



22 May 2020

By Electronic Lodgement

Market Announcements Office  
ASX Ltd  
20 Bridge Street  
SYDNEY NSW 2000

Dear Sir/Madam

## Rapid Insights Presentation

Pinnacle Investment Management Group Limited is pleased to attach a copy of a presentation that will be given to investors and analysts at the Rapid Insights conference to be hosted by Wilsons Advisory on 28 May 2020.

Authorised by:

Calvin Kwok  
**Company Secretary**



PINNACLE INVESTMENT MANAGEMENT GROUP LIMITED

Wilsons Rapid Insights Conference

28<sup>th</sup> May, 2020

Ian Macoun – CEO/Managing Director

Andrew Chambers – Executive Director

Adrian Whittingham – Executive Director



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# Agenda

- Latest Update
  - Impact of COVID-19 Crisis on Profitability
  - Our Response to the COVID-19 Crisis
  - Investment Performance
- Pinnacle will continue to grow
  - Three Horizons of Growth
  - Focus on managing the business so as to maximise profits and Company value over the medium term
  - Recap on Horizon 3 Criteria – What could we acquire?
  - Future Growth – Measured
  - Enhancing the platform - strength, stability and reputation
- Introduction to Pinnacle
  - Diversity of Asset Classes under management
  - Affiliate Diversity
  - Client Diversity
  - Affiliate FUM growth
- Business Model
  - Pinnacle business philosophy and approach
  - Pinnacle differentiation
- Additional Information
  - Progress since 2016 listing
  - FUM by Affiliate Table
  - 1HFY20 Results Presentation
  - Affiliate Summaries

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Latest Update

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- Impact of the COVID-19 crisis on the market value of FUM has been swift and large
- Total Affiliate FUM (at 100%) at 30 April 2020 of \$54.9 billion, compared with \$61.6 billion at 31 December 2019 and \$54.3 billion at 30 June 2019
- For the four months from 31 December 2019 to 30 April 2020:
  - S&P/ASX 300 index down 17.5% (up 0.8% from 30 April 2020 to 19 May 2020)
  - MSCI World Index down 13.5% (up 0.4% from 30 April 2020 to 19 May 2020)
  - Total Affiliate FUM down 10.9%
- Net flows small for us during this period – retail challenging in aggregate but we have avoided large net outflows; institutional situation is complex - we have had much of our pipeline deferred but, again, net flows have been modest
- Affiliate fees based on lower FUM. No LIC or LIT growth during H2 FY20 (MXT raise cancelled due to exceptional market conditions). 'Performance' based distribution fee revenue restrained. Palisade performance fees unlikely to meet earlier expectations
- Traditionally, Pinnacle's profits have had a 'skew' towards the second half. Such a skew is no longer anticipated in the current financial year, due to the impact of the COVID-19 crisis. The current consensus forecast of FY20 NPAT is \$26.6 million (H1FY20 NPAT was \$13.8 million)

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- Largely 'business as usual' except working from home (moved early) and no travel
- We have paid close attention to health and well-being of our people. Minimal direct health impacts; ensured extensive contact particularly within teams, very regular 'catch-ups'/communications using appropriate technology
- Extensive interactions with clients and their advisors (need us more than ever)
- Our approach: work very hard (especially with clients and prospects) during the crisis period; and continue the 'growth' work to ensure we come out stronger than ever, ready to resume strong growth
- Attention to costs 'at the margins' but in the circumstances prevailing to date we have made no job cuts to people already employed
- Affiliates' investment performance has largely delivered to expectations or better
- We recently recruited two senior and very experienced distribution executives – one in the US, with a focus on the Americas; one focused on Japan
- New Global Emerging Markets manager launched in March 2020, based in the UK

## Introducing Aikya – Global Emerging Market Equities

- Global Emerging Market Equity affiliate based in London, United Kingdom. 32.5% owned by Pinnacle, 67.5% by team members.
- 7 investment professionals with 80+ years collective experience investing in Emerging Market Equities, led by:
  - Ashish Swarup, former lead portfolio manager at Stewart Investors, London, for several Emerging Market and Asia-Pacific strategies and, prior to 2015, lead Portfolio Manager at Fidelity Institutional Asset Management ("Fidelity") for the Fidelity Emerging Markets All Cap Fund
  - Rahul Desai, former lead portfolio manager at Fidelity, London, for the Fidelity Emerging Markets All Cap Fund and, prior to that, Assistant Portfolio Manager to Mr Swarup
  - Tom Allen, former co-Manager at Stewart Investors with Mr Swarup
  - Alan Nesbit, former Deputy Head of Global Emerging Markets, at Stewart Investors
- Ashish and Rahul previously responsible for stewardship of US\$9bn+ in Emerging Market and Asian equities, on behalf of clients of Stewart Investors and Fidelity respectively
- Distinct, enduring investment philosophy and style
  - High quality companies
  - Long term sustainable growth
  - Absolute-return mindset
  - High conviction, concentrated portfolio
  - Downside risk protection
  - Stewardship and sustainability
- Australian Unit Trust seeded in March 2020
- UCITS fund forthcoming

- Very few Australian institutional investors took advantage of the pronounced equity market sell off in March
- Limited change so far in consultant or investor strategic asset allocation or dynamic asset allocation given the speed of the market fall and retracement
- Speed and magnitude of the market collapse associated with the COVID-19 pandemic caught asset owners off guard and precipitated a series of events that dramatically drove up short-term liquidity needs:
  - FX hedging losses
  - Member switching from balanced to cash options
  - Denominator effect (private market asset revaluation slower to respond than public markets)
  - COVID-19 early release of super
- COVID-19 has exposed the illiquidity risk associated with high private markets exposures within public offer, member-choice, defined contribution schemes
- COVID-19 crisis has delayed decision making on new manager appointments and impacted portfolio rebalancing but there are early signs of ‘work adaptation’ and normalisation
  - ‘Liquidity provisioning’ has elevated institutional cash levels and stalled any rebalancing into risk assets
  - Social distancing has restricted the ability of investors and consultants to conduct in-person meetings or on-site manager due diligence, however, there are emerging signs of ‘virtual due diligence’ taking place

# Continuing strong investment performance of Affiliates

94% 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 April 2020

Pinnacle Investment Management	5Y (pa)	10Y (pa)	Inception (pa)	Inception date
<b>Hyperion Asset Management - Gross Performance</b>				
Hyperion Australian Growth Companies Fund	9.51%	9.99%	12.25%	1/10/2002
<i>Outperformance</i>	6.01%	4.14%	4.14%	
Hyperion Small Growth Companies Fund	10.90%	14.46%	16.84%	1/10/2002
<i>Outperformance</i>	5.96%	12.00%	10.65%	
Hyperion Australian Equities Composite	9.56%	10.05%	13.25%	1/11/1996
<i>Outperformance</i>	6.05%	4.19%	5.06%	
Hyperion Global Growth Companies Fund (Class B Units)	21.21%		22.27%	22/05/2014
<i>Outperformance</i>	11.68%		10.16%	
<b>Plato Investment Management - Gross Performance</b>				
Plato Australian Shares Core Fund	3.47%	6.95%	5.38%	30/10/2006
<i>Outperformance</i>	-0.04%	1.10%	0.81%	
Plato Australian Shares Equity Income Fund - Class A	5.78%		11.25%	9/09/2011
<i>Outperformance</i>	0.77%		1.79%	
<b>Solaris Investment Management - Gross Performance</b>				
Solaris Core Australian Equity Fund	4.84%	7.11%	5.48%	9/01/2008
<i>Outperformance</i>	1.38%	1.16%	1.77%	
Solaris High Alpha Australian Equity Fund	5.11%	7.25%	6.15%	4/02/2008
<i>Outperformance</i>	1.66%	1.30%	2.11%	
Solaris Total Return Fund (including franking credits)	6.52%		8.23%	13/01/2014
<i>Outperformance</i>	1.51%		1.50%	
<b>Resolution Capital - Gross Performance</b>				
Resolution Capital Real Assets Fund	6.91%	10.45%	7.56%	30/09/2008
<i>Outperformance</i>	3.63%	2.27%	3.20%	
Resolution Capital Global Property Securities Fund	4.69%	10.73%	9.96%	30/09/2008
<i>Outperformance</i>	4.50%	3.37%	3.20%	
<b>Palisade Investment Partners - Gross Performance</b>				
Palisade Diversified Infrastructure Fund	11.81%	12.22%	10.36%	1/08/2008
Palisade Australian Social Infrastructure Fund	12.80%		15.03%	31/05/2011
<b>Omega Global Investors - Gross Performance</b>				
Omega Global Corp Bonds Fund	2.92%	6.25%	6.37%	11/03/2010
<i>Outperformance</i>	0.05%	-0.53%	-0.55%	
Omega Global Listed Infrastructure Fund	5.23%		10.01%	3/08/2012
<i>Outperformance</i>	0.23%		0.62%	
<b>Metrics Credit Partners - Gross Performance</b>				
DASLF	4.92%		5.30%	4/06/2013
<i>Outperformance</i>	3.42%		3.53%	
<b>Coolabah Capital Investments - Gross Performance</b>				
Smarter Money (Active Cash) Fund Assisted	3.24%		4.43%	28/02/2012
<i>Outperformance</i>	1.76%		2.41%	
Smarter Money Higher Income Fund Assisted	3.77%		3.98%	31/08/2014
<i>Outperformance</i>	2.29%		2.40%	

The investment returns for each fund or strategy shown are for information purposes only. Unless otherwise stated, the investment returns have been calculated for the relevant period in AUD (with distributions reinvested) and are gross of applicable fees, costs and taxes. Past performance is not indicative of future performance. The one strategy that has underperformed its benchmark was not under Pinnacle ownership for most of the five-year period.

# Affiliates' investment performance – 30 April 2020

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	1Y	3Y (pa)	5Y (pa)	10Y (pa)	Inception (pa)	Inception date
<b>Pinnacle Investment Management</b>						
<b>Hyperion Asset Management - Gross Performance</b>						
Hyperion Australian Growth Companies Fund	10.17%	10.06%	9.51%	9.99%	12.25%	1/10/2002
<i>Outperformance</i>	19.22%	8.08%	6.01%	4.14%	4.14%	
Hyperion Small Growth Companies Fund	3.64%	10.53%	10.90%	14.46%	16.84%	1/10/2002
<i>Outperformance</i>	16.94%	7.28%	5.96%	12.00%	10.65%	
Hyperion Australian Equities Composite	9.74%	10.30%	9.56%	10.05%	13.25%	1/11/1996
<i>Outperformance</i>	18.80%	8.32%	6.05%	4.19%	5.06%	
Hyperion Global Growth Companies Fund (Class B Units)	14.14%	24.60%	21.21%		22.27%	22/05/2014
<i>Outperformance</i>	10.35%	14.23%	11.68%		10.16%	
<b>Plato Investment Management - Gross Performance</b>						
Plato Australian Shares Core Fund	-10.16%	2.01%	3.47%	6.95%	5.38%	30/10/2006
<i>Outperformance</i>	-1.10%	0.03%	-0.04%	1.10%	0.81%	
Plato Australian Shares Equity Income Fund - Class A	-7.37%	4.10%	5.78%		11.25%	9/09/2011
<i>Outperformance</i>	0.44%	0.66%	0.77%		1.79%	
Plato Global Shares Income Fund	-12.33%	0.93%			2.68%	30/11/2015
<i>Outperformance</i>	-15.83%	-9.02%			-6.34%	
<b>Solaris Investment Management - Gross Performance</b>						
Solaris Core Australian Equity Fund	-11.08%	2.53%	4.84%	7.11%	5.48%	9/01/2008
<i>Outperformance</i>	-2.01%	0.61%	1.38%	1.16%	1.77%	
Solaris High Alpha Australian Equity Fund	-11.23%	2.64%	5.11%	7.25%	6.15%	4/02/2008
<i>Outperformance</i>	-2.16%	0.72%	1.66%	1.30%	2.11%	
Solaris Total Return Fund (including franking credits)	-9.86%	4.31%	6.52%		8.23%	13/01/2014
<i>Outperformance</i>	-2.05%	0.87%	1.51%		1.50%	
Solaris Australian Equity Long Short Fund	-13.22%	6.03%			7.96%	1/03/2017
<i>Outperformance</i>	-4.16%	4.11%			4.75%	
Solaris Australian Equity Income Fund	-7.71%	4.62%			6.73%	12/12/2016
<i>Outperformance</i>	0.11%	1.18%			1.15%	
<b>Resolution Capital - Gross Performance</b>						
Resolution Capital Real Assets Fund	-11.52%	2.24%	6.91%	10.45%	7.56%	30/09/2008
<i>Outperformance</i>	8.58%	3.67%	3.63%	2.27%	3.20%	
Resolution Capital Global Property Securities Fund	-8.81%	3.38%	4.69%	10.73%	9.96%	30/09/2008
<i>Outperformance</i>	10.17%	5.68%	4.50%	3.37%	3.20%	
<b>Palisade Investment Partners - Gross Performance</b>						
Palisade Diversified Infrastructure Fund	6.76%	9.89%	11.81%	12.22%	10.36%	1/08/2008
Palisade Australian Social Infrastructure Fund	12.65%	11.99%	12.80%		15.03%	31/05/2011
<b>Antipodes Partners - Gross Performance</b>						
Global Fund	-1.08%	6.06%			9.53%	1/07/2015
<i>Outperformance</i>	-3.26%	-3.14%			0.92%	
Global Long Only	-4.44%	6.05%			8.49%	1/07/2015
<i>Outperformance</i>	-6.61%	-3.14%			-0.12%	
Asia Fund	0.13%	6.14%			7.52%	1/07/2015
<i>Outperformance</i>	0.63%	-1.80%			0.96%	
<b>Spheria Asset Management - Gross Performance</b>						
Microcap Fund	-20.50%	-1.60%			3.40%	16/05/2016
<i>Outperformance</i>	-7.20%	-4.80%			-0.90%	
Smaller Companies Fund	-19.80%	3.80%			4.00%	11/07/2016
<i>Outperformance</i>	-6.50%	0.60%			1.00%	
Opportunities Fund	-14.70%	5.20%			5.70%	11/07/2016
<i>Outperformance</i>	-3.80%	2.20%			1.10%	
Global Microcap Fund	10.46%				14.53%	1/03/2019
<i>Outperformance</i>	21.34%				22.59%	

