



25 October 2024

By Electronic Lodgement

Market Announcements Office
ASX Ltd
20 Bridge Street
Sydney NSW 2000

Dear Sir/Madam

2024 Annual General Meeting – Managing Director's Address

Please find attached a copy of the Managing Director's address which will be delivered at the Pinnacle Investment Management Group Limited (**ASX: PNI**) Annual General Meeting this morning.

Authorised by:

Calvin Kwok
Company Secretary

Refer to slide 22

This slide shows the main topics I plan to address today:

- Firstly I will review the key themes and outcomes for our company for the 2024 financial year;
- I will briefly review the financial results for the 2024 financial year;
- Then provide an update on developments during the first quarter of the new (2025) financial year;
- I will elaborate on our Growth Agenda, and why we are confident we can continue to execute on our strategy of increasing the diversity and robustness of the business, whilst delivering strong average annual rates of growth;
- I will explain how we have created an excellent platform from which we can continue to grow, both in Australia and internationally, in a variety of ways (with three mutually reinforcing horizons of growth), whilst being robust to the kinds of external adversity experienced in the 2020, 2022 and 2023 financial years;
- I will provide a brief update on our most recent Affiliates; and
- I will share some detail on the strong progress we have made in the vitally important area of corporate sustainability and the great work of the PNI Foundation.

Refer to slide 23

The slide now showing on the screen has been extracted from our Annual Results presentation of 1 August 2024 and sets out how we summarised the key themes and outcomes for our company for the 2024 financial year.

For quite some time now we have been emphasising our strategy of further increasing the DIVERSITY of our business. Our MOMENTUM in both Private Markets asset classes and internationally has underpinned a year in which we achieved ROBUST GROWTH in Funds Under Management, in revenue and in earnings.

We delivered RECORD opening FUM of \$110.1 billion as we moved into the new, 2025 financial year - that was up 20% on a year earlier, and up 10% over the 6 months from 31 December.

We delivered Net Profit After Tax for the 2024 financial year of \$90.4 million, up 18% on the previous year. Earnings per share of 45.5 cents, up 17%, and dividends of 42c per share, up 17% on FY23.

As I mentioned, we achieved continuing growth in private markets and other alternatives strategies during the year; international distribution momentum is building; our overall retail net inflows were strong, despite weakness in investor appetite for public equities over the first three quarters; our net horizon 2 spend reduced as expected, as revenues grew, demonstrating operating leverage across the platform in the second half of the financial year; and many of our Affiliates produced continuing strong investment performance, resulting in performance fee contributions from a diverse set of strategies.

I will provide further detail on our profit, FUM and fund flows shortly.

Refer to slide 24

Slides 24 and 25 elaborate these Themes.

In point 1, net inflows into private markets assets represented 57% of total net inflows for the year. This is the FIRST YEAR that private markets net inflows exceeded public markets net inflows. And private markets FUM represented \$22.8 billion or 21% of total FUM at 30 June, up from \$1.5 billion 8 years ago.

Looking at point 2, more than \$18 billion of our FUM now comes from more than 40 countries outside of Australia. Approximately \$7 billion or 70% of total net inflows in FY24 was from international investors. This is a very strong platform for future growth in FUM from investors outside of Australia.

To point 3, retail inflows. Despite challenging conditions for the first three quarters of the financial year for public equities, our diverse product set enabled strong retail inflows of \$3.9 billion, including \$2.3 billion into private markets assets classes, and \$1.3 billion into listed credit.

Refer to slide 25

In Theme 4, our net Horizon 2 spend reduced from a net cost of \$7 million in the first half to \$4.5 million in the second half of the FY24 financial year.

Looking at Theme 5, investment performance, 85% of Affiliate strategies with a track record of five years or longer have outperformed over the 5 year period to 30 June 2024. More than 25 strategies, representing 35% of our total FUM, have the ability to deliver performance fees. With such a diverse and largely uncorrelated set of strategies we have the ability to deliver meaningful performance fees in each financial year, across differing market cycles.

Refer to slide 26

Slide 26 sets out the financial highlight numbers for the 2024 financial year.



As I mentioned, we reported Net Profit After Tax of \$90.4 million for the year, 18% up on FY23 NPAT of \$76.5m. Our diluted eps was 45.5 c per share, up 17% on the FY23 eps of 39c per share, and we declared a final dividend of 26.4 c per share, taking total dividends for the year to 42c per share, up 17% on FY23.

To the top left hand side of the Table - our Aggregate Affiliate FUM (at 100%) at 30 June 2024 was \$110.1 billion

This was up \$18.2 billion, or 20%, on \$91.9 billion at 30 June 2023 and up \$10 billion or 10% on 31 December 2023.

Aggregate Retail FUM was \$28.8 billion at 30 June 2024, up \$6.1 billion or 27% on a year earlier. The ASX 300 index was up 7.7% over the year and the MSCI World index up 17.5%. The NASDAQ (relevant to Hyperion global) was up 28.6% and the global REIT index (relevant to Resolution Capital) was up 2.9%.

