
- Our CBA loan facility was increased from \$30m to \$100m at 30 June 2021, providing 'dry powder' for potential business investments
- And, we paid a fully franked final dividend of 17 cents per share on 17 September 2020 (up 100% on the FY20 final dividend)

Refer to slide 31

I would like to elaborate on the success we have had during the past several years in executing on our strategy of increasing the diversity and robustness of the business, whilst growing rapidly.

And to explain how this has created an excellent platform from which we can continue to grow rapidly, both in Australia and internationally, in a variety of ways (with three mutually reinforcing horizons of growth), whilst being able to react to any further external adversity that may arise.

Refer to slide 32

For several years, we have been consistently implementing our strategy, which can be summarised as:

We are a 'pure play' investment management firm comprising only the best investment professionals, focused on investment excellence

We have highly-regarded distribution teams, the best in the Australian retail and institutional markets - and we are seeking to further grow our distribution capabilities, particularly offshore and in retail

We have high-quality shared common infrastructure

We have set ourselves up to have 'multiple ways of winning', so that we can continue to grow irrespective of market conditions. And this array of initiatives is both at the Affiliate level and the Pinnacle level.

We are focused on three Horizons of Growth (as elaborated in Slides 38 and 39)

We are adding new asset classes and investment strategies, diversifying sources of revenue and further growth – slide 36 has some examples of these within existing Affiliates and slide 40 explains how this helps to drive future growth.

This strategy is already delivering. Over the past few years, including the COVID-19 crisis, this strategy has delivered:

Horizon 1 – NPAT has grown at a CAGR of 63% in the five years since Pinnacle listed as a 'pure play' investment management business in 2016 to 30 June 2021; FUM has grown at a CAGR of 35% over that same period (32% excluding 'acquired' FUM)

Horizon 2 – We have built 'from scratch' several Affiliates including Hyperion, Plato, Solaris, Palisade, Antipodes, Spheria and Firetrail

Horizon 3 – We have acquired interests in, then grown: ResCap, Metrics, Coolabah

Refer to slide 33

Slide 33 shows in graphical format the growth in our NPAT and eps over the past 5 years.

Refer to slide 34

Slide 34 shows that this growth has been strong over the past two years notwithstanding the COVID19–induced downturn market and economic downturn of 2020.

Refer to slide 35

Slide 35 shows that investment performance and inflows from clients have provided the majority of our growth, with acquisitions complementing that to some degree.

Refer to slide 36

I mentioned earlier that we are adding new asset classes and investment strategies, diversifying sources of revenue and further growth.

This slide sets out some recent examples of new initiatives being undertaken within Affiliates.

Refer to slide 37

Shareholders will be aware that we have for some time now been describing how Pinnacle has continued to evolve as a business that will prosper irrespective of market conditions and that although it will not be immune from challenging conditions it will be increasingly resilient in the face of such conditions, so that shareholders may benefit throughout the whole business cycle.

As I indicated earlier, we believe the 2021 financial year result provided evidence of the benefits of this increasing diversity.

This resilience has been enhanced by progressive diversification of:

1. Asset classes;
2. Client type;
3. Client domicile, and
4. The percentage of funds exposed to performance fees.

This slide illustrates the significant growth in both the absolute FUM and percentage of our FUM that is potentially eligible to earn performance fees.

Performance fees add diversity to revenue sources, being uncorrelated with market movements and each Affiliate's performance being uncorrelated with the others' and with other revenue. As mentioned earlier, our share of Affiliates' performance fees after tax increased from \$6.6m in the 2020 financial year to \$19.5m in the 2021 financial year.

Refer to slide 38

During and since our Annual Results presentations we have been explaining that we are seeing a number of interesting opportunities to acquire interests in existing profitable investment management and distribution/retail/fund infrastructure businesses and that we have added some 'dry powder' that we can apply in the event that any or some of these opportunities prove to be compelling. Slide 38 reminds us of the criteria we apply in evaluating such opportunities both domestically and offshore.

Refer to slide 39

Slide 39 reminds us how conceptually we think about the three Horizons of growth opportunities that we pursue.

Refer to slide 40

And slide 40 seeks to summarise in a single slide the large range of drivers of future growth that we will pursue. The result will be a continuation of our high rate of growth whilst ensuring corporate stability and robustness, better meeting clients' evolving and expanding needs.

Refer to slide 42

Slide 42 shows a graph of our FUM growth over the 15 years that Pinnacle has been in business.

Refer to slide 43

And Slide 43 shows a table of the historical growth of our FUM by Affiliate, that shareholders tell us they like to see.

Refer to slide 44

Slide 44 shows the performance of the Affiliates' strategies with a track record of 5 years or more. In keeping with industry 'best practice' we continually report on the proportion of the Affiliates' strategies and products that have a track record exceeding 5 years that have exceeded their benchmarks over the past 5 years. This is the classic measure of 'medium term performance' consistency and excellence. It is pleasing to be able to report that 80% of such strategies of Pinnacle Affiliates have exceeded their benchmark, to 30 September.

Refer to slide 45 and 46

Slides 45 and 46 show the Affiliates' investment performance as at 30 September 2021, over 1, 3, 5 and 10 year periods and 'since inception'. Although some strategies will inevitably underperform their benchmarks over the short term, Pinnacle Affiliates' medium to long term records remain strong, in what have been challenging recent conditions.

Refer to slide 47

As shown in Slide 47, Pinnacle and Pinnacle Affiliates have continued to receive recognition from independent experts for the quality of our investment offerings.

Refer to slide 49 and 50

Slides 49 to 50 set out the work we have done and continue to do to ensure that Pinnacle is a long-term, sustainable business that focuses on our people, customers and shareholders as well as the communities in which we engage. We have made meaningful progress in recent times, with some important milestones, including the establishment of a Sustainability Committee and ESG Risk Management Framework to embed sustainability into our strategic thinking, aligning our ESG initiatives with the United Nations' Sustainable Development Goals and achieving Climate Active Carbon Neutral status from FY20. We are very pleased with our progress but clear that much hard work lies ahead.

Refer to slide 51 and 52

Pinnacle is passionate about enabling better lives through investment excellence.

The Pinnacle Charitable Foundation has continued and increased its commitments to existing and new partners, together with Affiliates - with joint donations of \$770K delivered during FY21.

This reflects a strong recognition of the need to provide stability and security to our partners, given the hugely increased demands on the not for profit sector during the past year. This has occurred at the same time as the ability of many organisations to generate funds and engage volunteers has been severely impacted.

This support also included donations in March 2021, given to emergency relief appeals in response to communities severely affected by natural disasters.