

Pinnacle BNY Mellon Global Infrastructure Yield Fund

ARSN 627 330 367

Interim report

For the half-year ended 31 December 2019

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This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made in respect of Pinnacle BNY Mellon Global Infrastructure Yield Fund during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

This interim report covers the Pinnacle BNY Mellon Global Infrastructure Yield Fund as an individual entity.

The Responsible Entity of the Pinnacle BNY Mellon Global Infrastructure Yield Fund is Pinnacle Fund Services Limited (ABN 29 082 494 362). The Responsible Entity's registered office is Level 19, 307 Queen Street, Brisbane, QLD 4000.

Directors' report

The directors of Pinnacle Fund Services Limited (ABN 29 082 494 362 AFSL No. 238371), the Responsible Entity of Pinnacle BNY Mellon Global Infrastructure Yield Fund ("the Fund"), present their report together with the financial statements of the Fund, for the half-year ended 31 December 2019.

Principal activities

The Fund is a registered managed investment scheme domiciled in Australia.

The Fund aims to outperform the S&P Global Infrastructure Index (Net) Unhedged over a full cycle of 5-7 years and to achieve a gross yield target of 6% per annum.

The Fund invests primarily in international listed equities, expected to be high yielding, issued by companies in infrastructure related sectors including telecom services, utilities, energy, industrials and materials. The Fund invests in companies that demonstrate high, sustainable dividend yields and dividend growth potential, solid business momentum at an attractive valuation, quality, stability and strong cash flows. The Fund aims to deliver better capital preservation characteristics than the index, with up-market capture strong enough to translate into compelling risk-adjusted returns. It seeks to execute on a rigorous risk-management process that strives to limit macro risk exposures to ensure the vast majority of performance is derived from stock-specific risk.

Two Trees Investment Management Pty Limited is the Investment Manager of the Fund.

The Fund did not have any employees during the period.

Directors

The following persons held office as directors of Pinnacle Fund Services Limited during the half-year or since the end of the half-year and up to the date of this report:

Mr I Macoun

Mr A Ihlenfeldt

Mr C Kwok

Mr T O'Callaghan (resigned 5 August 2019)

Mr A Whittingham (appointment 5 August 2019)

The Responsible Entity also has a Compliance Committee consisting of one non-independent person and three independent persons. The committee's role is to oversee the compliance requirements of the Fund operated by the Responsible Entity. The committee met four times during the financial period under review.

Review and results of operations

There have been no significant changes to the operations of the Fund since the previous financial period. The Fund continued to invest in accordance with its investment objective and investment strategy as set out in the offer documents of the Fund and in accordance with the provisions of the Fund's Constitution.

Directors' report (continued)

Review and results of operations (continued)

The performance of the Fund, as represented by the results of its operations, was as follows:

	Half-year ended	
	31 December 2019	Period from 1 August 2018 to 31 December 2018
Profit/(loss) for the half-year/period (\$'000)	936	(214)
Distributions - Class A		
Distributions paid and payable (\$'000)	551	61
Distribution (Cents per unit)	3.91	0.92

Significant changes in state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Fund that occurred during the financial half-year.

Matters subsequent to the end of the financial half-year

No matter or circumstance has arisen since 31 December 2019 that has significantly affected, or may significantly affect:

- (i) the operations of the Fund in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the state of affairs of the Fund in future financial years.

Likely developments and expected results of operations

The Fund will be managed in accordance with the investment objectives and guidelines as set out in the offer documents of the Fund and in accordance with the provisions of the Fund's Constitution.

The results of the Fund's operations will be affected by a number of factors, including the performance of investment markets in which the Fund invests. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

Further information on likely developments in the operations of the Fund and the expected results of those operations have not been included in this report because the Responsible Entity believes it would be likely to result in unreasonable prejudice to the Fund.

Indemnity and insurance of officers and auditors

No insurance premiums are paid for out of the assets of the Fund in regards to insurance cover provided to either the officers of Pinnacle Fund Services Limited or the auditors of the Fund. So long as the officers of Pinnacle Fund Services Limited act in accordance with the Fund's Constitution and the Law, the officers remain indemnified out of the assets of the Fund against losses incurred while acting on behalf of the Fund.

The auditors of the Fund are in no way indemnified out of the assets of the Fund.

Directors' report (continued)

Fees paid to and interests held in the Fund by the Responsible Entity or its associates

Fees paid to the Responsible Entity and its associates out of Fund property during the half-year are disclosed in note of the financial statements.

No fees were paid out of Fund property to the directors of the Responsible Entity during the half-year.

