

PENGANA CAPITAL GROUP LIMITED (ASX: PCG) 2020 ANNUAL GENERAL MEETING

21 October 2020

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 2020 Annual General Meeting to be held today, 21 October 2020 at 9:30 am (Sydney time).

Approved by Paula Ferrao, Company Secretary

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**CHAIRMAN'S ADDRESS
2020 ANNUAL GENERAL MEETING
PENGANA CAPITAL GROUP LIMITED**

Good morning everyone. On behalf of my fellow directors, I would like to welcome you all to the 2020 Annual General Meeting of Pengana Capital Group Limited, our first virtual annual meeting of shareholders.

It is now just after 9:30 am, judging by the number of people online I can confirm that we have a quorum and I declare the meeting open.

My name is Warwick Negus and I am the Chairman of your Company. With me today are my fellow directors, Jeremy Dunkel (Chair of our Remuneration Committee), David Groves (Chair of our Audit Committee), Russel Pillemer (our Managing Director) and Kevin Eley.

Also present today are Katrina Glendinning, our Chief Financial Officer; Paula Ferrao, our Company Secretary, and Matt Adam-Smith and Nicole Gonzales, representatives from our auditor, Grant Thornton, who will be available to assist with any questions relating to the Company's Financial Statements.

The notice of Annual General Meeting has been made available to all shareholders.

I will now open online voting for those of you who have not yet voted, or wish to change a proxy vote previously submitted. Details on how to access the online voting site are now up on screen, and the voting portal will remain open during the course of this meeting. Results of today's meeting will be posted to the market shortly after the end of the meeting.

For those of you who have a question that you would like to put to the meeting today on a particular resolution, or of a general business nature, we suggest that you enter your questions now and we will address them at the appropriate time during the meeting. You can submit your questions by clicking the "Q&A" icon at the bottom of your screen. We will only be addressing questions from PCG shareholders, so please identify yourself as such by including your HIN when submitting a question. We will repeat these instructions later in the meeting.

We will try to ensure that all topics of interest are addressed in our responses. Questions submitted may be moderated or amalgamated if there are multiple questions on the same topic. If we are not able to answer one of your questions today, a member of Pengana's executive team will get back to you after the meeting. A link to a recording of today's meeting will be sent to all shareholders, should you wish to view the meeting again after its conclusion.

The agenda for today's meeting is as follows:

I will first give you a brief overview of the past financial year, our Managing Director, Russel Pillemer, will discuss the Company's financial result, update you on the first quarter of the current financial year and discuss the outlook for the remainder of the year. Following Russel's presentation, I will invite questions and comments before formally moving the four Resolutions in the Notice of Meeting.

Despite the challenges presented by the Covid-19 pandemic in the last quarter of the 2020 financial year, Pengana ended the financial year in a strong financial position. Pengana's resilience is a reflection of its diversified product range managed by experienced investment teams, our continued focus on growth opportunities, risk management, and our strong balance sheet.

At 30 June 2020, our Underlying Net Tangible Assets were \$54.9 million, or 51 cents per share. During the 2020 financial year, we paid \$3.3 million or 8 cents per share in dividends, reduced our borrowings by 25% and bought back \$1,894,315 worth of PCG shares under the buyback announced in June 2019. At 30 June 2020 Pengana had \$31 million in cash and investments.

In the year, we shifted our Funds under Management to higher margin products; we earned increased performance fees primarily from strategies that aim to minimise the risk of losing capital and we started to see the full impact of the cost restructure undertaken in the prior year. This enabled us to deliver a 22% increase in Operating Profit before Income Tax, Depreciation and Amortisation ("Operating EBITDA").

The main measure of profitability for Pengana is our Underlying Profit after Tax, which at \$12.5 million was up 14.3% year on year. It was pleasing that this result enabled your Board to declare a fully franked 4 cent per share final dividend, bringing the total dividends declared for the 2020 financial year to 8 cents per share, up from the 4 cents per share declared for the previous financial year.

As at 30 September, our FUM was \$3.3 billion, a 6.5% increase from 30 June after the payment of \$74 million in distributions. Since the end of the financial year, we raised an addition \$94 million into the Pengana Private Equity Trust, an ASX listed, close-ended product that has the capacity to deliver comparatively higher fee margins. The raising attracted significant interest even in the midst of the Covid-19 crisis, and its success demonstrates Pengana's growth capacity.

