

Pinnacle Investment Management Group Limited

ABN 22 100 325 184

Interim Report

for the half year ended 31 December 2021

Pinnacle Investment Management Group Limited

ABN 22 100 325 184

Interim Report - 31 December 2021

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Directors' report

Your Directors present our report on the consolidated group consisting of Pinnacle Investment Management Group Limited (the Company) and the entities it controlled (together, the Group) at the end of, or during, the half year ended 31 December 2021.

Directors

The following persons were Directors of Pinnacle Investment Management Group Limited during the whole of the half year and up to the date of this report:

Mr A Watson
Mr I Macoun
Ms D Beale AM
Mr G Bradley AO
Mr A Chambers
Mr A Whittingham
Ms L Berends

Review of operations

During the half year, there has been continuing growth in the Group's revenues and capabilities.

Profit attributable to shareholders for the half year was \$40.1 million, compared with \$30.3 million (an increase of 32%) for the prior corresponding period. This translated to Earnings per Share of 21.5c (basic) and 21.0c (fully diluted), compared with 17.5c (basic) and 16.7c (fully diluted) for the prior corresponding period, representing growth of 23% in basic earnings per share, and 26% on a fully diluted basis. During the half year, Pinnacle Affiliates generated performance fees which contributed \$6.4 million to Pinnacle's profit, compared with \$11.0 million in the prior corresponding period.

While income tax was paid at the Affiliate level, there was no income tax expense at the Group level for both the half year and the prior corresponding period, hence profit before tax and profit after tax are the same.

A fully franked interim dividend of 17.5 cents has been declared (up 50% from 11.7 cents in the prior corresponding period) and will be payable on 18 March 2022 to shareholders registered on the record date of 4 March 2022. This represents a payout ratio of 83% of the diluted earnings per share from continuing operations for the half year.

In addition, during the half year, dividends totaling \$32.4 million have been paid to shareholders by the Company, being the FY21 final dividend of 17.0c per share.

Aggregate Affiliates' funds under management (at 100%) increased by 5% during the half year from \$89.4 billion at 30 June 2021 to \$93.6 billion at 31 December 2021 (funds under management (at 100%) increased by \$8.1 billion, or 9%, during the half year, excluding the \$3.9 billion outflow of the Omega 'passive' mandate on very modest fees during August, or by \$7.0 billion or 8% also excluding the \$1.1 billion Five V FUM). Total net outflows for the half year were \$1.7 billion (net inflows of \$2.2 billion, excluding the Omega outflow), with additional growth due to market movements and investment performance.

We were delighted during the period to have completed the acquisition of a 25% equity interest in the Australian based private equity firm Five V Capital and grateful to shareholders for their support of the associated \$105 million equity placement.

During the half year, following a detailed assessment of the future of Reminiscent Capital, a joint decision was made to close the business. The carrying value of Pinnacle's holding of \$1.8m was written-down in full during the period and is treated as an impairment expense, reducing NPAT from \$41.9 million to \$40.1 million.

We remain confident of future growth, from multiple sources. Record retail net inflows of \$2.9 billion during the half year were our largest in any six month period in our history. Whilst we experienced institutional net outflows, we believe these reflect short-term factors including rebalancing, with the rate of gross inflows broadly consistent with the prior comparative half year - the institutional sales pipeline remains robust. We have continually reminded investors that net institutional flows are 'lumpy' and volatile over reasonably short periods of time, and this was

particularly evident during this half year period. There remains strong inherent operating leverage within the group, notwithstanding continuing substantial 'Horizon 2' investment, both within Affiliates and in Pinnacle.

Recent actual and anticipated changes in macroeconomic and geopolitical conditions have resulted in some increased turbulence and volatility in investment markets. Whilst not immune to such conditions, over the past few years we have increased the diversity of both asset classes under management and sources of revenue (including increasingly diverse performance fee opportunities uncorrelated with equity markets) with the objective of building enhanced resilience throughout the full cycle. Pinnacle has an excellent platform in place to continue to prosper – driven by growth within existing Affiliates, incubating new Affiliates and strategies, domestically and offshore, as well as careful, but deliberate, acquisitive growth into new asset classes and markets.

