

PENGANA CAPITAL GROUP

Final Results For the Year to 30 June 2017

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1. Overview



Pengana Capital Group

- PCG is a leading provider of premium products; benchmark-unaware and actively managed
- Proven long-term performance over multiple funds
- Focused on the retail market through financial advisors with larger sophisticated clients as well as direct SMSF's and HNW's
- FUM of circa \$3.1 billion
- Unique funds management ("FM") business model providing significant competitive advantage
- **Primary focus is an unrelenting quest for superior long term returns for our investors; this will continue to guide PCG as a listed company**



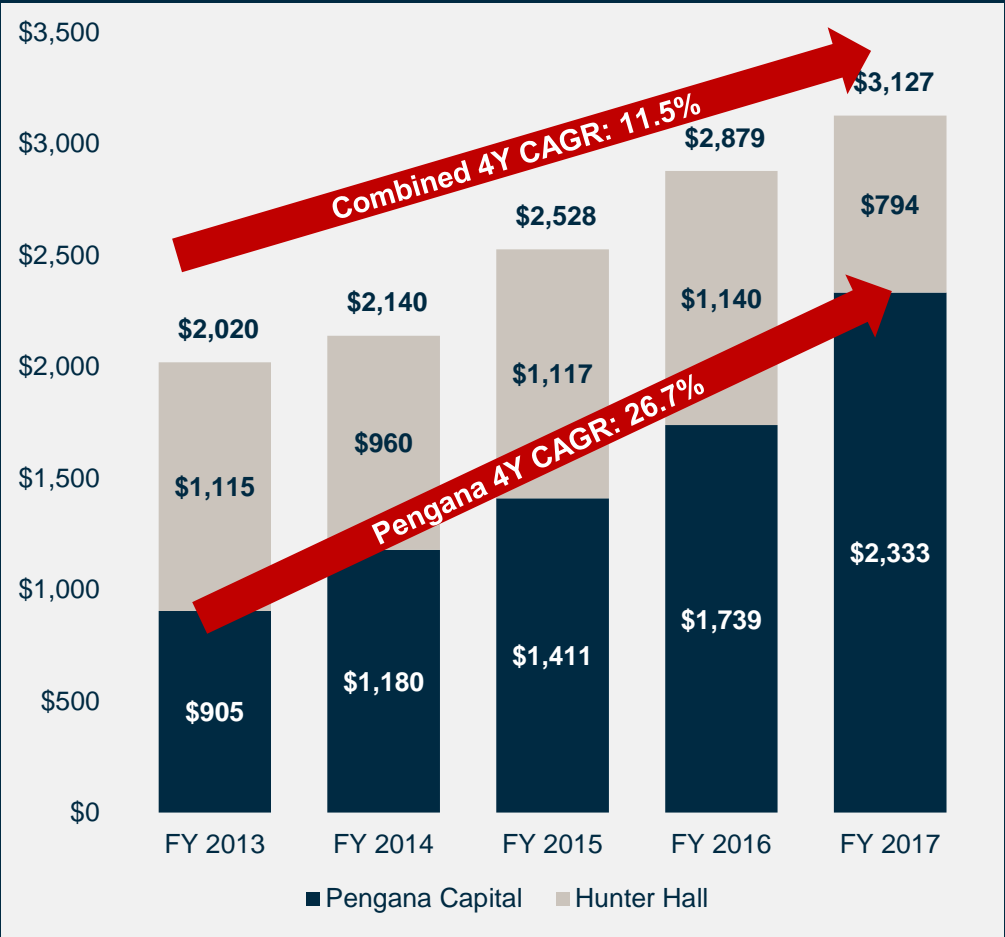
Strengths and Opportunities

- 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

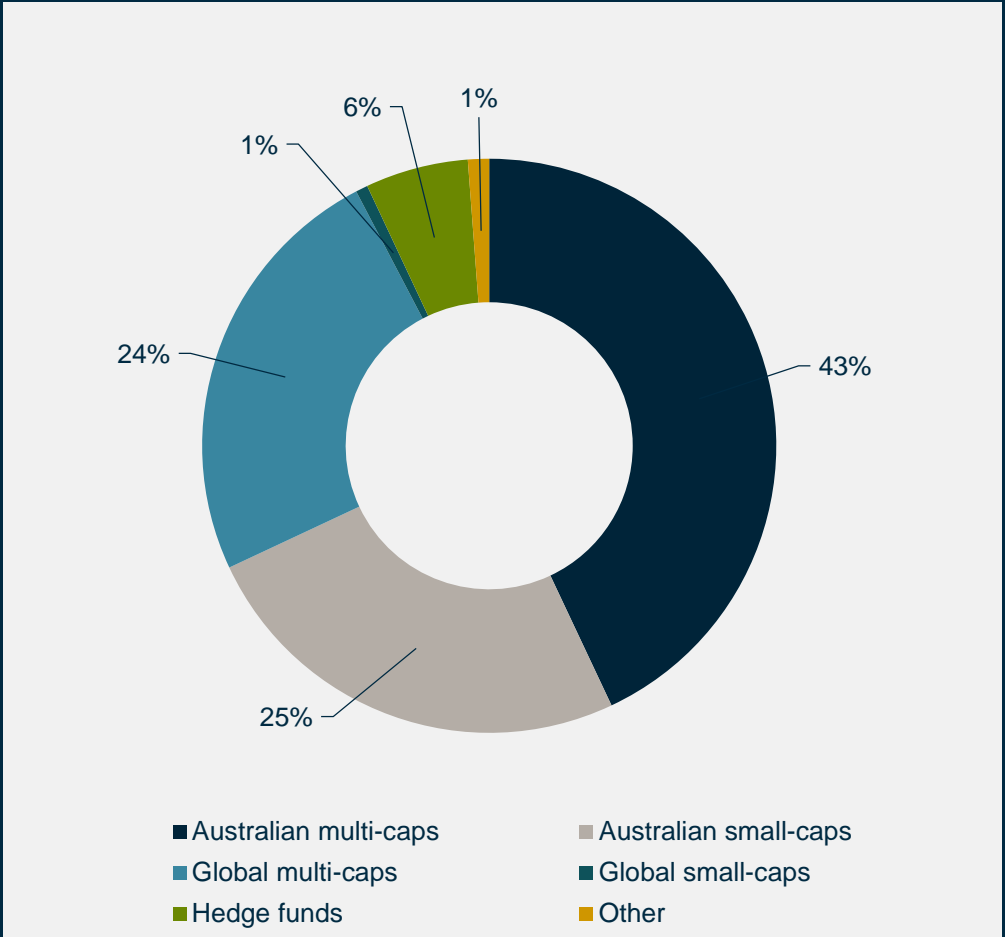


Funds Under Management ¹

Historical Growth in FUM (\$m)



FUM Strategy Breakdown (30/6/2017)



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 30/6/17 (\$m)	Base Fee; Performance Fee (Primary Fund) ²
PAEF	Pengana Australian Equities	Australian Multi-caps	1,344	1.0%; 10% above 0%
PECF	Pengana Emerging Companies	Australian Small-caps	783	1.3%; 20% above ASX Small Ords
PIEF	Pengana International Equities	Global Multi-caps	472	1.25%; na
HHV	Hunter Hall Global Value Ltd (LIC)	Global Multi-caps	288	1.46%; 15% above MSCI World
PanAgora	Pengana PanAgora Absolute Return Global Equities	Global Market Neutral	125	1.5%; 20% above RBA Cash
PAR Asia	Pengana Absolute Return Asia Pacific	Absolute Return Asia	56	1.5%; 20% above RBA Cash