The number of interests in the Fund held by the Responsible Entity or its associates as at the end of the financial half-year are disclosed in note of the financial statements.

Interests in the Fund

The movement in units on issue in the Fund during the half-year is disclosed in note 6 of the financial statements.

The value of the Fund's assets and liabilities is disclosed in the Statement of financial position and derived using the basis set out in note of the financial statements.

Environmental regulation

The operations of the Fund are not subject to any particular or significant environmental regulations under Commonwealth, State or Territory law.

Rounding of amounts to the nearest thousand dollars

Amounts in the Directors' report have been rounded to the nearest thousand dollars in accordance with that *ASIC Corporations (Rounding in Financial Directors' Reports) Instrument 2016/191*, unless otherwise indicated.

Auditor's independence declaration

A copy of the Auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

This report is made in accordance with a resolution of the directors.



Director

Mr A Ihlenfeldt

Brisbane
11 March 2020



Auditor's Independence Declaration

As lead auditor for the review of Pinnacle BNY Mellon Global Infrastructure Fund for the half-year ended 31 December 2019, I declare that to the best of my knowledge and belief, there have been:

1. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'Ben Woodbridge', written in a cursive style.

Ben Woodbridge
Partner
PricewaterhouseCoopers

Brisbane
11 March 2020

Statement of comprehensive income

		Half-year ended	
		31 December 2019	Period from 1 August 2018 to 31 December 2018
	Notes	\$'000	\$'000
Investment income			
Dividend income		351	115
Net gains/(losses) on financial instruments at fair value through profit or loss	4	740	(246)
Net gains/(losses) on foreign exchange		(5)	(36)
Total net investment income		<u>1,086</u>	<u>(167)</u>
Expenses			
Management fees		80	24
Withholding taxes		70	23
Total operating expenses		<u>150</u>	<u>47</u>
Profit/(loss) for the half-year/period		<u>936</u>	<u>(214)</u>
Other comprehensive income		-	-
Total comprehensive income for the half-year/period		<u>936</u>	<u>(214)</u>

The above Statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

		As at	
	Notes	31 December 2019 \$'000	30 June 2019 \$'000
Assets			
Cash and cash equivalents		703	584
Receivables	7	84	50
Amounts due from broker		-	103
Financial assets at fair value through profit or loss	5	15,716	10,270
Total Assets		16,503	11,007
Liabilities			
Payables	8	28	18
Distributions payable		438	90
Amounts due to broker		164	155
Total Liabilities		630	263
Net assets attributable to unitholders - equity	6	15,873	10,744

The above Statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity

		Half-year ended	
		31 December 2019	Period from 1 August 2018 to 31 December 2018
	Notes	\$'000	\$'000
Total equity at the beginning of the half-year/period		10,744	-
Comprehensive income for the half-year/period			
Profit/(loss) for the half-year/period		<u>936</u>	<u>(214)</u>
Total comprehensive income for the half-year/period		<u>936</u>	<u>(214)</u>
Transactions with unitholders			
Applications	6	4,651	6,557
Units issued upon reinvestment of distributions		93	-
Distributions paid and payable		<u>(551)</u>	<u>(61)</u>
Total transactions with unitholders		<u>4,193</u>	<u>6,496</u>
Total equity at the end of the financial half-year/period		<u>15,873</u>	<u>6,282</u>

The above Statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

	Half-year ended	
	31 December 2019	Period from 1 August 2018 to 31 December 2018
	\$'000	\$'000
Cash flows from operating activities		
Proceeds from sale of financial instruments at fair value through profit or loss	5,376	807
Purchase of financial instruments at fair value through profit or loss	(9,970)	(7,193)
Net foreign exchange gain/(loss)	(4)	(36)
Dividend income received	253	65
Management fees paid	(76)	(20)
Net cash inflow/(outflow) from operating activities	(4,421)	(6,377)
Cash flows from financing activities		
Proceeds from applications by unitholders	4,651	6,557
Distributions paid	(110)	-
Net cash inflow/(outflow) from financing activities	4,541	6,557
Net increase/(decrease) in cash and cash equivalents	120	180
Cash and cash equivalents at the beginning of the half-year/period	584	-
Effects of foreign exchange rate changes on cash and cash equivalents	(1)	-
Cash and cash equivalents at the end of the half-year/period	703	180
 Non-cash financing activities	 93	 -

The above Statement of cash flows should be read in conjunction with the accompanying notes.

