



**Pinnacle**  
INVESTMENT MANAGEMENT

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Monday, 23 January 2017

***By Electronic Lodgement***

The Manager  
Company Announcements Office  
ASX Ltd  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

**Pinnacle Capital Raising and Announcement of Takeover Offer for Hunter Hall**

***Pinnacle Placement raises \$30 million***

Pinnacle Investment Management Group Limited (**Pinnacle**) has completed a placement of \$30 million via an underwritten placement to institutional and sophisticated investors (**Placement**). The Placement price of \$2.40 per share represents a discount of 1.2% to Pinnacle's closing share price of \$2.43 per share on 23 January 2017 and a discount of 2.5% to Pinnacle's 5-day VWAP to 23 January 2017 of \$2.46. A total of 12,500,000 fully paid ordinary shares will be issued pursuant to the Placement which represents approximately 8.3% of Pinnacle's existing share capital.

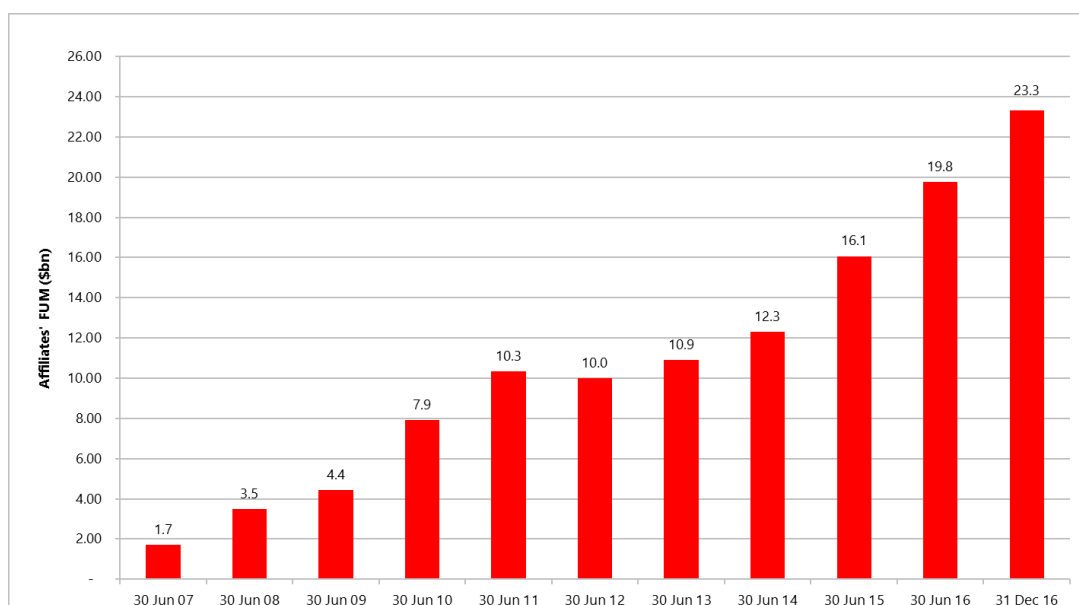
Pinnacle intends to utilise the additional capital to support its strategy to grow funds under management (**FUM**) and profitability through organic growth from its existing investment affiliates (**Affiliates**), supporting the creation of new investment managers, and making acquisitions when attractive opportunities which satisfy its criteria arise. Pinnacle has a strong track record of success in this regard having acquired or created and grown seven Affiliates, including the acquisition of a 40% interest in Resolution Capital in 2007.

The Placement was underwritten by Ord Minnett Limited and Wilsons Corporate Finance Limited.

