

Pinnacle Investment Management Group Limited

ABN 22 100 325 184

Interim Report

for the half year ended 31 December 2022

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Pinnacle Investment Management Group Limited

ABN 22 100 325 184

Interim Report - 31 December 2022

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Directors' report

We, your Directors, present our report on the consolidated group consisting of Pinnacle Investment Management Group Limited (the Company) and the entities it controlled (together, the Group) at the end of, or during, the half year ended 31 December 2022.

Directors

The following persons were Directors of Pinnacle Investment Management Group Limited during the whole of the half year and up to the date of this report:

Mr A Watson
Mr I Macoun
Ms D Beale AM
Mr G Bradley AO (resigned 31 December 2022)
Mr A Chambers
Mr A Whittingham (resigned 31 December 2022)
Ms L Berends

Review of operations

Profit attributable to shareholders for the half year was \$30.5 million, compared with \$40.1 million (a decrease of 24%) for the prior corresponding period. This translated to Earnings per Share of 15.7c (basic) and 15.6c (fully diluted), compared with 21.5c (basic) and 21.0c (fully diluted) for the prior corresponding period, representing decreases of 27% in basic earnings per share, and 26% on a fully diluted basis. During the half year, Pinnacle Affiliates generated performance fees which contributed only \$0.9 million to Pinnacle's profit, compared with \$6.4 million in the prior corresponding period. Several strategies which had the potential to produce performance fees during the half-year outperformed their benchmarks but earned nil or lower performance fees as they entered the period behind the relevant high-water marks. In some cases, style-related performance below benchmark was the reason performance fees have not been earned. Shareholders will be aware that performance relative to benchmarks can vary significantly over even quite short periods of time.

While income tax was paid at the Affiliate level, there was no income tax expense at the Group level for both the half year and the prior corresponding period, hence profit before tax and profit after tax are the same.

A fully franked interim dividend of 15.6 cents has been declared (down 11% from 17.5 cents in the prior corresponding period) and will be payable on 17 March 2023 to shareholders registered on the record date of 3 March 2023. This represents a payout ratio of 100% of the diluted earnings per share from continuing operations for the half year.

In addition, during the half year, dividends totalling \$34.9 million have been paid to shareholders by the Company, being the FY22 final dividend of 17.5c per share.

Aggregate Affiliates' funds under management (at 100%) decreased by 1% during the half year from \$83.7 billion at 30 June 2022 to \$83.2 billion at 31 December 2022. However, it was encouraging that core revenues (aggregate Affiliate revenues, excluding performance fees), were resilient. Despite average FUM for the period being 8% lower core revenues were only 0.6% lower.

Total net outflows for the half year were \$1.5 billion (domestic institutional net outflows were \$2.5 billion, domestic retail net inflows were \$0.3 billion, and offshore net inflows were \$0.7 billion), with market movements and investment performance contributing positive \$1.0 billion over the half year. We observed domestic investors accumulating cash holdings in the absence of compelling expected returns for risk assets and continuing rebalancing away from public equities, both Australian and global. Although, it was notable that within this trend, positive inflows into private credit and alternative asset classes continued. We believe we remain well positioned to prosper when market sentiment improves. We have previously acknowledged that institutional flows can be 'lumpy' and volatile over reasonably short periods of time, and this continues to be the case. It was pleasing to see continued positive net inflows from both retail and offshore channels, albeit modest.

Over the period under review, macroeconomic and geopolitical events resulted in increased uncertainty in investment markets. This in turn resulted in challenging conditions for generating new business, particularly in the

Australian market. Shareholders will recall that over the past few years we have deliberately increased the diversity of both asset classes under management and sources of revenue with the objective of building enhanced resilience throughout the full cycle. The style shift referred to in the opening paragraph significantly affected REIT markets and high growth global stocks and impacted Funds Under Management and flows during the half year. Nevertheless, our results show the overall diversity of asset classes that we have achieved has mitigated the exposure to individual asset classes to some extent.

Pinnacle has an excellent platform in place to continue to prosper – driven by growth within existing Affiliates, incubating new Affiliates and strategies, domestically and offshore, as well as careful acquisitive growth into new asset classes and markets.

