



**Pinnacle**  
INVESTMENT MANAGEMENT

# **Pinnacle Investment Management Group Limited**

24 July 2018

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# Agenda

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# Introduction



- Pinnacle today announces an FY18 trading update and an institutional placement of \$60m of new shares (“Placement”) (“New Shares”)
- Pinnacle expects to report the following results for the 12 months ended 30 June 2018:
  - NPAT from continuing operations of \$23.1m for the year, compared with \$12.0m for FY17 (up 92.5%)<sup>1</sup>
  - Basic EPS from continuing operations of 14.3c for the year, compared with 8.1c for FY17 (up 76.5%)<sup>1</sup>
  - Gross funds under management (“FUM”) of \$38.0bn as at 30 June 2018, compared with \$26.5bn as at 30 June 2017 (up 43.4%)<sup>(2)</sup>
- The Placement price of \$5.50 per New Share represents:
  - A discount of 3.0% to Pinnacle’s closing share price on 23 July 2018 of \$5.67 per share
  - A discount of 1.3% to Pinnacle’s 5-day VWAP<sup>(3)</sup> to closing trade on 23 July 2018 of \$5.57 per share
- Pinnacle will also offer eligible Australian and New Zealand shareholders the opportunity to acquire up to \$15,000 in New Shares via a Share Purchase Plan (“SPP”)
- Proceeds from the Placement and SPP will be used to fund the acquisitions and growth plans including:
  - Building on Pinnacle’s existing distribution partnership with Metrics Credit Partners (“MCP”), acquiring a 35% equity interest in MCP
  - 40% equity interest in Omega Global Investors (“Omega”)
  - Seed FUM / capital for new investment strategies

(1) Numbers for FY18 are unaudited. See Appendix A – Key risks and selling restrictions

(2) Pinnacle Gross FUM is 100% of FUM managed by Pinnacle Affiliates

(3) Volume Weighted Average Price



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# **Pinnacle overview and FY18 trading update**

# Pinnacle overview



- Pinnacle is an investment management firm providing affiliated investment managers with distribution, infrastructure and other support services
- Founded in 2006, Pinnacle currently holds an equity interest in nine specialist investment managers
- FUM of \$38.0bn as at 30 June 2018<sup>(1)</sup>, reflecting growth of 43% in FY18
- All of Pinnacle's affiliated investment managers have outperformed their benchmarks over the five years to 30 June 2018<sup>(2)</sup>
- Pinnacle was recognised as the Zenith Distributor of the Year for 2017 (the second consecutive year)
- Recently added to MSCI Australian Small Cap Index and a candidate for S&P/ASX 300 Index inclusion

(1) Pinnacle Gross FUM is 100% of FUM managed by Pinnacle affiliates

(2) Based on funds with a track record exceeding five years

# Australia's leading "multi-affiliate" investment management firm



**Structure promotes independence, accountability, focus and longevity**

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- Executives of both Pinnacle and Pinnacle Affiliates have significant equity interests
  - Equity ownership enhances alignment with shareholders

Seed FUM and working capital	RE, compliance, finance, legal
Distribution and client services	Technology and other firm 'infrastructure'
Middle office and fund administration	Interface for outsourced services

49.9%	46.6%	41.5%	38.3%	40.0%	23.5%	40.0%	44.0%	24.4%
Global & Australian Growth equities 1998	Global & Australian Quant equities 2006	Global REITs 2007	Unlisted infrastructure 2007	Australian Core equities 2008	Global & Asia L/S & long only Equities 2015	Small/Microcaps 2016	Systematic Global Macro 2017	High Conviction equities 2018
<b>\$6.5bn</b>	<b>\$4.9bn</b>	<b>\$8.0bn</b>	<b>\$1.8bn</b>	<b>\$8.3bn</b>	<b>\$7.6bn</b>	<b>\$0.7bn</b>	<b>\$0.1bn</b>	<b>\$0.1bn</b>

FUM<sup>(1)</sup>

Third party distribution



Australian Private Debt Distribution relationship since 2013

(1) Gross FUM as at 30 June 18



# Funds under management by Affiliate



## Gross FUM by affiliate (\$m)

Date	Pinnacle (total)	Hyperion	Plato	Solaris	Resolution Capital	Palisade	Antipodes	Spheria	Two Trees	Firetrail
30 Jun 18	38,032	6,507	4,918	8,319	8,038	1,847	7,554	702	71	74
31 Dec 17	32,338	6,056	4,644	6,618	6,552	1,585	6,261	596	26	-
30 Jun 17	26,526	5,877	4,003	5,135	5,956	1,514	3,830	211	-	-
31 Dec 16	23,339	5,664	3,536	5,032	5,274	1,456	2,191	186	-	-
30 Jun 16	19,756	5,633	3,067	4,595	4,576	1,436	449	-	-	-

## Gross FUM by affiliate growth

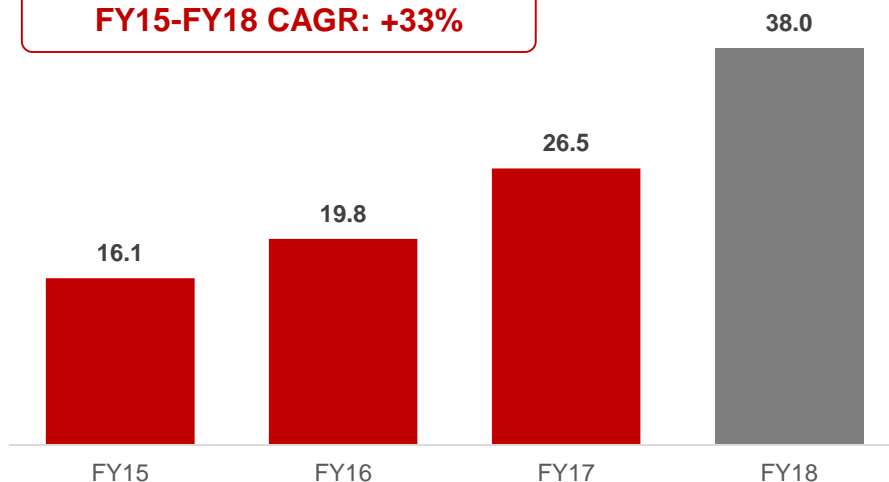
Date	Pinnacle (total)	Hyperion	Plato	Solaris	Resolution Capital	Palisade	Antipodes	Spheria	Two Trees	Firetrail
30 Jun 17 - 30 Jun 18	43.4%	10.7%	22.9%	62.0%	35.0%	22.0%	97.2%	232.8%	n.a	n.a
31 Dec 17 - 30 Jun 18	17.6%	7.5%	5.9%	25.7%	22.7%	16.6%	20.7%	17.8%	172.6%	n.a
30 Jun 17 - 31 Dec 17	21.9%	3.0%	16.0%	28.9%	10.0%	4.7%	63.5%	182.5%	n.a	n.a
31 Dec 16 - 30 Jun 17	13.7%	3.8%	13.2%	2.0%	12.9%	4.0%	74.8%	13.4%	n.a	n.a
30 Jun 16 - 31 Dec 16	18.1%	0.6%	15.3%	9.5%	15.3%	1.4%	388.0%	n.a	n.a	n.a

# Demonstrated growth track record



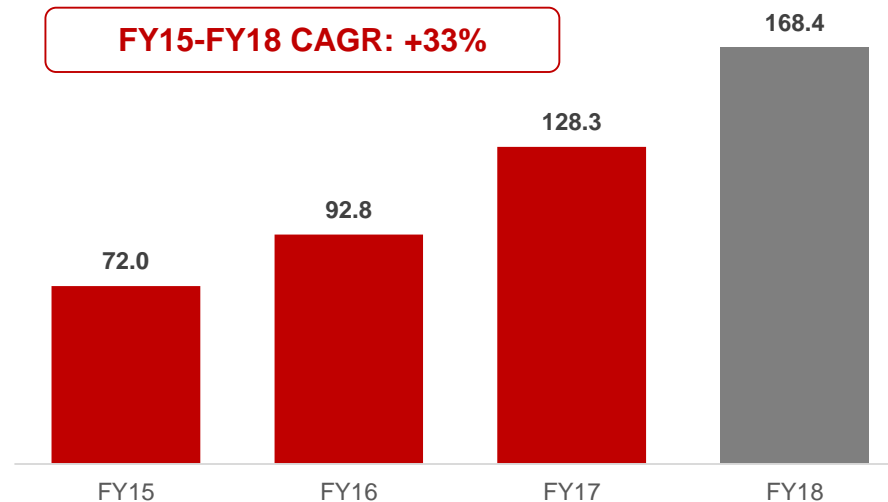
## Gross FUM (\$bn)<sup>(1)</sup>

**FY15-FY18 CAGR: +33%**



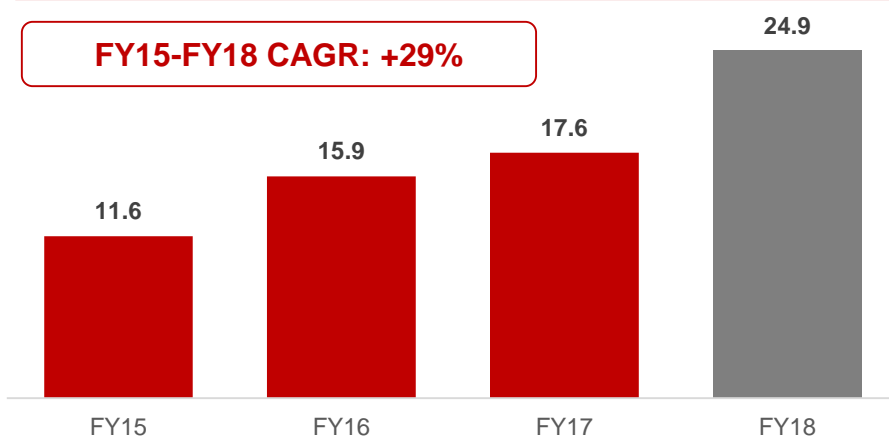
## Affiliate revenues (\$m)<sup>(2,3)</sup>

