

PENGANA CAPITAL GROUP LIMITED (ASX: PCG) 2021 ANNUAL GENERAL MEETING

27 October 2021

Attached is a copy of the address to be delivered by Mr Warwick Negus, Chairman, and slides to be presented by Mr Russel Pillemer, Managing Director and Chief Executive Officer, at the Company's 2021 Annual General Meeting to be held today, 27 October 2021 at 9:30 am (Sydney time).

Approved by Paula Ferrao, Company Secretary

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**CHAIRMAN'S ADDRESS
2021 ANNUAL GENERAL MEETING
PENGANA CAPITAL GROUP LIMITED**

Good morning everyone. My name is Warwick Negus, and I am the Chairman of Pengana Capital Group. It is my pleasure to welcome you all to Pengana's 2021 Annual General Meeting.

In the spirit of reconciliation, I would like to acknowledge the Traditional Custodians of country throughout Australia and their connections to land, sea and community. We pay our respect to their Elders past and present and extend that respect to all Aboriginal and Torres Strait Islander peoples today.

It is my pleasure on behalf of the Board to again have the opportunity to report to shareholders on the achievements of Pengana Capital Group.

In the 2021 Financial Year strong investment performance across our underlying funds increased Funds Under Management by 27% and delivered \$27.5 million in performance fee revenue, one of the main factors behind our strong financial result for the year.

Comprehensive Income before Tax was up 83% on the prior financial year and we increased earnings per share by 77%.

Shareholders shared in the success, with 13 cents per share in dividends declared out of the profits of the 2021 financial year, a 63% increase from the prior financial year.

After the payment of dividends and repayment of debt, our Underlying Net Tangible Assets increased by 7.6% in the year to 30 June 2021 and at \$59.1 million represented 55 cents per share.

We recognised that during the financial year the Company's share price did not reflect the underlying value of the Company and in August the Board announced the reinstatement of a buy-back facility, giving the Board the flexibility to buy back up to 10% of the Company's issued capital over a period of 12 months.

To date this facility has not been utilised and, pleasingly, the Company's share price yesterday closed at \$2.03, a 25% increase from the same day last year.

When the Pengana Private Equity Trust (or PE1) was listed on the ASX just over two years ago, we issued 4.9 million convertible preference shares in Pengana to PE1, effectively providing PE1 investors with an immediate 5% uplift in the NAV per Unit on listing.

In the initial Product Disclosure Statement for PE1, we noted the importance we place on aligning Pengana's interests with those of our investors and flagged the intention to make an in-specie distribution of these shares into the hands of PE1 investors approximately two years after the listing.

This distribution took place in late September, and in the process, we have welcomed an additional 3,000 new shareholders onto the PCG register.

We also announced in September that the Board considers PE1 to be an attractive investment, and that we intend to use some of Pengana's balance sheet to purchase PE1 units on market from time to time.

During the year we noted investors' interest in sustainability continues to grow. From a fund perspective, Pengana is well placed, having a range of ESG, ethically screened and impact strategies. Pengana's newly formed

sustainability committee has been tasked with reviewing the sustainability of every facet of Pengana's own operations, including our supply chain, our premises and our employment practices.

The foundation of our success is our people and today we are seeking your approval on a number of remuneration related items.

Pengana's remuneration policy seeks to align the interests of management with those of shareholders with the aim of creating sustainable shareholder value. Pengana's incentive structure rewards individual and team contribution to the successful implementation of Pengana's strategy, supports Pengana's culture and values, and has regard to the overall financial performance of the Company.

A key component of this incentive structure is the issue of shares under the Employee Share Plan, which is before you for approval today. By virtue of his position in the Company, we are separately seeking express approval to issue Loan Plan shares to Russel, our Managing Director.

We are also once again seeking your approval to grant non-executive directors ("NEDs") new PCG shares in place of their Directors' fees.

The NED Equity Plan operates on a fee sacrifice basis, it does not involve additional cost to Pengana and enhances the alignment between the NEDs and our shareholders. The board has elected to continue receiving all of its remuneration in the form of shares.

Today's formal business also includes resolutions regarding my re-election and the re-election of David Groves. As a Board, we are committed to a Board that is balanced and diverse in experience, skills and gender. We undertake an annual evaluation of the Board's performance, and consider that the current Board is effective and of a relatively short tenure as it came together in 2017, as a result of the merger. Increasing the size of the Board would impose an additional cost on the Company.