Both within the Affiliates and Pinnacle, a consistent pattern of investment remains, designed to drive high return strategic growth over the medium term, creating additional capacity, nothing that this moderates profits in the short-term.

Matters subsequent to the end of the reporting period

In the interval between the end of the half year and the date of this Directors' report there has not arisen any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to significantly affect the:

- Group's operations in future financial years; or
- Results of those operations in future financial years; or
- Group's state of affairs in future financial years.

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.

Rounding of amounts

The Company is of a kind referred to in ASIC Legislative Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This report is made in accordance with a resolution of Directors.



Mr A Watson
Chair
Sydney
1 February 2023



Auditor's Independence Declaration

As lead auditor for the review of Pinnacle Investment Management Group Limited for the half-year ended 31 December 2022, I declare that to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Pinnacle Investment Management Group Limited and the entities it controlled during the period.

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

Ben Woodbridge
Partner
PricewaterhouseCoopers

Brisbane
1 February 2023

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Pinnacle Investment Management Group Limited

ABN 22 100 325 184

Interim Financial Report - 31 December 2022

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This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by Pinnacle Investment Management Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

This interim financial report covers the consolidated entity consisting of Pinnacle Investment Management Group Limited and its subsidiaries.

The interim financial report is presented in Australian currency.

Pinnacle Investment Management Group Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office is:

Level 19, 307 Queen Street
Brisbane QLD 4000

Its principal place of business is:

Level 35, 60 Margaret Street
Sydney NSW 2000

The financial statements were authorised for issue by the Directors on 1 February 2023. The Directors have the power to amend and re-issue the interim financial report.

Pinnacle Investment Management Group Limited
Consolidated Statement of Profit or Loss
For the half year ended 31 December 2022

		Half Year	
	Notes	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Revenue from continuing operations	3	22,778	21,585
Fair value gains/(losses) on financial assets at fair value through profit or loss		848	85
Fair value gains/(losses) on financial assets at fair value through profit or loss (non-current)		600	-
Employee benefits expense		(11,279)	(9,497)
Short-term incentives expense		(2,324)	(3,809)
Long-term incentives expense		(1,634)	(1,361)
Professional services expense		(894)	(636)
Property expense	4	(573)	(388)
Travel and entertainment expense		(482)	(182)
Technology and communications expense		(834)	(704)
Finance costs expense		(2,725)	(1,084)
Other expenses from operating activities		(1,409)	(1,391)
Provision for impairment of jointly controlled entities		-	(1,815)
Share of net profit of jointly controlled entities accounted for using the equity method		28,416	39,261
Profit before income tax from continuing operations		30,488	40,064
Income tax expense	5	-	-
Profit from continuing operations		30,488	40,064
Profit for the half year		30,488	40,064
Profit for the half year is attributable to:			
Owners of Pinnacle Investment Management Group Limited		30,488	40,064
Non-controlling interests		-	-
		30,488	40,064
		Cents	Cents
Earnings per share:			
From continuing operations attributable to owners of Pinnacle Investment Management Group Limited			
Basic earnings per share	10	15.7	21.5
Diluted earnings per share	10	15.6	21.0
Total profit attributable to owners of Pinnacle Investment Management Group Limited			
Basic earnings per share	10	15.7	21.5
Diluted earnings per share	10	15.6	21.0

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

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Pinnacle Investment Management Group Limited
Consolidated Statement of Comprehensive Income
For the half year ended 31 December 2022
(continued)

	Half Year	
Notes	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Profit for the half year	30,488	40,064
Other comprehensive income:		
Total comprehensive income for the half year	30,488	40,064
Total comprehensive income for the half year is attributable to:		
Owners of Pinnacle Investment Management Group Limited	30,488	40,064
	30,488	40,064
Total comprehensive income for the half year attributable to owners of Pinnacle Investment Management Group Limited arises from:		
Continuing operations	30,488	40,064
	30,488	40,064

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

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Pinnacle Investment Management Group Limited
Consolidated Statement of Financial Position
As at 31 December 2022

