ANNUAL REPORT

30 JUNE 2021

PENGANA INTERNATIONAL EQUITIES LIMITED (ASX: PIA)

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COMPANY PROFILE

Pengana International Equities Limited is an Australian Listed Investment Company whose operating activity involves investing its Australian capital into businesses that are listed on global security exchanges.

The Company is listed on the Australian Securities Exchange (“ASX”) under the code PIA.

PIA’s investment manager is Pengana Investment Management Limited (“PIML”), a wholly owned subsidiary of Pengana Capital Group (PCG). PCG also provides financial management and marketing support.

PCG, in consultation with the PIA board, appointed New Jersey-based Harding Loevner LP (“Harding Loevner”) as the new investment team for PIA. Harding Loevner is a New Jersey-based global equity fund manager formed in 1989 with over US$84billion in Assets under Management. PCG’s partnership with Harding Loevner provides Australian retail investors exclusive access to Harding Loevner’s extensive global expertise, usually only accessible to institutional investors.

Corporate objective

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.

Investment strategy

The investment strategy utilised by PIA was devised by experienced investment professionals over many years.

The strategy seeks superior risk-adjusted returns, generated through investing in companies that meet the investment team's high quality and durable growth criteria at reasonable prices.

These companies are identified through the conduct of fundamental research, with a long-term, global perspective, and must exhibit the following four key investment criteria: competitive advantages, quality management, financial strength, and sustainable growth potential.

Responsible Investment

The Company is committed to responsible investing and seeks to avoid investing in businesses that are, in its opinion, currently involved in activities that are unnecessarily harmful to people, animals or the environment.

The Company invests in businesses selected through Harding Loevner’s Responsible Investment process that pass PCG’s ethical screens.

Ethical Screens

PCG utilises a screening process which seeks to avoid investment in companies that derive significant operating revenues from direct and material business involvement in these sectors:

Adult content	Gambling	Mining
Alcohol	Genetically modified organisms	Nuclear
Animal cruelty (production of cosmetics tested on animals)	Human rights abuses and exploitation	Securities from issuers on UN sanctions list
Fossil fuels (coal, coal seam gas, oil)	Old growth forest logging	Tobacco Weapons

Responsible Investment Process - Incorporation of Environmental, Social and Governance (ESG) Factors

Harding Loevner's investment selection approach, by its design, eschews companies engaging in unsustainable business practices or pursuing short-term profits at the expense of long-term growth and stability. Harding Loevner believes only companies that can create substantial long-term value are capable of producing meaningful "shared value" for the benefit of larger society as well as for shareholders and other direct stakeholders.

Harding Loevner includes an explicit consideration of ESG risk factors into equity security evaluation. Competitive advantage, sustainable growth, financial strength, and quality management are the criteria by which Harding Loevner judges whether a company can sustain high returns on capital. ESG factors are among those that may pose risks to a company's ability to continue to meet one or more of these criteria. Such risks are therefore considered at each stage of Harding Loevner's investment process.

Responsible Ownership

Harding Loevner is an active owner and has clear engagement policies in place with the aim of protecting and furthering the financial interests of its clients, the asset owners.

Harding Loevner votes all proxies with its clients' best interest in mind. As active owners, Harding Loevner seek to use its voting power to promote high standards of corporate governance, including provision of adequate disclosure of company policies, activities, and returns, as well as fair and equitable treatment of shareholders.

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 at compelling valuations	Investment approach that is suitable across differing market environments

Benefits of investing in PIA's LIC structure

Shares can be bought and sold on the ASX

Quarterly fully franked dividends

Investment activities are not affected by redemptions or unexpected cash inflows or outflows

Regular reporting to shareholders e.g. semi-annual financial reports and weekly NTA

Shareholders can interact with directors and management

The company is subject to ASX and ASIC supervision

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PENGANA INTERNATIONAL EQUITIES LIMITED

CHAIRMAN'S LETTER

Dear shareholders,

I am pleased to present the 2021 Annual Report for Pengana International Equities Limited (ASX: PIA, the Company).

The highlights for the year included the payment of quarterly fully franked dividends; a fully franked final dividend of 1.35 cents per share; investment returns[1] net of fees and expenses of 27.6% compared with the benchmark return of 27.5%[2]; and the appointment of Harding Loevner LP ("Harding Loevner") as PIA's new investment team.

Dividends

Delivering consistent fully franked dividends is a key component of PIA's objective and it was pleasing to distribute $15.9 million in fully franked dividends to shareholders during the year.

In October 2020 the Company announced that it would move to a quarterly dividend schedule and paid its first quarterly dividend in January 2021. The frequency of dividend payments was increased to assist shareholders manage their cash flows.

A fully franked final quarterly dividend of 1.35 cents per share was declared on 26 July 2021 and will be paid on 22 September 2021 to shareholders on the register on 8 September 2021. This brings the total fully franked dividends declared out of the 2021 financial year profit to 5.10 cents per share, exceeding the Company's target of 5 cent per share.

PIA's current financial position together with Harding Loevner's long-term track record of consistent superior returns, provide a strong and reassuring base from which the Company's directors believe a continued stream of quarterly fully franked dividends can be paid to shareholders.

Accordingly, the Board has reset the annual target for future dividends to 5.4 cents per share to be paid in quarterly instalments of 1.35 cents per share. This represents an 8% increase on the previous annual dividend target.

An annual dividend of 5.4 cents per share would provide a yield of 3.7% based on $1.45, the closing share price at 20 August 2021. With the benefit of full franking, the yield increases to 5.3%.

Financial Performance

Consistent application of the Company's investment strategy combined with extraordinarily strong investment markets resulted in PIA posting total investment income of $90.5 million and net profit after tax of $60 million for the financial year, representing an increase of 149% over the profit of the prior year.

The investment income included $59.6 million of realised gains, which were largely due to the portfolio transition undertaken upon Harding Loevner's appointment. The tax paid on these gains will increase the franking credits available for distribution to shareholders.

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[1] Performance figures refer to the movement in net assets per share, reversing out the impact of 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] MSCI World Total Return Index in AUD

Total assets increased in value to $380 million and comprised $373 million of investments in businesses listed on global securities exchanges and $7 million in cash.

The Net Tangible Asset Backing (NTA) after provision for tax on unrealised gains was $1.42 per share on 30 June 2021, up on the $1.25 posted on 30 June 2020.

	June 2021 $ million	June 2020 $ million
Cash & liquids	7	38
Investments	373	288
Total assets	**380**	**326**
Payables	(5)	(5)
Tax on unrealised gains	(13)	(4)
Net assets	**362**	**316**
	$ per share	
NTA before provision for tax on unrealised income and gains	$1.47	$1.26
NTA after provision for tax on unrealised income and gains	$1.42	$1.25

Appointment of Harding Loevner LP

In May 2021, New Jersey-based Harding Loevner LP ("Harding Loevner") was appointed as the new investment team for PIA following a change to personnel of the manager, Pengana Capital Group, in March 2021.

The transition of the portfolio to the new investment team was undertaken quickly and efficiently and in June 2021, the first full month of PIA's portfolio under the guardianship of Harding Loevner, the portfolio returned 7.1%[3] (after fees and expenses but before tax). This compared favourably with the benchmark, MSCI World Total Return Index in AUD, which was up 4.6%. Although Harding Loevner's contribution to date can only be measured over a short period, it is an encouraging sign.

The appointment of Harding Loevner provides PIA shareholders the stability of an investment team with a 31-year track record, managing over US$84bn of investments on behalf of some of the world's largest and most sophisticated investors.

Harding Loevner's Responsible Investment process in combination with the continued application of Pengana Capital Group's ethical screens strengthen PIA's position as the largest international ethical LIC on the ASX.

In the Investment Manager's report that follows, we introduce Harding Loevner and discuss the change in investment team, the key drivers of the portfolio's performance and the portfolio positioning as the portfolio enters the new financial year.

[3] Performance figures refer to the movement in net assets per share, reversing out the impact of 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.

Share Price

PIA's share price at the end of the financial year was $1.32, up from the $1.07 at 30 June 2020.

The Total Shareholder Return (TSR), which includes dividends paid in the year ended 30 June 2021 was 29.2%. This return to shareholders does not take into account the additional value of the franking credits attached to the dividends.

The movement in the Company's share price is a reflection of the performance of the Company's portfolio and by extension its growth in net assets and profitability; the Company's ability to manage its capital and meet its objective to deliver capital growth and regular, reliable and fully franked dividends and a focus on promoting the benefits of an investment in PIA to both retail investors and financial advisers.

We were pleased with the progress being made to promote the Company when activities were interrupted by the change in the investment team, which required the ratings agencies to review their recommendations. Since the end of the financial year, two of the agencies had completed their review and issued "Recommended" ratings and a third agency is finalising its report.

At the time of writing the Company's shares were trading at values close to net tangible assets after provision for tax on unrealised gains.

Capital management

The Company has a sound capital structure with total equity of $362 million and no debt. There are over 6,400 shareholders, who together own 255 million shares.

In the 2021 financial year, there were 1.2 million shares issued through the Dividend Reinvestment Plan at the weighted average sale price of all shares in the Company sold on the Australian Securities Exchange during the five trading days commencing on and including the relevant Record Date, with no discount applied.

No shares were brought back in the 2021 financial year and it is the Board's intention to not extend the on-market share buyback program when it expires on 9 September 2021.

Communication

The Company continues to strive to improve its communications and engagement with both existing and potential shareholders. Although we look forward to a time when we can resume country wide meetings and roadshows, due to the challenges presented by the ongoing pandemic, the focus has shifted heavily to reaching and servicing investors through digital platforms, including webinars, newsletters and digital marketing.

The Company's manager, Pengana Capital Group, has again expanded its distribution capabilities which support the Company's communication, marketing and sales efforts.

Independent Ratings

Following the appointment of Harding Loevner, Australian research houses Zenith Investment Partners ("Zenith") and Independent Investment Research ("IIR") have both awarded 'recommended' ratings to the Company.

It is gratifying that our confidence that Harding Loevner will assist the Company in delivering on its objectives is shared by Zenith and IIR.

PENGANA INTERNATIONAL EQUITIES LIMITED

Annual General Meeting

Due to continually evolving Covid-19 restrictions, this year PIA will once again hold a virtual Annual General Meeting (AGM) through an online platform. Our AGM will be held on Thursday 21st October 2020 at 9:30am (Sydney time) and detailed instructions on how to remotely join, participate, and vote will be included with this year's Notice of Meeting, which we anticipate will be mailed in mid-September 2021.

We encourage shareholders to join the virtual AGM however, if you are unable to attend we encourage you to vote on the proposed resolutions by lodging your proxy vote.

I look forward to discussing the Company's progress with you at this year's AGM.

Frank Gooch
Chairman
Pengana International Equities Limited
23 August 2021

INVESTMENT MANAGER'S REPORT

Introduction

The 2020/21 Financial Year was an extraordinary one from many perspectives. The advent of the COVID-19 virus has created a health environment for which the world was unprepared and has had a long lasting, perhaps permanent, impact on the way we live and work. The markets responded dramatically, falling initially but then rallying as the likely winners and losers came into focus. Investors rotated out of growth into value and back again as they sought to understand the post COVID economic and investment landscapes. Policy makers continued their supportive role, but bond yields showed signs of inflationary pressure and, while interest rates remained low, the expected horizon for future rises came closer. All in all, there was a lot to think about and a lot that an investor could potentially get wrong. We were therefore very pleased to generate an underlying investment return, net of fees, of 27.6%, which was just ahead of the 27.5% return from the benchmark index (MSCI World Total Return Index, Net Dividend Reinvested, in A$).

The other significant investment development over the year was the appointment of Harding Loevner LP (Harding Loevner) in May. Following the departure of the internal international equity team, Pengana Capital Group ("Pengana") conducted an extensive search, aided by a globally renowned consulting firm, to find an appropriate replacement manager. The key requirements were a high quality and respected organisation with a proven investment process, long track record, experienced personnel and strong awareness and integration of ESG issues. Harding Loevner was selected from a shortlist of managers following a thorough investment and operational due diligence process. The transition to Harding Loevner, its investment approach and performance are described in greater detail below.

Market Review

The global economic rebound gathered steam throughout the financial year as numerous COVID vaccine candidates were approved, economic policymakers provided unparalleled levels of fiscal stimulus, and central banks slashed borrowing costs and rolled out a dizzying array of measures designed to support asset prices and keep liquidity flowing to businesses. In the US, retail sales climbed to the strongest level on record and restaurant and airline bookings, while still below pre-COVID levels, continued to improve. Additionally, the Biden administration in the US passed a colossal US$1.9 trillion relief package, the third such stimulus measure since the pandemic began, sending direct payments to millions of Americans and extending unemployment insurance.