Total Affiliate revenue (at 100%) was up 30% at \$663.4 million, of which \$553.6 million was base fees (up 22%) and \$109.8million was performance fees (up 89%).

Pinnacle's net share of performance fees, after tax, were \$31.2m, (up 112%. - so, a little over double), on \$14.7 million in FY23.

Total net inflows for the year were \$9.9 billion, of which \$3.9 billion was retail, \$7.0 billion was from international investors, and we had \$900m of net outflows from Australian institutions.

During the second half of the 2024 FY total net inflows for the half were \$ 5.4 billion, of which \$2.1 billion was retail, \$3.9 billion was from international investors, and we had \$600 m of net outflows from Australian institutions.

Refer to slide 27

Slide 27 shows our record of earnings growth over the 8 years that we have been 'listed Pinnacle'.

Refer to slide 28

Slide 28 elaborates our track record of strong earnings growth through periods which incorporate some less favourable stages of the market cycle.

Earnings per share have grown at a compound annual rate of 21.7% over the 5 year period to 30 June 2024.

Refer to slide 29

Slide 29 shows some detail on our performance fee record and opportunity. As mentioned, we are growing the size and diversity of our performance fee potential and look forward to our strategies with 'larger performance fee FUM' delivering in future years.

Refer to slide 30

Slide 30 shows in graphs our 18 year FUM growth and net flow history. FUM has grown at a compound annual growth rate of 23.2% per annum over the past 10 years. Our FUM sourced from international clients has grown strongly over the past few years, and particularly in FY24. Aggregate retail and international FUM – which tend to have higher fees than domestic institutional – now represent 43% of total FUM.

The bottom graph shows the strong growth in retail and overseas based FUM. We have continued to win business into private market asset classes and from offshore.

Refer to slide 31

Slide 31 provides detail on the growth of our Private markets businesses and of our international asset classes.

Refer to slide 32

Turning now to the September quarter, the first quarter of this new financial year.

The Aggregate of the Affiliates' Funds Under Management stood at \$128.1 billion at 30 September 2024. This was up \$18 billion or 16% from \$110.1 billion at 30 June 2024 – up \$8.2 billion or 7% excluding FUM 'acquired' by a Pinnacle Affiliate during the first quarter of FY25.

Total net inflows for the 3 months to 30 September 2024 were \$1.8 billion - \$1.6 billion of which was retail net inflows, with \$100 million of net inflows into each of the international and domestic institutional markets.

Equities markets had a positive impact on aggregate fund levels from the beginning to the end of the quarter. The S&P/ASX 300 index was up 6.5% over the three months ending 30 September 2024, the MSCI World index was up 6.2%, the NASDAQ (relevant to Hyperion global) was up 2.6% and the FTSE EPRA/NAREIT index (relevant to Resolution Capital global) was up 10.9%.



Refer to slide 33

Headline net flows were positive for the quarter, led by a strong retail result.

Retail net inflows were strong with resilient demand for private credit, fixed income and other private markets, as well as improving retail investor sentiment in equities.

We achieved modest institutional net inflows, both domestically and internationally. As we have outlined previously, these flows are 'lumpy' and can vary significantly over shorter time periods. We remain confident in our institutional pipeline.

Equities markets ended the quarter at higher levels than at the start of the financial year, which has a positive impact on revenues. Conversely, exit conditions in private equity are less favourable.

And, again, most of the Affiliates' strategies have continued to deliver performance to expectations or better.

Refer to slides 34 and 35

Slides 34 and 35 provide the specifics of the 5 year performance track records of the 39 Affiliate Funds or strategies.

Refer to slides 36, 37 and 38

Slides 36, 37 and 38 provide further performance detail.

Refer to slide 39

Slide 39 updates on our more recent major industry awards.

We were delighted at the Zenith Awards last week to win the Distributor of the Year Award. This is a tremendous endorsement and recognition of the quality and success of our retail distribution team lead by Kyle McIntyre, Mark Cormack, Ged Willeston and Andrew Reidy, and the marketing team lead by Jarrad Brevi and Simon Kawaguchi.

Metrics won the Private Markets funds manager Award. Hyperion, Resolution Capital and Solaris were finalists in five other investment management categories.

Refer to slides 41 and 42

In Slide 41 we remind shareholders that we think in terms of 3 Horizons of Growth.

Horizon 1 is the main game – it is continuing to pursue net inflows into existing strategies of existing Affiliates. We remain very confident of our ability to continue to do that (and particularly to continue to grow Affiliate revenue). We conservatively estimate the capacity of the Affiliates' existing strategies at approximately \$500 billion – so there is plenty of Horizon 1 runway left, with the attendant strong gains in operating leverage that will be accompanied by such growth.

Horizon 2 is the subject of an enormous amount of activity both within Pinnacle itself and within all of the Affiliates. We have stated that we estimate this cost Pinnacle's 'bottom line' NPAT in FY24 in the order of \$11.5 million.

Refer to slide 43

This is a slow, patient process where we invest now for medium term gain but we have been doing this for a long time, and have a strong record of very high returns on our past Horizon 2 investments, not even including unrealised capital gains on the value of the businesses and strategies we have built. We are confident that will continue to be the case in the future.

