

PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA) 2023 ANNUAL GENERAL MEETING

Date: 9 November 2023

Attached is a copy of the address by Mr Frank Gooch, Chairman, and video by Peter Baughan and Ray Vars from Harding Loevner, to be delivered at the Company's 2023 Annual General Meeting to be held today, 9 November 2023 at 1:00 pm (Sydney time).

Approved by the Board

Shareholder Enquiries:

Paula Ferrao, Pengana International Equities Limited
paula.ferrao@pengana.com
+61 2 8524 9900

Other Enquiries:

Pengana Client Service
clientservice@pengana.com
+61 2 8524 9900

ASX: PIA

PENGANA INTERNATIONAL EQUITIES LIMITED

The largest International Ethical LIC on the ASX
Targeting fully franked dividends, paid quarterly

CHAIRMAN'S ADDRESS
2023 ANNUAL GENERAL MEETING
PENGANA INTERNATIONAL EQUITIES LIMITED

Pengana International Equities Limited is an investment company listed on the Australian Securities Exchange under the code PIA. The company invests in global equities and is Australia's largest ethically screened listed investment company. The corporate objective is to provide shareholders with capital growth over the long term and regular, reliable and fully franked dividends. Our company's manager, Pengana Capital Group, appointed New Jersey based Harding Loevner to be the investment team responsible for the management of our investments with effect from May 2021.

In the 2023 financial year the performance of the portfolio was strong and this led to a 20.2% increase in the value of net tangible assets before provision for tax on unrealised gains over the year.

At 30 June 2023, total assets were valued at \$323 million, up \$25 million over the year and net assets after provision for tax on unrealised gains was \$313 million or \$1.12 per share.

With the discount to NTA at which PIA's shares trade narrowing marginally over the year, shareholders experienced a Total Shareholder Return ('TSR') of 23.3%. This comprised the increase in the share price to \$1.02 at 30 June 2023 from \$0.85 the year before as well as the payment of fully franked dividends of 5.4 cents per share. When taking into account the value of franking credits attached to dividends paid, the TSR for the financial year was 25.4%.

The increase in value of the portfolio resulted in the Company reporting total investment income of \$56 million and a net profit after tax of \$38 million or 15 cents per share. This was a significant improvement on the disappointing loss the year before.

During the year PIA paid four quarterly fully franked dividend of 1.35 cents per share. These dividends absorbed \$12.7 million in cash, and 1.2 million shares were issued under the Dividend Reinvestment Plan.

The DRP is well supported by shareholders who prefer to receive shares in lieu of a dividend cash payment. However, whilst the shares are trading at the current discounts the issue of shares does dilute the company's NTA and affects performance. Therefore, the Board has resolved to investigate amendments to the operation of the dividend reinvestment plan that will minimise the dilutive effect of issuing shares at a discount to NTA. It is our intention that these amendments will take effect after the current dividend has been paid in December 2023.

A benefit of an investment company's corporate structure is its inherent long-term focus. Portfolio managers are not forced to sell assets to meet redemptions, enabling them to adopt a longer-term investment approach. However, a decline in demand for the company's shares can lead to a weakening of the share price and this can result in the shares trading at a discount to the net tangible assets of the company. There are many factors outside the company's control that can affect demand. These factors include general market uncertainty due to inflation, changing interest rates, COVID 19 and international conflict.

In 2023, caution among Australian retail investors led to a softening in demand for LIC shares and this resulted in a widening of discounts to NTA at which many LIC's shares currently trade.

Your directors consider it is possible to lower the discount to NTA at which the shares trade. For example the shares regularly traded at a discount of less than 5% and at times at a premium in the period from August 21 to May 2022. This coincided with strong investment performance and effective promotional activities.

Subsequent trading has been affected by below benchmark performance and ongoing external factors that have negatively impacted investor sentiment such as geopolitical tensions, ongoing inflationary concerns, and equity market volatility.

The Board remains focused on the factors that it can control to narrow the share price discount to NAV, with clear and ongoing strategies in relation to capital management – including its dividend and buy back policies, an experienced professional fund management team, and communication and marketing strategies directed at existing shareholders and potential new investors both directly and through financial advisers and brokers.

