

Acquisition of Strategic Interests to Deliver Further International Expansion and Equity Raising

20th November, 2024

Pinnacle Investment Management Group Limited (ASX: PNI) (“**Pinnacle**”) is pleased to announce it has reached agreement to acquire strategic interests in two high quality international asset management firms for combined consideration of A\$142.8 million¹. The strategic interests comprise:

- US\$60.5 million for a 22.5% equity stake in VSS Holdings LLC (“**VSS**”). VSS is a New York-headquartered private markets investment management firm specialising in structured capital.
- £25.75 million for a 25% equity stake² in Pacific Asset Management LLP (“**PAM**”), a London-based asset management platform that provides technology-enabled multi-asset portfolio solutions, along with support and distribution services for high-quality boutique asset managers.

In conjunction with the above investments, Pinnacle has launched a \$400 million fully underwritten institutional placement to fund the investments in VSS and PAM and to provide additional capacity for future growth options. Pinnacle will also offer eligible Pinnacle shareholders the opportunity to participate in a non-underwritten share purchase plan to raise a target of \$25 million.

These significant new partnerships further demonstrate the increasing power of Pinnacle’s global platform in attracting world-class investment managers. The investments will further enhance Pinnacle’s diversification into private capital and international markets while also delivering additional meaningful scale.

Both the acquisition of the strategic investments, and the combined transaction (strategic investments, equity raising and dry powder deployment) are expected to be earnings per share (EPS) accretive on a pro-forma FY25F NPAT basis³.

Key highlights of VSS investment

- High quality private markets affiliate with US\$656 million in committed capital⁴ offering exposure to the structured capital market with a focus on the US lower mid-market, top decile performance, and is led by a high-quality investment team
- Substantial long term growth potential including a new Fund V capital raising target of ~US\$800 million expected in 2025
- Consistent with Pinnacle’s strategy of increasing exposure to global private assets following successful domestic investments in Metrics Credit, Five V and Palisade
- A strategic foothold in the US market, providing a platform for further growth in North America

¹ USD/AUD of 1.53; GBP/AUD of 1.95.

² Acquisition of 19.86% completed on 29 October 2024, with the balance subject to customary regulatory approval, as described in the investor presentation in relation to the Placement that Pinnacle released to the ASX on the date of this announcement (“**Investor Presentation**”).

³ Based on pro-forma NPAT for PAM assuming annualisation of current quarterly earnings and VSS NPAT pro-forma for the proposed Fund V capital raising.

⁴ Management fees are paid on committed capital of US\$656 million as at 30 June 2024 with total mark-to-market FUM of US\$961 million.

Key highlights of PAM investment

- Growth-orientated, founder-owner led investment, distribution and technology platform headquartered in the UK with US\$11.0 billion in AUM⁵ and an extensive UK distribution footprint
- Successful history incubating and distributing talented wholly-owned and minority-owned affiliates and distributing third-party investment boutiques, including Coolabah Capital
- Accelerates and deepens Pinnacle's international private wealth footprint through PAM's complementary distribution network and innovative managed discretionary account technology solutions
- Supports international capability in sourcing other potential Horizon 2 and Horizon 3 opportunities

Pinnacle strategy update

Pinnacle is a scaled, global platform, attracting high-quality managers internationally and across asset classes. Pinnacle's overall strategy remains unchanged in being prepared for, and seeking, further attractive expansion opportunities.

As part of this strategy, Pinnacle is actively seeking to further diversify across high-growth asset classes and expand internationally. VSS and PAM highlight Pinnacle's focus on international acquisitions with substantial growth potential where Pinnacle expects it can add value to accelerate growth. Pinnacle is also continuing to support the growth of current Affiliates, including through increased investment in distribution channels domestically and internationally.

Pinnacle continues to see strong momentum into FY25, with ongoing growth in private markets and other alternative strategies, historical fundraising headwinds in public market equities easing and having delivered meaningful international inflows following an extended build-out of Pinnacle's international distribution capabilities.

Pinnacle Affiliates delivered strong net inflows and investment performance in 1Q FY25. This performance is leading to performance fees from a range of strategies. As at 30 September 2024, pro-forma for VSS and PAM, Pinnacle has A\$145.9 billion⁶ invested across the 18 Affiliates, including VSS and PAM. Within this, A\$25.5 billion is private markets FUM and \$42.2bn is international FUM.

VSS strategic investment

Founded in 1981, VSS specialises in structured capital investments, providing capital for growth financing, recapitalisations, strategic acquisitions, and buyouts to lower middle market companies and management teams.

Pinnacle will acquire a 22.5% stake in VSS for US\$60.5 million comprising:

- US\$50.8 million for Pinnacle's stake in VSS asset management business
- US\$9.7 million for Pinnacle's share of VSS fund investments

The acquisition offers attractive economics, with Pinnacle having a share of all fee related earnings as well as carried interest on all existing and future funds. There will be no sell down by the principals of VSS and Jeffrey Stevenson will continue as Managing Partner and own a majority share, with other senior partners also increasing their shareholdings. The consideration will be wholly invested into the VSS business to bolster its balance sheet for growth.

