Pengana Capital Group Limited PCG.AX

Equity Research Australia | Financial Services

TRIM CAPITAL

12 December 2025

Accelerating FuM growth

We increase our FuM forecasts as net flows performed better-than-expected. However, valuation declines to A$1.75 due to industry multiple compression and recalibration of our forecasts for team profit share.

Key Messages

Net inflows already at ~50% of our FY26 target: The reported FuM of A$3.84bn in October was higher by +5.5% since June (FY25), driven by net inflows in High Conviction Equities, Emerging Companies, and private credit funds. It's been only 4 months since but the net inflow of A$201m is already ~50% of our FY26 target net inflow of A$404m. We expect this momentum to continue, given strong demand/takeup for private credit (A$68.8m entitlement offer by PCX) and flows into small-cap funds (Pengana Emerging Companies), partly driven by the market-wide rotation away from large-cap funds. The higher likelihood that our FY26 FuM target will be achieved earlier than expected led to upgrades in our forecasts.

Considerable time until mandate renewal: The proposed investment of Pengana International Equities (ASX:PIA) into private credit did not push through. Nevertheless, PCG will continue to be the investment manager of PIA until March 2029 (subject to renewal). Potential non-renewal may put downside pressure on PCG's fee revenues and FuM (PIA is 9.6% of PCG's total FuM). However, there is still considerable time (~3.4 years) until then to minimise this risk.

Earnings and Valuation Changes

Higher forecasts but lower valuation multiples: We are increasing our forecasts for FuM, and recalibrating our forecasts for team profit share, leading to a -9% net decline in diluted cash EPS for FY26. Placing this on a 13.8x multiple (peer average) produces a valuation of A$1.75, -22% lower from prior estimate of A$2.25, mainly due to the lower P/E multiple (prior was 16.0x). Still, upside remains high at 166%, along with an attractive 12.1% dividend yield expected over the next 12 months.

Investment Thesis

Growth in FuM and performance fees: Favourable superannuation tailwinds, new product launches and continued strong investment performance are all helping Pengana's FuM growth and recovery in performance fees.

Pivot to private markets will accelerate growth and long-term re-rating: The proportion of FuM in private market strategies is set to increase, which should support FuM growth, fee margin growth and in time, a valuation re-rating.

Catalysts and Risks

Next key catalysts: FuM updates provided monthly should provide an of the effectiveness of Pengana's initiatives, particularly shift to private markets.

Risk to investment thesis: With many of Pengana's funds featuring performance fees, adverse markets or investment performance will impact Pengana's performance fee earnings, and hence its profitability. Refer page 9 for more risks.

PENGANA CAPITAL

Pengana Capital Group is leading Australian provider of premium, value added fund management products focused on the higher-end retail market (advisors and self managed superannuation funds) and high net worth individuals operating for over 20 years with around A$3.4bn of funds under management.

www.pengana.com

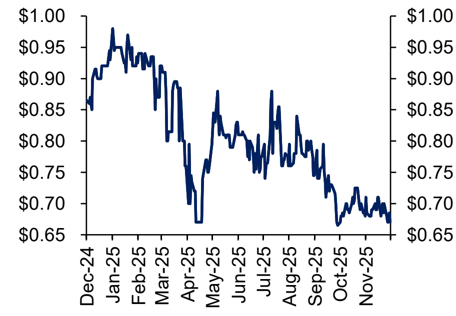
Key Data

Valuation (A$)	1.75
Current Price (A$)	0.66
Market Cap (A$m)	65.2
30 Day Average Turnover (A$)	10,965

Trim Capital forecasts

FY Year End	24A	25A	26E	27E
Adj NPAT (m)	-0.2	7.6	12.5	14.0
EPS adj (c)	2.2	9.5	11.7	14.4
EPS gwth (%)	-56	333	18	23
PE adj (x)	30.6	6.9	5.6	4.6
DPS (c)	3.0	4.0	8.0	11.0
Div yield (%)	4.5	6.1	12.1	16.7
ROE (%)	-0.3	9.7	14.9	16.5
PB (x)	0.75	0.73	0.73	0.72

12- Month Share Price Performance



Source: LSEG

Glen Wellham, Senior Analyst
glen.wellham@trimcapital.com.au

Mark Tomlins, Senior Analyst
mark.tomlins@trimcapital.com.au

Financial Summary

PENGANA CAPITAL GROUP LIMITED — PCG-AX

Year end 30 June, A$

12-MONTH SHARE PRICE PERFORMANCE

MARKET DATA		
Price	A$	$0.66
Valuation	A$	$1.75
52 week low - high	A$	0.67 - 0.96
Market capitalisation	A$m	65.2
Shares on issue (ordinary)	m	98.7
Options / rights (currently antidilutive)	m	0.0
Other equity (treasury shares)	m	-4.8
Shares on issue (basic)	m	94.0