**FY15-FY18 CAGR: +33%**



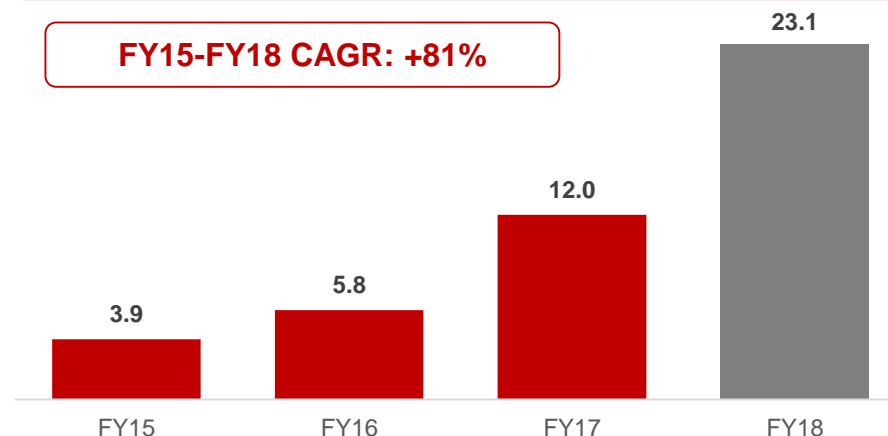
## Pinnacle share of Affiliates' NPAT (\$m)<sup>(2,4)</sup>

**FY15-FY18 CAGR: +29%**



## Pinnacle NPAT from continued operations (\$m)<sup>(2,5)</sup>

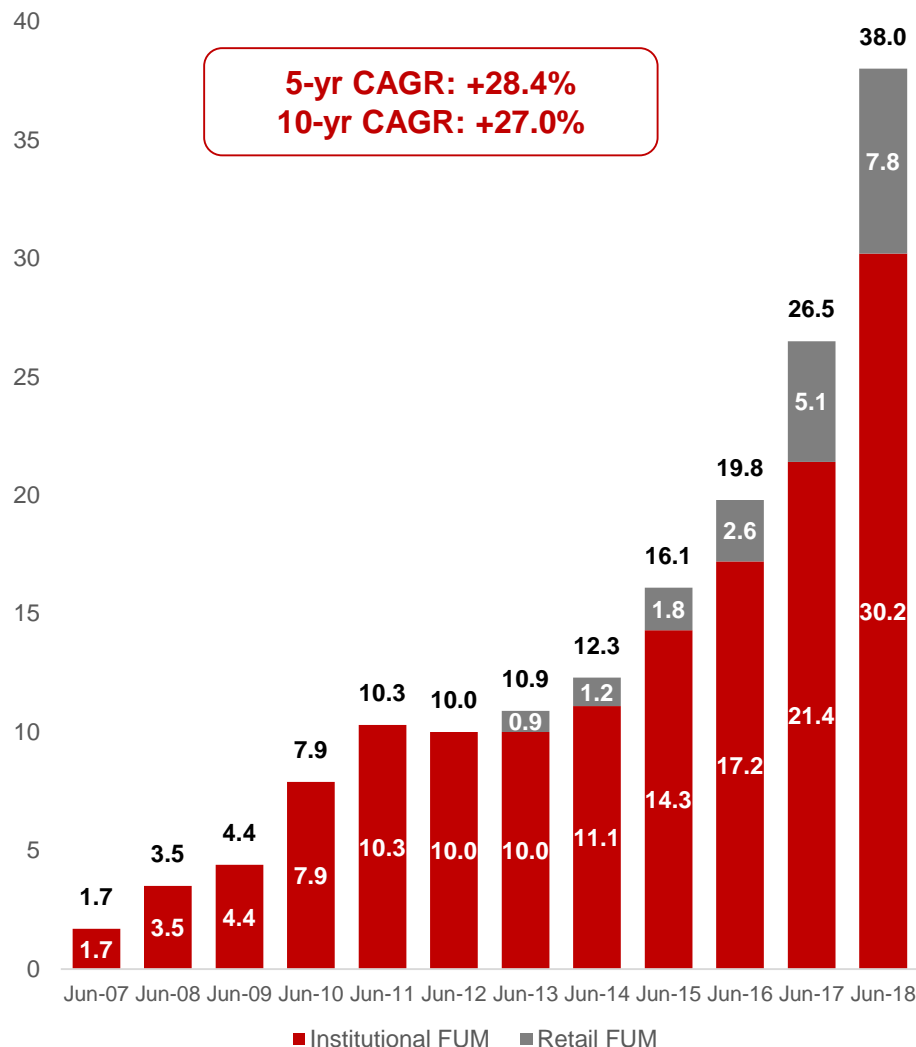
**FY15-FY18 CAGR: +81%**



- (1) Pinnacle Gross FUM is 100% of FUM managed by Pinnacle affiliates
- (2) Numbers shown for FY18 are unaudited
- (3) Affiliate revenues on a gross 100% basis
- (4) Pinnacle's share of each affiliate's net profit after tax, based on Pinnacle's ownership interest of each fund
- (5) Pinnacle Investment Management Limited net profit after tax from continued operations

# FY18 funds under management

## Gross FUM growth (\$bn)<sup>(1)</sup>

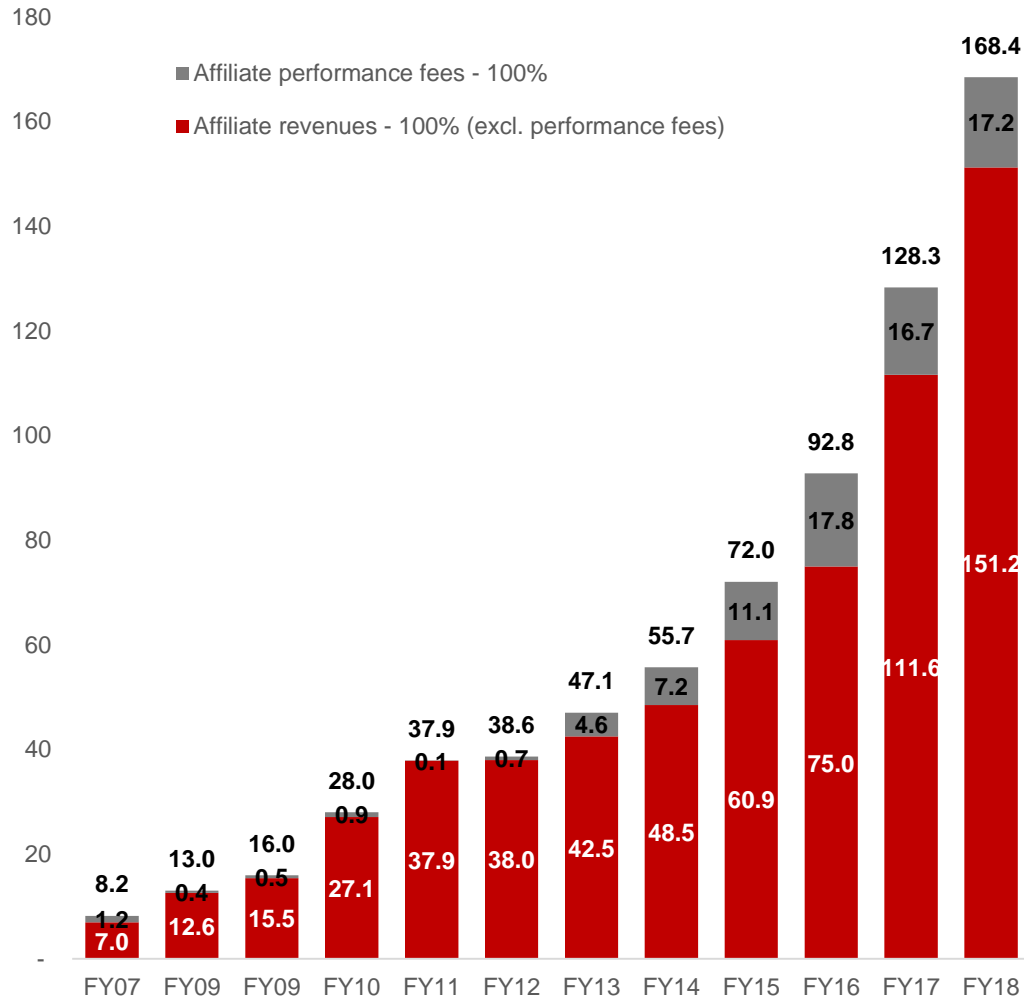


- Current FUM of \$38.0bn as at 30 June 2018
- FUM has grown at a CAGR of 27.0% p.a. over the last ten years
- Increase in FUM of \$5.7bn in the six months to 30 June 2018, driven by net inflows of \$3.9bn and market movements/investment performance of \$1.8bn
- Of the \$3.9bn of net inflows in the six months to 30 June 2018, over \$850m was retail
- Recently established affiliates have grown rapidly since inception: Antipodes (FUM: \$7.6bn; FY18 FUM growth: 97%) and Spheria (FUM: \$0.7bn; FY18 FUM growth: 233%)
- Firetrail established with substantial FUM growth expected over the next 12 months
- Two Trees has received a significant cornerstone commitment from a notable sovereign investor

(1) Pinnacle FUM is 100% of FUM managed by Pinnacle affiliates.