	Notes	31 Dec 2022 \$'000	30 Jun 2022 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	6	15,047	38,265
Trade and other receivables		27,951	23,258
Financial assets at fair value through profit or loss	15	164,122	139,912
Intangible assets	7	-	167
Assets held at amortised cost		684	552
Total current assets		207,804	202,154
Non-current assets			
Investments accounted for using the equity method		314,803	325,252
Financial assets at fair value through profit or loss	15	3,600	3,000
Property, plant and equipment		90	111
Intangible assets	7	1,871	1,921
Right-of-use assets		919	1,584
Assets held at amortised cost	14(b)	2,741	2,736
Total non-current assets		324,024	334,604
Total assets		531,828	536,758
LIABILITIES			
Current liabilities			
Trade and other payables		3,584	10,445
Borrowings	12	20,133	85
Lease liabilities		722	1,223
Provisions	16	2,405	2,236
Total current liabilities		26,844	13,989
Non-current liabilities			
Borrowings	12	100,000	120,000
Lease liabilities		158	348
Provisions	16	292	237
Total non-current liabilities		100,450	120,585
Total liabilities		127,294	134,574
Net assets		404,534	402,184
EQUITY			
Contributed equity	8	417,217	412,066
Reserves	9(a)	(45,464)	(47,099)
Retained Earnings	9(b)	32,781	37,217
Total equity		404,534	402,184

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

Pinnacle Investment Management Group Limited
Consolidated Statement of Changes in Equity
For the half year ended 31 December 2022

		Attributable to owners of Pinnacle Investment Management Group Limited			
	Notes	Contributed equity \$'000	Reserves \$'000	Retained Earnings \$'000	Total Equity \$'000
Opening balance at 1 July 2021		266,274	(50,494)	28,112	243,892
Profit and total comprehensive income for the half year		-	-	40,064	40,064
Transactions with owners in their capacity as owners:					
Dividends paid to shareholders	11	31,819	-	(32,351)	(532)
Shares issued, net of costs		108,940	-	-	108,940
Employee loan arrangements	8	3,495	299	-	3,794
Share-based payments	9(a)	-	1,361	-	1,361
Performance Rights		97	(31)	-	66
		<u>144,351</u>	<u>1,629</u>	<u>(32,351)</u>	<u>113,629</u>
Closing balance at 31 December 2021		410,625	(48,865)	35,825	397,585
Opening balance at 1 July 2022		412,066	(47,099)	37,217	402,184
Profit and total comprehensive income for the half year		-	-	30,488	30,488
Transactions with owners in their capacity as owners:					
Dividends paid to shareholders	11	2,760	-	(34,924)	(32,164)
Options exercised		1,572	-	-	1,572
Employee loan arrangements	8	755	30	-	785
Share-based payments	9(a)	-	1,634	-	1,634
Performance Rights		64	(29)	-	35
		<u>5,151</u>	<u>1,635</u>	<u>(34,924)</u>	<u>(28,138)</u>
Closing balance at 31 December 2022		417,217	(45,464)	32,781	404,534

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

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Pinnacle Investment Management Group Limited
Consolidated Statement of Cash Flows
For the half year ended 31 December 2022

	Notes	Half Year	
		31 Dec 2022 \$'000	31 Dec 2021 \$'000
Cash flows from operating activities			
Receipts from customers		16,413	13,282
Payments to suppliers and employees		(25,417)	(21,540)
Dividends and distributions received from financial assets at fair value		557	909
Dividends and distributions received from jointly controlled entities		42,083	40,839
Interest received		167	45
Finance and borrowings costs paid		(2,673)	(1,052)
Proceeds from sale of financial assets at fair value through profit or loss		24,912	45,286
Payments to purchase financial assets at fair value through profit or loss		(45,445)	(134,908)
Net cash inflow/(outflow) from operating activities		<u>10,597</u>	<u>(57,139)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(3)	(10)
Payments for intangibles		-	(2,000)
Loan repayments from related parties		263	283
Loan advances to related parties		(356)	(75)
Loan repayments from shareholders		785	3,794
Payments for investments accounted for using the equity method		(3,217)	(119,343)
Net cash outflow from investing activities		<u>(2,528)</u>	<u>(117,351)</u>
Cash flows from financing activities			
Ordinary dividends paid to shareholders	11	(32,163)	-
Lease payments		(696)	(687)
Proceeds from issue of shares	8	1,572	108,409
Net cash inflow from financing activities		<u>(31,287)</u>	<u>107,722</u>
Net decrease in cash and cash equivalents		<u>(23,218)</u>	<u>(66,768)</u>
Cash and cash equivalents at the beginning of the half year		<u>38,265</u>	<u>96,136</u>
Cash and cash equivalents at end of half year	6	<u>15,047</u>	<u>29,368</u>

