



**Wilson HTM**  
INVESTMENT GROUP

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25 February 2015

***By Electronic Lodgement***

The Manager  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

**Wilson HTM Investment Group Ltd (WIG) (ASX:WIG) – 2015 INTERIM RESULT & PINNACLE EXECUTIVE EQUITY SCHEME**

- Consolidated NPAT \$2.6 million attributable to WIG shareholders up 12% from \$2.3 million in prior corresponding period (pcp)
- Fully Franked Interim Dividend of 1.6 cents up from nil in pcp
- Diluted earnings per share 2.4 cents up 9% from 2.2 cents in pcp
- Pinnacle Segment NPAT \$4.2 million up 62% from \$2.6 million pcp
- Pinnacle's share of Boutiques NPAT \$5.2 million up 49% from \$3.5 million pcp
- Wilson HTM\* NPBT \$0.1 million down 94% from \$1.7 million pcp
- Securities NPBT \$0.9 million down 18% from \$1.1 million pcp
- NTA of \$55.4 million or \$0.54 cents per share up 8% from \$0.50 per share pcp
- Cash and Principal Investments \$28.0 million up 7% from \$26.3 million at 30 June 14
- FUM of \$15.9 billion up 16% from \$13.8 billion at 30 June 14
- Pinnacle FUM of \$14.5 billion up 18% from \$12.3 billion at 30 June 14
- New Pinnacle Executive Equity Scheme to promote leadership stability and longevity
- Securities Transaction

\*Excludes consolidation of the Wilson HTM Priority Core Fund

Wilson HTM Investment Group Ltd (**the Group**) advises shareholders that the preliminary profit after tax attributable to shareholders for the six months to 31 December 2014 is \$2.6 million compared with a \$2.3 million profit for the prior corresponding period.

The table below outlines the composition of the Group results (\$ million)

<b>Composition of Group 6 month results (\$million)</b>	<b>31-Dec-14</b>	<b>31-Dec-13</b>
<b>Pinnacle ^</b>	<b>4.2</b>	<b>2.6</b>
Securities	0.9	1.1
Principal Investments	(0.3)	1.3
Priority Funds	(0.1)	(0.3)
Next Financial	(0.4)	(0.4)
<b>Wilson HTM (pre consolidation of Wilson HTM Priority Core Fund)</b>	<b>0.1</b>	<b>1.7</b>
Consolidation of Wilson HTM Priority Core Fund *	0.0	2.3
<b>Wilson HTM</b>	<b>0.1</b>	<b>4.0</b>
Group Overhead (unallocated)	(1.0)	(1.2)
<b>Group Profit/(Loss) before Tax</b>	<b>3.3</b>	<b>5.4</b>
Tax benefit/(expense)	0.2	(0.2)
Less minority interests	(0.9)	(2.9)
<b>Group Net Profit after Tax attributable to shareholders</b>	<b>2.6</b>	<b>2.3</b>
 ^ Includes share of Pinnacle Boutiques profit after tax	 5.2	 3.5

\* Relates to profit before tax attributable to non-controlling interests in the Wilson HTM Priority Core Fund required to be consolidated into the Group's results

The Managing Director, Sandy Grant, commented: "The first half result is pleasing in that the two operational businesses Pinnacle and Securities have underpinned a stronger first half when compared with the same period last year. When comparing the two halves, last years result was notable for a \$1.3 million mark-to-market gain in directly held Principal Investments whereas in this half there was a mark-to-market loss of \$0.4 million.

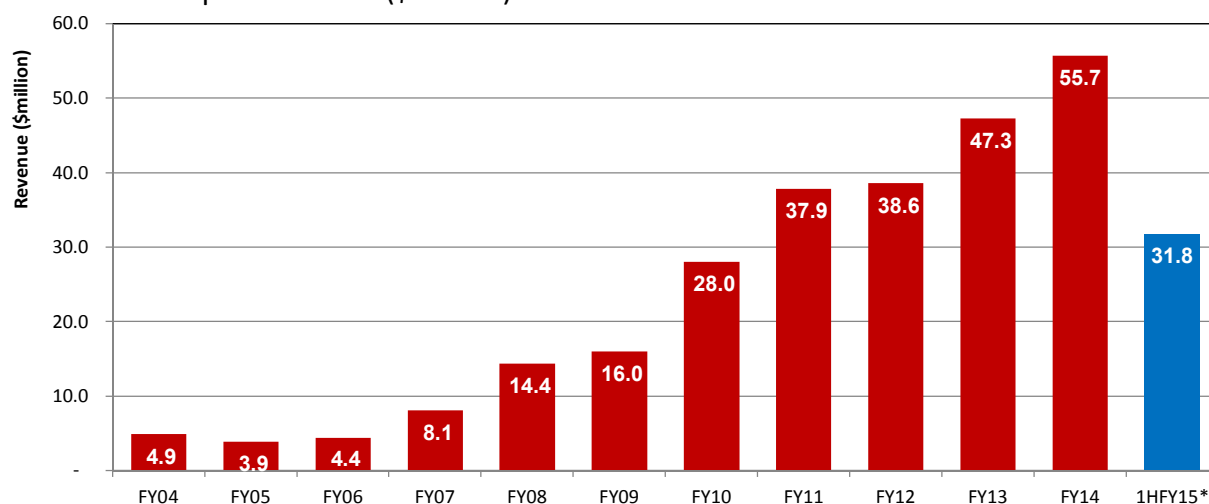
Our funds management business, Pinnacle, continues to increase its funds under management revenues and profits after successfully generating positive performance across its boutiques in flat markets."

## PINNACLE

The Pinnacle segment grew its profits by 62% to \$4.2 million underpinned by a 49% increase in Pinnacle share of its boutiques profit after tax. The improved boutique profits were associated with an 18% increase in funds under management since 30 June 2014 and positive performance across the boutique funds.

