

17 February 2017

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The Manager
Company Announcements Office
ASX Limited
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Dear Sir/Madam

Takeover Bid by Pinnacle Ethical Investment Holdings Limited

We act for Hunter Hall International Limited ACN 059 300 426 (**Hunter Hall**) in relation to the takeover bid made by Pinnacle Ethical Investment Holdings Limited ACN 616 932 711 (**Pinnacle**), a wholly owned subsidiary of Pinnacle Investment Management Group Limited (**ASX: PNI**), for all the issued shares of Hunter Hall (**Pinnacle Bid**).

In accordance with section 633(1) item 14 of the *Corporations Act 2001* (Cth), we enclose a copy of the target's statement by Hunter Hall dated 17 February 2017 (**Target's Statement**).

Hunter Hall has today lodged a copy of the Target's Statement with the Australia Securities and Investments Commission and served a copy on the Bidder.

Yours faithfully



Hal Lloyd
Partner



HUNTER HALL INTERNATIONAL LIMITED

ABN 43 059 300 426

This is an important document and requires your immediate attention.
If you are in doubt as to how to act, you should consult your professional advisors.

TARGET'S STATEMENT

**This Target's Statement has been issued in response to the takeover bid made
by Pinnacle Ethical Investment Holdings Limited ACN 616 932 711**

**Your Independent Directors recommend that you
REJECT the Offer, which they consider significantly
undervalues your shares**

To reject the Offer, DO NOTHING

Target's legal advisor:

K&L GATES

Target's financial advisor:

MOELIS & COMPANY

Key Dates

Date of Offer	14 February 2017
Date of this Target's Statement	17 February 2017
Close of Offer Period (unless extended or withdrawn)	7.00pm (Sydney time) on 15 March 2017

Target's Statement

This is a Target's Statement made by Hunter Hall International Limited ACN 059 300 426 (**Hunter Hall**) under Part 6.5 of Chapter 6 of the Corporations Act in response to the Bidder's Statement given by Pinnacle Ethical Investment Holdings Limited ACN 616 932 711 (**Bidder**), a wholly-owned subsidiary of Pinnacle Investment Management Limited ACN 109 659 109 (**PIML**), which in turn is a wholly owned subsidiary of Pinnacle Investment Management Group Limited ACN 100 325 184 (**Pinnacle Group**), dated 14 February 2017, a copy of which was served on Hunter Hall on 30 January 2017.

Glossary

Capitalised terms used in this Target's Statement are explained in the glossary at the end of this document, along with certain rules of interpretation, which apply to this Target's Statement.

ASIC and ASX

A copy of this Target's Statement has been lodged with ASIC and sent to the ASX. None of ASIC, the ASX nor any of their respective officers takes any responsibility for the contents of this Target's Statement.

No account of personal circumstances

This Target's Statement does not take into account your individual investment objectives, financial situation or particular needs. It does not contain personal financial or taxation advice. You may wish to seek your own independent legal, financial, taxation or other professional advice before making a decision as to whether or not to accept the Offer for your Hunter Hall Shares.

Forward-looking statements

The Target's Statement contains forward-looking statements. All statements other than statements of historical fact are forward-looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties, many of which are beyond the control of Hunter Hall.

Actual events or results may differ materially from the events or results expected or implied in any forward-looking statement. None of Hunter Hall, any of its officers, any person named in this Target's Statement with their consent, or any person involved in the preparation of this Target's Statement makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, except to the extent required by law. You are cautioned not to place undue reliance on any forward-looking statements.

Foreign jurisdictions

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement has been prepared in accordance with Australian law and the information contained in this Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

Privacy

Hunter Hall has collected your information from the Hunter Hall register of Hunter Hall Shareholders for the purpose of providing you with this Target's Statement. The type of information Hunter Hall has collected about you includes your name, contact details and information on your shareholding in Hunter Hall. Without this information, Hunter Hall would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of Hunter Hall Shareholders to be held in a public register. Your name may be disclosed on a confidential basis to external service providers (such as print and mail service providers) and may be required to be disclosed to regulators such as ASIC and the ASX. If you would like to obtain details of the information held about you by Hunter Hall, please contact Hunter Hall's Company Secretary.



HUNTER HALL INTERNATIONAL LIMITED

ABN 43 059 300 426

17 February 2017

Dear Hunter Hall Shareholder,

On 23 January 2017, Pinnacle Investment Management Group Limited ACN 100 325 184 (**Pinnacle Group**), announced the intention through its wholly owned subsidiary, Pinnacle Ethical Investment Holdings Limited (**Pinnacle** or **Bidder**), to make an off-market takeover offer to acquire all of the shares in Hunter Hall at a price of \$1.50 per share payable in cash. Subsequently, on 10 February 2017, Pinnacle announced its intention to increase its offer consideration to \$2.00 per share and to free the offer from all conditions.

You should by now have received a bidder's statement (**Original Bidder's Statement**) and a copy of the first supplementary bidder's statement (**First Supplementary Bidder's Statement**) (together **Bidder's Statement**) from Pinnacle. The Bidder's Statement sets out full details of the unconditional off-market takeover offer for your Hunter Hall Shares for \$2.00 per Hunter Hall Share (**Offer**). The Offer opened on 14 February 2017.

On the same day as the Offer opened, Pinnacle announced that if it acquires 24% or more of Hunter Hall Shares, it would increase its offer consideration to \$2.20 per Hunter Hall Share. Pinnacle held 0% of Hunter Hall Shares at that date.

This Target's Statement sets out the reasons for the recommendation by your Independent Directors to **REJECT** the Offer.

Recommendation

The Independent Directors have carefully considered the Offer and recommend that you **REJECT** the Offer as they consider that the Offer significantly undervalues your Hunter Hall Shares.

The key reasons for the Independent Directors' recommendation are:

- the Offer represents a material discount to recent market prices including:
 - a 38% discount to the closing price of Hunter Hall Shares on ASX on 23 December 2016 being the last closing price prior to the announcement of Washington H. Soul Pattinson and Company's (**WHSP**) intention to make a takeover bid;
 - a 39% and 48% discount to the 1 month and 6 month volume weighted average price (**VWAP**) of Hunter Hall Shares prior to 23 December 2016 being the last closing price prior to the announcement of WHSP's intention to make a takeover bid and Peter Hall's resignation; and
 - a 21% discount to the closing price of Hunter Hall Shares on 16 February 2017 being the last closing price prior to the date of this Target's Statement;
- the Independent Expert has concluded that the Offer is neither fair nor reasonable to Hunter Hall Shareholders and assessed the fair market value of Hunter Hall to be \$2.75 to \$3.20 per Hunter Hall Share versus the Offer of \$2.00 per Hunter Hall Share;
- the Independent Directors believe it is likely that the Hunter Hall Shares will trade above the Offer Consideration in the foreseeable future if the Offer fails and, subject to available liquidity, Hunter Hall Shareholders could sell their Hunter Hall Shares on-market and receive a materially higher price than the Offer Consideration;
- Hunter Hall is currently undertaking a strategic review and is committed to delivering stability and long-term value for all Hunter Hall Shareholders; and
- accepting the Offer may deprive you of the opportunity to participate in any superior proposal to acquire your Hunter Hall Shares or future value delivered through the strategic review process.

This Target's Statement explains in more detail the reasons for the Independent Directors' recommendations to reject the Offer, and I urge you to read it in full. You do not need to take any further action in order to reject the Offer.

Independent Expert's Report

This Target's Statement includes a concise Independent Expert's Report from Leadenhall Corporate Advisory Pty Ltd. The Independent Expert has concluded that the Offer is neither fair nor reasonable to Hunter Hall Shareholders.

Other Key Information

The Offer is open until 7.00pm (Sydney time) on 15 March 2017, unless extended.

The Independent Directors are committed to maximising value for all Hunter Hall Shareholders.

The Independent Directors will consider all offers that take into account and/or have the potential to enhance the strategic value of your Company. The Independent Directors remain in discussions with a number of strategic parties in relation to a potential merger with Hunter Hall.

Shareholders should note that on 13 February 2017, WHSP Hunter Hall Pty Ltd ACN 616 648 241 (WHSP Bidder), a directly wholly owned subsidiary of Washington H. Soul Pattinson and Company Limited ACN 000 002 728, lodged a second supplementary bidder's statement increasing its offer consideration to \$2.00 per Hunter Hall Share for all of the Hunter Hall Shares not already owned by WHSP. This offer opened on 14 February 2017, and similar to the Pinnacle Offer is free from conditions. WHSP Bidder currently holds 19.9% of Hunter Hall Shares.

The Independent Directors have provided a supplementary target's statement in response to the WHSP Bidder revised offer, which recommends that Hunter Hall Shareholders **REJECT** the WHSP Bidder revised offer as they consider that it significantly undervalues your Hunter Hall Shares.

