



28 November 2017

Markets Announcement Office
ASX Limited
Level 5, 20 Bridge Street
Sydney NSW 2000

**PENGANA CAPITAL GROUP LIMITED
ANNUAL GENERAL MEETING
28 NOVEMBER 2017
CHAIRMAN'S ADDRESS AND MANAGING DIRECTOR'S PRESENTATION**

Please find attached:

- a. Copy of an address to be delivered by Mr Warwick Negus, Chairman of Pengana Capital Group Limited (ASX: **PCG**) at the Company's 2017 Annual General Meeting to be held today; and
- b. Slides to be presented by Mr Russel Pillemer, Managing Director and Chief Executive Officer of Pengana Capital Group Limited.

Yours faithfully,

Paula Ferrao
Company Secretary

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**PENGANA CAPITAL GROUP LIMITED
ANNUAL GENERAL MEETING
28 NOVEMBER 2017
CHAIRMAN'S ADDRESS**

Shareholders, ladies and gentlemen.

Good morning, my name is Warwick Negus and I am the Chairman of Pengana Capital Group Limited or PCG, and I will be chairing this meeting.

On behalf of my fellow Directors, the Executive team and employees it gives me great pleasure to welcome you to the inaugural Pengana Capital Group Limited Annual General Meeting.

May I please remind you to switch your mobile devices to silent. It is now just after 10.00 am and I call this meeting to order.

I have been advised by our Company Secretary that a quorum is present and I am pleased to declare the meeting open.

As the first item, I would like to introduce my fellow directors. Seated from your left to right are:

- Mr Russel Pillemer, the Company's Managing Director and CEO who joined the Board post-merger in June this year. Russel will later give you an overview of Pengana, touch on the highlights for 2017 and the outlook for the future.
- Mr David Groves, a non-executive director of the Company who joined the Board in April 2016. David was appointed the Lead Independent Director in August this year. David is also Chairman of the Audit and Risk Committee, a member of the Nominations and Remuneration Committee and a Director of our Listed Investment Company, Pengana International Equities Limited (formerly Hunter Hall Global Value Limited).
- Mr Kevin Eley, a non-executive director of the Company who joined the Board in September 2015 and who was the Chairman until the June merger this year. Kevin is a member of the Nominations and Remuneration Committee.
- Mr Jeremy Dunkel, a non-executive director since June this year. Jeremy is Chairman of the Nominations and Remuneration Committee and a member of the Audit and Risk Committee.

Ladies and gentlemen, the board before you comprises those who were previously directors of HHL and those who were directors of Pengana Holdings. I am really pleased in the way in which this board has come together and invested a great deal of time and energy in helping to get our newly merged Company under way.

Also present in the room are:

- Mr Grant Layland of Grant Thornton, the Company's auditor;
- Mr David Ryan of DLA Piper, the Company's legal advisers;
- Ms Paula Ferrao, Company Secretary;
- Ms Katrina Glendinning, Pengana's Chief Financial Officer; and
- Staff from Pengana and Computershare who can assist you with any administrative questions you may have.

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The agenda for today's meeting is as follows:

- I will first give a brief address on the changes to the Company over the past year.
- Russel will give you an overview of Pengana, touch on the highlights for 2017 and the outlook for the future.
- I will then formally move each of the resolutions in the Notice of Meeting and invite questions and comments.
- Following voting on the resolutions, if there is no further business, I will close the meeting and invite you to join us at morning tea.

This year saw significant change in your Company, commencing with the departure of Peter Hall from Hunter Hall International Limited ("HHL"), two take-over offers for your company and finally the merger between HHL and Pengana Holdings Pty Ltd which created this Company, Pengana Capital Group Limited. This also resulted in a new major shareholder of the merged company – Washington H Soul Pattinson & Co.

The two businesses were highly complementary and I am pleased to report that the integration is not only complete but that we have been able to achieve all of the cost savings that we outlined in the Explanatory Memorandum. I would like to acknowledge the enormous amount of work undertaken by your previous Chairman, Kevin Eley and by fellow Director David Groves to bring the merger to fruition in very trying circumstances; as well as the efforts of the executive team and all employees post-merger, who delivered an efficient and quick transition.

PCG now offers diversified investment solutions to clients and with \$3.3 billion funds under management, it builds on the strength and stability of the Pengana model. With a strong and experienced Board and executive team, PCG is well placed to deliver value to our clients and to you, our shareholders.

The current financial year has commenced with strong performance across our funds. Funds under management increased from \$3.1 billion at 30 June 2017 to over \$3.3 billion at 31 October 2017, after the payment of \$108 million in dividends and distributions.

Our funds have delivered strong investment performance this financial year with Pengana's flagship funds, the Australian Equities Fund and Emerging Companies Fund, returning 3.6% and 9.2% respectively, and the International Equities strategy returning 5.8% in the period from 1 July to 31 October 2017.