In December 2014 Pinnacle added a new boutique Pinnacle International Equities.

### Pinnacle Boutiques Revenue (\$million)



\* Revenues represent 6 months to December 2014

Note: Revenues are shown as the aggregation of 100% of the Pinnacle boutiques. Revenue excludes revenue derived by Pinnacle parent itself.

## EXECUTIVE EQUITY SCHEME

A long term incentive scheme for Pinnacle Executives has been agreed. This comprises;

- The sale by WIG of 4.29% of Pinnacle to Executives for \$3.1 million funded by loans from Pinnacle to Executives with recourse only to the shares.
- The issue of 4.25 million options in respect of WIG shares to Pinnacle Executives, with 50% of these options to vest after three years and the remaining 50% after five years.
- Should an Executive cease employment within specified timeframes, the scheme includes mechanisms for the repurchase of relevant Pinnacle shares, repayment of the loans and forfeiture of the relevant options.

## **WILSON HTM**

The Wilson HTM business segment reported a profit before tax of \$0.1 million a decrease of 94% in profits when compared with the \$1.7 million profit in the prior corresponding period. When comparing the result for the two periods Principal Investment mark-to-market losses were \$0.4 million for the first half of the 2015 financial year, which was \$1.7 million down when compared with the mark-to-market gains of \$1.3 million in directly held Principal Investments for the same period last year.

## **SECURITIES**

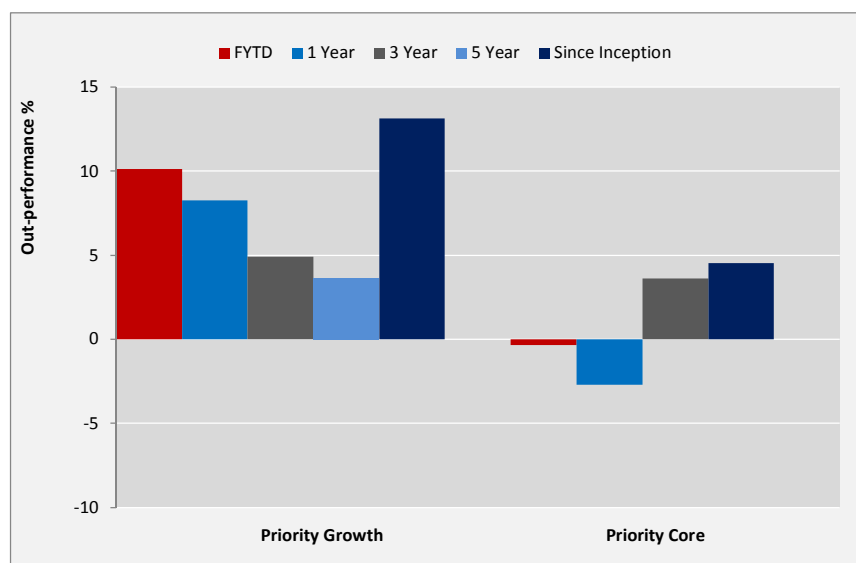
The Securities business profit before tax for the first half of the 2015 financial year was \$0.9 million down \$0.2 million from the prior corresponding period. Market performance impacted the result with the All Ordinaries up 0.1% during the six months to 31 December 2014 versus 12% in the six months to 31 December 2013.

Overall revenues for the Securities business were \$26.8 million or 1% down however corporate deal flow was up with corporate finance revenues increasing 15% for the period. The benefits from cost controls in prior years continue with fixed costs down 11% from the same period last year.

On 23 February 2015 a terms sheet for the sale of its Wilson HTM Securities business was executed with staff of the Wilson HTM Securities business (Staff), Craigs Investment Partners (Craigs) and Deutsche Bank Group (DB) (the Securities Transaction). The parties intend to complete the Securities Transaction by 30 June 2015, subject to further due diligence being undertaken and regulatory and WIG shareholder approval being obtained.

## WILSON HTM PRIORITY FUNDS

The Wilson HTM Priority funds continue to add long-term value for its investors and this is shown in the graph below.



Benchmarks: **Priority Growth Fund** – S&P/ASX Small Ordinaries Accumulation Index. Inception date 4 July 2005  
**Priority Core Fund** – S&P/ASX All Ordinaries Accumulation Index. Inception date 22 June 2010.  
 Returns are expressed net of fees. Past performance is not a reliable indicator of future performance.

The Wilson HTM Priority Growth Fund reported absolute performance of 14.71% and 10.11% outperformance against benchmark YTD at 20 February 2015.

The Wilson HTM Priority Core Fund reported absolute performance of 10.97% and was below the benchmark by 0.35% YTD at 20 February 2015.