If you have any questions, please contact the Offer Information Line on 1300 889 468 (toll free within Australia) or +61 2 8022 7944 (outside Australia) which is open Monday to Friday between 9.00am and 5.00pm (Sydney time) or consult your professional advisor.

Yours sincerely



Kevin Eley

Non-executive Chairman

After taking into account each of the matters described in this document, in particular the reasons to REJECT the Offer set out in section 2, each of your Independent Directors recommends that you REJECT the Offer and TAKE NO ACTION.

The Independent Directors who own or control Hunter Hall Shares intend to reject the Offer in respect of their Hunter Hall Shares. The Independent Directors are set out in section 2 and information in respect of their respective shareholdings is set out in section 4.6.

If you have any questions, please call the Offer Information Line on 1300 889 468 (toll free within Australia) or +61 2 8022 7944 (outside Australia) which is open Monday to Friday between 9.00am and 5.00pm (Sydney time) or consult your professional advisor.

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1.1. Summary of the Offer

The terms of the Offer are set out in the bidder's statement lodged with ASIC on 30 January 2017 (**Original Bidder's Statement**) and supplemented in the first supplemental bidder's statement lodged with ASIC on 14 February 2017 (**First Supplementary Bidder's Statement**) (together **Bidder's Statement**). The key terms of the Offer are summarised in the "common questions" in section 3 of this Target's Statement. Hunter Hall Shareholders should read the Bidder's Statement for full details of the Offer.

1.2. Background to the Offer

On 30 December 2016, Peter Hall advised the Independent Directors that he had agreed to sell part of his Hunter Hall Shares, equivalent to 19.9% of the issued share capital of Hunter Hall, to WHSP for \$1.00 per Hunter Hall Share. At the same time, WHSP announced its intention to make an off-market takeover bid for \$1.00 per Hunter Hall Share. In its target's statement in response to the WHSP Bidder offer, the Independent Directors recommended that Hunter Hall Shareholders reject the WHSP Bidder offer.

On 23 January 2017, Pinnacle Group announced the intention to make an off-market takeover offer to acquire all of the shares in Hunter Hall, through its wholly owned subsidiary Pinnacle, at a price of \$1.50 per share payable in cash. A copy of the bidder's statement was provided to ASIC and Hunter Hall on 30 January 2017.

Subsequently, on 10 February:

- WHSP Bidder increased its offer to \$1.60 per Hunter Hall Share;
- Pinnacle announced its intention to increase its offer to \$2.00 per Hunter Hall Share and to declare the offer free from conditions; and
- Hunter Hall released an announcement recommending that Hunter Hall Shareholders **REJECT** the WHSP Bidder revised offer, and indicating that it intended to recommend rejection of the Pinnacle revised offer, once it has received formal documentation in relation to the bid.

On 13 February 2017, WHSP Bidder increased its offer to \$2.00 and declared the offer free from conditions, matching Pinnacle's offer.

On 14 February 2017:

- Hunter Hall announced that the Independent Directors recommend that Hunter Hall Shareholders **REJECT** both the WHSP \$2.00 bid and the Pinnacle \$2.00 bid;
- the Pinnacle Offer (at \$2.00 per Hunter Hall Share) opened;
- Pinnacle announced that if it acquires 24% or more of Hunter Hall Shares, it would increase its offer consideration to \$2.20 per Hunter Hall Share; and

- John Bridgeman Limited and its associates (who already hold 5.81% of Hunter Hall Shares) announced an intention to acquire further shares in the market at prices up to \$2.40 per Hunter Hall Share, up to the aggregate of 20% permitted under the Corporations Act

In its profit announcement of 15 February 2017, the Independent Directors repeated their advice to Hunter Hall shareholders to reject offers from WHSP Bidder and Pinnacle on the basis that the offers continue to significantly undervalue Hunter Hall shares.

Since the departure of Peter Hall, the Independent Directors have been focussed on reviewing and considering strategic initiatives to ensure a smooth transition of management and create value for all Hunter Hall Shareholders.

This has included the appointment of the Company's Deputy CEO Paula Ferrao, as Interim CEO and Deputy Chief Investment Officer, James McDonald, as Interim Chief Investment Officer. As both Ms Ferrao and Mr McDonald and other members of the investment management team have been long-term employees of the Company, they were able to quickly reassure the Board that operations and investment management processes across the funds are continuing in accordance with business as usual.

Other strategic initiatives have included, among other things:

- considering candidates, both internally and externally, for the Chief Executive Officer and Chief Investment Officer positions;
- continuing discussions with a number of strategic parties in relation to a potential merger with Hunter Hall; and
- exploring the potential buy-back of some or all of Peter Hall's residual 24.05% holding as an alternative to him accepting one of the takeover bids (a selective buy-back would, however, require 75% of Hunter Hall Shareholder support, excluding Peter Hall's shares).

The Independent Directors remain in discussions with a number of strategic parties and will continue to keep Hunter Hall Shareholders informed of any developments.

2. Independent Directors Recommendations

The Directors of Hunter Hall as at the date of this Target's Statement are:

Name	Position
Mr Peter Hall	Director
Mr Wayne Hawkins	Independent Director
Mr Kevin Eley	Independent Director, Non-executive Chairman
Mr David Groves	Independent Director

Given the nature of the transaction, and Peter Hall's direct involvement, the Hunter Hall Board has established a board committee of Independent Directors. The Independent Directors have undertaken a detailed review of the Offer in conjunction with its advisors and will consider all other strategic alternatives available to the Company.

2.1. Independent Directors' recommendation and intentions

In assessing the Offer, the Independent Directors have had regard to a number of considerations, including the information set out in the Bidder's Statement and the conclusions of the Independent Expert.

Based on this assessment and for the reasons set out in this Target's Statement (in particular those set out in section 2.2), the Independent Directors believe that the consideration offered by Pinnacle of \$2.00 for each Hunter Hall Share significantly undervalues your Hunter Hall Shares.

Accordingly, each of the Independent Directors recommends that you REJECT the Offer.

The Independent Directors who own or control Hunter Hall Shares intend to reject the Offer in respect of their Hunter Hall Shares (see section 4.6 for more information on the respective shareholdings of the Independent Directors).

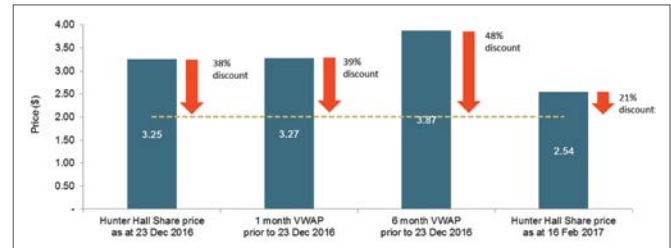
In considering whether to accept the Offer, the Independent Directors encourage you to:

- read the whole of this Target's Statement (including the Independent Expert's Report) and the Bidder's Statement;
- have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances;
- consider the choices available to you as noted in section 2.7 of this Target's Statement; and
- obtain financial advice from your broker or financial advisor on the Offer and obtain taxation advice on the tax implications of accepting the Offer.

2.2. Reasons for the Independent Directors' recommendation

- The Offer is substantially inadequate and materially undervalues Hunter Hall

The Offer represents a material discount to the prevailing Hunter Hall Share price as illustrated in the graph below, whereas typically a premium is paid for control transactions of this nature in an Australian listed market context.



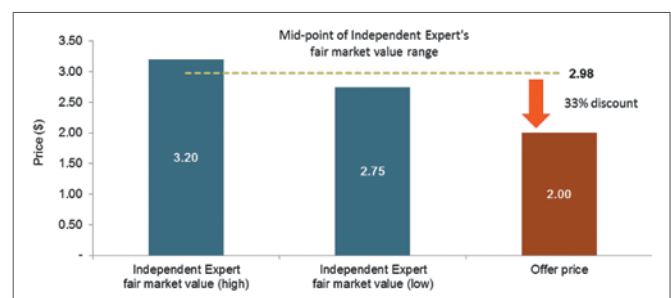
Subject to available liquidity, Hunter Hall Shareholders could sell their Hunter Hall Shares on-market and receive a materially higher price than the Offer. We note that John Bridgeman Limited and its associates (who already hold 5.81% of Hunter Hall Shares) has announced an intention to acquire further shares in the market at prices up to \$2.40 per Hunter Hall Share, up to the aggregate of 20% permitted under the Corporations Act.

- The Independent Expert has concluded that the Offer Consideration is neither fair nor reasonable to Hunter Hall Shareholders

The Independent Directors of Hunter Hall have requested Leadenhall Corporate Advisory to prepare a concise independent expert's report advising whether the Pinnacle Offer is fair and reasonable.

This is a concise report, drawing on the detailed independent expert's report prepared in relation to the WHSP Offer dated 1 February.

In this report, the Independent Expert has reaffirmed the estimated fair market value of Hunter Hall Shares to be in the range of \$2.75 to \$3.20 per Hunter Hall Share. The Offer Consideration is 33% lower than the mid-point of the range as shown in the graph below.