INCOME STATEMENT		FY24A	FY25A	FY26E	FY27E	FY28E
Management fees	A$m	35.9	40.5	47.0	53.7	59.9
Performance fees	A$m	3.1	16.0	15.1	12.8	9.8
Total fee revenue	**A$m**	**39.0**	**56.5**	**62.1**	**66.5**	**69.7**
Net fund direct expenses	A$m	-3.8	-4.9	-5.6	-6.3	-7.0
Operating expenses	A$m	-20.4	-22.1	-23.5	-24.7	-25.9
Team profit share	A$m	-11.7	-18.4	-17.9	-16.8	-16.0
Non-controlling interests	A$m	0.0	0.0	0.0	0.0	0.0
Operating EBITDA	**A$m**	**3.1**	**11.0**	**15.1**	**18.7**	**20.8**
Underlying profit before income tax	A$m	2.4	12.1	15.6	19.1	21.3
Underlying profit after tax	**A$m**	**1.8**	**8.5**	**10.9**	**13.4**	**14.9**
Reported NPAT	A$m	-4.3	2.6	5.3	10.4	14.4
Cash NPAT	A$m	-0.2	7.6	12.5	14.0	14.4
Weighted average ordinary shares	m	110.4	101.6	98.7	98.7	98.7
Weighted average diluted shares	m	83.3	90.6	98.7	98.7	98.7

INVESTMENT FUNDAMENTALS		FY24A	FY25A	FY26E	FY27E	FY28E
EPS - underlying	**cps**	**2.2**	**9.5**	**11.7**	**14.4**	**16.0**
EPS - basic	cps	-5.2	2.9	5.7	11.2	15.5
EPS - diluted reported	cps	-5.2	2.9	5.4	10.5	14.6
EPS - diluted cash	**cps**	**-0.2**	**8.4**	**12.7**	**14.1**	**14.6**
EPS growth	%	-107%	large	51%	11%	3%
PE underlying	x	30.6	6.9	5.6	4.6	4.1
PE cash	x	-279.0	7.9	5.2	4.7	4.5
DPS	cps	3.0	4.0	8.0	11.0	10.0
Franking	%	100%	100%	100%	100%	100%
Dividend yield	%	5%	6%	12%	17%	15%
Payout ratio on cash profit	%	large	49%	59%	73%	65%
Operating cash flow per share	cps	-67.3	14.0	11.6	13.1	14.4
Free cash flow to equity per share	cps	-4.2	16.6	33.7	21.3	17.8
FCF yield	%	-6.4%	25.2%	51.1%	32.2%	27.0%
Enterprise value	$m	56	49	23	5	-7
EV/Total Revenue	x	1.44	0.88	0.37	0.08	-0.10
EV/EBITDA	x	17.96	4.49	1.51	0.28	-0.35
NAV per share	A$	0.88	0.90	0.90	0.92	0.97
Price / NAV	x	0.75	0.73	0.73	0.72	0.68
NTA per share	A$	0.26	0.38	0.37	0.39	0.44
Price / NTA	x	2.51	1.75	1.78	1.68	1.51

BALANCE SHEET		FY24A	FY25A	FY26E	FY27E	FY28E
Cash and cash equivalents	A$m	9.1	20.4	47.4	65.0	77.4
Receivables	A$m	1.4	6.9	8.1	9.1	10.0
Property, plant and equipment	A$m	0.9	0.7	0.7	0.5	0.6
Goodwill and other intangibles	A$m	51.3	49.2	49.2	49.2	49.2
Other assets	A$m	30.2	58.6	63.0	67.0	70.5
Total Assets	**A$m**	92.9	135.9	168.4	190.9	207.8
Trade and other liabilities	A$m	6.7	9.7	43.1	63.4	76.0
Borrowings	A$m	0.0	0.0	0.0	0.0	0.0
Other liabilities	A$m	13.0	41.6	41.7	41.8	41.9
Total Liabilities	**A$m**	19.7	51.3	84.8	105.2	117.9
Net assets	**A$m**	**73.2**	**84.6**	**83.6**	**85.7**	**89.9**
Net tangible assets	**A$m**	**22.0**	**35.4**	**34.4**	**36.4**	**40.6**
Invested capital	**A$m**	**64.1**	**64.2**	**36.3**	**20.7**	**12.5**
Tangible invested capital	**A$m**	**12.9**	**15.0**	**-13.0**	**-28.6**	**-36.8**
Contributed equity	A$m	132.7	117.3	117.3	117.3	117.3
Treasury shares	A$m	-33.6	-7.8	-8.5	-8.5	-8.5
Reserves	A$m	50.2	48.6	48.6	48.6	48.6
Accumulated losses	A$m	-76.1	-73.5	-73.7	-71.7	-67.5
Non-controlling interests	A$m	0.0	0.0	0.0	0.0	0.0
Total equity	**A$m**	**73.2**	**84.6**	**83.6**	**85.7**	**89.9**
Basic shares on issue	m	83.5	94.0	92.9	92.9	92.9

DUPONT ANALYSIS		FY24A	FY25A	FY26E	FY27E	FY28E
Net Profit Margin	%	-11%	5%	9%	16%	21%
Asset Turnover	x	3.36	2.18	1.17	0.83	0.72
Return on Assets	%	-38%	10%	10%	13%	15%
Financial Leverage	x	0.15	0.33	0.63	0.95	1.10
Return on Equity	%	-6%	3%	6%	12%	16%