A substantial majority (over 80%) of dividends paid by Australian companies originate from only four sectors: materials, financials, real estate, and energy. As a result, income-oriented investors often have concentrated exposures to industries facing notable sustainability challenges.

An investment in PIA provides regular, reliable fully franked dividend income and an ethically screened exposure to global companies operating in diverse industries, geographies and currencies.

The LIC's corporate structure enables the Company to control the distribution of profit, in contrast to ETFs and traditional unit trusts, providing investors with enhanced income predictability.

PIA has demonstrated this resilience by maintaining quarterly dividend payments even during challenging periods, such as the 2020 pandemic when numerous companies reduced their dividends.

PIA has paid consistent, quarterly, fully franked dividends, which have increased over time. In line with its objective, the Company has continued to pay quarterly dividends and meet its targeted fully franked annual dividend of 5.4 cents per share.

The payment of the 2023 final dividend in September 2023 was the 10th consecutive quarterly fully franked dividend. The first quarterly dividend for the 2024 financial year was declared in October and will be paid in December 2023.

Currently the company has sufficient profit reserves and franking credits to maintain the payment of quarterly fully franked dividends of 1.35 cents per share through to FY 2025.

An annual dividend of 5.4 cents per share provides a yield of 5.3% based on the 8 November 2023 closing price of \$1.015 per share. With the benefit of full franking at the 25% tax rate, the yield increases to 7.1%.

In August 2022, the Board implemented an on-market buyback mechanism for up to 10% of its shares until 22 August 2023. In the year ended 30 June 2023, a total of 423,797 shares were acquired at an average discount of 20.4%. The buy-back mechanism was subsequently extended to 22 August 2024. The buyback may be executed when the Board determines that the purchase and cancellation

of Company shares is more accretive to the remaining shareholders than alternative uses of the Company's cash.

Investment performance is key to reducing the discount at which our company's shares trade. While your directors are disappointed with the investment performance, particularly in the second half of the 2022 financial year, we continue to support the quality growth investment strategy to which Harding Loevner has consistently adhered for over 33 years. The video by Peter Baughan and Ray Vars from Harding Loevner that will follow my presentation will expand on the Harding Loevner investment strategy.

Dedicated marketing and distribution teams within Pengana Capital Group promote PIA and the domestic LIC sector by engaging with shareholders, brokers, advisers and analysts from research houses. The teams also undertake mass marketing initiatives through both traditional channels and social media.

Representatives from Harding Loevner also support the marketing activities when they travel to Australia to meet shareholders, financial advisers and analysts from research houses.

While Harding Loevner was unable to attend today, we do have a video presentation to play at this meeting and we have Tim Richardson on hand to address any portfolio related questions you may.

We will now play the video and then we will take questions.

ENDS



PENGANA
INTERNATIONAL
EQUITIES LIMITED

PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA)

ANNUAL GENERAL MEETING



Zenith
Recommended



Lonsec
Investment Grade



CERTIFIED BY RIAA



Independent Investment Research
Recommended



9 NOVEMBER 2023

IMPORTANT INFORMATION & DISCLOSURES

This report has been prepared by **Pengana Investment Management Ltd** (ABN 69 063 081 612, Australian Financial Services Licence No. 219462) ("Pengana"). This report does not contain any investment recommendation or investment advice and has been prepared without taking account of any person's objectives, financial situation or needs. Therefore, before acting on the information in this report a person should consider the appropriateness of the information, having regard to their objectives, financial situation and needs. None of Pengana International Equities Limited ("PIA"), Pengana Investment Management Limited (ABN 69 063 081 612, AFSL 219462) nor any of their related entities guarantees the repayment of capital or any particular rate of return from PIA. Performance figures refer to the movement in net assets per share, reversing out the impact of option exercises and payments of dividends, before tax paid or accrued on realised and unrealised gains. Past performance is not a reliable indicator of future performance, the value of investments can go up and down. This document has been prepared by PIA and does not take into account a reader's investment objectives, particular needs or financial situation. It is general information only and should not be considered investment advice and should not be relied on as an investment recommendation.

Pengana is the manager for **Pengana International Equities Limited** (ACN 107 462 966, ASX: PIA) ("PIA"). Pengana has appointed **Harding Loevner LP** ("Harding Loevner") as the sub-investment manager for PIA.