While there is no female representation in the current makeup of the Board, we are committed to remedy this as existing Directors retire.

I'd like to finish by thanking Russel, our portfolio managers, the executive team, and all our staff, for their efforts throughout the year. I also thank my fellow Board members for their continued support and commitment.

I will now hand over to Russel to discuss Pengana's results in more detail.

PENGANA CAPITAL GROUP

2021 Annual General Meeting



ASX: PCG



CHAIRMAN'S WELCOME

Mr Warwick Negus



BOARD OF DIRECTORS PENGANA CAPITAL GROUP LIMITED



Warwick Negus
Chairman



Russel Pillemer
Managing Director



Jeremy Dunkel
Non-executive Director



Kevin Eley
Non-executive Director



David Groves
Non-executive Director

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AGENDA

1. Chairman's Address: Warwick Negus

2. Managing Director's Address: Russel Pillemer

3. Formal Business

4. Q&A

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CHAIRMAN'S ADDRESS

Mr Warwick Negus



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MANAGING DIRECTOR'S ADDRESS

Mr Russel Pillemer



PENGANA CAPITAL GROUP OVERVIEW



- Leading Australian provider of premium, value added products
- Focused on the higher-end retail market: advisors; SMSF's; and HNW's
- Recognised and well-regarded brand built over 18 years
- >\$4bn of funds under management ("FUM")
- Unique funds management business model, facilitating horizontal growth:
 - In-house funds management teams
 - JVs with offshore groups
- Robust, scalable and technologically advanced "institutional-grade" infrastructure

KEY ATTRACTIONS

- FUM diversified across: strategies/funds; geographies; market-caps; listed and private equity
- Compelling long-term returns across the range of strategies
- Well-rated by research houses; availability across all advisor platforms
- Recognised brand with loyal client base of financial advisors, retail and HNW; serviced by experienced and capable distribution team
- Good fee margins and diversified sources of performance fees across 77% of FUM
- Profitability is highly leveraged to growth; infrastructure capable of managing much larger FUM with minimal additional expenses
- Multiple growth prospects in “high-demand” segments/themes; capacity to grow in existing strategies as well as optionality to add new strategies
- 18% of FUM in listed vehicles
- Sophisticated digital marketing capabilities

COMPELLING TRACK RECORDS WITH CAPACITY TO GROW (AS AT 30/6/2021)