We continue to pursue further expansion opportunities, seeking to take advantage of the significant offshore opportunity to evolve into a global multi-affiliate. We note that, historically, times of heightened volatility and turbulence have delivered opportunities to judicious and patient investors and shareholders.

Matters subsequent to the end of the reporting period

In the interval between the end of the half year and the date of this Directors' report there has not arisen any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to significantly affect the:

- Group's operations in future financial years; or
- Results of those operations in future financial years; or
- Group's state of affairs in future financial years.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.



Mr A Watson
Chairman
Sydney
2 February 2022



Auditor's Independence Declaration

As lead auditor for the review of Pinnacle Investment Management Group Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Pinnacle Investment Management Group Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Ben Woodbridge'.

Ben Woodbridge
Partner
PricewaterhouseCoopers

Brisbane
2 February 2022

Pinnacle Investment Management Group Limited

ABN 22 100 325 184

Interim Financial Report - 31 December 2021

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Pinnacle Investment Management Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim financial report covers the consolidated entity consisting of Pinnacle Investment Management Group Limited and its subsidiaries.

The interim financial report is presented in Australian currency.

Pinnacle Investment Management Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Level 19, 307 Queen Street
Brisbane QLD 4000

Its principal place of business is:

Level 35, 60 Margaret Street
Sydney NSW 2000

The financial statements were authorised for issue by the Directors on 2 February 2022. The Directors have the power to amend and re-issue the interim financial report.

Pinnacle Investment Management Group Limited
Consolidated Statement of Profit or Loss
For the half year ended 31 December 2021

		Half Year	
	Notes	31 Dec 2021	31 Dec 2020
		\$'000	\$'000
Revenue from continuing operations	3	21,585	14,384
Fair value gains/(losses) on financial assets at fair value through profit or loss		85	(571)
Employee benefits expense		(9,497)	(6,786)
Short-term incentives expense		(3,809)	(3,949)
Long-term incentives expense		(1,361)	(1,075)
Professional services expense		(636)	(553)
Property expense	4	(388)	(375)
Travel and entertainment expense		(182)	(117)
Technology and communications expense		(704)	(534)
Other expenses from operating activities	4	(2,475)	(1,897)
Provision for impairment of jointly controlled entities	14(c)	(1,815)	-
Share of net profit of jointly controlled entities accounted for using the equity method		<u>39,261</u>	<u>31,816</u>
Profit before income tax from continuing operations		40,064	30,343
Income tax expense	5	-	-
Profit from continuing operations		<u>40,064</u>	<u>30,343</u>
Profit for the half year		<u>40,064</u>	<u>30,343</u>
Profit for the half year is attributable to:			
Owners of Pinnacle Investment Management Group Limited		40,064	30,343
Non-controlling interests		-	-
		<u>40,064</u>	<u>30,343</u>
		Cents	Cents
Earnings per share:			
From continuing operations attributable to owners of Pinnacle Investment Management Group Limited			
Basic earnings per share	10	21.5	17.5
Diluted earnings per share	10	21.0	16.7
Total profit attributable to owners of Pinnacle Investment Management Group Limited			
Basic earnings per share	10	21.5	17.5
Diluted earnings per share	10	21.0	16.7

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Pinnacle Investment Management Group Limited
Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2021
(continued)

	Half Year	
Notes	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Profit for the half year	40,064	30,343
Other comprehensive income:		
Total comprehensive income for the half year	40,064	30,343
Total comprehensive income for the half year is attributable to:		
Owners of Pinnacle Investment Management Group Limited	40,064	30,343
	40,064	30,343
Total comprehensive income for the half year attributable to owners of Pinnacle Investment Management Group Limited arises from:		
Continuing operations	40,064	30,343
	40,064	30,343

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Pinnacle Investment Management Group Limited
Consolidated Statement of Financial Position
As at 31 December 2021