None of Pengana, Harding Loevner, nor any of their related entities, directors, partners or officers guarantees the performance of, or the repayment of capital, or income invested in PIA. An investment in PIA is subject to investment risk including a possible delay in repayment and loss of income and principal invested. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

Pengana has appointed Harding Loevner as Pengana's corporate authorised representative under Pengana's AFSL.

While care has been taken in the preparation of this information, neither Pengana nor Harding Loevner make any representation or warranty as to the accuracy, currency or completeness of any statement, data or value. To the maximum extent permitted by law, Pengana and Harding Loevner expressly disclaim any liability which may arise out of the provision to, or use by, any person of this information.

Independent Investment Research. This publication has been prepared by Independent Investment Research (Aust) Pty Limited trading as Independent Investment Research ("IIR") (ABN 11 152 172 079), an corporate authorised representative of Australian Financial Services Licensee (AFSL no. 410381). IIR has been commissioned to prepare this independent research report (the "Report") and will receive fees for its preparation. Each company specified in the Report (the "Participants") has provided IIR with information about its current activities. While the information contained in this publication has been prepared with all reasonable care from sources that IIR believes are reliable, no responsibility or liability is accepted by IIR for any errors, omissions or misstatements however caused. In the event that updated or additional information is issued by the "Participants", subsequent to this publication, IIR is under no obligation to provide further research unless commissioned to do so. Any opinions, forecasts or recommendations reflects the judgment and assumptions of IIR as at the date of publication and may change without notice. IIR and each Participant in the Report, their officers, agents and employees exclude all liability whatsoever, in negligence or otherwise, for any loss or damage relating to this document to the full extent permitted by law. This publication is not and should not be construed as, an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. Any opinion contained in the Report is unsolicited general information only. Neither IIR nor the Participants are aware that any recipient intends to rely on this Report or of the manner in which a recipient intends to use it. In preparing our information, it is not possible to take into consideration the investment objectives, financial situation or particular needs of any individual recipient. Investors should obtain individual financial advice from their investment advisor to determine whether opinions or recommendations (if any) contained in this publication are appropriate to their investment objectives, financial situation or particular needs before acting on such opinions or recommendations. This report is intended for the residents of Australia. It is not intended for any person(s) who is resident of any other country. This document does not constitute an offer of services in jurisdictions where IIR or its affiliates do not have the necessary licenses. IIR and/or the Participant, their officers, employees or its related bodies corporate may, from time to time hold positions in any securities included in this Report and may buy or sell such securities or engage in other transactions involving such securities. IIR and the Participant, their directors and associates declare that from time to time they may hold interests in and/or earn brokerage, fees or other benefits from the securities mentioned in this publication.

Lonsec rating issued 09/2021 is published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only, and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit lonsec.com.au for ratings information and to access the full report. © 2020 Lonsec. All rights reserved.

The **Zenith Investment Partners** (ABN 27 103 132 672, AFS Licence 226872) ("Zenith") rating (assigned August 2021) referred to in this document is limited to "General Advice" (s766B Corporations Act 2001) for Wholesale clients only. This advice has been prepared without taking into account the objectives, financial situation or needs of any individual and is subject to change at any time without prior notice. It is not a specific recommendation to purchase, sell or hold the relevant product(s). Investors should seek independent financial advice before making an investment decision and should consider the appropriateness of this advice in light of their own objectives, financial situation and needs. Investors should obtain a copy of, and consider the PDS or offer document before making any decision and refer to the full Zenith Product Assessment available on the Zenith website. Past performance is not an indication of future performance. Zenith usually charges the product issuer, fund manager or related party to conduct Product Assessments. Full details regarding Zenith's methodology, ratings definitions and regulatory compliance are available on our Product Assessments and at <http://www.zenithpartners.com.au/RegulatoryGuidelines>.