We have undertaken a series of product renovations, which Russel will touch on in his address, including the approval by PIA shareholders at last week's PIA AGM to reduce that product's management fees from 1.5% to 1.2%, in exchange for a once off re-setting of the performance fee high watermark to zero.

As I stated in my letter to shareholders dated 30 August 2017 that was included in the Company's Annual Report, the financial results for Financial Year 2017 are not indicative of the future financial performance of the Company. In his address, Russel will give you an insight into the Pengana business model and its potential for growth.

The Directors declared an inaugural final fully franked dividend of 4 cents per share that was paid in September 2017. Whilst the Company has a Dividend Reinvestment Plan in place, it has not been activated and is unlikely to be activated in the near term.

I am also pleased to note that the Company share price has increased 9% from \$2.90 at 30 June 2017 to \$3.15 at the close of trading Monday 27 November.

In addition to the resolution put to shareholders to adopt the Company's Remuneration Report, this year we have asked Shareholders to consider increasing the aggregate Non-Executive Director remuneration cap from \$500,000 to \$750,000 as item 6 of today's formal business.

Although the current fee cap was set last year, in light of the merger between the Company and Pengana Holdings Pty Ltd earlier this year (which dramatically increased the size of the Company), the current fee cap does not provide the flexibility to allow the Board to appoint a further Non-Executive Director for succession planning purposes at an appropriate time.

While the Board is not currently proposing to increase its size, nor are we seeking this year to change the level of remuneration for individual directors, the current cap does not provide the Board with strategic flexibility to make additional Board appointments should it wish to do so.

Like our predecessor Hunter Hall, Pengana has a strong history of philanthropy.

Since 30 June, PCG has partnered with Thread Together, a Sydney based organisation that collects end-of-line brand new stock from clothing providers and makes them available to the homeless, victims of domestic violence, asylum seekers, indigenous communities, ex-inmates, and other vulnerable groups in the community, in dedicated spaces placed in locations that can have the most impact. Our sponsorship will enable Thread Together to provide 3,000 people in need with a full wardrobe of clothes. We have also continued our support of the Black Dog Institute, an organisation dedicated to understanding, preventing and treating mental illness. Several weeks ago we were one of the principal sponsors of the Sohn "Hearts and Minds" conference held at the Sydney Opera House that provided meaningful financial support to a range of Australian charitable causes.

Pengana Capital Group is now well placed to deliver for shareholders in the future. In late October we launched our new website, setting a platform for better engagement with our investors, and we have also invested in our back office operations and our risk management systems both of which support our world class investment teams. We are a Company focused on delivering for our investors AND for our shareholders.

Thank you for your attention. I will now hand over to Russel, our Managing Director, who will give you a brief overview of Pengana, the highlights of the 2017 Financial Year and update you on the outlook for Pengana for 2018.

PENGANA CAPITAL GROUP

Annual General Meeting 2017



2. Managing Director's Address

- 2.1 Company Overview**
- 2.2 FY 2017 Highlights**
- 2.3 FY 2018 Focus**



2.1 Company Overview



Pengana Capital Group



**Goal is to generate superior long term returns;
with focus on capital preservation**



- Leading provider of premium products
- Benchmark-unaware mandates; we don't aim to "beat the market" over the short-term
- Proven long-term performance over multiple funds
- Impose capacity limits across our strategies
- Focused on the higher end retail market; SMSF's, advisors and HNW's
- Unique funds management business



Strengths and Opportunities

- A leading retail brand in benchmark-unaware actively managed equities
- A diverse high quality offering across Australian and International equities; proven long term performance across multiple funds
- Capitalise on increasing demand in benchmark-unaware, absolute return and alternative asset spaces
- Capitalise on increasing demand for ethical funds
- Experienced and aligned corporate management team with robust and scalable infrastructure
- Aligned funds management teams with substantial expertise and long term track records
- Horizontal growth prospects enhanced by unique operating model
- Strong distribution capability with over 50,000 underlying retail investors across platforms, dealer groups, IFAs, and direct HNW and SMSF clients
- LIC platform