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

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1 Basis of preparation of half year report

This consolidated interim financial report for the half year reporting period ended 31 December 2022 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this interim financial report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public announcements made by Pinnacle Investment Management Group Limited during the half year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

(a) Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding half year reporting period, as disclosed in the 30 June 2022 annual report.

(b) New and amended standards adopted by the Group

No new or amended standards became applicable for the current reporting period that had an impact on the Group.

(c) Impact of standards issued but not yet applied by the entity

There are no standards that are not yet effective that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

2 Segment information

The Group operates one business segment, being its funds management operations. The business is principally conducted in one geographic location, being Australia.

3 Revenue from operations and other income

The Group derives its revenue from contracts with customers from the transfer of services over time. A disaggregation of the Group's revenue is shown below.

	Half Year	
	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Revenue from contracts with customers		
<i>Services revenue - over time</i>		
Service charges	19,621	19,513
	19,621	19,513
Other income		
Interest received or due	211	54
Dividends and distributions	2,933	1,924
Other income	13	94
	3,157	2,072
	22,778	21,585

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4 Expenses

	Half Year	
	31 Dec 2022	31 Dec 2021
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<i>Right-of-use asset amortization – included in property expenses</i>		
Right-of-use asset amortization – leased properties	665	665
	665	665
<i>Depreciation and amortization – included in other expenses from operating activities</i>		
Depreciation – property, plant and equipment	23	28
Amortization – intangible assets	217	429
	240	457

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5 Income tax expense

Numerical reconciliation of income tax expense to prima facie tax payable

	Half Year	
	31 Dec 2022 \$'000	31 Dec 2021 \$'000
Profit from continuing operations before income tax expense	30,488	40,064
Profit before income tax	<u>30,488</u>	<u>40,064</u>
Tax at the Australian tax rate of 30.0% (31 December 2021 - 30.0%)	9,146	12,109
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Share of profits of jointly controlled entities	(8,525)	(11,234)
Non-deductible expenditure	543	427
Other items	<u>2,025</u>	<u>3,524</u>
	3,189	4,735
Offset against deferred tax assets *	<u>(3,189)</u>	<u>(4,735)</u>
Total income tax expense	<u>-</u>	<u>-</u>

* Deferred tax assets of \$6.7m as at 31 December 2022 (31 December 2021 - \$11.3m) have not been recognized in full on the basis that there remains uncertainty regarding the timing and quantum of the generation of taxable profits.

6 Cash and cash equivalents

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Cash at bank and on hand	15,047	38,265
	<u>15,047</u>	<u>38,265</u>

7 Intangible Assets

	Software \$'000	Customer Contracts \$'000	Total \$'000
30 June 2022			
Cost	15	4,574	4,589
Accumulated amortization	(15)	(2,486)	(2,501)
Net book value	<u>-</u>	<u>2,088</u>	<u>2,088</u>
Half year ended 31 December 2022			
Opening net book amount	-	2,088	2,088
Additions	-	-	-
Accumulated amortization	-	(217)	(217)
Closing net book amounts	<u>-</u>	<u>1,871</u>	<u>1,871</u>

7 Intangible Assets (cont.)

	Software \$'000	Customer Contracts \$'000	Total \$'000
31 December 2022			
Cost	15	4,574	4,589
Accumulated amortization	(15)	(2,718)	(2,718)
Net book value	<u>-</u>	<u>1,871</u>	<u>1,871</u>