## PRINCIPAL INVESTMENTS

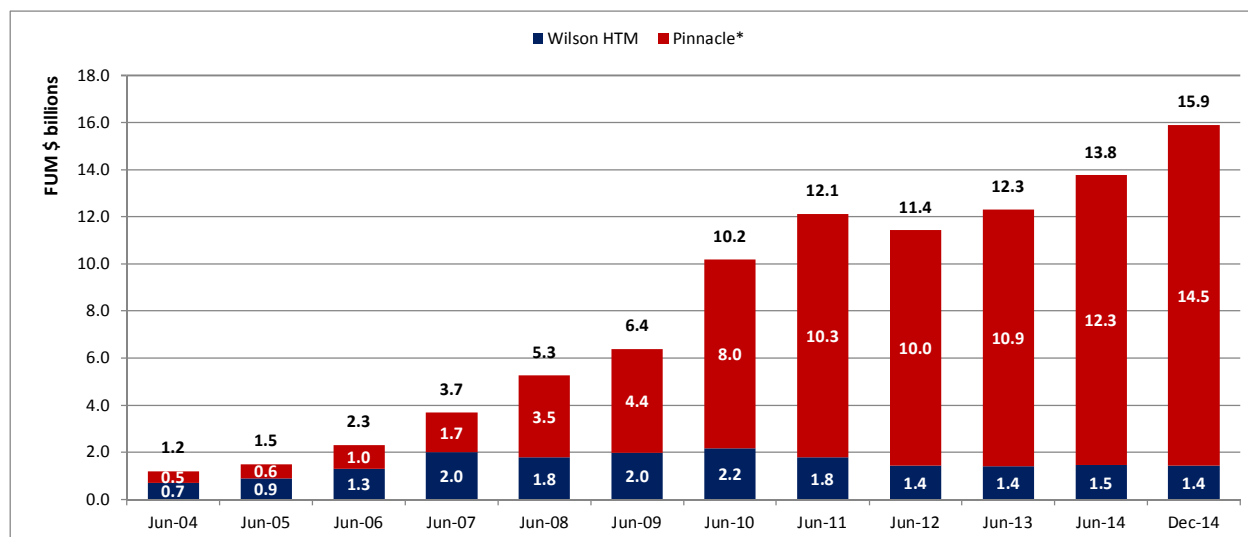
There was a mark-to-market gain of \$0.6 million in directly held Principal Investments for the period 1 January 2015 to 23 February 2015. The YTD to 23 February 2015 mark-to-market gain is \$0.2 million compared with a mark-to-market loss of \$0.4 million at 31 December 2014.

## NEXT FINANCIAL

The Next Financial business continues to reduce its remaining instalment book whilst maintaining a tight focus on costs and client service. The instalment book was approximately \$3.2 million at 31 December 2014 and the run off is expected to be completed by 30 June 2015.

## FUNDS UNDER MANAGEMENT

As at 31 December 2014, funds under management for the Group were \$15.9 billion, an increase of 16% since 30 June 2014. Funds under management were \$14.5 billion and \$1.4 billion for Pinnacle and Wilson HTM respectively.



\*Pinnacle FUM includes 100% of FUM managed by the Pinnacle Boutiques.

## CAPITAL

Net tangible assets per share was 54 cents per share and increased from 50 cents per share at 31 December 2013.

Cash and Principal Investments totalled \$28.0 million at 31 December 2014 (up from \$26.3 million at 30 June 2014). The increase was through \$5.5 million in dividends from Pinnacle boutiques offset by a \$2.8 million dividend payment in September 2014.

The Group continues to have no corporate borrowings.

## DIVIDEND

The Directors have resolved to declare an interim dividend of 1.6 cents per share. If the Securities Transaction completes, it would be highly unlikely WIG would be able to pay a franked dividend in respect of the second half of the 2015 financial year. In that event, the Board will consider capital management options. As at 31 December 2014 WIG had franking credits of \$11.2 million.

Option holders who wish to receive the interim dividend must exercise their options prior to the close of business on 27 March 2015.

## FUTURE

Looking ahead, Pinnacle will seek to continue to grow its business after adding a new boutique, Pinnacle International Equities in December 2014. Retaining and enhancing each boutique's reputation for high quality people, processes and strong and sustainable investment performance will always be paramount.

In the Securities Business the Board and Management will concentrate on finalising the Securities Transaction between Staff, Craigs and DB.

An outcome of the Securities Transaction will be the restructure of the balance sheet and a possible accounting write down. There will be an emphasis on reducing the corporate overhead to an appropriate level for the streamlined company.

Across Wilson HTM there will be a re-focus on Wilson HTM Priority Funds to grow funds under management and continue to provide long term value for its investors. Next Financial is expected to complete the run off of the instalment book by 30 June 2015.

## FOR MORE INFORMATION PLEASE CONTACT:

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Managing Director

Wilson HTM Investment Group Ltd

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### **Eleanor Padman**

Company Secretary

Wilson HTM Investment Group Ltd

Ph: (02) 8247 3165

Wilson HTM Investment Group Ltd

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## 2015 Interim Results

For the six months ended 31 December 2014

*25 February 2015*





# Agenda

- WIG Financials
- Pinnacle Update
- WHTM Update



**Wilson HTM**  
INVESTMENT GROUP

# Update on six months ended 31 December 2014



- Consolidated NPAT attributable to shareholders of \$2.6 million ↑ up 12% from \$2.3 million pcp
- Pinnacle Segment NPAT \$4.2 million ↑ up 62% from \$2.6 million pcp
- Pinnacle's share of boutique NPAT \$5.2 million ↑ up 49% from \$3.5 million pcp
- Wilson HTM\* NPBT \$0.1 million ↓ down 94% from \$1.7 million pcp
- Wilson HTM (excl Next Financial) revenues \$27.1 million ↓ down 2% from \$26.6 million pcp
- Securities NPBT \$0.9 million ↓ down 18% from \$1.1 million pcp
- Securities revenue \$26.8 million ↓ down 1% from \$27.2 million pcp
- NTA of \$55.4 million or \$0.54 per share ↑ up 8% from \$0.50 per share pcp
- Cash and Principal Investments of \$28.0 million ↑ up 7% from \$26.3 million at 30 June 2014
- Group FUM of \$15.9 billion ↑ up 16% from \$13.8 billion at 30 June 2014
- Pinnacle FUM of \$14.5 billion ↑ up 18% from \$12.3 billion at 30 June 2014

\* Excludes consolidation of the Wilson HTM Priority Core Fund

# WIG Financials



	31-Dec-14	31-Dec-13
Audited Net Profit after Tax <sup>1</sup>	\$2.6m	\$2.3m
Fully Franked Dividend	1.60 cents	-

	31-Dec-14	30-Jun-14
Share price (WIG)	\$0.78	\$0.61
Net Tangible Assets	\$55.4m	\$54.4m
Cash and Principal Investments <sup>2</sup>	\$28.0m	\$26.3m
Pinnacle Debt to WIG <sup>3</sup>	\$14.0m	\$14.0m
Corporate debt	nil	nil
Group Funds under Management	\$15.9b	\$13.8b
Pinnacle Funds under Management	\$14.5b	\$12.3b

<sup>1</sup> Attributable to WIG shareholders.