2. Independent Directors Recommendations

Continued

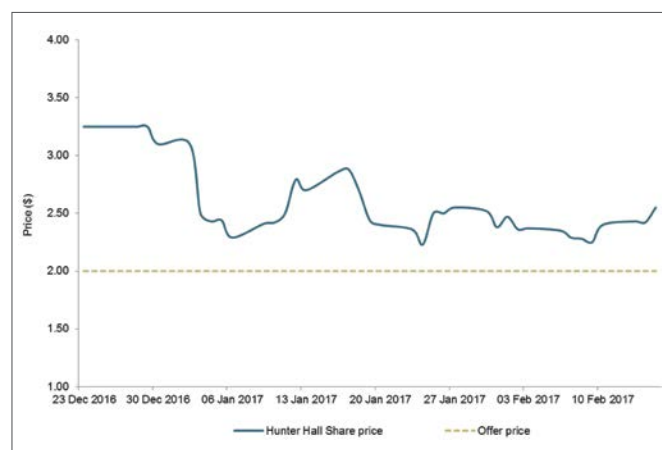
A copy of the concise Independent Expert's Report, which should be read in conjunction with this summary, accompanies this Target's Statement as Appendix B. You should read this report carefully.

(c) The Hunter Hall Share price has consistently traded above the Offer Consideration

While there are many factors which affect the Hunter Hall Share price, the Independent Directors believe that it is likely that Hunter Hall Shares would trade above the Offer Consideration in the foreseeable future if the Offer was to fail.

As shown in the graph below, from 23 December 2016, being the last closing price prior to the announcement of WHSP's intention to make a takeover bid, the Hunter Hall Share price has consistently traded above the Offer Consideration. This suggests the market considers that the Offer undervalues Hunter Hall Shares.

Hunter Hall Share price since 23 December 2016



Subject to available liquidity, Hunter Hall Shareholders could sell their Hunter Hall Shares on-market and receive a materially higher price than the Offer. As a result of the announcement by John Bridgeman Limited and its associates (who already hold 5.81% of Hunter Hall Shares) that it intends to acquire further shares in the market at prices up to \$2.40 per Hunter Hall Share (up to the aggregate of 20% permitted), there appears to be available liquidity in the market for Hunter Hall Shares to be sold on market.

(d) Accepting the Offer may deprive you of the opportunity to participate in any superior proposal to acquire your Hunter Hall Shares

If you accept the Offer, you will be restricted from dealing with your Hunter Hall Shares while the Offer remains open.

Accepting the Offer will limit your ability to participate in any superior proposal or sell your Hunter Hall Shares on-market.

(e) Hunter Hall is undertaking a strategic review and is committed to delivering stability and long-term value for all Hunter Hall Shareholders

Since Peter Hall tendered his resignation as Chief Investment Officer and agreed to sell 19.9% of his Hunter Hall Shares, the Independent Directors, in conjunction with their advisors and the Hunter Hall executive management team, have been exploring all available proposals to ensure a smooth transition of management and create value for all Hunter Hall Shareholders. The Hunter Hall executive management team intend to continue to do this after the close of the Offer Period, and regardless of whether Peter Hall has accepted the Offer in relation to the 24.05% of Hunter Hall Shares held by him.

The Independent Directors will consider all offers that take into account and/or have the potential to enhance the strategic value of your Company.

2.3. Risks associated with not accepting the Offer

(a) If Pinnacle acquires a relevant interest in 90% of Hunter Hall Shares

If Pinnacle acquires a Relevant Interest in 90% or more of Hunter Hall Shares under the Offer and is entitled to proceed to compulsory acquisition to acquire all of the Hunter Hall Shares in accordance with Part 6A.1 of the Corporations Act, Pinnacle has indicated that it currently intends to:

- compulsorily acquire all outstanding Hunter Hall Shares;
- arrange for Hunter Hall to be removed from the official list of the ASX;
- exercise its right as a shareholder to replace all members of the Board with nominees appointed by Pinnacle (however, Pinnacle's nominees may include one or more of Hunter Hall's current directors); and
- propose through its appointees on the Board that a strategic review be undertaken.

(b) If Pinnacle acquires a relevant interest in between 50.1% and 90% of Hunter Hall Shares

If Pinnacle acquires a Relevant Interest in Hunter Hall Shares greater than 50% but less than 90%, it will gain effective control of Hunter Hall.

If Pinnacle acquires a relevant interest in between 50.1% and 90% of Hunter Hall Shares, it has indicated in the Bidder's Statement that it currently intends to:

- subject to continued satisfaction of the ASX Listing Rules, maintain Hunter Hall's listing on ASX;
- seek to appoint a number of nominees of Pinnacle to the Board which corresponds with Pinnacle's proportional holding in Hunter Hall;
- direct any nominees Pinnacle appoints to the Board to utilise Pinnacle Group's experience to assist Hunter Hall to drive long-term value and to request the Board to conduct a strategic review;
- support the continued implementation of Hunter Hall's strategy of running ethically screened portfolios; and
- exercise compulsory acquisition rights, in the event it acquires those right in the future (by acquiring a Relevant Interest equal to or greater than 90% of Hunter Hall Shares)

Hunter Hall Shareholders who have not accepted the Offer will become minority shareholders in Hunter Hall. This has a number of possible implications, including the following:

- Pinnacle will be in a position to cast the majority of votes at a general meeting of Hunter Hall, enabling Pinnacle to control the composition of the Board and senior management, Hunter Hall's dividend policy and the strategic direction of the business of Hunter Hall;
- liquidity of Hunter Hall Shares may be lower than at present;

- Pinnacle could proceed to compulsory acquisition should it become entitled to do so in the future. Therefore, non-accepting Hunter Hall Shareholders may still be forced to sell their Hunter Hall Shares where, sometime in the future, Pinnacle becomes entitled to a Relevant Interest in Hunter Hall Shares equal to or greater than 90%;
- if the number of Hunter Hall Shareholders is less than that required by the ASX Listing Rules to maintain an ASX listing, then Pinnacle may seek to have Hunter Hall removed from the official list of ASX. If this occurs, Hunter Hall Shares will not be able to be bought or sold on the ASX; and
- if Pinnacle acquires a Relevant Interest in 75% or more of the Hunter Hall Shares, it will have sufficient voting power to pass a special resolution at a meeting of Hunter Hall Shareholders. This will enable Pinnacle to, among other things, change Hunter Hall's constitution.

(c) If Pinnacle acquires less than 50% of Hunter Hall Shares

If Pinnacle acquires less than 50% of Hunter Hall Shares, Pinnacle has stated its current intention is to:

- subject to continued satisfaction of the ASX Listing Rules, maintain Hunter Hall's listing on ASX;
- seek to appoint a number of nominees of Pinnacle to the Board which corresponds with Pinnacle's proportional holding in Hunter Hall, and through any nominees to the Board, propose a strategic review of Hunter Hall's operations;
- direct any nominees Pinnacle appoints to the Board to utilise Pinnacle Group's experience to assist Hunter Hall to drive long-term value; and
- support the continued implementation of Hunter Hall's strategy of running ethically screened portfolios.

(d) Future for Hunter Hall if the Offer fails

If Peter Hall accepts a competing proposal (not this Offer) and no other Hunter Hall Shareholder accepts this Offer, Pinnacle would hold 0% of Hunter Hall Shares. A provider of a competing proposal accepted by Peter Hall would hold 24.05%, and WHSP would hold 19.9%.

If Peter Hall accepts a competing proposal from WHSP Bidder, then WHSP and its associates would control at least 43.95% of Hunter Hall Shares.

(e) Loss of confidence

Following the departure of Peter Hall, Lonsec and Morningstar (both rating bodies) downgraded their ratings to 'sell' and 'negative' respectively, in relation to funds managed by Hunter Hall Investment Management Limited (HHIML) (a wholly owned subsidiary of Hunter Hall). Unitholders and shareholders of the funds managed by HHIML could decide to sell their shares or redeem their units due to perceived uncertainty as a result of Peter Hall's departure as Chief Investment Officer of Hunter Hall. This could result in the share price of Hunter Hall falling.

2. Independent Directors Recommendations

Continued

(f) General risks

The future viability of Hunter Hall is also dependent on a number of other factors affecting performance of all industries including, but not limited to, the following:

- the strength of the equity and debt markets in Australia and throughout the world;
- risks associated with the current global economic and political environment;
- general economic conditions in Australia and its major trading partners and, in particular, inflation rates, interest rates, commodity supply and demand factors and industrial disruptions;
- financial failure or default by a participant in contractual relationship to which Hunter Hall is, or may become, a party; and
- industrial or other disputes in Australia and elsewhere in the world.