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# Affiliates' investment performance – 30 April 2020

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Pinnacle Investment Management	1Y	3Y (pa)	5Y (pa)	10Y (pa)	Inception (pa)	Inception date
<b>Two Trees Investment Management - Gross Performance</b>						
Global Macro Fund	-12.48%				-4.50%	1/11/2017
<i>Outperformance</i>	-13.59%				-6.09%	
<b>Firetrail Investments - Gross Performance</b>						
High Conviction Fund	-12.04%				-4.31%	14/03/2018
<i>Outperformance</i>	-2.97%				-4.91%	
Absolute Return Fund	7.27%				3.13%	14/03/2018
<i>Outperformance</i>	6.41%				1.93%	
<b>Omega Global Investors - Gross Performance</b>						
Omega Global Corp Bonds Fund	6.93%	2.66%	2.92%	6.25%	6.37%	11/03/2010
<i>Outperformance</i>	1.23%	0.09%	0.05%	-0.53%	-0.55%	
Omega Global Listed Infrastructure Fund	-4.87%	2.25%	5.23%		10.01%	3/08/2012
<i>Outperformance</i>	0.49%	-0.03%	0.23%		0.62%	
<b>Metrics Credit Partners - Gross Performance</b>						
DASLF	4.84%	5.08%	4.92%		5.30%	4/06/2013
<i>Outperformance</i>	3.99%	3.79%	3.42%		3.53%	
SPDF	8.43%	8.50%			8.29%	26/11/2015
<i>Outperformance</i>	7.58%	7.21%			6.83%	
SPDF II	7.89%				8.93%	9/10/2017
<i>Outperformance</i>	7.03%				7.68%	
REDF	8.86%				8.83%	9/10/2017
<i>Outperformance</i>	8.00%				7.58%	
WIT	6.24%				6.51%	9/10/2017
<i>Outperformance</i>	5.38%				5.25%	
CT - <i>net performance only</i>	11.81%				11.45%	26/12/2018
<i>Outperformance</i>	10.96%				10.43%	
MXT - <i>net performance only</i>	5.23%				5.44%	5/10/2017
<i>Outperformance</i>	4.37%				4.18%	
MOT - <i>net performance only</i>					7.31%	23/04/2019
<i>Outperformance</i>					6.40%	
<b>Longwave Capital Partners - Gross Performance</b>						
Longwave Australian Small Companies Fund	-12.50%				-1.20%	1/02/2019
<i>Outperformance</i>	0.08%				1.60%	
<b>Reminiscent Capital - Gross Performance</b>						
Curve Global Macro Fund	18.03%				15.47%	1/02/2019
<i>Outperformance</i>	17.13%				14.38%	
<b>Coolabah Capital Investments - Gross Performance</b>						
Smarter Money (Active Cash) Fund Assisted	1.62%	2.74%	3.24%		4.43%	28/02/2012
<i>Outperformance</i>	0.77%	1.46%	1.76%		2.41%	
Smarter Money Higher Income Fund Assisted	2.50%	3.24%	3.77%		3.98%	31/08/2014
<i>Outperformance</i>	1.64%	1.96%	2.29%		2.40%	
Smarter Money Long Short Credit Fund Assisted	2.82%				4.93%	31/08/2017
<i>Outperformance</i>	1.97%				3.68%	
Coolabah Active Composite Bond Strategy	7.82%	6.77%			6.94%	31/03/2017
<i>Outperformance</i>	1.40%	1.31%			1.65%	
Coolabah Long Short Active Credit Alpha Strategy	4.31%	6.11%			6.09%	28/02/2017
<i>Outperformance</i>	3.46%	4.83%			4.80%	
HBRD	2.21%				3.89%	30/11/2017
<i>Outperformance</i>	-0.23%				-0.41%	

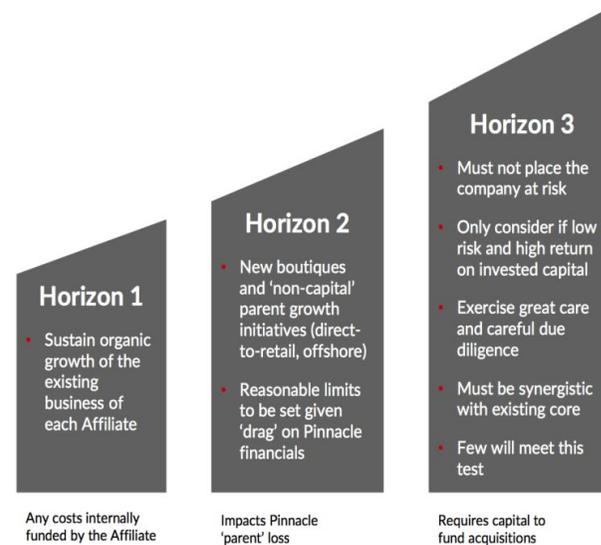
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Pinnacle will continue to grow, 'post-crisis'

# Three Horizons of Growth

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- Continue to build Pinnacle by taking a measured approach to growth
  - Support the 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



Focus on managing the business so as to maximise profits and Company value over the medium term



- How does 'Horizon 2' add value in the Medium Term?
  - Investment in growth initiatives that don't require additional capital to be raised
  - Reasonable limits to be set given short-term 'drag' on Pinnacle parent P&L. Ability to leverage managers' skill and brands through extension strategies
  - In addition to growing Affiliate revenue and profits, also creates additional revenue streams for 'Pinnacle parent' through distribution, marketing and operations revenue
- This results in:
  - Adding new boutiques
  - Geographic expansion of distribution platform (e.g. offshore, regional areas)
  - Establishing new 'platforms' that can be leveraged by our boutiques (e.g. UCITS, Cayman)

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## Recap on Horizon 3 Criteria – What could we acquire?

- Criteria
  - Must not place the Company at risk
  - Only consider if low risk and high return on capital
  - Exercise great care and careful due diligence
  - Must be synergistic with existing core
  - Few will meet this test
- Status
  - Metrics and Omega acquisitions in July 2018
  - CCI acquisition in December 2019
  - We will continue to explore opportunities such as:
    - existing profitable investment management firms that we could help
    - Distribution/retail/fund infrastructure businesses that may be synergistic

## Future Growth

- Investment in distribution platform
  - Grow ahead of our Affiliates
  - Listen to clients and move quickly to meet their evolving needs
  - Do not become the market – be ahead of it
- Investment in new affiliates adds diversification
  - Global equities (developed & emerging markets)
  - Fixed income
  - Private capital (debt & equity)
  - Absolute return (single & multi-asset)
- Result: corporate stability, and meeting clients' evolving needs

## Enhancing the platform – strength, stability and reputation

- Stable and diversified platform
  - Continuing investment excellence
  - Widespread industry recognition and support
  - ‘Article of faith’ reputation
- Further investment in distribution capability
  - Retail
  - International
- Proven ability to build high quality investment managers, and facilitate substantial success, quickly
- Expanding distribution capability, at high quality
- Critical to maintain highest standards of service and support to Pinnacle Affiliates
- Strong and flexible balance sheet

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# Introduction to Pinnacle

## • What we do

- A 'pure play' investment management firm providing affiliated investment managers with high quality distribution, infrastructure and other support services so their investment professionals can focus on investment excellence
- Founded in 2006 (became listed in 2016), Pinnacle currently holds an equity interest in 16 specialist investment managers
- Pinnacle's affiliated investment managers have delivered sustained, long term outperformance over their benchmarks
- Highly regarded Distribution teams, strong in the Australian retail, Australian institutional, and (increasingly) offshore institutional and wholesale markets
- Pinnacle was recognised as the Zenith Distributor of the Year for 2019 (the fourth consecutive year)
- Added to the S&P/ ASX 200 index in March 2019

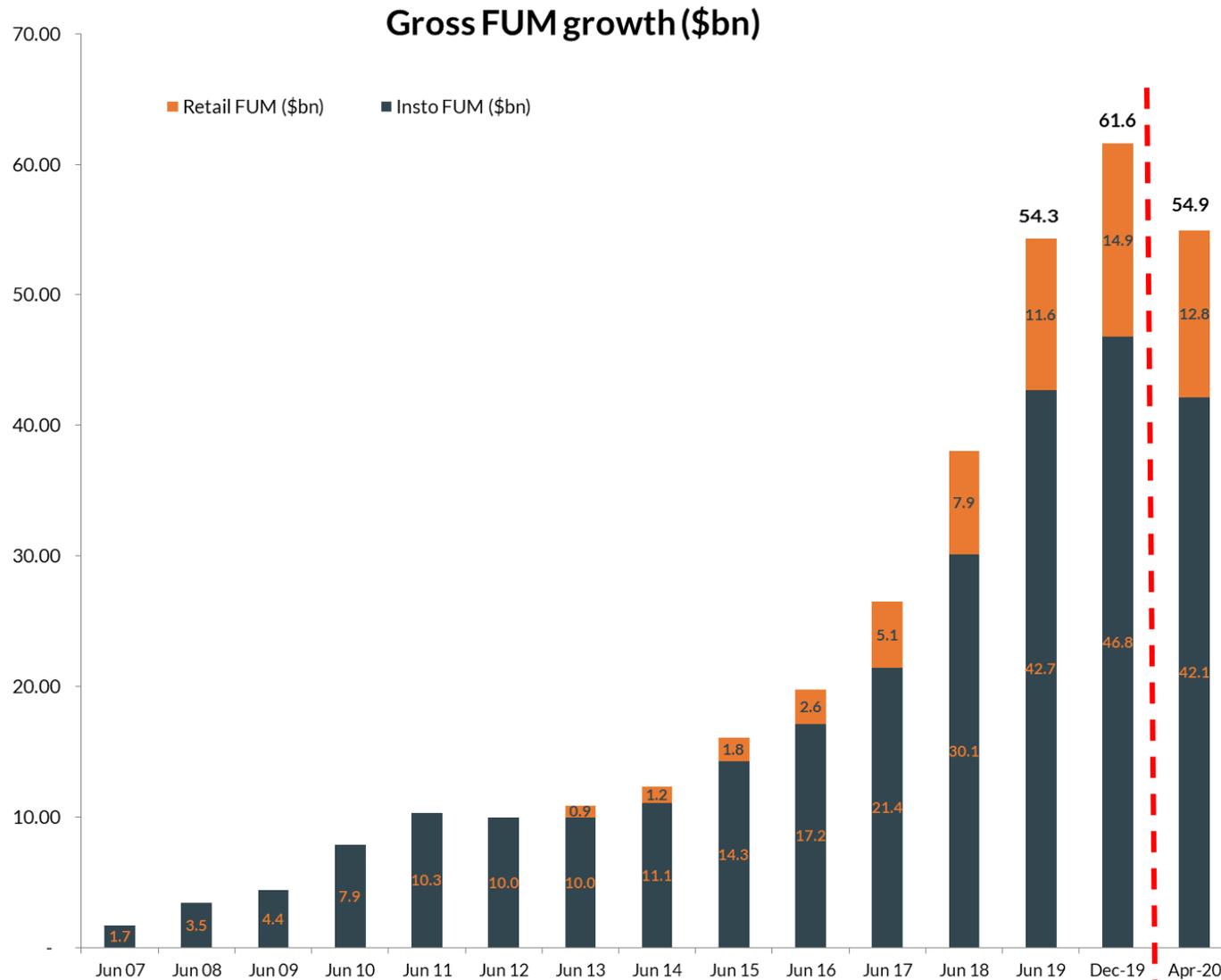
## • How we generate our profits

- Our share of Affiliates' profits – equity accounted (1HFY20 NPAT – our share \$17.7m of \$48.1m total)
- 'Parent' revenues for our services, offset by costs of provision and 'Horizon 2' investment for future growth