In China, electricity generation and rail cargo volume rose substantially year over year, but consumer spending remained subdued despite much of daily life having returned to normal. Many emerging economies outside of China, however, continued to struggle with inadequate vaccine supplies and health care logistics as the new and more virulent Delta strain of the virus led to resurgent waves of infections. The recovery in Europe has also remained precarious with Delta's spread and vaccine rollout delays extending or renewing lockdowns. Cognisant of these difficulties, the EU approved an €800 billion recovery fund late in the period aimed at infrastructure investment and support for businesses.

Lockdown measures helped to spur a sharp rise in retail share trading activity, with a record number of people opening online accounts, and option volumes rising dramatically. This speculative frenzy extended to initial public offerings (IPOs) in many markets, with shares of newly listed companies (many of them still loss-making) met by strong institutional and retail demand. As homebuyers and corporate treasurers alike raced to lock in low interest rates, bond yields rose, with the yield on the US 10-year bond reaching nearly

1.75% in the first quarter of 2021. Commodity prices, particularly those linked with industrial activity such as iron ore and copper, jumped higher, while Brent crude rose to over US$60 per barrel.

This speculation was tempered somewhat towards the end of the period due to a slew of regulatory actions. In the IPO market, the US Security and Exchange Commission (SEC) suggested that heightened regulation of special purpose acquisition companies (SPACs) is an agency priority, grinding IPO activity to a halt. Cryptocurrency prices also fell sharply from their first quarter highs, in part a response to Chinese regulators introducing new proposals to curtail the country's large cryptocurrency mining sector. On the other hand, the re-opening of more normal consumer and business activity caused shortages and sharp price rises for many goods due to inventory liquidations last year that needed to be rebuilt, stoking fears that inflation may again return to the fore.

By sector, Materials and Financials performed well in the year, the latter aided by a steepening yield curve and surprisingly low credit defaults. Stocks in the Information Technology and Consumer Discretionary sectors were also strong performers. Less-cyclical sectors—Consumer Staples, Health Care, and Utilities—all underperformed for the period.

In terms of geography, Canada was a big outperformer, helped by its large weighting in banks and energy. The US also outperformed, bolstered by its large tech industry. Stocks in Japan and Europe both inside and outside the eurozone lagged as both regions experienced a steep rise in COVID-19 infections towards the end of the period.

Overall, the Australian share market rose 30.2% (ASX All Ords) and the international share market 27.5% (MSCI World Total Return Index, Net Dividend Reinvested, in A$) over the Financial Year. Reflecting the buoyant conditions, small caps outperformed the broader markets in Australia and overseas, returning 33.2% (S&P/ASX Small Ordinaries Index) and 36.2% (MSCI All Country World SMID Cap Index, in A$) respectively.

Appointment Of Harding Loevner

The PIA Board announced the appointment of Harding Loevner in May. Harding Loevner is a US based investment management firm founded in 1989. Harding Loevner managed US$87.6bn at the end of June 2021, with US$25.2bn in the global equity strategy. Harding Loevner is approximately 70% owned by AMG, an investment holding company with stakes in a number of funds management firms, and 30% owned by senior staff.

Harding Loevner seeks to invest in high-quality, growing businesses at reasonable prices over the long term. This "quality-growth" investment philosophy has been the foundation of Harding Loevner's strategies since the firm was founded.

The philosophy is expressed in the four key criteria that a company must meet before it can be considered for investment:

- Competitive Advantage: a strong industry position, enabling it to earn better financial returns than rivals
- Quality Management: skilful managers with a good record, a clear strategy, and a consistent regard for shareholders
- Financial Strength: cash generation and all-weather borrowing capacity to fund growth
- Sustainable Growth: an industry structure supporting long-term growth in revenues, earnings, and cash flow

The co-lead portfolios managers, Peter Baughan and Jingyi Li, have 37- and 23-years' experience respectively. They are supported by a team of 24 analysts.

Harding Loevner's global equity strategy incepted in December 1989 and has outperformed its benchmark by over 2% per annum. The strategies' track record is characterised by low turnover and consistent performance with a marked tendency to outperform in down markets. PIA's portfolio is unhedged and follows exactly the same strategy with the addition of the ethical screens.

Performance

From a performance perspective the year can be split into 3 periods:

1. July 2020 to April 2021 – strategy managed by Pengana's internal international equity team.

The portfolio performed well in this period, generating a return of 18.6% but underperforming the benchmark by 1.8%. The portfolio managers expressed their concern at the turn of the year regarding the interest rate environment, and the related excessive risk taking, and positioned the portfolio accordingly. Some of the themes they acted upon included:

- Investing in discount retailers (e.g. Dollar Tree) to make money from the growing wealth divide.
- Targeting (reasonably valued) companies in the developed market that can grow without the aid of local economic growth, either due to a disruptive/leading technology (e.g. Lumentum), or a social zeitgeist (e.g. computer games companies like EA and Nexon), or the shift to a greener economy (e.g. SMA Solar, Sig Combibloc), or the ageing population.
- Targeting markets that are not distorted by "Zombie" companies (e.g. the US health insurance market, via United Health and Cigna, and the cable market via Charter Communications).
- Increasingly focusing on emerging markets that have the benefit of underlying economic growth (e.g., Alibaba, Tencent, Autohome, Bharti Airtel, Indus Towers).

In addition, they positioned the portfolio to benefit from a potential change in the interest rate environment. Their thinking was that interest rate complacency had become so entrenched that even a minor change would be of huge benefit to certain companies' profitability. Examples of these investments include derivative exchanges (Deutsche Borse, CME), market makers (Flow Traders), and debt restructuring advisers (Houlihan Lokey).

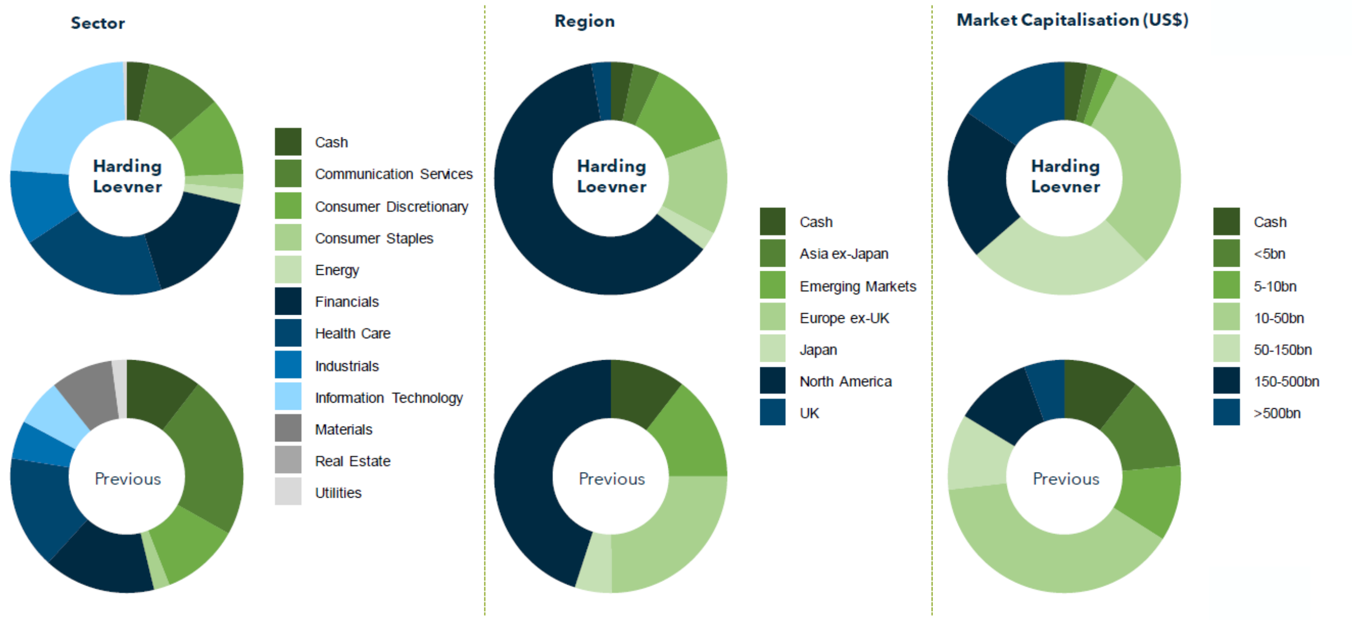
In aggregate, the portfolio remained well diversified and consisted of companies that were cash flow generative, growing, and unlikely to blow up.

2. May 2021 – Portfolio transition

The transition from the previous Pengana management team to Harding Loevner was completed during May. The process of selling out of the old positions and buying into the new ones commenced on 11/05/2021 and took 12 trading days to complete. The transition was implemented efficiently by Harding Loevner's trading desk and monitored by Pengana throughout.

HL's process, and the type of stocks it seeks to identify, is not dissimilar to the process implemented by the previous Pengana team. However with thousands of potential companies from which to choose in the global universe, inevitably the two portfolios comprised different securities. Five positions in all were retained from the old portfolio in the new portfolio: Tencent, United Health, CME Group, Thermo Fisher, Alibaba. The following graphs compare the portfolios at March 31st managed by Harding Loevner and the previous Pengana team. (Note that the Harding Loevner portfolio below does not factor in a theoretical application of the ethical screens.)

Comparison Of Portfolio Characteristics as at 31 March 2021



The graphs show that:

- Both portfolios were well diversified by Sector, Region and Market Capitalisation (company size).
- Harding Loevner had a greater exposure to Healthcare and IT and less of an exposure to Communication services and Consumer sectors.
- Harding Loevner was more heavily invested in North America and less in Japan and Europe.
- Harding Loevner had less of an exposure to small cap companies.

3. June 2021 – strategy managed by Harding Loevner

Harding Loevner had a promising start to its management of the portfolio, returning[4] 7.1% net of fees and expenses in June. PIA's benchmark (MSCI World Total Return Index, Net Dividend Reinvested, in A$) returned 4.6%.

HL generated positive returns from most of the top ten holdings, which constitute 28% of the portfolio. The Consumer Discretionary and Healthcare sectors drove the returns in June. The weighting to Consumer Discretionary was actually below that of the index but generated twice the benchmark's performance, driven by Nike +17% and ETSY +29% (American e-commerce company focused on handmade or vintage items and craft supplies), EBAY +19% and Amazon +10%.

Healthcare is a significant overweight in the portfolio and strong performers included WUXI +21%, Sysmex +20% and Illumina +20%, the biggest contributor during the month.

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Illumina is also a COVID beneficiary. The company has developed two workflows to enable detection of coronavirus from clinical samples. They have also developed next generation genetic sequencing and can now screen for more than 50 different types of cancer from a single blood sample. The technology could transform cancer treatment by catching the disease before any symptoms arise.

Outlook By Harding Loevner

Since the founding of our firm, we've invested in high-quality, growing companies. That means we understand only too well the slings and arrows of outrageous fortune that the market occasionally hurls the way of our quality-focused portfolio. Mindful of the valuation risk within our specific investment universe, over the past couple of years we have been seeking opportunities to reduce the portfolio's exposure to the fastest-growing, most highly valued companies. Earlier this year, we paid closed attention to the market-wide style shift favouring "value" stocks and low- quality companies. This shift, which coincided with the early November 2020 release of vaccine efficacy results, matches in many ways the recovery from the prolonged bear market that followed the bursting of the tech bubble in 2000. Then, as now, stocks of companies in the lowest tiers of quality significantly outpaced those in the top tiers.

As valuations for high-quality and rapidly growing companies have risen steadily, we've had to make difficult trade-offs in the Global Equity strategy in attempting to balance our commitment to companies' quality and growth attributes against the prices their shares could fetch. Our debate has mostly surrounded the trade-off between valuation and growth, but in this nascent recovery from the pandemic, the more-important issue—at least as far as relative performance goes—has been trading off valuation against quality.

Although both high quality and faster growth have become highly priced in recent times, we've made no attempt to predict either inflation or interest rates, despite recognizing how these inputs have an immediate impact on stock valuations through their influence on discount rates. Considering such attempts to be a fool's errand, we prefer instead to focus on discerning the enduring characteristics of companies themselves—characteristics that tend to persist across business cycles and political eras.

Our investment process is designed to give analysts the freedom, with few exceptions, to "go anywhere," and locate the best businesses even in out-of-favour industries or countries. By keeping our opportunity set broad, always on the lookout for companies with strong competitive positions and secular growth tailwinds, the goal is to continuously furnish portfolio managers with sufficient raw materials from which to assemble diversified and differentiated portfolios of high-quality growing businesses. Our risk guidelines, including our portfolio limits on countries, sectors, and single companies, limit the worst of those inclinations, and we alter those limits only rarely and with great deliberation. In other words, don't expect us to follow the current trend of some growth and momentum-oriented investors and to jettison our single holding limits to amass larger stakes in our favourite companies.

In recent months, we've been paying particularly close attention to regulatory headwinds and muscular interventions by regulators in Europe and Asia along with a re-energized Federal Trade Commission (FTC) in the US.