2.4. Bidder's intentions in relation to Hunter Hall

The general intentions of Pinnacle in relation to Hunter Hall, its business, assets and employees are set out in section 5 of the Bidder's Statement. These statements are statements of Pinnacle's intentions at the date of the Bidder's Statement only, which may vary as new information becomes available or circumstances change.

2.5. Possible reasons for accepting the Offer

Some factors that may lead you to accept the Offer are set out below:

- (a) you may disagree with the recommendation of the Independent Directors and/or the conclusion of the Independent Expert;
- (b) you may believe the Hunter Hall Share price will decline in the future and not be able to sell your entire holding on-market; and/or
- (c) there may be tax benefits for you in accepting the Offer.

2.6. Taxation

The taxation consequences of accepting the Offer depend on a number of factors and will vary depending on your particular circumstances. Shareholders should obtain and rely on their own taxation advice in relation to the taxation consequences of disposing of their Hunter Hall Shares under the terms of the Offer.

2.7. Choices available to you

As a Hunter Hall Shareholder, you have the following choices in respect of the Offer:

- (a) **you may choose to reject the Offer** as recommended by the Independent Directors, in which case you do not need to take any action;
- (b) **you may sell your Hunter Hall Shares on ASX** (which may be at a higher or lower price than the Offer Consideration), in which case you should instruct your broker when you want to sell; or
- (c) **you may accept the Offer**, in which case you should follow the instructions set out in section 8.3 of the Bidder's Statement.

When deciding what to do, you should carefully consider the Independent Directors' recommendation and other important considerations set out in this Target's Statement. If you are in doubt as to how to act, you should consult your independent legal, financial or other professional advisor immediately.

3. Common questions about the Offer

This section answers some commonly asked questions about the Offer. It is not intended to address all relevant issues for Hunter Hall Shareholders. This section should be read together with all other parts of this Target's Statement and the Bidder's Statement.

What is the Bidder's Statement?	The Original Bidder's Statement dated 30 January 2017, and supplemented by the First Supplementary Bidder's Statement dated 14 February 2017 is the document setting out the terms of the Offer by Pinnacle which has been sent to you in accordance with the Corporations Act.
What is this Target's Statement?	This Target's Statement has been prepared by the Independent Directors and provides Hunter Hall's response to the Offer, including the recommendation of the Independent Directors.
Who is the Offer made to?	The Offer is made to all persons who hold Hunter Hall Shares. Section 8 of the Original Bidder's Statement sets out further details.
Who is Pinnacle?	<p>Pinnacle is wholly owned by the Pinnacle Group.</p> <p>Pinnacle Group is an Australian multi-affiliate funds management business, which currently consists of seven investment affiliates that collectively manage over \$23 billion in assets across a range of asset classes. Pinnacle Group provides distribution and other support services to its affiliates and aligned investment managers.</p> <p>You should refer to the Bidder's Statement for information on Pinnacle and the Pinnacle Group.</p>
What is Pinnacle offering for your Hunter Hall Shares?	<p>Pinnacle is offering \$2.00 for each Hunter Hall Share that you hold. The Offer is made in respect of all Hunter Hall Shares.</p> <p>Pinnacle has announced that if it acquires 24% or more of Hunter Hall Shares, it would increase its offer consideration to \$2.20 per Hunter Hall Share. Pinnacle held 0% of Hunter Hall Shares at the date the Offer opened.</p>
What choices do I have as a Hunter Hall Shareholder?	<p>As a Hunter Hall Shareholder you have the choice to do any of the following:</p> <ul style="list-style-type: none"> • Choose not to accept the Offer, in which case you do not need to take any action; • Sell your Hunter Hall Shares on the ASX, which may be at a higher or lower price than the Offer Consideration. If you wish to sell your Hunter Hall Shares on the ASX you should not accept the Offer and should instruct your broker at the time you wish to sell; or • Accept the Offer for all your Hunter Hall Shares. <p>Hunter Hall Shareholders should carefully consider the Independent Directors' recommendation and other important issues set out in this Target's Statement.</p>
What do your Independent Directors recommend?	The Independent Directors recommend that you REJECT the Offer.
What do the Independent Directors intend to do with their Hunter Hall Shares?	Each Independent Director who holds Hunter Hall Shares intends to REJECT the Offer in respect of their shareholdings.
What does the Independent Expert say?	<p>The Independent Expert has concluded that the Offer is NEITHER FAIR NOR REASONABLE.</p> <p>The Independent Expert's Report, which should be read in conjunction with this summary, accompanies this Target's Statement as Appendix B.</p>
How do I reject the Offer?	To REJECT the Offer, as recommended by the Independent Directors, you do not need to do anything.

3. Common questions about the Offer

Continued

How do I accept the Offer?	If you choose not to follow the Independent Directors' recommendation to reject the Offer, you can accept the Offer by returning the Acceptance Form that accompanied the Bidder's Statement and follow the instructions set out in section 4 and 6 of the First Supplementary Bidder's Statement and section 8.3 of the Original Bidder's Statement. You may wish to seek independent financial and taxation advice from your professional advisor in relation to the action that you should take in relation to the Offer and your Hunter Hall Shares.
When do I have to make a decision?	If you wish to follow the Independent Directors' recommendation and reject the Offer, you do not need to do anything. However, if you wish to accept the Offer, you must do this before the scheduled closing date. Pinnacle has stated that the Offer remains open until 7.00pm (Sydney time) on 15 March 2017. It is possible that Pinnacle may choose to extend the Offer Period in accordance with the Corporations Act. In addition, the Offer Period may be extended automatically in certain circumstances.
What is the effect of accepting the Offer?	The effect of acceptance of the Offer is set out in section 8.6 of the Original Bidder's Statement. Hunter Hall Shareholders should read these provisions in full to understand the effect that acceptance will have on their ability to exercise the rights attaching to their Hunter Hall Shares and the representations and warranties which they give by accepting the Offer.
What happens if I accept the Offer and a superior proposal is made?	If you accept the Offer, you will not be able to withdraw your acceptance as the offer is now unconditional. So, if you accept the Offer, you will be unable to accept a superior proposal.
What happens if the Offer Consideration is increased?	If the Offer Consideration is subsequently increased by Pinnacle after you have accepted the Offer, you will be entitled to the improved Offer Consideration.
Can I be forced to sell my Hunter Hall Shares?	You cannot be forced to sell your Hunter Hall Shares unless Pinnacle proceeds to compulsory acquisition. The Bidder would need to acquire at least 90% of Hunter Hall Shares (under the Offer or otherwise) in order to exercise compulsory acquisition rights. If Pinnacle acquires more than 90% of Hunter Hall Shares and proceeds to compulsory acquisition, then you will receive the same consideration as is payable by Pinnacle under the Offer. See section 2.3 of this Target's Statement and section 5.2 of the Bidder's Statement for more details.
What are the tax implications of accepting the Offer?	You should seek independent taxation advice on the tax implications applicable to your circumstances.
What are the conditions to the Offer?	The Offer is not subject to any conditions and a copy of the notice under the Corporations Act giving Hunter Hall Shareholders notice of the status of conditions was attached to the First Supplementary Bidder's Statement sent to you.
Is there any cost in me accepting the Offer?	Hunter Hall Shareholders will not be required to pay brokerage or any other costs (apart from any personal taxation considerations) in relation to the sale of their Hunter Hall Shares under the Offer.

3. Common questions about the Offer

Continued

When will I receive the Offer Consideration?	<p>If you accept the Offer, you will receive the Offer Consideration within 5 business days of valid acceptances being received in accordance with the terms of the Offer.</p> <p>For more information, see section 4 and section 6 of the First Supplementary Bidder's Statement together with section 8 of the Original Bidder's Statement.</p>
What if I am a foreign shareholder?	<p>If you are a foreign shareholder and you accept the Offer you will receive the Offer Consideration of \$2.00 for each Hunter Hall Share that you hold.</p> <p>Further details are set out in section 4 and section 6 of the First Supplementary Bidder's Statement together with section 8 of the Original Bidder's Statement.</p>
Can Pinnacle withdraw the Offer?	<p>The Bidder can only withdraw its Offer with the consent in writing of ASIC, which consent may be subject to conditions.</p>

4. Additional information

4.1. About Hunter Hall

Hunter Hall is a specialist global and Australian equity investment manager incorporated in Australia on 3 March 1993 and listed on the ASX on 28 February 2001.

Hunter Hall's funds management business is built on superior long-term investment performance with an ethical investment overlay. Hunter Hall's objective is to provide investors with superior returns over the medium to long-term by investing in stocks that are in Hunter Hall's opinion undervalued.

4.2. Publicly available information about Hunter Hall

Hunter Hall is a "disclosing entity" under the Corporations Act and as such has continuous disclosure and other reporting obligations under that Corporations Act and also under the ASX Listing Rules.

Copies of Hunter Hall's announcements are available from the ASX website (see www.asx.com.au – Hunter Hall's ASX code is 'HHL') and the Hunter Hall website (see www.hunterhall.com.au). Set out in Appendix A is a list of ASX announcements made by Hunter Hall since January 2016.