Russel will give you a more detailed update on how the company has progressed since 30 June, and will discuss the outlook for the remainder of the year.

I will now touch on the resolutions before you today.

Kevin Eley, a current independent non-executive Director, stands for re-election today, continuing his significant contribution to the Board. Kevin has significant experience in senior management and investment in a broad range of industries and he has been a Pengana Director since September 2015. His fellow Directors unanimously support his re-appointment for another term.

We also seek your support in two remuneration related resolutions.

As is customary, shareholders have been asked to formally adopt the company's 2020 remuneration report, which sets out remuneration information relating to Non-Executive Directors, Executive Directors and other specified executives. Pengana's remuneration policy intends to set remuneration at levels that attract, retain and motivate high calibre and talented staff. We aim to align remuneration with the creation of shareholder value, and we operate a Loan Share Plan that provides limited recourse loan to employees and fund managers to acquire shares in the company. During the year, we extended our Employee Loan Share Plan to an additional 15 staff members, allocating 831,996 PCG shares vesting through to 2024. The Board believes that Pengana's remuneration policy is appropriate and supports the creation of shareholder value.

In addition, during the year Pengana implemented a Non-Executive Director (NED) Equity plan, whereby NEDs can salary sacrifice their Directors' fees into PCG shares. We are seeking your approval to grant the NEDs new PCG shares in place of their Directors' fees. The NED Equity Plan will operate on a fee sacrifice basis; it does not involve additional cost to Pengana and enhances the alignment between the NEDs and our Shareholders.

During the year we had the opportunity to reflect on the company's purpose and values, and the principle of "smarter together" was evident in the way our employees responded to the onset of the Covid-19 crisis. Our Board immediately undertook an operational risk management review, our investment teams, operating remotely, continued to manage investments on behalf of our clients with great results and the executive team implemented a plan that has seen the Company continue to operate through an environment that we have not previously seen.

I will conclude by thanking my fellow Directors for their expertise; our executive and investment management teams and all our employees for their efforts and commitment during the year, and you, our shareholders, for your participation at this year's AGM and for your continued support.

I will now hand over to Russel to discuss Pengana's results in more detail and update you on our recent performance.

PENGANA CAPITAL GROUP

2020 Annual General Meeting

“Strong Yield with Exceptional Growth Prospects”



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. Q&A

4. Formal Business

ASX: PCG



CHAIRMAN'S ADDRESS

Mr Warwick Negus



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ASX: PCG



MANAGING DIRECTOR'S ADDRESS

Mr Russel Pillemer



PENGANA CAPITAL GROUP OVERVIEW



- Leading Australian provider of premium, value added products
- Proven long-term performance over multiple funds
- Focused on the higher end retail market - SMSF's, advisors and HNW's:
 - Recognised brand
 - Strong distribution and marketing capabilities
- Unique funds management business model, facilitating growth:
 - In-house funds management teams
 - JVs with offshore groups
- Robust and scalable institutional infrastructure
- Recently acquired USA expansion platform - Lizard Investors LLC

FUNDS UNDER MANAGEMENT ¹

FUM growth over last few years has been weak, as focus has been on re-positioning future FUM growth and higher margins