8 Contributed equity

(a) Share capital

	31 Dec 2022 No. of shares	31 Dec 2021 No. of shares	31 Dec 2022 Paid \$'000	31 Dec 2021 Paid \$'000
Ordinary shares:				
Fully paid contributed equity - Company	<u>194,547,056</u>	<u>193,783,061</u>	<u>417,217</u>	<u>410,625</u>
Total contributed equity	194,547,056	193,783,061	417,217	410,625

(b) Movements in ordinary share capital

Date	Details	Number of shares	Issue price	\$'000
1 July 2022	Opening balance	193,860,297		412,066
	Shares issued under Dividend Reinvestment Plan (DRP), net of costs	283,243	\$9.75	2,760
	Shares issued on exercise of options	400,000	\$3.93	1,572
	Performance rights vested	3,516		64
	Treasury stock vested	-		755
31 Dec 2022	Closing Balance	194,547,056		417,217
1 July 2021	Opening balance	178,467,333		266,274
	Shares issued under DRP, net of costs	1,923,455	\$16.82	31,819
	Shares placement, net of costs	6,287,426	\$16.70	102,156
	Share purchase plan	420,436	\$16.13	6,784
	Performance rights vested	17,739		97
	Treasury stock vested	6,666,672		3,495
31 Dec 2021	Closing Balance	193,783,061		410,625

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

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8 Contributed equity (cont.)

(d) Treasury stock

Treasury stock are shares in Pinnacle Investment Management Group Limited that are subject to share mortgage under employee loans used for the purposes of acquiring interests in the Company (refer note 14). The value ascribed to treasury stock is the balance of the loans secured by share mortgage at period end.

Treasury stock movement for the period is detailed in the table below:

Date	Details	Number of treasury shares	\$'000
1 July 2022	Opening balance	5,700,000	39,453
	Loan share repayments		(755)
	Issue of loan shares under Pinnacle Omnibus Plan	1,017,000	8,792
31 Dec 2022	Closing Balance	6,017,000	29,906
1 July 2021	Opening balance	12,116,672	34,400
	Loan share repayments		(663)
	Issue of loan shares under Pinnacle Omnibus Plan	700,000	11,772
	Forfeited	(450,000)	(2,473)
	Treasury stock vested during the year	(6,666,672)	(2,832)
31 Dec 2021	Closing Balance	5,700,000	40,204

9 Reserves and retained earnings

(a) Reserves

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Share-based payments reserve	14,139	12,476
Performance rights reserve	-	28
Transactions with non-controlling interests reserve	(59,603)	(59,603)
	(45,464)	(47,099)

The share-based payments reserve is used to recognise:

- the grant date fair value of options issued to employees but not exercised;
- the grant date fair value of shares issued to employees;
- the issue of shares held by employee share plans to employees; and
- the grant date fair value of the Pinnacle Long-term Employee Incentive Plan and Pinnacle Omnibus Incentive Plan.

The transactions with non-controlling interests reserve is used to recognise the excess of the consideration paid to acquire non-controlling interests above the carrying value of the non-controlling interest at time of acquisition.

9 Reserves and accumulated losses (cont.)

(b) Retained earnings

Movements in retained earnings were as follows:

	\$'000
Balance at 1 July 2022	37,217
Profit attributable to owners of Pinnacle Investment Management Group Limited	30,488
Dividends paid to shareholders (refer note 11)	<u>(34,924)</u>
Balance at 31 December 2022	<u>32,781</u>

10 Earnings per share

	Half Year	
	31 Dec 2022 Cents	31 Dec 2021 Cents
(a) Basic earnings per share		
Attributable to the ordinary equity holders of the Company:		
From continuing operations	<u>15.7</u>	<u>21.5</u>
From total operations	<u>15.7</u>	<u>21.5</u>

(b) Diluted earnings per share

Attributable to the ordinary equity holders of the Company:		
From continuing operations	<u>15.6</u>	<u>21.0</u>
From total operations	<u>15.6</u>	<u>21.0</u>

	Half Year	
	31 Dec 2022 \$'000	31 Dec 2021 \$'000
(c) Basic and diluted earnings per share		

Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic and diluted earnings per share:

From continuing operations	<u>30,488</u>	<u>40,064</u>
Profit used in calculating basic and diluted earnings per share	<u>30,488</u>	<u>40,064</u>