4.3. Financial position

The most recent audited financial statements of Hunter Hall are for the half year period ended 31 December 2016 and were released to the ASX on 15 February 2017. A copy of this document is available free from Hunter Hall on request.

A profit announcement was also released which listed the following key points:

- operating profit before tax up 13.8%;
- profit after tax down 18.6% due to absence of performance fees or realised capital gains;
- strong balance sheet position maintained;
- interim fully franked dividend of 4 cents per share; and
- Board advises shareholders to reject latest take-over offers from WHSP Bidder and Pinnacle.

A copy of the market update is available on the ASX website or alternatively a copy is available free from Hunter Hall on request.

The Independent Directors are not aware of any material change to Hunter Hall's financial position since 15 February 2017.

4.4. Issued securities

The total number of securities in Hunter Hall as at the date of this Target's Statement is 27,309,816 fully paid ordinary shares.

4.5. Substantial shareholders of Hunter Hall

As at the date of this Target's Statement, the substantial shareholders of Hunter Hall were:

Substantial Shareholder	Number of Shares	% Shares
Hampshire Assets and Services Pty Ltd, Peter Hall and associates	6,567,617	24.05%
Washington H. Soul Pattinson and Company	5,434,653	19.90%
John Bridgeman Limited and associates	1,587,488	5.81%

4.6. Directors' interests in Hunter Hall securities

As at the date of this Target's Statement, the Directors have the following interests, either directly or indirectly, in Hunter Hall Shares and Options:

Director	Shares	% of Issued	
		Capital	Options
Kevin Eley	60,000	0.22%	n/a
Peter Hall	6,567,617	24.05%	n/a
Wayne Hawkins	48,000	0.18%	n/a
David Groves	31,221	0.11%	n/a

4.7. Recent dealings by Directors in Hunter Hall Shares

Except as set out below, there have been no acquisitions or disposals by Directors of Hunter Hall Shares in the four months ending on the date immediately before the date of this Target's Statement.

Director	Acquisition	Disposal
Peter Hall	n/a	5,434,653

4.8. Directors' interests in Pinnacle or the Pinnacle Group

There have been no acquisitions or disposals by the Directors of Pinnacle Group shares in the four months ending on the date immediately before the date of this Target's Statement.

4.9. Benefits and agreements

(a) Benefits in connection with retirement from office

No person has been or will be given any benefit as a result of the Offer (other than a benefit which can be given without member approval under the Corporations Act) in connection with the retirement of that person, or someone else, from a board or managerial office of Hunter Hall or related body corporate of Hunter Hall.

(b) Agreements connected with or conditional on the Offer

There are no agreements made between any of the Independent Directors and any other person in connection with, or conditional upon, the outcome of the Offer.

(c) Benefits from Pinnacle

None of the Independent Directors have agreed to receive, or are entitled to receive, any benefit from Pinnacle or Pinnacle Group which is conditional on, or is related to, the Offer.

(d) Interests of Directors in contracts with Pinnacle or Pinnacle Group

No Independent Director has any interest in any contract entered into by Pinnacle or Pinnacle Group

4.10. Management of potential conflicts of interest in relation to the Offer

Given the nature of the transaction, and Peter Hall's direct involvement, the Hunter Hall Board has established an independent board committee of Independent Directors. The Independent Directors will undertake a detailed review of the Offer in conjunction with its advisors as well as consider all other strategic alternatives available to the Company.

4.11. Material litigation and disputes

The Independent Directors are not aware of any material legal proceedings, arbitrations or disputes pending or threatened against Hunter Hall.

4.12. Transactional expenses

The Offer has resulted in Hunter Hall incurring expenses that would not otherwise arise from trading in the current financial year. These expenses include the costs of the Independent Expert and legal fees, staff retention costs, printing and mailing costs associated with the Offer and are anticipated to be approximately \$2,500,000.

4.13. When will you receive the Offer Consideration if you accept the Offer

The Offer is unconditional and the Offer Consideration will be provided within 5 business days of valid acceptances being received in accordance with the terms of the Offer.

4.14. Foreign shareholders

If you are a foreign shareholder and you accept the Offer you will receive the Offer Consideration of \$2.00 for each Hunter Hall Share that you hold.

4.15. No other material information

This Target's Statement is required to include all the information that Hunter Hall Shareholders and their professional advisors would reasonably require to make an informed assessment whether to accept the Offer, but:

- (a) only to the extent to which it is reasonable for investors and their professional advisors to expect to find this information in this Target's Statement; and
- (b) only if the information is known to any Director.

The Independent Directors are of the opinion that the information that Hunter Hall Shareholders and their professional advisors would reasonably require to make an informed assessment whether to accept the Offer is:

- (a) the information contained in the Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);
- (b) the information contained in Hunter Hall's releases to the ASX, prior to the date of this Target's Statement; and
- (c) the information contained in this Target's Statement, including the information contained in the Independent Expert's Report.

The Independent Directors have assumed, for the purposes of preparing this Target's Statement, that the information in the Bidders' Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the Independent Directors do not take any responsibility for the contents of the Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

In deciding what information should be included in this Target's Statement, the Independent Directors of Hunter Hall have had regard to:

- (a) the nature of the Hunter Hall Shares;
- (b) the matters that Hunter Hall Shareholders may reasonably be expected to know;
- (c) the fact that certain matters may reasonably be expected to be known to Hunter Hall Shareholders' professional advisors; and
- (d) the time available to Hunter Hall to prepare this Target's Statement

4. Additional information

Continued

4.16. Consents

The following persons have given and have not, before the date of this Target's Statement, withdrawn their consent:

- (a) to be named in this Target's Statement in the form and context in which they are named;
- (b) for the inclusion of their respective reports or statements (if any) noted next to their names and the references to those reports or statements in the form and context in which they are included in this Target's Statement; and
- (c) for the inclusion of other statements in this Target's Statement which are based on or referable to statements made in those reports or statements, or which are based on or referable to other statements made by those persons in the form and context in which they are included.

Person	Named as	Reports or statements
K&L Gates	Legal advisors to Hunter Hall	Nil
Leadenhall Corporate Advisory	Independent Expert	Independent Expert's Report and the references to its conclusions in Appendix B of this Target's Statement
Computershare Investor Services Pty Limited	Share Registry	Nil
Moelis & Company	Financial advisors	Nil

Each of the above persons:

- (a) does not make, or purport to make, any statement in this Target's Statement other than those statements referred to above and as consented to by that person; and
- (b) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement other than as described in this section with the person's consent.

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements made, in documents lodged by Pinnacle and Pinnacle Group with ASIC or given to the ASX, or announced on the Company Announcements Platform of the ASX, by Pinnacle and Pinnacle Group. Pursuant to the Class Order, the consent of Pinnacle and Pinnacle Group is not required for the inclusion of such statements in this Target's Statement. Any Hunter Hall Shareholder who would like to receive a copy of any of those documents may obtain a copy (free of charge) during the Offer Period by contacting the Company Secretary.

4.17. Date

This Target's Statement is dated 17 February 2017, which is the date on which it was lodged with ASIC.

4.18. Approval

This Target's Statement was approved by a resolution of the Independent Directors on 17 February 2017.

Signed for and on behalf of Hunter Hall International Limited:



Kevin Eley

Non-executive Chairman

17 February 2017

5.1. Defined Terms

Acceptance Form means the acceptance form that accompanies the Bidder's Statement.

ASIC means the Australian Securities and Investments Commission.

Associate has the same meaning as given in the Corporations Act.

ASX means the ASX Limited or the Australian Securities Exchange, as appropriate.

ASX Listing Rules means the listing rules of the ASX as amended or varied from time to time.

Bidder or **Pinnacle** means Pinnacle Ethical Investment Holdings Limited ACN 616 932 711, a wholly-owned subsidiary of PIML, which in turn is a wholly owned subsidiary of Pinnacle Group.

Bidder's Statement means the bidder's statement in relation to the Offer as prepared by Pinnacle and dated 30 January 2017, and supplemented by the First Supplementary Bidder's Statement dated 14 February 2017.

Board means the board of Directors of Hunter Hall.

Company means Hunter Hall International Limited ACN 059 300 426.

Company Secretary means the company secretary of Hunter Hall.

Corporations Act means the *Corporations Act 2001 (Cth)* as modified by any relevant exemption or declaration by ASIC.

Directors means the directors of Hunter Hall.

First Supplementary Bidder's Statement is a supplementary bidder's statement dated 14 February 2017 issued by Pinnacle under section 643 of the Corporations Act. It is to be read together with the bidder's statement dated and lodged with ASIC on 30 January 2017.

Hunter Hall means Hunter Hall International Limited ACN 059 300 426.

Hunter Hall Share means a fully paid ordinary share in Hunter Hall.

Hunter Hall Shareholder means a person registered in the register of members of HHL as a holder of Hunter Hall Shares.