KEY RATIOS		FY24A	FY25A	FY26E	FY27E	FY28E
FuM	$m	3,345	3,639	4,237	4,773	5,247
Management fees / FuM	%	1.12%	1.16%	1.19%	1.13%	1.20%
Performance fees / FuM	%	0.10%	0.46%	0.38%	0.27%	0.20%
Revenue / FuM	%	1.22%	1.62%	1.58%	1.39%	1.39%
Operating EBITDA margin	%	8%	20%	24%	28%	30%
ROE - reported	%	-6%	3%	6%	12%	16%
ROE - cash	%	0%	10%	15%	16%	16%
Net debt	**A$m**	**-9.1**	**-15.7**	**-42.4**	**-60.0**	**-72.4**
Interest cover	x					
Gearing (net debt / EBITDA)	x	-2.92	-1.42	-2.80	-3.21	-3.47
Leverage (net debt / invested capital)	x	-0.14	-0.24	-1.17	-2.90	-5.80

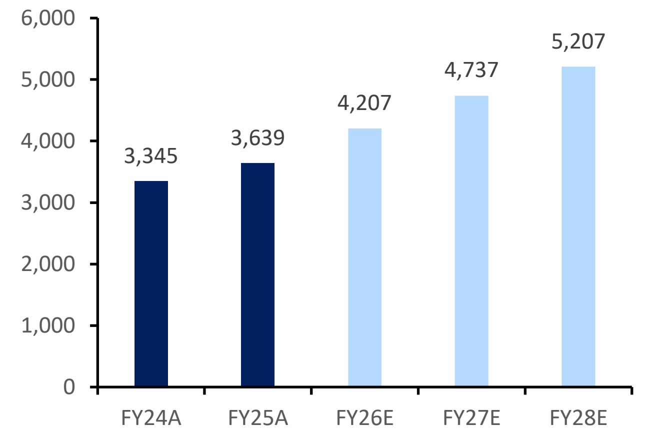
CASH FLOW		FY24A	FY25A	FY26E	FY27E	FY28E
Operating						
Net operating cashflow	**A$m**	**-56.0**	**12.7**	**11.4**	**13.0**	**14.3**
Investment						
Capital expenditure	A$m	-0.3	-0.2	-0.1	-0.1	-0.1
Acquisitions and divestments	A$m	-2.0	1.0	-6.0	-6.0	-6.0
Net investment cashflow	**A$m**	**-2.3**	**-36.0**	**-36.1**	**-36.1**	**-31.1**
Financing						
Equity	A$m	-1.6	-3.8	-6.3	-8.4	-10.2
Debt	A$m	0.0	10.7	21.4	21.4	21.4
Leases	A$m	-0.9	-0.9	-1.0	-1.0	-1.0
Net financing cashflow	**A$m**	**53.3**	**34.6**	**51.7**	**35.7**	**24.2**
Net cash flow	**A$m**	**-5.1**	**11.3**	**27.0**	**12.6**	**7.4**
Free cash flow to equity	A$m	-3.5	15.1	33.3	21.0	17.6

HALF YEARLY DATA		2H24A	1H25A	2H25A	1H26E	2H26E
Management fees	A$m	18.4	20.0	20.5	22.8	24.2
Performance fees	A$m	3.1	12.8	3.2	7.7	7.4
Total fee revenue	**A$m**	**21.6**	**32.8**	**23.7**	**30.5**	**31.6**
Net fund direct expenses	A$m	-2.3	-2.4	-2.5	-2.7	-2.9
Operating expenses	A$m	-12.0	-11.5	-10.6	-12.3	-11.2
Team profit share	A$m	-6.7	-11.7	-6.7	-9.1	-8.8
Non-controlling interests	A$m	0.0	0.0	0.0	0.0	0.0
Operating EBITDA	**A$m**	**0.6**	**7.2**	**3.8**	**6.4**	**8.7**
Underlying profit before income tax	A$m	-1.5	8.2	3.9	6.6	8.9
Underlying profit after tax	**A$m**	**-1.1**	**5.7**	**2.8**	**4.6**	**6.2**
Reported NPAT	A$m	-3.5	3.5	-0.9	1.9	3.5
Cash NPAT	A$m	-1.3	4.8	2.8	5.5	7.1
EPS - diluted cash	**cps**	-1.5	5.5	3.0	5.6	7.2
EPS - diluted reported	cps	-4.2	4.0	-1.0	1.9	3.5
DPS	cps	2.0	2.0	2.0	4.0	4.0

Source: PCG reports, Trim estimates

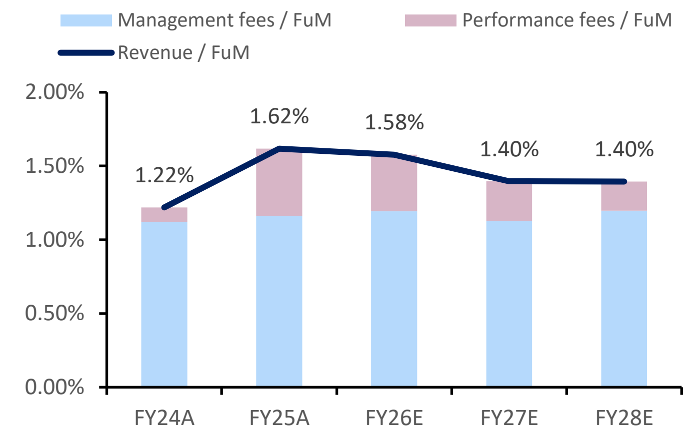
Key Charts

Figure 1: Funds Under Management (A$m)