	Half Year	
	31 Dec 2022 Number	31 Dec 2021 Number
(d) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<u>194,126,747</u>	<u>186,105,089</u>
Adjustments for calculation of diluted earnings per share:		
Weighted average options and treasury stock	<u>1,733,877</u>	<u>4,470,330</u>
Weighted average number of ordinary and potential ordinary shares used as the denominator in calculating diluted earnings per share	<u>195,860,624</u>	<u>190,575,419</u>

(e) Information concerning the classification of securities

Options granted to employees under employee share schemes are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

11 Dividends

	Half Year	
	31 Dec 2022	31 Dec 2021
(a) Ordinary shares	\$'000	\$'000
Final dividend for the year ended 30 June 2022 of 17.5 cents per fully paid ordinary share paid on 16 September 2022 (2021 – 17.0 cents paid on 17 September 2021)		
Fully franked based on tax paid @ 30.0%	34,924	32,351
Total dividends paid	34,924	32,351

The Company activated its DRP on 29 August 2017. The final dividend for the year ended 30 June 2022, totaling \$34,923,525, was paid \$32,163,146 in cash, and \$2,760,379 via the DRP. The DRP associated with the final dividend for the year ended 30 June 2021, totaling \$32,350,543, was fully underwritten.

(b) Dividends not recognised at the end of the half year

Since period end the Directors have recommended the payment of an interim dividend of 15.6 cents per fully paid ordinary share (2022 – 17.5 cents), fully franked based on tax paid at 30%. The aggregate amount of the dividend expected to be paid on 17 March 2023 (2022 – 18 March 2022), but not recognised as a liability at half year end, is:

	31,397	34,910
	31,397	34,910

12 Borrowings and Financing Facilities

In March 2022, the Group entered into an amended facility deed, which is secured by a general security deed over the assets of the Group and guarantees provided by the Company and other Group entities. The availability period for the Corporate Card Facility and Bank Guarantee is until 30 June 2024, for the Loan Facility (Tranche A and B) is until 30 June 2024 and Tranche C is until 15 September 2023. Further details regarding the Corporate Card Facility and Bank Guarantee are provided in Note 13.

As at 31 December 2022, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

31 December 2022	0 - 1 year \$'000	1 - 2 years \$'000	2 - 5 years \$'000	Total contractual cashflows \$'000	Carrying Amount \$'000
<i>Contractual maturity of financial liabilities</i>					
Trade payables	3,584	-	-	3,584	3,584
Borrowings	25,896	102,520	-	128,416	120,133
Lease Liabilities	722	158	-	880	880
Total non-derivatives	30,202	102,678	-	132,880	124,597
30 June 2022	0 - 1 year \$'000	1 - 2 years \$'000	2 - 5 years \$'000	Total contractual cashflows \$'000	Carrying Amount \$'000
<i>Contractual maturity of financial liabilities</i>					
Trade payables	10,445	-	-	10,445	10,445
Borrowings	85	20,000	100,000	,120,085	120,085
Lease Liabilities	1,222	357	-	1,579	1,571
Total assets	11,752	20,357	100,000	132,109	132,101

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12 Borrowings and Financing Facilities (cont.)

The amended facility agreement includes the following covenants:

- The interest cover ratio must be at least 4.0 times
- The net leverage cover ratio is no more than 2.0 times
- The minimum tangible net wealth in respect of any financial year must be at least the greater of:
 - \$130,000,000; and
 - an amount equal to 75% of the tangible net wealth in respect of the previous financial year.

The Group has provided the bank with a security interest over its property excluding its holdings in Affiliates. Compliance with covenants is reviewed on a regular basis and compliance has been maintained during the period. As at 31 December 2022, the interest cover ratio was 18x, the net leverage cover ratio was 1.5 and the tangible net wealth was \$402,664,000 (134% of the tangible net wealth at 30 June 2022).

The Loan Facility is split into three Tranches – 'Tranche A' is \$60,000,000 and is for general corporate purposes. 'Tranche B' is \$40,000,000 and is for acquisitions, or investments into certain liquid investment strategies managed by the Pinnacle Affiliates. 'Tranche C' is \$20,000,000 and for investments into certain investment strategies managed by a Pinnacle Affiliate. The Loan Facility was fully drawn as at 31 December 2022. The loan is a variable rate, Australian-dollar denominated loan which is carried at amortised cost. The facility term is three years from drawdown.