## • We Have Grown Strongly (until the COVID-19 Crisis hit) and Plan to Continue Such Growth

- Sources of future growth (3 Horizons)
- Aggregate Affiliates' FUM at 31 December 2019 (at 100%) \$61.6 billion; up \$7.3 billion or 13% from \$54.3 billion at 30 June 2019
- BUT, aggregate Affiliates' FUM at 30 April 2020 (at 100%) \$54.9 billion (down \$6.7 billion or 11% from December), following the sharp market downturn as a result of COVID-19
- See various Research Reports for information relating to expected future growth beyond FY21

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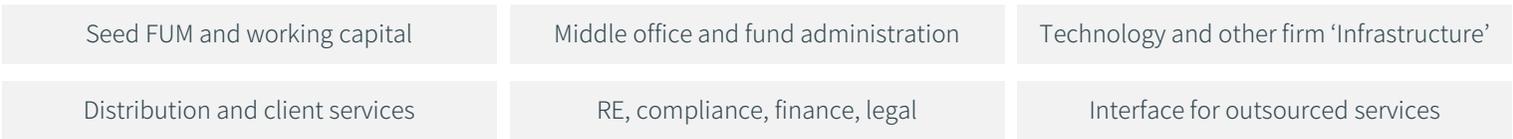
<sup>1</sup>Includes \$6.8 billion 'acquired' in July 2018 and \$3.0 billion 'acquired' in December 2019. FUM shown is 100% of the FUM managed by Pinnacle Affiliates. Pinnacle holds significant minority stakes in each of its Affiliates and does not 'own' 100% of the FUM.

<sup>2</sup>S&P/ASX 300 index down 17.5% (up 0.8% from 30 April 2020 to 19 May 2020); MSCI World Index down 13.5% (up 0.4% from 30 April 2020 to 19 May 2020)

CONTINUING TO INVEST IN A DIVERSIFIED PLATFORM TO STRENGTHEN FUTURE GROWTH



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



**Firetrail INVESTMENTS**

**23.5% (5)**

\$4.7bn  
High Conviction & L/S Australian  
2018

**Australian Equities**

---

**SOLARIS investment management**

**40.0%**

\$9.5bn  
Core & L/S Australian equities 2008

**Australian Equities**

**HYPERION ASSET MANAGEMENT**

**49.9%**

\$7.5bn  
Global & Australian Growth equities 1998

**Australian & Global Equities**

---

**Plato**

**42.7%**

\$5.8bn  
Global & Australian Systematic equities 2006

**Australian & Global Equities**

**Antipodes**

**23.5%**

\$9.0bn  
Global L/S & long only Equities 2015

**Global & Asian Equities**

**spheria**

**40.0%**

\$1.5bn  
Global & Australian equities 2016

**Australian & Global Equities**

**LONGWAVE CAPITAL**

**40.0% (5)**

\$0bn  
Quantamental equities /Multi-Asset 2018

**Australian Equities**

**Omega GLOBAL INVESTORS**

**43.0% (5)**

\$4.5bn  
Smart Beta Plus 2008 (3)

**Multi-Asset**

**RESOLUTION CAPITAL**

**44.5%**

\$9.2bn  
Global & Australian REITs 2007

**Australian & Global REITs**

**METRICS**

**35.0%**

\$4.3bn  
Private Credit 2013 (2)

**Private Markets Credit**

**PALISADE**

**37.6%**

\$2.3bn  
Private Infrastructure 2007

**Private Markets Infrastructure**

**Two Trees INVESTMENT MANAGEMENT**

**44.0%**

\$0.3bn  
Systematic Global Macro 2017

**Systematic Global Macro**

**RIPARIAN CAPITAL PARTNERS**

**40.0%**

\$0bn  
Water, & Agriculture 2019

**Private Markets Water & Agri**

**REMINISCENT CAPITAL**

**40.0%**

\$0bn  
Discretionary Asia Macro 2019

**Discretionary Asia Macro**

**COOLABAH CAPITAL INVESTMENTS**

**25.0%**

\$3.1bn  
Public Credit 2011 (4)

**Public Markets Credit**

**OAIKYA**

**32.5%**

\$0bn  
Global Emerging Market Equities 2020

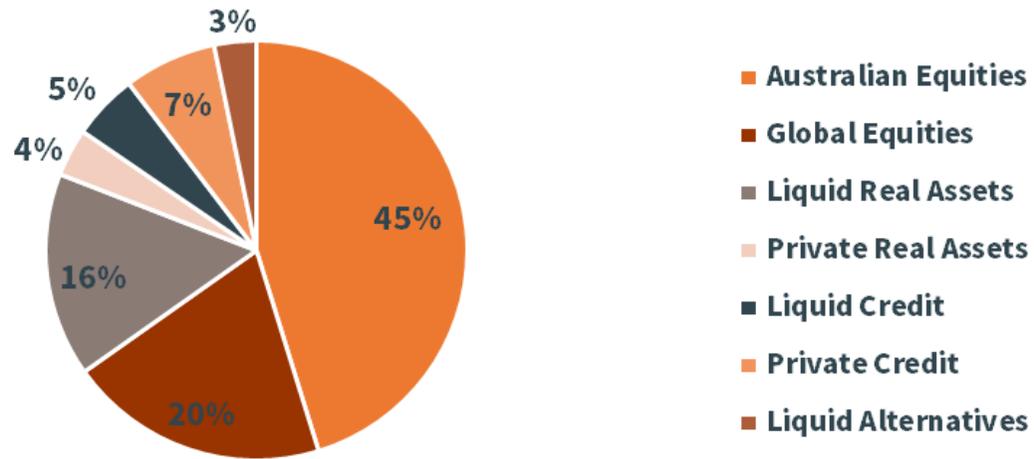
**Global Emerging Market Equities**

1. Gross FUM as at 31 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.
2. Founded in 2011. Pinnacle acquired equity in August 2018.
3. Founded in 2008. Pinnacle acquired equity in July 2018.
4. Founded in 2011. Pinnacle acquired equity in December 2019.
5. The percentage represents Pinnacle's total shareholding in the Affiliate. Pinnacle currently holds less than 1% of the voting shares in the Affiliate. However, it has full economic rights in respect of its holding.

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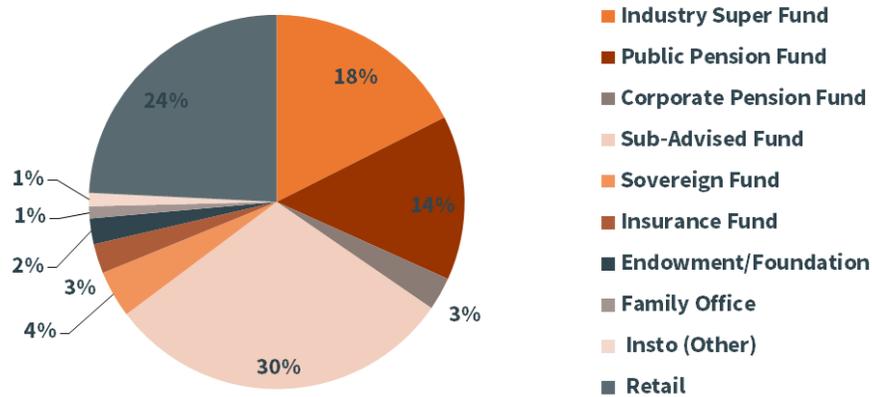
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FUM by Asset Class – 31 Dec 2019

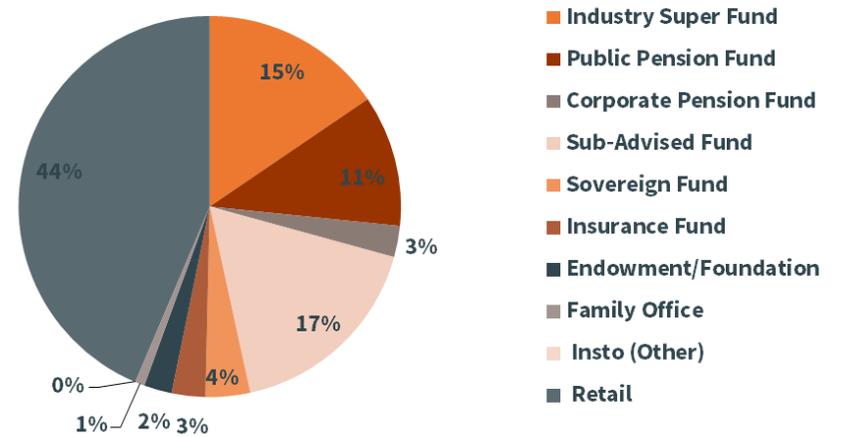


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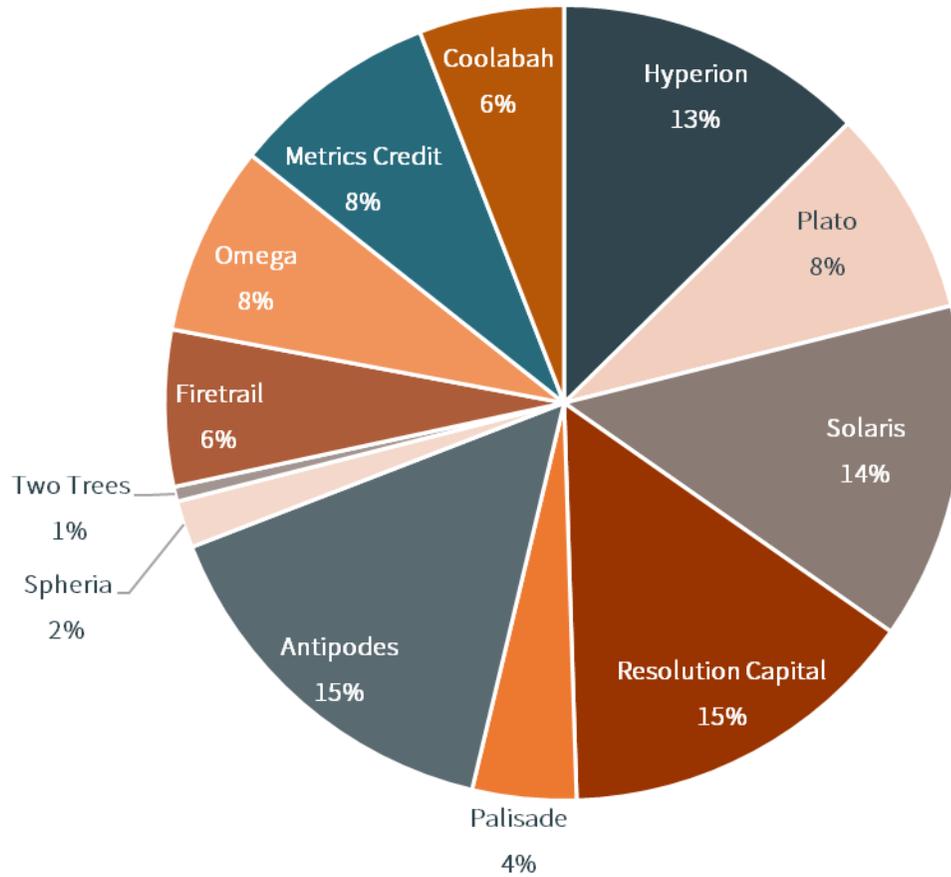
Total FUM at 31 Dec 2019



Total Revenues at 31 Dec 2019



Affiliate Diversity – % of Total Aggregate FUM (at 100%)  
31 December 2019



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# Business Model

## Pinnacle business philosophy and approach

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The formula for investment success involves **experienced, dedicated, passionate money-makers**, free from distractions, spending most of their time on investing

Equity ownership for key investment professionals **attracts a higher calibre investment professional** and helps to **build an enduring business/legacy**

Pinnacle provides **institutional-grade resourcing and backing**, but within a genuine 'boutique' environment

Our people are **exceptional individuals** who have chosen to work within our particular **business model and culture**

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

Distinguished from competitors by comprising the highest quality investment management firms

High quality, experienced, dedicated, passionate investment professionals – strongly focused on performance; with substantial equity in their own business and their interests thus aligned with clients

All the advantages, benefits and superior conditions of a 'boutique environment'

Plus high quality shared common 'infrastructure', including major distribution capability (the 'best of both worlds')

Importance of succession planning within Affiliates; long term sustainable businesses

Investors want their investment managers to be long term, enduring and sustainable.