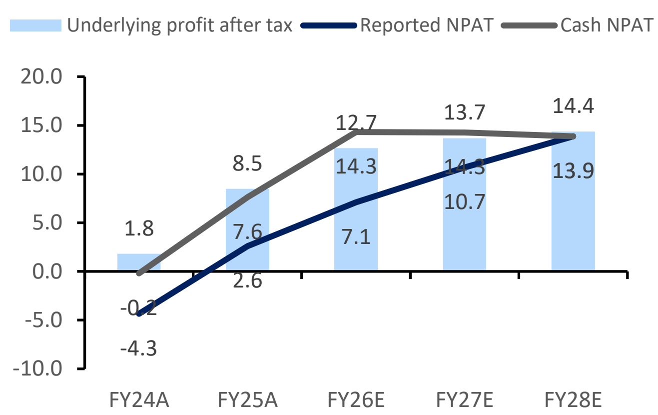
Source: Company reports, Trim Capital estimates

Figure 2: Revenue to FuM (%)



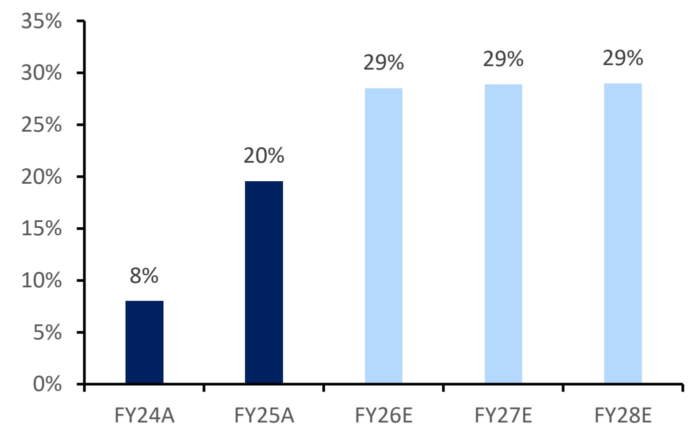
Source: Company reports, Trim Capital estimates

Figure 3: Net Profit After Tax (A$m)



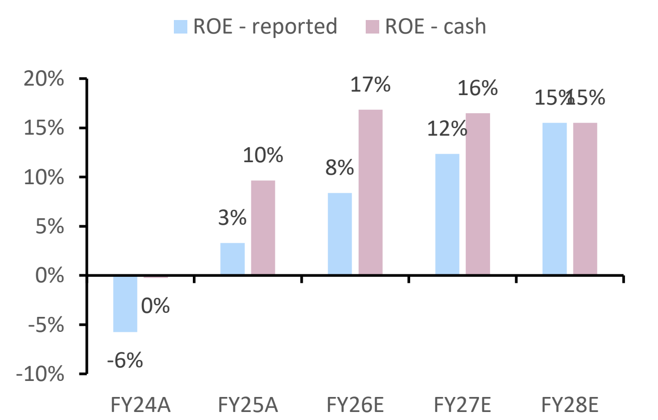
Source: Company reports, Trim Capital estimates

Figure 4: Operating EBITDA margins (%)



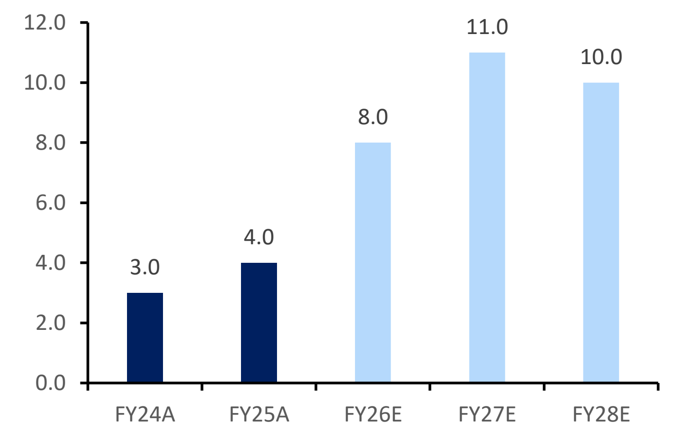
Source: Company reports, Trim Capital estimates

Figure 5: Return on Equity (%)



Source: Company reports, Trim Capital estimates

Figure 6: Dividends (cps)



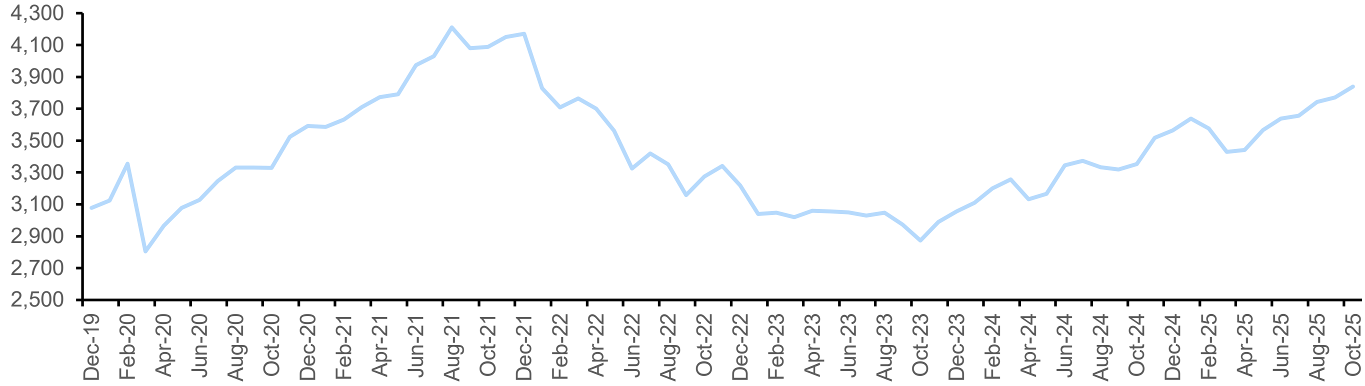
Source: Company reports, Trim Capital estimates