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1 General information

These interim financial statements cover Pinnacle BNY Mellon Global Infrastructure Yield Fund (the “Fund”) as an individual entity. The Fund was constituted on 21 June 2018, registered by the Australian Securities and Investments Commission (ASIC) as a managed Investment Scheme on 21 June 2018 and commenced operations on 1 August 2018.

The Responsible Entity of the Fund is Pinnacle Fund Services Limited (the “Responsible Entity”). The Responsible Entity’s registered office is Level 19, 307 Queen Street, Brisbane, QLD 4000. The interim financial statements are presented in the Australian currency.

State Street Bank and Trust Company is the custodian of the Fund.

The interim financial statements were authorised for issue by the directors on the date the Director’s declaration was signed. The directors of the Responsible Entity have the power to amend and reissue the interim financial statements.

2 Basis of preparation

These interim financial statements have been prepared in accordance with Australian Accounting Standards AASB 134 *interim Financial Reporting and the Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 *interim Financial Reporting*.

These interim financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these interim financial statements are to be read in conjunction with the annual financial statements for the year ended 30 June 2019 and any public announcements made in respect of the Fund during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Significant accounting policies

The accounting policies in these interim financial statements are the same as those applied in the Fund’s financial statements for the year ended 30 June 2019.

(b) Comparative revisions

Comparative information has been revised where appropriate to enhance comparability. Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period.

3 Fair value measurement

The Fund measures and recognises financial assets and liabilities at fair value through profit or loss on a recurring basis.

The Fund has no assets or liabilities measured at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) Fair value in an active market

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Fund values its investments in accordance with the accounting policies set out in Note 2 to the annual report for the year ended 31 December 2019. For the majority of its investments, the Fund relies on information provided by independent pricing services for the valuation of its investments.

3 Fair value measurement (continued)

(i) Fair value in an active market (continued)

The quoted market prices used for both financial assets and financial liabilities were last traded prices.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Valuation techniques used to derive level 2 and level 3 fair value

The fair value of financial assets and liabilities that are not exchange-traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Fund would receive or pay to terminate the contract at the end of the reporting period taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions. The output of a model is always an estimate or approximation of a value that cannot be determined with certainty and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

Recognised fair value measurements

The following table presents the Fund's assets and liabilities measured and recognised at fair value as at 31 December 2019 and 30 June 2019.

As at 31 December 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Derivatives*	-	-	-	-
Equity securities	13,904	-	-	13,904
Unit trusts	1,812	-	-	1,812
Total	<u>15,716</u>	<u>-</u>	<u>-</u>	<u>15,716</u>

3 Fair value measurement (continued)

Recognised fair value measurements (continued)

As at 30 June 2019	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets at fair value through profit or loss				
Derivatives*	-	-	-	-
Equity securities	9,242	-	-	9,242
Unit trusts	1,028	-	-	1,028
Total	<u>10,270</u>	<u>-</u>	<u>-</u>	<u>10,270</u>

* Due to the financial presentation rounded to thousand, the market value of \$131 (30 June 2019: \$8) related to foreign currency contracts are not disclosed in the table.

(i) Transfers between levels

There have been no transfer between levels for the half-year ended 31 December 2019.

(ii) Valuation processes

Portfolio reviews are undertaken regularly by management to identify securities that potentially may not be actively traded or have stale security pricing. This process identifies securities which possibly could be regarded as being level 3 securities.

Further analysis, should it be required, is undertaken to determine the accounting significance of the identification. For certain security types, in selecting the most appropriate valuation model, management performs back testing and considers actual market transactions. Changes in allocation to or from level 3 are analysed at the end of each reporting period.

(iii) Financial instruments not measured at fair value

The Fund did not hold any financial instruments which were not measured at fair value in the Statement of financial position. Due to their short-term nature, the carrying amounts of receivables and payables are assumed to approximate their fair value.

4 Net gains/(losses) on financial instruments at fair value through profit or loss

Net gains/(losses) recognised in relation to financial assets and financial liabilities at fair value through profit or loss:

	31 December 2019 \$'000	Period from 1 August 2018 to 31 December 2018 \$'000
Financial assets		
Net realised gain/(loss) on financial assets at fair value through profit or loss	545	15
Net unrealised gain/(loss) on financial assets at fair value through profit or loss	<u>197</u>	<u>(260)</u>
Total financial assets at fair value through profit or loss	<u>742</u>	<u>(245)</u>
Financial liabilities		
Net realised gain/(loss) on financial liabilities at fair value through profit or loss	<u>(2)</u>	<u>(1)</u>
Total financial liability at fair value through profit or loss	<u>(2)</u>	<u>(1)</u>
Total net gains/(losses) on financial instruments at fair value through profit or loss	<u>740</u>	<u>(246)</u>