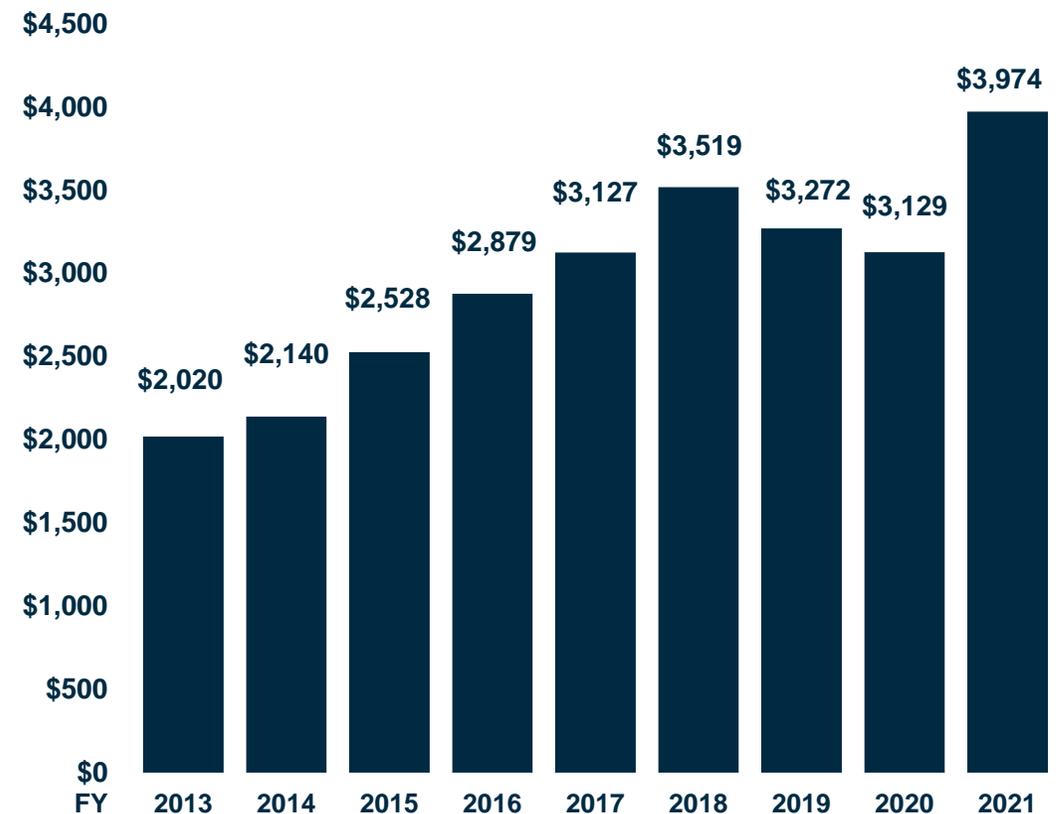
Primary Fund/Vehicle Name	Strategy	Team	FUM Current (\$m)	Indicative Further FUM Capacity (\$bn)	Performance Since Inception p.a. ¹³		
					Fund %	Benchmark %	Relative %
Pengana Australian Equities ¹	Australian Multi Caps	Internal	987	Limited	10.2	7.1	3.1
Pengana Emerging Companies ²	Australian Small Caps	Internal	842	Limited	13.7	5.8	7.9
Lizard Global Small ³	Global, Small Caps	Internal	483	~2bn	10.1	8.9	1.1
Pengana Axiom International Ethical ⁴	Global, Multi Caps, Ethical	JV	434	Very large	9.0	7.9	1.1
Pengana International Equities Ltd (LIC) ⁵	Global, Multi Caps, Ethical	JV	379	Very large	9.2	8.4	0.8
Pengana Private Equity (LIT) ⁶	Global, Multi Caps	JV	333	Very large	7.7	n/a	n/a
Pengana Global Small Companies ⁷	Global, Small Caps	Internal	179	~\$500m	10.6	10.4	0.2
Pengana Harding Loevner International ⁸	Global, Multi Caps, ESG	JV	69	Very large	10.1	7.2	2.9
Pengana WHEB Sustainable Impact ⁹	Global, Multi Caps, Impact	JV	180	~\$800m	3.5	3.7	- 0.2
Pengana Alpha Israel ¹⁰	Israel, Small-Mid Caps	JV	37	~\$500m	10.9	7.6	3.3
Pengana High Conviction Equities ¹¹	Global, Multi Caps	Internal	45	~\$200m	32.8	12.8	20.0
Pengana High Conviction Property ¹²	Australian, Multi Caps, ESG	Internal	8	~\$700m	21.3	3.3	18.0

1. Benchmark: ASX All Ordinaries Accumulation Index, Inception Jul-08 2. Benchmark: ASX Small Ordinaries Accumulation Index, Inception Nov-04 3. Lizard International Master Fund LP, Benchmark: MSCI ACWI SMID Cap, Inception Dec08 4. Benchmark: MSCI AC World Total Return Index (Net), Inception Jun-04 5. Benchmark: MSCI World Total Return Index (Net), Inception Mar-04 6. Inception Apr-19 7. Benchmark: MSCI AC World SMID Cap Index (Unhedged)2, Inception Apr-15 8. Benchmark: MSCI AC World Total Return Index (Net), Inception Nov-89 9. Benchmark: MSCI World Total Return Index (Net), Inception Jan-06 10. Benchmark: Tel Aviv Stock Exchange 125 Index, Inception Dec-17 11. Benchmark: MSCI World Total Return Index (Net)2, Inception Dec-14 12. Benchmark: S&P/ASX 200 A-REIT TR Index2, Inception Feb-20 13. Performance Since Inception to 30 June 2021

