

Responsible Investment Policy

The Pengana Australian Equities Fund (the Fund) has been managed with the same investment philosophy and process since 2008. Our investment approach is founded on a pragmatic understanding of underlying principles, which extends to application of Environmental, Social and Governance (ESG) factors within the investment process, rather than an emotive response to sometimes contentious ethical issues.

This policy applies to the Pengana Australian Equity Fund, which is managed independently from Pengana's other funds. It should be read in conjunction with Pengana Capital Group's ESG policy. Pengana Capital is a signatory to the Principles for Responsible Investment (PRI), and a member of the Responsible Investment Association of Australia (RIAA).

Motives and Beliefs

We believe every business requires a social license to operate successfully and target investments in companies which act in the interests of their shareholders, obey relevant local laws, and seek to comply with prevailing community expectations about corporate responsibilities.

If a company does not have a sustainable social license, based on the trust and confidence of the community and other stakeholders, we believe this will impact financial performance and impair shareholder value. The assessment of this license, and its sustainability, is at the heart of our Responsible Investing approach.

Guidelines

Environmental and Social factors - we assess the business model, including the supply chain, customer base and impact of the company's products and services on the sustainability of its business model. We ensure that the company's value proposition fully costs its impact on its stakeholders (including its environment) to ensure it is sustainable. For example, we would look for the rehabilitation/remediation of environmentally damaging activities, such as mines or fuel service stations, to be fully provided for in a company's balance sheet and therefore directly incorporated in our assessment of after-tax cash earnings yield. We will only invest in companies that operate responsibly within their regulated environments and comply with all regulatory requirements.

Governance – we believe quality governance is essential from both a trust and sustainability perspective. For every company we invest in, we build an investment thesis laying out our requirements and outlining how we intend to preserve capital and generate the required return. Considerations include board structure and strength, business conduct and ethics, corporate culture and remuneration, and tax avoidance practices. We will also assess a company's awareness and

governance of cyber security risks, looking for evidence of systems security and other risk mitigating solutions.

If we determine that company management is not trustworthy or the corporate culture questionable then our investment thesis becomes untenable. We will not invest in companies if we believe we cannot rely on management's assertions and will divest if we form this view after an investment has been made.

We will not invest in companies that we believe perpetrate any of the following activities:

- Labour rights violations
- Human rights abuses
- Animal cruelty
- Environmental degradation

We are favourably disposed to companies providing goods and services with positive social or environmental effects. We actively seek investments in industries such as healthcare, education, aged care, and childcare. These industries have positive social, economic, political and demographic tailwinds which we believe will support long-term profitability.

Incorporation

The Fund incorporates environmental, social and corporate governance considerations into its investment analysis process through the following means:

- Securities with high ESG risks are flagged and added to a watch list for regular monitoring
- ESG factors are included in the traditional SWOT (strengths, weaknesses, opportunities, and threats) analysis
- Research notes consist of traditional financial information and analysis and ESG information and analysis
- Adjustments are made to forecasted financials (e.g., revenue, operating cost, asset book value, capital expenditure) for the expected impact of ESG factors
- Valuation models are adjusted for ESG analysis and the effect on financial ratios is assessed.

ESG related information is derived from contact with companies, as well as information from external sources such as suppliers, competitors and brokers. Relevant information is also derived from our extensive experience and knowledge of companies and their management. The information is assessed internally, allowing us to determine the materiality of the issues and adjust our focus and requirements between different sectors.

The Fund does not invest in situations where future cash flows cannot be modelled with a high degree of certainty. To the extent that ESG risks create or increase this uncertainty, they may therefore cause the Fund not to invest.

Engagement

We have a defined policy for engagement with companies, with the process of engagement systematically tracked and recorded for progress. We have clear disclosure expectations and a defined policy for voting on company resolutions. We will engage with the company prior to the vote to discuss its stance and rationale.

We do not outsource our voting intentions to third party advisors. We would rather use our direct contact with management teams to form and express our views on the company's capabilities and strategies.

We vote our shares in instances where we believe our voice is important in avoiding poor outcomes, however we are not an activist shareholder. We would not seek to invest in a flawed company in the hope of forcing change at board level to achieve an outcome.

Importantly, we are not bound to sell out of an investment should we subsequently discover information that brings into question the sustainability of a company's social license. Rather we feel that as shareholders, when this comes to light, we have a duty to exert our shareholder rights to effect change.