

22 February 2019

**By Electronic Lodgement**

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

Dear Sir/Madam

**Pinnacle Investment Management Group Limited (ASX: PNI) 2019 Interim Results**

Pinnacle Investment Management Group Limited (**Pinnacle**) is pleased to advise shareholders that the net profit after tax from continuing operations attributable to shareholders is \$10.1 million for the six months to 31 December 2018 compared with \$8.1 million for the prior corresponding period (**PCP**). Highlights of the 1HFY19 financial results are as follows:

- > Net Profit After Tax (**NPAT**) from continuing operations \$10.1m for the 1HFY19 half year, compared with \$8.1m for the PCP (an increase of 24.7%) and \$23.1m for the FY18 full year
- > Basic EPS from continuing operations of 6.1 cps, up 13.0% from 5.4 cps in the PCP. Diluted EPS from continuing operations of 5.7 cps, up 14.0% from 5.0 cps in the PCP
- > Fully franked interim dividend per share of 6.1 cents, up 33% from 4.6 cents in PCP
- > Pinnacle's share of Affiliates' NPAT \$14.3 million up 44% from \$9.9 million in PCP
- > Pinnacle funds under management (**FUM**) of \$46.7 billion<sup>1,2</sup> at 31 December 2018, up from \$38.0 billion at 30 June 2018 and up from \$32.3 billion at 31 December 2017

**Composition of Group Results**

Pinnacle reminds shareholders that NPAT during the first half of each financial year is typically a smaller proportion of full year NPAT than NPAT during the second half. Substantial potential performance fees crystallise on an annual basis and are therefore potentially received in the second half of each financial year, with no accruals recognised in the first half. Also, substantial distribution fees are 'success' related and calculated on an annual basis and therefore potentially received from Affiliates in the second half of each financial year, with no accruals recognised in the first half. Performance fee revenue earned by Affiliates during the half year to 31 December 2018 was only \$0.6m, compared with \$0.5m in the PCP and \$17.2m in the FY18 full year.

<sup>1</sup>includes \$6.8 billion 'acquired' in July 2018. Percentage increase excluding this 'acquired' FUM was 5.0%.

<sup>2</sup>\$48.7bn at 31 January 2019

	1H2019	1H2018	YoY change
<b>Pinnacle</b>			
Revenue	7.5 <sup>2</sup>	6.0 <sup>2</sup>	25.0%
Expenses	(11.7)	(7.8)	50.0%
Share of Pinnacle Affiliates net profit after tax	14.3	9.9	44.4%
<b>Net profit before tax (NPBT) from continuing operations</b>	<b>10.1</b>	<b>8.1</b>	<b>24.7%</b>
Taxation	-	-	
<b>NPAT from continuing operations</b>	<b>10.1</b>	<b>8.1</b>	<b>24.7%</b>
<b>Basic earnings per share:</b>			
From continuing operations	6.1	5.4	13.0%
Total attributable to shareholders	6.1	5.4	13.0%
<b>Diluted earnings per share:</b>			
From continuing operations	5.7	5.0	14.0%
Total attributable to shareholders	5.7	5.0	14.0%

<sup>1</sup>\$48.7bn at 31 January 2019

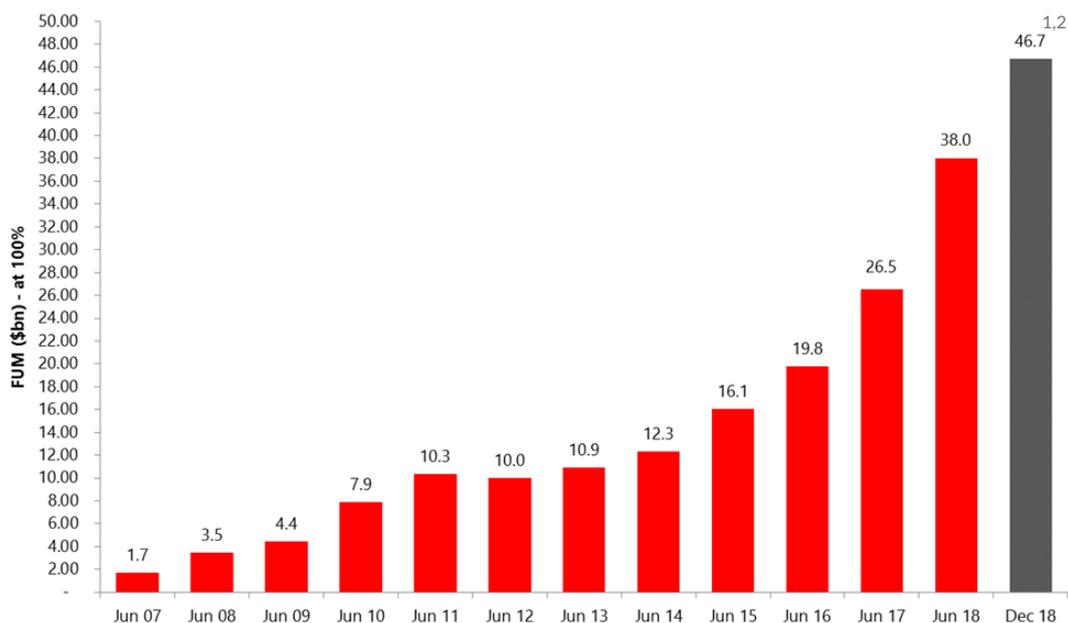
<sup>2</sup>Includes net impact of realized and unrealized losses on principal investments. Nil revenues from upfront fees on LIC/LIT IPOs in 1HFY19; these were \$928k in 1HFY18.