	Notes	31 Dec 2021 \$'000	30 Jun 2021 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	29,368	96,136
Trade and other receivables		25,180	17,361
Financial assets at fair value through profit or loss	15	147,046	58,866
Intangible assets	7	596	858
Assets held at amortised cost		221	223
Total current assets		202,411	173,444
Non-current assets			
Investments accounted for using the equity method	14(c)	297,907	186,957
Financial assets at fair value through profit or loss	15	3,000	-
Property, plant and equipment		135	153
Intangible assets	7	2,000	167
Right-of-use assets		2,249	2,914
Assets held at amortised cost	14(b)	2,368	2,565
Total non-current assets		307,659	192,756
Total assets		510,070	366,200
LIABILITIES			
Current liabilities			
Trade and other payables		7,890	17,505
Borrowings	12	35	22
Lease liabilities		1,384	1,375
Provisions	16	2,105	1,719
Total current liabilities		11,414	20,621
Non-current liabilities			
Borrowings	12	100,000	100,000
Lease liabilities		855	1,531
Provisions	16	216	156
Total non-current liabilities		101,071	101,687
Total liabilities		112,485	122,308
Net assets		397,585	243,892
EQUITY			
Contributed equity	8	410,625	266,274
Reserves	9(a)	(48,865)	(50,494)
Retained Earnings	9(b)	35,825	28,112
Total equity		397,585	243,892

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Pinnacle Investment Management Group Limited
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2021

		Attributable to owners of Pinnacle Investment Management Group Limited				
	Notes	Contributed equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total \$'000	Total equity \$'000
Opening balance at 1 July 2020		237,663	(48,060)	(1,056)	188,547	188,547
Profit and total comprehensive income for the half year		-	-	30,343	30,343	30,343
Transactions with owners in their capacity as owners:						
Dividends paid to shareholders	11	575	-	(15,808)	(15,233)	(15,233)
Employee loan arrangements	8	929	103	-	1,032	1,032
Share-based payments	9(a)	-	1,075	-	1,075	1,075
Performance Rights		97	(24)	-	73	73
		1,601	1,154	(15,808)	(13,053)	(13,053)
Closing balance at 31 December 2020		239,264	(46,906)	13,479	205,837	205,837
Opening balance at 1 July 2021		266,274	(50,494)	28,112	243,892	243,892
Profit and total comprehensive income for the half year		-	-	40,064	40,064	40,064
Transactions with owners in their capacity as owners:						
Dividends paid to shareholders	11	31,819	-	(32,351)	(532)	(532)
Shares issued, net of costs		108,940	-	-	108,940	108,940
Employee loan arrangements	8	3,495	299	-	3,794	3,794
Share-based payments	9(a)	-	1,361	-	1,361	1,361
Performance Rights		97	(31)	-	66	66
		144,351	1,629	(32,351)	113,629	113,629
Closing balance at 31 December 2021		410,625	(48,865)	35,825	397,585	397,585

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Pinnacle Investment Management Group Limited
Consolidated Statement of Cash Flows
For the half year ended 31 December 2021

		Half Year	
	Notes	31 Dec 2021 \$'000	31 Dec 2020 \$'000
Cash flows from operating activities			
Receipts from customers		13,282	14,786
Payments to suppliers and employees		(21,540)	(15,347)
Dividends and distributions received from financial assets at fair value		909	242
Dividends and distributions received from jointly controlled entities		40,839	20,795
Interest received		45	68
Finance and borrowings costs paid		(1,052)	(301)
Proceeds from sale of financial assets at fair value through profit or loss		45,286	10,153
Payments to purchase financial assets at fair value through profit or loss		(134,908)	(16,208)
Net cash inflow/(outflow) from operating activities		(57,139)	14,188
Cash flows from investing activities			
Payments for property, plant and equipment		(10)	-
Payments for intangibles		(2,000)	-
Loan repayments from related parties		283	197
Loan advances to related parties		(75)	(1,531)
Loan repayments from shareholders		3,794	1,031
Proceeds from investments accounted for using the equity method		-	-
Payments for investments accounted for using the equity method		(119,343)	(3,062)
Net cash outflow from investing activities		(117,351)	(3,365)
Cash flows from financing activities			
Ordinary dividends paid to shareholders	11	-	(15,233)
Lease payments		(687)	(856)
Proceeds from issue of shares	8	108,409	-
Net cash inflow from financing activities		107,722	(16,089)
Net decrease in cash and cash equivalents		(66,768)	(5,266)
Cash and cash equivalents at the beginning of the half year		96,136	16,066
Cash and cash equivalents at end of half year	6	29,368	10,800

