



Pinnacle

Pinnacle Investment
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2 April 2019

Australian Securities and Investments Commission
Level 5, 100 Market Street
Sydney NSW 2000

Attention: Kathy Neilson
Senior Lawyer, Investment Managers & Superannuation

Via email: feeandcostdisclosure@asic.gov.au

Dear Ms Neilson,

Re: ASIC Consultation Paper 308: Review of RG 97 Disclosing fees and costs in PDSs and periodic statements (CP 308)

Pinnacle Investment Management Group Limited (**Pinnacle**) is grateful for the opportunity to make a submission in response to the consultation undertaken by the Australian Securities and Investments Commission (**ASIC**) on Regulatory Guide 97 *Disclosing fees and costs in PDSs and periodic statements (RG 97)*.

Pinnacle welcomes ASIC's consultation on RG 97 and is generally supportive of ASIC's proposals as contained in CP 308. In particular, Pinnacle is supportive of ASIC's proposals regarding:

- B6: Removing property operating costs, borrowing costs and implicit transaction costs; and
- B9: Calculating performance fees.

In relation to the specific questions relating to those proposals, we respond as follows:

- *B6Q1 Do you agree with our approach? If not, please explain why. If you think that some of these costs should be disclosed, where do you think is the best place for disclosure?*

Yes, we agree with your approach, and strongly support these changes. We similarly regard property operating costs being more closely related to the net return from those assets rather than reflective of the costs of investing via interposed vehicles.

- *B6Q2 Are cls 103(2)(c)–(d) of the draft amendments to Sch 10 at Attachment 2 to this paper sufficient to exclude all implicit transaction costs? Is a reference to market impact costs or some other type of cost also required?*

We believe that clauses 103(2)(c)-(d) of the draft amendments to Schedule 10 are sufficient to exclude all implicit transaction costs, and that a reference to market impact costs or other types of cost are not necessary.

- *B6Q3 What system and process changes would be needed to implement these proposals?*

We anticipate that the proposed changes would not result in any major system or process changes.

- *B6Q4 What are the additional costs associated with implementing these proposals? Please provide details of one-off and/or annual costs as applicable. Would these proposals result in any cost savings? Please give details.*

Given that we do not anticipate any major impacts to systems or processes, we consider our additional costs or cost savings would be negligible with regard to this proposal.

- *B6Q5 What would be a reasonable timeframe for issuers to implement these proposals, in light of the other changes proposed in this paper?*

In the context of all other changes, we suggest that a 12-month transition period would be appropriate.

- *B9Q1 Do you agree with our approach? If not, please explain why.*

Yes, we agree with your approach, and strongly support these changes. We consider that taking a longer-term average of the impact of performance fees provides investors with a more accurate assessment of the historical impact of performance fees, noting of course though that past performance is not determinative of future performance.

- *B9Q2 Are any transitional arrangements required to accommodate data availability, particularly for interposed vehicles? Please give details.*

We do not anticipate the need for any particular transitional arrangements regarding data availability.

- *B9Q3 Should we provide any further guidance on how to calculate performance fees? Please give details.*

In CP 3018, paragraph 103 notes that the five year average “should be able to accommodate any negative (clawback) figures for individual years”. Accordingly, subclause (3) of clause 101C of Schedule 10 should include explicitly that individual negative years are to be included in the averaging of performance fees, whilst continuing to note that the overall average stated cannot be negative (as per subclause (3)(e)).

- *B9Q4 Should carried interest charged by general partners in private equity funds be included in the definition of performance fee in cl 101C of Sch 10? Please give details.*

We believe that for clarity, carried interest charged by general partners in private equity funds should be included in the definition of performance fee in clause 101C of Schedule 10.

- *B9Q5 What system and process changes would be needed to implement these proposals?*

We anticipate that the proposed changes would not result in any major system or process changes.

- *B9Q6 What are the additional costs associated with implementing these proposals? Please provide details of one-off and/or annual costs as applicable.*

Given that we do not anticipate any major impacts to systems or processes, we consider our additional costs or cost savings would be negligible with regard to this proposal.

- *B9Q7 What would be a reasonable timeframe for issuers to implement these proposals, in light of the other changes proposed in this paper?*

In the context of all other changes, we suggest that a 12-month transition period would be appropriate.

Background on Pinnacle

Pinnacle is a leading Australian-based multi-affiliate investment management firm. Our mission is to establish, grow and support a diverse stable of world-class investment management firms. Pinnacle consists of twelve investment affiliates that collectively manage A\$50.2billion (as at 28 February 2019) in assets across a diverse range of asset classes. Pinnacle provides distribution and other support services to its affiliates. Pinnacle, through its entities holding Australian Financial Services Licences, Pinnacle Investment Management Limited (**PIML**), Pinnacle Funds Services Limited (**PFSL**) and Pinnacle RE Services Limited (**PRES**), issues and distributes a number of financial products for which RG 97 is relevant.

If you require any further information in relation to this please contact our Chief Risk & Compliance Officer on [REDACTED] or (02) 8970 7739.

Yours faithfully,



Ian Macoun
Managing Director
Pinnacle Investment Management Group Limited