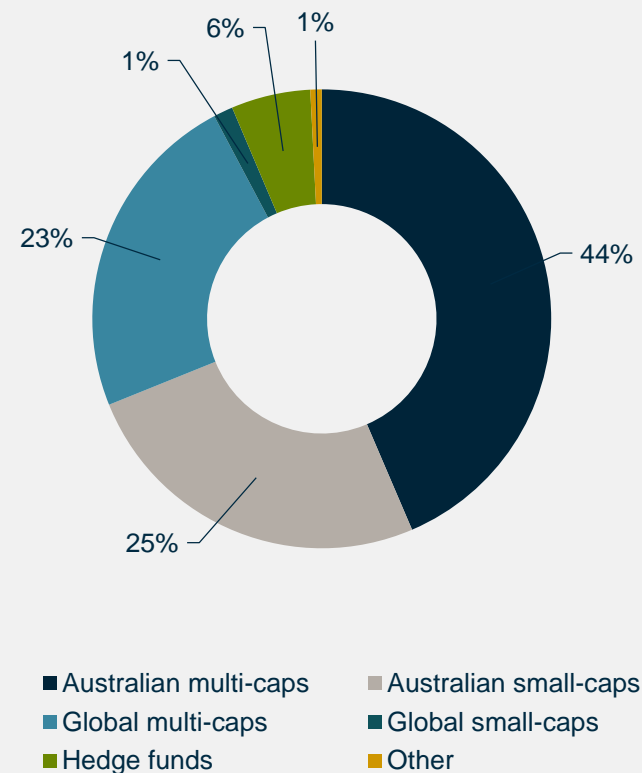


Funds Under Management ¹

Historical Growth in FUM (\$m)



FUM Strategy Breakdown (31/10/2017)



1. The amount of funds under management can increase or decrease due to a range of factors including net fund flows, distributions to investors and investment performance. Past performance is not a reliable indicator of future performance.

Diversified Range of Funds ¹

Acronym	Primary Fund Name	Strategy	Strategy FUM at 31/10/17 (\$m)	Base Fee; Performance Fee (Primary Fund) ²
PAEF	Pengana Australian Equities	Australian Multi-caps	1,429	1.0%; 10% above 0%
PECF	Pengana Emerging Companies	Australian Small-caps	831	1.3%; 20% above ASX Small Ords
PIEF	Pengana International Equities (incl. 3 Trusts)	Global Multi-caps	474	1.25%; na
PIA	Pengana International Equities Ltd (LIC) (Previously Hunter Hall Global Value Limited)	Global Multi-caps	292	1.2%; 15% above MSCI World
PanAgora	Pengana PanAgora Absolute Return Global Equities	Global Market Neutral	130	1.5%; 20% above RBA Cash
PAR Asia	Pengana Absolute Return Asia Pacific	Absolute Return Asia	54	1.5%; 20% above RBA Cash
HCT	Hunter Hall High Conviction Equities	High Conviction	22	1.76%; 15% above RBA Cash + 3% p.a.
PGSC	Pengana Global Small Companies	Global Small-caps	45	1.3%; 20% above MSCI AC World SMID
WHEB	Pengana WHEB Sustainable Impact	Global Impact Investing	4	1.32%; na

1. The amount of funds under management can increase or decrease due to a range of factors including net fund flows, distributions to investors and investment performance. Past performance is not a reliable indicator of future performance.
2. Fees are expressed excluding GST as this reflects the fees that PCG will receive.

2.2 FY 2017 Highlights



2017 Highlights

Pengana Pre Merger

- Maintained long term performance track records across strategies
- Growth in FUM of 34% during the 2017 financial year (4Y CAGR of 27%)
- Improved ratings and accessibility for Pengana Global Small Companies Fund
- Extensive equitisation of team members; employees, FM's and directors own circa 45%

Post Merger

- Merger successfully completed; HH operations fully integrated and synergies realised
- Pengana culture preserved and enhanced
- PCG well received by equity market/ shareholders
- PIEF team successfully assumed management of HH international funds and LIC; portfolios fully transitioned
- HHV/PIA discount to NAV significantly reduced
- HHV/PIA one-for-one bonus option announced; potential large increase of vehicle over 18 months
- Launch of Pengana Australian Equities Income strategy (utilising the HH Australian Value Trust vehicle)
- Launch of Pengana WHEB Sustainable Impact Fund (utilising the HH Global Deep Green Trust vehicle)

Pengana Capital Group “Adjusted” Operating EBITDA ¹



30 June 2017	(\$000)
<u>Pengana - Excluding HHL</u>	
Operating revenue	14,565
Net fund administration expenses	(1,711)
Ongoing operating expenses	(13,331)
Net performance fees ²	<u>5,530</u>
Pengana adjusted operating EBITDA excluding HHL	5,053
HHL 12 months operating EBITDA	<u>6,129</u>
Adjusted operating EBITDA for merged entity	11,182

1. Based on Pengana Management Accounts, adjusted for items as shown on the following page.

2. Net of profit share to teams.

Reconciliation to Audited Annual Report

30 June 2017	(\$000)
Adjusted operating EBITDA for merged entity	11,182
HHL 11 months operating EBITDA	(5,706)
Return on other investments and cash	2,771
Merger expenses – reverse acquisition and restructuring costs	(4,504)
Employee loan share costs – share based payments expense	(5,029)
Other non-operating expenses	(389)
Non-controlling interest	<u>(120)</u>
Loss before tax attributable to Pengana shareholders	<u>(1,795)</u>
Income tax expense	(1,019)
Statutory loss after tax attributable to Pengana shareholders	(2,814)

