



9 January 2023

By Electronic Lodgement

Market Announcements Office
ASX Ltd
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Market update

Pinnacle Investment Management Group Limited (**Pinnacle**) advises that six Affiliates have crystallized performance fees for the six months ended 31 December 2022 (**1H FY23**) totalling approximately \$3.0 million at 100% gross in aggregate (for the six months ended 31 December 2021 (**1H FY22**), these fees were \$18.8 million at 100% gross in aggregate). Pinnacle's net share of these performance fees, after tax payable by the Affiliates on this revenue, is in the order of \$950,000 (1H FY22 - \$6.4 million).

As reported to the market on 9 December 2022, several strategies which had the potential to produce performance fees during 1H FY23 outperformed their benchmarks but earned nil or lower performance fees as they entered the period behind the relevant high-water marks. In some cases, style-related performance below benchmark was the reason performance fees have not been earned. Shareholders should note that performance relative to benchmarks can vary significantly over even quite short periods of time.

Within the Affiliates, there are 22 diverse strategies with the potential to produce significant performance fees each year, and 15 of those had the potential to crystallise in the first half. Of those 15, 6 strategies delivered this half-year, albeit only in modest amounts. In the second half, all 22 strategies have the potential to crystallise performance fees (although note that 13 strategies are currently below their high-water mark).

Principal Investments totalled approximately \$163 million at 31 December 2022. It is expected that the net return on Principal Investments for 1H FY23 will be in the order of positive \$3.8 million (1H FY22 \$2.0 million). This amount is made up of 'Dividends and distributions' received of \$2.9 million and 'Fair value gains/losses on financial assets at fair value through profit or loss' of net positive \$0.9 million, which includes gains/losses from hedging equity market exposures. The interest cost on the fully drawn \$120 million CBA borrowing facility, all of which is deployed in funds managed by Pinnacle Affiliates, was in the order of \$2.7 million in 1H FY23 (1H FY22 - \$1.0 million).

It is emphasised that these numbers represent preliminary estimates and are still subject to auditor review. Auditor-reviewed half-year financial results, together with additional information including detail on funds under management as at 31 December 2022 and net fund flows for the half-year ended 31 December 2022, are scheduled to be released after market close on Wednesday, 1 February 2023.

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

This announcement was authorised for release by the Board of Directors.