In the US, there is growing concern that too much market power is concentrated in a handful of companies that dominate their respective industries. Under the new presidential administration, antitrust regulators appear to be gearing up to take legal action against big technology firms in particular. In Europe, antitrust agencies are further along in clamping down on the tech behemoths than their US counterparts. In China, antitrust regulators sent a strong message in April by imposing a US$2.8 billion fine on Alibaba and summoning the 34 leading Chinese technology and e-commerce companies to inform them they had one month to "completely rectify" any conflicts with updated regulations on online competition. Antitrust is far from the only category of shifting regulatory risk facing many companies globally. Environmental regulations, for another, continue to ratchet up as the political and social consensus surrounding climate change solidifies.

The apparent increase in regulatory headwinds is a development we take seriously, but it isn't a new phenomenon. We deal with regulatory threats routinely as an explicit factor in our industry analyses, our business assessments, and our projections of companies' growth and profitability. For instance, our analysts incorporate the range of potential effects of existing and potential future regulations into their analysis of the competitive structure of each industry.

We also recognize that regulatory changes are not only a risk but also can offer opportunities. The pharmaceutical industry, for instance, enjoys key benefits bestowed by legal and regulatory frameworks such as patent protection for new drugs and safety regulations. This regulatory framework, though altered from time to time, underpins the long-term growth of many of our Health Care holdings.

Anticipating which industries, countries, and companies may face unfavourable regulatory changes is a hugely imprecise task. Our ongoing monitoring of industries and companies along with our country-level discount rate premiums tend to tilt us toward geographies with lower risk, and away from more vulnerable ones, while our portfolio risk constraints mandate a reasonable level of diversification, and limit the maximum impact of regulatory (as well as other) shocks that we don't predict.

RESPONSIBLE INVESTMENT

The Responsible Investment Policy of Pengana International Equities Limited ("PIA", ASX: PIA) is implemented by its Investment Manager, Pengana Investment Management Limited ACN 063 081 612 ("PIML"), a fully owned subsidiaries of Pengana Capital Group Limited ("PCG" or "Pengana").

PIML has appointed New Jersey-based Harding Loevner LP ("Harding Loevner") as the investment team for PIA.

The Company is committed to responsible investing and seeks to avoid investing in businesses that are, in its opinion, currently involved in activities that are unnecessarily harmful to people, animals or the environment.

The Company invests in businesses selected through Harding Loevner's Responsible Investment process that pass PCG's ethical screens.

The Company has adopted a Responsible Investment and Environmental, Social and Governance ("ESG") policy, implemented by the Harding Loevner with oversight by Pengana Capital Group Limited ("Pengana").

Utilising a monitoring service provided by Sustainalytics, the Investment Manager monitors the portfolio for negative screen compliance, portfolio ESG risk, consideration of new and ongoing controversies, review of voting records and engagement and monitoring the sustainability and carbon risk of the portfolios against peers and appropriate benchmarks.

Ethical Screens

Pengana seeks to avoid investing in businesses that are, in its opinion, currently involved in activities that are unnecessarily harmful to people, animals or the environment.

Pengana utilises a screening process which seeks to avoid investment in companies that derive significant operating revenues from direct and material business involvement in these sectors:

Adult content	Alcohol	Animal cruelty (production of cosmetics tested on animals)
Fossil fuels (coal, coal seam gas, oil)	Gambling	Genetically modified organisms
Human rights abuses and exploitation	Mining	Nuclear
Old growth forest logging	Securities from issuers on UN sanctions list	Tobacco
Weapons		

How Harding Loevner Invests Responsibly

Harding Loevner's responsible approach to investing which encompasses the following dimensions[5]:

1. Responsible Investment Selection
   a. Governance screening: eliminating securities of poorly governed companies;
   b. ESG integration: considering Environmental, Social and Governance risk and return factors in the security selection process;
   c. Client-directed screening: eliminating securities of companies engaged in activities or practices that it's client, the asset owner, seeks to avoid;
   d. ESG benchmarking: managing portfolios with reference to ESG-influenced market indices selected by its client, the asset owner; and
   e. Accountability for ESG incorporation: overseeing and implementing responsible investment policies.

2. Responsible Ownership
   a. Management engagement: engaging with managements of companies in which Harding Loevner have invested for the purpose of influencing their behaviour for the benefit of public shareholders such as its clients, the asset owners, including with respect to managements' consideration of ESG issues that affect expected risks and returns;
   b. Voting: voting all proxies in the interests of its clients, the asset owners, as Harding Loevner best determine or as they direct;
   c. Policymaker engagement: advocating for the interests of asset owners; and
   d. Institutional support for Responsible Investing: adhering to the Principles for Responsible Investment and the UK Stewardship Code.

Harding Loevner Responsible Investment Selection

Harding Loevner is a global equities manager seeking to achieve superior risk-adjusted returns for its clients by identifying high-quality, sustainably growing companies through in-depth fundamental analysis. Companies that operate with disregard for their environment, for the societies in which they pursue their business, or for the principles of governance by which they should be supervised on behalf of shareholders put at risk their long-term cash flows and share price. Therefore, consideration of environmental, social, and corporate governance (ESG) issues is intrinsic to Harding Loevner's investment process. Harding Loevner's investment selection approach, by its design, eschews companies engaging in unsustainable business practices or pursuing short-term profits at the expense of long- term growth and stability. Harding Loevner believes only companies that can create substantial long-term value are capable of producing meaningful "shared value" for the benefit of larger society as well as for shareholders and other direct stakeholder[6].

[5] We acknowledge our debt to AQR and the PRI for suggesting this framework for organizing a discussion of the various aspects of investing responsibly. AQR, Clearing the Air: Responsible Investment, (May 2019)

[6] Michael E. Porter, George Serafeim & Mark Kramer, "Where ESG Fails," Institutional Investor, (October 16, 2019)

Governance Screening

At the outset of their work on a company, the responsible analyst completes a 14-point corporate governance checklist to ensure Harding Loevner eliminates companies with demonstrably poor governance from further consideration.

ESG Integration

Harding Loevner includes in its equity security evaluation an explicit consideration of ESG risk factors. Competitive advantage, sustainable growth, financial strength, and quality management are the criteria by which Harding Loevner judges whether a company can sustain high returns on capital. ESG factors are among those that may pose risks to a company's ability to continue to meet one or more of these criteria. Such risks are therefore considered at each stage of its investment process.

For each company under Harding Loevner's coverage, the responsible analyst evaluates 38 distinct ESG risk factors, assigning a score to each to reflect the analyst's level of concern regarding its potential impact on the company's ability to grow profitably and sustainably. The Scorecard provides a consistent framework for comparing companies' potential ESG risks across all industries and geographies. The potential ESG risk factors addressed in the Scorecard include, for example, water consumption, waste generation and disposal, CO2 emissions, labour relations, treatment of stakeholders, and independence of Board of Directors. ESG risks of concern will affect the analyst's long-term forecasts of a company's growth, margins, capital intensity, and competitive position. In addition, a company's overall ESG Score is an input into Harding Loevner's valuation model that influences the projected duration of future cash flow growth.

Portfolio managers consider ESG factors among other factors affecting risk and expected returns when constructing portfolios from qualified investments.

Harding Loevner Responsible Ownership

Management Engagement

Harding Loevner is an active owner and has clear engagement policies in place with the aim of protecting and furthering the financial interests of its clients, the asset owners. Harding Loevner's analysts engage regularly with company managements in the course of their fundamental research and monitoring of qualified companies. An analyst will formally engage with management to express concern or disagreement with a proposed or decided course of action, including on issues related to shareholder welfare or other ESG concerns. This engagement often arises in the context of proxy voting: whenever Harding Loevner casts a vote against management's recommendation, the responsible analyst is required to write to management to highlight and explain the basis for Harding Loevner's dissent.

If Harding Loevner believes that weak corporate governance, or other ESG issues, at a company results in unacceptably high investment risk, Harding Loevner's usual course of action is disinvestment.

While Harding Loevner generally prefers to engage with companies independent of other investment firms, Harding Loevner will consider coordinating with other institutional investors if Harding Loevner thinks doing so would produce better financial results for Harding Loevner's clients and could be undertaken in compliance with regulations concerning collective action.

Voting

Wherever clients have delegated authority to us, Harding Loevner votes all proxies with its clients' best interest in mind. As active owners, Harding Loevner seek to use its voting power to promote high standards of corporate governance, including provision of adequate disclosure of company policies, activities, and returns, as well as fair and equitable treatment of shareholders.

We aim to vote in favour of management proposals that Harding Loevner believes will benefit shareholders. Harding Loevner supports company boards in aligning management with shareholder returns through remuneration policies. In addition, Harding Loevner supports board independence, including in the composition of individual committees as well as the board overall. Harding Loevner demands that firms maintain adequate disclosures, provide clear information in financial reporting, and offer regular access to shareholders. If a company proposes a policy that Harding Loevner believes will damage long- term shareholder value, Harding Loevner will vote against it.

The analyst responsible for a company determines how to vote on proposals in accordance with the general principles that Harding Loevner has laid out. To support analysts' independent consideration of proposals, Harding Loevner obtains research and recommendations from corporate governance consultant Glass Lewis. Complex or controversial issues are subjected to internal debate by Harding Loevner's investment team, with the ultimate decision remaining with the responsible analyst, who knows the company best. Harding Loevner records all votes—along with the rationale for its deviations from the recommendations of management—and disclose Harding Loevner's votes to the respective asset owners upon request. All votes against recommendations of management are a basis for required engagement with management.

DIRECTORS' REPORT

The Directors present their report on Pengana International Equities Limited ("the Company"), for the financial year ended 30 June 2021.

Directors

The names of Directors in office at any time during or since the end of the year are:

Francis Gooch	Independent Non-Executive Director and Chairman
Russel Pillemer	Managing Director
David Groves	Non-Executive Director
Sandi Orleow	Independent Non-Executive Director

Directors have been in office since the start of the financial year to the date of this report, unless stated otherwise.

Information on Directors

During the year, the following persons held office as Director:

Francis (Frank) Gooch - B.Bus, CPA

Independent, Chairman (appointed 6 December 2017), Non-executive Director (appointed 5 June 2017)

Mr Gooch was appointed as a non-executive Director of the Company by the Board on 5 June 2017 and was elected by shareholders at the Company's 2017 Annual General Meeting. On 6 December 2017 he was appointed Chairman of Directors. He is also a member of the Company's Audit, Risk and Compliance Committee.

Mr Gooch has over 24 years' experience in the LIC industry after having been an executive of Milton Corporation Limited since 1996. He became Chief Executive in 1999 and was made the Managing Director in 2004. Mr Gooch retired from Milton on 31 July 2018.

Mr Gooch has also served as chairman of the LIC industry body, Australian Listed Investment Companies Association.

Prior to joining Milton Corporation Limited Mr Gooch was an executive at Macquarie Bank Limited for 11 years.

Russel Pillemer - B.Com, CA

Non-independent, Managing Director (appointed Non-Executive Director 5 June 2017, Managing Director 21 February 2019)

Mr Pillemer is the Managing Director of the Company. Mr Pillemer is also a Director and Chief Executive Officer of Pengana Capital Group Limited ("Pengana").

Mr Pillemer co-founded Pengana in 2003 and has been its Chief Executive Officer since inception. Prior to founding Pengana, Mr Pillemer worked in the Investment Banking Division of Goldman Sachs in New York where he specialised in providing advice to funds management businesses. Before moving to New York, he was responsible for leading Goldman Sachs' Australian Financial Institutions Group. Mr Pillemer was previously Chairman of Centric Wealth Group and a Principal of Turnbull Pillemer Capital.

He is a Chartered Accountants in Australia and New Zealand member and has a Bachelor of Commerce (Hons) from the University of New South Wales.

Directors Report (continued)

Information on Directors (continued)

David Groves - BCom., MCom., CA, FAICD

Non-independent, Non-executive Director (appointed 13 January 2017)

Mr Groves is a Non-executive Director of the Company. He is also a member of the Company's Audit, Risk and Compliance Committee.

Mr Groves has over 25 years' experience as a company director. He is Chairman of Tasman Sea Salt Pty Ltd and is a Non-executive Director of Pengana Capital Group Limited, Redcape Hotel Group Management Ltd as responsible entity of the Redcape Hotel Group and of Pipers Brook Vineyard Pty Ltd. He is a former Director of Pyrolyx AG (ASX:PLX), EQT Holdings Ltd, Tassal Group Ltd and GrainCorp Ltd and a former executive with Macquarie Bank Limited and its antecedent, Hill Samuel Australia. Mr Groves is a member of the Council of Wollongong University. He is a Chartered Accountants Australia and New Zealand member and a fellow of the Australian Institute of Company Directors.

Sandi Orleow - CFA, GAICD

Independent, Non-executive Director (appointed 1 September 2019)

Ms Orleow is a Non-executive Director of the Company. She is also Chairman of the Company's Audit, Risk and Compliance Committee and of the Independent Board Committee.