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Additional information

Pinnacle is a multi affiliate investment management firm with a mission to establish, grow and support a diverse stable of world-class fund managers

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Goals and strategy stated in 2016	Progress
Continue to provide high quality distribution, Responsible Entity and infrastructure services	7 Affiliates, now 16 Affiliates
Support its Affiliated fund managers' high standards	Aggregate Affiliates' Funds Under Management at 100% more than trebled from \$19.3 billion as at 30 April 2016 to \$61.6 billion as at 31 December 2020 (with retail \$14.9 billion)
Remain focussed on investing, to enable continued strong performance and FUM growth	Net profit after tax also trebled (to \$13.8 million in 1HFY20, from in 1HFY16 of \$4.7 million)
Grow retail FUM	EPS has grown from 5.2c in FY16 to 18.3c in FY19 – over 350%
Continue to assess third party distribution and new boutique opportunities	FY19 dividends of 15.4c compared with 3.3c in FY16, 67% p.a. compound growth

# Aggregate Affiliates' Funds Under Management (at 100%) – by Affiliate



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	Pinnacle (total)	Hyperion	Plato	Solaris	RCL	Palisade	Antipodes	Spheria	Two Trees	Firetrail	Metrics	Omega	Longwave	Riparian	Coolabah	Reminiscent
	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)	(\$m) <sup>1</sup>	(\$m) <sup>1</sup>	(\$m)	(\$m)	(\$m) <sup>2</sup>	(\$m)
<b>FUM History (at 100%)</b>																
31 Dec 19	<b>61,636</b>	7,454	5,790	9,454	9,241	2,257	8,956	1,471	323	4,719	4,325	4,509	3	3	3,123	8
30 Jun 19	<b>54,276</b>	6,595	5,279	9,089	8,314	2,035	9,071	1,195	245	4,369	3,807	4,273	3	-	-	-
31 Dec 18	<b>46,741</b>	5,599	4,680	7,606	7,779	2,010	8,149	640	214	3,603	2,771	3,689	-	-	-	-
30 Jun 18	<b>38,032</b>	6,507	4,918	8,319	8,038	1,847	7,554	702	71	74	-	-	-	-	-	-
31 Dec 17	<b>32,338</b>	6,056	4,644	6,618	6,552	1,585	6,261	596	26	-	-	-	-	-	-	-
30 Jun 17	<b>26,526</b>	5,877	4,003	5,135	5,956	1,514	3,830	211	-	-	-	-	-	-	-	-
<b>Change in FUM - at 100%</b>																
30 Jun 19 - 31 Dec 19	<b>13.6%</b>	13.0%	9.7%	4.0%	11.1%	10.9%	-1.3%	23.1%	31.8%	8.0%	13.6%	5.5%	8.8%			
31 Dec 18 - 31 Dec 19	<b>31.9%</b>	33.1%	23.7%	24.3%	18.8%	12.3%	9.9%	129.8%	51.2%	31.0%	56.1%	22.2%				
<b>PNI ownership<sup>3</sup></b>																
PNI effective FUM - 31 Dec 19	<b>23,113</b>	49.9%	42.7%	40.0%	44.5%	37.6%	23.5%	40.0%	44.0%	23.5%	35.0%	42.9%	40.0%	40.0%	25.0%	40.0%
		3,720	2,472	3,782	4,112	849	2,105	589	142	1,109	1,514	1,934	1	1	781	3

<sup>1</sup> Pinnacle acquired equity interests in Metrics and Omega in July 2018. FUM not included prior to that date

<sup>2</sup> Pinnacle acquired an equity interest in Coolabah in December 2019. FUM not included prior to that date

<sup>3</sup> The percentage represents Pinnacle's total shareholding in the Affiliate. In some Affiliates, Pinnacle currently holds less than 1% of the voting shares. However, it has full economic rights in respect of its holdings

\* Aggregate Affiliates' FUM at 30 April 2020 was \$54.9 billion, at 100%.

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# 1HFY20 Results

## First half FY20 Financial Highlights



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- Net profit after tax (NPAT) from continuing operations of \$13.8 million, up 37%<sup>1</sup> from \$10.1 million in the prior corresponding period (PCP).
- Basic earnings per share (EPS) from continuing operations of 8.1 cents, up 33% from 6.1 cents in the PCP
- Diluted earnings per share from continuing operations of 7.7 cents, up 35% from 5.7 cents in the PCP
- Share of NPAT from Pinnacle Affiliates of \$17.7 million, up 24% from \$14.3 million in the PCP
- Cash and principal investments of \$44.7 million at 31 December 2019
- \$30m CBA loan facility fully drawn in December 2019, used to fund the acquisition of a 25% interest in Coolabah Capital Pty Limited (CCI)
- Fully franked interim dividend of 6.9 cents per share<sup>2</sup> payable on 20<sup>th</sup> March 2020

<sup>1</sup>Adjusting for the net return on 'principal investments', NPAT (excluding the \$385k positive net return on PI) of \$13.4million is up 25% on the \$10.7m NPAT in the PCP (adjusted for the negative net return on PI of \$600k in the PCP)

<sup>2</sup>Payout ratio 90%. FY2019 payout ratio was also 90%

## First half FY20 Business Highlights – FUM and Flows

- Aggregate Affiliates' FUM at 31 December 2019 (at 100%) \$61.6 billion<sup>1,3</sup>
  - Up \$7.3 billion or 13% from \$54.3 billion at 30 June 2019
  - Aggregate Retail FUM (at 100%) now \$14.9 billion<sup>2</sup>, up 28% from \$11.6 billion at 30 June 2019
- 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)
  - 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)
  - 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)<sup>3</sup>
- Equities markets and manager performance added to FUM during the period - ASX 300 index up 1.2%, MSCI World Index up 8.0% (9.2% in AUD) during the six months to 31 December 2019 (FUM increases due to market movements/investment performance during the six-month period from 30 June 2019 to 31 December 2019 were \$2.3 billion, \$0.3 billion of which was retail)
- Increasingly diversified client base<sup>3</sup>

<sup>1</sup>includes \$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

<sup>2</sup>includes \$2.2 billion 'acquired' in December 2019

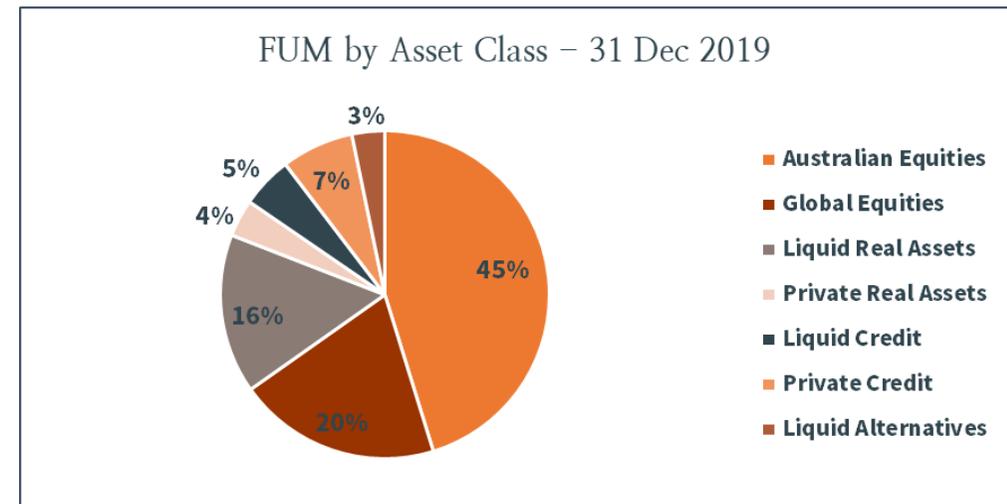
<sup>3</sup>\$54.9 billion at 30 April 2020

## First half FY20 Business Highlights – Affiliates

- 2 new Affiliates (one Horizon 3 and one Horizon 2), 2 UCITS Liquid Alts Fund launches
  - Acquisition of a 25% interest in Coolabah Capital Investments Pty Ltd (Public Markets Credit) for an initial \$29.1 million in December 2019, with a further \$5m payable upon the business achieving certain milestones over the next 18 month to 4.5 year period
  - Launch of Reminiscent Capital (Discretionary Asia Macro). Cayman fund for international investors will commence in Q2 2020 following a promising piloting program in CY19. Team of three initially, led by David Adams (ex-Brevan Howard Asia and Morgan Stanley Australia)
- New Liquid Alts UCITS Funds launched with institutional investor commitments – Plato Global Market Neutral and Two Trees Systematic Global Macro (Sub-Funds of Pinnacle ICAV Umbrella Fund)

## Understanding First Half FY20 financial outcome

- We remind shareholders of the ‘skew’ (H1/H2 split) in our results, with the impact of annual performance fees and success fees only being recognized in the second half of each financial year - H1 FY19 NPAT was 33% of FY19 full year NPAT; H1 FY18 NPAT was 35% of FY18 full year NPAT
- 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
- This is consistent with continuing to invest in Horizon 2 initiatives, which result in medium-term revenue growth
- Pinnacle remains well positioned to deliver superior business and financial performance in the medium term:
  - Proven deep expertise and diversity of our now 15 Affiliates – 94% of Pinnacle Affiliated Investment Manager strategies and products (with a track record exceeding 5 years) have outperformed their benchmarks over the 5 years to 31 December 2019
  - Continuing diversification of asset classes
  - Continuing diversification of client FUM by investor type and domicile
  - Proven and recognized strong distribution – and continuing to grow capability



	1H2020 (\$M)	1H2019 (\$M)	YoY change
<b>PINNACLE</b>			
Revenue	11.4 <sup>1</sup>	8.6 <sup>1</sup>	32.6%
Expenses	(15.3) <sup>2,3</sup>	(12.8) <sup>2,3</sup>	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	-	-	
<b>NPAT from continuing operations</b>	<b>13.8</b>	<b>10.1</b>	<b>36.6%</b>
<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>
<b>Basic earnings per share:</b>			
From continuing operations	8.1	6.1	32.8%
Total attributable to shareholders	8.1	6.1	32.8%
<b>Diluted earning per share:</b>			
From continuing operations	7.7	5.7	35.1%
Total attributable to shareholders	7.7	5.7	35.1%
<b>Fully-franked interim dividend per share</b>	<b>6.9</b>	<b>6.1</b>	<b>13.1%</b>

<sup>1</sup> Includes dividends and distributions received on principal investments. These were \$0.6m in 1H2020, compared with \$0.5m in 1H2019

<sup>2</sup> Includes salaries of additional people, recruitment costs etc. – the 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 undertaken in the second half of FY 2019