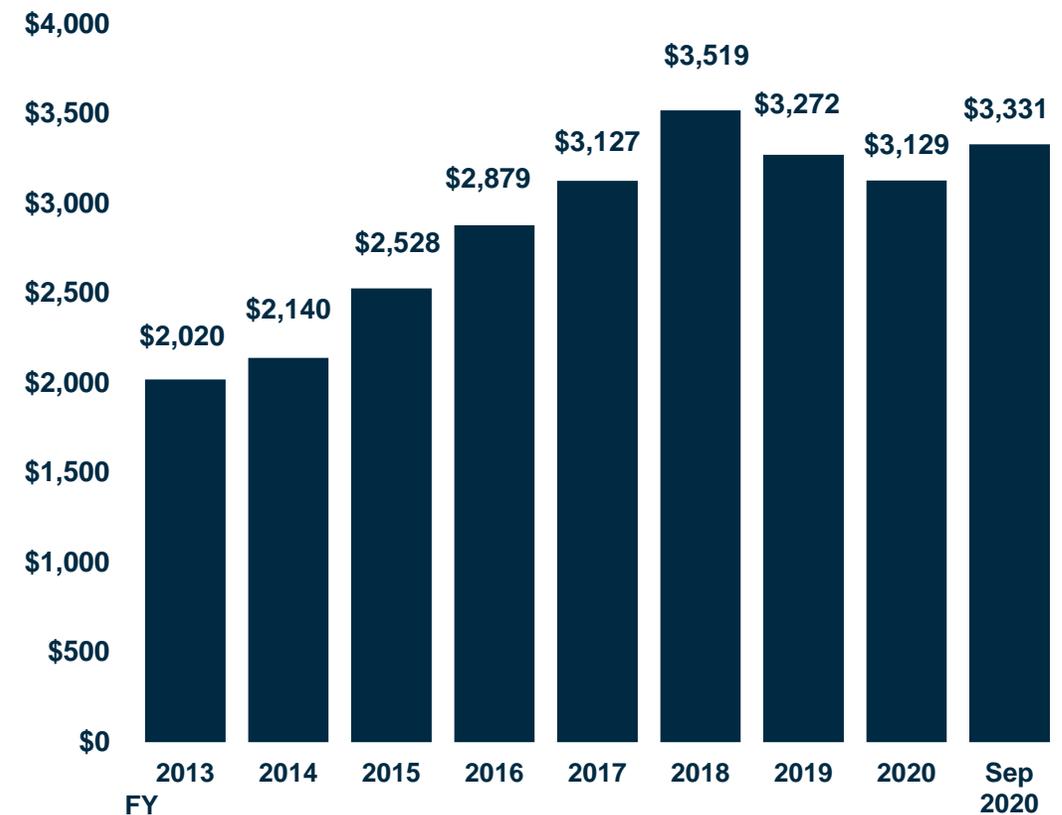
FUM decreased by 4% in 2020

- Distributions negatively impacted: \$178m
- Investment performance negative \$14m
- Positive net inflows of \$50m

FUM increase of 6.5% in quarter to September 2020

- Positive net inflows of \$120m, including:
 - PE1 rights issue raising \$94m
 - Inflows into Lizard Investors LLC of \$66m
- Positive investment performance of \$171m
- Distributions paid of \$74m

Historical Growth in FUM (\$m)²

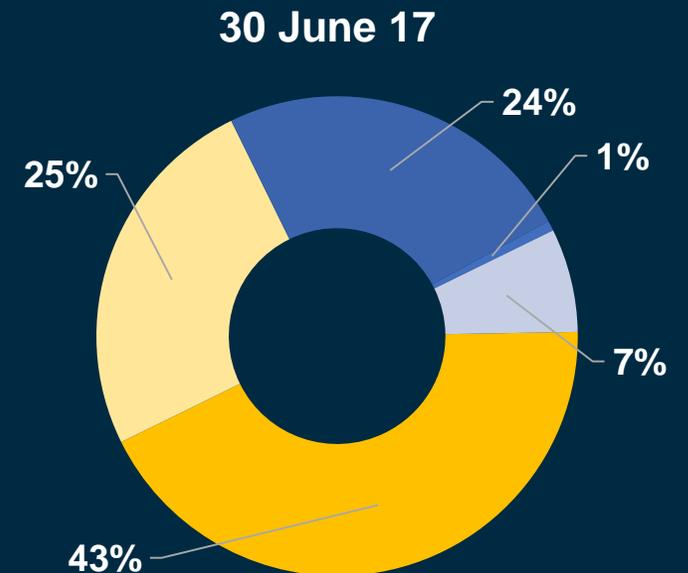
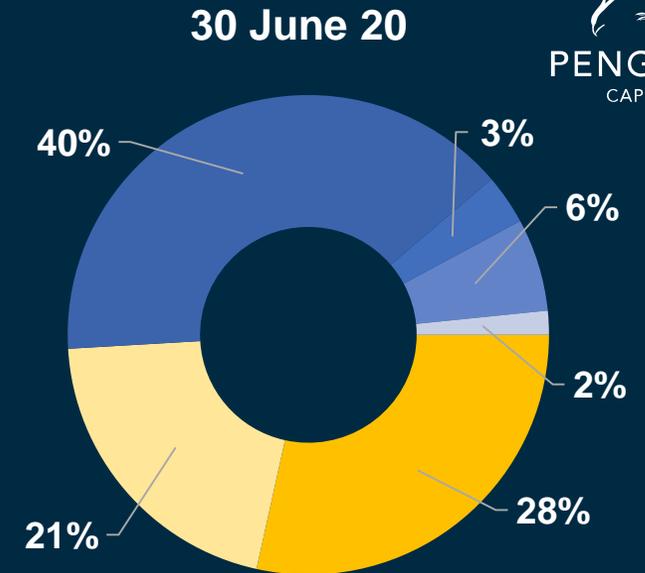