Ms Orleow brings to the PIA Board over two decades of experience in financial services across superannuation, funds management, consulting and research. Having started her career at Arthur Andersen as a Chartered Accountant, she became the Head of Consulting at Brockhouse Cooper in South Africa and then a Senior Investment Consultant and Head of Private Markets at Towers Watson Australia. She established her own consulting business in 2011.

Ms Orleow is also a Trustee Director of Active Super, is a member of the Investment Advisory Board of ACT Treasury and is a Director of the CFA Sydney Society.

Ms Orleow is a CFA Charterholder, a graduate of the Australian Institute of Company Directors and a Banking + Finance Oath Signatory.

Company Secretary

Paula Ferrao - B. Bus

Company Secretary (appointed 2 June 2017)

Ms Ferrao is the Company Secretary of the Company.

Ms Ferrao is also an Executive of Pengana Capital Group Limited. Ms Ferrao was previously interim Chief Executive Officer of Hunter Hall International Limited from January 2017 until its merger with Pengana Holdings Pty Ltd on 1 June 2017. Prior to that she was Chief Financial Officer of Hunter Hall International Limited since 2010.

Ms Ferrao has 21 years' experience in the funds management industry with strong expertise in financial reporting and tax for corporate entities, listed investment companies, managed investment schemes and public offer superannuation funds and in all aspects of fund operations.

Directors Report (continued)

Operating and Financial Review

Company Overview and Principal Activities

Pengana International Equities Limited is an Australian Listed Investment Company whose principal operating activity is investing its Australian capital into ethically screened businesses that are listed on global exchanges.

The Company is listed on the Australian Securities Exchange under the code PIA.

Pengana Investment Management Limited, a subsidiary of Pengana Capital Group, is the investment manager of PIA and it provides investment management, financial management and marketing support. On 10 May 2021, the Board of Pengana International Equities Limited (ASX: PIA or "the Company:) announced that the Investment Manager, had appointed New Jersey based Harding Loevner LP ("Harding Loevner") as the new investment team for PIA.

Operating results

Total investment income for the year of $90.5 million, was 121% higher than that of the prior year. The improved operating performance was due to strong portfolio performance, which led to an increase in the change in the net fair value of investments of $48.5 million over the prior year.

The portfolio delivered a return, net of fees and expenses, of 27.6% for the year ended 30 June 2021 versus the MSCI World Accumulation Net Return Index in Australian Dollars of 27.5%. 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.

Net profit after tax for the year was $60.0 million, which equated to 23.57 cents per share.

No shares were acquired under the buyback during the year ended 30 June 2021.

Financial Position

At 30 June 2021, the Company's equity investments were valued at $372.6 million and it held $6.5 million in cash. Total assets amounted to $380.0 million.

The Company's net tangible assets at 30 June 2021 stood at $361.8 million.

The company has no borrowings.

For further information on operating results and the financial position of the Company please refer to the Chairman's letter.

Dividends

	June 2021 $'000	June 2020 $'000
Final fully franked dividend of 1.35 cents per share, franked at 30.0%, to be paid on 22 September 2021. (2020: Final fully franked dividend, franked at 30.0%, of 2.5 cents per share.)	**3,444**	6,352
Interim fully franked dividends, franked at 30.0%, of 1.25 cents per share paid on 22 January, 29 April and 15 June 2021 (2020: Interim fully franked dividend, franked at 27.5%, of 2.5 cents per share.)	**9,551**	6,345
	12,995	12,697

Directors Report (continued)

Dividends (continued)

Dividend policy

The Board is committed to paying stable fully franked dividends to its shareholders, provided the Company has sufficient profit reserves and franking credits. During the year the Company moved to a quarterly dividend schedule and re-confirmed that its investment mandate supports its aim of delivering fully franked dividends.

Coronavirus impact (COVID-19)

COVID-19, which is a respiratory illness caused by a new virus, was declared a worldwide pandemic by the World Health Organisation in March 2020. COVID-19 and measures to slow the spread of the virus have since had a significant impact on global economies and equity and financial markets.

The processes to determine the impact of COVID-19 for these financial statements is consistent with the processes disclosed and applied in its 30 June 2020 and 31 December 2020 financial statements. Such processes have identified that no asset impairments have been required as the Fund's equity investments are classified as level 1 in the fair value hierarchy (as defined in Note 16 to the financial statements) and marked-to-market with reference to quoted prices on stock exchanges. In addition, expected credit losses have remained unchanged on the Fund's receivables, which comprise interest on cash balances and dividends, as they have since been collected or the counterparties have been assessed to have strong credit ratings.

Strategy and future outlook

The Company aims to meet its investment objective of generating long-term consistent returns whilst reducing volatility and the risk of losing capital, and to pay a stable stream of fully franked dividends to our shareholders.

On 10 May 2021 the Investment Manager appointed Harding Loevner as the new investment team. The portfolio was transitioned to reflect Harding Loevner's Global equity strategy, subject to the Company's ethical screen.

The Board is continuously seeking to improve communication with shareholders, deploy value creating capital management strategies and being disciplined in managing the Company's expenses.

The Company's portfolio is predominantly invested in equities and given the volatility in investment markets it is extremely difficult to forecast profit for the coming year.

Whilst the portfolio is currently unhedged the Company may use forward foreign exchange contracts for risk management purposes.

Significant changes in the state of affairs

On 29 October 2020, the Board of Pengana International Equities resolved a move to a quarterly dividend schedule.

On 10 May 2021, the Board of Pengana International Equities Limited (ASX: PIA or "the Company:) announced that the Investment Manager had appointed New Jersey based Harding Loevner LP ("Harding

Directors Report (continued)

Loevner") as the new investment team for PIA. The portfolio was transitioned to reflect Harding Loevner's Global equity strategy, subject to the Company's ethical screen.

There were no other significant changes in the state of affairs during the reporting period.

Events subsequent to balance sheet date

On 26 July 2021 the Board declared a final fully franked dividend of 1.35 cents per share franked at 30%, in line with the Company's stated dividend policy. This brings the total fully franked dividend for the year ended 30 June 2021 to 5.1 cents per share.

The yield of the full year dividend of 5.1 cents per share is 3.5%, based on $1.45, the closing share price at 20 August 2021. Both the interim and final dividends are fully franked. Taking into account the benefit of the franking credits the full year dividend yield increases to 5.0%.

The NTA after provision for tax on unrealised gains of the Company at 13 August 2021 was $1.46, an increase of $0.04 or 2.8% from the $1.42 recorded at 30 June 2021.

Other than the above, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future years.

REMUNERATION REPORT (AUDITED)

The Board presents the Remuneration Report for the Company for the year ended 30 June 2021, which forms part of the Directors' Report and has been prepared in accordance with the Corporations Act 2001 and the Corporations Regulations 2001.

1. Remuneration Governance

The Company has no employees and so remuneration is limited to Directors' fees.

The Board is responsible for ensuring that the level of fees paid to the Directors is reasonable.

2. Details of key management personnel

Key Management Personnel (KMP) for the year ended 30 June 2021 are those persons who are identified as having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Non-executive Director (NED) of the Company.

Names and positions held by Directors and Officers of the Company in office at any time during the financial year are:

Name	Title	Appointment and resignation date
Frank Gooch	Independent Non-Executive Director and Chairman	Appointed Independent Non-Executive Director 5 June 2017 and Chairman 6 December 2017
Russel Pillemer	Managing Director	Appointed Non-Executive Director 5 June 2017, Managing Director 21 February 2019
David Groves	Non-Executive Director	Appointed 13 January 2017
Sandi Orleow	Independent Non-Executive Director	Appointed 1 September 2019

Directors Report (continued)

Remuneration Report (Audited) (continued)

2. Details of key management personnel (continued)

The Company has no employees. All operational and administrative duties are performed by Pengana Capital Group Limited (PCG), the parent company of the Investment Manager. No employees of PCG are remunerated by the Company. All KMP held their positions for the whole of the year ended 30 June 2021.

3. Remuneration

a. Remuneration Policy

Directors are remunerated by way of fees and superannuation contributions.

Each year the fees are determined by the Board of Directors who take into account the responsibilities, qualifications and experience of the directors as well as the demands made on directors and the remuneration of non-executive directors of comparable Australian companies.

Fees (including superannuation contributions):

	30 June 2021 $	30 June 2020 $	Change %
Chairman	65,700	65,700	Nil
Non-Executive Directors	43,800	43,800	Nil

b. Aggregate Fees Limit

The Aggregate Fee Limit available to directors of $250,000 was approved by shareholders in 2013.

c. Equity-based Remuneration

Non-executive directors are remunerated by way of cash benefits. The Company currently has no intention to remunerate non-executive directors by any way other than cash benefits.

d. Directors Remuneration

The following table outlines the remuneration provided to NEDs for the years ended 30 June 2021 and 30 June 2020.

30 June 2021	Short-term benefits	Post-employment benefits	Total remuneration
Non-executive Directors	Directors' fees $	Superannuation $	Total $
Frank Gooch	60,000	5,700	**65,700**
David Groves	40,000	3,800	**43,800**
Sandi Orleow	40,000	3,800	**43,800**
	140,000	**13,300**	**153,300**

Directors Report (continued)

Remuneration Report (Audited) (continued)

d. Directors Remuneration (continued)

Russel Pillemer, who is also a Director and Chief Executive Officer of Pengana Capital Group Limited (ASX: PCG), the parent company of PIA's Investment Manager, is not remunerated by PIA.

30 June 2020	Short-term benefits	Post-employment benefits	Total remuneration
Non-executive Directors	Directors' fees $	Superannuation $	Total $
Frank Gooch	60,000	5,700	65,700
David Groves	40,000	3,800	43,800
Sandi Orleow	33,333	3,167	36,500
Julian Constable*	13,333	1,267	14,600
	146,666	**13,934**	**160,600**

* Julian Constable resigned on 31 October 2019

e. Service Agreements

Remuneration and other terms of employment for Directors are formalised in service agreements with the Company.

Frank Gooch, Chairman, Independent Non-executive Director and member of the Audit, Risk and Compliance Committee and of the Independent Board Committee

- Commenced on 5 June 2017
- No term of agreement has been set unless the Director is not re-elected by shareholders of the Company
- Annual fees, inclusive of superannuation, for the year ended 30 June 2021 of $65,700.

Russel Pillemer, Managing Director

- Commenced on 5 June 2017 (Appointed Managing Director 21 February 2019)
- Mr Pillemer is not remunerated by the Company, and being the Managing Director is not required to stand for re-election.

David Groves, Non-independent Non-executive Director and member of the Audit, Risk and Compliance Committee

- Commenced on 13 January 2017
- No term of agreement has been set unless the Director is not re-elected by shareholders of the Company
- Annual fees, inclusive of superannuation, for the year ended 30 June 2021 of $43,800.

Sandi Orleow, Independent Non-Executive Director

- Commenced on 1 September 2019
- No term of agreement has been set unless the Director is not re-elected by shareholders of the Company
- Annual fees, inclusive of superannuation, for the year ended 30 June 2021 of $43,800.

END OF AUDITED REMUNERATION REPORT

DIRECTORS REPORT (CONTINUED)

Meeting of Directors

During the financial year, meetings of Directors (including committees) were held. Attendances were:

	Full Board		Audit, Risk and Compliance Committee		Board-Sub Committee	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Frank Gooch	21	21	4	4	2	2
Russel Pillemer	21	21	-	-	2	2
David Groves	21	20	4	4	-	-
Sandi Orleow	21	21	4	4	-	-

Directors Share Holdings

Please see below details of Directors share holdings as at 30 June 2021.

	Held at 1 July 2020	Purchases	Sales	Other	Held at 30 June 2021
Frank Gooch	55,000	15,000	-	-	**70,000**
Russel Pillemer	-	23,809	-	-	**23,809**
David Groves	52,446	-	-	-	**52,446**
Sandi Orleow	-	10,000	-	-	**10,000**

Environmental Issues

The Company's operations are not subject to any environmental regulation under the law of the Commonwealth and State or Territory.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Rounding of amounts

The Company is of a kind referred to in the Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, relating to the 'rounding off' of amounts in the Directors' report. Amounts in the Directors' report have been rounded off in accordance with that instrument to the nearest thousand dollars, or in certain areas, to the nearest dollar (unless stated otherwise).

Directors Report (continued)

Insurance of Directors and Officers

The Company insures each of the Directors and Officers in office against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Directors and Officers of the Company, other than conduct involving a wilful breach of duty in relation to the Company. Details of the amount of premium paid in respect of insurance policies are not disclosed as such disclosure is prohibited under the terms of the contract.

Indemnification of Auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

Auditor

Ernst & Young was appointed as the auditor on 16 November 2016 in accordance with section 327 of the Corporations Act 2001.

Non-Audit Services

Ernst & Young received or are due to receive $7,000 for the provision of non-audit services.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under s307C of the Corporations Act 2001 is set out on the following page and forms part of this report.

Signed in accordance with a resolution of the Board of Directors.