GROWTH IN FUNDS UNDER MANAGEMENT (“FUM”) ¹

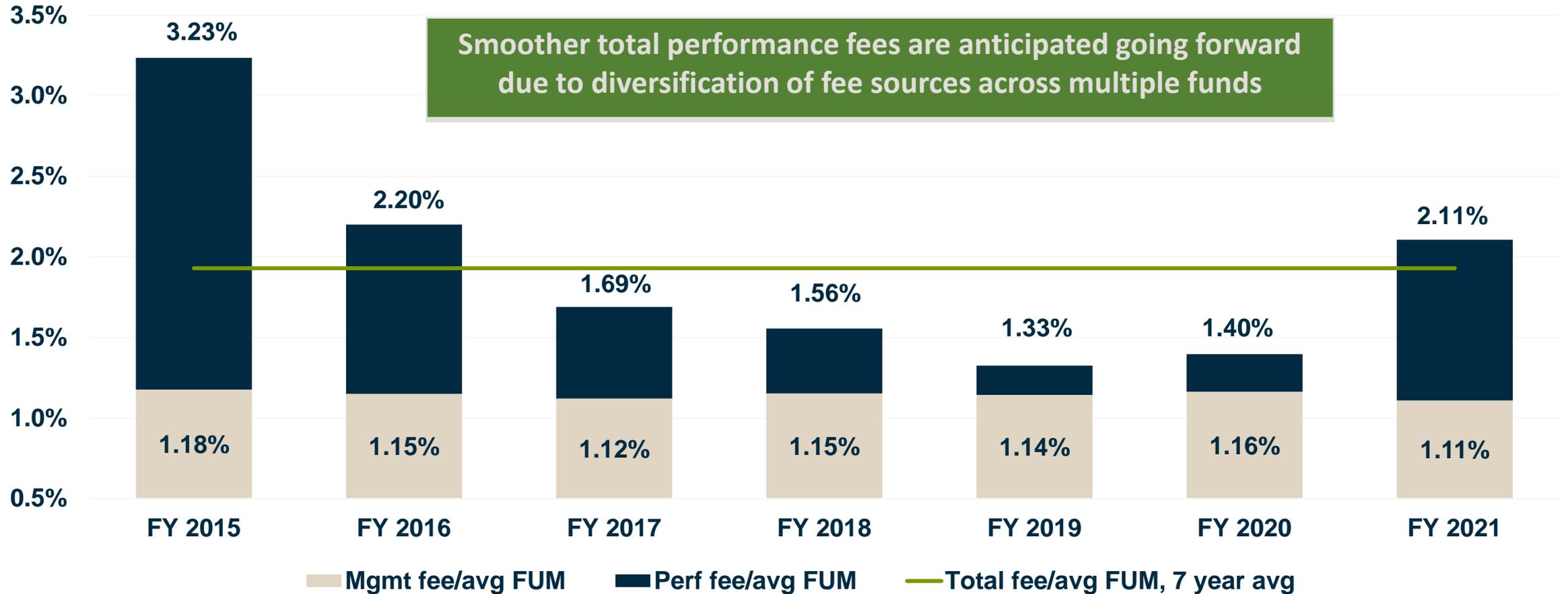
- Focus over the past few years has been on re-positioning the business for future FUM growth at higher margins
- Business currently experiencing FUM growth from both investment returns as well as inflows
- Well-positioned for future growth due to the quality of offerings in “high-demand” segments/ themes
 - Global equities – several funds and LIC
 - ESG, Ethical and Impact Investing – across multiple vehicles
 - Private Equity – market-leading LIT
 - Non-index aware/ absolute return – all vehicles
 - Concentrated – across several vehicles
- Opportunity to diversify further over time by adding new strategies

Historical Growth in FUM (\$m)²



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. The reported FUM is prior to any distributions and dividends being paid to investors. 2. Combined Pengana and Hunter Hall FUM.

ANNUAL GROSS FEE MARGIN



Fee margin for performance fee margin calculated on average annual funds under management subject to performance fees. Total Average Fund under Management for FY 2021: \$3.568 billion, Total Average Funds Under Management subject to Performance Fees for FY 2021: \$2.753 billion. Funds under management at 31/07/2021 subject to performance fees: \$3.063 billion

ASX: PCG



FY 2021 IN REVIEW



KEY DEVELOPMENTS IN FY 2021

- Strong absolute and relative investment performance across most of the funds
- Continued progress in improving ratings as well as platform access
- Expansion of distribution team
- Further development of leading-edge digital marketing capabilities
- Appointment of two world-class managers to manage our 4 international equity vehicles
 - Harding Loevner: NJ based with >US\$80bn FUM; Quality/Growth style; 32-year record of outperformance
 - Axiom Investors: NY/CT based with >US\$20bn of FUM; Growth style; 23-year record of outperformance
 - Significantly increased FUM capacity due to these changes
- Increased resources for Pengana High Conviction Equities team
- All major strategies with performance fees at or close to fee high-water-marks

