

ANNOUNCING PROPOSED ENHANCEMENTS TO PORTFOLIO AND DIVIDENDS

21 August 2025

- **Proposed addition of global private credit exposure to diversify assets and generate reliable income**
- **No change to global equity exposure as global private credit exposure will be loan funded**
- **Expected increase in underlying earnings per share**
- **Targeting 56% increase in fully franked dividends to 8.4c per share p.a. after full implementation of the proposal**
- **Equating to gross dividend yield of 8.9% p.a. based on the July month end share price of \$1.255 and a 25% tax rate**
- **Dividends to be paid monthly commencing November 2025**

Today Pengana International Equities Limited (“PIA”) announced a Proposal to invest in Global Private Credit to diversify the company’s assets, which is expected to increase both earnings and fully franked dividends to be paid to shareholders each month.

The Proposal, outlined below, is subject to final approval by the boards of PIA and Pengana Capital Group Limited (“PCG”), finalisation of transaction documents and financing arrangements, receipt of an independent expert’s report, and shareholder approval, which will be sought at the Company’s Annual General Meeting to be held on 10 October this year.

Background

With falling deposit rates and the phasing out of bank hybrids, many investors are seeking alternatives that provide reliable income streams as well as capital growth.

Many traditional Australian dividend and income sources are exposed to similar economic forces. This lack of diversification means they can fall in value at the same time.

With PIA investing in both global private credit and global equities, its shareholders will benefit from the diversified asset and income streams through increased reliable fully franked dividends and the potential for capital growth. Furthermore, as PIA’s investments are in global businesses, its income and dividends should have minimal correlation with changes in Australian interest rates. This characteristic provides investors with an added incentive to include PIA in their portfolios, and even more so in a reducing rate environment.

Proposal Details

PIA directors are proposing to increase and diversify the company's assets by investing in a highly diversified global private credit portfolio.

The Proposal's objectives are to create an additional, steady income stream that is largely independent of equity market movements, improving the reliability of shareholder returns and reducing reliance on global share market performance.

The new private credit strategy will be managed by PCG. PCG will not receive management fees for these services. Mercer, appointed as investment consultant by Pengana Credit Pty Ltd, is one of the largest asset allocators in the world with over 20 years of experience in private credit investing and brings institutional-level expertise in manager sourcing, due diligence, and portfolio construction.

PCG and Mercer have built Australia's most comprehensive and diversified multi-manager, multi-channel global private credit capability offering Australian investors unparalleled access to a highly attractive and sought after sector previously only available to large institutional investors.

What do we mean by global private credit?

Global private credit refers to individually negotiated loans made by specialist asset managers to global mid-market companies, or to the global owners and managers of valuable assets. These loans typically carry seniority and are secured against the borrower's assets. Unlike many other forms of debt, they are not syndicated to other lenders, nor are they traded on secondary markets. Instead, they are held to maturity, which means the lender remains involved for the life of the loan. This structure creates strong alignment of incentives at every stage – from origination and pricing through to risk assessment and ongoing monitoring – and is a key reason why private credit has such compelling risk-return characteristics.

Implementation

The funding of the global private credit portfolio will be obtained via a loan from a major international bank, drawn at a competitive rate and secured against the existing equity portfolio. If the returns from the global credit portfolio are insufficient to meet the cost of the loan, PCG will cover the shortfall.

The proceeds of this loan will be invested in a well-diversified portfolio of global private credit funds managed by highly rated US and European private credit managers with long-term track records. This will provide exposure to more than 3,500 mid-market companies.

The portfolio will be diversified across geographies, sectors, and credit strategies, avoiding the heavy commercial real estate concentration found in many Australian private credit products.

PIA has set a target return from the global private credit investment of 4.5% p.a. above its cost of debt ("Target Return").

In the event that global private credit returns are insufficient, PCG has agreed to cover the debt costs, and, in return, PCG will share in the global private credit returns for each year to 30 June to the extent that they exceed the Target Return.

Importantly, PIA's existing global equities portfolio will remain unchanged in size (equal to the net asset value ("NAV")) of the company and will remain under the management of Harding Loevner. PIA's current global equity ethical screen will continue to be applied to the global equity portfolio.

Increased dividends – to be paid monthly

The reliable income from the global private credit allocation is expected to increase PIA's earnings per share, enabling a significant uplift in fully franked dividends.

Once fully implemented, the Board intends to target a dividend increase of 56% (up 3 cents per share to 8.4 cents per share). Based on the 31 July 2025 share price of \$1.255 this would represent a gross yield (including franking credits) of 8.9% p.a., or 8.0% p.a. based on the 31 July post-tax NAV of \$1.4041.

To further enhance cashflow for shareholders, PIA will transition to monthly dividend payments, with the first monthly dividend expected to be paid in mid-November 2025.

Benefits of PIA's updated structure

Following the implementation of these enhancements, PIA shareholders will benefit from access to a unique offering that no other Australian investment vehicle, listed or unlisted, can offer to its investors. PIA will offer:

- Exposure to professionally managed portfolio of listed global equities;
- Exposure to professionally managed leveraged portfolio of unlisted global private credit;
- Fully franked dividends paid monthly; and
- Liquidity through its ASX listing.

The Proposal is subject to final approval by both PCG and PIA boards, finalisation of transaction documents and financing arrangements, receipt of an independent expert's report, and shareholder approval.

More details of the Proposal will be contained in the Notice of Meeting (including the independent expert's report), to be sent to shareholders in early September 2025.

We invite shareholders to join us for an in-depth discussion on these changes, as well as a shareholder Q&A on Thursday the 4th of September at 11am (Sydney time). Please register for the webinar via this link. <https://pengana.com/pia-announcement/>

Your support is highly valued, and we look forward to seeing you at the 2025 Annual General Meeting this October.

This announcement contains certain forward-looking statements and information, including statements about PIA's future investment in global private credit and proposed fully franked dividend increase. This information is based on assumptions and contingencies which are subject to change. PIA assumes no obligation to update or revise this forward-looking information and to the maximum extent permitted by law, PIA, its officers, employees and agents do not accept any liability for any loss arising from the use of such information.

Approved by the Board

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