F Gooch

Frank Gooch

Chairman
Sydney
23 August 2021

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Sydney NSW 2000 Australia
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Auditor's Independence Declaration to the Directors of Pengana International Equities Limited

As lead auditor for the audit of Pengana International Equities Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Ernst & Young

Ernst & Young

Graeme McKenzie
Partner
23 August 2021

	Note	30 June 2021 $'000	30 June 2020 $'000
Investment Income			
Interest received		**17**	155
Dividend received		**4,021**	3,014
Change in fair value of investments	2	**86,115**	37,570
Foreign exchange gain on foreign currency denominated cash		**3**	1
Other operating income		**364**	181
Total investment income		**90,520**	40,921
Management fees	3	**(4,297)**	(4,007)
Performance fees	3	**-**	(635)
		(4,297)	(4,642)
Expenses			
Directors' fees		**(153)**	(161)
Audit and assurance fees	3	**(70)**	(70)
Brokerage expenses		**(713)**	(958)
Share registry fees		**(109)**	(129)
ASX listing fees		**(92)**	(81)
Legal and professional expenses		**(7)**	-
Custody and administration fees		**(156)**	(141)
Other expenses		**(242)**	(218)
		(1,542)	(1,758)
Total expenses		**(5,839)**	(6,400)
Profit before income tax		**84,681**	34,521
Income tax expense	4	**(24,693)**	(10,389)
Net profit after income tax		**59,988**	24,132
Other comprehensive income for the year, net of tax		**-**	-
Total comprehensive income for the year		**59,988**	24,132
Basic and diluted earnings per share (cents per share)	5	**23.57**	9.50

The statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

	Note	30 June 2021 $'000	30 June 2020 $'000
Assets			
Cash and cash equivalents	6	**6,518**	37,755
Trade and other receivables	7	**823**	155
Financial assets at fair value through profit or loss	8	**372,568**	288,074
Deferred tax assets	4	**63**	86
Total assets		**379,972**	326,070
Liabilities			
Trade and other payables	9	**453**	998
Current tax liabilities		**5,140**	4,100
Deferred tax liabilities	4	**12,581**	4,465
Total liabilities		**18,174**	9,563
Net assets		**361,798**	316,507
Equity			
Issued capital	10	**317,232**	316,026
Profit reserve	12	**158,479**	114,394
Retained losses	11	**(113,913)**	(113,913)
Total equity attributable to shareholders of the company		**361,798**	316,507

The statement of financial position should be read in conjunction with the accompanying notes.

	Note	Issued Capital $'000	Profit Reserve $'000	Retained Earnings/ (losses) $'000	Total $'000
Balance at 1 July 2019		315,997	105,485	(113,913)	307,569
Profit for the year		-	-	24,132	24,132
Transfer to profit reserve		-	24,132	(24,132)	-
Transactions with shareholders in their capacity as owners:					
Dividend reinvestment plan issues	10	1,044	-	-	1,044
Dividends paid	13	-	(15,223)	-	(15,223)
Share buyback		(1,015)	-	-	(1,015)
Balance as at 30 June 2020		316,026	114,394	(113,913)	316,507
Balance as at 1 July 2020		**316,026**	**114,394**	**(113,913)**	**316,507**
Profit for the year		**-**	**-**	**59,988**	**59,988**
Transfer to profit reserve		**-**	**59,988**	**(59,988)**	**-**
Transactions with shareholders in their capacity as owners:					
Dividend reinvestment plan issues	10	**1,206**	**-**	**-**	**1,206**
Dividends paid	13	**-**	**(15,903)**	**-**	**(15,903)**
Balance at 30 June 2021		**317,232**	**158,479**	**(113,913)**	**361,798**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

	Note	30 June 2021 $'000	30 June 2020 $'000
Cash flows from operating activities			
Proceeds from sale of investments		**472,323**	325,074
Payments for purchase of investments		**(471,174)**	(296,596)
Brokerage expenses		**(713)**	(958)
Dividends received		**3,905**	2,940
Interest received		**17**	218
Other income received		**282**	168
Management fees paid		**(4,280)**	(3,949)
Performance fees paid		**(635)**	-
Income tax paid		**(15,512)**	(7,188)
Payment to suppliers		**(756)**	(850)
Net cash (outflow) /inflow from operating activities	14	**(16,543)**	18,859
Cash flows from financing activities			
Dividends paid	13	**(14,697)**	(14,179)
Share buyback		**-**	(1,015)
Net cash outflow from financing activities		**(14,697)**	(15,194)
Net (decrease)/increase in cash and cash equivalents		**(31,240)**	3,665
Cash and cash equivalents at the beginning of the year		**37,755**	34,089
Foreign exchange gain on foreign currency denominated cash		**3**	1
Cash and cash equivalents at the end of the year	6	**6,518**	37,755

The above statement of cash flows should be read in conjunction with the accompanying notes.

CONTENTS OF THE NOTES TO THE FINANCIAL STATEMENTS

1 Corporate information and summary of significant accounting policies

The financial statements of Pengana International Equities Limited ("the Company"), for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of the Directors on 23 August 2021. The Directors have the power to amend the financial statements after issue.

Pengana International Equities Limited is a for-profit company limited by shares incorporated and domiciled in Australia. The Company's principal place of business is Level 1, 2 and 3 60 Martin Place, Sydney, NSW 2000 Australia. On 10 May 2021, the Board of Pengana International Equities Limited (ASX: PIA or "the Company:) announced that the Investment Manager has appointed New Jersey-based Harding Loevner LP ("Harding Loevner") as the new investment team for PIA.

Further information on the nature of the operations and principal activities of the Company is provided in the Directors' report.

Basis of preparation

The financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards (AASB) and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report has been prepared on a historical cost basis unless stated otherwise and is presented in Australian dollars. Investments in financial assets and liabilities are recorded at fair value through profit and loss.

The statement of financial position is presented on a liquidity basis. Assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

Compliance with International Financial Reporting Standards

The financial report also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Summary of significant accounting policies

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. They have been consistently applied unless otherwise stated.

(a) Revenue and other income

Dividend income is recognised on the date shares are quoted ex-dividend. Interest income is recognised on an accruals basis.

All revenue is stated net of the amount of Goods and Services Tax (GST).

(b) Expenses

All expenses are recognised on an accrual basis. Management and performance fees are set out in Note 3.

(c) Cash and cash equivalents

Cash and cash equivalents include cash on hand and call deposits with banks or financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, with original maturities of three months or less.

(d) Financial assets and liabilities

Recognition and measurement

Financial assets and liabilities are recognised when the Company becomes a party to the binding contractual provisions to the instrument. For financial assets this is equivalent to the date that the Company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

1 Corporate information and summary of significant accounting policies (continued)

d. Financial assets and liabilities (continued)

Financial assets and liabilities are recognised on initial recognition at fair value. Financial instruments are classified into the following categories and fair values of financial instruments are determined on the following basis:

(i) *Investments*

Financial assets and liabilities at fair value through profit and loss are measured initially at fair value excluding any transaction costs that are directly attributable to the acquisition of the financial asset or liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the Statement of Profit or Loss and Other Comprehensive Income. After initial recognition, investments are classified as "fair value through profit or loss". Gains and losses on investments are recognised in the Statement of Profit or Loss and Other Comprehensive Income. Gains and losses do not include interest or dividend income.

Last market close price is used for all investments quoted in an active market. Where this price falls outside the bid-ask spread, discretion is used as to whether the most appropriate price is the bid price or last market close price.

De-recognition

Investments are de-recognised when the right to receive cashflows from the investments has expired or the Company has transferred substantially all risks and rewards of ownership.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. Refer to Note 17 to the financial statements for further information.

(ii) *Derivative financial instruments*

Forward foreign exchange hedging contracts

The Company may only use forward foreign exchange hedging contracts to hedge the risks associated with foreign currency fluctuations. The Company has established foreign exchange dealing lines with major banks. Forward foreign exchange hedging contracts are marked to market daily and are disclosed as financial assets or financial liabilities as the valuation requires. The Company does not apply hedge accounting as it manages such hedges as economic hedges.

The fair value of forward foreign exchange hedging contracts is calculated by reference to current forward exchange rates for contracts with the same maturity profiles.

Gains and losses arising from changes in fair value are taken directly to the Statement of Profit or Loss and Other Comprehensive Income.

(iii) *Trade and other receivables*

Trade and other receivables are initially recognised at fair value. They are subsequently stated at amortised cost. At each reporting date, the Company shall measure the loss allowance on trade receivables at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Company shall measure the loss allowance at an amount equal to 12-month expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required. If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. Trade receivables include pending trades which are measured at fair value.

(iv) *Trade and other payables*

Trade and other payables are initially recognised at fair value. They are subsequently stated at amortised cost. Trade payables include pending trades which are measured at fair value.

1 Corporate information and summary of significant accounting policies (continued)

(e) Foreign currency translation

Foreign currency transactions are translated into Australian Dollars (AUD) the reporting and functional currency of the Company, at the functional currency spot rates of exchange at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of foreign assets and liabilities at year end exchange rates are recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Translation differences on monetary assets and liabilities, forward foreign exchange hedging contracts, exchange traded options and investments are reported as part of the change in fair value of investments on the Statement of Profit or Loss and Other Comprehensive Income. All other foreign exchange gains and losses are presented in the Statement of Profit or Loss and Other Comprehensive Income within investment income.

Assets and liabilities denominated in a foreign currency are translated at the functional currency spot rates of exchange at reporting date.

(f) Income Tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax adjusted for changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred tax is provided for using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Upon adoption of AASB interpretation 23 *Uncertainity over Income Tax Treatments*, the Company considered whether it has any uncertain tax positions. The Company determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The interpretation did not have an impact on the financial statements of the Company as there is no uncertainty relating to any tax treatments.

1 Corporate information and summary of significant accounting policies (continued)

(g) Goods and Services Tax

The GST incurred on the costs of various services provided to the Company by third parties such as custodial services and investment management fees has been passed onto the Company.

The Company qualifies for Reduced Input Tax Credits (RITC) at a rate of at least 55%, hence investment management fees, custodial fees and other expenses have been recognised in the statement of comprehensive income net of the amount of GST recoverable from the Australian Taxation Office (ATO). Accounts payable are inclusive of GST. The net amount of GST recoverable from the ATO is included in receivables in the statement of financial position.

Cash flows relating to GST are included in the statement of cash flows on a gross basis.

(h) Profit Reserve

The profit reserve consists of amounts transferred during the year from current period profits and are preserved for future dividend payments.

(i) Critical accounting estimates and judgements

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Company. For the majority of the financial instruments held by the Company, quoted market prices are readily available.

(j) Rounding of amounts

Unless otherwise shown in the financial statements, amounts have been rounded to the nearest thousand dollars and are shown in A$’000. Pengana International Equities Limited is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191.

(k) New and amended standards and interpretations

There are no standards that are not yet effective and that are expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

(l) Comparative figures

Comparative information has been reclassified where required for consistency with current year’s presentation.

2 Changes in fair value of investments

	30 June 2021	30 June 2020
	$'000	$'000
Change in the realised fair value of listed equities	**49,980**	39,911
Change in the unrealised fair value of listed equities	**29,416**	(10,633)
Change in the realised fair value of derivative financial instruments	**9,638**	5,373
Change in the unrealised fair value of derivative financial instruments	**(2,919)**	2,919
Total changes in the fair value of investments	**86,115**	37,570

3 Expenses

a. Management fees

In accordance with the Investment Management Agreement between the Company and Pengana Investment Management Limited (the Investment Manager), the Investment Manager is entitled to a management fee of 1.2% pa based on the gross value of the investment portfolio, payable on a monthly basis.

The amounts paid and payable to the Investment Manager in accordance with the Investment Management Agreement were:

	30 June 2021 $'000	30 June 2020 $'000
Management fees	**4,297**	4,007

b. Performance fees

In accordance with the Investment Management Agreement between the Company and Pengana Investment Management Limited (the Investment Manager), the Investment Manager is entitled to a performance fee of 15% of any outperformance when the investment return of the portfolio outperforms the MSCI World Accumulation Net Return Index in Australian Dollars. The method of calculating the fee is detailed in the Investment Management Agreement.

As at 30 June 2021, performance fees payable was nil (30 June 2020: $634,723).

The amounts paid and payable to the Investment Manager in accordance with the Investment Management Agreement were:

	30 June 2021 $'000	30 June 2020 $'000
Performance fees	**-**	635

c. Auditor's remuneration

During the year the following fees were paid or payable by the Company for services provided by the auditor of the Company, Ernst & Young.