# FY18 trading update

## Aggregate affiliate revenues (\$m)<sup>(1)</sup>



- Pinnacle expects to report the following results for the 12 months ended 30 June 2018<sup>(2)</sup>:

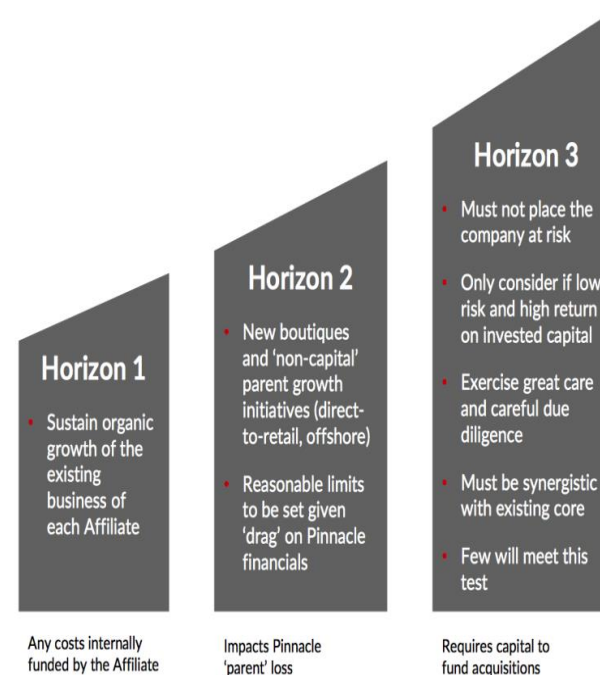
- Group NPAT from continuing operations of \$23.1m, compared to \$12.0m in FY17, an increase of 92.5%
- Revenue from affiliates of \$168.4m, compared to \$128.3m in FY17, an increase of 31.3%
- Basic EPS from continuing operations of 14.3 cents per share, compared to FY17 EPS of 8.1 cents per share
- Board has declared a fully franked final dividend of 7.0 cents per share, payable in October 2018
- Cash and principal investments of \$31.4m as at 30 June 2018

(1) Revenue shown is 100% of all Pinnacle Affiliates' revenue; fees not split between Performance and Base prior to FY2013

(2) Numbers shown for FY18 are not audited – See Appendix A – Key risks and selling restrictions

# Focus on managing the business to maximise profits and company value over the medium term

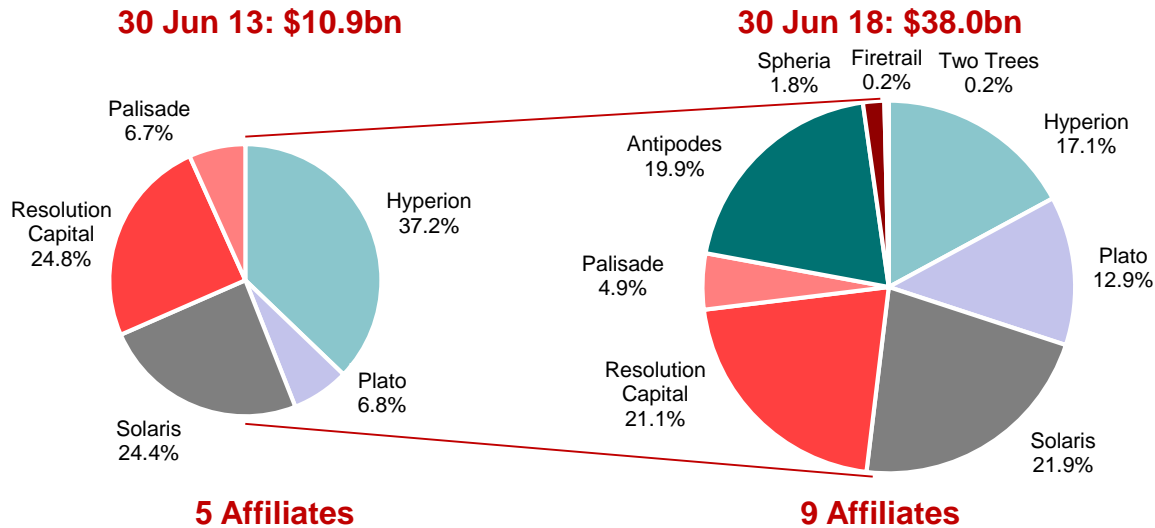
- We continue to build Pinnacle by taking a measured approach to growth
  - Support growth of our current affiliates with increased investment in distribution channels (e.g. international and listed markets)
  - Invest in / seed new affiliates where management teams have a strong track record and growth potential
  - Seeking to diversify into asset classes with substantial growth potential:
    - Global equities (developed & emerging markets)
    - Private capital (debt & equity)
    - Absolute return (single & multi-asset)
- M&A only considered after rigorous evaluation process



# Strong growth track record

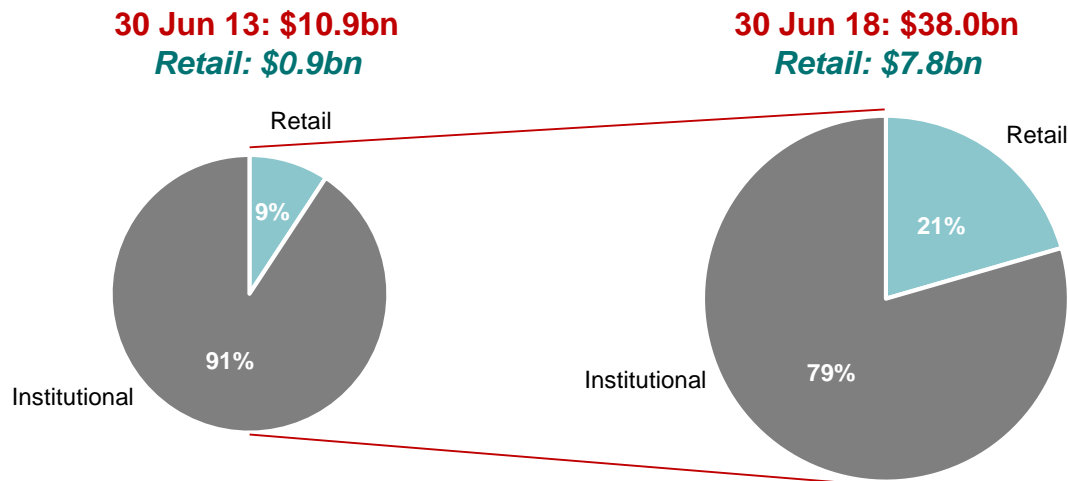


## Affiliate gross FUM evolution



- Addition of a number of new affiliates including Antipodes, Spheria, Two Trees and Firetrail
- A number of initiatives being pursued to continue the growth and evolution of Pinnacle including offshore and exchange traded funds
- Four additional affiliates since 30 June 13 account for 22.1% of gross FUM at 30 June 18

## Retail FUM evolution



- Pinnacle has invested significantly in retail distribution and has generated substantial retail FUM in the last 5 years (~\$7bn of retail FUM growth)
- Initiatives include growth of internal and external sales teams, direct retail and exchange traded funds (open & closed ended)



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# Metrics Credit Partners acquisition

# Transaction overview



- Building on Pinnacle's existing distribution partnership with MCP, Pinnacle has agreed to acquire a 35% interest in MCP
  - Subject to various conditions precedent, including completion of the Placement by Pinnacle
  - Remaining MCP equity to be retained by management
- Investment of \$46m of equity capital
  - Post the transaction Pinnacle will own 35% of MCP which will have approximately \$40m cash on balance sheet to deploy in growth investments
- Conversion of existing revenue share agreement to 'evergreen' term (>\$1m p.a.)
- Shareholder agreement
  - Pinnacle has the right to appoint two Directors
  - Standard minority protections (matters which require Pinnacle approval) including issue of new equity securities, adoption or variation of budgets and business plans, amendment to dividend policy