EBITDA, UNDERLYING PROFIT AND COMPREHENSIVE INCOME¹

Pengana Capital Group Operating EBITDA	2021 \$'000	2020 \$'000	Increase/ (Decrease) \$'000	Increase/ (Decrease) %	Comment
Management fee revenue	41,186	38,091	3,095	8.1%	~ 56% to PCG; full impact of increase in FUM not shown due to Q4 increase
Performance fee revenue	27,454	6,080	21,374	351.6%	~ 55% to PCG
Net fund direct expenses	(3,215)	(3,062)	(153)	5.0%	
Operating expenses	(21,762)	(18,174)	(3,588)	19.7%	Employee STIs and increased distribution and marketing resources
Team profit share	(24,368)	(13,210)	(11,158)	84.5%	Due to increases in performance fees
Non-controlling interests	(53)	168	(221)	(131.5)%	
Operating EBITDA²	19,243	9,893	9,350	94.5%	
Interest and investment income distributions	607	799	(192)	(24.1)%	
Interest on loan funded share plan	1,471	2,034	(563)	(27.7)%	Repayment of loans
Financing costs	(153)	(245)	92	(37.7)%	Repayment of debt
Underlying profit before tax³	21,168	12,481	8,687	69.6%	
Adjustments for non-recurring items	716	(549)	1,265	(230.4)%	
Comprehensive income before tax⁴	21,884	11,932	9,952	83.4%	
<i>Basic EPS on comprehensive income after tax</i>	<i>14.18 cps</i>	<i>8.02 cps</i>	<i>6.17 cps</i>	<i>77.0%</i>	

1. Source: Pengana Management Accounts, "Underlying profit before tax attributable to Pengana Shareholders" 2. As per Pengana Capital Group Limited 30 June 2021 Annual Report 3. Underlying profit before tax attributable to Pengana Shareholders 4. Comprehensive income before tax attributable to Pengana Shareholders 5. Calculated on 108,000,189 weighted average number of shares (i.e. including treasury shares) (2020: 107,927,281), applying normalized tax rate of 30% in 2021 and 27.5% in 2020

BALANCE SHEET¹

Pengana Capital Group Balance Sheet (\$'000)	30 June 2021	30 June 2020
Cash net of AFSL cash requirements	16,569	12,209
Receivables	22,214	4,370
Liabilities	(22,722)	(6,363)
Net working capital	16,061	10,216
Investments net of AFSL liquid asset requirements and associated current liabilities	7,471	7,306
AFSL capital requirements	6,663	6,200
Loans (on and off-balance sheet)	30,093	32,812
Non-current borrowings	(1,250)	(2,500)
Other assets and liabilities	(39)	659
Less: non-controlling interests	118	168
Net tangible underlying assets attributable to Pengana Shareholders¹	59,117	54,861
<i>Net tangibles underlying assets per ordinary security²</i>	<i>54.69 cps</i>	<i>50.83 cps</i>
Less: Off balance sheet Loan Funded Share Plan	(29,636)	(31,949)
Add: non-controlling interests	(118)	(168)
Net tangible Statutory Assets³	29,363	22,744
<i>Net tangibles statutory assets per ordinary security⁴</i>	<i>35.03 cps</i>	<i>27.24 cps</i>

1. Source: Pengana Management Accounts 2. Calculated on 108,093,901 shares on issue (i.e. including treasury shares) (2020: 107,935,545) 3. As per Pengana Capital Group Limited 30 June 2021 Annual Report 4. Calculated on 83,818,045 shares on issue (i.e. excluding treasury shares) (2020: 83,507,479 shares)

VALUATION COMPONENTS

Net tangible assets of \$59m¹ generating investment income
(includes Employee Share Loan Plan which is interest generating and mostly to be repaid in 2024)

+

Management fees on existing total FUM of \$4bn;
generating EBITDA of ~\$9m p.a.²

+

Performance fees on existing \$3.1bn of FUM, noting: strong margins; diversified sources;
Incl. \$1.4bn of FUM with Absolute hurdles; PE1 now above high-water-mark with 100% to PCG

+

Potential growth in FUM from several existing funds (with large aggregate capacity);
generating management and performance fees (with minimal associated expenditure)

+

Leverage existing infrastructure, brand and relationships to add additional new strategies/funds;
generating management and performance fees (with limited associated expenditure)

= Total Value of PCG

ASX: PCG



Q&A



ASX: PCG



CLOSE



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