<sup>2</sup> Includes and Cash and Principal Investments in Pinnacle

<sup>3</sup> Not shown on the balance sheet as eliminated on consolidation.

# WIG Financials



Composition of Group 6 month results (\$million)	31-Dec-14	31-Dec-13
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<b>Group Profit/(Loss) before Tax</b>	<b>3.3</b>	<b>5.4</b>
Tax benefit/(expense)	0.2	(0.2)
Less minority interests	(0.9)	(2.9)
<b>Group Net Profit after Tax attributable to shareholders</b>	<b>2.6</b>	<b>2.3</b>

^ Includes share of Pinnacle Boutiques profit after tax	5.2	3.5
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\* Relates to profit before tax attributable to non-controlling interests in the Wilson HTM Priority Core Fund required to be consolidated into the Group's results

# Group Balance Sheet



As at:	31 December 2014 \$million	30 June 2014 \$million
<b>Assets</b>		
Cash and cash equivalents	19.1	20.6
Financial Assets at fair value through profit or loss	8.9	5.7
Trade and other receivables	5.5	5.6
Derivative financial assets	0.4	0.4
Loans to investors	3.2	4.0
Deferred tax assets	12.5	12.3
Investments accounted for using the equity method	19.1	19.4
Other non-current assets	6.9	7.0
<b>Total assets</b>	<b>75.6</b>	<b>75.0</b>
<b>Liabilities</b>		
Trade and other payables	9.1	9.0
Borrowings	3.2	3.2
Derivative financial liabilities	0.4	0.4
Other current liabilities	3.9	3.9
Non-current liabilities	3.7	4.0
<b>Total liabilities</b>	<b>20.3</b>	<b>20.5</b>
<b>Net assets</b>	<b>55.3</b>	<b>54.4</b>

Six months to December 2014 includes payment of dividend of \$2.8 million

Value of Principal Investments as 31 Dec 14 includes \$3.9 million in Pinnacle International Equity Funds

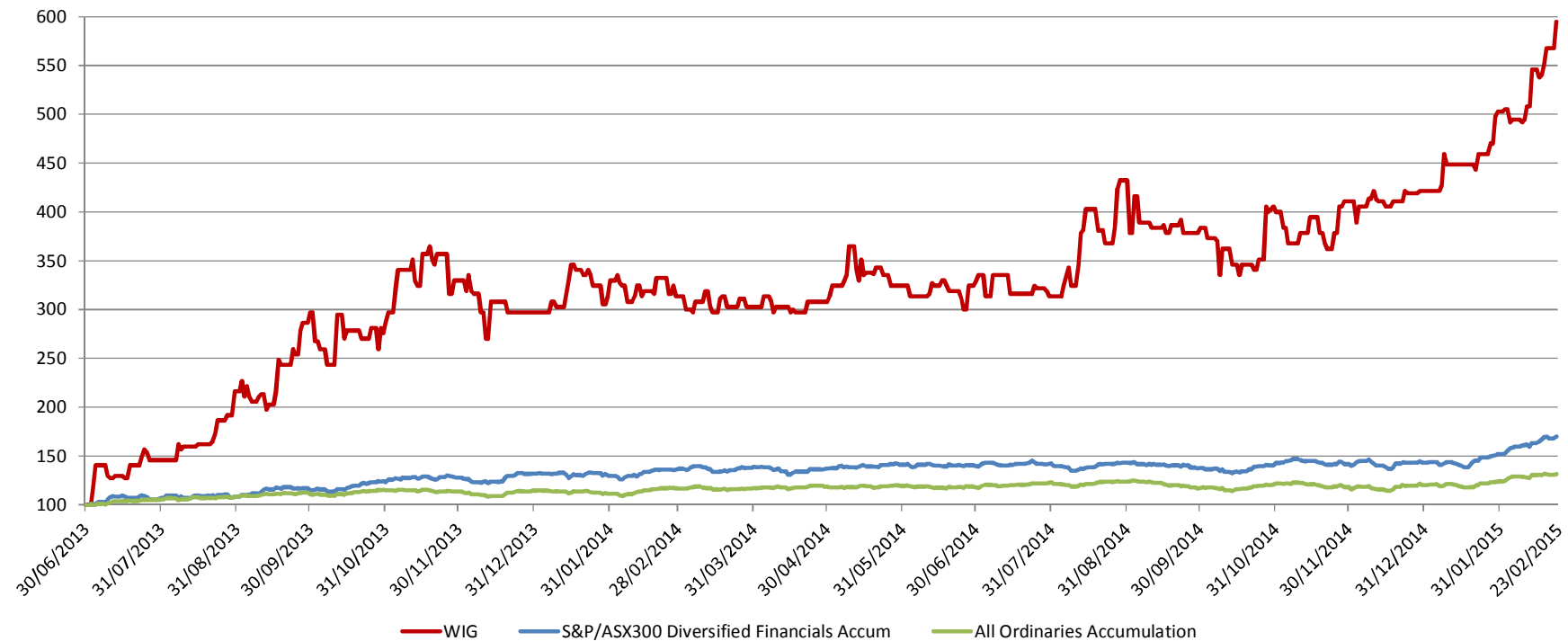
Relates to Next Financial client product related assets and offset by product related debt

