



PENGANA CAPITAL GROUP LIMITED (ASX: PCG) 2022 ANNUAL GENERAL MEETING

Date: 25 October 2022

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 2022 Annual General Meeting to be held today, 25 October 2022 at 9:30 am (Sydney time).

Approved by the Board

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CHAIRMAN'S ADDRESS 2022 ANNUAL GENERAL MEETING PENGANA CAPITAL GROUP LIMITED

I am pleased to be here with you all today, for our first face to face AGM since 2019.

Russel will take you through PCG's performance in detail, but I'll start by outlining a few key highlights from the year.

n recent years Pengana has diversified its product offering, invested in its distribution and marketing capabilities, and strengthened its risk, technology and operational infrastructures. In the 2022 financial year PCG delivered record financial results, a reflection of both strong financial markets but also of these strategic initiatives. In the financial year, we grew our Operating EBITA by 64% to \$31.5 million and more than doubled our statutory Earnings Per Share to 22.30 cents per share.

Total dividends declared for the 2022 financial year were 20 cents per share, up from the 13 cents per share declared for the prior financial year and up 150% on the 8 cents per share declared for the financial year ending 30 June 2020. Our dividend policy remains unchanged – close to 100% of earnings was distributed to shareholders for the financial year.

After the payment of dividends, repayment of debt and buy back activity our Statutory Net Tangible Assets grew to 37.86 cents per share. When taking into account the off-balance sheet loans funding our Employee Loan Share Plan (ELSP), this increases to 55.33 cents per share.

We are focused on ensuring that the Company's share price is reflective of the value of the Company. During the year, we invested \$1.3 million to acquire 0.7 million shares, just over half a percent of the Company's shares on issue, received favourable stockbroker research and expanded the register by almost 100%, including a number of new institutional investors.

Success is underpinned by our teams' commitment to our investors, shareholders and community and by our continued commitment to sustainability, through our investment strategies and various initiatives. Achieving our long term vision requires ensuring that the Company's purpose reflects the expectations of our clients, shareholders, community and our own people. In the financial year, Pengana continued to advance the cause for responsible investment in the investment community and recently, the Responsible Investment Association Australasia has identified Pengana as a Responsible Investment Leader for 2022.

A key component of Pengana's incentive structure is the issue of shares under the Employee Share Plan. Having sought approval last year, in September this year we allocated 1.2 million shares to staff which vest over 5 years. By virtue of his position in the Company, we are today separately seeking express approval to issue Loan Plan shares to Russel, our CEO and 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 the re-election of Jeremy Dunkel. 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.

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.

ENDS



BOARD OF DIRECTORS PENGANA CAPITAL GROUP LIMITED





Warwick Negus Chairman



Russel Pillemer
Managing Director



Jeremy DunkelNon-executive Director



Kevin EleyNon-executive Director



David Groves
Non-executive Director



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ASX: PCG

CHAIRMAN'S ADDRESS



Mr Warwick Negus
Chairman, Non-executive Chairman

ASX: PCG

MANAGING DIRECTOR'S ADDRESS

Mr Russel Pillemer
Chief Executive Officer

Business Overview



GROUP OVERVIEW





Leading Australian provider of premium, value added products

Compelling long-term returns across the range of strategies



Focused on the higher-end retail market: financial advisors; SMSF's; and HNW's

Serviced by experienced and capable distribution team



Recognised and well-regarded brand built over 19 years

- Loyal client base
- Well-rated by research houses; availability across all advisor platforms



Circa \$3.2 bn of funds under management ("FUM") with significant capacity to grow

- Diversified across strategies/funds; geographies; market-caps; listed and private equity
- Good fee margins and diversified sources of performance fees across 76% of FUM
- 22% of FUM in listed vehicles



Unique funds management business model, facilitating horizontal growth

- Mix of in-house funds management teams and JVs with offshore groups
- Multiple growth prospects in "high-demand" segments/themes; capacity to grow in existing strategies as well as optionality to add new strategies



Robust, scalable and technologically advanced "institutional-grade" infrastructure

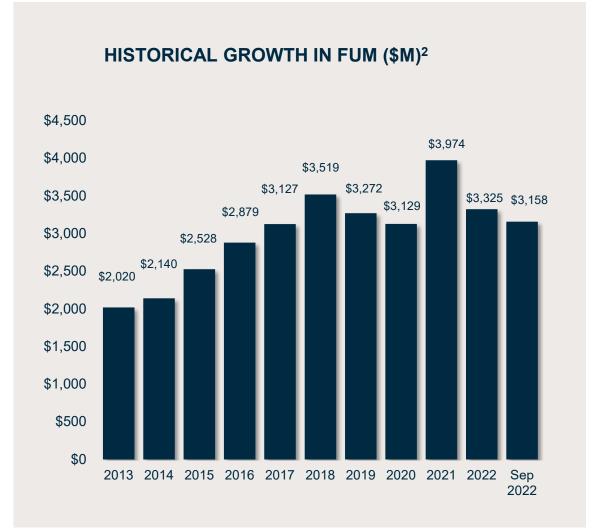
- Sophisticated digital marketing capabilities
- Profitability is highly leveraged to growth; infrastructure capable of managing much larger FUM with minimal additional expenses

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
- Decrease in FY22 FUM due to market movements, with net flows positive for the year
- 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
 - Focus on Private Markets



^{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 at each 30 June.