	30 June 2021 $'000	30 June 2020 $'000
Ernst & Young		
Audit and assurance services		
Audit and review of financial statements	**70**	70
Total remuneration for audit and other assurance services	**70**	70
Non-assurance services		
Tax compliance services	**7**	7
Total remuneration for taxation services	**7**	7
Total remuneration of Ernst & Young	**77**	77

4 Income tax expense

	30 June 2021 $'000	30 June 2020 $'000
a. Income tax expense attributable for the year differs from the prima facie amount payable on the operating profit. The difference is reconciled as follows:		
Profit before income tax expense	**84,681**	34,521
Prima facie income tax expense on net profit at 30.0% (June 2020: 30.0%)	**(25,404)**	(10,356)
Effect on deferred tax rate change from 27.5% to 30.0%	-	(566)
Foreign withholding tax	**749**	881
Adjustments to prior period	**(38)**	(348)
	(24,693)	(10,389)
b. The major components of income tax expense are:		
Current income tax benefit/(expense)	**(16,553)**	(12,118)
Deferred income tax benefit/(expense)	**(8,140)**	1,729
	(24,693)	(10,389)
c. Deferred tax liabilities relate to the following:		
Unrealised gain on investments	**(12,519)**	(4,443)
Other temporary differences	**(62)**	(22)
	(12,581)	(4,465)
d. Deferred tax assets relate to the following:		
Costs associated with the issue of shares	**22**	73
Other temporary differences	**41**	13
	63	86

Under the provisions of the tax legislation, a company will qualify for the lower company tax rate of 26% for the financial year 2020/21 if it is a “base rate entity” for the income year. A company is a “base rate entity” for an income year only if:

- No more than 80% of the company’s assessable income for the year is passive income; and
- The aggregated turnover of the company is less than the relevant threshold ($50m for the financial year 2020/21).

The Company's “aggregated turnover” for the financial year 2020/21 amounted to approximately $82.3m.

As the Company’s “aggregated turnover” for the financial year 2020/21 was more than $50m, the Company is not eligible to qualify for the lower company tax rate of 26% for 2020/21. Therefore the Company tax rate for the financial year 2020/21 is 30%, and the Company will be able to frank dividends paid during the 2021/22 financial year at 30%.

Whilst the forecast tax rate and franking rate is 30% for financial year 2021/22 (2020/21:30%), the actual tax rate for financial year 2021/2022 will be determined by the Aggregated Turnover for financial year 2021/22. In the event that this is less than $50m, the tax rate for financial year 2021/22 will be 25%.

5 Earnings per share (EPS)

	30 June 2021 $'000	30 June 2020 $'000
Net profit after income tax used in the calculation of basic and diluted EPS	**59,988**	24,132
	No. of Shares	No. of Shares
Weighted average number of ordinary shares outstanding during the year used in calculation of basic EPS	**254,490,600**	253,948,909
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted EPS	**254,490,600**	253,948,909

The basic and diluted earnings per share have been calculated using the net profit after income tax attributable to the shareholders of the Company as the numerator.

6 Cash and cash equivalents

	30 June 2021 $'000	30 June 2020 $'000
Cash at custodian	6,518	37,755
	6,518	37,755

7 Trade and other receivables

	30 June 2021 $'000	30 June 2020 $'000
Dividends receivable	190	74
Outstanding investment settlements receivable	470	-
GST receivable	90	54
Other receivables	73	27
	823	155

There are no past due or impaired receivables at reporting date. All trade receivables are expected to be received within 12 months of the reporting date.

8 Financial assets at fair value through profit or loss

	30 June 2021 $'000	30 June 2020 $'000
Listed shares	372,568	285,155
Forward foreign exchange contracts	-	2,919
	372,568	288,074

9 Trade and other payables

	30 June 2021 $'000	30 June 2020 $'000
Management fees payable	368	351
Performance fees payable	-	635
Other expenses payable	85	12
	453	998

All trade payables are expected to be settled within 12 months of the reporting date.

10 Issued capital

	30 June 2021 No. of shares	30 June 2020 No. of shares
Issued ordinary shares at the beginning of the reporting period	254,086,037	254,045,093
Dividends reinvested (DRP)	991,813	1,009,652
Share buyback	-	(968,708)
Issued ordinary shares at reporting date	255,077,850	254,086,037

	30 June 2021 $'000	30 June 2020 $'000
Issued ordinary shares at the beginning of the reporting period	316,026	315,997
Dividends reinvested (DRP)	1,206	1,044
Share buyback	-	(1,015)
Issued ordinary shares at reporting date	317,232	316,026

10 Issued capital (continued)

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote. A reconciliation of the number of ordinary shares outstanding is shown in the table above.

Capital risk management

The Directors manage the Company's capital by regularly ensuring that the Company employs its capital in the most efficient manner. The Directors believe that shareholder value is maximised through effective management of dividends distributed to shareholders, share buy-backs and issue of capital. These capital management initiatives will be used when deemed appropriate by the Directors. To achieve this, the Directors monitor the weekly and month end net tangible asset results, investment performance, the Company's expenses and share price movements.

During the year ended 30 June 2021, the Company paid dividends of $15,902,757 (30 June 2020: $15,222,837).

The capital structure of the Company consists of equity attributable to equity holders, comprising issued capital, reserves and retained earnings as disclosed in the Statement of Changes of Equity.

The Company is not subject to externally imposed capital requirements.

11 Retained losses

	2021	2020
	$'000	$'000
Balance at the beginning of the year	**(113,913)**	(113,913)
Current year profit	**59,988**	24,132
Transfer to profit reserve	**(59,988)**	(24,132)
Balance at the end of the year	**(113,913)**	(113,913)

12 Profit reserve

	As at 30 June 2021 $'000	As at 30 June 2020 $'000
Balance at the beginning of the year	**114,394**	105,485
Transfer from retained earnings	**59,988**	24,132
Final fully franked dividend, franked at 30%, of 2.5 cents paid 23 October 2020 (2020: 3.5 cents of which 2.35 cents per share is franked at 27.5%)	**(6,352)**	(8,878)
Interim fully franked dividends, franked at 30%, 1.25 cents paid 22 January, 29 April and 15 June 2021 (2020: 2.5 cents fully franked at 27.5%)	**(9,551)**	(6,345)
Balance at the end of the year	**158,479**	114,394

The profit reserve consists of declared profits, available for the payment of future dividends.

13 Dividends

	30 June 2021 $'000	30 June 2020 $'000
a. Dividends paid and payable		
Final fully franked dividend, franked at 30%, of 2.5 cents paid 23 October 2020 (2020: 3.5 cents of which 2.35 cents per share is franked at 27.5%)	**6,352**	6,345
Interim fully franked dividends, franked at 30%, 1.25 cents paid 22 January, 29 April and 15 June 2021 (2020: 2.5 cents fully franked at 27.5%)	**9,551**	8,878
	15,903	15,223
b. Dividend reinvestment plan		
Final fully franked dividend, franked at 30%, of 2.5 cents paid 23 October 2020 (2020: 3.5 cents of which 2.35 cents per share is franked at 27.5%)	**(482)**	(606)
Interim fully franked dividends, franked at 30%, 1.25 cents paid 22 January, 29 April and 15 June 2021 (2020: 2.5 cents fully franked at 27.5%)	**(724)**	(438)
	(1,206)	(1,044)
Net dividends paid in cash	**14,697**	14,179
c. Franking account		
Balance at the beginning of the year	**4,789**	2,269
Franking credits from tax paid	**15,512**	7,188
Payment of interim fully franked dividends	**(4,093)**	(2,407)
Prior year final fully/partially franked dividend	**(2,722)**	(2,261)
Franking account balance at year end	**13,486**	4,789
Declared but not paid final fully franked dividend	**(1,476)**	(2,722)
Franking account balance post payment of final dividend	**12,010**	**2,067**

On 26 July 2021 the Board declared a final fully franked dividend of 1.35 cents per share franked at 30%, in line with the Company's stated dividend policy. This brings the total fully franked dividend for the year ended 30 June 2021 to 5.1 cents per share.

As at 30 June 2021, the $12m franking account balance post payment of final dividend is equivalent to 6.76 cents (2020: 1.9 cents) per share fully franked dividend franked at 30%.

The Company's ability to continue to pay franked dividends is dependent upon the receipt of franked dividends from investments and the payment of tax.

Under the provisions of the tax legislation, a company will qualify for the lower company tax rate of 26% for the financial year 2020/21 if it is a "base rate entity" for the income year. A company is a "base rate entity" for an income year only if:

13 Dividends (continued)

- No more than 80% of the company's assessable income for the year is passive income; and
- The aggregated turnover of the company is less than the relevant threshold ($50m for the financial year 2020/21).

The Company's "aggregated turnover" for the financial year 2020/21 amounted to approximately $82.3m.

As the Company's "aggregated turnover" for the financial year 2020/21 was more than $50m, the Company is not eligible to qualify for the lower company tax rate of 26% for 2020/21. Therefore the Company tax rate for the financial year 2020/21 is 30%, and the Company will be able to frank dividends paid during the 2021/22 financial year at 30%.

Whilst the forecast tax rate and franking rate is 30% for financial year 2021/22 (2020/21:30%), the actual tax rate for financial year 2021/2022 will be determined by the Aggregated Turnover for financial year 2021/22. In the event that this is less than $50m, the tax rate for financial year 2021/22 will be 25%.

14 Cash flow information

	30 June 2021 $'000	30 June 2020 $'000
(a) Reconciliation of net cash flow from operating activities to net (loss)/profit after income tax:		
Net profit after income tax	**59,988**	24,132
Change in fair value of investments and foreign cash held	**(86,118)**	(37,571)
Proceeds from sale of investments	**472,323**	325,074
Payments for purchase of investments	**(471,174)**	(296,596)
Change in prepayments	**-**	31
Change in other receivables	**(197)**	(33)
Change in other payables	**(544)**	620
Net change in deferred tax asset and liability)	**8,139**	(1,729)
Change in income tax receivables	**-**	831
Change in income tax payable	**1,040**	4,100
Net cash inflow/(outflow) from operating activities	**(16,543)**	18,859

(b) Non-cash financing activities

Issue of shares under the dividend reinvestment plan (DRP)	**1,206**	1,044
	1,206	1,044

15 Derivative financial instruments

In the normal course of business, the Company may enter into transactions in various derivative financial instruments with certain risks. A derivative is a financial instrument or other contract which is settled at a future date whose value changes in response to a change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index or other variable.

Derivative financial instruments require no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.

Derivative transactions during the year solely comprised of forward foreign exchange contracts. Derivatives may be used to:

- achieve long or short exposures;
- reduce risk; and
- reduce transaction cost.

While derivatives are used for trading purposes, they are not used to gear (leverage) a portfolio. Gearing a portfolio would occur if the level of exposure to the markets exceeds the underlying value of the Company.

15 Derivative financial instruments (continued)

The Company did not hold any derivative instrument as at balance sheet date for the current year.

30 June 2020

	Contract/notional	Fair Values Assets	Fair Values Liabilities
	$'000	$'000	$'000
Forward currency contracts	71,026	2,919	-
	71,026	2,919	-

An overview of the risk exposures relating to derivatives is included in Note 16.

16 Financial risk management

The Company holds the following financial instruments:

	30 June 2021 $'000	30 June 2020 $'000
Financial assets		
Cash and cash equivalents	**6,518**	37,755
Trade and other receivables	**823**	155
Investments at fair value	**372,568**	288,074
	379,909	325,984
Financial liabilities		
Trade and other payables	**453**	998
	453	998

From time to time, forward foreign exchange hedging contracts are used by the Company for risk management purposes. There is no gearing through the use of derivatives.

16 Financial risk management (continued)

Financial risk exposures and management

The main risks the Company is exposed to through its financial instruments are market risk and credit risk.

a. Market risk

(i) Price risk

The Company is exposed to equity securities price risk arising from investments held by the Company and classified on the Statement of Financial Position as fair value through profit or loss of $372.6m (2020: $288.1m).

Sensitivity analysis

At reporting date, if the equity prices had been 10% higher or 15% lower, profit or loss before income tax of the Company would have increased by $37.3m or decreased by $55.9m (2020: increased by $28.8m or decreased by $43.2m).

The analysis assumes that all other variables, in particular interest rates, remain constants. The analysis is performed on the same basis as for 2020.

The Company has no concentrations in individual equity positions exceeding 3.6% (2020:5.8%) or more of the Company's equity portfolio:

Company	Fair value $'000	%	Business description
30 June 2021			
Alphabet Inc	**13,267**	**3.6%**	Information technology
30 June 2020			
United Health group Inc	16,768	5.8%	Healthcare

(ii) Foreign exchange risk

As at 30 June 2021 the portfolio (net assets excluding net tax liabilities) was invested 99.5% in international equities (2020: 88.19%). The portfolio had an exposure to foreign cash and investments of $373m (2020: $276m).

The use of forward foreign exchange hedging contracts resulted in a realised gain of $9.6m during the year to 30 June 2021 (2020: gain of $5.4m) and an unrealised gain of nil (2020: $2.9m). There were no forward exchange hedging contracts held as at 30 June 2021 (2020: $2.9m).

The Company is an investor in foreign currency assets and benefits from any weakening in the Australian Dollar against those currencies to which it is exposed. The accounting policy in regard to foreign exchange hedging contracts is detailed in Note 1.