DTA to be reviewed pending Securities Transaction

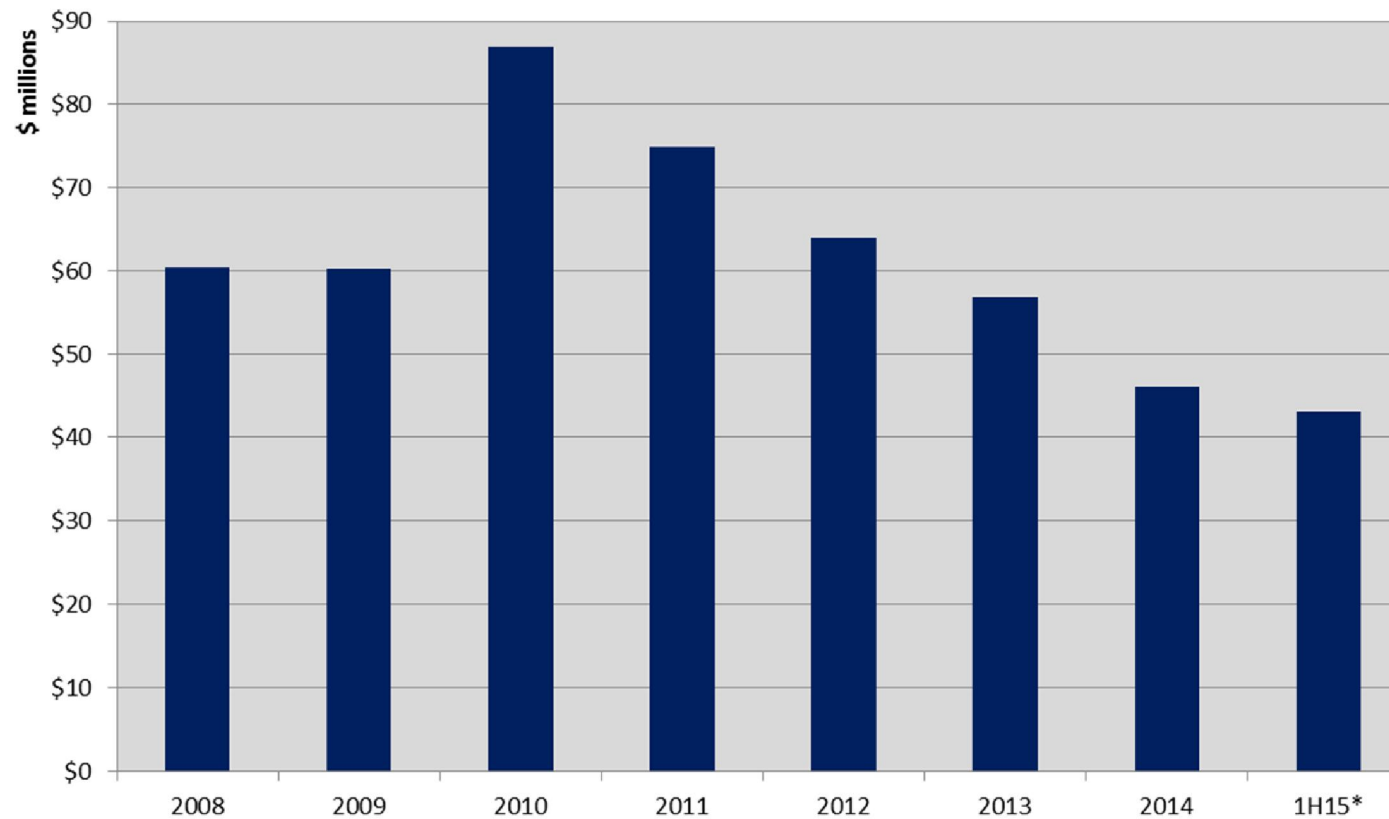
Book value of Pinnacle's investment in Boutiques

Relate to Next Financial clients product related debt. Borrowings are not corporate debt and with derivative financial liabilities are offset by the Next Financial product related assets

# Shareholder returns - update



# WIG Financials – Fixed cost control



\* Represents 1HFY15 annualised

# Pinnacle Update



- Significantly improved segment profits of \$4.2 million in 1HFY2015 ↑ up 62% from \$2.6 million pcp
- Pinnacle share of boutique NPAT \$5.2 million ↑ up 49% from \$3.5 million pcp
- Addition of a new boutique Pinnacle International Equities in December 2014 through the acquisition of the Perennial International Equities business
- FUM ↑ up 18% to \$14.5 billion from \$12.3 billion at 30 June 2014 versus 0.12% movement in the All Ordinaries
- Gross Boutique revenues \$31.8 million ↑ up 28% from \$24.9 million pcp
- Positive Boutique performance with strong alpha
- New Pinnacle Executive Equity Scheme to promote leadership stability and longevity



# Pinnacle Financials



For the six months ended: **31-Dec-14** **31-Dec-13**

## Boutiques (100% aggregate basis)

<b>FUM (\$billion)</b>	<b>14.48</b>	<b>11.59</b>
<b>(\$million)</b>		
Revenue	<b>31.8</b>	<b>24.9</b>
<b>NPBT</b>	<b>16.4</b>	<b>11.8</b>
Tax	<b>(4.9)</b>	<b>(4.1)</b>
<b>NPAT</b>	<b>11.5</b>	<b>7.7</b>
<b>Pinnacle share of Boutique NPAT <sup>1</sup></b>	<b>5.4</b>	<b>3.6</b>

## Pinnacle Group

<b>Revenue</b>	<b>2.7</b>	<b>3.0</b>
Expenses	<b>(3.9)</b>	<b>(3.5)</b>
Share of Boutique NPAT <sup>1</sup>	<b>5.4</b>	<b>3.6</b>
<b>Pinnacle Group Statutory Result <sup>2</sup></b>	<b>4.2</b>	<b>3.1</b>