What's changed

Monthly FuM continues its upward trajectory

Pengana's Funds under Management (FuM) increased from A$3.64bn in 4Q25 (30 June 2025) to A$3.84bn in 1Q26 (30 October 2025), equivalent to a 5.5% growth. It's been only a quarter but the net inflow of A$201m is already ~50% of our FY26 target net inflow of A$404m. This was driven by strong flows in High Conviction Equities, Emerging Companies, and private credit funds, which offset the outflows in Australian Equities, and Global Small Caps.

Figure 7: Monthly FuM ($ millions)



Source: Company Reports, Trim Capital estimates

More flows expected over the near-term

We anticipate stronger net inflows for Pengana's funds over the next months, particularly for private credit and small cap funds. Amid market volatility and uncertainty, investor demand for private credit remains strong and is evident in the take-up of recent offerings such as the A$68.8m entitlement offer by Pengana Global Private Credit Trust (ASX:PCX) on early-November 2025, and A$300m private credit note by MA Financial (ASX:MAF) on mid-November 2025.

On the small cap-side, the Pengana Emerging Companies fund had seen net inflows over the past 3 months (Aug-Oct) and started to provide outperformance in October 2025. We expect sustained flows into the fund as investors continue to rotate away from large caps to reduce their exposure to the ongoing AI/tech sell-off that stemmed from US markets. This is evident in Pengana's Australian Equities fund and FuM performance of large-cap funds in the industry (i.e. GQG partners).

Figure 8: Pengana FuM performance since FY25 (June 2025)

Funds Under Management (FuM, A$m)	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	$ chg	% chg
Pengana Emerging Companies	890	889	957	949	982	92	10.4%
Pengana Australian Equities	494	473	481	465	458	-36	-7.2%
Pengana Private Equity	458	452	454	447	447	-11	-2.3%
Pengana Axiom International Ethical	426	414	407	417	426	0	-0.1%
Pengana International Equities Ltd	363	375	360	363	371	8	2.1%
Pengana Private Credit	520	532	556	580	620	100	19.2%
Pengana WHEB Sustainable Impact	202	201	201	196	194	-8	-3.7%
Pengana Global Small Companies	66	60	58	54	53	-14	-20.5%
Pengana High Conviction Equities	116	135	141	164	175	59	50.9%
Pengana Harding Loevner International	32	30	29	29	29	-3	-9.4%
Pengana Alpha Israel	45	46	45	47	49	4	8.6%
Pengana High Conviction Property	27	25	28	30	36	9	32.9%
Total FuM	**3,639**	**3,633**	**3,716**	**3,742**	**3,840**	**201**	**5.5%**

Source: Company Reports, Trim Capital estimates

Management of PIA to continue until 2029

In August 2025, the Board of Directors of Pengana International Equities (ASX:PIA) had proposed to invest in global private credit for diversification and better earnings/dividends. However, this did not push through as majority of shareholders voted against the proposal in the Annual General Meeting (AGM) held on October 20. It also resulted to a change in board composition (3 out of 4 incumbents were replaced; Francis Gooch remains as Chairman). Despite the shakeup, Pengana Capital (ASX:PCG) will continue to be the investment manager of PIA until March 2029 (subject to renewal). The new board of directors is undertaking a strategic review of the PIA's structure and operations to improve the share price discount to NTA and investment performance.

As of October 2025, PIA's FuM of A$363m was 9.6% of PCG's total FuM. Potential non-renewal of the investment mandate may put some downside pressure on PCG's FuM and fee revenues. However, there is still considerable time (~3.4 years) until then to minimise this risk. We expect that the sustained growth/inflows into PCG's private credit and small cap funds may dampen the impact of this risk.

Forecasts revised upward, net revenue margins to improve

There is a higher likelihood that our FY26 FuM target will be achieved earlier than expected, considering the latest FuM figures (October 2025), the A$68.8m inflow in PCX, and our expectations for greater flows in private credit and small cap funds. Hence, we are upgrading our FuM forecasts for FY26 onwards. This revision resulted to higher base management fees and improvement in net revenue margins. Overall, our revisions led to higher EBITDA and NPAT over the forecast period FY27 and FY28.