Independent Directors means the Directors, other than Peter Hall.

Independent Expert or **Leadenhall** means Leadenhall Corporate Advisory Pty Ltd.

Independent Expert's Report means the report prepared by the Independent Expert as to whether the Offer is fair and reasonable, and included as Appendix B to the Target's Statement.

Offer means the off-market takeover bid contained in the Bidder's Statement and made by the Bidder for all of the Hunter Hall Shares.

Offer Consideration means, as at the date of the Target's Statement, \$2.00 for each Hunter Hall Share.

Offer Period means the period during which the Offer will remain open for acceptance in accordance with section 8.2 of the Bidder's Statement.

Option means an option to subscribe for a Hunter Hall Share.

Original Bidder's Statement means the bidder's statement dated and lodged with ASIC and ASX on 30 January 2017.

PIML means Pinnacle Investment Management Limited ACN 109 659 109.

Pinnacle or **Bidder** means Pinnacle Ethical Investment Holdings Limited ACN 616 932 711.

Pinnacle Group means Pinnacle Investment Management Group Limited ACN 100 325 184.

Pinnacle Offer means the offer made by Pinnacle Ethical Investment Holdings Limited (ACN 616 932 711), a wholly-owned subsidiary of PIML, which in turn is a wholly owned subsidiary of Pinnacle Group, to acquire all of the shares in Hunter Hall at a price of \$1.50 per Hunter Hall Share.

Relevant Interest has the same meaning as given by sections 608 and 609 of the Corporations Act.

Target means Hunter Hall.

Target's Statement means this target's statement lodged with ASIC by Hunter Hall.

VWAP means volume weighted average price.

WHSP means Washington H. Soul Pattinson and Company Limited (ACN 000 002 728).

WHSP Bidder means WHSP Hunter Hall Pty Ltd ACN 616 648 241, a directly wholly owned subsidiary of WHSP.

5.2. Interpretation

- (a) Unless specified otherwise, or otherwise required by the context, all words and phrases in this Target's Statement shall have the meanings given to them in the Corporations Act.
- (b) Headings are for convenience only and do not affect interpretation.
- (c) The following rules apply unless the context requires otherwise:
 - (i) the singular includes the plural and conversely;
 - (ii) a gender includes all genders;
 - (iii) if a word or phrase is defined, its other grammatical forms have a corresponding meaning;
 - (iv) a reference to a person includes a body corporate, an unincorporated body or other entity and conversely; and
 - (v) a reference to legislation or to a provision of legislation includes a modification or re-engagement of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.

Appendix A – ASX announcements

Dated Lodged	Description
16 February 2017	Update – Dividend/Distribution - HHL
15 February 2017	HHL Profit Announcement
15 February 2017	Dividend/Distribution - HHL
15 February 2017	Half Yearly Report and Accounts
14 February 2017	PNI: Increase to PNI's Takeover Offer of HHL
14 February 2017	Supplementary Bidder's Statement - PNI Takeover Offer of HHL
14 February 2017	PNI: Bidder's Statement - PNI Takeover Offer of HHL
14 February 2017	First Supplemental Target's Statement
14 February 2017	HHV: Shareholder Update
14 February 2017	HML: Intention to purchase further shares in HHL
13 February 2017	SOL: Increased Offer Price of \$2.00 p/share for Hunter Hall
3 February 2017	Monthly Funds Under Management – 31 January 2017
2 February 2017	Becoming a substantial holder from PNI
1 February 2017	Target's Statement
31 January 2017	Becoming a substantial holder from HML
31 January 2017	Becoming a substantial holder
30 January 2017	PNI: Bidder's Statement
24 January 2017	HHV: Response to Wilson Asset Management
24 January 2017	Ceasing to be a substantial holder
24 January 2017	Receipt of Bidder's Statement
23 January 2017	SOL: Bidders Statement
23 January 2017	PNI: Intention to Make Takeover Bid
23 January 2017	PNI: Intention to Make Takeover Bid
23 January 2017	Change in substantial holding from SOL
20 January 2017	SOL: Bidder's Statement - Offer open
20 January 2017	Profit Guidance
11 January 2017	Chairman's Letter to Shareholders
11 January 2017	HHV: Company Update
11 January 2017	Receipt of Bidder's Statement
11 January 2017	SOL: Bidder's Statement
10 January 2017	Change in substantial holding – HHL
10 January 2017	Change in Director's Interest Notice
10 January 2017	Change in substantial holding – DRM
9 January 2017	Change in substantial holding for BSE
9 January 2017	Appointment of interim CEO and CIO
5 January 2017	Response to ASX Aware Letter
4 January 2017	Company Secretary Appointment/Resignation
4 January 2017	Change in substantial holding for BLK
4 January 2017	Notice of initial substantial shareholder from BKW
4 January 2017	MARKET UPDATE
3 January 2017	Becoming a substantial shareholder from SOL
30 December 2016	Change in substantial holding – BLK
30 December 2016	PETER HALL SELLS 19.9% OF HHL TO Pinnacle
30 December 2016	Proposal to acquire Hunter Hall International Limited
30 December 2016	Resignation of Chief Investment Officer
28 December 2016	Ceasing to be a substantial holder for SBM
28 December 2016	Trading Halt

Dated Lodged	Description
22 December 2016	Ceasing to be a substantial holder for BDR
22 December 2016	Change in substantial holding – GID
14 December 2016	Becoming a substantial shareholder for FBR
13 December 2016	Change in substantial holding for SRX
29 November 2016	Becoming a substantial holder for EGH
25 November 2016	Change in substantial holding for BFG
23 November 2016	Change in substantial holding for BLK
21 November 2016	Becoming a substantial holder for M7T
16 November 2016	Results of Meeting
16 November 2016	Chairman's Address to Shareholders
15 November 2016	Change in substantial holding for BLK
7 November 2016	Change in substantial holding for TLM
7 November 2016	Change in substantial holding for OTR
4 November 2016	Change in substantial holding for OTR
1 November 2016	Change in substantial holding for BLK
27 October 2016	Change in substantial holding for TLM
17 October 2016	Notice of Meeting and Proxy AGM 2016
14 October 2016	Ceasing to be a substantial holder – BFG
11 October 2016	Change in substantial holding for BLK
6 October 2016	Appendix 4G Corporate Governance disclosures
6 October 2016	Annual Report to shareholders
5 October 2016	Quarterly Funds Under Management – 30 September 2016
26 September 2016	Change in substantial holding for SBM
20 September 2016	Appendix 3B – DRP
20 September 2016	BLK: Change in substantial holding from HHL
19 September 2016	Update – Dividend/Distribution – HHL
8 September 2016	Final Director's Interest Notice – Mark Forstmann
24 August 2016	AQQ: Change in substantial holding from HHL
18 August 2016	Change of Director's Interest Notice – Mark Forstmann
16 August 2016	Director Resignation – Mark Forstmann
11 August 2016	Dividend/Distribution – HHL
11 August 2016	HHL Shareholder Presentation
11 August 2016	Profit Announcement FY16
11 August 2016	Preliminary Final Report
11 August 2016	Dividend Reinvestment Plan – amended terms and conditions
11 August 2016	Change in substantial holding for DRM
1 August 2016	Change in substantial holding for SBM
25 July 2016	Change in substantial holding for BDR
18 July 2016	SBM: Change in substantial holding from HHL
13 July 2016	Change in substantial holding for AVH
12 July 2016	TLM: Change in substantial holding from HHL
6 July 2016	SBM: Change in substantial holding from HHL
1 July 2016	Quarterly funds under management – 30 June 2016
1 July 2016	Appendix 3B – issue pursuant to executive share plan
29 June 2016	Becoming a substantial shareholder for AQQ
28 June 2016	TLM: Change in substantial holding from HHL
28 June 2016	SRG: Change in substantial holding from HHL