1. The amount of funds under management can increase or decrease due to a range of factors including net fund flows, distributions to investors and investment performance. Past performance is not a reliable indicator of future performance. The reported FUM is prior to any distributions and dividends being paid to investors. 2. Combined Pengana and Hunter Hall FUM.

FUNDS UNDER MANAGEMENT ¹

- Growth in Australian FUM is limited due to market dynamics and capacity constraints of our funds
- Major strategic aim has been to increase exposure to international assets; 32% at 6/2017 to 51% at 6/2020
- This trend is likely to continue to accelerate; 54% at 9/2020
- Significant further capacity in various International equity strategies
- Major growth opportunity in Pengana Private Equity Trust
- Opportunity to diversify further over time by adding new strategies

- Australian multi-caps
- Australian small-caps
- Global multi-caps
- Global small-caps
- Global private equity
- Other



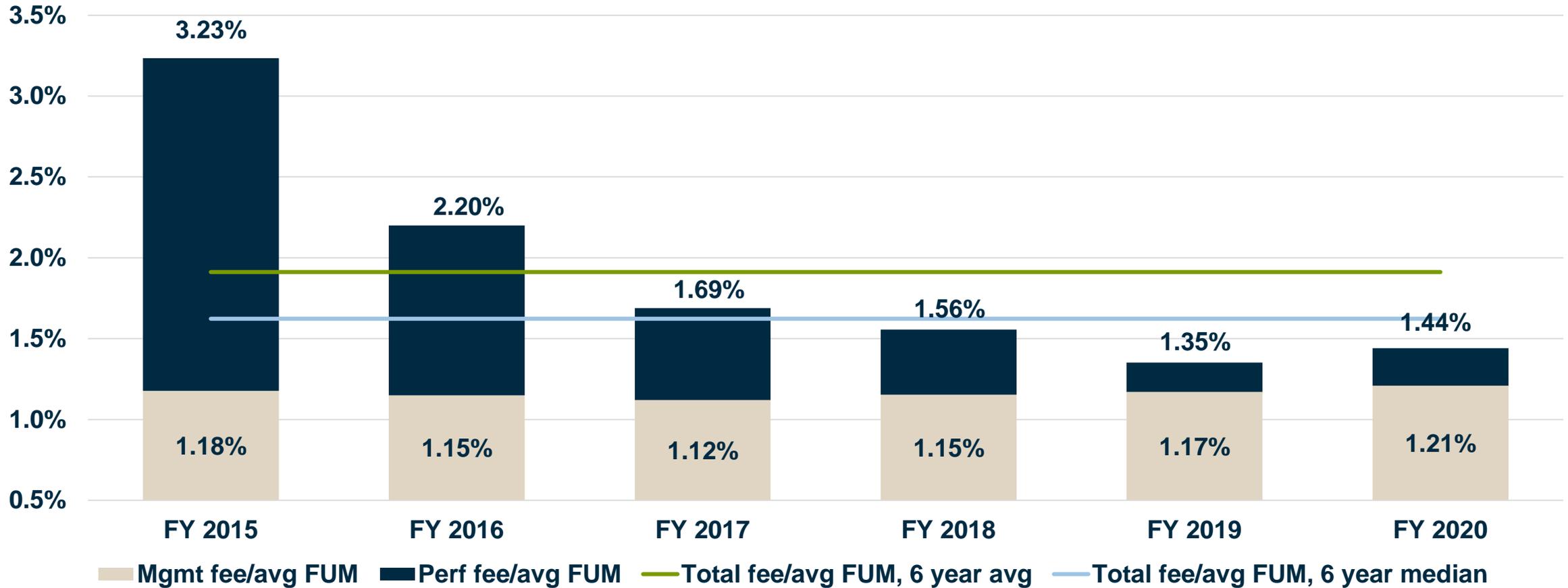
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DIVERSIFIED RANGE OF FUNDS ¹