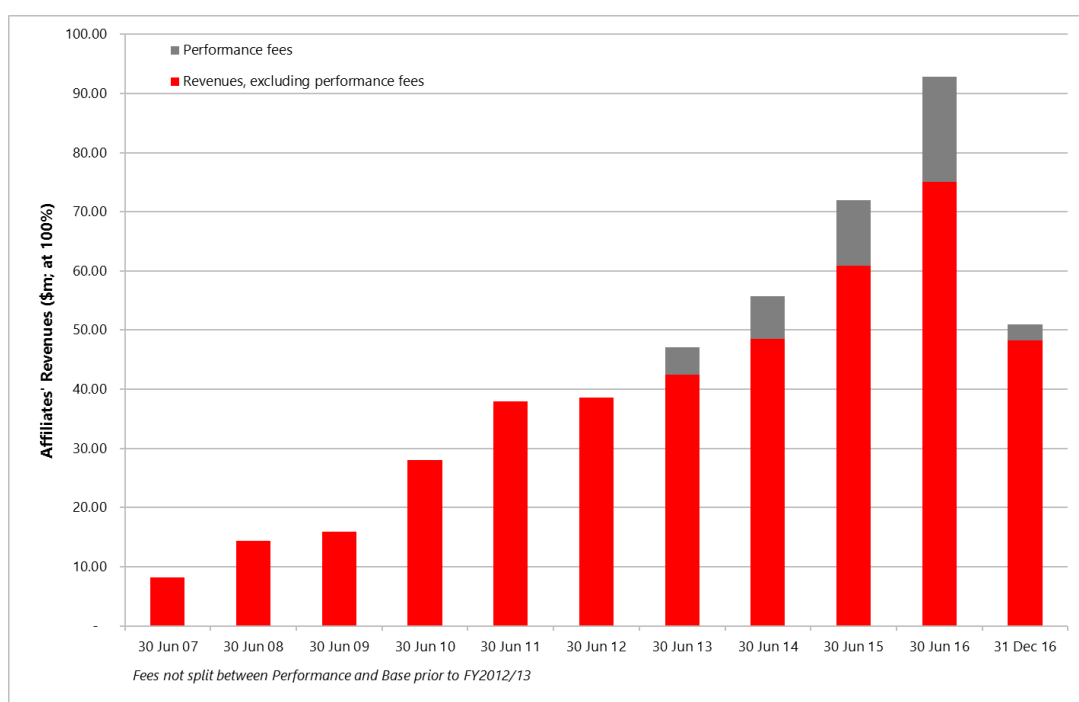
**Pinnacle financial update**

The FUM of Pinnacle's seven Affiliates as at 31 December 2016 was \$23.3 billion, which represents:

- an increase in FUM of \$3.58 billion or 18.1%, driven by net fund inflows of \$2.44 billion and market movements/investment performance of \$1.14 billion during the six month period from 30 June 2016 to 31 December 2016.
- a compounded annual growth rate (**CAGR**) of 32.5% p.a. over the last 10 years and 26.5% p.a. over the last 3 years.



Note: Pinnacle FUM is 100% of FUM managed by Pinnacle Affiliates.



Note: Revenue is 100% of all Pinnacle Affiliates' revenue.

Pinnacle expects to report the following results for the six months ended 31 December 2016:

- Group net profit after tax (**NPAT**) from continuing operations of approximately \$3.0 million which compares to \$2.0 million for the prior corresponding period to 31 December 2015 (after minority interests);
- Group NPAT attributable to shareholders of approximately \$2.8 million, which includes the impact of discontinued operations, which are in wind-down and expected to cease after FY17;
- earnings per share (**EPS**) from continuing operations of 2.1 cents per share which compares to 1.8 cents per share for the prior corresponding period to 31 December 2015; and

- Cash and Principal Investments as at 31 December 2016 of \$14.7 million.

### **Interim Dividend**

Subject to the receipt of the half-year accounts, the Board of Pinnacle expects to declare a fully franked interim dividend of 2.2 cents per share payable in March or April 2017.

### **Pinnacle FY 17 outlook**

We remind shareholders again that performance fees are only included in Pinnacle's financial statements once they have been definitely earned and crystallised, in accordance with prevailing accounting principles.

In our presentation to shareholders at Pinnacle's annual general meeting on 14 November 2016 we advised shareholders that *"because significant likely performance fees in certain affiliates are scheduled to crystallise on 30 June 2017, Pinnacle NPAT is likely to be a lower % of the FY17 total in 1H2017 and a higher % of the FY17 total in 2H2017"*. We foreshadowed this likely 'within year variability' in Pinnacle's results *"with 2H results proportionately larger and 1H proportionately smaller than in FY16"*.

This remains our expectation for the 2017 financial year.

For the 2016 financial year, NPAT from continuing operations in 1H2016 represented approximately 35% of the NPAT from continuing operations for the full 2016 financial year.

Recognising the skew of performance fees to the second half of the financial year, the 2H2017 results can be influenced by a range of factors which are difficult to predict, such as the level of performance fees earned, movements in investment markets and investment conditions generally, the extent to which Pinnacle invests in additional resources to support future growth and other variables. Taking these variables into consideration and having made certain assumptions (including the assumptions set out below) Pinnacle expects the following for the full year ended 30 June 2017:

	<b>FY16</b>	<b>FY17</b>	<b>Change</b>
Group NPAT	\$7.2m	≥ \$11m	≥+53%
NPAT (continuing ops)	\$8.4m	≥ \$10m	≥+19%
Group EPS	4.1c	≥ 7.2c	≥+76%
EPS (continuing ops)	5.2c	≥ 6.6c	≥+27%

Note: FY16 NPAT numbers adjusted to add back effect of minorities.  
EPS calculations include dilutive effect of new share capital, but assumes zero contribution from new capital raised for FY17.  
Dilution assumes approximately 12.5 million shares issued, and in issue from 1 February 2017.