Appendix A – ASX announcements

Continued

Dated Lodged	Description
27 June 2016	DRM: Change in substantial holding from HHL
23 June 2016	Becoming a substantial shareholder for BLK
22 June 2016	DRM: Change in substantial holding from HHL
7 June 2016	SBM: Change in substantial holding from HHL
31 May 2016	BDR: Becoming a substantial holder from HHL
30 May 2016	MVP: Ceasing to be a substantial holder – HHL
30 May 2016	TLM: Change in substantial holding – HHL
27 May 2016	Profit Guidance
27 May 2016	GID: Change in substantial holding from HHL
27 May 2016	SRG: Change in substantial holding from HHL
20 May 2016	DRM: Change in substantial holding from HHL
16 May 2016	TLM: Change in substantial holding from HHL
11 May 2016	SBM: Change in substantial holding from HHL
11 May 2016	OTR: Change in substantial holding from HHL
9 May 2016	BFG: Becoming a substantial holder from HHL
22 April 2016	PVE: Ceasing to be a substantial holder from HHL
21 April 2016	Becoming a substantial holder from Microequities
15 April 2016	OTR: Change in substantial holding from HHL
5 April 2016	Director Appointment – Mr David Groves
4 April 2016	Quarterly funds under management – 31 March 2016
4 April 2016	Appendix 3B
22 March 2016	SBM: Change in substantial holding from HHL
21 March 2016	TLM: Becoming a substantial holder from HHL
21 March 2016	Revised terms and conditions of Dividend Reinvestment Plan
14 March 2016	SBM: Change in substantial holding – HHL
14 March 2016	BSE: Change in substantial holding from HHL
9 March 2016	Update – Dividend/Distribution – HHL
7 March 2016	Dividend Reinvestment Plan – calculation of issue price
22 February 2016	MVP: Becoming a substantial holder from HHL
16 February 2016	AVH: Change in substantial holding from HHL
15 February 2016	Update – Dividend/Distribution – HHL
15 February 2016	Update – Dividend/Distribution – HHL
15 February 2016	Securities Trading Policy
12 February 2016	HHL Shareholder Presentation
12 February 2016	Dividend/Distribution – HHL
12 February 2016	Half Yearly Report and Accounts
11 February 2016	OTR: Becoming a substantial holder from HHL
10 February 2016	BSE: Change in substantial holding from HHL
10 February 2016	DRM: Change in substantial holding from HHL
9 February 2016	BSE: Becoming a substantial holder from HHL
8 February 2016	Final Director's Interest Notice – David Deverall
5 February 2016	DRM: Change in substantial holding from HHL
19 January 2016	Director Resignation and Trading Update
5 January 2016	Funds under management 31 December 2015
4 January 2016	Termination of Portfolio Manager Share Plan



HUNTER HALL INTERNATIONAL LIMITED

TAKEOVER OFFER FROM PINNACLE ETHICAL INVESTMENT HOLDINGS LIMITED

CONCISE INDEPENDENT EXPERT'S REPORT AND FINANCIAL SERVICES GUIDE
17 FEBRUARY 2017



17 February 2017

The Independent Directors
Hunter Hall International Limited
GPO Box 3955
Sydney NSW 2001

Dear Directors,

Independent Expert's Report for Hunter Hall International Limited

1. Introduction

Hunter Hall International Limited ("**Hunter Hall**") is a specialist global equities investment manager that is listed on the Australian Securities Exchange ("**ASX**"). Hunter Hall was founded in 1993 by Peter Hall.

On 30 December 2016 Hunter Hall announced that Peter Hall had resigned as Chief Investment Officer and had agreed to sell a 19.9% interest in Hunter Hall to Washington H Soul Pattinson & Company Limited ("**WHSP**") for \$1.00 per share. On the same day, WHSP announced its intention to make a takeover offer for the remaining equity in Hunter Hall for \$1.00 per share in cash ("**WHSP Offer**").

On 23 January 2017 Pinnacle Ethical Investment Holdings Limited ("**Pinnacle**") announced that it intended to make a competing takeover offer for Hunter Hall ("**Pinnacle Offer**"). The Pinnacle Offer was initially priced at \$1.50 per Hunter Hall share (increasing to \$2.00 per share in the event that Pinnacle achieved a 50% holding in Hunter Hall). This offer was formalised in a bidder's statement dated 30 January 2017 ("**Bidder's Statement**").

On 10 February 2017 WHSP increased its offer to \$1.60 per Hunter Hall share and declared its offer to be free from conditions. Later on the same day, Pinnacle announced its intention to revise the terms of the Pinnacle Offer to be \$2.00 cash and also free from conditions. This revised offer opened on 14 February 2017 and on the same day Pinnacle announced that if it acquires a holding in Hunter Hall of 24% or more it will increase the offer to \$2.20 per Hunter Hall share.

If Pinnacle acquires 90% or more of the shares outstanding in Hunter Hall following the Pinnacle Offer it intends to proceed to a compulsory acquisition of the remaining shares in Hunter Hall. Pinnacle's intentions for Hunter Hall following completion of the Pinnacle Offer, should it fail to reach a 90% holding, include:

- ◆ Maintaining Hunter Hall's listing on the ASX
- ◆ Seeking to appoint nominees to the Hunter Hall Board
- ◆ Supporting the continued implementation of Hunter Hall's strategy of managing ethically-screened portfolios
- ◆ Requesting Hunter Hall to undertake a strategic review of Hunter Hall's operations

Further details of the terms of the Pinnacle Offer are set out in the Bidder's Statement and the Supplementary Bidders Statement dated 14 February 2017.

Note: All amounts stated in this report are in Australian dollars unless otherwise stated.

Tables in this report may not add due to rounding.

2. Purpose of the report

There is no formal requirement for an independent expert's report in relation to the Pinnacle Offer. However, in order to assist Hunter Hall's shareholders ("**Shareholders**") evaluate the Pinnacle Offer, the independent directors of Hunter Hall have requested Leadenhall Corporate Advisory Pty Limited ("**Leadenhall**") to prepare a concise independent expert's report advising whether the Pinnacle Offer is fair and reasonable. This report is to be included in the Target's Statement that will be sent to Hunter Hall's shareholders regarding the Pinnacle Offer ("**Target's Statement**").

This is a concise report, drawing on the detailed independent expert's report prepared in relation to the WHSP Offer dated 1 February 2017 ("**Previous Report**"). Our Previous Report contains additional details regarding:

- ◆ The funds management industry
- ◆ The history, operations, financial performance and financial position, personnel and significant shareholders of Hunter Hall
- ◆ The reasons for our selected basis of evaluation
- ◆ The reasons for selecting the valuation methodology applied
- ◆ The detailed valuation of Hunter Hall
- ◆ Our relevant qualifications, declarations and consents

The Previous Report is included in the target's statement date 1 February 2017 which may be downloaded from www.hunterhall.com.au/shareholder_announcements.html.

3. Basis of evaluation

As the Pinnacle Offer is a control transaction, we have considered the concepts of 'fairness' and 'reasonableness' separately, consistent with regulatory guidance and our previous assessment of the WHSP Offer, as follows:

- ◆ We have assessed the Pinnacle Offer as fair if the consideration offered by Pinnacle is greater than or equal to the value of a Hunter Hall share on a control basis (i.e. including a control premium)
- ◆ We have assessed the Pinnacle Offer as reasonable if it is fair, or if despite not being fair the advantages to Shareholders outweigh the disadvantages

We have assessed the value of a Hunter Hall share using the concept of fair market value, which is defined by the International Glossary of Business Valuation Terms as:

The price, expressed in terms of cash equivalents, at which property would change hands between a hypothetical willing and able buyer and a hypothetical willing and able seller, acting at arm's length in an open and unrestricted market, when neither is under compulsion to buy or sell and when both have reasonable knowledge of the relevant facts.

Special value is defined as the amount a specific purchaser is willing to pay in excess of fair market value. A specific purchaser may be willing to pay a premium over fair market value as a result of potential economies of scale, reduction in competition or other synergies they may enjoy arising from the acquisition of the asset. However, to the extent a pool of hypothetical purchasers could all achieve the same level of synergies the value of those synergies may be included in fair market value. Our assessed value of Hunter Hall does not include any special value.

4. Analysis of fairness

Valuation of Hunter Hall in our Previous Report

In our Previous Report, we assessed the value of a Hunter Hall share to be in the range of \$2.75 to \$3.20 on a control basis based on the discounted cash flow methodology, considering three potential scenarios as follows:

- ◆ **Base case** – based on a three-year forecast prepared by Hunter Hall management which includes consideration of likely Funds under Management (“FUM”) losses due to the departure of Mr Hall. In this scenario, the Hunter Hall Global Value Limited (“HHV”) investment management agreement (“IMA”) is renewed indefinitely and it is assumed that there is no share buy-back undertaken by HHV. The base case also assumes no performance fees are earned
- ◆ **Low case** – assumes that FUM outflows are higher than the base case, the HHV IMA is terminated at the end of the current term (in March 2029), a 15% buy-back occurs in HHV in April 2017 and no performance fees are earned
- ◆ **High case** – assumes that FUM outflows are lower than the base case, the IMA is renewed indefinitely, there is no buy-back in HHV, market returns are higher than the base case and performance fees are earned

We applied a discount rate of 11.5% to 12.5% to these cash flows, which resulted in the range of values for a Hunter Hall share set out in the table below.