Figure 9: Net revenue margin calculations and forecasts

		FY22A	FY23A	FY24A	FY25A	FY26E	FY27E	FY28E
FuM subj to base fees	A$m	3,036.4	3,050.4	3,223.5	3,517.0	4,115.0	4,651.3	5,125.4
Base fees	A$m	41.8	36.0	35.9	40.5	47.0	53.7	60.6
Team profit share	A$m	(16.2)	(9.8)	(7.6)	(8.6)	(8.8)	(9.1)	(9.7)
Net Revenue	**A$m**	**25.6**	**26.2**	**28.3**	**31.9**	**38.2**	**44.6**	**51.0**
Net Revenue margin	%	0.8%	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%
Net Revenue Margin growth	**%**	**3.3%**	**1.9%**	**2.0%**	**3.5%**	**2.1%**	**3.0%**	**3.6%**

Source: Company Reports, Trim Capital estimates

Figure 10: Summary of forecast revisions for FY26 to FY28

		FY26E			FY27E			FY28E		
		Old	**New**	**% chg**	**Old**	**New**	**% chg**	**Old**	**New**	**% chg**
FuM	A$m	**4,043.5**	**4,237.0**	**4.8%**	**4,479.3**	**4,773.3**	**6.6%**	**4,942.0**	**5,247.4**	**6.2%**
Management fees	A$m	46.0	47.0	2.1%	51.3	53.7	4.7%	56.9	59.9	5.2%
Performance fees	A$m	15.1	15.1	0.0%	12.8	12.8	0.0%	12.3	9.8	-20.4%
Total fee revenue	**A$m**	**61.1**	**62.1**	**1.6%**	**64.1**	**66.5**	**3.8%**	**69.3**	**69.7**	**0.7%**
Net fund direct expenses	A$m	-5.4	-5.6	-3.7%	-6.0	-6.3	-6.1%	-6.6	-7.0	-6.3%
Operating expenses	A$m	-23.9	-23.5	1.8%	-25.1	-24.7	1.8%	-26.4	-25.9	1.8%
Team profit share	A$m	-14.8	-17.9	-20.4%	-15.8	-16.8	-6.7%	-17.2	-16.0	7.2%
Non-controlling interests	A$m	0.0	0.0	n.a.	0.0	0.0	n.a.	0.0	0.0	n.a.
Operating EBITDA	**A$m**	**16.9**	**15.1**	**-10.8%**	**17.2**	**18.7**	**8.5%**	**19.1**	**20.8**	**9.3%**
Underlying profit before income tax	A$m	17.4	15.6	-10.5%	17.7	19.1	8.3%	19.5	21.3	9.1%
Underlying profit after tax	**A$m**	**12.2**	**10.9**	**-10.5%**	**12.4**	**13.4**	**8.3%**	**13.7**	**14.9**	**9.1%**
Reported NPAT	A$m	6.6	5.3	-19.3%	9.4	10.4	10.9%	13.2	14.4	9.4%
Cash NPAT	**A$m**	**13.8**	**12.5**	**-9.2%**	**12.9**	**14.0**	**7.9%**	**13.2**	**14.4**	**9.4%**
EPS diluted reported	cps	6.7	5.4	-19.3%	9.5	10.5	10.9%	13.3	14.6	9.4%
EPS diluted cash	**cps**	**14.0**	**12.7**	**-9.2%**	**13.1**	**14.1**	**7.9%**	**13.3**	**14.6**	**9.4%**
DPS	cps	8.0	8.0	0.0%	11.0	11.0	0.0%	10.0	10.0	0.0%

Source: Company Reports, Trim Capital estimates

Valuation

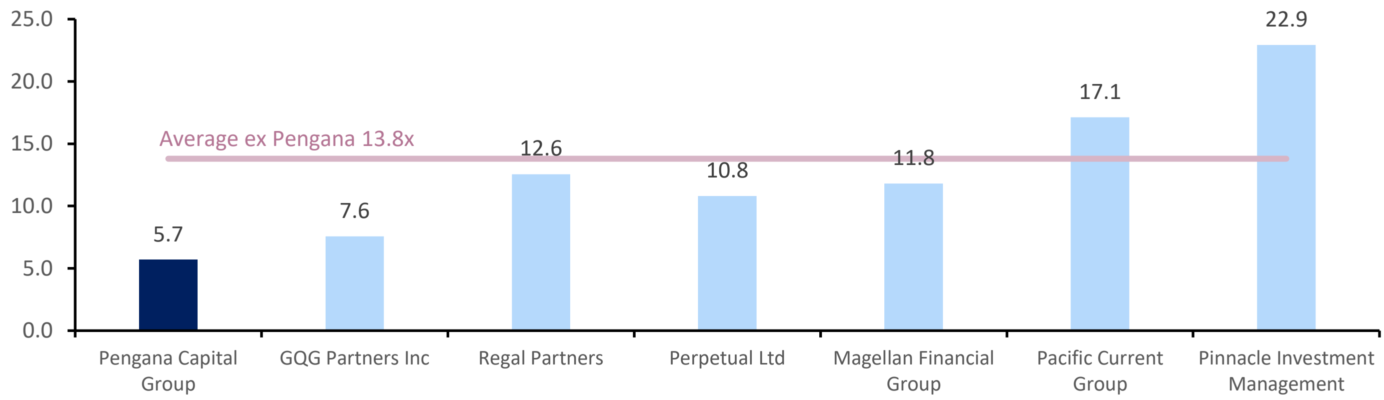
We value Pengana at A$1.75, equivalent to 13.8x of our FY26E eps. This is -22% lower from prior estimate of A$2.25, mainly due to lower P/E multiples being priced in across the industry and peers. At the current share price, we estimate PCG is trading at 0.7x FY26E book, 1.8x FY26E NTA, and a F12M dividend yield of 12.1%.