Pengana International Equities Limited has been certified by the **Responsible Investment Association Australasia** (RIAA) according to the strict operational and disclosure practices required under the Responsible Investment Certification Program. See www.responsiblereturns.com.au for details. RIAA's RI Certification Symbol signifies that a product or service offers an investment style that takes into account environmental, social, governance, or ethical considerations. The Symbol also signifies that Pengana International Equities Limited adheres to the strict operational and disclosure practices required under the Responsible Investment Certification Program for the category of Product. The Certification Symbol is a Registered Trademark of the Responsible Investment Association Australasia (RIAA). Detailed information about RIAA, the Symbol and Pengana International Equities Limited's methodology, performance, and stock holdings can be found at www.responsiblereturns.com.au, together with details about other responsible investment products certified by RIAA. The Responsible Investment Certification Program does not constitute financial product advice. Neither the Certification Symbol nor RIAA recommends to any person that any financial product is a suitable investment or that returns are guaranteed. Appropriate professional advice should be sought prior to making an investment decision. RIAA does not hold an Australian Financial Services Licence.

CORPORATE OVERVIEW

Board Of Directors



FRANCIS GOOCH

Independent
Non-executive Chairman



SANDI ORLEOW

Independent
Non-executive Director



DAVID GROVES

Non-executive Director



RUSSEL PILLEMER

Managing Director

PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA)

AGENDA

- I **Chairman's Address: Frank Gooch, PIA**
- II Portfolio Update: Peter Baughan & Ray Vars, Harding Loevner, PIA Investment Team
- III Q&A
- IV Formal Business

CORPORATE OVERVIEW

Responsible Investing – Capital Growth – Reliable Income

PIA's objective is to provide shareholders with:

- **capital growth** from investing in an ethically screened and actively managed portfolio of international businesses, and
- regular, reliable and **fully franked dividends**, paid quarterly.

PIA is managed by Pengana Capital Group (PCG), a listed diversified funds management group, offering distinct investment strategies, that aim to deliver superior long-term risk-adjusted returns to investors, with a focus on capital preservation.

Harding Loevner, a highly regarded global institutional fund manager, is the investment team responsible for the investment of PIA's portfolio.

PIA has a "Recommended" rating from Zenith and Independent Investment Research, "Investment Grade" from Lonsec and is certified by the Responsible Investment Association of Australasia.

FINANCIAL HIGHLIGHTS

For the year ending 30 June 2023

Portfolio return 1 year to 30 June 2023¹	20.2%	Total shareholder return 1 year to 30 June 2023²	23.3% - cash basis 25.4% - grossed up for franking
Final quarter dividend	1.35 cps to be paid on 15 September 2023, fully franked at 25% tax rate	Annual dividend³	5.4 cps paid quarterly, yield of 5.3% or 7.1% grossed up for franking
Net profit after tax	\$38 million	Earnings per share	14.96 cents per share
Net Assets 30 June 2023	\$313 million or \$1.22 per share (post-tax)	Net Assets 31 October 2023	\$301 million or \$1.17 per share (post-tax)
Franking reserves	\$8.4 million, equivalent to a fully franked dividend of 8.42 cps, franked at 25%	Buy back	423,797 shares were acquired at an average discount of 20.4% Buyback extended through to 22 August 2024

1. To 30 June 2023, Source: Pengana Capital. Performance figures refer to the movement in net assets per share, reversing out the impact of movements in capital and payments of dividends, before tax paid or accrued on realised and unrealised gains. Past performance is not a reliable indicator of future performance, the value of investments can go up and down 2. Based on 30 June 2022 of \$0.875, 30 June 2023 of \$1.025, dividends paid of 5.4 cents fully franked at 25% tax rate 3. Based on \$1.015 share price at 8 November 2023 and a 25% company tax rate