2.3 FY 2018 Focus



Focus for FY2018

- Maintain long term performance track records and ratings across funds
- Achieve ratings and platform accessibility for:
 - Pengana international equity funds (“PIEF, VGT, GET, PIEF-MR”)
 - Pengana Australian Equities Income strategy (“PAEIF”)
 - Pengana WHEB Sustainable Impact Fund (“WHEB”)
- Raise FUM across our range of strategies
- Prepare for launch of an additional listed investment company / trust
- Evaluate acquisition opportunities

Key Developments Since 1/7/2017

- Ex-HH Funds experienced material outflows over first few months, albeit significantly lower than pre-merger
 - Average FUM for FY 2017 was \$1bn; currently \$767m
 - Net outflows now largely stemmed; estimated <\$3.0m per month
- FUM growth in aggregate has been strong; predominantly in Australian Equities Fund and Emerging Companies Fund
 - Impact on bottom line lower than expected due to mix i.e. higher team distributions paid on these funds
 - Significant increase in distribution team (~\$1m) to facilitate growth
- PIA/HHV fee restructure completed
 - Reduced management fees (“MF”) by circa 30bps i.e. \$0.9m
 - Performance fee (“PF”) high-water-mark re-set to zero; enabling possibility of fee by 30/6/18
- HHV (1 for 1) options issued
 - 18 month expiry
 - Potential to materially increase FUM
- Reviews on various International Equity Funds conducted by 2 major research houses
 - Reports expected before 31/12/17

Platform for Long Term Growth



Superior Business Model

- Attract, retain and align “in-house” teams
- “JV model” enables growth at low cost
- Plug and play: identify opportunities and deliver solutions
- Opportunity to expand into other FM segments



Scalable Infrastructure

- Manage significantly larger asset base with low incremental cost
- Experienced and aligned management team
- Sophisticated operations, risk and compliance framework; segregated from FMs



Distribution and Brand

- FUM growth in existing and new funds
- Potential to launch additional LICs
- Leverage brand and relationships in Advisor and mass HNW markets



Acquisition Opportunities

- Attractive partner/buyer for select opportunities
- Revenue and cost synergies
- Valuation multiple arbitrage
- Opportunity to expand into other FM segments

Disclosures



Pengana Absolute Return Asia Pacific Fund – Performance Simulation

These performance figures show the returns of the Absolute Return Asia Pacific Fund from inception on 1 September 2010 to the current date and, for the period prior to 1 September 2010, the since inception returns for the Australian dollar denominated shares issued by the Pengana Asia Special Events (Offshore) Fund (“Offshore Fund”) adjusted to reflect the different fees which apply to the Fund. The strategy inception date is 1 October 2008. The Fund is fully invested into the Offshore Fund.

Pengana PanAgora Absolute Return Global Equities Fund – Performance Simulation

From December 2015, these performance figures are those of the Fund’s class A units. Between September 2010 and November 2015, AUD performance has been simulated by Pengana from the actual USD Composite gross strategy returns (prior to April 2013 using the Monthly Liquidity Composite; thereafter using the Daily Liquidity Composite) using 3 month rolling forwards to hedge movements in the AUDUSD spot rate. The effect of fees form part of this simulation. The Composite is comprised of all discretionary institutional accounts managed by PanAgora in this investment style.

Disclaimer



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Hunter Hall Investment Management Limited (ABN 69 063 081 612 AFSL 219462) ("HHIML") is the responsible entity and issuer of the following funds referred to in this presentation: Pengana WHEB Sustainable Impact Fund (ARSN 121 915 526), Hunter Hall Value Growth Trust (ARSN 093 079 906), Hunter Hall Global Equities Trust (ARSN 098 586 282), Hunter Hall Australian Value Trust (ARSN 098 586 586) and Hunter Hall High Conviction Equities Trust (ARSN 602 546 332). The product disclosure statements for these funds are available on the Hunter Hall website via www.hunterhall.com.au. Any potential investor should read the relevant product disclosure statement in its entirety and consult their financial adviser before making an investment decision. Past performance is not a reliable indicator of future performance.

HHIML is the manager of Pengana International Equities Limited (formerly Hunter Hall Global Value Limited) (ASX: HHV). Before making an investment in HHV, any investor should consider whether such an investment is appropriate to their needs, objectives and circumstances and consult with an investment adviser if necessary. Past performance is not a reliable indicator of future performance.

THANK YOU



FOR MORE INFORMATION

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