HCT	Hunter Hall High Conviction Equities	High Conviction	34	1.76%; 15% above RBA Cash + 3% p.a.
PGSC	Pengana Global Small Companies	Global Small-caps	21	1.3%; 20% above MSCI AC World SMID
WHEB	Pengana WHEB Sustainable Impact	Global Impact Investing	4	1.32%; na

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2. Fees are expressed excluding GST as this reflects the fees that PCG will receive.

Revenue Potential From a Range of Performance Fees

Note, this is not a forecast and is provided as a simplified mathematical illustration only. Investors and shareholders need to make their own assessments of these matters.

Performance Fees (“PF”) and Outperformance Since Inception (“SI”)

Primary Fund	FUM at 30/6/17 (\$m) ¹	Performance Fee Structure	Net of Mgmt. Fee Performance SI ³	Net of Mgmt. Fee Outperformance of PF Benchmark SI	PF at 50% of SI Outperformance (\$m)	PF at 100% of SI Outperformance (\$m)
PAEF	1,320	10% above 0%	12.6%	12.6%	8.4	16.7
PECF	783	20% above ASX Small Ords	16.3%	12.5%	9.8	19.5
HHV ²	288	15% above MSCI World	na	na	na	na
PanAgora	125	20% above RBA Cash	11.4% ⁴	8.5%	1.1	2.1
PAR Asia	37	20% above RBA Cash	8.8% ⁴	5.7%	0.2	0.4
HCT	34	15% above RBA Cash + 3% p.a.	54.1%	49.2%	1.3	2.5
PGSC	21	20% above MSCI AC World SMID	11.1%	4.8%	0.1	0.2

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.
2. Figures not provided as HHV is currently substantially under its high water mark.
3. Unaudited estimate. Figures refer to performance since inception net of management fees and gross of performance fees.
4. Refer to performance simulation disclosures on slide 20.