INVESTING IN PIA

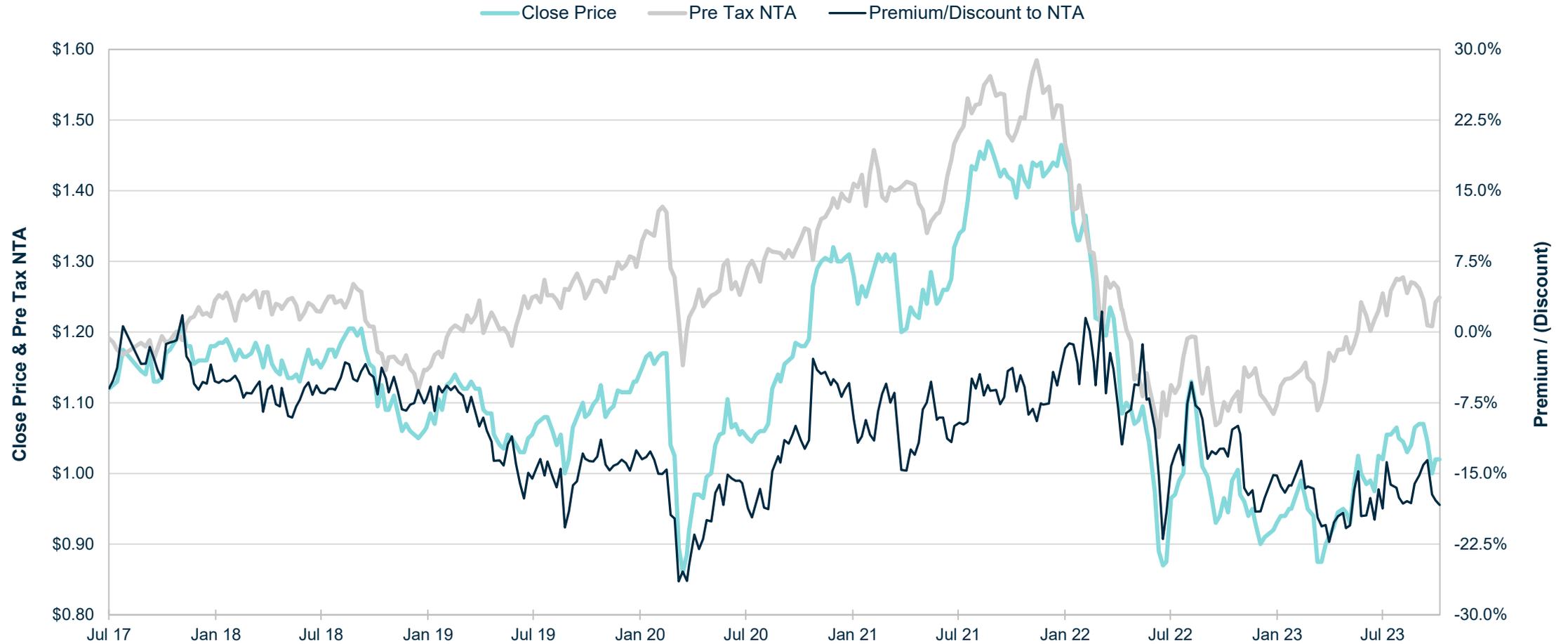
Benefits of investing in PIA

- Skilled investment team
- Focus on risk and return
- A truly active strategy
- Responsible investment process
- Investment in high quality businesses
- Investment approach that is suitable across differing market environments

Benefits of investing in PIA's LIC structure

- Quarterly fully franked dividends
- Shares can be bought and sold on the ASX
- Investment activities are not affected by redemptions or unexpected cash inflows or outflows
- Regular reporting to shareholders e.g. semi-annual financial reports, monthly performance reports and weekly NTA
- Shareholders can interact with directors and management
- The company is subject to ASX and ASIC supervision