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Basis of preparation of half year report

This consolidated interim financial report for the half year reporting period ended 31 December 2021 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim financial report is to be read in conjunction with the annual report for the year ended 30 June 2021 and any public announcements made by Pinnacle Investment Management Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, as disclosed in the 30 June 2021 annual report.

(b) New and amended standards adopted by the Group

No new or amended standards became applicable for the current reporting period that had an impact on the Group.

(c) Impact of standards issued but not yet applied by the entity

There are no standards that are not yet effective that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 Segment information

The Group operates one business segment, being its funds management operations. The business is principally conducted in one geographic location, being Australia.

3 Revenue from operations

The Group derives its revenue from contracts with customers from the transfer of services over time. A disaggregation of the Group's revenue is shown below.

	Half Year	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Revenue from contracts with customers		
<i>Services revenue – over time</i>		
Service charges	19,513	12,950
	19,513	12,950
Other revenue		
Interest received or due	54	50
Directors fees	22	22
Dividends and distributions	1,924	1,356
Other revenue	72	6
	2,072	1,434
	21,585	14,384

4 Expenses

	Half Year	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<i>Finance cost expense – included in other expenses from operating activities</i>		
Interest and finance charges - corporate	1,084	335
	<u>1,084</u>	<u>335</u>
 <i>Right-of-use asset amortization – included in property expenses</i>		
Right-of-use asset amortization – leased properties	665	795
	<u>665</u>	<u>795</u>
 <i>Depreciation and amortization – included in other expenses from operating activities</i>		
Depreciation – property, plant and equipment	28	35
Amortization – intangible assets	429	429
	<u>457</u>	<u>464</u>

5 Income tax expense

Numerical reconciliation of income tax expense to prima facie tax payable

	Half Year 31 Dec 2021 \$'000	31 Dec 2020 \$'000
Profit from continuing operations before income tax expense	40,064	30,343
Profit before income tax	40,064	30,343
Tax at the Australian tax rate of 30.0% (31 December 2020 - 30.0%)	12,109	9,103
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share of profits of jointly controlled entities	(11,234)	(9,545)
Non-deductible expenditure	427	334
Other items	3,524	716
	4,735	608
Offset against deferred tax assets *	(4,735)	(608)
Total income tax expense	-	-

* Deferred tax assets of \$11.3m as at 31 December 2021 have not been recognized in full on the basis that there remains uncertainty regarding the timing and quantum of the generation of taxable profits.

6 Current assets - Cash and cash equivalents

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Available cash at bank and on hand	29,368	96,136
	29,368	96,136

7 Intangible Assets

	Software \$'000	Customer Contracts \$'000	Total \$'000
30 June 2021			
Cost	15	2,574	2,589
Accumulated amortization	(15)	(1,549)	(1,564)
Net book value	-	1,025	1,025
Half year ended 31 December 2021			
Opening net book amount	-	1,025	1,025
Additions	-	2,000	2,000
Accumulated amortization	-	(429)	(429)
Closing net book amounts	-	2,596	2,596

7 Intangible Assets (cont.)

	Software \$'000	Customer Contracts \$'000	Total \$'000
31 December 2021			
Cost	15	4,574	4,589
Accumulated amortization	(15)	(1,978)	(1,993)
Net book value	<u>-</u>	<u>2,596</u>	<u>2,596</u>