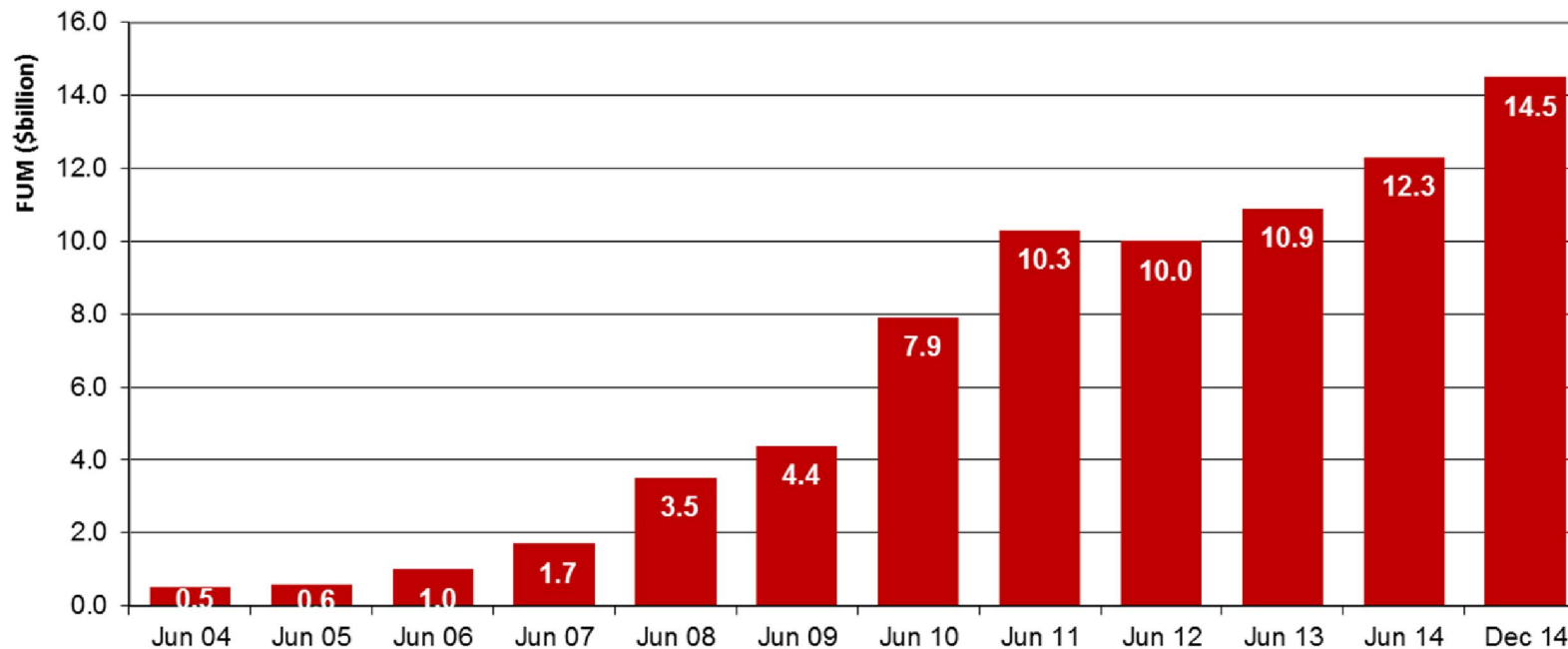
<sup>1</sup> Includes boutique profit and losses accounted for as impairment of investment (Pinnacle Group expenses) in audited account

<sup>2</sup> 100% of Pinnacle (WIG has a 79.3% interest as at 31 December 2014). Excludes WIG costs related to Pinnacle.

# Pinnacle – Financial Drivers

Aggregate funds under management (FUM) of boutiques \$14.5 billion at 31 Dec 14

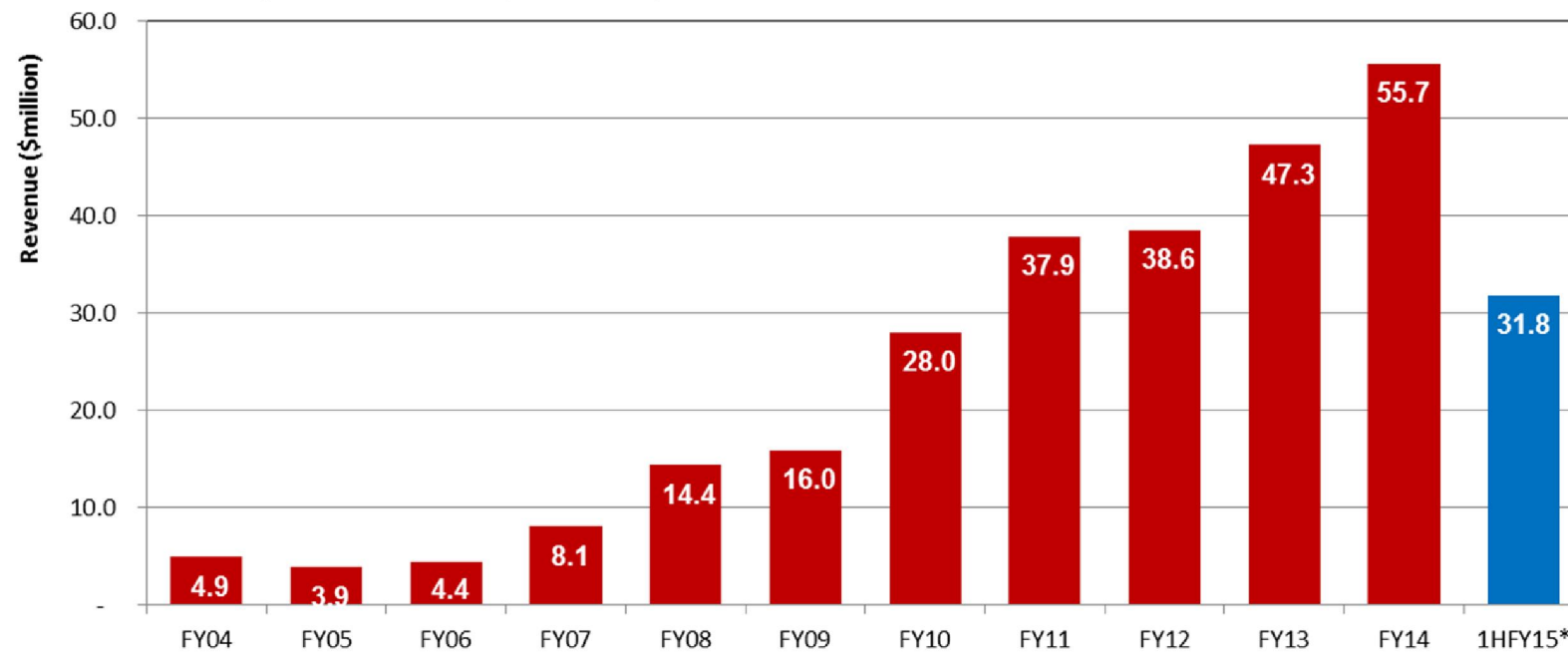
Funds Under Management (\$billion)