Primary Fund Name	Strategy	Strategy FUM at 30/09/20 (\$m)	Management Fee; Performance Fee (Primary Fund) ²
Pengana Australian Equities	Australian Multi Caps	855	1.0%; 10%
Pengana Emerging Companies	Australian Small Caps	669	1.3%; 20% above ASX Small Ords
Lizard Global Small	Global Multi Caps	434	1%, range of PF structures
Pengana International Fund – Ethical	Global Multi Caps	402	1.32%; N/A
Pengana International Equities Ltd (LIC)	Global Multi Caps	337	1.2%; 15% above MSCI World
Pengana Private Equity	Global Private Equity	298	1.22%; 19.5% above 8%
Pengana Global Small Companies	Global Small Caps	110	1.3%; 20% above MSCI AC World SMID
Pengana International Fund	Global Multi Caps	103	0.95%; N/A
Pengana WHEB Sustainable Impact	Global Impact Investing	65	1.32%; N/A
Pengana Israel Alpha	Global Market Neutral	30	1.5%; 20% above 4%
Pengana High Conviction Equities	High Conviction	25	1.76%; 15% above RBA Cash + 3% p.a.
Pengana High Conviction Property	Australian Multi Caps	3	0.68%; 14.6% above S&P/ASX 300 A-REIT

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

ANNUAL FEE MARGIN FY 2015 to FY 2020



Performance fees fluctuate over relatively short periods Over the longer term, we expect a reversion to the mean

THE PENGANA BUSINESS: KEY ATTRactions

- Highly diversified funds management business, across strategies/funds; geographies; market segments; listed equities and private equity, with option to expand into further asset classes
- Excellent long term returns across strategies
- Sticky and loyal client base of financial advisors, retail and HNW
- >20% of FUM in listed vehicles
- Value added strategies with good fee margins and diversified performance fees
- 83% of FUM have performance fee structures
- Profitability is highly leveraged to growth in FUM
- Exceptional range of growth prospects
- Leading edge digital marketing capabilities and sophisticated technology infrastructure

KEY DEVELOPMENTS IN FY 2020

Strategic Initiatives:

- Significant expansion of distribution and marketing team and capabilities
- PE1 rights issue raises \$94m
- Acquisition of controlling stake in Lizard International LLC
- Launch of Lizard International long-only strategy: now managing ~\$170m
- New JV relationship to manage the Pengana Alpha Israel Fund
- Launch of Pengana Property Securities Fund
- Further developed leading edge digital marketing capabilities; ideally suited to COVID environment
- Further developed sophisticated technology infrastructure; easily facilitated remote working during COVID

Exceptional 12-month performance across international funds positioned for growth:

- Pengana International Fund outperformed index by 13.2%
- Pengana International Ethical Fund outperformed index by 8.9%
- Pengana Global Small Companies Fund outperformed index by 7.4%
- Pengana WHEB Sustainable Impact Fund outperformed index by 4.6%

GROWTH PROSPECTS



EXCEPTIONAL GROWTH PROSPECTS

- Over the past few years, PCG has focused on laying the foundations for multiple growth opportunities
- This has been an expensive exercise, requiring PCG to invest substantial amounts, negatively impacting profitability
- These opportunities are now poised to generate upside over the medium term
- The profitability of PCG is highly leveraged to these growth opportunities due to PCG having a largely fixed operating cost base
- Key growth opportunities include:
 - Pengana International Fund
 - Pengana International Equities Ethical Fund
 - Pengana Private Equity Trust (ASX: PE1)
 - Pengana WHEB Sustainable Impact Fund
 - Pengana Global Small Companies Fund
 - Pengana Alpha Israel Fund
 - Lizard International Small Cap Fund
 - **USA expansion platform**