8 Contributed equity

(a) Share capital

	31 Dec 2021 No. of shares	31 Dec 2020 No. of shares	31 Dec 2021 Paid \$'000	31 Dec 2020 Paid \$'000
Ordinary shares:				
Fully paid contributed equity - Company	<u>193,783,061</u>	<u>174,884,025</u>	<u>410,625</u>	<u>239,264</u>
Total contributed equity	193,783,061	174,884,025	410,625	239,264

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$'000
1 July 2021	Opening balance	178,467,333		266,274
	Shares issued under DRP, net of costs	1,923,455	\$16.82	31,819
	Shares placement, net of costs	6,287,426	\$16.70	102,156
	Share purchase plan	420,436	\$16.13	6,784
	Performance rights vested	17,739		97
	Treasury stock vested	6,666,672		3,495
31 Dec 2021	Closing Balance	193,783,061		410,625
1 July 2020	Opening balance	173,132,050		237,663
	Shares issued under DRP	108,420	\$5.30	575
	Performance rights vested	18,838		97
	Treasury stock vested	1,624,717		929
31 Dec 2020	Closing Balance	174,884,025		239,264

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

8 Contributed equity (cont.)

(d) Treasury stock

Treasury stock are shares in Pinnacle Investment Management Group Limited that are subject to share mortgage under employee loans used for the purposes of acquiring interests in the Company (refer note 14). The value ascribed to treasury stock is the balance of the loans secured by share mortgage at period end.

Treasury stock movement for the period is detailed in the table below:

Date	Details	Number of treasury shares	\$'000
1 July 2021	Opening balance	12,116,672	34,400
	Loan share repayments		(663)
	Issue of loan shares under Pinnacle Omnibus Plan	700,000	11,772
	Forfeited	(450,000)	(2,473)
	Treasury stock vested during the year	(6,666,672)	(2,832)
31 Dec 2021	Closing Balance	5,700,000	40,204
1 July 2020	Opening balance	12,841,389	31,118
	Loan share repayments		(545)
	Issue of loan shares under Pinnacle Omnibus Plan	1,500,000	8,422
	Treasury stock vested during the year	(1,624,717)	(384)
31 Dec 2020	Closing Balance	12,716,672	38,611

9 Reserves and retained earnings

(a) Reserves

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Share-based payments reserve	10,725	9,065
Performance rights reserve	13	44
Transactions with non-controlling interests reserve	(59,603)	(59,603)
	<u>(48,865)</u>	<u>(50,494)</u>

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised;
- the grant date fair value of shares issued to employees;
- the issue of shares held by employee share plans to employees; and
- the grant date fair value of the Pinnacle Long-term Employee Incentive Plan and Pinnacle Omnibus Incentive Plan.

The transactions with non-controlling interests reserve is used to recognise the excess of the consideration paid to acquire non-controlling interests above the carrying value of the non-controlling interest at time of acquisition.

9 Reserves and accumulated losses (cont.)

(b) Retained earnings

Movements in retained earnings were as follows:

	\$'000
Balance at 1 July 2021	28,112
Profit attributable to owners of Pinnacle Investment Management Group Limited	40,064
Dividends paid to shareholders (refer note 11)	(32,351)
Balance at 31 December 2021	35,825

10 Earnings per share

	Half Year 31 Dec 2021 Cents	31 Dec 2020 Cents
(a) Basic earnings per share		
Attributable to the ordinary equity holders of the Company:		
From continuing operations	21.5	17.5
From total operations	21.5	17.5

(b) Diluted earnings per share

Attributable to the ordinary equity holders of the Company:		
From continuing operations	21.0	16.7
From total operations	21.0	16.7

	Half Year 31 Dec 2021 \$'000	31 Dec 2020 \$'000
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(c) Basic and diluted earnings per share

Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share:

From continuing operations	40,064	30,343
Profit used in calculating basic and diluted earnings per share	40,064	30,343