13 Contingencies

Guarantees

The Group has provided guarantees in respect of Australian Financial Services License Net Tangible Asset obligations (via bank guarantee) in respect of the following subsidiaries:

- (i) Pinnacle Funds Services Limited - \$5,000,000 (30 June 2022: \$5,000,000).
- (ii) Pinnacle RE Services Limited - \$50,000 (30 June 2022 - \$50,000)

The Group has also provided guarantees in respect of its leased premises:

- (i) Pinnacle Services Administration Pty Ltd - \$632,000 (30 June 2022 - \$632,000)

The guarantee for the leases noted above is held between Pinnacle Investment Management Group Limited (\$175,000) and Pinnacle Investment Management Limited (\$457,000)

The unused bank guarantee facility at balance date was \$275,000 (30 June 2022: \$275,000). The Group has also provided guarantees in relation to its corporate credit card facilities (facility limits totaling \$400,000, of which \$373,000 was unused at balance date).

These guarantees may give rise to liabilities for the Group if the related entities do not meet their obligations that are subject to the guarantees.

No material losses are anticipated in respect of any of the above contingent liabilities.

14 Related party transactions

(a) Movement in loans to Key Management Personnel

(i) Loans re-issued 25 August 2016

Further details of these loans are provided in the Group's 2022 annual report.

The value of re-issued loans for each of the key management personnel at period end and repayments made during the half year were as follows:

Key Management Personnel	Loan balance – 1 July 2022 \$	Repayments made \$	Loan balance - 31 Dec 2022 \$
Andrew Chambers	234,253	(14,402)	219,851

(ii) Loan Shares issued under the Pinnacle Omnibus Plan

Further details of these loans are provided in the Group's 2022 annual report.

The value of the loans issued for each of the key management personnel at period end and repayments made during the half year were as follows:

Key Management Personnel	Loan balance – 1 July 2022 \$	Issued \$	Repayments made \$	Loan balance - 31 Dec 2022 \$
Ian Macoun	1,522,570	-	(39,747)	1,482,823
Andrew Chambers	4,060,187	-	(105,994)	3,954,193
Daniel Longan	3,645,015	-	(59,622)	3,585,693
Calvin Kwok	3,476,323	-	(66,246)	3,410,077

(b) Loans to other Related Parties

On 27th October 2017, a subsidiary of the Company provided loan funding totaling \$5,226,000 to a number of executives of Palisade Investment Partners Limited ("Palisade"), an Affiliate of the Group, to facilitate their purchase of shares in Palisade from an exiting shareholder. The loans have terms of between five and seven years, are interest-bearing and secured by shares in Palisade. The loans are recorded within non-current assets held at amortized cost in the consolidated statement of financial position.

During the half year, interest of \$25,000 accrued on these loans and repayments of \$224,000 were made. The balance of the loans at 31 December 2022 including capitalized interest was \$1,158,000.

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15 Fair value measurement of financial instruments

This note provides an update on the judgements and estimates made by the Group in determining the fair values of the financial instruments since the last annual financial report. The Group has fully drawn down its \$120,000,000 facility with the Commonwealth Bank of Australia (\$120,000,000 at 30 June 2022), with the proceeds deployed in liquid funds managed by Affiliates.

(a) Fair value hierarchy

AASB 13 Fair Value Measurement requires disclosure of fair value measurements by level of the following fair value measurement 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 (as prices) or indirectly (derived from prices) (level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents the Group's financial assets and financial liabilities measured and recognised at fair value at 31 December 2022 and 30 June 2022 on a recurring basis:

31 December 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
<i>Financial assets at fair value through profit or loss:</i>				
Australian listed equity securities	8,096	-	-	8,096
Unlisted unit trusts	-	131,935	-	131,935
Derivative financial instruments - futures	4,470	-	-	4,470
Other unlisted instruments	-	19,039	4,182	23,221
	12,566	150,974	4,182	167,722
Total assets	12,566	150,974	4,182	167,722

No liabilities were held at fair value at 31 December 2022.