FY 2020 RESULTS



UNDERLYING PROFIT AFTER TAX¹

Pengana Capital Group Operating EBITDA	2020 \$'000	2019 \$'000	Increase/ (Decrease) \$'000	Increase/ (Decrease) %	Comment
Management fee revenue	38,091	37,619	472	1.3%	AUM down but higher margin products
Performance fee revenue	6,080	4,909	1,171	23.9%	~ 45% to PCG EBITDA
Net fund direct expenses	(3,062)	(3,241)	179	(5.5)%	Business rationalisation
Operating expenses	(18,174)	(17,283)	(891)	5.2%	Increase in sales team
Team profit share	(13,210)	(13,891)	681	(4.9)%	Lower % to fund managers
Non-controlling interests	168	(10)	178		
Operating EBITDA²	9,893	8,103	1,790	22.1%	
Interest and investment income distributions	799	641	158		
Interest on loan funded share plan	2,034	2,233	(199)		
Financing costs	(245)	(53)	(192)		
Underlying profit before tax³	12,481	10,924	1,557	14.3%	
Basic EPS on underlying profit after normalised tax at 27.5% ⁴	8.38 cps	7.65 cps	0.73 cps	9.5%	

1. Source: Pengana Management Accounts, "Underlying profit before tax attributable to Pengana Shareholders" 2. As per Pengana Capital Group Limited 30 June 2020 Annual Report 3. Underlying profit before tax attributable to Pengana Shareholders 4. Calculated on 107,927,281 weighted average number of shares (i.e. including treasury shares) (2019: 103,534,926 shares)

STATUTORY PROFIT AFTER TAX

Pengana Capital Group Operating EBITDA (\$'000)	2020	2019
Underlying profit before tax ¹	12,481	10,924
Add: Items excluded from underlying profit before tax		
Non-cash amortisation and impairment	(3,250)	(3,410)
Product development	(623)	(16,560)
Other non-operating items	(185)	(572)
Realised/unrealised fair value changes in investments	120	(231)
Tax	(391)	(2,213)
Less: Items not included in Audited Annual Report		
Interest on Loan Funded Share Plan	(2,034)	(2,233)
Statutory profit after tax attributable to Pengana shareholders²	6,118	(14,295)
Basic EPS on statutory profit ³	7.28 cps	(17.75) cps

1. Source: Pengana Management Accounts, "Underlying profit before tax attributable to Pengana Shareholders"

2. As per Pengana Capital Group Limited 30 June 2020 Annual Report

3. Calculated on 84,019,2221 weighted average number of shares (i.e. excluding treasury shares) (2019: 80,528,415 shares)

BALANCE SHEET¹

Pengana Capital Group Balance Sheet (\$'000)	30 June 2020	30 June 2019
Cash net of AFSL cash requirements	12,209	10,346
Current receivables	6,234	5,919
Current liabilities	(12,209)	(9,545)
Net working capital	6,234	6,720
Investments net of AFSL liquid asset requirements	12,940	9,163
AFSL capital requirements	6,200	8,200
Loans (on and off-balance sheet)	32,812	30,269
Borrowings (current and non-current)	(3,750)	(5,000)
Other non-current assets and liabilities	257	797
Non-controlling interests	168	(44)
Total non-current assets and liabilities	48,627	43,385
Net tangible assets²	54,861	50,105
Less: Off balance sheet Loan Funded Share Plan	(31,949)	(29,395)
Add: Intangibles	66,676	65,456
Add: Deferred tax	(4,916)	(5,766)
ROU assets and lease liabilities	(18)	-
Net Assets attributable to Pengana Shareholders as per Financial Statements³	84,654	80,400

1. Source: Pengana Management Accounts 2. Source: Pengana Management Accounts 3. As per Pengana Capital Group Limited 30 June 2020 Annual Report

VALUATION COMPONENTS



VALUATION COMPONENTS

PENGANA CAPITAL GROUP

- Net investable assets (includes Employee Share Loan Plan): \$54m¹

Plus

- Base fees on existing \$3.2bn of FUM: generate EBITDA of ~\$7.5m p.a.

Plus

- Performance fees on existing \$2.7bn of FUM: historically has generated fees in the range of 18-205bps, with mean of 49bps, ~45% of fees adding to EBITDA

Plus

- Potential growth in FUM from multiple existing funds (with large aggregate capacity) generating base and performance fees

Plus

- Leverage existing infrastructure, brand and relationships to add additional new strategies/funds generating base and performance fees

Plus

- US expansion platform: platform with potential to expand into the world's largest market

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