Note: Funds under management shown as the aggregation of 100% of Pinnacle boutiques

# Pinnacle – Financial Drivers

Pinnacle Boutiques Revenue (\$million)



\* Revenues represent 6 months to December 2014

Note: Revenues are shown as the aggregation of 100% of Pinnacle boutiques. Revenue excludes revenue derived by Pinnacle parent itself

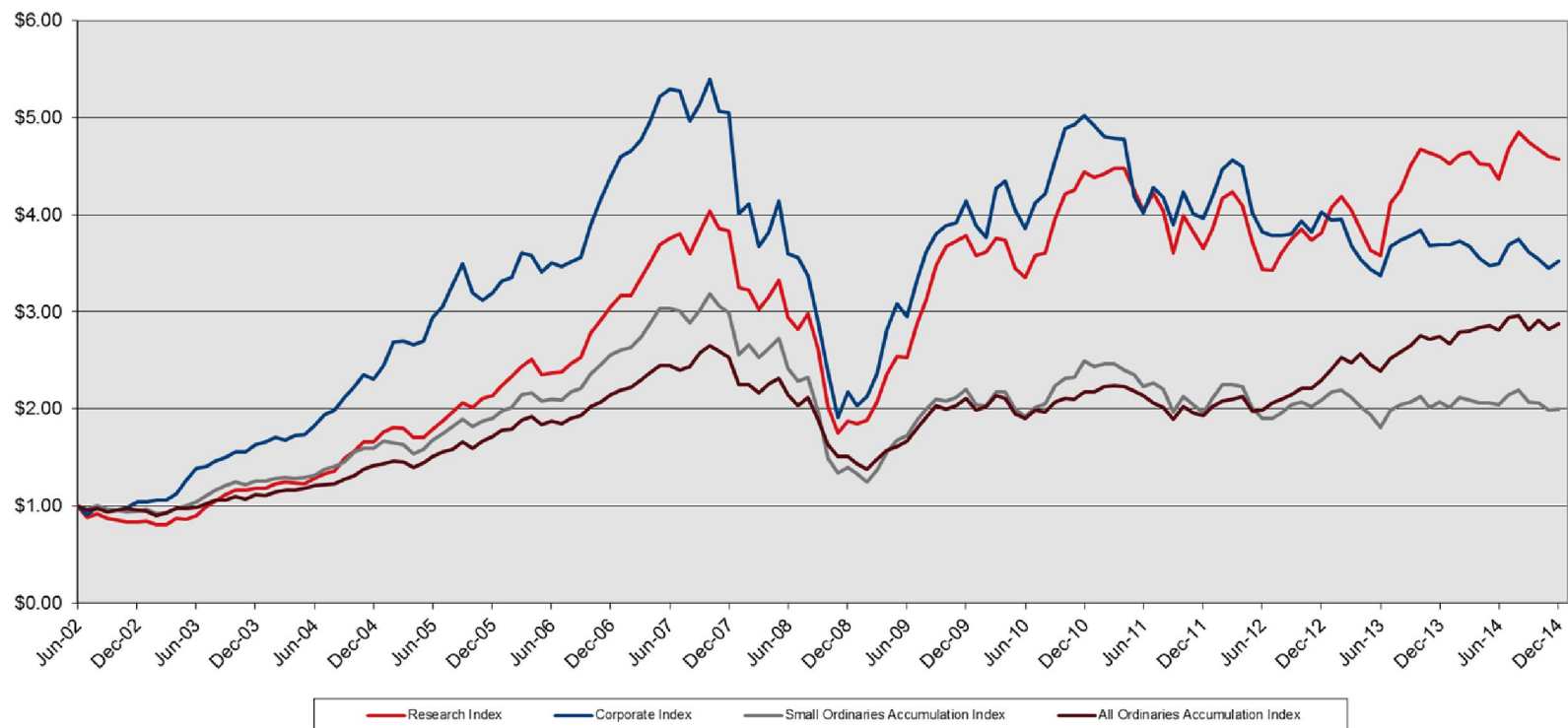
# WHTM Update – Securities



- \$0.9 million net profit before tax ↓ down 18% from \$1.1 million pcp
- Flat markets result in revenue of \$26.8 million ↓ down 1% from \$27.2 million pcp
- Stronger Corporate deal flow \$7.7 million ↑ up 15% from \$6.7 million pcp
- Fixed costs ↓ down 11% from pcp
- Research stock coverage universe is 215 stocks with ↑ 18 new stocks initiated financial year to date
- As announced WIG intends to sell its Securities business to its Staff, Craigs Investment Partners and Deutsche Bank Group, with completion expected by 30 June 2015