### Funds under management (FUM)

The FUM of Pinnacle's eleven operating Affiliates as at 31 December 2018 was \$46.7 billion<sup>1</sup>, which represents:

- > an increase in FUM of \$8.7 billion or 22.9% during the six-month period from 30 June 2018 to 31 December 2018 (5.0% excluding acquired FUM):
  - \$6.8 billion of FUM was 'acquired' in the July 2018 Metrics Credit and Omega transactions
  - Net fund inflows were \$5.0 billion during the six-month period from 30 June 2018 to 31 December 2018
  - Reductions due to market movements/investment performance during the six-month period from 30 June 2018 to 31 December 2018 were \$3.1 billion. During this period, the S&P/ASX 300 fell 9.0% and the MSCI World Index fell 9.8%.
- > a compound annual growth rate (CAGR) of 29.2% p.a. over the last 10 years (27.3% excluding Metrics Credit and Omega) and 35.1% p.a. over the last 3 years (28.6% excluding Metrics Credit and Omega).

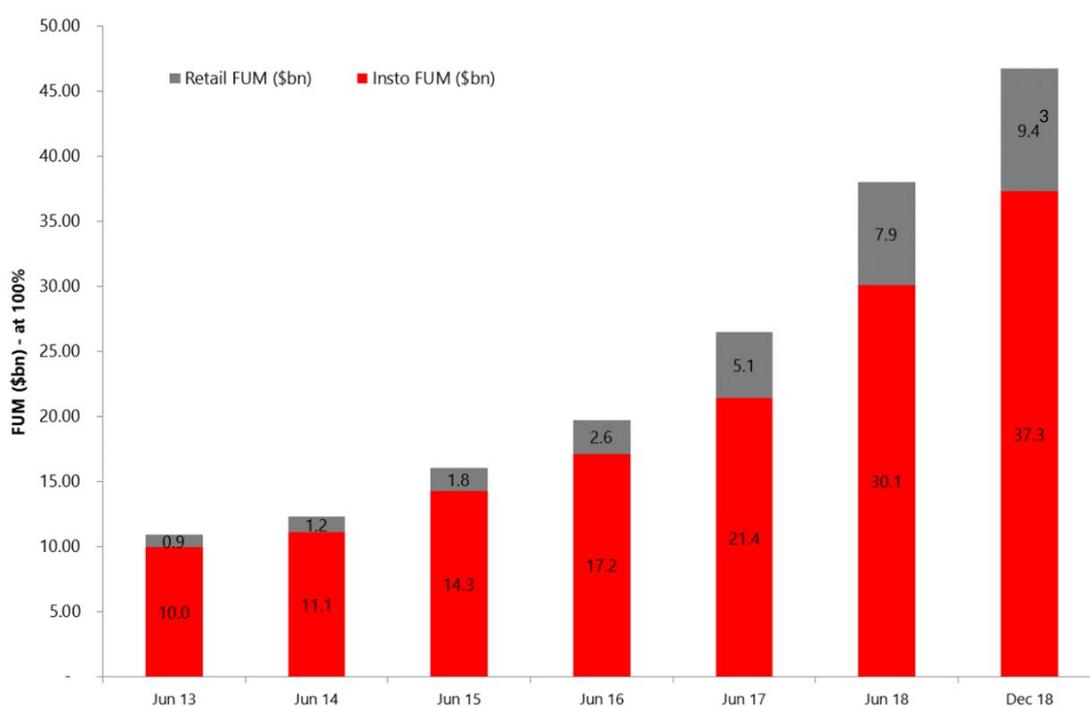
Firetrail institutional inflows accounted for the majority of the total Pinnacle Affiliate institutional net inflows during the 1HFY19 half year period. Firetrail institutional inflows are not expected to be substantial during the second half as the capacity allocated by Firetrail to the institutional market in its two initial investment strategies has largely been filled.



## Retail FUM

Retail FUM stood at \$9.4 billion<sup>3</sup> at 31 December 2018, compared with \$7.9 billion at 30 June 2018. This \$1.5 billion growth was attributable to \$1.4 billion net inflows, \$0.7 billion 'acquired' FUM (ASX:MXT), with reductions due to market movements/investment performance of \$0.6 billion.