Table 1: Valuation of Hunter Hall (\$'000)

Description	Low Case		Base Case		High Case	
	Low	High	Low	High	Low	High
Present value of projected cash flows	22,897	24,058	30,384	31,966	41,241	43,405
Terminal value	6,862	8,613	13,763	17,275	18,838	23,645
Surplus assets	17,820	17,820	17,820	17,820	17,820	17,820
Non-operating liabilities	(2,250)	(2,250)	(2,250)	(2,250)	(2,250)	(2,250)
Net cash	10,867	10,867	10,867	10,867	10,867	10,867
Equity value on a control basis	56,195	59,108	70,583	75,678	86,515	93,487
Number of share on issue	27,310	27,310	27,310	27,310	27,310	27,310
Equity value per share (\$)	2.06	2.16	2.58	2.77	3.17	3.42

Source: Leadenhall Analysis

Based on the analysis above, we assessed the value of a Hunter Hall share to be in the range of \$2.75 to \$3.20 on a control basis. In selecting this range, we considered:

- ◆ The base case includes somewhat conservative assumptions in relation to performance fees and distributions
- ◆ The potential to lose the management rights for HHV is somewhat mitigated by the strong legal protection afforded by the HHV IMA. There are also practical difficulties that would be faced by a third party seeking to force a buy-back by HHV, thus reducing the likelihood of the low case
- ◆ None of the scenarios considered include any allowance for cost savings or other synergies that may be realised by a potential acquirer. A likely buyer of Hunter Hall (including both WHSP and Pinnacle) would be able to realise cost savings from acquiring a controlling interest in the business

As a result of these considerations, we considered the high case to be somewhat more likely than the low case and therefore selected a valuation range spanning the upper end of the base case to the lower end of the high case.

The result from this methodology was cross-checked using a capitalisation of future maintainable earnings and share market trading analysis. Further details of the valuation of Hunter Hall are set out in Section 6 of our Previous Report.

Valuation Update

In considering whether the value of Hunter Hall shares has changed materially since the issue of our Previous Report we have considered the following:

- ◆ The latest company FUM projections are slightly ahead of the base case projections previously provided
- ◆ HHV's largest shareholder, Wilson Asset Management ("**WAM**"), is continuing to advocate an equal access buyback of HHV's shares. HHV's board has rejected this proposal, noting that there is adequate market liquidity for any other shareholder wishing to sell their holding in HHV to do so at close to net asset value. In response to the HHV board's rejection of the buy-back proposal, WAM has indicated an intention to call an extraordinary general meeting seeking to replace the HHV board. WHSP currently has an approximate 7% holding in HHV and has announced that it does not support either the buyback proposal or the proposal to replace the HHV board. Given HHV is currently trading at a small discount to net asset value and the likely costs involved in undertaking the buy-back, it is likely shareholders other than WAM and WHSP could realise greater proceeds by selling their shares on the market than by supporting a buy-back. Given the broad spread of shareholders and the lack of tangible benefits demonstrated by the buy-back proposal we do not consider this to have any impact on our previous conclusions in respect of HHV.

On balance, we still consider the high case more likely than the low case and have therefore retained our valuation range of \$2.75 to \$3.20 per Hunter Hall share.

Conclusion on fairness

As the value of a Hunter Hall share is greater than the consideration offered by Pinnacle (even if Pinnacle increases its offer price to \$2.20 per Hunter Hall share as a result of acquiring a 24% holding in Hunter Hall), the Pinnacle Offer is not fair.

5. Analysis of reasonableness

We have defined the Pinnacle Offer as being reasonable if it is fair, or if despite not being fair, the overall advantages of the proposal outweigh its disadvantages to Shareholders. We have therefore considered the advantages and disadvantages to Shareholders of the Pinnacle Offer.

Advantages

The Pinnacle Offer may offer some potential advantages for certain shareholders, for example:

- ◆ The lack of brokerage costs means that the Pinnacle Offer may provide an opportunity to sell a very small holding in Hunter Hall that would otherwise be uneconomic to sell due to transaction costs. However, greater value could likely be realised over time by holding the shares and receiving dividends.
- ◆ The Pinnacle Offer also provides an opportunity to sell a large block for a fixed price. Typically, it is difficult to sell a large block of shares on the market without impacting the market price. However, the price at which a significant block could be sold on the market is likely to be higher (potentially significantly) than the price of the Pinnacle Offer. Thus, while the offer price is known it is most likely considerably less than the price that could be realised for an on market sale of even a substantial block.

Having regard to the above factors we have not identified any significant advantages of the Pinnacle Offer relative to other alternatives currently available to Shareholders.

Disadvantages

The main disadvantages of the Pinnacle Offer are:

- ◆ **Significant discount to market price** - The Pinnacle Offer is at a significant discount (approximately 15%) to recent market trading in Hunter Hall shares. Shareholders who wish to sell could therefore realise a higher price by selling on the market rather than by accepting the Pinnacle Offer
- ◆ **Limited value attributed to the Hunter Hall business** - Hunter Hall has investments in its funds, cash and other non-operating assets equivalent to \$0.97 per share. As a result, the offer price implicitly is only attributing \$0.53 per share or just \$14.5 million to the operating business of Hunter Hall
- ◆ **Possibility of superior competing offer** - We understand that Hunter Hall and its advisors are holding ongoing conversations with a number of other parties that are currently expected to lead to a more compelling transaction for Shareholders than the Pinnacle Offer. At present there are no firm details of an alternative transaction, thus there remains a risk that a superior offer does not eventuate.

Conclusion on reasonableness

In evaluating the reasonableness of the Pinnacle Offer we note in particular that the price is considerably below the market trading price for Hunter Hall shares and that the advantages of the Pinnacle Offer are limited. Thus in our opinion the disadvantages outweigh the advantages. We have therefore concluded that the Pinnacle Offer is not reasonable.

6. Opinion

In our opinion, the Pinnacle Offer is neither fair nor reasonable to Shareholders.

This opinion should be read in conjunction with our Previous Report which sets out our scope, analysis and findings in more detail.

Yours faithfully



Richard Norris
Director



Dave Pearson
Director

LEADENHALL CORPORATE ADVISORY PTY LTD

ABN 11 114 534 619

Australian Financial Services Licence No: 293586

FINANCIAL SERVICES GUIDE

Leadenhall Corporate Advisory Pty Ltd ("**Leadenhall**" or "**we**" or "**us**" or "**our**" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

Financial Services Guide

In providing this report, we are required to issue this Financial Services Guide ("**FSG**") to retail clients. This FSG is designed to help you to make a decision as to how you might use this general financial product advice and to ensure that we comply with our obligations as a financial services licensee.

Financial Services We are Licensed to Provide

We hold Australian Financial Services Licence 293586 which authorises us to provide financial product advice in relation to securities (such as shares and debentures), managed investment schemes and derivatives.

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product. Our report will include a description of the circumstances of our engagement and the party who has engaged us. You will not have engaged us directly but will be provided with a copy of the report because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial service licensee authorised to provide the financial product advice contained in that report.

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The advice produced in our report is general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

Benefits that We May Receive

We charge fees for providing reports. These fees will be agreed with the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis. Leadenhall is entitled to receive a fixed fee of \$5,000 (excl. GST) for preparing this report. This fee is not contingent upon the outcome of the Pinnacle Offer.

Except for the fees referred to above, neither Leadenhall, nor any of its directors, consultants, employees or related entities, receive any pecuniary or other benefit, directly or indirectly, for or in connection with the provision of this report.

Remuneration or Other Benefits Received by our Employees, Directors and Consultants

All our employees receive a salary. Our employees are eligible for bonuses which are not based on the outcomes of any specific engagement or directly linked to the provision of this report. Our directors and consultants receive remuneration based on time spent on matters.

Referrals

We do not pay commissions or provide any other benefits to any person for referring clients to us in connection with the reports that we are licensed to provide.

Complaints Resolution

As the holder of an Australian Financial Services Licence, we are required to have a system in place for handling complaints from persons to whom we have provided reports. All complaints must be in writing, to the following address:

Leadenhall Corporate Advisory Pty Ltd
GPO Box 1572
Adelaide SA 5001

Email: office@leadenhall.com.au

We will try to resolve your complaint quickly and fairly and will endeavour to settle the matter within 14 days from the time the matter is brought to our attention.

If you do not get a satisfactory outcome, you have the option of contacting the Financial Ombudsman Service ("FOS"). The FOS will then be able to advise you as to whether or not they can assist in this matter. The FOS can be contacted at the following address:

Financial Ombudsman Service
GPO Box 3
Melbourne VIC 3001

Telephone: 1300 780 808
Email: info@fos.org.au

Compensation Arrangements

Leadenhall holds professional indemnity insurance in relation to the services we provide. The insurance cover satisfies the compensation requirements of the Corporations Act 2001.

17 February 2017

Corporate Directory

Registered Office:	Level 2, 56 Pitt Street Sydney, NSW 2000
Directors:	Kevin Eley Non-executive Chairman Wayne Hawkins Non-executive Director David Groves Non-executive Director Peter Hall Non-executive Director
Company Secretary:	Paula Ferrao
Share Registry:	Computershare Investor Services Pty Limited
Legal Advisor:	K&L Gates Level 31, 1 O'Connell Street Sydney, NSW 2000
Financial Advisor:	Moelis & Company, Level 27, Governor Phillip Tower, One Farrer Place Sydney, NSW 2000



Hunter Hall International Limited

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