- Group NPAT attributable to shareholders of at least \$11 million which incorporates the expected crystallisation of approximately \$0.9 million related to discontinued operations and would represent a 53% increase on FY16 (adjusted for minorities).
- Group NPAT from continuing operations of at least \$10 million which would represent an increase of 19% compared to FY16 (adjusted for the minorities).
- Group EPS of at least 7.2 cents per share representing a 76% increase of FY16.
- EPS from continuing operations of 6.6 cents per share representing a 27% increase on FY16.

This expectation assumes:

- Investment markets remain broadly at the levels prevailing at 31 December 2016;
- No unusual events or factors emerge to materially adversely impact the business of Pinnacle or any of its Affiliates.

In addition, no attempt has been made to incorporate any impact of the Hunter Hall takeover offer (see below).

### ***Pinnacle announces Takeover Offer for Hunter Hall International Limited***

Pinnacle announces the intention, through its wholly owned subsidiary, Pinnacle Ethical Investment Holdings Limited (**Pinnacle Bidder**), to make an off market takeover offer to acquire all of the shares in Hunter Hall International Limited (**Hunter Hall**)(ASX: HHL) at a price of \$1.50 per share (**Offer**) payable in cash. This represents a premium of 50% to the off-market takeover offer announced by Washington H. Soul Pattinson and Company Limited (**WHSP**)(ASX: SOL) on 30 December 2016. The cash consideration will be funded from Pinnacle's cash reserves (including the proceeds of the announced \$30 million Placement) and a debt facility with Commonwealth Bank. The conditions to the Offer are the same as those contained in the WHSP offer and are detailed in Appendix A. Pinnacle expects to lodge a formal Bidder's Statement with Hunter Hall, ASX and ASIC on Monday, 30 January 2017.

In the event that Pinnacle receives acceptances for shares representing greater than 50% of the issued capital of Hunter Hall, and subject to the following additional conditions being satisfied, Pinnacle will increase their Offer to \$2.00 per share:

- no material adverse change in the financial performance or financial prospects of Hunter Hall;
- No reduction in capital or other distribution from Hunter Hall Global Value Limited (ASX:HHV) (**HHV**) other than distributions in the ordinary course or as a result of the on-market share buyback of up to 10% of the issued capital announced on 31 December 2016;
- Hunter Hall Investment Management Limited remains the manager of HHV;
- Hunter Hall continues to have cash and portfolio investments of at least \$25m; and
- Hunter Hall's total FUM is at least \$900m

Pinnacle intends to engage with the board of Hunter Hall with the aim of conducting comprehensive due diligence which includes assessing the potential impacts of Peter Hall's departure from the company, the investment capability of the remaining investment team, the recent poor performance of the Hunter Hall managed funds and listed investment company, Hunter Hall Global Value Limited (ASX:HHV), the managed funds net flow position as well as the issues being raised by Geoff Wilson of Wilson Asset Management as a significant shareholder of HHV. To the extent that these issues can be addressed to Pinnacle's satisfaction, Pinnacle expects it may be in a position to further increase its offer.

If Pinnacle is successful in only acquiring Peter Hall's remaining stake (~24%) we believe this is a positive outcome for shareholders as it:

- reduces WHSP's ability to creep to obtain control of Hunter Hall;
- preserves a more open register that could lead to a change of control transaction in the future; and
- introduces a shareholder on the register with direct experience in funds management that could work closely with Hunter Hall to ensure value is maximised for all shareholders.

Pinnacle believes it has the expertise and track record to assist Hunter Hall to manage the transition following the departure of Mr Peter Hall AM as its largest shareholder, Chief Investment Officer and Chief Executive Officer. Pinnacle's expertise and track record include the following:

- current FUM of \$23.3 billion with very strong growth over a period in excess of 10 years, and ongoing.
- Pinnacle currently owns minority interests in seven Affiliates which have all demonstrated consistently outstanding performance over long periods of time (all have exceeded their respective benchmarks since inception and over the past 5 years to 31 December 2016).
- Pinnacle has substantial experience in succession planning, including managing the transition following the departure/retirement of the founding Managing Director of each of three of Pinnacle's Affiliates. These Affiliates have all demonstrated impressive investment performance and strong growth in FUM and profitability subsequent to such transitions.
- Pinnacle Affiliates have been leaders in environmental, social and governance (ESG) investing - actively integrating these important considerations into their investment processes - and have significant experience in running ethically screened portfolios. Most are signatories of both the United Nations Principles of Responsible Investing (UNPRI), a leading proponent of responsible investing, and ESG RA which has the sole objective of increasing the quality of ESG-inclusive stock broker research in Australia. Pinnacle also shares the Hunter Hall philanthropic values, which it implements through initiatives such as the Pinnacle Charitable Foundation.

