



6 February 2020

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) 2020 interim financial results

Pinnacle Investment Management Group Limited (**PNI**) is pleased to advise shareholders that the highlights of the financial results for the six months to 31 December 2019 (**1HFY20**) are as follows:

- > Net profit after tax (**NPAT**) from continuing operations attributable to shareholders of \$13.8 million, up 36.6% from \$10.1 million in the Prior Corresponding Period (**1HFY19, PCP**)
- > Basic earnings per share (**EPS**) from continuing operations of 8.1 cents, up 32.8% from 6.1 cents in the PCP
- > Diluted EPS from continuing operations of 7.7 cents, up 35.1% from 5.7 cents in the PCP
- > Fully franked interim dividend per share of 6.9 cents, up 13.1% from 6.1 cents in the PCP
- > Pinnacle's share of Affiliates' NPAT \$17.7 million, up 23.8% from \$14.3 million in the PCP
- > Aggregate Affiliates' funds under management (**FUM**) of \$61.6 billion at 31 December 2019 (at 100%; includes \$3.0 billion 'acquired' in December 2019); up \$7.3 billion or 13.4% from \$54.3 billion at 30 June 2019 (up \$4.3 billion, or 7.9%, excluding acquired FUM)
- > Aggregate Retail FUM (at 100%) now \$14.9 billion¹, up 28.4% from \$11.6 billion at 30 June 2019 (up \$1.1 billion, or 9.5%, excluding acquired FUM)
- > Net inflows for the half-year ended 31 December 2019 of \$2.0 billion, including \$0.9 billion retail (of which \$0.2 billion was LICs/LITs)
- > Continued Affiliate medium-term outperformance – 94% of 5-Year Affiliate strategies have outperformed as at 31 December 2019
- > Cash and Principal Investments of \$44.7 million at 31 December 2019. \$30 million debt facility from Commonwealth Bank of Australia (**CBA**) – fully drawn down in December 2019
- > Acquisition of a 25% interest in Coolabah Capital Pty Limited in December 2019, funded through the use of the CBA facility.

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. NPAT for 1HFY19 was 33% of FY19 full year NPAT, while NPAT for 1HFY18 was 35% of FY18 full year NPAT. Substantial potential performance fees crystallise on an annual basis. If crystallised, these will be recognised 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. Similarly, these would be recognised 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 six months to 31 December 2019 was only \$0.5 million, compared with \$0.6 million in the PCP and \$15.3 million in the full 2019 financial year.

During this half, our costs were higher than in the PCP, due to the full year effect of the significant increase in resources throughout FY19. Pinnacle headcount was 54 at 30 June 2018, 68 at 30 June 2019, constant at 68 at 31 December 2019. We expect only a minimal number of additional hires over the balance of FY20.

	1H2020 (\$M)	1H2019 (\$M)	YoY change
PINNACLE			
Revenue	11.4 ¹	8.6 ¹	32.6%
Expenses	(15.3) ^{2,3}	(12.8) ^{2,3}	19.5%
Share of Pinnacle Affiliates net profit after tax	17.7	14.3	23.8%
Net profit before tax (NPBT) from continuing operations	13.8	10.1	36.6%
Taxation	-	-	
NPAT from continuing operations	13.8	10.1	36.6%
<i>NPAT from continuing operations – excluding net gains/losses on PI</i>	<i>13.4</i>	<i>10.7</i>	<i>25.2%</i>
<i>NPAT from continuing operations – excluding net gains/losses on PI and LTI expense</i>	<i>14.4</i>	<i>11.2</i>	<i>28.6%</i>
Basic earnings per share:			
From continuing operations	8.1	6.1	32.8%
Total attributable to shareholders	8.1	6.1	32.8%
Diluted earning per share:			
From continuing operations	7.7	5.7	35.1%
Total attributable to shareholders	7.7	5.7	35.1%

¹ Includes dividends and distributions received on principal investments. These were \$0.6 million in 1HFY20, compared with \$0.5 million in 1HFY19. The increase in revenues excluding these gains is \$2.7 million, or 33.3%.

² Includes salaries of additional people, recruitment costs etc. – number of people in 'Pinnacle parent' increased from 39 at 1 July 2017, to 54 at 30 June 2018, to 68 at 30 June 2019, remaining at 68 at 31 December 2019 (approximately 50% distribution and marketing; 50% infrastructure/fund services). Significant additional resourcing was added in the second half of FY 2019.