5 Financial assets at fair value through profit or loss

	As at	
	31 December 2019 \$'000	30 June 2019 \$'000
Financial assets at fair value through profit or loss		
Equity securities	13,904	9,242
Unit trusts	<u>1,812</u>	<u>1,028</u>
Total financial assets at fair value through profit or loss	<u>15,716</u>	<u>10,270</u>

6 Net assets attributable to unitholders

Movements in the number of units and net assets attributable to unitholders during the half-year were as follows:

	31 December 2019 No.'000	31 December 2019 \$'000	Half-year ended	
			Period from 1 August 2018 to 31 December 2018 No.'000	Period from 1 August 2018 to 31 December 2018 \$'000
Class A				
Opening balance	10,301	10,744	-	-
Applications	4,209	4,651	6,587	6,557
Units issued upon reinvestment of distributions	85	93	-	-
Distributions paid and payable	-	(551)	-	(61)
Profit/(loss) for the half-year/period	-	936	-	(214)
Closing balance	<u>14,595</u>	<u>15,873</u>	<u>6,587</u>	<u>6,282</u>
Total net assets attributable to unitholders - equity	<u>14,595</u>	<u>15,873</u>	<u>6,587</u>	<u>6,282</u>

As stipulated within the Fund's Constitution, each unit represents a right to an individual share in the Fund and does not extend to a right to the underlying assets of the Fund.

There are three separate classes of units. Each unit within the same class has the same rights as all other units within that class. Except for different management fee rates, the three different classes have the same preferences and restrictions. Refer to note for the applicable management fee rates.

Capital risk management

The Fund considers its net assets attributable to unitholders as capital. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily applications and redemptions at the discretion of unitholders.

The Fund monitors the level of daily applications and redemptions relative to the liquid assets in the Fund. The Fund's strategy was to hold a certain portion of the net assets attributable to unitholders in liquid investments. Liquid assets include cash and cash equivalents and listed equities. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units, if the exercise of such discretion is in the best interests of unitholders.

Daily applications and redemptions are reviewed relative to the liquidity of the Fund's underlying assets on a daily basis by the Responsible Entity. Under the terms of the Fund's Constitution, the Responsible Entity has the discretion to reject an application for units and to defer or adjust a redemption of units if the exercise of such discretion is in the best interests of unitholders.

7 Receivables

	As at	
	31 December 2019 \$'000	30 June 2019 \$'000
Dividends receivable	80	48
Other receivables	4	2
Total receivables	84	50

8 Payables

	As at	
	31 December 2019 \$'000	30 June 2019 \$'000
Withholding tax payable	12	8
Responsible Entity's fees and Management fees payable	16	10
Total payables	28	18

9 Events occurring after the reporting period

No significant events have occurred since the end of the reporting period which would impact on the financial position of the Fund as disclosed in the statement of financial position as at 31 December 2019 or on the results and cash flows of the Fund for the half-year ended on that date.

10 Contingent assets and liabilities and commitments

There are no outstanding contingent assets, liabilities or commitments as at 31 December 2019 and 30 June 2019.

Directors' declaration

In the opinion of the directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 6 to 16 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements;
 - (ii) giving a true and fair view of the Fund's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- (b) there are reasonable grounds to believe that the Fund will be able to pay its debts as and when they become due and payable; and

This declaration is made in accordance with a resolution of the directors.



Director

Mr A Ihlenfeldt

Brisbane
11 March 2020



Independent auditor's review report to the unitholders of Pinnacle BNY Mellon Global Infrastructure Yield Fund

Report on the half-year financial report

We have reviewed the accompanying half-year financial report of Pinnacle BNY Mellon Global Infrastructure Yield Fund (the Registered Scheme) which comprises the statement of financial position as at 31 December 2019, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, selected other explanatory notes and the directors of the Responsible Entity's declaration.

Directors of the Responsible Entity's responsibility for the half-year financial report

The directors of the Responsible Entity of the Registered Scheme are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Registered Scheme's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pinnacle BNY Mellon Global Infrastructure Yield Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pinnacle BNY Mellon Global Infrastructure Yield Fund is not in accordance with the *Corporations Act 2001* including:

1. giving a true and fair view of the Registered Scheme's financial position as at 31 December 2019 and of its performance for the half-year ended on that date;
2. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'Ben Woodbridge'.

Ben Woodbridge
Partner

Brisbane
11 March 2020