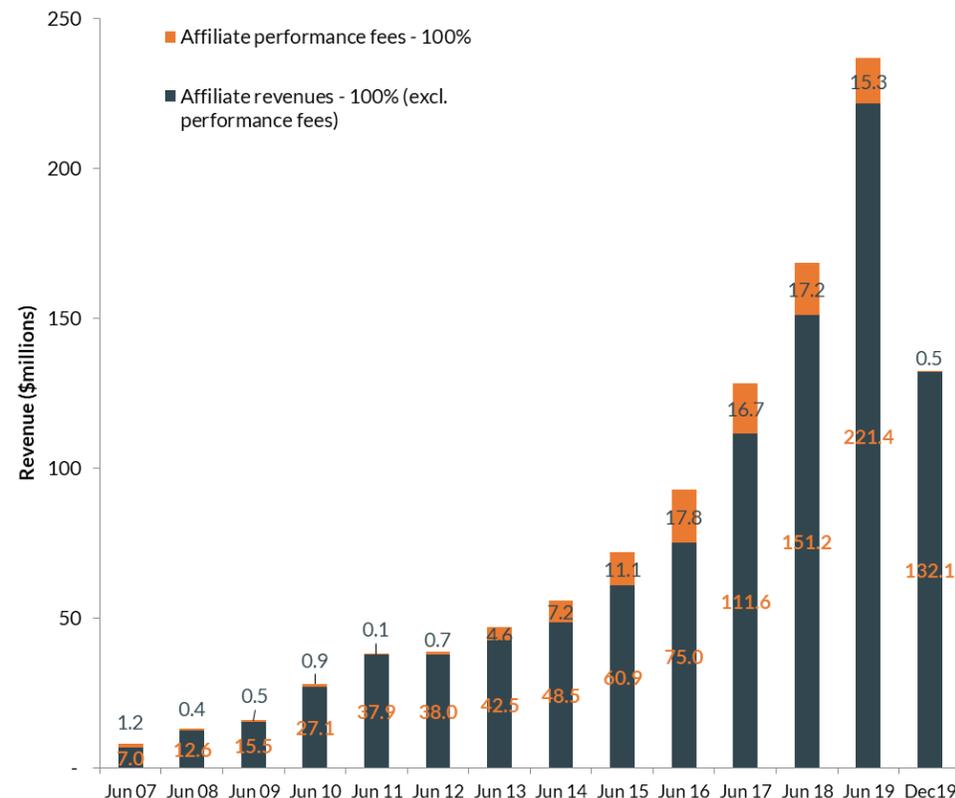
<sup>3</sup> Includes mark-to-market and realized gains/losses on principal investments, net of hedging. These were total net losses of \$0.3m in 1H2020 (increases ‘expenses’), compared with total net losses of \$1.1m in 1H2019 (increases ‘expenses’). The increase in expenses excluding the impact of these losses was \$3.3m, or 28.2%. Most of these losses have arisen from our hedging of equity market exposures

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Strong FUM and revenue growth in Pinnacle Affiliates:

- Total Affiliate revenues<sup>1</sup> were \$132.5m during 1H2020, including \$0.5m (0.4%) in performance fees; in 1H2019, total Affiliate revenues were \$103.1m, which included \$0.6m (or 0.6%) in performance fees
- This represents 28.5% growth in total Affiliate revenue

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



	1H2020 (\$M)	1H2019 (\$M)	Change
<b>PINNACLE AFFILIATES (100% aggregate basis)</b>			
FUM (\$billion)	61.6 <sup>2</sup>	46.7 <sup>2</sup>	31.9%
Revenue (\$million)	132.5	103.1	28.5%
<b>Net profit before tax</b>	<b>67.5</b>	<b>52.3</b>	<b>29.1%</b>
Tax expense	(19.4)	(14.6)	32.9%
<b>Net profit after tax (NPAT)</b>	<b>48.1</b>	<b>37.8</b>	<b>27.2%</b>
<i>Pinnacle share of Affiliates' NPAT</i>	<i>17.7</i>	<i>14.3</i>	<i>23.8%</i>

<sup>1</sup> 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.

<sup>2</sup> Includes \$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.

## Significant components of First Half FY20 results

- Continuing growth in 'Pinnacle Parent' revenues and capabilities
  - Continuing 'P&L' investment in support of Horizon 2 initiatives (including Offshore distribution, ETF, Direct to retail consumers, cost of Pinnacle servicing new Affiliates)
  - Net gains on principal investments of \$385k, compared with net losses of \$615k in 1H2019
  - P&L impact of the LTI scheme (non-cash) – commenced part-way through 1H2019 – expense of \$1,013k in 1H2020<sup>1</sup>, compared with \$457k in the PCP due to the 'full period effect'
  - Continued FUM growth drives distribution fee revenues
- Significant growth in Pinnacle's share of Affiliate profits on the PCP
  - Impact of higher starting FUM
  - Continuing investment in certain Affiliates ahead of future growth (including Metrics, Plato, Firetrail, Antipodes, Palisade, and Spheria)
  - Direct cost of Two Trees, Longwave, Riparian and Reminiscent Capital included as negative NPAT
  - Low performance fees for 1H2020 (and 1H2019)

<sup>1</sup>This is not expected to increase in 2H2020 from the 1H2020 level.

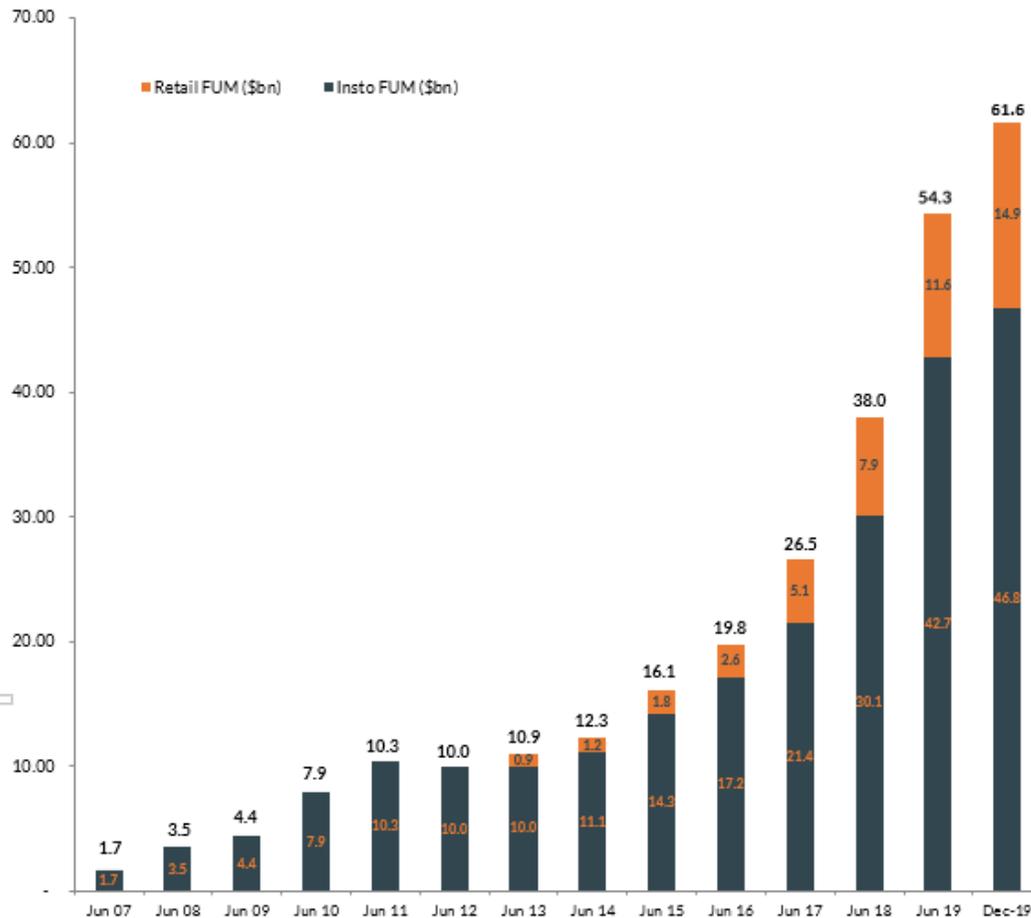
	31 Dec 2019 (\$M)	30 Jun 2019 (\$M)	YoY change
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7.9	26.7	(70.4%)
Financial assets	36.8	24.5	50.2%
<b>Total cash and financial assets</b>	<b>44.7<sup>1</sup></b>	<b>51.2<sup>1</sup></b>	<b>(12.7%)</b>
Other current assets	16.8	18.3	(8.2%)
<b>Total current assets</b>	<b>61.5<sup>2</sup></b>	<b>69.5<sup>2</sup></b>	<b>(11.5%)</b>
<b>NON-CURRENT ASSETS</b>			
Investments in affiliates	149.2	113.4	31.6%
Other non-current assets	8.5	3.9	117.9%
<b>Total non-current assets</b>	<b>157.7</b>	<b>117.3</b>	<b>34.4%</b>
<b>Total Assets</b>	<b>219.2</b>	<b>186.8</b>	<b>17.3%</b>
Debt facility	30.0	-	-
Other liabilities	12.7	9.7	30.9%
<b>Total liabilities</b>	<b>42.7</b>	<b>9.7</b>	<b>340.2%</b>
<b>Net assets</b>	<b>176.5</b>	<b>177.1</b>	<b>(0.3%)</b>
<b>Net shareholders' equity</b>	<b>176.5</b>	<b>177.1</b>	<b>(0.3%)</b>

- Cash and Principal Investments of \$44.7m
  - Includes \$35.3m invested in strategies managed by Pinnacle Affiliates
  - Excludes over \$9m of cash applied for Affiliate equity recycling loans, working capital loans (Two Trees) and additional Affiliate equity purchased
- \$30m debt facility from CBA – fully drawn down in December 2019, to purchase 25% of CCI
- Excludes impact of interim dividend of 6.9 cents per share paid on 20<sup>th</sup> March 2020 and dividends to be received from Affiliates since 31<sup>st</sup> December 2019
- Franking credit balance (\$27.0m) at 30% company tax rate enables potential fully franked dividends of \$63.0m
- Change in accounting standards during the period results in 'right to use' asset being recognized for leases in 1H2020 (\$4.7m) and a corresponding liability for amounts payable under these leases (\$4.6m). None recognized in 1H2019.

<sup>1</sup> The fall in cash and financial assets is due predominantly to additional capital invested into Affiliates during the period, including the acquisition of a further 1% of Resolution Capital, as well as working capital contributions to Longwave, Reminiscent and Riparian, in accordance with the Shareholders' Agreements in place

<sup>2</sup> Current assets at 30 June 2019 includes annual performance-based distribution fees receivable. Because these fees are only recognized annually, at 30 June, when the success conditions have been met they do not, therefore, appear at 31 December

Affiliate FUM growth (\$bn)<sup>1,2</sup>



- Aggregate Affiliates' FUM (at 100%) of \$61.6bn as at 31 December 2019<sup>1,2</sup>
- Aggregate Affiliates' FUM has grown at a CAGR of 23.3% p.a. over the last ten years (21.2% excluding \$6.8bn 'acquired' in July 2018 and \$3.0bn 'acquired' in December 2019)
- Increase in Aggregate Affiliates' FUM of \$7.3bn in the half-year to 31 December 2019
  - \$3.0bn acquired
  - net inflows of \$2.0bn
  - market movements/ investment performance of \$2.3bn
- Of the \$2.0bn of net inflows to 31 December 2019, \$0.9bn was retail (\$0.2bn in LICs/LITs)
- 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)

<sup>1</sup>Includes \$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.