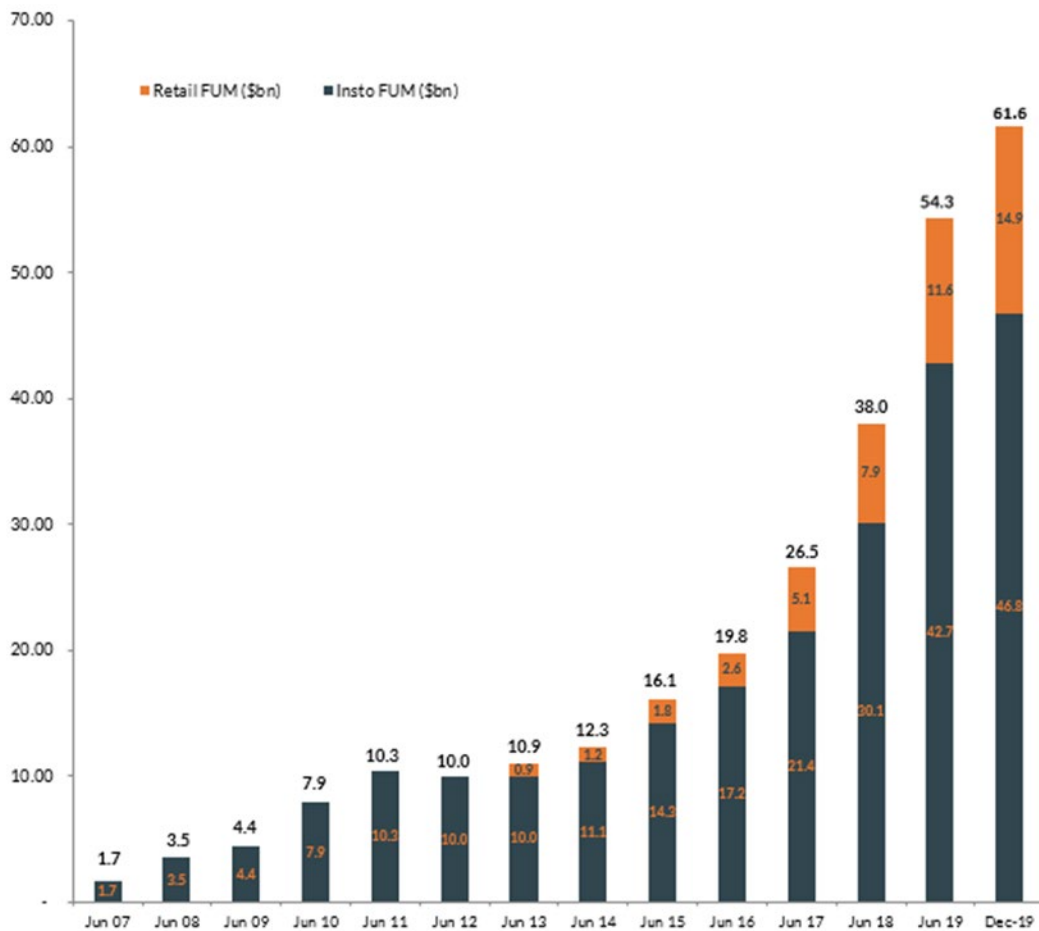
³ Includes mark-to-market and realized gains/losses on principal investments, net of hedging. These were total net losses of \$0.3 million in 1HFY20 (increases 'expenses'), compared with total net losses of \$1.1 million in 1HFY19 (increases 'expenses'). The increase in expenses excluding the impact of these losses is \$3.3 million, or 28.2%.

FUM Update

The FUM of PNI's 15 Affiliates as at 31 December 2019 was \$61.6 billion (includes \$3.0 billion 'acquired' in December 2019) reflecting an increase in FUM of \$7.3 billion or 13.4% during the six-month period ended 31 December 2019, comprising net fund inflows of \$2.0 billion, market movements/investment performance of \$2.3 billion and acquired FUM of \$3.0 billion.

Institutional net inflows of \$1.1 billion were lower than expected, but the institutional pipeline remains strong (pleasingly, from an increasingly diverse client set, by geography and client-type), and should support a higher rate of net inflows over the coming year or two (recognising that institutional flows are 'lumpy' and it is not possible to accurately predict them over any 12-month period).

Pinnacle Affiliates – FUM Growth¹



¹Includes \$6.8 billion 'acquired' in July 2018 and \$3.0 billion 'acquired' in December 2019. FUM shown is 100% of the FUM managed by Pinnacle Affiliates. Pinnacle holds significant minority stakes in each of its Affiliates and does not 'own' 100% of the FUM.