	Half Year 31 Dec 2021 Number	31 Dec 2020 Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	186,105,089	173,221,240
Adjustments for calculation of diluted earnings per share:		
Weighted average options and treasury stock	4,470,330	8,729,128
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	190,575,419	181,950,368

(e) Information concerning the classification of securities

Options granted to employees under employee share schemes are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

11 Dividends

	Half Year	
	31 Dec 2021	31 Dec 2020
	\$'000	\$'000
(a) Ordinary shares		
Final dividend for the year ended 30 June 2021 of 17.0 cents per fully paid ordinary share paid on 17 September 2021 (2020 – 8.5 cents paid on 11 September 2020)		
Fully franked based on tax paid @ 30.0%	32,351	15,808
Total dividends paid	32,351	15,808

The Company activated its dividend reinvestment plan (DRP) on 29 August 2017. The DRP associated with the final dividend for the year ended 30 June 2021, totaling \$32,350,543, was fully underwritten, hence the Company made no net cash payment.

(b) Dividends not recognised at the end of the half year

Since period end the Directors have recommended the payment of an interim dividend of 17.5 cents per fully paid ordinary share (2020 – 11.7 cents), fully franked based on tax paid at 30%. The aggregate amount of the dividend expected to be paid on 18 March 2022 (2021 – 19 March 2021), but not recognised as a liability at half year end, is:

34,910	22,041
34,910	22,041

12 Borrowings and Financing Facilities

In June 2021, the Group entered into an amended facility deed, which is secured by a general security deed over the assets of the Group and guarantees provided by the Company and other Group entities. The availability period for the Corporate Card Facility and Bank Guarantee is until 30 June 2022 and for the Loan Facility is until 30 June 2024. Further details regarding the Corporate Card Facility and Bank Guarantee are provided in Note 13.

As at 31 December 2021, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

31 December 2021	0 - 1 year \$'000	1 - 2 years \$'000	2 - 5 years \$'000	Total contractual cashflows \$'000	Carrying Amount \$'000
<i>Contractual maturity of financial liabilities</i>					
Trade payables	7,890	-	-	7,890	7,890
Borrowings	35	-	100,000	100,035	100,035
Lease Liabilities	1,384	722	162	2,268	2,239
Total non-derivatives	9,309	722	100,162	110,193	110,164
 30 June 2021	 0 - 1 year \$'000	 1 - 2 years \$'000	 2 - 5 years \$'000	 Total contractual cashflows \$'000	 Carrying Amount \$'000
<i>Contractual maturity of financial liabilities</i>					
Trade payables	17,505	-	-	-	17,505
Borrowings	22	-	100,000	-	100,022
Lease Liabilities	1,375	1,223	357	-	2,906
Total assets	18,902	1,223	100,357	-	120,433

12 Borrowings and Financing Facilities (cont.)

The amended facility agreement includes the following covenants:

- The interest cover ratio must be at least 4.0 times
- The net leverage cover ratio is no more than 2.0 times
- The minimum tangible net wealth in respect of any financial year must be at least the greater of:
 - \$130,000,000; and
 - an amount equal to 75% of the tangible net wealth in respect of the previous financial year.

The Group has provided the bank with a security interest over its property excluding its holdings in Affiliates. Compliance with covenants is reviewed on a regular basis and compliance has been maintained during the period. As at 31 December 2021, the interest cover ratio was 59x, the net leverage cover ratio was 1.0 and the tangible net wealth was \$395m (117% of the tangible net wealth at 30 June 2021).

The Loan Facility is split into two Tranches – 'Tranche A' is \$60 million and is for general corporate purposes. 'Tranche B' is \$40 million and is for acquisitions, or investments into certain liquid investment strategies managed by the Pinnacle Affiliates. The Loan Facility was fully drawn as at 31 December 2021. The loan is a variable rate, Australian-dollar denominated loan which is carried at amortised cost. The facility term is three years from drawdown.