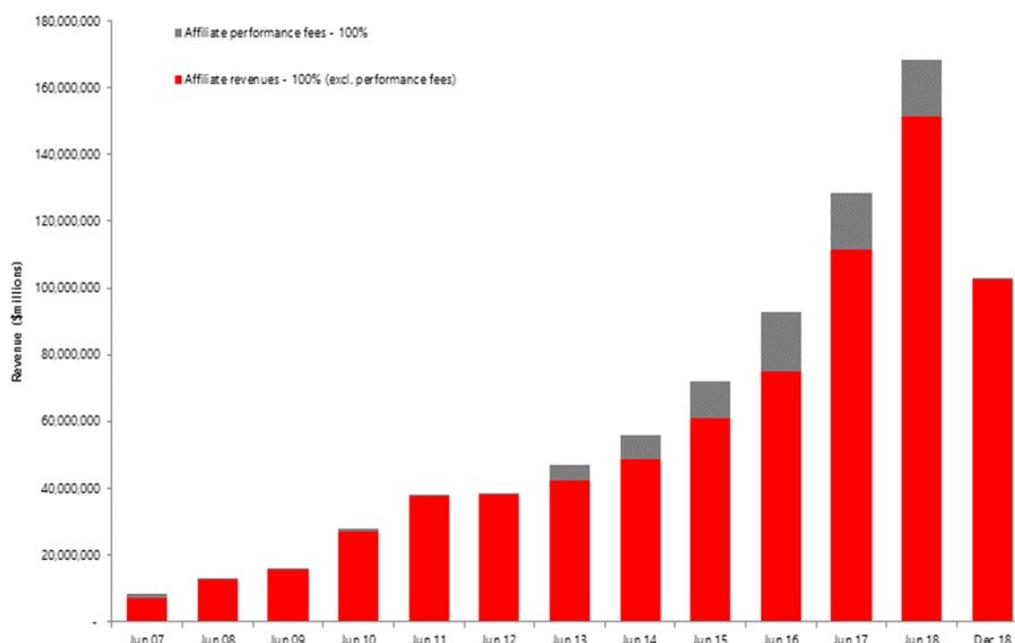
Of the \$5.0 billion of total net inflows for the half year to 31 December 2018, \$1.4 billion was retail, which includes \$176m of LIC FUM inflows (from the exercise of outstanding options, predominantly APL). This compares with \$1.35 billion of retail net inflows in the PCP, which included \$132 million of LIC FUM inflows (ASX:SEC) and \$2.2 billion for the full year to 30 June 2018, which included \$210 million of LIC inflows (SEC and options exercised).



<sup>1</sup>includes \$6.8 billion 'acquired' in July 2018. Percentage increase excluding this 'acquired' FUM was 5.0%.

<sup>2</sup>\$48.7bn at 31 January 2019

<sup>3</sup>includes \$0.7 billion 'acquired' in July 2018.



## Dividend

The Board has resolved to pay a fully franked interim dividend of 6.1 cents per share to shareholders recorded on the register on 8 March 2019 and payable on 22 March 2019.

The Dividend Reinvestment Plan (**DRP**) is applicable to this dividend. Please contact our share registry, Computershare Investor Services Pty Limited by calling 1300 850 505 or online at [www.investorcentre.com/contact](http://www.investorcentre.com/contact) to obtain a DRP election form to participate in the DRP in respect of this dividend.

Our thanks to those shareholders who directed a portion of your 2018 final dividend to the Pinnacle Charitable Foundation, in support of our efforts to help those suffering mental illness. It is the Board's intention to again invite shareholders to contribute to the Foundation in conjunction with PNI's 2019 final dividend later this year.

## Half year FY2019 financial results teleconference

Investors and analysts are invited to attend a teleconference on 22 February 2019 with Alan Watson (Chairman), Ian Macoun (Managing Director) and Adrian Whittingham (Director, Distribution) who will discuss the half year FY2019 financial results and answer questions.

Please note that the call will be available via teleconference only. There will be no live audience. However, a recording of the call will be made available on Pinnacle's website shortly after it is completed.

**Date:** Friday, 22 February 2019

**Time:** 9.00 am (AEDT)

If you would like to join via teleconference, please use the following dial-in numbers:

<b>Dial in numbers:</b>	Australia	(02) 8373 3507
	International	+61 2 8373 3550
<b>Conference ID</b>	8786009	

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

Yours faithfully

**Calvin Kwok**

**General Counsel and Company Secretary**

### **Forward-looking statements**

This announcement includes certain forward-looking statements that are based on information and assumptions known to date and are subject to various risks and uncertainties. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Pinnacle. These factors may cause actual results to differ materially from those expressed in the statements contained in this announcement.

### **Disclaimer**

The information in this announcement is given in summary form and does not purport to be complete. Investors or potential investors should seek their own independent advice. This material is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of a particular investor. These should be considered when deciding if a particular investment is appropriate.