⁵ AUM as at 30 September 2024.

⁶ VSS and PAM FUM of US\$11.7 billion converted at USD/AUD of 1.53.

VSS Founder and Managing Partner, Jeffrey Stevenson, said:

“As we embark on a new phase of growth and expand our investment solutions with our next Fund V and new strategies, Pinnacle is an ideal partner. Their world-class global distribution platform and extensive expertise in private market assets will be invaluable in achieving our objectives and helping us deliver on our strong growth potential. We are confident that both our investors and the management teams we collaborate with will greatly benefit from our team working alongside Pinnacle.”

The acquisition price for the investment is subject to certain conditions based on the success of the raising of the new VSS Structured Capital Fund V. Raising for Fund V is anticipated to commence in Q1 CY25, with a raise target of US\$800m.

VSS becomes Pinnacle’s second North America-based Affiliate, alongside Toronto-based Langdon Equity Partners, a specialist small cap equities investment manager.

Further information about Pinnacle’s proposed investment in VSS (including in relation to the conditions precedent to completion of the investment) are set out in the Investor Presentation.

PAM strategic investment

PAM was founded in 2016, backed by Pacific Investments Group, the family office of Sir John Beckwith.

Pinnacle has agreed to acquire a 25% stake in PAM for £25.75m comprising:

- Acquisition of 19.86%, which has completed
- Balance subject to customary regulatory approval

The interest was or will be acquired by Pinnacle from passive shareholders, with management remaining invested in the business and fully committed to the next phase of growth.

Along with a proprietary technology platform for multi-asset portfolio solutions, PAM has an extensive distribution footprint across the UK, including in the wealth market which is expected to be highly complementary to Pinnacle’s existing capabilities. It has a successful history of supporting wholly owned and minority-owned investment boutiques and providing third party distribution services.

PAM is the UK distributor of Pinnacle Affiliate, Coolabah Capital Investments, and over time it is expected that there will be significant opportunities to collaborate across distribution, infrastructure, and technology which will benefit both firms and other Pinnacle Affiliates.

Pacific Asset Management's CEO, Matthew Lamb, commented:

"We are incredibly excited to have Pinnacle as a partner and shareholder. We regularly talk about three principles that underpin Pacific AM - Culture, Technology and Conviction. Those principles are also abundant in everything that Pinnacle does. Whilst it's hugely exciting to have a shareholder that has the ability to bring so much additional value and complementary expertise it's almost unheard of to find a team of people that can do that without compromising your guiding principles.

I am convinced with Pinnacle we can ensure that craft-based funds management, in a world of asset management industrialisation, can succeed long into the future."

PAM adds to Pinnacle’s UK-based Affiliates, including Aikya Investment Management, a specialist emerging markets equities manager, and Life Cycle Investment Partners, a recently launched global equities investment manager.

Pinnacle Managing Director, Ian Macoun, commented on the two new strategic interests.

“We have made great progress in exporting our unique multi-affiliate model globally. These transactions not only accelerate and enhance our international growth ambitions, but they also provide additional asset class diversification and support further growth of our platform.

Both VSS Capital and Pacific Asset Management have client-centric cultures, and they have exceptional track records when it comes to growth, performance and meeting their clients’ needs. After engaging with the teams over many months, we have great confidence in each firm’s ability to deliver sustained excellence well into the future.”

Equity Raising

Pinnacle is raising \$400 million via a fully underwritten placement of new fully paid ordinary shares in Pinnacle (“**New Shares**”) to institutional and sophisticated investors (“**Placement**”):

- ~\$143 million to fund the strategic investments in VSS and PAM described above;
- ~\$75 million to seed new strategies for existing affiliates, including Life Cycle and other affiliates (which is expected to be continually recycled); and
- ~\$182 million to support investment in additional Horizon 2 and Horizon 3 growth initiatives (which, as has historically been the case, will be invested in affiliate funds until deployed and is expected to return above cash rate yields).

In addition to the Placement, Pinnacle will offer eligible shareholders the opportunity to participate in a non-underwritten share purchase plan to raise a target of \$25 million.

Placement

New Shares will be offered under the Placement, and the Placement is fully underwritten,⁷ at \$20.30 per New Share (“**Placement Price**”), which represents a:

- 5.3% discount to the last closing Share price of \$21.44 on 19 November 2024; and
- 4.3% discount to the 5-day volume weighted average price of Shares (up to and including 19 November 2024) of \$21.22.

Approximately 19.7 million New Shares will be issued under the Placement, representing approximately 9.7% of the existing ordinary shares on issue in Pinnacle (“**Shares**”). New Shares issued under the Placement will rank equally with existing Shares on issue. The Placement is within Pinnacle’s available placement capacity under ASX Listing Rule 7.1 and, accordingly, Pinnacle shareholder approval is not required in connection with the Placement.

Pinnacle expects that settlement of the New Shares to be issued under the Placement will occur on Monday, 25 November 2024 and those New Shares will be issued and commence trading on the ASX on a normal settlement basis on Tuesday, 26 November 2024.