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ANALYSIS OF FEES

(AS AT 30/6/2022)

Management Fees

- Average funds under management ("FUM") subject to management fees for financial year of \$3.9 bn
- Average gross management fee rate of 1.14% (FY21: 1.10%)
- Management fees of \$44.1m in FY22 split:
 - 40% to Investment Teams (FY21: 44%)
 - 60% to PCG (FY21: 56%)
- As business grows, PCG is targeting:
 - Average gross management fee rate to be maintained at around current levels
 - PCG's percentage split to grow due to more favorable arrangements with FM teams

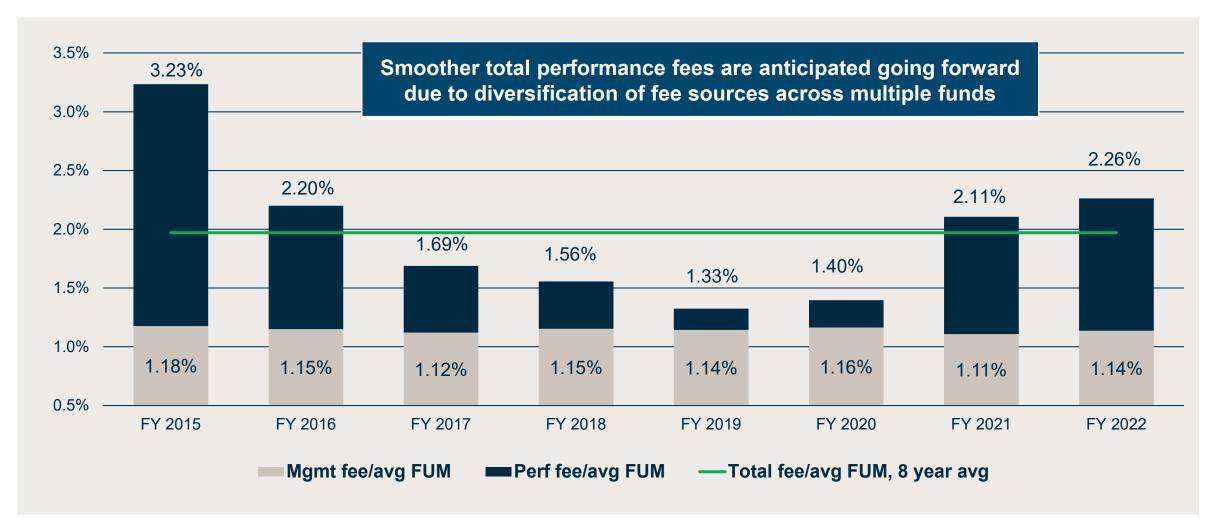


Performance Fees

- Well diversified sources of PFs provide added stability
 - Absolute hurdles: 52%
 - Market Relative hurdles/Style Agnostic: 30%
 - Market Relative hurdles/Growth Biased: 18%
- Average split of PFs to PCG of 63% (FY21: 55%), including:
 - 48% split in unit trusts,
 - 100% in listed vehicles (PE1 & PIA)
- PCG targeting
 - Increased stability of PF's due to increasing diversification
 - Growth in FUM with PF structures
 - Current average split to PCG to expand over time

ANNUAL GROSS FEE MARGIN





FY 2022 IN REVIEW



KEY DEVELOPMENTS IN FY 2022



- Difficult year in listed investment markets with two distinct halves:
 - Six months to December strong absolute and relative performance across all major strategies
 - Six months to June overall negative absolute and relative performance due to quality growth bias of most strategies
- Pengana Private Equity Trust (PE1)
 - Delivered strong investment performance and share price returns
 - Rights issue raised \$58 million; PE1 June 2022 FUM at \$467 million
- Maintained or improved ratings across major strategies and continued growth in platform access
- Expansion of distribution team
- Further development of leading-edge digital marketing capabilities
- Continued focus on refining responsible investment frameworks across in house strategies
- Focus on new product development in private markets

FINANCIAL PERFORMANCE IN YEAR TO 30/6/2022



- Closing 30 June 2022 FUM of \$3.325bn (30 Sep 2022: \$3.158bn)
- Operating EBITA up 64% to \$31.5m
- Underlying profit before tax up 34% to \$29.3m
- EPS on Underlying profit after tax **up 33%** to 18.82 cents
- NTA per share **up 1.2%** to 55.33 cents
- Final dividend of 8 cents per share
- Total dividends per share for 12 months **up** 54% to 20 cents per share

Performance in FY 2022 illustrated the power of the Pengana model to deliver bottom line profitability

Moving Forward



THE YEAR AHEAD



- Current FUM below the 2022 average
- Sales strategy across our funds focused on
 - Quality and uniqueness of underlying teams/strategies; Compelling long term track records
 - In general, well placed in the event of market rebound but still relatively conservatively positioned
- Global equity market performance will impact inflows over the short term stabilised and/or increasing markets should have positive impact
- Performance high-water-marks at 1 July
 - Equity funds in general below HWMs
 - PE1 at HWM
- Benefits to be derived from improved strength/capabilities in distribution and marketing
- Strong product development pipeline to drive robust medium-term growth
 - Significant new product launch scheduled for Q3 of FY2023
 - Focus on Private Market Strategies

Private Market Strategies



- PCG's pipeline is focused on Private Market Strategies ("PMS")
- Large demand for PMS in the Australian retail market with rapid growth expected
 - However, general lack of credible strategies/structures available
- PCG well placed to grow in this market
 - PE1 is the leading/only vehicle in Global Private Equity that is easily accessible to retail
 - Pengana is a known brand in PMS via PE1; this provides launchpad for other PMS
 - Strong understanding of PMS and excellent global connections which are vital in this area
- Significant efforts over the past 2 years on developing Private Credit strategies
 - Highly credible offerings with compelling risk-return profiles
 - Strong growth potential with large capacities
 - Unique/advantageous structures
 - To be launched in H2 FY2023

Over the medium-term, PMS are expected to become PCGs dominant source of profitability

Q&A



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