# Strategic rationale



## High quality management

- Four partners with over 100 years of combined credit experience and 18 employees
- MCP has lent \$4.6bn across 172 transactions since June 2013
- All MCP strategies have exceeded their investment objectives since inception
- Pinnacle has worked extensively with the management team since 2013

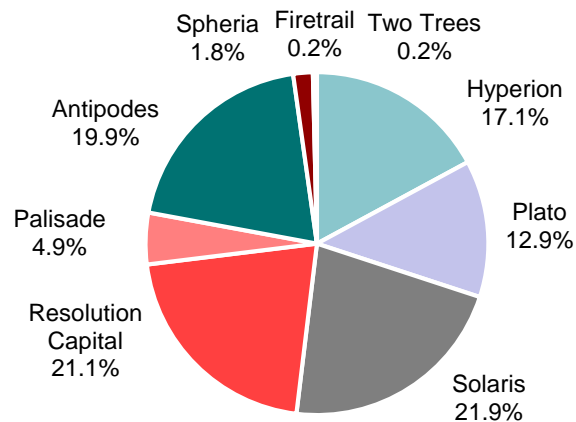
## Diversification

- Diversification into a new ‘alternative’ asset class that has substantial structural growth potential
- Non equity market linked revenues

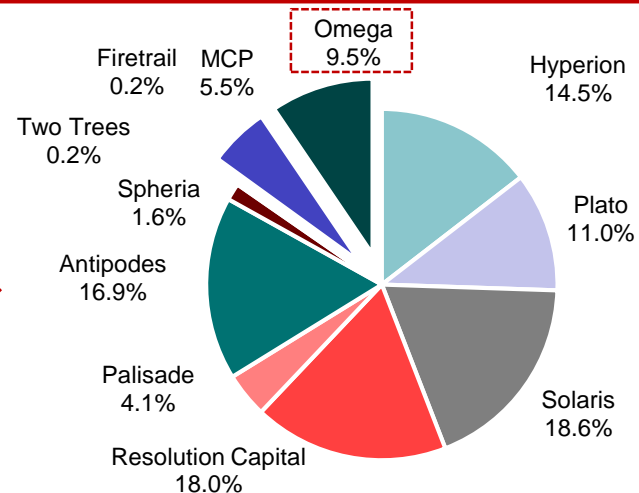
## FUM & EPS growth

- Material increase in Pinnacle’s gross FUM of ~6.5% (excluding Omega)
- Increase in Pinnacle’s gross retail FUM of ~10.3% (excluding Omega)
- MCP acquisition is forecast to be EPS accretive in the first 12 months<sup>(2)</sup>

### FUM by affiliate: pre-transaction (\$38.0bn)<sup>(1)</sup>



### FUM by affiliate: post-transactions (\$44.8bn)<sup>(1)</sup>



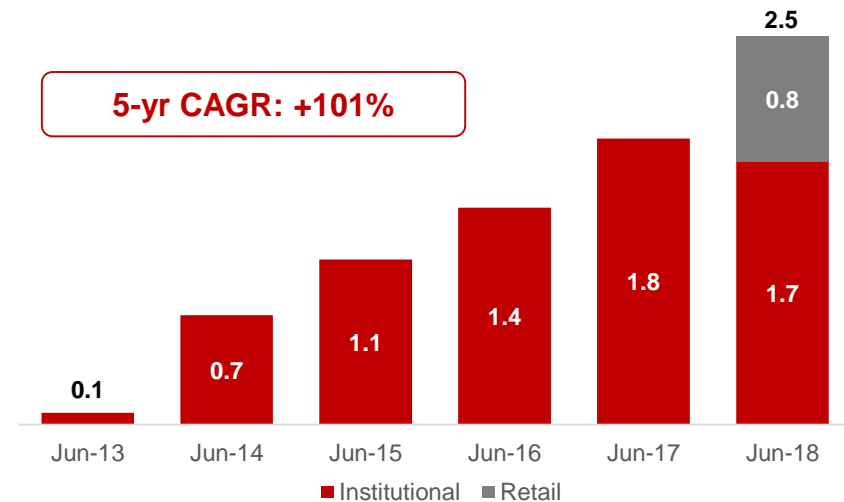
Refer to page 22 for details on Omega acquisition

(1) Gross FUM as at 30-Jun-18  
 (2) Excluding transaction costs

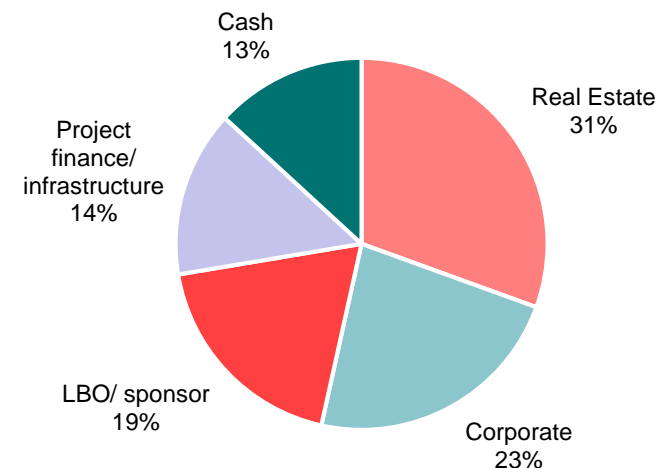
# MCP overview

- MCP is a Sydney-based alternative asset manager specialising in private debt, fixed income and capital markets
- Assets under management (“AUM”) of \$3.0bn as at 30 June 2018 of which FUM is \$2.5bn<sup>(1)</sup>
- FUM growth of 101% per annum over the last 5 years with strong growth outlook in FY19
- Retail FUM has grown to ~\$800m or 31% of total firm FUM in FY18
  - \$516m Listed Investment Trust IPO (ASX:MXT) in October 17 (led by Pinnacle)
  - \$210m entitlement offer in April 18
  - \$60m+ unlisted retail FUM
- AUM is diversified across all major bank loan product categories including project finance / infrastructure, real estate, LBO / sponsor and corporate loans

## FUM growth (FY13–FY18)<sup>(1)</sup>



## MCP AUM Mix (\$3.0bn)<sup>(2)</sup>



(1) AUM includes \$550m bank facility which is excluded from total FUM figures

(2) As at 30 June 18

# Market opportunity: private debt



## Large Market

- Australian corporate loan market is large (+\$700bn)<sup>(1)</sup>
- Large volume of annual issuance (+\$100bn)<sup>(1)</sup>

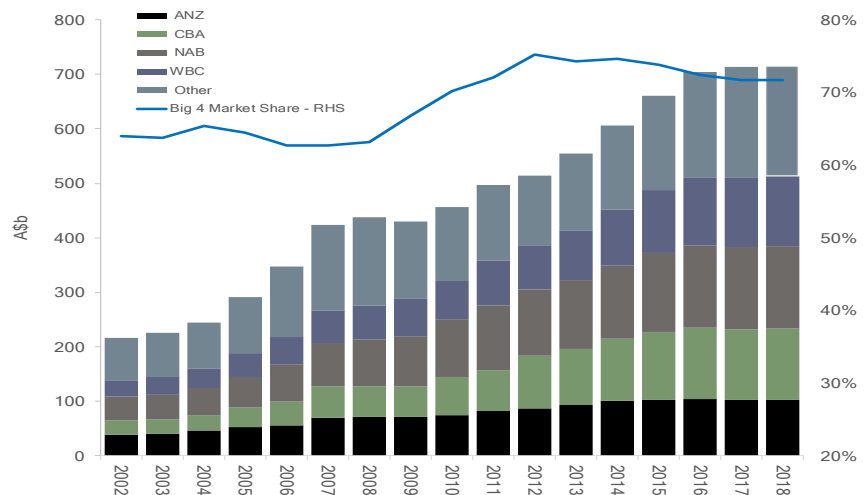
## Regulatory Change

- Banks have historically funded corporate Australia on their own balance sheets
- Changes in the regulatory environment (Basel III) has created a funding gap and an opportunity for non bank lenders to fill the void

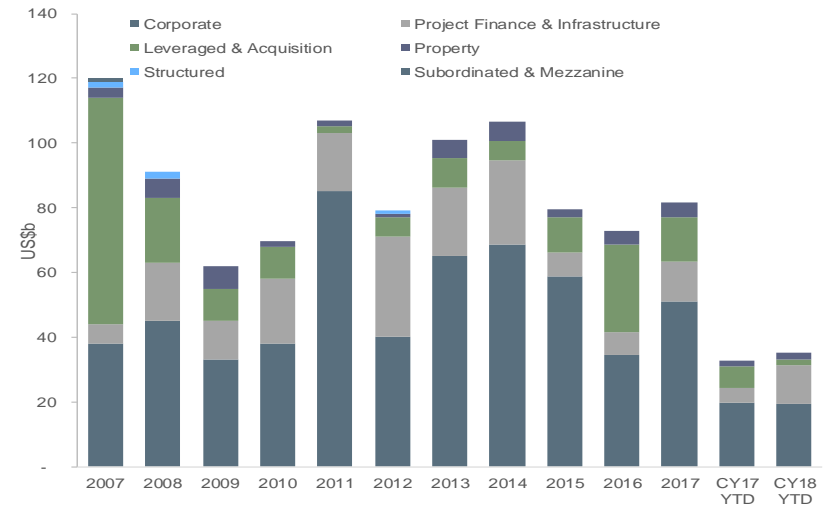
## Emerging Asset Class

- Most domestic institutional and retail investors are in early stages of asset class adoption
- International institutional investors expressing strong interest in accessing Australia and Developed Asia exposure via local specialists