NTA AND SHARE PRICE MOVEMENTS OVER 6 YEARS TO SEPTEMBER 2023

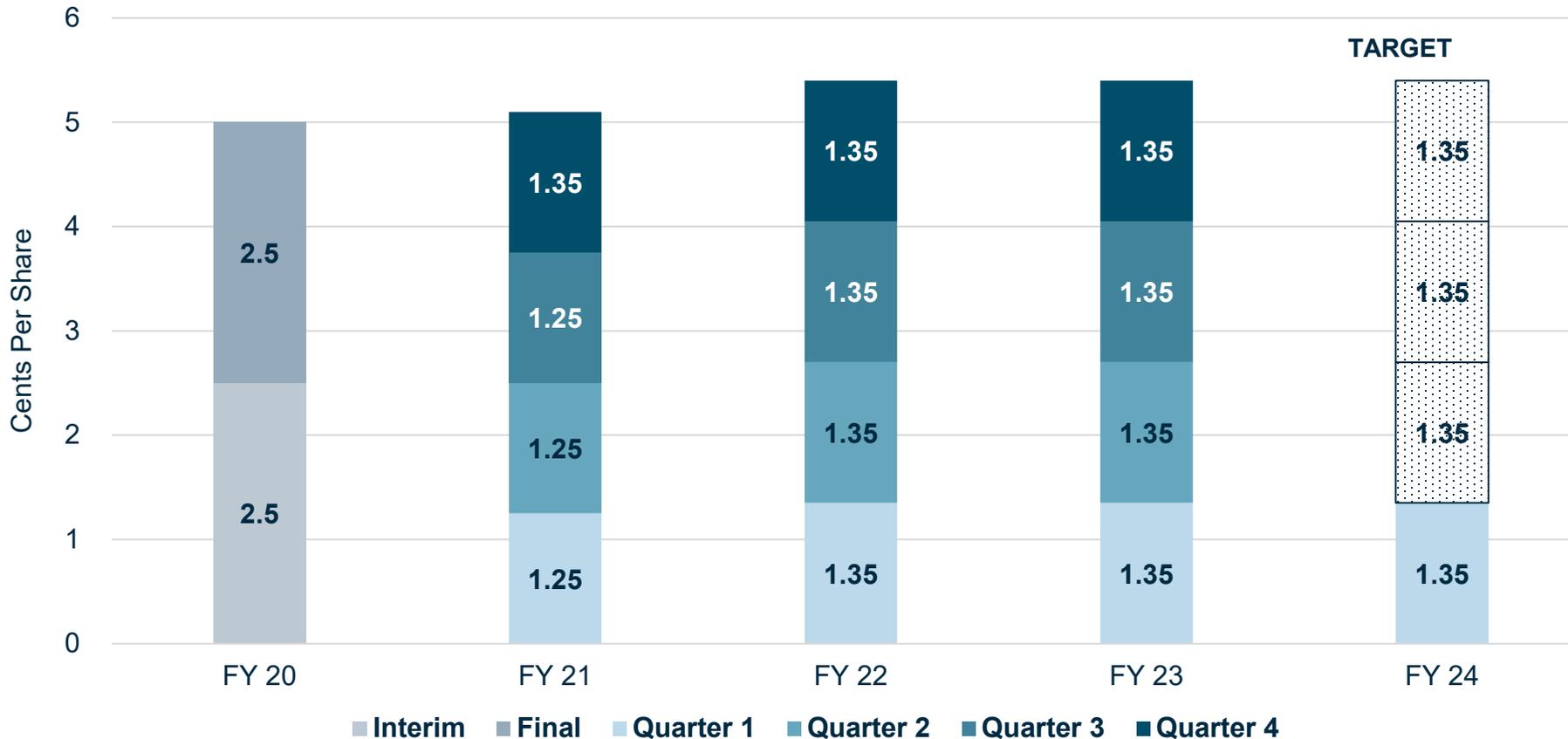


Source: Bloomberg and Pengana Capital. Performance figures refer to the movement in net assets per share, reversing out the impact of movements in capital and payments of dividends, before tax paid or accrued on realised and unrealised gains. Past performance is not a reliable indicator of future performance, the value of investments can go up and down.

SUSTAINABLE FULLY FRANKED DIVIDENDS

PIA's objective is to provide shareholders with capital growth from investing in an ethically screened and actively managed portfolio of global businesses, in addition to providing shareholders with regular, reliable and fully franked dividends

FULLY FRANKED DIVIDEND HISTORY



Annual Dividend Target
5.4c per share
 Fully Franked

Upcoming Quarterly Dividend
1.35c per share
 Fully franked at 25% tax rate

Ex date:
 30 November 2023

Record date:
 1 December 2023

Payment date:
 15 December 2023

DIVIDEND YIELD

Quarterly Fully Franked Dividends

quarterly dividend

$$\frac{1.35c}{\$1.015} = \sim 5.3\% \text{ p.a. yield (cash basis)}$$

share price

7.1% p.a. yield 

when grossed-up for franking credits

The current profit reserves & franking balance are able to sustain fully franked quarterly dividends through to FY2024