<sup>2</sup>\$54.9 billion at 30 April 2020

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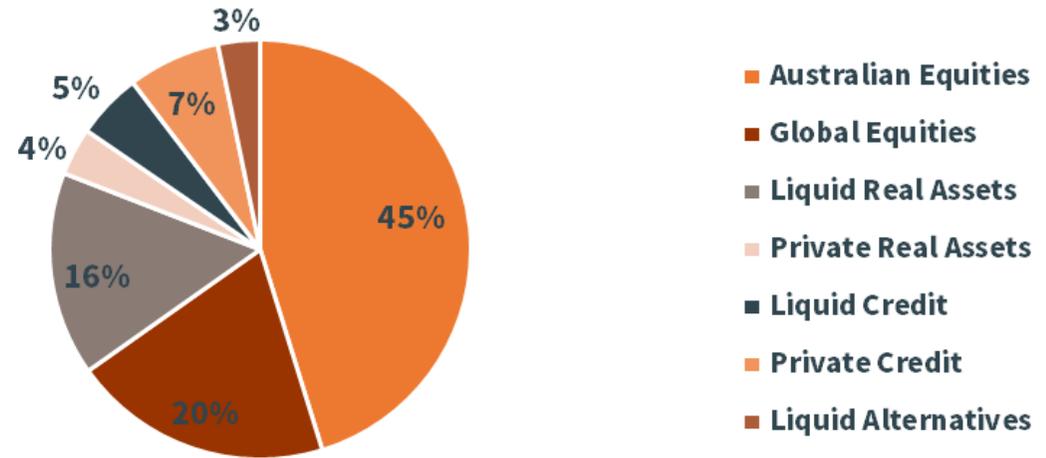
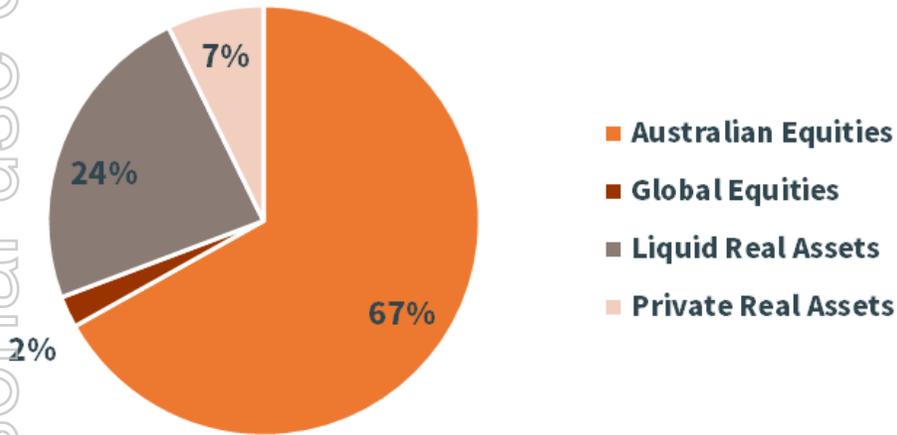
Resilience has been enhanced by:

1. Diversity of asset classes
2. Diversity of client FUM by investor type and domicile
3. Growth in Global distribution platform
4. Increased weighting to Fixed Income and Alternative Asset Classes
5. Percentage of funds exposed to performance fees

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FUM by Asset Class – 30 Jun 2016

FUM by Asset Class – 31 Dec 2019



- Less than half of total FUM (at 100%) was in Australian equities at 31 December 2019
- Investment in new affiliates adds to diversification
- Increasing exposure to global equities, private capital, fixed interest and credit, and liquid alternatives

## Diversity of Sources of Funds Under Management

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Institutional – Domestic

International

Retail – Intermediated

Retail – Direct

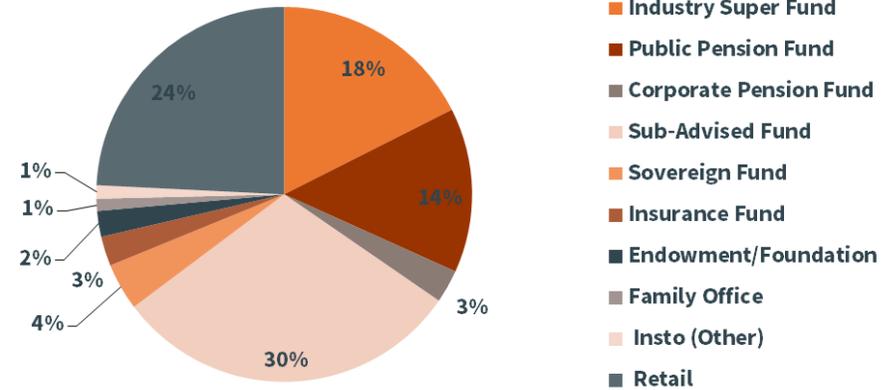
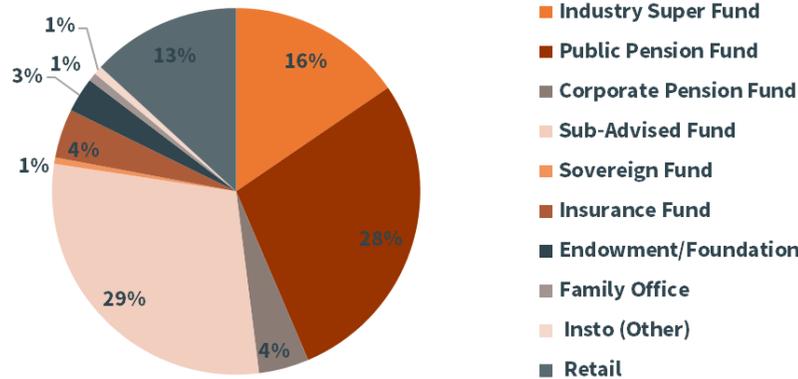
## Institutional – Domestic

- Industry fund consolidation continues
- Speed and magnitude of ‘Insourcing’ varies widely
- These do impact Pinnacle to some degree, but keep in perspective (without being complacent)
- Pinnacle will continue to evolve in response to (and in anticipation). We note:
  - We have a highly diversified client base:
    - 170+ individual Australian institutional clients at 31 December 2019, compared with ~60 at 30 June 2016
    - 5 largest Australian institutional clients represent 12% of total Affiliate revenues at 31 December 2019 (diversified across 8 Affiliates and 18 separate accounts), compared with 25% at 30 June 2016 (spread across 4 Affiliates and 11 separate accounts)
    - Exposure to industry funds is 18% of total FUM at 31 December 2019
    - Retail FUM continues to grow both in absolute terms and, as a proportion of our total FUM
- Given the strong growth in FUM in our industry (especially large superannuation funds) it is not unreasonable, and very manageable, that basis point fees for large mandates may trend somewhat lower (all else being equal) – however, aggregate fees continue to grow with growing FUM
- Our Affiliates restrict capacity wherever appropriate and, consequently, are better placed to receive higher fees (including, in many cases, performance fees) in capacity-constrained strategies
- Large superannuation funds continue to be willing to pay substantial fees for investment strategies and managers that produce attractive investment performance – pressure for them to deliver performance to members
- Performance fees can often be a ‘win-win’ and provide attractive economics for our strongly performing managers
- We continue to diversify our asset class offerings
- We are diversifying the markets into which we are offering our investment strategies

# Increasingly diversified client base

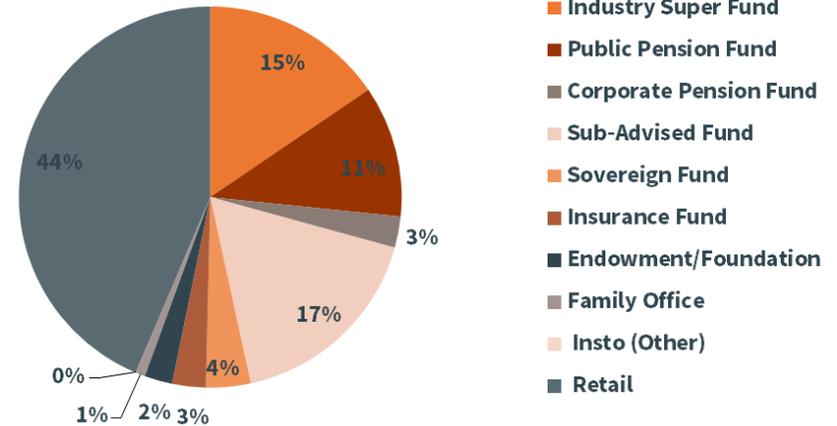
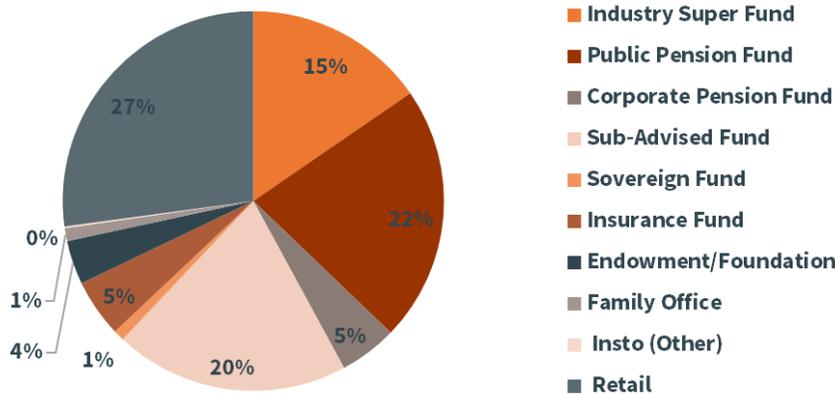
Total FUM at 30 Jun 2016

Total FUM at 31 Dec 2019



Total Revenues at 30 Jun 2016

Total Revenues at 31 Dec 2019



- 170+ individual institutional clients at 31 December 2019, compared with ~60 at 30 June 2016
- Growth in Retail FUM as a proportion of total FUM (at 100%) and as a proportion of total revenues (at 100%)
- Increasingly diversified client base

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## International

- Distribution executives based in London, New York, Auckland, Sydney and Melbourne covering investors in the Americas, Europe, Middle East & Africa and Asia-Pacific time zones
- ~A\$4bn+ of aggregate FUM from international investors and invested in international pooled funds
  - FUM sourced from 15 individual countries across the Americas, EMEA and Asia-Pacific regions
  - Over A\$1bn+ in global funds: UCITS, Cayman & US CITs
- New business won in FY20 from a diverse range of investors and domiciles
  - US, UK, Canada, Middle East, Switzerland, Japan, South Korea, South Africa & New Zealand
  - Pension Funds, Sovereign Wealth Funds, Sub-Advisory, Private Banks, Insurance Companies
- New UCITS liquid alternatives funds launched with institutional commitments
  - Systematic Global Macro
  - Global Equity Market Neutral
- Forthcoming launch of Reminiscent Capital
  - Discretionary Asia Macro Cayman Fund to be launched in H2
  - Led by David Adams (ex-Brevar Howard, Morgan Stanley)
- Pinnacle has recently recruited two senior distribution executives – one in the US, with a focus on the Americas; one focused on Japan

## Retail market developments

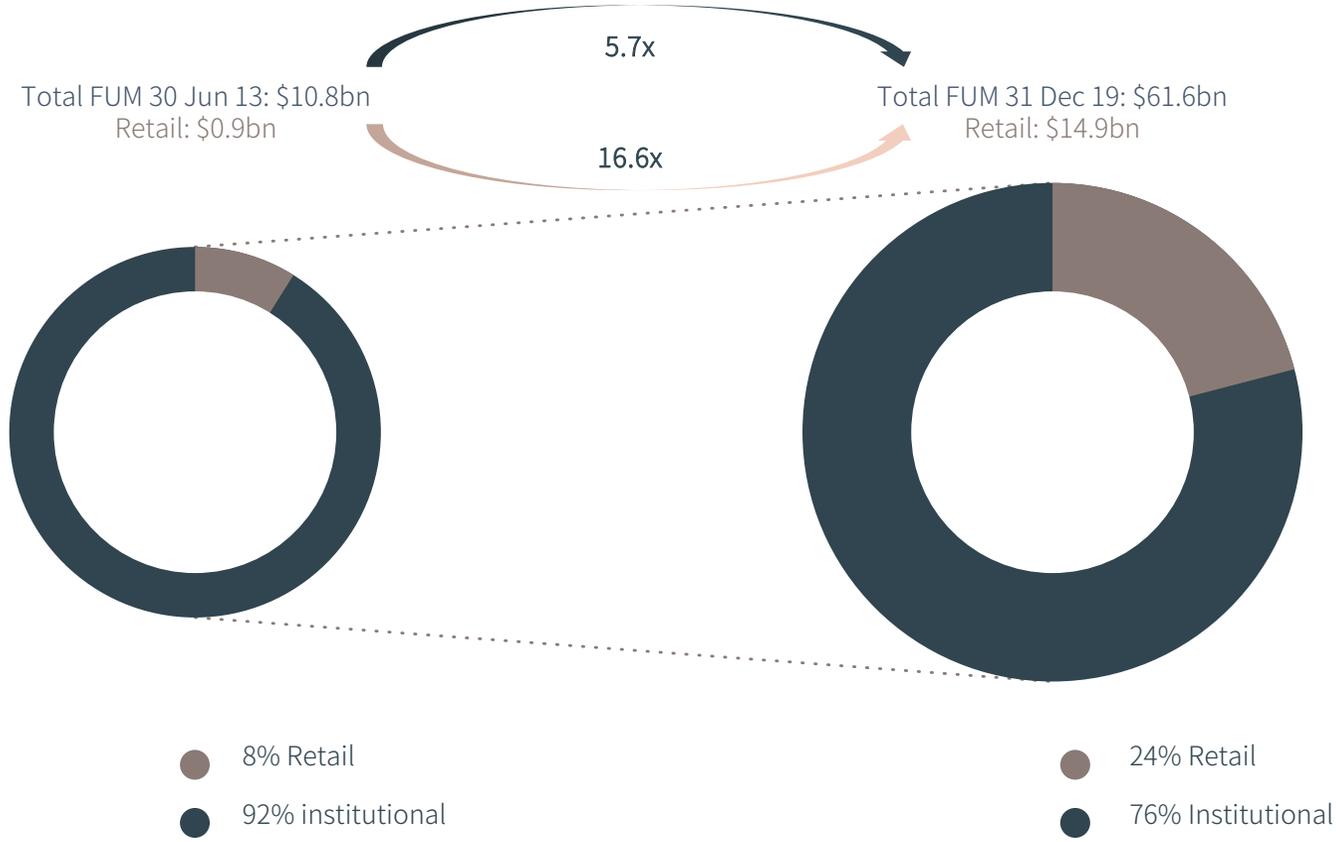
- Royal Commission flow on effects
- Dismantling of vertical integration (~1,600 AFSL closures past 2 years)
- Education standards lifted with FASEA
- Geopolitical concerns
  - US-China Trade Conflict
  - Brexit
  - Hong Kong
  - Coronavirus
- Continued rise of the non-aligned adviser
  - Pinnacle distribution reach across ~9,500 advisers and ~3,500 practices
  - Leverage network effect to promote new capabilities
  - Rise of managed accounts supportive of blending active strategies with low cost passive
- Increased industry demand for Fixed Income and Alternatives
  - Net flows strong for Fixed Income Managed Funds (\$2.4b for CY19)<sup>1</sup>
  - Demand for Listed Fixed Income options - MXT, ETFs
  - Long Short, Infrastructure and Agriculture thematic continues to be strong