Sensitivity analysis

At reporting date a 15% strengthening/weakening of the Australian Dollar at 30 June 2021 would have decreased/increased profit or loss before income tax by $55.6m (2020: $42.8m). The analysis assumes that all other variables, in particular interest rates, remain constant. The sensitivity analysis has been performed under the assumption that Australian Dollar strengthened or weakened +/-15% (2020:+/-15%) against the major currencies to which the Company is exposed.

16 Financial risk management (continued)

a. Market risk (continued)

(ii) Foreign exchange risk (continued)

The Company's total net exposure to fluctuations in foreign currency exchange rates at the reporting date was as follows:

30 June 2021	**Cash**	**Investments**	**Trade and other receivables/ payables & Dividend payable**	**Tax asset/ liability**	**Total**
Assets (AUD)	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Australian Dollar	**6,488**	**1,870**	**161**	**63**	**8,582**
Euro	**-**	**15,503**	**-**	**-**	**15,503**
United States Dollar	**29**	**264,453**	**544**	**-**	**265,026**
Danish Krone	**-**	**3,165**	**-**	**-**	**3,165**
Hong Kong Dollar	**2**	**37,150**	**54**	**-**	**37,206**
British Pound	**-**	**5,774**	**-**	**-**	**5,774**
Indonesian rupiah	**-**	**3,582**	**-**	**-**	**3,582**
Polish zloty	**-**	**3,304**	**-**	**-**	**3,304**
Swedish Krona	**-**	**10,143**	**-**	**-**	**10,143**
Swiss Franc	**-**	**7,379**	**-**	**-**	**7,379**
Brazilian real	**(1)**	**3,727**	**47**	**-**	**3,773**
Singapore dollar	**-**	**3,607**	**-**	**-**	**3,607**
Japanese Yen	**-**	**12,911**	**17**	**-**	**12,928**
	6,518	**372,568**	**823**	**63**	**379,972**
Liabilities (AUD)					
Australian Dollar	**-**	**-**	**453**	**17,720**	**18,173**
	-	**-**	**453**	**17,720**	**18,173**

30 June 2020	Cash	Investments	Trade and other receivables/ payables	Tax asset/ liability	Total
Assets (AUD)	$'000	$'000	$'000	$'000	$'000
Australian Dollar	37,756		81	86	108,949
Euro	-	61,037	-	-	61,037
United States Dollar	(1)	133,357	74	-	65,323
Danish Krone	-	14,592	-	-	14,592
Hong Kong Dollar	-	28,271	-	-	28,271
Indian Rupee	-	16,812	-	-	16,812
Norwegian Kroner	-	14,874	-	-	14,874
Swedish Krona	-	6,222	-	-	6,222
Japanese Yen		9,990			9,990
	-	-	-	-	-
	37,755	285,155	155	86	326,070
Liabilities (AUD)					
Australian Dollar	-	-	998	8,565	9,563
Norwegian Kroner	-	-	-	-	-
	-	-	998	8,565	9,563

(iii) Interest rate risk

The main interest rate risk for the Company arises from its cash holdings. The Company's exposure to interest rate risk is immaterial.

	30 June 2021	30 June 2020
	$'000	
Cash and cash equivalents		
Cash balance subject to floating interest rate	6,518	37,755

16 Financial risk management (continued)

b. Credit risk

The Company measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management consider both historical analysis and forward looking information in determining any expected credit loss. At 30 June 2021, trade and other receivables, and cash are held with counterparties with a credit rating of A-1 or higher (2020: A-1). Management consider the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As such, no loss allowance is deemed to be necessary based on 12-month expected credit losses.

The Company's major credit risk arises from assets and cash and cash equivalents held with the custodian, BNP Paribas (credit rating: A-1).

The Company manages credit risk associated with financial assets by only trading with reputable brokers and via established securities exchanges.

c. Liquidity risk

Based on an assumption of trading 10% of the trailing three month daily average volume 100% of the portfolio could be realised in one month (2020: 97.24%).

Maturities of financial liabilities

Financial liabilities held by the Company include management fees payable to the Investment Manager, unsettled trades and other payables. The below table shows the maturities of financial liabilities held by the Company. Forward foreign exchange hedging contracts are also included below where any liability existed at reporting date. Forward foreign exchange hedging contracts are marked to market daily and are disclosed as financial assets or financial liabilities as the valuation requires. Further information on these instruments is in Note 16(a).

30 June 2021	**Less than 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Total**
Financial liabilities	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Other payables	453	-	-	-	453
Total	**453**	**-**	**-**	**-**	**453**

30 June 2020	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Total
Financial liabilities	$'000	$'000	$'000	$'000	$'000
Other payables	998	-	-	-	998
Total	998	-	-	-	998

d. Net fair values

The following table provides an analysis of financial instruments as at reporting date that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which fair value is observable.

• Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.

• Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

• Level 3 fair value measurement are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The transfers between levels only happen at the end of the reporting period.

There has been no transfer between levels from the previous reporting period.

30 June 2021	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets	**$'000**	**$'000**	**$'000**	**$'000**
Listed investments at fair value	372,568	-	-	372,568
Total	**372,568**	**-**	**-**	**372,568**

16 Financial risk management (continued)

d. Net fair values (continued)

30 June 2020 Financial assets	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Listed investments at fair value	285,155	-	-	285,155
Forward foreign exchange hedging contracts	-	2,919	-	2,919
Total	285,155	2,919	-	288,074

The carrying amount of cash, trade and other receivables and trade and other payables approximate their fair values.

17 Offsetting financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Certain derivative financial instruments are subject to enforceable master netting arrangements, such as an International Swaps and Derivatives Association (ISDA) master netting agreements, or similar agreements that cover similar financial instruments. The Company's agreements allow for offsetting following an event of default, but not in the ordinary course of business, and the Company does not intend to settle these transactions on a net basis or settle the assets and liabilities on a simultaneous basis.

The Company did not hold any derivative instrument as at balance sheet date for the current year.

	Gross amounts of financial assets	**Gross amounts set off in the statement of financial position**	**Net amount of financial assets presented in the statement of financial position**	**Amounts subject to master netting arrangements**	**Net amount**
30 June 2020					
Financial Assets					
Forward foreign exchange hedging contracts	2,919	-	2,919	-	2,919

18 Related party transactions

Details of key management personnel

Key Management Personnel (KMP) for the year ended 30 June 2021 are those persons who are identified as having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any Non-executive Director (NED) of the Company.

Names and positions held by Directors and Officers of the Company in office at any time during the financial year are:

Name	Title	Appointment and resignation date
Frank Gooch	Independent Non-Executive Director and Chairman	Appointed Independent Non-Executive Director 5 June 2017 and Chairman 6 December 2017
Russel Pillemer	Managing Director	Appointed Non-Executive Director 5 June 2017, Managing Director 21 February 2019
David Groves	Non-Executive Director	Appointed 13 January 2017
Sandi Orleow	Independent Non-Executive Director	Appointed 1 September 2019

The Company has no employees. All operational and administrative duties are performed by Pengana Capital Group Limited (PCG), the parent company of the Investment Manager. No employees of PCG are remunerated by the Company. All KMP held their positions for the whole of the year ending 30 June 2021.

Related party transactions

Transactions between related parties are on arm's length commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	30 June 2021	30 June 2020
	$	$
a. Pengana Capital Group Limited The Company reimburses Pengana Capital Group Limited for any expenses that are paid on behalf of the Company as appropriate under the Company's constitution.	**(56,533)**	(65,025)
b. Pengana Investment Management Limited (Investment Manager) Management fees paid and payable as governed by the Investment Management Agreement	**(4,297,364)**	(4,007,342)
c. Pengana Investment Management Limited (Investment Manager) In accordance with the Investment Management Agreement, the Investment Manager is entitled to a performance fee equal to 15% of any-out performance when the investment portfolio outperforms the MSCI World Accumulation Net Return Index in Australian Dollars. The method of calculating the fee is detailed in the Investment Management Agreement.	**-**	(634,723)

19 Statement of operations by segment

The Company has identified its operating segments based on the internal reports that are reviewed and used by the Chief Investment Officer of the Investment Manager in assessing and determining the allocation of resources.

The Company operates in one business segment, being investment in securities.

20 Subsequent events

On 26 July 2021 the Board declared a final fully franked dividend of 1.35 cents per share franked at 30%, in line with the Company's stated dividend policy. This brings the total fully franked dividend for the year ended 30 June 2021 to 5.1 cents per share.

The yield of the full year dividend of 5.1 cents per share is 3.5%, based on $1.45, the closing share price at 20 August 2021. Both the interim and final dividends are fully franked. Taking into account the benefit of the franking credits the full year dividend yield increases to 5%.

The NTA after provision for tax on unrealised gains of the Company at 13 August 2021 was $1.46, an increase of $0.04 or 2.8% from the $1.42 recorded at 30 June 2021.

Other than the above, the Directors are not aware of any other matter or circumstance not otherwise dealt with in this financial report that has significantly or may significantly affect the Company's operations, the results of those operations or the Company's state of affairs in future years.

21 Contingent liabilities

There were no contingent liabilities at 30 June 2021 and 30 June 2020 that required disclosure.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of Pengana International Equities Limited, I state that:

In the opinion of the directors of the Company:

a the financial statements and notes of Pengana International Equities Limited for the financial year ended 30 June 2021 are in accordance with the Corporations Act 2001, including:
  - giving a true and fair view of the Company's financial position as at 30 June 2021 and of its performance for the year ended on that date; and
  - complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1; and

c there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors by the Chief Executive Officer and Chief Financial Officer of the Investment Manager in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2021.

On behalf of the Board,

F Gooch

Frank Gooch
Chairman
Sydney
23 August 2021

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

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Independent auditor's report to the members of Pengana International Equities Limited

Opinion

We have audited the financial report of Pengana International Equities Limited (the "Company"), which comprises the statement of financial position as at 30 June 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the Company's financial position as at 30 June 2021 and of its financial performance for the year ended on that date; and

b. Complying with Australian Accounting Standards – Simplified Disclosures and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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1. Investment existence and valuation

Why significant	How our audit addressed the key audit matter
The Company has a significant investment portfolio consisting primarily of listed equities. As at 30 June 2021, the value of these listed equities, was $372,567,914 AUD which equates to 98% of the total assets of the Company. As detailed in the Company's accounting policy described in Note 1d of the financial report, these financial assets are recognised at fair value through profit or loss in accordance with Australian Accounting Standards. Pricing, exchange rates and other market drivers can have a significant impact on the value of these financial assets and the financial report. Accordingly, valuation of the investment portfolio was considered a key audit matter.	We assessed the effectiveness of the controls relating to the recognition and valuation of investments. We obtained and considered the assurance report on the controls of the Company's administrator in relation to Fund Administration Services for the year ended 30 June 2021 and considered the auditor's qualifications and objectivity and results of their procedures. We agreed all investment holdings, including cash accounts, to third party confirmations at 30 June 2021. We assessed the fair value of all investments in the portfolio held at 30 June 2021 to independently sourced market prices. We assessed the adequacy of the disclosures in Note 15 of the financial report in accordance with the requirements of Australian Accounting Standards.

2. Management and Performance Fees

Why significant	How our audit addressed the key audit matter
Management and performance fees paid to the service provider, Pengana Investment Management Limited, are the most significant operating expense for the Company. The Company's accounting policy for management and performance fees is described in Note 3 to the financial report. Performance fees are recognised in the financial report if the performance hurdles for the Company have been met at the end of the relevant measurement period, which is the date that the performance criteria is met and the liability has been crystallised. As at 30 June 2021, management and performance fees totalled $4,297,364 AUD which equates to 73% of total expenses. Of this amount, management fees totalled $4,297,364 and performance fees totalled nil.	We assessed the effectiveness of the controls in relation to the calculation of management and performance fees at the service provider responsible for the calculation. We obtained and considered the assurance report on the controls of the Company's administrator in relation to Fund Administration Services for the year ended 30 June 2021 and considered the auditor's qualifications and objectivity and results of their procedures We recalculated management fees, in accordance with the relevant Services agreement, including agreeing the fee rate to the calculation. We assessed the performance fee calculation, including testing the inputs into the calculation

Why significant	How our audit addressed the key audit matter
The quantum of these expenses and the impact that market volatility can have on the recognition of performance fees resulted in this being a key audit matter. The disclosure of these amounts is included in Note 3 to the financial report.	model and assessed whether the calculation was in line with the relevant Services agreement. We also assessed whether the criteria for accrual of a performance fee liability were met at 30 June 2021. We assessed the adequacy of the disclosures in Note 3 of the financial report in accordance with the requirements of Australian Accounting Standards.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Ernst & Young

Jaddus Manga	Graeme McKenzie
Partner	Partner
Sydney	Sydney
23 August 2021	23 August 2021

ASX INFORMATION

The shareholder information set out below was applicable as at 13 August 2021.