### Bank balance sheets<sup>(1)</sup>



### Corporate debt issuance by loan product<sup>(2)</sup>



(1) RBA, Bloomberg and major bank APS330 reports (2) RBA and Bloomberg

# MCP growth outlook



- MCP continue to see significant opportunity for FUM growth in the private debt market
- MCP intends to continue to grow its FUM in its existing strategies (i.e. Australian senior loans, secured private debt and real estate debt) and to expand into adjacent offerings that will appeal to new cohorts of investors in Australia and offshore
- In particular MCP believes there is significant opportunity within the high yield debt market and is exploring opportunities within this sector
- Pinnacle is an ideal partner for MCP as it seeks to grow providing both distribution power and access to capital
- Following Pinnacle's investment, MCP will have ~\$40m of cash on balance sheet that could be used to invest in the existing platform, seed new strategies and co-invest alongside investors
- The strengthened balance sheet and ability to co-invest is seen as an important evolution of the MCP business in deepening relationships with borrowers (enhancing loan origination) and maximising returns for investors and MCP alike



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# Omega Global Investors acquisition

# Omega: purchase of 40% equity stake



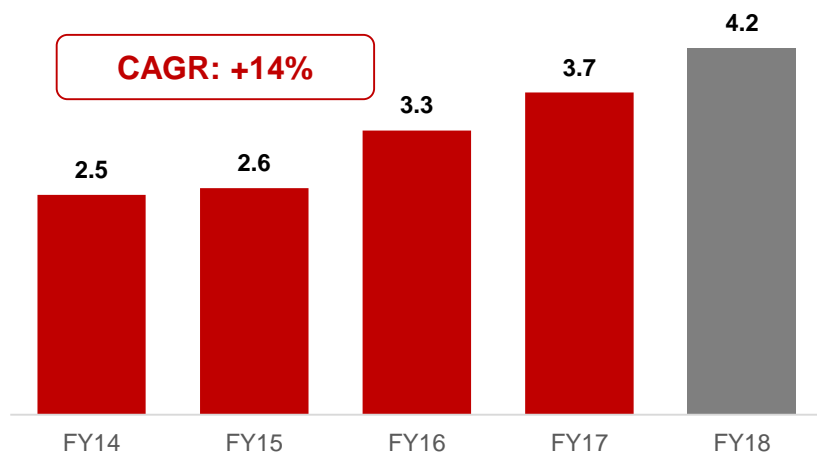
## Overview and rationale

- Proposed acquisition of 40% equity interest with founders retaining majority stake
- \$2m upfront consideration and up to \$2m earn-out subject to profitability milestones
- Offers smart beta, factor investing and client solutions (including ESG) capabilities – further supports Pinnacle’s strategy to gain exposure to ETF market
- Multi-asset investment and implementation capabilities and track record across bonds, cash, FX, GLI and Aus & global equities
- Team of 11 including 8 investment professionals – founders are ex-Vanguard heads of equities and bonds
- Pinnacle adds distribution strength that Omega has lacked

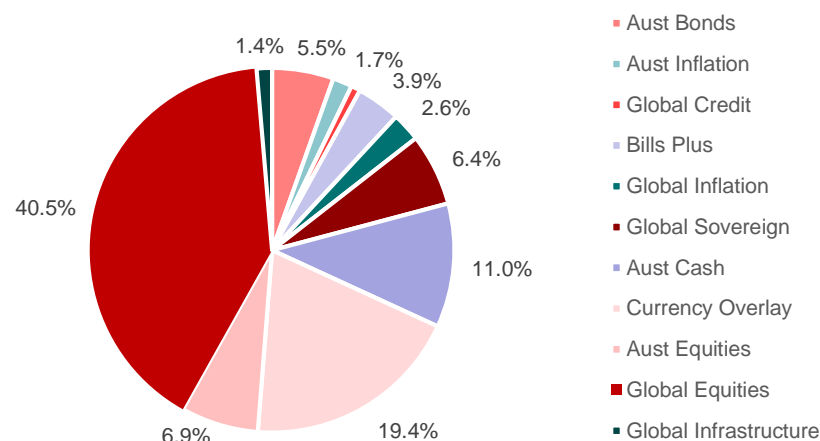
## Omega - Investment strategies



## Omega - FUM growth (\$bn) <sup>(1)</sup>



## Omega - FUM by asset class (\$4.2bn) <sup>(2)</sup>



(1) As at 30 June of each year  
 (2) As at 30 June 2018



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INVESTMENT MANAGEMENT

# **Pinnacle outlook and deployment of prior capital**

# Pinnacle outlook



- Strong momentum going into FY19
  - Acquisition of MCP equity interest, expected to grow strongly
  - Acquisition of Omega equity interest, ETF initiative being pursued
  - Further affiliates in the pipeline, expect activity 1H FY19
  - Further LIC / LITs planned
  - ETF initiative commenced (including Omega)
- Existing Affiliates continuing to grow (including the launch of new strategies)
- Firetrail expecting net inflows in excess of \$1bn in Q1 (by 30 September 2018)
- Spheria and Two Trees gaining further traction
- Distribution and Funds Infrastructure Capabilities expanding to support ongoing growth
  - Including offshore (Two Trees and Antipodes offshore vehicles seeded)
  - Other global strategies to also be offered
- New LTI plan approved by the board for issue 1H FY19



# Deployment of \$30m equity raised in January 2017



- Almost \$10m deployed in recycling of Palisade equity:
  - Purchased shares for future recycling and made loans to Palisade Executives to purchase shares
  - Purchased 4.3% of Palisade and already recycled 1% to share trust
  - At 30 June net cost of equity still owned \$3.8m; loans to Executives and share trust \$5.9m
- \$2m capital injected into Firetrail equity; and an amount for RCL equity for recycling
- Remainder deployed as seed/foundation FUM in new affiliate strategies
- As at 30 June 2018, Pinnacle had \$9.1m cash and \$22.3m invested as seed FUM in recently-launched strategies of four affiliates:
  - Firetrail
  - Solaris
  - Two Trees
  - Plato
- Strategically valuable for Pinnacle to have capital available to seed new strategies and facilitate Affiliate equity recycling



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INVESTMENT MANAGEMENT

# Capital raising key terms and dates

# Overview of capital raising



<b>Placement</b>	<ul style="list-style-type: none"> <li>■ Pinnacle is conducting a Placement of \$60.0m (10.9m shares)</li> <li>■ The Placement price of \$5.50 represents:             <ul style="list-style-type: none"> <li>- A discount of 3.0% to Pinnacle's closing share price on 23 July 2018 of \$5.67 per share</li> <li>- A discount of 1.3% to Pinnacle's 5-day VWAP<sup>(1)</sup> to closing trade on 23 July 2018 of \$5.57 per share</li> </ul> </li> <li>■ The Placement represents approximately 6.7% of Pinnacle's existing share capital</li> </ul>
<b>SPP</b>	<ul style="list-style-type: none"> <li>■ Pinnacle will also offer eligible Australian and New Zealand shareholders the opportunity to acquire up to \$15,000 in New Shares via a SPP             <ul style="list-style-type: none"> <li>- The SPP will be capped at \$10m with all applications subject to scale back at Pinnacle's absolute discretion</li> <li>- The SPP offer period will commence on 6 August 2018 and conclude on 24 August 2018</li> <li>- The issue price for shares issued will be the same as the Placement</li> </ul> </li> </ul>
<b>Ranking</b>	<ul style="list-style-type: none"> <li>■ New Shares will rank equally with existing shares</li> <li>■ New Shares will be eligible for the fully franked final dividend of 7.0 cents per share for the 6 month period ending 30 June 2018</li> </ul>
<b>Use of proceeds</b>	<ul style="list-style-type: none"> <li>■ Proceeds from the Placement and SPP will be used to fund the acquisitions and growth plans including:             <ul style="list-style-type: none"> <li>- Building on Pinnacle's existing distribution partnership with MCP, acquiring a 35% equity interest in MCP</li> <li>- 40% equity interest in Omega</li> <li>- Seed FUM / capital for new investment strategies</li> </ul> </li> </ul>

(1) Volume Weighted Average Price.