<sup>1</sup>Source: Morningstar, Pinnacle

# Growth in Retail FUM

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## Retail FUM evolution

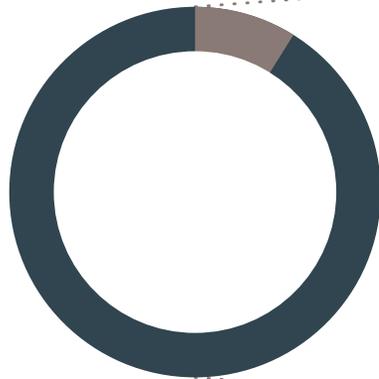


- Pinnacle has invested significantly in retail distribution and has generated substantial retail FUM in the last 6.5 years (~\$12bn of retail FUM growth)
- Initiatives include growth of internal and external sales teams, direct retail and exchange traded funds (open & closed ended)

# Growth in Performance Fee FUM

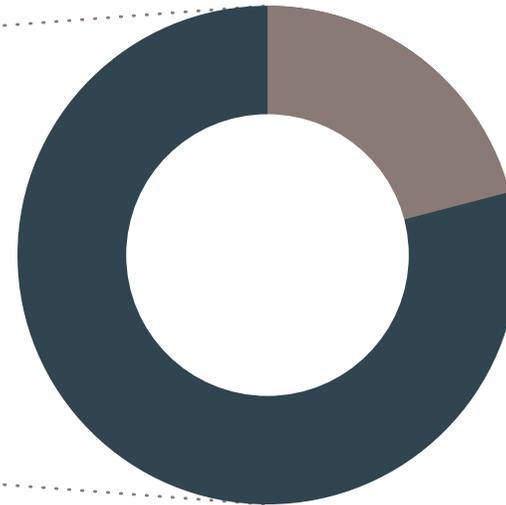
## Affiliates' FUM (at 100%) subject to performance fees

Total FUM 30 Jun 16: \$19.8bn  
Subject to performance fees: \$3.3bn



● 17% Perf fees  
● 83% No perf fees

Total FUM 31 Dec 19: \$61.6bn  
Subject to performance fees: \$19.1bn



● 31% Perf fees  
● 69% No perf fees

- Significant growth in both absolute and percentage of FUM subject to performance fees
- Diversification across asset classes
- Performance fees add diversity to revenue sources, being uncorrelated with market movements and each Affiliate's performance being uncorrelated with the others' and with other revenue. Other than in Palisade, performance fees will be additional to budgeted/forecast revenues.

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## Pinnacle Affiliates continue to win major industry awards

### 2020 Morningstar Fund Manager of the Year Awards:

- Hyperion – Winner, Domestic Equities – Large Cap
- Hyperion – Finalist, Domestic Equities – Small Caps
- Hyperion – Finalist, Australian Fund Manager of the Year

### 2019 Zenith Fund Awards:

- Pinnacle – Distributor of the Year (fourth consecutive year)
- Resolution Capital – Global REIT Category Winner (sixth consecutive year)
- Metrics – Listed Investment Entities Category Winner
- Solaris Investment Management - Australian Equities – Alternative Strategies Category Winner
- Solaris Investment Management - Australian Equities – Large Cap Category Finalist
- Antipodes Partners – International Equities – Alternative Strategies Category Finalist

### 2019 Lonsec/Money Management Fund Manager of the Year:

- Solaris – Equities (Long/Short) Category Winner
- Antipodes Partners – Equities (Long/Short) Category Finalist
- Metrics – Listed Products Category Finalist

### 2018 Professional Planner | Zenith Fund Awards:

- Pinnacle – Distributor of the Year (third consecutive year)
- Resolution Capital – Global REIT Category Winner (fifth consecutive year)
- Solaris Investment Management - Australian Equities – Alternative Strategies Category Winner
- Antipodes Partners – International Equities – Alternative Strategies Category Finalist
- Antipodes Partners – International Equities – Global Category Finalist
- Hyperion – International Equities – Global Category Finalist
- Spheria Asset Management – Australian Equities – Small Cap Category Finalist

### 2019 Australian Alternative Investment Awards:

- Metrics – Best Private Debt Fund Category Winner

### 2018 Lonsec/Money Management Fund Manager of the Year:

- Resolution Capital – Global REIT Category Finalist

### 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 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

### 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

The Zenith Fund Awards are determined using proprietary methodologies. Fund Awards were issued October 11, 2019 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.

- Pinnacle achieved carbon neutrality for the 2019 financial year
  - Tracking and measuring carbon footprint for air travel, travel via cars to client meetings as well as staff travel to and from work
  - Seeking to avoid travel in favour of video conferencing where possible
  - Donation made to Greenfleet to offset these emissions. Greenfleet is a leading Australian not-for-profit environmental organisation that takes practical climate action by offsetting carbon emissions through restoring forests
  - Move to Green Energy by end calendar year 2020
- Implemented a project to remove all single use plastic from the firm by end of calendar year 2020
- Sustainable use of resources
  - Target to reduce printing across the firm by 25% in 2020
  - Switching to more eco-friendly products (e.g., cleaning products)
  - Identifying where we can increase our recycling efforts
- Gender Equality: dedicated Females in Finance scholarship programs
- Through the Pinnacle Charitable Foundation, we are supporting a number of key social priorities, including the following, by donating in excess of \$400k per annum:
  - Human Rights: legal assistance for victims of domestic and family violence and sexual abuse;
  - Indigenous: development of corporate procurement initiatives for Indigenous communities and support for education scholarships for secondary school students;
  - Children: children facing acute or systemic disadvantage as well as medical research seeking treatments / cures for children's genetic diseases; and
  - Mental Health: partnering with the suicide prevention charity R U OK? to develop and deliver the nationwide 'Are They Triple OK?' Campaign supporting police and emergency services workers and volunteers

## Pinnacle Affiliates at the forefront as responsible investors

### RESOLUTION CAPITAL

- Principles for Responsible Investment (PRI) signatory since 2010
- UN Global Compact signatory (2019)
- Member of GRESB since 2017
- Active engagement with investee companies – ESG disclosure, board diversity, GRESB participation, governance practices
- ESG screen in infrastructure securities within Real Assets strategy
- ESG Committee including staff from across all areas of the business

### Plato

- Principles for Responsible Investment (PRI) signatory since 2011
- Member of the Climate Action 100+ investor group
- Founding member of ESG Research Australia
- Signatory to the Montreal Carbon Pledge and active subscriber to carbon databases
- Built dedicated ESG tilted and Carbon Light portfolios for clients
- Women in Finance Scholarships at 3 universities
- Actively vote shares and engage with companies on important ESG issues

### SOLARIS investment management

- Principles for Responsible Investment (PRI) signatory since 2010
- Responsible Investment Association Australasia (RIAA) member
- Global Investor Statement on Climate Change Signatory
- Signatory to “Investor Statement on Bangladesh”
- Participant in PRI Climate Change Corporate Lobbying Engagement
- Signatory to the Montreal Carbon Pledge and Paris Pledge for Action
- Signatory to PRI Investor Statement in support of Modern Slavery Act
- Climate Action 100+ Signatory
- Signatory to Global Investor Statement on Antibiotic Stewardship (Member of FAIRR)
- Member RIAA Human Rights Working Group (Investor Toolkit – Human Rights with Focus on Supply Chain – Guidance for Investors re Modern Slavery Act)
- Member RIAA Corporate Engagement Working Group
- TCFD Supporter

### PALISADE

- Principles for Responsible Investment (PRI) signatory
- GRESB participant
- Active role in Women’s Infrastructure Network
- Renewable energy portfolio powers over 350,000 homes and abates over 1 million tonnes of CO2 per year
- Sunshine Coast Airport is the first and only carbon neutral airport in Australia
- Very active at management sites in reducing power usage through solar installations, LED lights etc. Darwin and Alice Springs airports have on-site award-winning solar developments.

- Pinnacle acquired a 25% equity interest in Coolabah Capital Investments Pty Ltd (CCI) in December 2019, for \$29.1m, together with a further \$5m payable upon the business achieving certain milestones over the next 18 month to 4.5 year period
- Funded by a facility from the CBA
- Established in 2011, CCI is a leading long-only and long-short active investment-grade credit manager that is responsible for managing numerous institutional mandates, the Smarter Money Investments' product suite, and the BetaShares Active Australian Hybrid ETF (ASX:HBRD)
- As at 31 December 2019, CCI was responsible for managing over \$3 billion of institutional and retail investments
- CCI and Pinnacle have entered into a global distribution partnership in which Pinnacle will share revenues from capital raised in the institutional, retail and offshore distribution channels
- CCI has delivered consistently outstanding results for their clients by generating alpha from liquid, high-grade credit. More than 90% of the FUM is subject to performance fees, providing strong alignment with clients.
- CCI's offerings do not overlap with those of existing Pinnacle Affiliates and the acquisition further diversifies Pinnacle's portfolio of Affiliates, particularly in Fixed Income and Alternatives

1. Large team focussed exclusively on Australian investment-grade fixed-income (\$3bn FUM, \$4bn AUM)
  - 4x portfolio managers, 9x analysts, and 21x staff in total
  - CCI's staff own 75% of business – remaining 25% held by Pinnacle
  - Chaired by Melda Donnelly (ex-CEO QIC, VFMC Deputy Chair) with Independent Director Bob Henricks (ex-Chair Energy Super)
  - CIO has advised multiple Prime Ministers on RMBS/ABS securitisation policies worth over \$17bn
2. Sophisticated credit valuation systems
  - 20-30x internally developed bond valuation models reprice, and factor-adjust, all bonds globally live
  - Uses internally-developed artificial intelligence to shadow credit-rate all bonds globally
  - Unprecedented trade-by-trade transparency for clients
3. A leading credit alpha generator
  - CCI minimises fixed-income betas: interest rate duration risk; credit default risk; and illiquidity risk
  - CCI exploits bond mis-pricings that generate large capital gains that augment yields
  - >98% win ratio on >8,500 bond sales since 2012
  - Credit alpha is crucial in a world where interest rates are declining (alpha has strong convexity)
4. Ability to customise mandates to client's precise preferences
  - Currently running >15 portfolios including long-only cash plus, long duration, and levered long-short
  - CCI is the investment manager for Smarter Money Investments' products and BetaShares Active Hybrid ETF
  - 5. Strong track-record through very volatile credit spread environment
  - Very high risk-adjusted returns in top decile of peers across all strategies over all periods
  - Notwithstanding huge financial spread volatility in 2012, 2013, 2015, 2016, and 2018

