



11 January 2024

By Electronic Lodgement

Market Announcements Office
ASX Ltd
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Market update

Performance Fees

Pinnacle Investment Management Group Limited (**Pinnacle**) advises that nine Affiliates have crystallized performance fees for the six months ended 31 December 2023 (**1H FY24**) totalling approximately \$41.9 million at 100% gross in aggregate. Pinnacle's net share of these performance fees, after tax payable by the Affiliates on this revenue, is in the order of \$12.3 million (for the six months ended 31 December 2022 (**1H FY23**) - \$0.9 million).

Within the Affiliates, there are now 25 diverse strategies with the potential to produce significant performance fees each year, and 18 of those had the potential to crystallise in the first half. Of those 18, 13 strategies delivered this half-year. In the second half, all 25 strategies have the potential to crystallise performance fees (although note that 9 strategies are currently below their high-water mark).

Principal Investments

Principal Investments (**PI**) totalled approximately \$136 million at 31 December 2023, compared to \$164 million at 31 December 2022. It is expected that the return on PI, prior to interest expense, for 1H FY24 will be in the order of positive \$3.7 million (1H FY23 \$3.8 million). The return on Principal Investments is made up of 'Dividends and distributions' received of \$3.6 million and 'Fair value gains/losses on financial assets at fair value through profit or loss' of net positive \$0.1 million, which includes gains/losses from hedging equity market exposures. The interest expense on the fully drawn \$100 million CBA borrowing facility, all of which is deployed in funds managed by Pinnacle Affiliates, is expected to be in the order of \$3.6 million in 1H FY24 (1H FY23 - \$2.7 million). At 31 December 2022, the facility amount was \$120 million. \$20 million of the facility, which was specifically arranged and drawn to seed a new Palisade real asset strategy, was repaid as scheduled during September 2023.

Further commentary

During 1H FY24, the digital wealth platform OpenInvest undertook a funding round (in which Pinnacle did not participate) and we have recognised the value of our investment (which has not been carried within our PI portfolio) on Pinnacle's balance sheet at the updated valuation level, representing a write down of \$3.4 million. The current valuation of our investment in OpenInvest is now \$240,000.

It is too early in the process of finalisation of half year results to have any certainty of their outcome and it would therefore be imprudent at this time to comment in any detail on the likely net result. However, whilst it is pleasing to see the increase in level of performance fees achieved in the first half, Pinnacle notes that the combined effect of the OpenInvest writedown, lower PI returns net of interest expense, planned higher employee costs, particularly short-term incentives, and some other short-term factors within Affiliates together is likely to have had a broadly offsetting impact on overall group profitability in the first half.

We look forward to discussing the complete picture of our half year results with investors on 2 February and note that we believe we enter the second half with grounds for cautious optimism, fully resourced with the capability to take advantage of any improvement in market conditions. We also expect that opening FUM as



at 1 January 2024 will be higher than the average during 1H FY24 and this will contribute to the 'skew' in our results, which tends to see profitability higher in the second half of the financial year than the first, likely being quite pronounced again this financial year.

It is emphasised that all numbers in this market update represent preliminary estimates and are still subject to auditor review. Auditor-reviewed half-year financial results, together with additional information including detail on funds under management as at 31 December 2023 and net fund flows for the half-year ended 31 December 2023, are scheduled to be released after market close on Thursday, 1 February 2024.

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

This announcement was authorised for release by the Board of Directors.