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

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 discount to NAV significantly reduced
- HHV one-for-one bonus option announced; potential doubling of size of vehicle in 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)

An Aligned Team

- Employees and fund managers own 38.8% of PCG equity; non-executive directors own 5.7%
- Prior to merger, Pengana Holdings further equitised team via a 7 year equity loan structure that is significantly “in-the-money”
 - Value of loans at issue was \$27.2m vs market value of \$66.3m at year end ¹ i.e. 2.4x
- Under the Australian Accounting Standards (“AAS”), loans not recognised on-Balance Sheet
 - Treated as Treasury Shares
 - Secured only against the shares with interest funded by dividends received (net of tax)
- From PCG perspective, these loans are economic assets
 - Provided loans are “in-the-money” at 7 year expiry, principal will be repaid
 - Average interest rate of 7.9%

1. Applying closing share price at 30/6/2017 of \$2.90 per share.

3. FY 2017 Results



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)

Financial Assets (\$m)

<u>Balance Sheet Assets</u>		
Cash for Licenses	5.0	AFSL requires \$2.5m of cash per license; held in bank deposits
Other net cash	6.4	Currently held on bank deposit
Investment in Funds / LIC	<u>18.3</u>	Invested across a range of PCG strategies with daily liquidity
Total on-Balance Sheet	29.7	
<u>Off-Balance Sheet Assets</u>		
Employee & FM loans	<u>28.0</u>	Average interest rate on these loans is 7.9%
Total Financial Assets	57.7	

4. The Future



Key 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”)
 - Pengana Australian Equities Income strategy (“PAEIF”)
 - Pengana WHEB Sustainable Impact Fund (“WHEB”)
- Raise FUM for Pengana Global Small Companies Fund (“PGSCF”)
- Raise FUM for Australian equity funds (“PAEF and PAEIF”)
- Achieve positive inflows across the Pengana international equity funds
- Raise FUM for hedge fund strategies (“PanAgora and PAR Asia)
- Prepare for launch of an additional listed investment company / trust

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

A Simplified Illustrative Model for Projecting Earnings (\$m) ¹

Note, this is not a forecast and is provided as a simplified mathematical illustration only. Investors and shareholders need to make their own assessments of these matters.

	2017 Normalised	Illustrative assumption / calculation re increment above 2017 Normalised	Illustrative Increment		Illustrative Future Year Projection
Average FUM (\$bn)	\$3.00bn	Assumed incremental FUM	\$0.20bn		\$3.20bn
Average Base Fees	1.275%	Assumed weighted average fee for incremental FUM changes	1.100%		
Base Fees earned	38.3	Average incremental FUM x average base fees	2.2		40.5
Fund Admin expenses	-1.8	Assume marginal increases due to growth in FUM	-0.1	⁴	-1.9
Operating Expenses	-22.5	Assume marginal increases due to inflation and distribution	-1.0	⁴	-23.5
EBIT pre TD ²	14.0		1.1		15.1
Team distributions	<u>-8.3</u>	TD in the range of 50-55% of increment in EBIT pre TD	<u>-0.6</u>	⁵	<u>-8.9</u>
EBIT before PF ³	5.7		0.5		6.2
Average FUM with PF		Assumed FUM for all funds with PFs			\$2.70bn
Performance Fees		For each Fund with PFs: Avg FUM x PF% x outperformance assumption		⁶	20.3
Team distributions on PF		TD in the range of 50-55% of PF		⁵	<u>-10.6</u>
Operating EBITDA					15.8

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. Assumes no major changes in the PCG business.

2. Team distributions.

3. Performance fees.

4. Assumes 5.0%.

5. Assumes 52.5%, midpoint of 50-55%.

6. Assumes 15% PF% and 5% outperformance of benchmarks, refer to performance simulation disclosure on next slide, see slide 13 for actual performance fees.

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.

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THANK YOU



FOR MORE INFORMATION

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