Peer comparison: valuation multiple analysis

Pengana has several listed Australian asset manager peers, which we present in the charts below for FY26. Despite it also having a range of overseas peers which may be more appropriate benchmarks for it, given its ESG and alternatives offerings (which appear to be placed upon higher multiples), thereby perhaps providing a more appropriate range of multiples upon which to value the group, we think that due to its size and liquidity, Pengana will most likely be compared to its domestic peer set. Note that we removed Platinum Asset Management due to its outlier multiples and impact of merger with L1 Group.

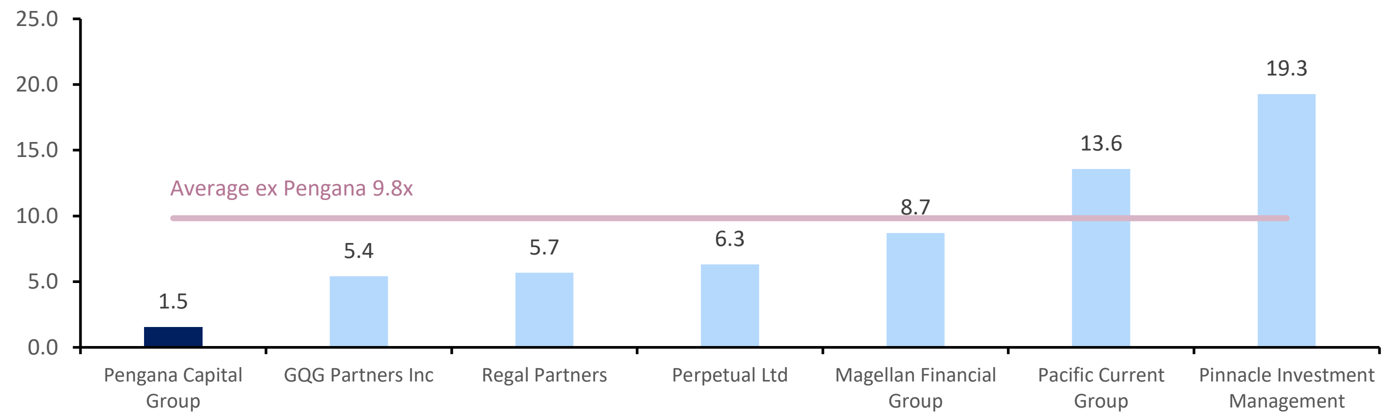
Since our last report on PCG dated 28 August, share prices and valuation multiples of asset managers have considerably declined (including Pengana). This was due to investor expectations for fund outflows and underperformance of active asset managers, which had mostly diversified away from AI and big tech stocks due to worries on high valuations. However, this may soon reverse due to the global market sell-off over recent weeks (driven by tech stocks), which may provide potential outperformance for traditional asset managers like PCG.

Figure 11: Selected comparable companies FY26E P/E multiples



Source: IBES, LSEG, Trim Capital estimates

Figure 12: Selected comparable companies FY26E EV/EBITDA multiples



Source: IBES, LSEG, Trim Capital estimates

Primary valuation: PE multiple

We place Pengana's FY26 diluted cash earnings of A$0.127/share on a multiple of 13.8x (lower from prior 16.0x), the average where its Australian peers (excluding Pengana) trade. This produces a valuation of A$1.75, -22% lower from prior estimate of A$2.25. Despite the reduction, it still a significant upside of 166% from current share price. The benefit from our upward revision to earnings are more-than offset by the discount being placed by investors on asset management stocks.

Alternative approaches: EV/EBITDA and GRIM

To validate our primary valuation method, we used other valuation approaches such as an EV/EBITDA multiple and a General Residual Income Model (GRIM). Placing Pengana on an FY26 EV/EBITDA multiple of 9.8x (lower from prior 12.9x), the average of its peer group, produces a valuation of A$1.58 per share, a -32% decline from prior estimate of A$2.32 per share and provides a 139% upside to current share price.

For our general residual income model, we use a two-stage model, using our explicit EPS and BVPS forecasts over the next five years, followed by a terminal value based upon a 3.0% growth rate. We assume a risk-free rate of 4.0 % and an equity risk premium of 5.0% with a beta of 1x to derive a cost of equity ("COE") of 9%. Our general residual income model includes the return of performance fees for Pengana. We think it is a mistake to value Pengana without some level of performance fees as the earnings from future performance fees are in effect an embedded real option, and hence have a value now, even if several funds are not currently accruing them in the income statement. Our General Residual Income Model produces a valuation of A$2.72 per share, +8% higher from our prior estimate of A$2.51 per share. This valuation estimate presents a 312% upside to current share price.