# Alpha – long-term client focus

Research Index vs Benchmarks from 1 July 2002 to 31 December 2014



# WHTM



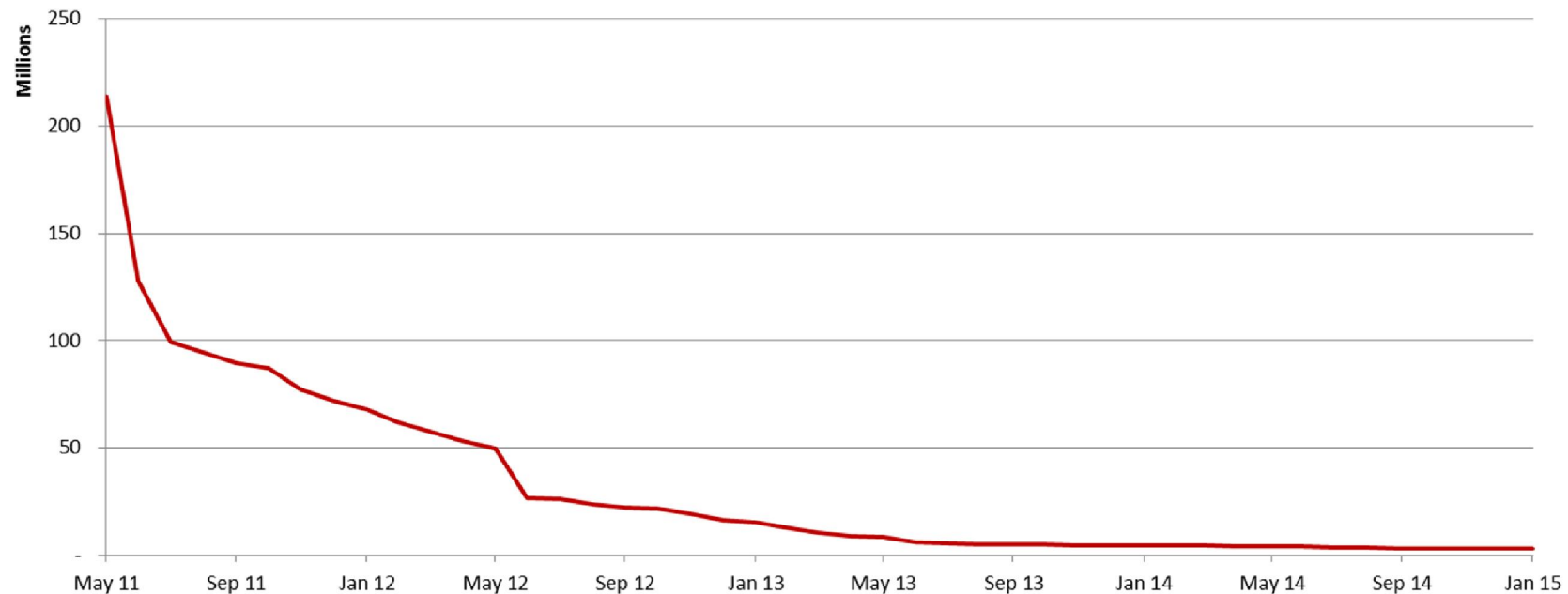
- Priority Funds
  - Wilson HTM Priority Growth Fund\* reported absolute performance YTD of 14.71% and 10.11% outperformance against benchmark at 20 February 2015.
  - Wilson HTM Priority Core Fund\* reported YTD absolute performance of 10.97% and was below the benchmark by 0.35% at 20 February 2015.
- Next Financial
  - Instalment book now below \$3.2 million and runoff is expected to be completed by June 2015
- Principal Investments
  - Mark-to-market loss of \$0.4 million in 1H2015 vs \$1.3 million mark-to-market gain in pcg in directly held Principal Investments
  - YTD 23 February 2015 \$0.2 million mark-to-market gain in directly held Principal Investments

\* Refer to disclosures at the end of this presentation

# Exit of Non Core Business

The Next Financial instalment book <\$3.2 million

Next Instalment Book Reduction



# WIG - Path Ahead



- Immediate focus:
  - Sustained focus on alpha generation for clients
  - Securities Transaction
  - Back Pinnacle's growth
  - Run off Next Financial
  - Re-focus Priority Funds
  - Reduce corporate overhead
  - Manage capital for shareholders



# Disclaimer



- This presentation has been prepared by Wilson HTM Investment Group Ltd (WIG). The information in this presentation is current as at 25 February 2015.
- This presentation is not an offer or invitation for subscription or purchase of securities or a recommendation with respect to any security. Information in this presentation should not be considered advice and does not take into account the investment objectives, financial situation and particular needs of an investor. Before making an investment in WIG, any investor should consider whether such an investment is appropriate to their needs, objectives and circumstances and consult with an investment adviser if necessary. Past performance is not a reliable indication of future performance.
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- \*The Wilson HTM Priority Growth Fund ARSN 117 083 762 ('Growth Fund') and the Wilson HTM Priority Core Fund ARSN 144 032 431 ('Core Fund') returns to 20 February 2015 (net of fees). The Growth Fund inception date is 4 July 2005 and the Core Fund inception date is 22 June 2010. Past performance is not a reliable indicator of future performance. Returns are net of management fees (1.25% p.a. for the Growth Fund and 1.5% p.a. for the Core Fund) and net of any performance fees (20% for the Growth Fund and 15% for the Core Fund) and assume distributions are reinvested. Returns do not include tax or entry fees of 0-2% or ongoing adviser service fees of 0-1% p.a. as these fees are not charged unless an investor agrees to pay them to an adviser. The Growth Fund's risk/return profile is High Growth and the Core Fund's is Growth. The S&P/ASX Small Ordinaries Accumulation Index and the All Ordinaries Accumulation Index assume 100% reinvestment of dividends. Interests in the Growth Fund and Core Fund are issued by WHTM Capital Management Limited ABN 29 082 494 362 AFSL 238371. The information provided is without reference to your objectives, financial situation or needs. Refer to the Wilson HTM Priority Fund's Product Disclosure Statement available on Wilson HTM's website before making a decision.