Share Purchase Plan

Following completion of the Placement, Pinnacle will also offer eligible Pinnacle shareholders with a registered address in Australia or New Zealand⁸ the opportunity to acquire up to \$30,000 of New Shares each (without

⁷ Details of the underwriters and a summary of the material terms on which the Placement is underwritten are set out in the Investor Presentation.

⁸ As at the record date for the SPP of 7:00pm (Sydney time) on Tuesday, 19 November 2024.

paying any brokerage, commission or transaction costs) via a non-underwritten share purchase plan (“SPP”) to raise a target of \$25 million⁹. New Shares will be offered under the SPP at the Placement Price.

The SPP offer period is expected to commence on Wednesday, 27 November 2024 and close on Thursday, 12 December 2024.

The terms and conditions of the offer of New Shares under the SPP (including those relating to scale-back of applications) will be set out in the SSP offer booklet, which will be lodged with the ASX and sent to eligible Pinnacle shareholders in due course.

Proceeds raised under the SPP will be used to provide additional balance sheet capacity to support Pinnacle’s future growth. Any New Shares issued under the SPP will rank equally with existing Shares on issue.

Indicative timetable

Set out below is an indicative timetable for the Placement and the SPP. The timetable below is indicative only and subject to change. Pinnacle reserves the right to alter the below dates at its full discretion and without prior notice, subject to the requirements of the *Corporations Act 2001* (Cth) and the relevant ASX Listing Rules. All references to time are to Sydney time.

Event	Date
Record date for SPP	7pm, Tuesday, 19 November 2024
Trading halt and announcement of the Placement and SPP	Wednesday, 20 November 2024
Placement bookbuild	Wednesday, 20 November 2024
Announcement of the outcome of the Placement	Thursday, 21 November 2024
Trading halt lifted - trading resumes on the ASX	Thursday, 21 November 2024
Settlement of New Shares to be issued under the Placement	Monday, 25 November 2024
Allotment and normal trading of New Shares issued under the Placement	Tuesday, 26 November 2024
SPP offer opens and SPP offer booklet is dispatched	Wednesday, 27 November 2024
SPP offer closes	Thursday, 12 December 2024
Announcement of results of SPP	Tuesday, 17 December 2024
New Shares issued under SPP	Thursday, 19 December 2024
Normal trading of New Shares issued under the SPP	Friday, 20 December 2024

Further details of the offer under the Placement are set out in the Investor Presentation. The Investor Presentation contains important information, including key risks and foreign selling restrictions with respect to the offer under the Placement. This presentation can be accessed on the Pinnacle website at <https://pinnacleinvestment.com/shareholders/#asx-announcements>.

⁹ Pinnacle may (in its absolute discretion) undertake a scale back of applications received under the SPP to the extent and in the manner it sees fit. If Pinnacle receives applications for an aggregate amount in excess of the amount targeted to be raised under the SPP (\$25 million), Pinnacle may (in its absolute discretion) either scale back applications (to the extent and in the manner it sees fit) or increase the amount raised under the SPP.



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Nothing in this announcement constitutes investment, legal, tax or other advice. You should seek appropriate professional advice before making an investment decision.

Please contact Ian Macoun on ian.macoun@pinnacleinvestment.com if you require any further information.

This announcement was authorised for release to the ASX by the board of directors of Pinnacle.

-ENDS-

About VSS

Headquartered in New York, VSS is a private investment firm that invests in the healthcare, education, and business services industries. VSS makes privately negotiated investments across the capital structure and invests in situations requiring control or non-control equity, mezzanine securities, and structured equity securities.

VSS has over three decades of experience, made investments in over 100 portfolio companies, with over 400 add-on acquisitions. VSS has US\$656 million of committed capital as at 30 June 2024.

More about VSS: <https://www.vss.com>

About PAM

Formed in 2016, PAM is a growth-orientated and progressive asset manager, rethinking the conventions of how asset management works for advisers, institutions, investors, asset owners and the industry.

Headquartered in London, PAM operates across two core streams: technology-enabled adviser solutions, and single-manager solutions. The firm responsible for over US\$11 billion of assets for clients (as at 30 September, 2024).

More about PAM: <https://www.pacificam.co.uk>

About Pinnacle

Pinnacle is a leading ASX-listed multi-affiliate investment management group with distribution capabilities and affiliated investment teams located in Australia, New Zealand, London, the United States and Canada.

Along with holding equity interests in its Affiliates, Pinnacle provides seed funding, global institutional and retail distribution, and industrial grade middle office and infrastructure services. By providing Affiliates with superior non-investment services, Pinnacle enables talented investors a superior environment for delivering investment excellence to clients.

As at 30 September 2024, Pinnacle had a total of \$128.1 billion funds under management across its 16 Affiliates, or \$145.9 billion pro-forma for investments in VSS and PAM¹⁰.

More about Pinnacle: <https://pinnacleinvestment.com>

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¹⁰ VSS and PAM FUM of US\$11.7 billion converted at USD/AUD of 1.53.

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