# Sources and uses

## Sources

Source	A\$m
Placement proceeds	60.0
<b>Total sources</b>	<b>60.0</b>

- Any additional proceeds raised under the non-underwritten SPP will be applied to support organic growth via seed investment in new strategies

## Uses

Use	A\$m
MCP equity investment	46.0
Omega up front consideration <sup>1</sup>	2.0
Equity raising costs	2.3
Seed FUM / new strategies	9.7
<b>Total uses</b>	<b>60.0</b>

(1) In addition to the upfront consideration, Pinnacle has agreed to pay a \$2m earn-out subject to profitability milestones

# Indicative timetable



	Event	Date
<b>Placement</b>	Trading halt and announcement of Placement and SPP	Tuesday, 24 July 2018
	Placement bookbuild	Tuesday, 24 July 2018
	Trading halt lifted and Pinnacle shares recommence trading on ASX	Wednesday, 25 July 2018
	Settlement of New Shares issued under the Placement	Monday, 30 July 2018
	Allotment and trading of New Shares under the Placement	Tuesday, 31 July 2018
<b>Share Purchase Plan</b>	Record date for determining eligible participation in SPP	Monday, 23 July 2018
	SPP offer booklet dispatched to eligible shareholders	Monday, 6 August 2018
	SPP open	Monday, 6 August 2018
	SPP closes	Friday, 24 August 2018
	Allotment of New Shares under the SPP	Thursday, 30 August 2018
	Quotation and trading of New Shares under the SPP	Friday, 31 August 2018

*Dates and times are indicative only and subject to change without notice. Pinnacle reserves the right to alter the dates in this presentation at its discretion and without notice, subject to the ASX Listing Rules and Corporations Act 2001 (Cth). All dates and times refer to Sydney time*



**Pinnacle**  
INVESTMENT MANAGEMENT

## Appendix A

# Key risks and international offer jurisdictions

# Acquisition and company risks



This section discusses some of the specific risks associated with an investment in Pinnacle. There are also a number of general risks, such as global economic conditions, share price fluctuations and force majeure events which are relevant to any investment in securities. These risks may individually or in combination have a material adverse impact on Pinnacle's business, operating and financial performance.

The risk factors set out below are not exhaustive, and many of them are outside the control of Pinnacle and its directors. There is no guarantee or assurance that the importance of different risks will not change or other risks will not emerge. Prospective investors should consider publicly available information on Pinnacle, examine the full content of this presentation (including any assumptions underlying prospective financial information) and consult their financial, tax and other professional advisers before making an investment decision.

## Acquisition specific risk factors

<p><b>Completion risk</b></p>	<p>It is possible that either or both of the proposed investments in Metrics Credit Partners and Omega (the "<b>Acquisitions</b>") may not successfully compete, in which case Pinnacle may not deploy the funds in the near future as it may not be successful in identifying or completing any other material growth opportunities.</p> <p>If completion of either or both of the Acquisitions are delayed, Pinnacle may incur additional costs and it may take longer than anticipated for Pinnacle to realise the benefits of the Acquisitions.</p> <p>Any failure to complete, or delay in completing the Acquisitions could adversely affect Pinnacle's operational and financial performance and the price of its shares.</p>
<p><b>Dilution</b></p>	<p>Pinnacle shareholders may be diluted by the issue of New Shares under the Placement, particularly if they do not participate in the Placement. Furthermore, if eligible shareholders do not participate in the SPP, their percentage shareholding in Pinnacle will be diluted to a greater extent than would otherwise be the case, and they will not be exposed to future increases or decreases in Pinnacle's share price in respect of the shares which would have been issued to them had they participated in the SPP.</p>

# Acquisition and company risks(cont.)



## Acquisition specific risk factors (continued)

### Reliance on information provided and due diligence risk

Pinnacle undertook a due diligence process in respect of the proposed investments in Metrics Credit Partners and Omega (the “**Acquisitions**”), which relied in part on the review of financial, legal and other information provided by the respective vendors and transaction entities. Despite making reasonable efforts, Pinnacle cannot verify the accuracy, reliability or completeness of all the information which was provided to it.

If any such information provided to, and relied upon by, Pinnacle in the due diligence process and in its preparation of this presentation proves to be incorrect, incomplete or misleading, there is a risk that the actual financial position and performance of Metrics Credit Partners and Omega may be materially different to the expectations reflected in this presentation. This could adversely affect the financial position, performance and/or share price of Pinnacle.

It is also possible that the analysis undertaken by Pinnacle during the due diligence process, and the best estimate assumptions made by Pinnacle and its advisers, draw conclusions and forecasts which are inaccurate or which are not realised in due course (whether because of flawed methodology, misinterpretation of economic or other circumstances or otherwise).

Investors should also note that there is no assurance that the due diligence conducted was conclusive, or that all material issues and risks in respect of the Acquisitions have been identified and avoided or managed appropriately.

## Specific risks related to Metrics Credit Partners and Omega

### Reliance on Key Staff

Common with Pinnacle and its current Affiliates, the ability of Metrics Credit Partners and Omega to continue to attract and retain high quality management (“**Key Staff**”) is critical to their operating and financial performance. Competition for management expertise is high. There is a risk that a loss of Key Staff may have a materially adverse effect on the short term operations and financial performance of Metrics Credit Partners and Omega. Investors should also note that there is no assurance that Metrics Credit Partners and Omega will continue to retain and attract Key Staff as required.



# Acquisition and company risks(cont.)



## Specific risks related to Metrics Credit Partners and Omega (continued)

### Retention of FUM

Metrics Credit Partners has approximately A\$2.5 billion of FUM and Omega has approximately A\$4.2 billion of FUM. Metrics Credit Partners and Omega derive a significant proportion of their earnings from fees and charges based on the level of FUM. The level of FUM will reflect (in addition to other factors such as the funds flowing into and out of FUM in the ordinary course of business) the investment performance of those funds. Therefore, Metrics Credit Partners and Omega face the risk, common with Pinnacle's current Affiliates, that changes in domestic and/or global investment market conditions or the performance of the products invested could lead to a decline in FUM, which will adversely impact the amount that Metrics Credit Partners and Omega earn in fees and charges. Deterioration in investment market conditions could also lead to reduced consumer interest and decrease in the ability to attract new investors in the financial products and services offered by Metrics Credit Partners and Omega. Additionally, it is possible that some funds could reduce in size or be terminated. Similarly, the unitholders of a fund may have the right to remove the investment manager, responsible entity or trustee.

As Metrics Credit Partners and Omega's management fees are based on a percentage of FUM, a decline in FUM could have an adverse impact on their financial and operating performance, and in turn, the share price of Pinnacle.

### Risks related to Metric Credit Partners' lending operations

Metrics Credit Partners' financial performance is exposed to the performance of borrowers in the corporate and private debt market in which its funds participate. Borrowers in Metrics Credit Partners' funds may experience financial difficulty repaying loans, may fail to repay loans and breach lending covenants. The need to enforce security and undertake recovery action by selling assets at an earlier time to enable repayment of loan facilities may occur at a price lower than the optimal sale price. Deterioration in economic conditions, inadequate provisioning or risk assessment or a significant breakdown in credit disciplines could diminish available capital and could adversely affect Metrics Credit Partners' financial performance, capital resources, financial condition and prospects.

# Acquisition and company risks(cont.)



## Specific risks related to Metrics Credit Partners and Omega (continued)

### Execution of growth strategy

After completion of the Acquisitions, there is no guarantee that the respective growth strategy of each of Metrics Credit Partners and Omega will be executed successfully. There is also a risk that a successful execution of growth strategies may take longer, be more complex or cost more than expected, encounter unexpected challenges or issues, divert management attention or that the anticipated benefits of executing the strategy may be less than estimated. Any failure to execute growth strategies may have an adverse impact on the financial performance, operation and position of Metrics Credit Partners and Omega, and the future price of Pinnacle shares.

## Company specific risk factors

### Investment strategy risk

The Group's results and financial outlook are influenced by prevailing equity market conditions, interest rate and credit market conditions and to a lesser extent, by broader economic trends and investor sentiment. There is no guarantee that Pinnacle's Affiliates will continue to outperform, meet their investment objectives, or continue to retain and attract experienced and high performing key personnel who are critical to the financial success and future performance of Pinnacle and its Affiliates. In addition, Pinnacle may have seed capital, and / or its affiliates may have co-investing strategies which may be lost by poor fund or asset performance. Past performance is not a reliable indication of future performance.

### Maintaining and Growing FUM

A key part of Pinnacle's strategy is assisting its Affiliates to maintain and grow FUM. There is no guarantee that Pinnacle's strategies (or that of its Affiliates) to grow FUM will be successful, or that Pinnacle's Affiliates will be successful in maintaining existing FUM. Pinnacle's Affiliates ability to maintain and grow FUM may be impacted by a number of factors outside of the control of Pinnacle including (amongst other things), sustained periods of underperformance relative to key benchmarks, individual preferences of that Affiliate's clients and adverse market conditions.

# Acquisition and company risks(cont.)



## Company specific risk factors (continued)

### Competition

The industry in which Pinnacle operates is very competitive. There are a number of market participants that compete vigorously for client investments and the provision of wealth management services and investment opportunities, and there is increasing commoditisation of financial services and products. These competitive market conditions may adversely impact on the earnings and assets of Pinnacle.

### Brands and reputation

A significant and prolonged decline in key brand value or adverse effects on the reputation of Pinnacle and/or its Affiliates could contribute to reduced inflows of investment funds and assets, damage to client strategies and may impact adversely upon Pinnacle's future profitability and financial position. Matters which may give rise to adverse reputational consequences for Pinnacle and/or its Affiliates include compliance issues, fraudulent behaviour and adverse media publicity.