THE INVESTMENT TEAM: HARDING LOEVNER

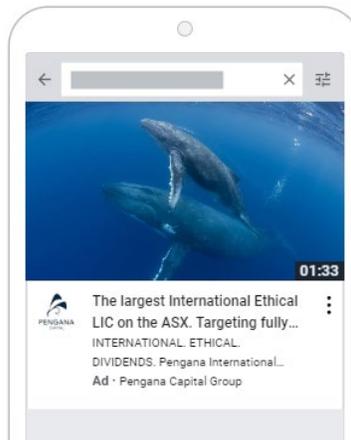
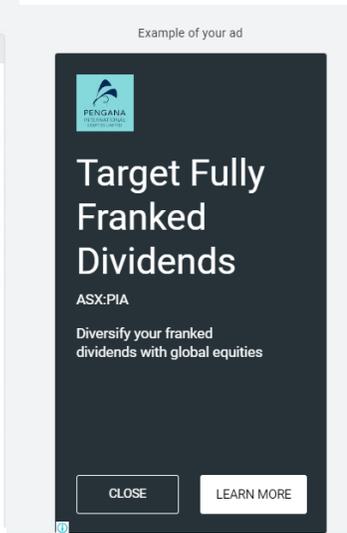
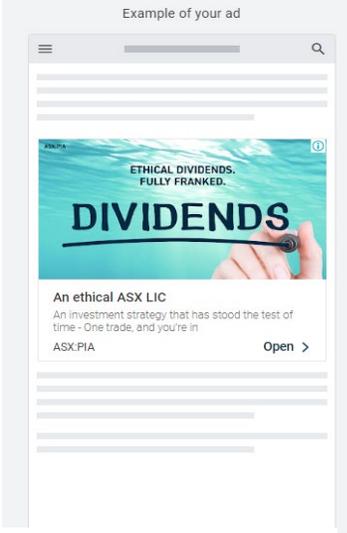
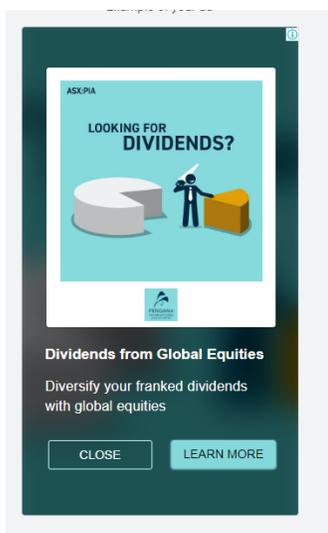
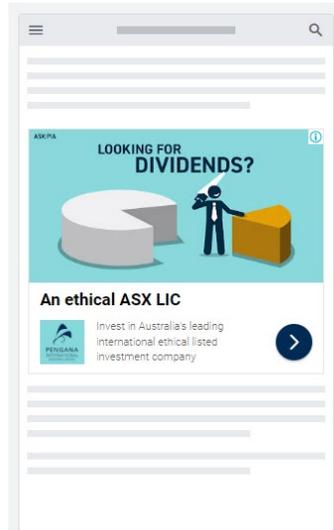
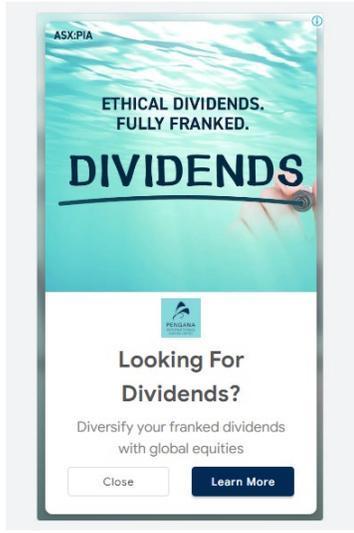
Investing in high quality, growing businesses at reasonable prices

IDENTIFIED THROUGH FUNDAMENTAL RESEARCH WITH A LONG-TERM, GLOBAL PERSPECTIVE

leads to long term superior risk adjusted returns.