30 June 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Assets				
<i>Financial assets at fair value through profit or loss:</i>				
Australian listed equity securities	7,430	-	-	7,430
Unlisted unit trusts	-	126,749	-	126,749
Derivative financial instruments - futures	5,151	-	-	5,151
Other unlisted equity securities	-	-	3,582	3,582
	12,581	126,749	3,582	142,912
Total assets	12,581	126,749	3,582	142,912

No liabilities were held at fair value at 30 June 2022.

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15 Fair value measurement of financial instruments (cont.)

The Group did not measure any financial assets or liabilities at fair value on a non-recurring basis as at 31 December 2022.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

(b) Valuation techniques used to determine fair values

The fair value of Australian listed securities and exchange traded futures is based on quoted market prices at the end of the reporting period. The quoted price used for Australian listed securities and exchange traded options held by the Group is the current bid price. These instruments are included in level 1.

The quoted market price used for unlisted unit trusts is the current exit unit price. These instruments are included in level 2.

The fair value of unlisted equity securities is determined using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. In the circumstances where a valuation technique for these instruments is based on significant unobservable inputs, such instruments are included in level 3.

The carrying amounts of cash and cash equivalents and trade receivables and payables are assumed to approximate their fair values due to their short-term nature. Loans to entities under joint control and loans to shareholders are carried at amortised cost. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(c) Fair value measurements using significant unobservable inputs (level 3)

Level 3 items include unlisted equity securities held by the Group. The following table presents the changes in level 3 instruments for the half year ended 31 December 2022:

	Unlisted equity securities \$'000
Opening balance 1 July 2022	3,582
Unrealised gains / (losses) recognised in fair value gains / (losses) on financial assets at fair value through profit and loss	600
Additions	-
Fair value adjustments recognised in other comprehensive income	-
Closing balance 31 December 2022	4,182

(i) Valuation process

Unlisted equity securities valued under level 3 are investments in unlisted companies. Where possible, the investments are valued based on the most recent transaction involving the securities of the investee company. Where there is no recent information or the information is otherwise unavailable, the value is derived from calculations based on the value per security of the underlying net tangible assets of the investee company.

(ii) Transfer between levels

There were no transfers between levels during the half year.

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16 Provisions

	31 Dec 2022 \$'000	30 Jun 2022 \$'000
Current		
Employee benefits – annual leave and long service leave	<u>2,405</u>	<u>2,236</u>
	<u>2,405</u>	<u>2,236</u>
Non-Current		
Employee benefits – long service leave	<u>292</u>	<u>237</u>
	<u>292</u>	<u>237</u>
	Employee Benefits \$'000	Total \$'000
Current		
Balance at 1 July 2022	2,236	2,236
Amounts provided for during the period	<u>169</u>	<u>169</u>
Balance at 31 December 2022	<u>2,405</u>	<u>2,405</u>
Non-Current		
Balance at 1 July 2022	237	237
Amounts provided for during the period	<u>55</u>	<u>55</u>
Balance at 31 December 2022	<u>292</u>	<u>292</u>

17 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

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In the opinion of the Directors of Pinnacle Investment Management Group Limited (the Company):

- (a) the interim financial report and notes set out on pages 6 to 23 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half year ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Mr A Watson
Chair
Sydney
1 February 2023



Independent auditor's review report to the members of Pinnacle Investment Management Group Limited

Report on the half-year financial report

Conclusion

We have reviewed the half-year financial report of Pinnacle Investment Management Group Limited (the Company) and the entities it controlled during the half-year (together the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of comprehensive income, consolidated statement of profit or loss, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, significant accounting policies and explanatory notes and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Pinnacle Investment Management Group Limited does not comply with the *Corporations Act 2001* including:

1. giving a true and fair view of the Group's financial position as at 31 December 2022 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*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year financial report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Responsibilities of the directors for the half-year financial report

The directors of the Company 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 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.

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether 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 Group's financial position as at 31 December 2022 and of 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*.

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.

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

PricewaterhouseCoopers

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

Ben Woodbridge
Partner

Brisbane
1 February 2023

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