### Operational and compliance risks

Pinnacle may, from time to time, be exposed to operational risks including, but not limited to, risks arising from process error, fraud, system failure or inadequacy, failure of security and physical protection systems and pricing errors. In addition, Pinnacle may be exposed to compliance risks as it is subject to strict regulatory and compliance arrangements under the Corporations Act and ASIC policy as well as other regulatory policies and guidance. Operational and compliance risks have the potential to adversely affect Pinnacle's financial performance, position, reputation as well as its ability to operate.

### Economic, political and regulatory risk

Factors including, but not limited to, domestic and international political changes, interest rates, exchange rates, inflation levels, commodity prices, industrial disruption, environmental impacts, international competition, taxation changes, changes in employment levels, consumer and business spending, employment rates and labour costs may all have an adverse impact on Pinnacle's revenues, operating costs, profit margins and share price.

Changes in laws, regulations and government policy may affect Pinnacle and the attractiveness of an investment in Pinnacle positively or negatively. The financial services sector is subject to extensive legislation, regulation and supervision by a number of regulatory bodies in multiple jurisdictions.

# Acquisition and company risks(cont.)



## Company specific risk factors (continued)

### Limited ownership control in Affiliate model

As Pinnacle is a minority shareholder in its Affiliates, it may not independently, among other things, cast the majority of votes at a general meeting, change the composition of the board, determine the dividend policy, amend the constitution or change the strategic direction of any Affiliate. Accordingly, Pinnacle's effective control over Affiliates is restricted.

### Fundraising risk

Pinnacle expects that the proceeds of the Placement will provide it with sufficient capital to fund the Acquisitions and support its immediate growth plans. However, Pinnacle can give no assurances that its growth plans will in fact be met without future borrowings or future capital raising and if such borrowings and capital raising are required, that they can be obtained on terms favourable to the Company or at all.

### Non-audited financial information

The financial information for Pinnacle in relation to the financial year ending 30 June 2018 (FY18) included in this presentation has not been subject to review or audit and could be subject to revision following review by Pinnacle's external auditors. Investors should not rely on this information as if it were audited financial information.

### Litigation

Pinnacle may, in the ordinary course of business, be involved in litigation and disputes with shareholders, Affiliates, employees, contractors and other counterparties. Any such dispute may be costly and adversely affect the operational and financial results of Pinnacle.

### Acquisition and investment strategy

From time to time Pinnacle makes investments in or acquires fund management businesses as part of its stated strategy. There is a risk that Pinnacle may not achieve expected returns from those acquisitions or investments, which may adversely affect Pinnacle's profitability.

### Investment management fees

Pinnacle's revenues and profitability is directly linked to the fees that its Affiliates charge on the funds managed by that Affiliate. The funds management industry is highly competitive and there is no guarantee that the fees that Pinnacle's affiliates achieves will be maintained or that the percentage of those fees to which Pinnacle is entitled will remain at current levels with respect to each individual Affiliate.

# Acquisition and company risks(cont.)



## Company specific risk factors (continued)

<b>Reliance on Key Staff</b>	<p>Key to the strategy and operating and financial performance of Pinnacle and its Affiliates is the ability to attract and retain Key Staff with appropriate levels of funds management, operational and product distribution expertise. Competition for management expertise is high. There is a risk that a loss of Key Staff may have a materially adverse effect on the operations and financial performance of Pinnacle and its Affiliates. Investors should also note that there is no assurance that Pinnacle or its Affiliates will continue to retain and attract Key Staff as required.</p>
<b>Information Technology</b>	<p>Pinnacle and its Affiliates, and the financial services industry in general, rely heavily on information technology to conduct an efficient and cost effective business. Therefore, any significant or sustained failure or inadequacy in Pinnacle or its Affiliates' core technology systems or cyber security could have a materially adverse effect on its operations in the short term, which in turn could undermine longer term confidence and impact Pinnacle's future profitability and financial position.</p>
<b>Security or privacy of data</b>	<p>The protection of customer, employee, third party and company data is critical to Pinnacle's operations. The legal and regulatory environment governing information security, privacy and data security is increasingly complex and demanding. Failures or breaches of data protection and systems security can cause reputational damage, regulatory impositions and financial loss.</p>
<b>Taxation policy</b>	<p>Future changes in taxation law in Australia, including changes in interpretation or application of the law by the courts or taxation authorities in Australia, may impact the future tax liabilities of Pinnacle or may affect taxation treatment of an investment in Pinnacle shares, or the holding or disposal of those shares.</p>
<b>Accounting policy</b>	<p>Pinnacle prepares its general purpose financial statements in accordance with the Corporations Act. Australian Accounting Standards are not within the control of Pinnacle or its board and are subject to amendment from time to time, and any such changes may impact on Pinnacle's statement of financial position or statement of financial performance.</p>

# International offer restrictions



This document does not constitute an offer of new ordinary shares ("**New Shares**") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

## **Hong Kong**

**WARNING:** This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (**the "SFO"**). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO and any rules made under that ordinance).

No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to the New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors. No person allotted the New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this document have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this document, you should obtain independent professional advice.

## **New Zealand**

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (New Zealand) (**the "FMC Act"**). The New Shares are not being offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) other than to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

# International offer restrictions (continued)



## Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "**institutional investor**" (as defined in the SFA) or (iii) a "**relevant person**" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.



**Pinnacle**  
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## Appendix B

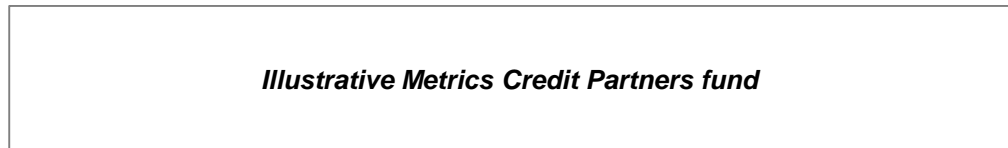
### Additional information



# Illustrative example of MCP revenue model



↓ **Management services**  
(e.g. portfolio construction, asset origination, due diligence, investment decision, ongoing asset management)



↓ **Debt products**



**Management fees paid from fund to Metrics**

Management fee: Determined by the terms of the trust deeds and management agreements – typically 20 – 30bps of the Trust's NAV  
 +  
 Performance fee: 15% of the return above the specified hurdle (determined as BBSW + 400 / 500bps)

**Charges and principal paid by borrowers to the fund**

Interest rate: Charged as a fixed margin + BBSW  
 +  
 Fees: Predominately consisting of upfront fees  
 +  
 Principal repayments

**Illustrative current model. Metrics Capital Partners may use the additional capital to co-invest with the funds in the future**

# Overview of Pinnacle Affiliates



- Antipodes Partners – a pragmatic value manager of global equities (long only and long-short)
  - Funds under management have grown to in excess of \$7.6bn in under 3 years



- Firetrail Investments – high conviction investment manager of Australian and Global equities
  - Absolute Return Fund and High Conviction Fund launched in March 2018



- Hyperion Asset Management – a specialist manager of Australian and Global equities following a growth style
  - Global Fund has a three-year track record and has out-performed the index by >9.8% pa since inception in May 2014



- Palisade Investment Partners – a specialist manager of unlisted infrastructure assets with both pooled funds and separately managed portfolios for institutional investors
  - Renewable Energy Fund launched during the year



- Plato Investment Management – a specialist manager of Australian and Global equities following a quantitative style
  - Funds under management increased to over \$4.9bn

# Overview of Pinnacle Affiliates (continued)



## RESOLUTION CAPITAL

- Resolution Capital – a specialist manager of Australian and Global listed real estate securities portfolios
  - Funds under management has grown to more than \$8.0bn

## SOLARIS investment management

- Solaris Investment Management – a specialist manager of Australian equities following a style-neutral approach to investing
  - Successful launch of the long/short strategy
  - Funds under management over \$8.3bn

## Spheria ASSET MANAGEMENT

- Spheria Asset Management – a fundamental-based investment manager with a bottom-up focus specialising in small and microcap companies
  - FUM has grown to over \$700m

## Two Trees INVESTMENT MANAGEMENT

- Two Trees Investment Management – a specialist Systematic Global Macro investment firm
  - Commenced managing money 1 November 2017
  - Seeded offshore Cayman fund; UCITS to follow

# Firetrail investments



- Business established
- Team of 11 in place and investment process commenced
- Initial strategies
  - High Conviction
  - Absolute Return
- Expecting net inflows in excess of \$1bn in Q1 (by 30 September 2018)
- Highly Recommended rating by Zenith for the High Conviction strategy
- Marketing commenced
- Terms:
  - Distribution revenue for Pinnacle
  - Incentive arrangements for early profitability in place