13 Contingencies

Guarantees

The Group has provided guarantees in respect of Australian Financial Services License Net Tangible Asset obligations (via bank guarantee) in respect of:

- (i) Pinnacle Funds Services Limited - \$5,000,000 (30 June 2021: \$5,000,000).
- (ii) Pinnacle RE Services Limited - \$50,000 (30 June 2021 - \$50,000)

The Group has also provided guarantees in respect of its leased premises:

- (i) Pinnacle Services Administration Pty Ltd - \$632,000 (30 June 2021 - \$632,000)

The guarantee for the leases noted above is held between Pinnacle Investment Management Group Limited (\$175,000) and Pinnacle Investment Management Limited (\$457,000)

The unused bank guarantee facility at balance date was \$275,000 (30 June 2021: \$275,000). The Group has also provided guarantees in relation to its corporate credit card facilities (facility limits totaling \$400,000, of which \$372,000 was unused at balance date).

These guarantees may give rise to liabilities for the Group if the related entities do not meet their obligations that are subject to the guarantees.

No material losses are anticipated in respect of any of the above contingent liabilities.

14 Related party transactions

(a) Movement in loans to Key Management Personnel

(i) Loans provided 25 August 2016

Further details of these loans are provided in the Group's 2021 annual report at pages 46 and 48.

During the half year, interest of \$2,161 accrued on each of these four loans to key management personnel. The outstanding balance of \$566,370 was paid by each key management personnel on 25th August 2021. The balance of each loan at 31 December 2021 including capitalized interest was nil.

(ii) Loans re-issued 25 August 2016

Further details of these loans are provided in the Group's 2021 annual report.

The value of re-issued loans for each of the key management personnel at period end and repayments made during the half year were as follows:

Key Management Personnel	Loan balance – 1 July 2021 \$	Repayments made \$	Loan balance - 31 Dec 2021 \$
Ian Macoun	184,351	(97,937)	86,414
Andrew Chambers	418,605	(97,937)	320,668

(iii) Loan Shares issued under the Pinnacle Omnibus Plan

Further details of these loans are provided in the Group's 2021 annual report.

The value of the loans issued for each of the key management personnel at period end and repayments made during the half year were as follows:

Key Management Personnel	Loan balance – 1 July 2021 \$	Issued \$	Repayments made \$	Loan balance - 31 Dec 2021 \$
Ian Macoun	1,600,930	-	(38,612)	1,562,318
Andrew Chambers	4,269,147	-	(102,966)	4,166,181
Daniel Longan	2,067,904	1,681,780	(45,047)	3,704,637
Calvin Kwok	2,759,597	840,890	(57,918)	3,542,569

(b) Loans to other Related Parties

On 27th October 2017, a subsidiary of the Company provided loan funding totaling \$5.226m to a number of executives of Palisade Investment Partners Limited ("Palisade"), an Affiliate of the Group, to facilitate their purchase of shares in Palisade from an exiting shareholder. The loans have terms of between five and seven years, are interest-bearing and secured by shares in Palisade. The loans are recorded within non-current assets held at amortized cost in the consolidated statement of financial position.

During the half year, interest of \$0.03m accrued on these loans and repayments of \$0.2m were made. The balance of the loans at 31 December 2021 including capitalized interest was \$1.41m.

(c) Investments accounted for using the equity method

During the half year, the Group completed the acquisition of a 25% equity interest in the Australian based private equity firm Five V Capital for \$75m, of which \$10m is contingent on a successful second fund raising for Five V's Venture Capital strategy.

The Group also acquired a further 10% of Coolabah Capital Investments, taking its ownership to 35%. This was primarily funded via the fully underwritten Dividend Reinvestment Plan for the FY2021 final dividend.

During the half year, following a detailed assessment of the future of Reminiscent Capital, a joint decision was made to close the business. The carrying value of Pinnacle's holding of \$1.8m was written-down in full during the period and is treated as an impairment expense.

During the period the Group acquired an additional 4.5% interest in Solaris, taking its ownership to 44.5%.

15 Fair value measurement of financial instruments

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report. The Group has fully drawn down its \$100m facility with the Commonwealth Bank of Australia (increased from \$30m in June 2021), with the proceeds deployed in liquid funds managed by Affiliates.