Mr Ian Macoun, Managing Director of Pinnacle said:

*"We have great respect for Hunter Hall and have been reviewing a potential investment in the company for approximately 2 years. We believe we are the ideal partner for Hunter Hall and its fund investors to assist in managing a successful transition following Peter Hall's departure. We are keen to work closely with the Board of Hunter Hall International and its shareholders to ensure an outcome that is in the interests of all stakeholders."*

Please refer to the attached Appendix B for a more detailed overview of Pinnacle.

Pinnacle has appointed Blackpeak Capital as its financial advisor and Gilbert + Tobin as its legal advisor.

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

Yours faithfully



**Eleanor Padman**  
**Company Secretary**

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## Appendix A – Conditions of the Offer for Hunter Hall Limited

This Offer is subject to the fulfilment of the following conditions:

- (a) **(No prescribed occurrences)** None of the following events occurs during the period beginning on the date this Bidder's Statement is given to Hunter Hall and ending at the end of the Offer Period:
  - (i) Hunter Hall converts all or any of its shares into a larger or smaller number of shares;
  - (ii) Hunter Hall or a subsidiary of Hunter Hall resolves to reduce its share capital in any way;
  - (iii) Hunter Hall or a subsidiary of Hunter Hall:
    - A. enters into a buy-back agreement; or
    - B. resolves to approve the terms of a buy-back agreement under sub-section 257C(1) or 257D(1) of the Corporations Act;
  - (iv) Hunter Hall or a subsidiary of Hunter Hall issues shares or grants an option over its shares, or agrees to make such an issue or grant such an option;
  - (v) Hunter Hall or a subsidiary of Hunter Hall issues, or agrees to issue, convertible notes;
  - (vi) Hunter Hall or a subsidiary of Hunter Hall disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
  - (vii) Hunter Hall or a subsidiary of Hunter Hall grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property;
  - (viii) Hunter Hall or a subsidiary of Hunter Hall resolves to be wound up;
  - (ix) a liquidator or provisional liquidator of Hunter Hall or of a subsidiary of Hunter Hall is appointed;
  - (x) a court makes an order for the winding up of Hunter Hall or of a subsidiary of Hunter Hall;
  - (xi) an administrator of Hunter Hall, or of a subsidiary of Hunter Hall, is appointed under section 436A, 436B or 436C of the Corporations Act;
  - (xii) Hunter Hall or a subsidiary of Hunter Hall executes a deed of company arrangement; or
  - (xiii) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of Hunter Hall or of a subsidiary of Hunter Hall.
- (b) **(No prescribed occurrences between announcement and service)** None of the events listed in sub-paragraphs A to (xiii) of paragraph (a) happens during the period beginning on the Announcement Date and ending at the end of the day before this Bidder's Statement is given to Hunter Hall.
- (c) **(Conduct of business)** During the Condition Period, neither Hunter Hall nor a subsidiary of Hunter Hall undertakes any of the following, without the written consent of the Bidder:
  - (i) declares, pays or distributes any dividend, bonus or other share of its profits or assets;

- (ii) makes any changes in its constitution or passes any special resolution;
  - (iii) gives or agrees to give any Encumbrance over any of its assets other than in the ordinary course of business;
  - (iv) borrows or agrees to borrow any money (except for temporary borrowing from its bankers in the ordinary course of business);
  - (v) releases, discharges or modifies any substantial obligation to it of any person, firm or corporation or agrees to do so;
  - (vi) enters or agrees to enter into any contract of service or varies or agrees to vary any existing contract of service with any director, manager or fund manager, or pays or agrees to pay any retirement benefit or allowance to any director, manager or employee, or makes or agrees to make any substantial change in the basis or amount of remuneration of any director, manager or employee (except as required by law or provided under any superannuation, provident or retirement scheme as in effect prior to the Announcement Date);
  - (vii) conducts its business otherwise than in the ordinary course; or
  - (viii) has threatened or commenced against it any material claims or proceedings in any court or tribunal (including a petition for winding up or an application for appointment of a receiver or receiver and manager) other than proceedings before the Takeovers Panel.
- (d) **(No existence of certain rights)** No person has any right (whether subject to conditions or not) as a result of the Bidder acquiring Hunter Hall Shares to:
- (i) acquire, or require Hunter Hall or a subsidiary of Hunter Hall to dispose of, or offer to dispose of, any material asset of Hunter Hall or a subsidiary of Hunter Hall; or
  - (ii) terminate or vary any material agreement with Hunter Hall or a subsidiary of Hunter Hall.