-
- Appointed May 2021
 - Total Assets of US\$48.4 Bn¹
 - 34 Year Track Record – Strategy has been in place since 1989
 - Owner led firm
 - A single investment philosophy
 - Full integration of ESG factors
 - Distinct decision-making process. No investment committee – individual decision making and accountability

DISPLAY MARKETING



IN THE PRESS



CREATING FINANCIAL FREEDOM

My Money Financial Planning Property Investing Shares Super

INVESTING

How overseas stocks can provide franking credits to income investors

By **Tim Richardson**
Published on October 18, 2022

Rising inflation, higher interest rates and slowing economic growth all pose separate threats to the attractive dividends currently being paid by Australian companies.

Income-hungry investors should also note that over 80% of Australian dividends are paid from companies in just four sectors. This forces many portfolios of income investors to be highly concentrated.

The share prices of these companies are exceedingly sensitive to dividend payments, which potentially leaves these stocks under pressure if dividends falter.



SUBSCR

News Money Education Strategy Webcasts Features Subscribe Events Podcasts Video

SMSFs chasing franked dividends 'should diversify overseas'



news By Philip King 13 October 2022 — 1 minute read

The bulk of ASX dividends come from just a few sectors and that leaves SMSFs vulnerable, says fund manager.

Returns from ASX stocks overwhelmingly come from a handful of sectors and SMSFs should be looking at overseas shares to play a greater role in generating income, according to the Pengana Capital Group.

Dividends from Australian companies were under threat from inflation, higher interest rates and slower economic growth, CEO Russel Pillemer said, and SMSFs should diversify.



NEWS | FINANCIAL PLANNING | SUPERANNUATION | INVESTMENT | FINTECH | INDUST

Home > Investment > Concentration of Aussie dividends sends investors overseas

Concentration of Aussie dividends sends investors overseas

Yasmine Masi | 11 October 2022



THE AUSTRALIAN BUSINESS REVIEW
Wednesday, November 1, 2023 | Today's Paper | Mind Games

HOME THE NATION WORLD BUSINESS COMMENTARY SPORT AR

Hooked on dividends? Time to think again

By **CLIONA O'DOWD**
JOURNALIST
Follow @ClionaODowd

11:58AM OCTOBER 14, 2022
40 COMMENTS



The key to making money

...ian stock market dividends into
...ook to overseas stocks as a better
... Pengana Capital Group.

PUBLISHED CONTENT



[How to diversify your franked dividends with global equities](#)



[Can ESG and sustainable investing really help build wealth?](#)



[Is now a good time to invest in Japanese shares?](#)



[What the weaker credit cycle may mean for share market investors](#)



[Is a re-opened China a danger or an opportunity?](#)



[How investing sustainably needs active managers to make the world a better place and investors richer](#)



[10 themes powering earnings growth as the global economy slows](#)



[What the slowing economy means for equity investors?](#)



[Will luxury goods make your investment fund look fabulous as the economy slows?](#)



[How international travel will make your investment fund more elegant](#)



[How investors can avoid the zombie apocalypse](#)



[Are we heading back to 70s-style stagflation?](#)



[Can shares build wealth in a new era of higher inflation?](#)



[An interview with Ray Vars Investment Specialist – Harding Loevner](#)



[Quality Growth International Equities Webinar](#)



[Does quality growth investing still deliver?](#)



[Can we save the planet and still keep the wheels turning?](#)



[Will growth stocks outperform once again?](#)



[How long should I wait to buy growth stocks?](#)

PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA)

AGENDA

- I Chairman's Address: Frank Gooch, PIA
- II **Portfolio Update: Peter Baughan & Ray Vars, Harding Loevner, PIA Investment Team**
- III Q&A
- IV Formal Business



PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA)

AGENDA

- I Chairman's Address: Frank Gooch, PIA
- II Portfolio Update: Peter Baughan & Ray Vars, Harding Loevner, PIA Investment Team
- III Q&A
- IV Formal Business

PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA)

Q&A



PENGANA
INTERNATIONAL
EQUITIES LIMITED

PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA)

FOR MORE INFORMATION

pengana.com/pia

**PENGANA INVESTMENT
MANAGEMENT LIMITED**

**ABN 69 063 081 612
AFSL 219462**

Suite 1, Level 27,
Governor Phillip Tower, 1 Farrer Place,
Sydney, NSW, 2000

PENGANA.COM

CLIENT SERVICE

T: +61 2 8524 9900

F: +61 2 8524 9901

E: clientservice@pengana.com