## Reminiscent Capital: Asia Macro

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- Discretionary Asian Macro investment firm with three investment professionals led by David Adams (ex-Brevar Howard Asia and Morgan Stanley Australia)
- Reminiscent aims to deliver attractive, uncorrelated absolute returns through a concentrated, directional and dynamic investment portfolio of fixed income, foreign exchange and equities with an Asian focus.
- Provides Pinnacle with further diversification and growth into liquid alternatives, an offshore client base and USD revenue stream
- Global Macro hedge fund AUM is US\$227bn globally, accounting for 7% of total hedge fund AUM. After 2019 saw the best returns for the category in the last five years, allocators are again looking to allocate capital to this part of the hedge fund market
- Discretionary Asian macro has wide appeal to international institutional investors given the market inefficiencies in the region, under-allocations (and therefore demand) from Northern Hemisphere allocators as well as the shortage of institutional quality offerings in the space
- Reminiscent will launch their Asia Macro Cayman fund for international investors in Q2 2020 following a promising piloting program in CY19

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# Alternative Credit & Fixed Income

- Ageing population in OECD markets creating significant demand for capital stable, income producing assets
- Commercial and investment bank regulatory change around the globe creating opportunity for alternative credit managers to fill the 'funding gap'
- Alternative credit products designed to mitigate against traditional fixed income risks (e.g. duration & market risk)
- Rise of stock exchanges as a preferred platform for 'whole-of-portfolio' administration creating demand for non-equity, diversifying products such as alternative credit, fixed income and absolute return
- 'Fixed Income/Credit assets have always been an important part of any balanced portfolio
- Some reduction in liquidity in 'credit' offerings will be well explained and rewarded with higher average returns

## Capabilities



Corporate Loans  
LBO Debt  
Real Estate Debt  
Project Finance & Infrastructure Debt



Active Cash  
Higher Income  
Active Composite Bonds  
Long Short Credit  
Active Hybrids



Australian Fixed Interest  
Global Fixed Interest  
Global Credit

- Pinnacle is passionate about enabling better lives through investment excellence. This belief is strongly demonstrated through Pinnacle's commitment - together with the Affiliates - to the Pinnacle Charitable Foundation
- The Foundation's focus is on backing the growth of creative and clever Australian charities, which are enabling better lives through driving positive, long term social change
- Support is frequently provided at an early stage, offering seed funding to young, passionate organisations as they seek to make a tangible impact within their communities
- Financially backed by Pinnacle and with access to extensive pro bono services across investment management, portfolio reporting, finance and IT, the Foundation operates with low overheads and high impact. Its investment strategy aims to provide reasonable capital protection whilst driving growth over the longer term. Investments are held in a range of suitable products offered across Affiliates - which all rebate associated management fees
- During the 2019 calendar year, Pinnacle made cash contributions of over \$310,000 to the Foundation (\$225,000 in 2018)
- The Foundation donated \$327,000 and was supported by Pinnacle Affiliates which contributed an additional \$130,000 via direct support to jointly funded charity partners
- These combined donations of over \$450,000 were predominantly directed to 10 charity partners across five identified priority areas:
  - mental health awareness, and prevention / early intervention strategies to reduce mental illness;
  - children facing acute or systemic disadvantage;
  - legal assistance for victims of domestic violence and sexual abuse;
  - medical research seeking treatments / cures for children's genetic diseases and for Alzheimer's disease; and
  - development of corporate procurement initiatives for Indigenous communities
- In addition, a matched employee workplace giving program offered by Pinnacle and several Affiliates in 2019 resulted in further donations of over \$61,000 being made to 45 charities
- Pinnacle and the Foundation have also launched a special workplace giving appeal in support of national bushfire recovery, with each entity committing to matching employee donations made in February 2020

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# Affiliate Summaries

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# Australian Equities



## Australian High Conviction Equities

- Concentrated portfolio
- Unconstrained by style or market cap
- Thematic risk management reduces unintended risks
- 90% of alpha comes stock selection
- Highly experienced Team



## Australian Growth Equities

- High quality, structural growth businesses
- Sustainable competitive advantages
- High return on capital
- Predictable earnings, low debt
- Concentrated portfolio (~20 holdings)
- Low turnover
- Headquartered in Brisbane, Australia



## Australian Style Neutral Equities

- Analysts Empowered as Portfolio Managers
- 100% short term incentives linked to client alpha (no alpha, no bonus)
- Portfolio risk directly aligned with expected stock returns
- No style bias
- Headquartered in Brisbane, Australia



## Australian Smart Beta Plus and Managed Volatility equities

- Smart Beta Plus
- Proprietary Reverse Optimization approach
- Identify beta factors driving market returns
- Overlay beta returns with orthogonal alphas
- Fully Systematic
- Headquartered in Melbourne, Australia



## Australian Accumulation, Managed Volatility and Tax-Exempt equities

- Customised alpha models and portfolio construction for accumulation, retirement and absolute return solutions
- Factors tailored to Australian market idiosyncracies
- Systematic implementation of fundamental ideas
- 11 senior investment professionals; 5 PhDs
- Headquartered in Sydney, Australia



#### Australian Small Cap Growth Equities

- High quality, structural growth businesses
- Sustainable competitive advantages
- High return on capital
- Predictable earnings, low debt
- Concentrated portfolio (~20 holdings)
- Low turnover
- Headquartered in Brisbane, Australia



#### Australian Small Cap Quality Equities

- Quantamental approach delivers repeatable investment edge
- Quality is the long-term driver of small cap excess returns
- Embed quality to remove the negative tail in returns
- Fundamental understanding determines how value is created or destroyed by companies for shareholders
- Quantitative methods provide discipline, repeatability and controls behavioural biases
- Index agnostic and unconstrained



#### Australian Micro, Small Cap and Mid Cap Equities

- Under-researched stock universe in ex-50 universe provides fertile ground for higher alpha
- Quality orientation
- Focus on recurring cashflows
- Conservative balance sheets
- Headquartered in Sydney, Australia

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# Global Equities

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### Global Value Equities (Long Only and Long-Short)

- Pragmatic Value
- Absolute return
- Margin of safety (min 15% absolute return)
- Multiple ways of winning
- Limit correlated alpha clusters
- 24 investment professionals
- Headquartered in Sydney, Australia
- London investment office



### Global Growth Equities

- High quality, structural growth businesses
- Sustainable competitive advantages
- High return on capital
- Predictable earnings, low debt
- Concentrated portfolio (~20 holdings)
- Low turnover
- Headquartered in Brisbane, Australia



### Global Income Equities

- Endowment objective: compound capital over the long term and distribute dividend income in excess of 5% PA
- Systematic implementation of fundamental ideas
- 11 senior investment professionals; 5 PhDs
- Delivers 4% excess dividend income above the MSCI World net of fees and withholding tax
- Headquartered in Sydney, Australia



### Global Micro Caps

- Greater potential for long term capital appreciation
- Under-researched stock universe (40% no coverage) provides fertile ground for higher alpha
- Greater geographic diversification (32% US)
- Quality orientation
- Focus on recurring cashflows
- Conservative balance sheets
- Headquartered in Sydney, Australia

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# Global Emerging Market & Asian Equities



## Global Emerging Market Equities

- High quality
- Absolute return
- Concentrated portfolio
- Long term sustainable growth
- Stewardship and Sustainability
- Headquartered in London, United Kingdom



## Asia Value Equities (Long Only and Long-Short)

- Pragmatic Value
- Absolute return
- Margin of safety (min 15% absolute return)
- Multiple ways of winning
- Limit correlated alpha clusters
- 24 investment professionals
- Headquartered in Sydney, Australia
- London investment office

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## Real Assets (Private & Public Markets)



#### Australasian Private Infrastructure

- Mid-Market focus results in better acquisition multiples and portfolio yield
- Actively involved in the operational management and governance of the assets unlocks embedded value
- Owns airports, seaports, portside bulk liquid storage, gas pipelines, solar and wind renewable energy assets, subsea data cables, waste management facilities, social infrastructure PPPs
- Unique risk management framework - credit approach to asset selection and financial structuring and VaR approach to portfolio construction
- Headquartered in Sydney, Australia, office in Melbourne, Australia



#### Australasian Private Agriculture, Food & Water

- Real asset backed investments
- Uncorrelated exposure to traditional asset classes
- Inflation protection
- Mid-Market value focus
- Off market acquisitions
- Commodity agnostic and counter-cyclical
- Change of land use and asset optimisation to improve earnings
- Partnership approach with operators
- Headquartered in Brisbane, Australia, office in New York, USA



### Global Real Estate Securities

- Concentrated portfolio of `best ideas`
- Multiple Portfolio Manager approach
- Sector based research
- Centralised, proprietary research mitigates regional biases
- UNPRI signatory
- 24 year track record
- Headquartered in Sydney, Australia, investment office in New York, USA



### Global Infrastructure Securities

- Smart Beta Plus
- Fully systematic
- Focus on infrastructure with monopolistic characteristics
- 0.5 beta to the global equity market
- Headquartered in Melbourne, Australia, with offices in Sydney, Australia

## Credit (Private & Public Markets)



### Australasian Private Credit & Direct Lending

- One of Australasia's largest non-bank lenders
- Participation across all loan market segments – leverage finance, project finance, commercial real estate, corporate
- Investment across the capital structure– investment grade debt through to equity, warrants and options
- Deep, active primary and secondary market experience
- Extensive bank, non-bank and borrower networks
- Significant corporate restructuring and workout experience
- Extensive loan distribution experience and networks
- Headquartered in Sydney, Australia, offices in Melbourne, Australia and Auckland, New Zealand



### Australian & Global Public Markets Credit

- Australasia's largest and leading 'credit alpha' investor
- CCI minimizes fixed-income betas: interest rate duration, credit default risk and illiquidity risk
- CCI seeks to acquire cheap, mispriced bonds paying excess (credit spread) for their risk factors
- As credit spreads normalise/mean revert, CCI generates capital gains on top of interest paid
- Capital gains generated by credit alpha, not beta
- Capital gains become increasingly important in a low-yielding world (positive convexity)
- 99% win ratio on >9,000 bond sales since 2012
- Credit Alpha is crucial in a world where interest rates are declining (alpha has positive convexity as yields fall)
- >30x internally developed bond valuation models reprice all bonds globally
- Use internally-developed artificial intelligence to shadow credit-rate all bonds globally



### Global Sovereign Bonds and Credit

- Smart Beta Plus approach
- Fully systematic
- Identify beta factors driving market returns
- Overlay beta returns with orthogonal alphas
- Proprietary reverse optimization approach
- Launched first global ESG bond mandate

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# Absolute Return



## Absolute Return Equities

- Market neutral exposure with minimal correlation to equities
- Predominantly Australasian equities
- Up to 50% in global equities
- Unconstrained by style or market cap
- Thematic risk management reduces unintended risks
- -10 to +30% net market exposure
- Max 400% Gross Market Exposure
- Highly experienced Team



## Global Equity Market Neutral

- Market neutral exposure with minimal correlation to equities
- 5-10% vol target
- -0.1 to + 0.1% Beta target
- 10%+ Alpha
- State of the art technology
- Headquartered in Sydney, Australia



## Discretionary Asia Macro

- Led by former Brevan Howard PM
- Highly liquid portfolio, comprised of high conviction investment ideas, uncorrelated with equity market beta
- Reminiscent employs a directional, discretionary Macro strategy using Futures, Options, FX, Simple FX Options and ETS=Fs with roughly 70% in Asia, 30% in global markets
- Core position focus on medium to longer-term macroeconomic themes (60-80% of VAR)
- Short term, idiosyncratic, diversifier trades (20-40% of VAR)
- Headquartered in Sydney, Australia



## Systematic Global Macro

- Former GMO SGM team
- Competitive edge is the novel way in which the firm fuses together a deep philosophical understanding of financial economics with rigorous scientific techniques for forecasting returns, volatility and correlations and the way in which they change through time
- Harness the diversifying power of an optimiser through novel volatility and correlation models that drive alpha
- Headquartered in Sydney, Australia



## Long Short Credit

- Zero duration long short credit strategy with daily liquidity
- Australasia's largest and leading 'credit alpha' investor
- CCI minimizes fixed-income betas: interest rate duration, credit default risk and illiquidity risk
- CCI seeks to acquire cheap, mispriced bonds paying excess (credit spread) for their risk factors
- As credit spreads normalise/mean revert, CCI generates capital gains on top of interest paid
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