## Appendix B – Overview of Pinnacle

Pinnacle Investment Management Group Limited (**Pinnacle**)(ASX: PNI) is a leading multi-affiliate investment management firm based in Australia. Pinnacle currently has seven affiliated investment managers (**Affiliates**) with total funds under management (**FUM**) of \$23.3 billion as at 31 December 2016. Founded in 2006, Pinnacle holds equity interests in specialist investment managers and provides them with the infrastructure, distribution and other resources required to create the ideal environment for generating superior investment performance. Pinnacle was recently recognised as the 2016 Distributor of the Year at the Zenith Fund Awards. All of Pinnacle's Affiliates have outperformed their benchmarks over the five years to 31 December 2016 and have experienced strong FUM growth as demonstrated in the accompanying charts.



**FUM (as at 31 December 2016): \$5.7 billion**

**Equity interest: 49.9%**

- Leading specialist manager of Australian equities following a quality style
- Global Equities Fund launched in May 2014 and is expected to drive future FUM growth
- Hyperion won Morningstar's Fund Manager of the Year overall and both the Domestic Equities Large Caps Category and the Domestic Equities – Small Caps Category awards in 2016
- Hyperion's Australian funds outperformed their respective benchmarks (by 5.8% p.a. and 18.5% p.a. respectively in the 5 years to 31 December 2016 and) since inception more than 20 years ago



**FUM (as at 31 December 2016): \$1.5 billion (\$2.3 billion including investor commitments)**

**Equity interest: 35.7%**

- Specialist manager of unlisted infrastructure assets focusing on mid-market Australian assets
- Offers both pooled funds and separately managed portfolios for institutional investors
- Palisade funds have provided high yields and gross returns of between 12.2% and 17.4% p.a. over the past five years
- Palisade recently launched its Renewable Energy Fund and has a strong pipeline of investment opportunities





**FUM (as at 31 December 2016): \$3.5 billion**

**Equity interest: 47.9%**

- Manager of Australian equities following a quantitative style
- Specialises in retirement income for pension phase investors and SMSFs
- Its beta one and low volatility strategies have continued to outperform over the past three years while income strategies have delivered on their income targets
- Global Shares Income Fund launched in November 2015 and has outperformed the market in its first year and delivered 7.8% gross yield



**FUM (as at 31 December 2016): \$5.0 billion**

**Equity interest: 40.0%**

- Specialist manager of Australian equities using a style-neutral investment approach
- All Solaris funds have outperformed their respective benchmarks over the past five years and since inception 9 years ago



**FUM (as at 31 December 2016): \$5.3 billion**

**Equity interest: 40.0%**

- Specialist manager of Australian and global listed real estate securities portfolios
- Awarded Zenith's Global REIT Fund Manager of the Year in 2016 for the third consecutive year
- Strong long-term outperformance
- Resolution Capital's funds outperformed their respective benchmarks over the 5 years to 31 December 2016 and since inception more than 10 years ago



**FUM (as at 31 December 2016): \$2.2 billion**

**Equity interest: 23.5%**

- Specialist manager of global and Asian equities founded in 2015
- Successful IPO of the Antipodes Global Investment Company Limited (ASX:APL) in October 2016 which raised \$313 million
- Awarded Zenith's International Equities – Alternative Strategies Fund Manager of the Year in 2016
- Rapid growth in FUM since inception in 2015
- Antipodes' funds have strongly outperformed their benchmarks over the period of approximately 18 months since inception (by amounts ranging from 7.5% p.a. to 10.2% p.a.) to 31 December 2016



**FUM (as at 31 December 2016): \$0.2 billion**

**Equity interest: 40.0%**

- Fundamental-based manager with a bottom-up approach focusing on small and microcap companies
- Commenced operations in April 2016
- Appointed as manager of Priority Growth Fund and Priority Core Fund in July 2016
- All Spheria funds have outperformed their benchmarks since inception approximately 6 months ago to 31 December 2016 (by 12% in the case of the Microcap Fund and 3.3% in the case of the Smaller Companies Fund)