# Affiliate updates



- **Antipodes:** addition to the Colonial First Choice platform as a stand alone option; demand for Antipodes EQMF
- **Hyperion:** Global Equity strategy ranked No 1 for 1 year and 3 years to 31 May 2018 in the Morningstar Institutional survey
- **Palisade:** Recent investments in Port of Portland, Ross River Solar Farm, Sunshine Coast Airport and Casey Hospital Expansion Project
- **Plato:** Dr David Allen joined the team as Head of Long/Short strategies. Aiming to launch global equity absolute return strategy in Q4
- **Resolution Capital:** Accelerating offshore growth. Aiming to launch US pooled fund (Collective Investment Trust) in Q3/Q4
- **Solaris:** addition of the Long/Short strategy onto major platforms and into Zenith blend portfolios
- **Spheria:** additions of Olivier Coulon (Senior Analyst) & Al Doeke (Dealer) to take the team to 5 team members to support the growth of the Spheria Opportunities strategy
- **Two Trees:** Positive retail inflows into AUT. Launched Cayman Fund in Q1
- 3rd Party Distribution
  - MCP – additional \$210m raised for MXT

# Pinnacle Affiliates continue to win major industry awards



## 2016 Morningstar Fund Manager of the Year Awards:

- Hyperion – Australian Fund Manager of the Year
- Hyperion – Domestic Equities Category Winner, Australia
- Hyperion – Domestic Equities Small Caps Category Winner, Australia

## 2017 Lonsec/Money Management Fund Manager of the Year:

- Antipodes Partners – Equities (Long Short) Category Winner
- Antipodes Partners – Global Equities (Broad Cap) Category Winner
- Antipodes Partners – Emerging Manager Category Winner
- Antipodes Partners – Overall Fund Manager of the Year Finalist
- Spheria Asset Management – Emerging Manager Finalist

## 2017 Hedge Funds Rock & The Alternative Australian Investment Awards:

- Pinnacle – Best Investor supporting Australian managers

## 2017 Professional Planner | Zenith Fund Awards:

- Pinnacle – Distributor of the Year (second consecutive year)
- Resolution Capital – Global REIT Category Winner (fourth consecutive year)
- Antipodes Partners – International Equities – Alternative Strategies Category Winner (second consecutive year)
- Antipodes Partners – International Equities – Global Category Winner
- Antipodes Partners – Overall Fund Manager of the Year

The Professional Planner | Zenith Fund Awards are determined using proprietary methodologies. Fund Awards were issued October 6, 2017 and are solely statements of opinion and do not represent recommendations to purchase, hold or sell any securities or make any other investment decisions. Fund Awards are current for 12 months from the date awarded and are subject to change at any time. Fund Awards for previous years are referenced for historical purposes only.

# Continuing strong investment performance of Affiliates



**100%** of Pinnacle Affiliated Investment Manager strategies and products (with a track record exceeding 5 years) **have outperformed** their benchmarks over the 5 years to 30 June 2018

	5Y	10Y	Inception	Inception date
<b>Hyperion Asset Management - Gross Performance</b>				
Hyperion Australian Growth Companies Fund	13.74%	11.98%	12.73%	1/10/2002
<i>Outperformance</i>	3.75%	5.70%	3.34%	
Hyperion Small Growth Companies Fund	16.32%	18.58%	17.75%	1/10/2002
<i>Outperformance</i>	4.76%	15.99%	9.99%	
Hyperion Australian Equities Composite	13.47%	11.93%	13.74%	1/11/1996
<i>Outperformance</i>	3.48%	5.65%	4.63%	
Hyperion Australian Equities ASX300 Composite	13.17%	11.56%	13.67%	1/05/2003
<i>Outperformance</i>	3.18%	5.28%	4.16%	
<b>Plato Investment Management - Gross Performance</b>				
Plato Australian Shares Core Fund	11.48%	6.83%	6.84%	30/10/2006
<i>Outperformance</i>	1.49%	0.55%	1.14%	
Plato Australian Shares Equity Income Fund - Class A	12.91%		14.28%	9/09/2011
<i>Outperformance</i>	1.25%		2.10%	
<b>Solaris Investment Management - Gross Performance</b>				
Solaris Core Australian Equity Fund	13.12%	8.37%	7.11%	9/01/2008
<i>Outperformance</i>	3.14%	1.97%	2.34%	
Solaris High Alpha Australian Equity Fund	13.48%	8.59%	7.91%	4/02/2008
<i>Outperformance</i>	3.50%	2.19%	2.74%	
<b>Resolution Capital - Gross Performance</b>				
Resolution Capital Core Plus Property Securities Fund	13.71%		9.06%	30/09/2008
<i>Outperformance</i>	1.53%		2.65%	
Resolution Capital Global Property Securities Fund	11.94%		11.98%	30/09/2008
<i>Outperformance</i>	2.72%		4.40%	
<b>Palisade Investment Partners - Gross Performance</b>				
Palisade Diversified Infrastructure Fund	13.59%		10.90%	1/08/2008
Palisade Australian Social Infrastructure Fund	14.90%		16.45%	31/05/2011

# Affiliates' investment performance



	1Y	3Y	5Y	10Y	Inception	Inception date
<b>Hyperion Asset Management - Gross Performance</b>						
Hyperion Australian Growth Companies Fund	16.25%	12.98%	13.74%	11.98%	12.73%	1/10/2002
<i>Outperformance</i>	3.01%	3.84%	3.75%	5.70%	3.34%	
Hyperion Small Growth Companies Fund	17.92%	15.13%	16.32%	18.58%	17.75%	1/10/2002
<i>Outperformance</i>	-6.33%	0.12%	4.76%	15.99%	9.99%	
Hyperion Australian Equities Composite	15.70%	12.76%	13.47%	11.93%	13.74%	1/11/1996
<i>Outperformance</i>	2.46%	3.62%	3.48%	5.65%	4.63%	
Hyperion Australian Equities ASX300 Composite	15.25%	12.55%	13.17%	11.56%	13.67%	1/05/2003
<i>Outperformance</i>	2.01%	3.41%	3.18%	5.28%	4.16%	
Hyperion Global Growth Companies Fund (Class B Units)	38.43%	22.45%			23.66%	22/05/2014
<i>Outperformance</i>	22.49%	11.92%			9.82%	
<b>Plato Investment Management - Gross Performance</b>						
Plato Australian Shares Core Fund	15.40%	9.62%	11.48%	6.83%	6.84%	30/10/2006
<i>Outperformance</i>	2.16%	0.48%	1.49%	0.55%	1.14%	
Plato Australian Shares Equity Income Fund - Class A	14.23%	10.91%	12.91%		14.28%	9/09/2011
<i>Outperformance</i>	-0.42%	0.18%	1.25%		2.10%	
Plato Global Shares Income Fund	12.62%				8.15%	30/11/2015
<i>Outperformance</i>	-2.77%				-1.60%	
<b>Solaris Investment Management - Gross Performance</b>						
Solaris Core Australian Equity Fund	17.74%	11.86%	13.12%	8.37%	7.11%	9/01/2008
<i>Outperformance</i>	4.73%	2.82%	3.14%	1.97%	2.34%	
Solaris High Alpha Australian Equity Fund	18.06%	12.42%	13.48%	8.59%	7.91%	4/02/2008
<i>Outperformance</i>	5.05%	3.37%	3.50%	2.19%	2.74%	
Solaris Total Return Fund (including franking credits)	19.13%	13.29%			12.37%	13/01/2014
<i>Outperformance</i>	4.49%	2.64%			2.45%	
<b>Resolution Capital - Gross Performance</b>						
Resolution Capital Core Plus Property Securities Fund	12.83%	12.29%	13.71%		9.06%	30/09/2008
<i>Outperformance</i>	-0.37%	2.31%	1.53%		2.65%	
Resolution Capital Global Property Securities Fund	8.29%	9.47%	11.94%		11.98%	30/09/2008
<i>Outperformance</i>	1.87%	2.60%	2.72%		4.40%	
<b>Palisade Investment Partners - Gross Performance</b>						
Palisade Diversified Infrastructure Fund	14.36%	13.96%	13.59%		10.90%	1/08/2008
Palisade Australian Social Infrastructure Fund	13.43%	13.94%	14.90%		16.45%	31/05/2011



# Affiliates' investment performance



	1Y	3Y	5Y	10Y	Inception	Inception date
<b>Antipodes Partners - Gross Performance</b>						
Global Fund	13.59%	14.57%			14.57%	1/07/2015
<i>Outperformance</i>	-1.36%	4.96%			4.96%	
Global Long Only	18.79%	16.16%			16.16%	1/07/2015
<i>Outperformance</i>	3.84%	6.55%			6.55%	
Asia Fund	11.66%	11.53%			11.53%	1/07/2015
<i>Outperformance</i>	-2.43%	3.10%			3.10%	
<b>Spheria Asset Management - Gross Performance</b>						
Microcap Fund	17.51%				19.12%	16/05/2016
<i>Outperformance</i>	-6.73%				4.78%	
Smaller Companies Fund	23.24%				15.14%	11/07/2016
<i>Outperformance</i>	-1.01%				2.46%	
Opportunities Fund	23.26%				16.41%	11/07/2016
<i>Outperformance</i>	4.50%				1.97%	
<b>Two Trees Investment Management - Gross Performance</b>						
Global Macro Fund					-4.98%	1/11/2017
<i>Outperformance</i>					-6.18%	
<b>Firetrail Investments - Gross Performance</b>						
High Conviction Fund					6.17%	14/03/2018
<i>Outperformance</i>					0.85%	
Absolute Return Fund					4.48%	14/03/2018
<i>Outperformance</i>					4.04%	