(a) Fair value hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2021 and 30 June 2019 on a recurring basis:

31 December 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
<i>Financial assets at fair value through profit or loss:</i>				
Australian listed equity securities	3,349	-	-	3,349
Unlisted unit trusts	-	140,842	-	140,842
Derivative financial instruments - futures	2,224	-	-	2,224
Other unlisted equity securities	-	-	3,631	3,631
	5,573	140,842	3,631	150,046
Total assets	5,573	140,842	3,631	150,046

No liabilities were held at fair value at 31 December 2021.

30 June 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
<i>Financial assets at fair value through profit or loss:</i>				
Australian listed equity securities	6,017	-	-	6,017
Unlisted unit trusts	-	50,443	-	50,443
Derivative financial instruments - futures	1,775	-	-	1,775
Other unlisted equity securities	-	-	631	631
	7,792	50,443	631	58,866
Total assets	7,792	50,443	631	58,866

No liabilities were held at fair value at 30 June 2021.

15 Fair value measurement of financial instruments (cont.)

The Group did not measure any financial assets or liabilities at fair value on a non-recurring basis as at 31 December 2021.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(b) Valuation techniques used to determine fair values

The fair value of Australian listed securities and exchange traded futures is based on quoted market prices at the end of the reporting period. The quoted price used for Australian listed securities and exchange traded options held by the Group is the current bid price. These instruments are included in level 1.

The quoted market price used for unlisted unit trusts is the current exit unit price. These instruments are included in level 2.

The fair value of unlisted equity securities is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

The carrying amounts of cash and cash equivalents and trade receivables and payables are assumed to approximate their fair values due to their short-term nature. Loans to entities under joint control and loans to shareholders are carried at amortised cost. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(c) Fair value measurements using significant unobservable inputs (level 3)

Level 3 items include unlisted equity securities held by the Group. The following table presents the changes in level 3 instruments for the half year ended 31 December 2021:

	Unlisted equity securities \$'000
Opening balance 1 July 2021	631
Unrealised gains / (losses) recognised in fair value gains / (losses) on financial assets at fair value through profit and loss	-
Additions	3,000
Fair value adjustments recognised in other comprehensive income	-
Closing balance 31 December 2021	3,631

(i) Valuation process

Unlisted equity securities valued under level 3 are investments in unlisted companies. Where possible, the investments are valued based on the most recent transaction involving the securities of the investee company. Where there is no recent information or the information is otherwise unavailable, the value is derived from calculations based on the value per security of the underlying net tangible assets of the investee company.

(ii) Transfer between levels

There were no transfers between levels during the half year.

16 Provisions

	31 Dec 2021 \$'000	30 Jun 2021 \$'000
Current		
Employee benefits – annual leave and long service leave	<u>2,105</u>	<u>1,719</u>
	<u>2,105</u>	<u>1,719</u>
Non-Current		
Employee benefits – long service leave	<u>216</u>	<u>156</u>
	<u>216</u>	<u>156</u>
	Employee Benefits \$'000	Total \$'000
Current		
Balance at 1 July 2021	1,719	1,719
Amounts provided for during the period	<u>386</u>	<u>386</u>
Balance at 31 December 2021	<u>2,105</u>	<u>2,105</u>
Non-Current		
Balance at 1 July 2021	156	156
Amounts provided for during the period	<u>60</u>	<u>60</u>
Balance at 31 December 2021	<u>216</u>	<u>216</u>

17 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

In the opinion of the Directors of Pinnacle Investment Management Group Limited (the Company):

- (a) the interim financial report and notes set out on pages 6 to 23 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.



Mr A Watson
Chairman
Sydney
2 February 2022



Independent auditor's review report to the members of Pinnacle Investment Management Group Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Pinnacle Investment Management Group Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Pinnacle Investment Management Group Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.




Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2021 and of its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.


PricewaterhouseCoopers


Ben Woodbridge
Partner

Brisbane
2 February 2022