Distribution of shareholders

Analysis of number of equitable security holders by size of holding:

Range	Number of shareholders	Number of ordinary shares	% Ordinary shares
1 - 1,000	426	172,041	0.1%
1,001 - 5,000	1,044	3,506,475	1.4%
5,001 - 10,000	1,173	9,595,452	3.8%
10,001 - 100,000	3,492	111,061,192	43.5%
100,001 Over	356	130,742,690	51.3%
Total	**6,491**	**255,077,850**	**100.0%**

Holders holding less than a marketable parcel

	Minimum parcel size	Shareholders	Ordinary shares
Minimum $ 500.00 parcel at $ 1.4550 per unit	344	200	6,472

Substantial shareholders

	Number of ordinary shares	% of total issued ordinary shares
Washington H. Soul Pattinson and Company Limited	30,734,274	12.05
Wilson Asset Management Group	21,808,619	8.55

20 Largest shareholders

	Number of ordinary shares	% of total issued ordinary shares
CITICORP NOMINEES PTY LIMITED	22,138,894	8.68
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	16,932,474	6.64
WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	7,438,106	2.92
PENGANA CAPITAL LTD	3,454,815	1.35
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,667,110	1.05
PENGANA INVESTMENT MANAGEMENT LIMITED <HUNTER HALL INV MGMT LTD A/C>	2,042,720	0.80
PENGANA INVESTMENT MANAGEMENT LTD	1,412,095	0.55
NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	1,279,495	0.50
MR ANTHONY JOHN SIMMONDS + MRS MAUREEN SIMMONDS <AJ & M SIMMONDS PARTNER A/C>	1,082,853	0.42
NETWEALTH INVESTMENTS LIMITED <SUPER SERVICES A/C>	915,847	0.36
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	895,180	0.35
BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD <DRP A/C>	887,006	0.35
MR ORLANDO BERARDINO DI IULIO + MS CATHARINA MARIA KOOPMAN	750,000	0.29
MRS JEAN THYNE HADGES	643,095	0.25
ROMEOMIKE ENTERPRISES PTY LTD	599,012	0.23
MR FRANCIS MAXWELL HOOPER	579,000	0.23
ABYANEH PTY LTD <RWK SUPER FUND A/C>	550,565	0.22
MR MATTHEW CURZON ALLEN + MRS ELIZABETH JANE ALLEN <ALLEN SUPER FUND A/C>	526,161	0.21
SANCTUARY GATE PTY LTD <SANCTUARYGATE PL SUPER A/C>	525,000	0.21
ASHMORE INVESTMENTS PTY LTD	513,330	0.20
Totals: Top 20 holders of ORDINARY FULLY PAID	**65,832,758**	**25.81**
Total Remaining Holders Balance	**189,245,092**	**74.19**

As at 13 August 2021 there were 6,491 shareholders.

Voting rights

Subject to the Company's constitution:

- At meetings of shareholders, each shareholder is entitled to vote in person, by proxy, by attorney or by representative;
- On a show of hands, each shareholder present in person, by proxy, by attorney or by representative is entitled to one vote;
- On a poll, each shareholder present in person, by proxy, by attorney or by representative is entitled to one vote for every share held by the shareholder.

In the case of joint holdings, only one joint holder may vote.

Voting by proxy

Shareholders may appoint a proxy or attorney to represent them at a shareholder meeting. If a proxy is appointed and the shareholder attends

the meeting then that proxy is automatically revoked.

A corporate shareholder may appoint a proxy, an attorney or a corporate representative.

Dividend payments

The Company offers shareholders the following choices of how dividend entitlements can be received:

- Cash – a cheque is mailed to the shareholder's registered address
- Direct Credit Deposit –the dividend is paid directly to the nominated bank account. Direct credits avoid delay in postal delivery and the possibility of lost cheques and are therefore a preferred option.

Transaction in securities

	30 June 2021	30 June 2020
Total number of transactions in securities during the year	494	715
Total brokerage paid or accrued during the year	713,197	958,021

Principal registered address of the company

The principal registered office is Level 1, 2 and 3 60 Martin Place, Sydney, NSW 2000 Australia. Telephone (02) 8524 9900.

Registry

Computershare Investor Services Pty Limited, Level 3, 60 Carrington Street, Sydney NSW 2000. Investor Enquiries (02) 8216 5700.

Stock exchange listing

Quotation has been granted for all the ordinary shares of the Company on all Member Exchanges of the Australian Securities Exchange Limited ("ASX"). The Company shares are traded under the symbol PIA. Details of trading activity are published in most daily newspapers and also obtainable from the ASX website: www.asx.com.au.

Investment management agreement

The Company has appointed Pengana Investment Management Limited (the Investment Manager), under an Investment Management

Agreement dated 29 January 2004, to manage the investment portfolio of the Company. The Investment Manager manages and supervises all investments of the Company, including providing monthly valuations, for the term of the contract.

Term

The Investment Management Agreement is for an initial period of 25 years commencing on the date the Company listed on the ASX (March 2004), unless terminated earlier in accordance with terms of the Investment Management Agreement.

Powers of Manager

For the purpose of carrying out its functions and duties under the Investment Management Agreement, the Manager has the powers of a natural person and absolute and unfettered discretion to manage the investment portfolio and to do all things and execute all documents necessary for the purpose of managing the investment portfolio.

Management Fee

In return for the performance of its duties as Manager of the Company's investment portfolio, the Manager is entitled to a management fee of 1.2% per annum of the gross value of the investment portfolio, payable on a monthly basis.

Performance fee

The Manager is also entitled to a Performance Fee, equal to 15% of any out-performance of the investment portfolio compared to its benchmark the MSCI World Accumulation Net Return Index in Australian Dollars. The fee is aggregated daily and paid annually, subject to the following:

i) if the aggregate Performance Fee for a Financial Year (including any amounts accrued from a previous year) is a positive amount but the Investment Return of the investment portfolio is not greater than zero, then that Performance Fee shall be carried forward (as an accrual) to the following Financial Year,

ii) if the aggregate Performance Fee for a Financial Year (including any positive or negative amount carried forward from the previous year) is a positive amount but the payment of the accrued Performance Fee would cause the adjusted Investment Return of the investment portfolio for the year to be negative, that portion of the Performance Fee that would cause the Investment Return of the investment portfolio to be negative shall be carried forward (as an accrual) to the following Financial Year,

iii) if the aggregate Performance Fee for a Financial Year is a negative amount, no Performance Fees shall be payable to the Manager in respect of that Financial Year, and the negative amount shall be added to the Performance Fee of the succeeding year.

Reimbursement of Expenses

The Company must reimburse to the Manager, in addition to its remuneration and rights of indemnification or reimbursement conferred under any other provision of the Investment Management Agreement or by law, all charges and expenses reasonably and properly incurred by the Manager in respect of the Company.

INVESTMENTS AT MARKET VALUE

As at 30 June 2021

Company Name	Code	Market Value $'000	% of Gross Assets
Communication Services			
Netease Inc	BM93SF4	4,170	1.1%
Tencent Holdings Ltd	BMMV2K8	5,048	1.3%
CD Projekt	7302215	3,304	0.9%
Walt Disney Co	WDCUSD	3,602	0.9%
Facebook Inc	B7TL820	9,931	2.6%
Alphabet inc	BYVY8G0	13,267	3.5%
Pinterest Inc	BJ2Z0H2	3,227	0.9%
		42,549	**11.2%**
Consumer Discretionary			
Trim Com Group Ltd	BNYK8H9	3,418	0.9%
Alibaba group Holding Ltd	BK6YZP5	3,747	1.0%
Nike Inc Class B	2640147	7,810	2.1%
VF Corporation	2928683	3,123	0.8%
Amazon Com Inc	AMAUSD	11,474	3.0%
Esty Inc	BWTN5N1	4,002	1.1%
Ebay Inc	2293819	6,201	1.6%
		39,775	**10.5%**
Consumer Staples			
L'oreal	ORFP	3,945	1.0%
Estee Lauder Companies	ELUSD	4,294	1.1%
Financials		8,239	2.2%
Brasil Bolsa	BG36ZK1	3,727	1.0%
AIA Group Ltd	B4TX8S1A	4,198	1.1%
Bank Central Asia	B01C1P6	3,582	0.9%
DBS Group Holdings	DBBSGD	3,607	1.0%
HDFC Bank Ltd	2781648	4,661	1.2%
SVB Financial Group	2808053	12,088	3.2%
CME Group Inc	2965839	5,303	1.4%
First Republic Bank	B4WHY15	13,082	3.4%
Tradeweb market Inc	BJXMVK2	4,314	1.1%
		54,562	**14.4%**
Health Care			
Roche Holdings AD Genusscheine NPV	ROCCHF	4,729	1.2%
Genmab	4595739	3,165	0.8%
Abcam	B677469	3,842	1.0%
Wuxi Biologics Cayman Inc	BL6B9P1	2	2.1%
Sysmex Corporation	6883807	5,069	1.3%
Chugai Pharmaceutical	CHPJPY	2,911	0.8%
Edwards Lifesciences Corporation	2567116	3,949	1.0%

Company Name	Code	Market Value $'000	% of Gross Assets
Health Care (continued)			
Illumina Inc	2613990	11,575	3.1%
Align Technology Inc	2679204	6,502	1.7%
Unitedhealth Group Inc	2917766	4,130	1.1%
Vertex Pharmaceuticals Inc	2931034	6,921	1.8%
Iqvia Holdings Inc	BDR73G1	3,455	0.9%
Alcon AG	BJXBP41	3,863	1.0%
Intuitive Surgical Inc	ISRUSD	3,811	1.0%
Thermo Fisher Scientific Inc	THEUSD	5,908	1.6%
Danher Corporation	DHRUSD	4,970	1.3%
		82,634	**21.8%**
Industrials			
VAT Group	BYZWMR9	2,650	0.7%
Schneider Electric	SCHEFR	4,066	1.1%
Spirax Sarco	BWFGQN1	1,933	0.5%
Country Garden Holdings Co Ltd	BDQZP48	6,605	1.7%
Misumi Group Inc	6595179	1,633	0.4%
Atlas Copco	BD97BN2	5,548	1.5%
Epiroc	BMD58R8	4,595	1.2%
Ametek Inc	2089212	6,191	1.6%
Deere & CO	2261203	11,952	3.2%
Roper Technologies Inc	2749602	3,253	0.9%
Verisk Analytics Inc	B4P9W92	2,800	0.7%
		51,227	**13.5%**
Information Technology			
Xero Ltd	XRO	1,870	0.5%
Teamviewer AG	BJ7WGS1	3,668	1.0%
Adyen NV	BZ1HM42	3,824	1.0%
Keyence Corporation	6490995	3,297	0.9%
Paypal Holdings Inc	BYW36M8	10,507	2.8%
Adobe Inc	2008154	7,677	2.0%
Apple Inc	2046251	3,854	1.0%
Salesforce	2310525	3,759	1.0%
Nvidia Corporation	2379504	5,878	1.5%
Samsung Electronics Co Ltd	B01D632	3,986	1.1%
Mastercard Inc	B121557	3,201	0.8%
Epam Systems Inc	B44Z3T8	6,024	1.6%
Accenture PLC	B4BNMY3	4,655	1.2%
Workday Inc	B8K6ZD1	3,416	0.9%
Asml Holding NV	B908F01	5,045	1.3%
Trade Desk Inc	BD8FDD1	3,882	1.0%
Microsoft Corporation	MICUSD	7,988	2.1%
Synopsys Inc	SNPUSD	4,812	1.3%
Taiwan Semiconduct Manufacturing Ltd	TSMUSD	4,111	1.1%
		91,452	**24.1%**

Company Name	Code	Market Value $'000	% of Gross Assets
Utilities			
ENN Energy Holdings Ltd	6333937	2,129	0.6%
		2,129	**0.6%**
Total long portfolio		**372,568**	**98.2%**
Foreign exchange contract assets		-	-
Total cash and cash equivalents, income receivables and outstanding settlements		6,835	1.8%
Gross assets		**379,403**	**100.0%**

CORPORATE DIRECTORY

PRINCIPAL AND REGISTERED OFFICE

Pengana International Equities Limited
Level 1, 2 and 3 60 Martin Place,
Sydney, NSW 2000 Australia

Telephone (61 2) 8524 9900
Facsimile (61 2) 8524 9901

Website www.pengana.com/pia
Email clientservice@pengana.com

DIRECTORS

Francis Gooch
Independent Non-Executive Director and Chairman

Sandi Orleow
Independent Non-Executive Director

David Groves
Non-Executive Director

Russel Pillemer
Managing Director

COMPANY SECRETARY

Paula Ferrao

INVESTMENT TEAM

Harding Loevner
400 Crossing Blvd
Fourth Floor Bridgewater Township
New Jersey 08807, United States

AUDITOR

Ernst & Young
200 George Street
Sydney NSW 2000 Australia

SHARE REGISTRY

Computershare Investor Services Pty Limited
Level 4, 60 Carrington St
Sydney NSW 2000 Australia

Telephone (61 2) 8234 5000
Website www.computershare.com/au