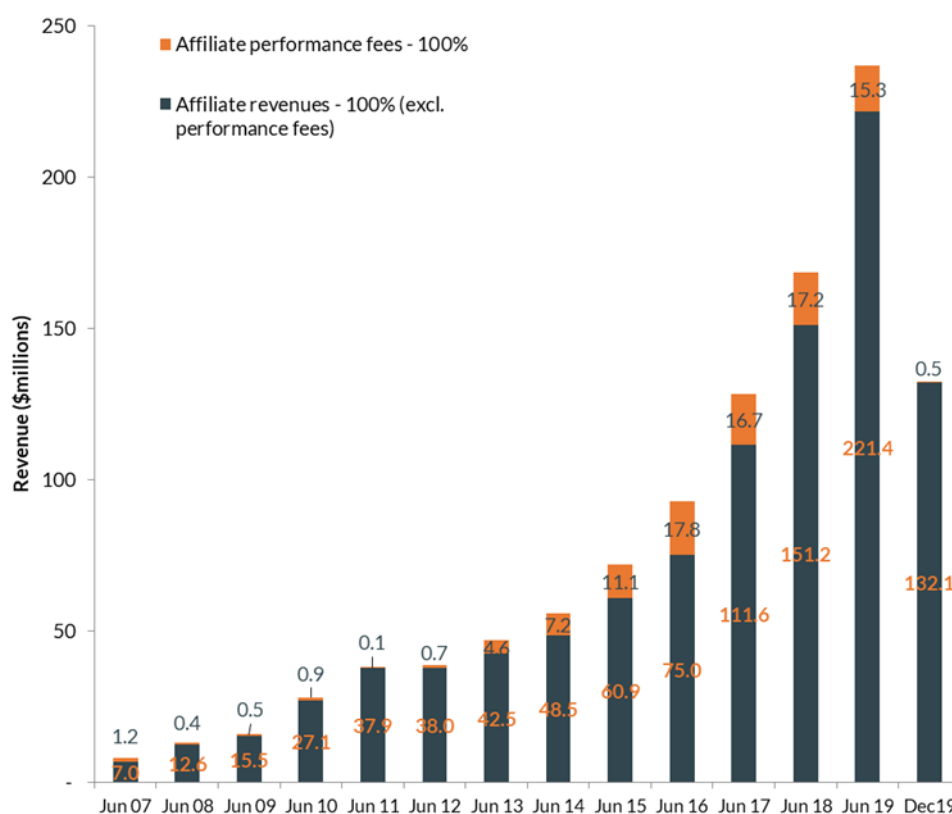
Retail FUM Update

Retail FUM stood at \$14.9 billion at 31 December 2019 (includes \$2.2 billion 'acquired' in December 2019), compared with \$11.6 billion at 30 June 2019. The \$3.3 billion growth for the six-month period to 31 December 2019 was attributable to \$0.9 billion net inflows (of which \$0.2 billion was in LICs/LITs), \$2.2 billion acquired and the remainder to market movements/investment performance.

Retail net inflows for the half-year ended 31 December 2019 were lower than for the PCP (\$1.4 billion, of which \$0.2 billion was LIC/LITs) and for H2 FY19 (\$1.5 billion, of which \$0.8 billion was LIC/LITs).

Pinnacle Affiliates – Revenue Growth¹

	1H2020 (\$M)	1H2019 (\$M)	Change
PINNACLE AFFILIATES (100% aggregate basis)			
FUM (\$billion)	61.6 ²	46.7 ²	31.9%
Revenue (\$million)	132.5	103.1	28.5%
Net profit before tax	65.0	52.3	24.3%
Tax expense	(19.4)	(14.6)	32.9%
Net profit after tax (NPAT)	48.1	37.8	27.2%
<i>Pinnacle share of Affiliates' NPAT</i>	<i>17.7</i>	<i>14.3</i>	<i>23.8%</i>



² Affiliate revenues are shown at 100% to indicate trend. Pinnacle owns significant minority stakes in each Affiliate and accounts for its share of Affiliates' NPAT.

Dividend

The Board has resolved to pay a fully franked interim dividend of 6.9 cents per share to shareholders recorded on the register on 6 March 2020 and payable on 20 March 2020, which represents a payout ratio of 90% of diluted EPS, consistent with the FY19 payout ratio.

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 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 previous dividends to the Pinnacle Charitable Foundation. While this has been a valuable exercise, a decision has been made to discontinue the program in favour of other initiatives, given a significant uplift in donations and the ongoing associated maintenance costs of this program.

1HFY20 results teleconference

Investors and analysts are invited to attend a teleconference on 6 February 2020 with Alan Watson (Chairman), Ian Macoun (Managing Director) and Adrian Whittingham (Executive Director), who will discuss the 1HFY20 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: Thursday, 6 February 2020

Time: 9.00 am (AEST)

If you would like to join via teleconference, please pre-register using the following participant registration link: <http://apac.directeventreg.com/registration/event/6555356>

Once registered, an email will be sent with a full list of participant dial in numbers as well as an unique registrant ID. This registrant ID is to be kept confidential and not shared with other participants.:

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

Yours faithfully

Calvin Kwok

Company Secretary

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