Refer to slides 44 and 45

We have mentioned specific Horizon 2 initiatives in slides 44 and 45 [and in addition slide 47 specifically explains Five V's Horizon 2 activities and slide 48 Metrics' Horizon 2 activities].

Refer to slide 46

In relation to Horizon 3 – which of course is where we use capital to buy into existing businesses – slide 46 explains that our most recent transaction was the acquisition of a 25% interest in Private Equity and Venture Capital manager Five V in December 2021.

This slide also explains that we have continued to explore further Horizon 3 opportunities but have remained disciplined in relation to the quality and valuations of candidate investments.

We have explored many Horizon 3 opportunities, seeking the characteristics we have previously explained – we seek investments that are strategically attractive and diversifying relative to the current Affiliate composition; we are seeking internationally based opportunities but also have looked at select opportunities in Australia; and we seek asset classes that are in high demand including private credit, infrastructure, real estate, and hedge funds.



Refer to slides 47 and 48

Slide 47 provides in timeline format an Update on Five V progress since then.

Slide 48 provides in timeline format an Update on, as well as a reflection on the history of, our partnership with Metrics, which has already spanned 11 years including, initially, our distribution partnership.

Refer to Slides 50, 51 and 52

Slides 50 to 52 provide updates on our most recent Affiliates - Life Cycle, Metrics and Five V. I don't have time to go through these now but we can elaborate on them, if shareholders wish, during question time.

Refer to slide 53

Slide 53 commences the Section of the Presentation on Corporate Responsibility.

Refer to Slide 54

Over the course of the year, we continued to progress our Sustainability agenda which is structured around three principal focus areas – Purpose, People and Planet.

Pinnacle Affiliates approach responsible investment in ways that are most relevant to their investment strategies, with all Affiliates integrating ESG considerations into investment decision-making. Our role in this regard is to support and advise – we do not take part in their investment activities.

This year marked a significant milestone in our Company's history as we formally committed to advancing reconciliation through the publication of Pinnacle's Reflect Reconciliation Action Plan. Through this plan, we aspire to deepen our understanding of Aboriginal and Torres Strait Islander peoples, cultures and histories, strengthen existing relationships and forge new relationships with Aboriginal and Torres Strait Islander stakeholders.

Over the year, we continued to promote a work environment of inclusion. We introduced 40:40:20 gender targets for the Board, senior executives and all employees. These targets seek to achieve balanced gender representation of 40% male, 40% and 20% either gender, across our organisation. Most notably, we awarded 12 Women in Finance Scholarships to students across 5 universities. This is the sixth year of the program, which commenced in 2019. Since the program commenced, 87 scholarships have been awarded and 16 scholarship recipients have been actively employed across Pinnacle and Affiliates.

We continue disclose our progress in addressing modern slavery risk in our operations and supply chain through the submission of an annual Modern Slavery Statement. The Statement details our commitment to partnering with suppliers, communities and Affiliates who respect and protect fundamental human rights.

During 2022, we formed the Pinnacle ESG Working Group, which is attended by key executives from Pinnacle and all of our Affiliates and is underpinned by a charter that Pinnacle and all Affiliates were invited to adopt, setting out our combined commitment to Corporate Responsibility. Working together, we can be a much more effective force for good than operating alone.

This group has identified two key focus areas – Supplier Engagement and Workforce Diversity – with focus groups formed to work on each initiative.

The Pinnacle Group Supplier Engagement Group is a collaborative initiative aiming to maximise leverage in supplier engagements and promote key sustainable themes within our corporate supply chain.

We remain committed to reducing the environmental impact of our operations. Pinnacle is proud to have received Climate Active Carbon Neutral certification for our FY23 emissions and we remain committed to maintaining our carbon neutral status each year. Our commitment to carbon neutrality enables us to accelerate climate action in the near term, as an interim solution, and support organisations like the Aboriginal Carbon Foundation to implement their fire management program. However, our primary focus remains on reducing our environmental impact.

More detail is set out in our Corporate Sustainability Report on our website, which we would encourage you to read.

Refer to slide 56

Slide 56 explains that total donations by the PNI Foundation in FY24 exceeded \$677,000, with a further \$445,000 donated by Affiliates.

Skip over slide 57



Slides 62 to 91 in the Additional Information section provide an update on the institutional and international markets and flows, and Slides 72 to 74 provide an update on the wholesale and retail market and retail flows. We will likely discuss these further during question time.

Refer to slide 60

In conclusion, I would like to remind shareholders of the basis on which we remain so confident of our company's ability to grow and prosper, which is the strong funds management platform that we have built, and our highly regarded, distinctive business model. Slides 57 and 58 provide some further detail in this regard.

Shareholders can be assured that nothing has fundamentally changed in your companies' ambitions, strategies, and growth plans. We have simply had to show some patience in the face of market turbulence - and it is not the first time we have had to do that during our 18 year history.

That concludes the commentary I wanted to provide on the slides and on the performance of the business during the last financial year and the September quarter – Q1 of the current (2025) financial year.

Thank you everyone for listening.