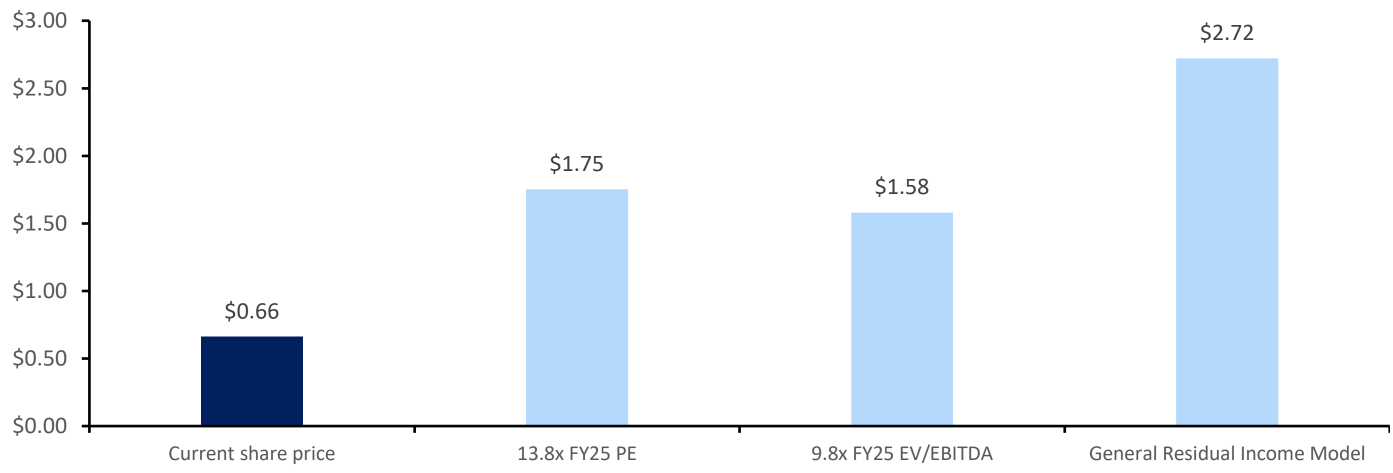
Figure 13: Trim Capital General Residual Income Model of Pengana Capital Group Ltd

Current date		12-Dec-25										
Last balance date		30-Jun-25										
		Jun-25	Dec-25	Jun-26	Dec-26	Jun-27	Dec-27	Jun-28	Dec-28	Jun-29	Dec-29	Jun-30
Book value per share	A$	0.90	0.90	0.90	0.89	0.92	0.93	0.97	1.01	1.06	1.11	1.11
Equity charge	A$		-0.04	-0.04	-0.04	-0.04	-0.04	-0.04	-0.04	-0.05	-0.05	-0.05
Cash EPS	A$	0.03	0.06	0.07	0.07	0.07	0.06	0.08	0.08	0.10	0.10	0.13
Residual income	A$	**0.03**	**0.02**	**0.03**	**0.03**	**0.03**	**0.02**	**0.04**	**0.04**	**0.06**	**0.06**	**0.08**
Discounted cash flow	A$	**0.00**	**0.01**	**0.03**	**0.02**	**0.03**	**0.02**	**0.03**	**0.03**	**0.04**	**0.04**	**0.05**

Sum of discount streams	A$	0.31	**CAPM**	
Future value into perpetuity	A$	2.22	Risk free rate	4.00%
NPV of terminal value	A$	1.50	Equity beta	1
add net assets	A$	0.90	Equity risk premium	5.00%
Residual income value per share	**A$**	**2.72**	Cost of equity	9.00%
P/B multiple implied by GRIM valuation	x	3.02	Terminal growth	3.0%
Upside/downside	%	312%		

Source: Company reports, Trim Capital estimates

Figure 14: Trim Capital valuation approaches (A$ per share)



Source: Company reports, Trim Capital estimates

Investment Thesis

Pengana Capital Group ("Pengana") is currently trading on low multiples relative to peers despite a recovery in FuM and the return of performance fees, driving a turnaround in profitability. FuM, which bottomed in October 2023 and has risen almost every month since, seems to have escaped the market given the fall in Pengana's share price over the same period.

We believe that the following factors will drive improved share price performance:

- **Pivot to private markets (credit, equity)** will provide diversification, drive FuM growth, and improve margins;
- **Performance fees** should improve as more funds exceed their prior high watermarks;
- **Earnings growth** is expected to outpace revenue growth due to recovery in performance fees and high operating leverage;
- **Trading at cheap valuation multiples** despite double-digit growth in revenues, earnings, and a high ROE.

With two large substantial strategic shareholders - its CEO & co-founder and Soul Patts – there is minimal liquidity in the stock, potentially positioning it for a squeeze should another investor seek to build a sizeable position in the company.

Catalysts

	Expectation	Timing
Sustained FuM growth	• Pengana continues to launch new products to capitalise on the demand for private credit.	• FuM updates provided monthly should be an indicator of the effectiveness of Pengana's initiatives (shift to private markets, new product launches).
Improvement in performance fees	• As more funds exceed their high watermarks, we should see the continued recovery of performance fees.	• We forecast 39bps of performance fees in FY26, still well below the 90bps level achieved in FY22.
Declining Interest rates	• Interest rate cuts across the US, UK, Europe, Canada, Australia, and NZ are driving investors to search for high-yielding investments such as private credit, which should be a growth opportunity for Pengana.	• Consensus expectations for another rate cut for the rest of calendar year 2025, and possibility of two more in early 2026.

Risks

As with any investment, there are certain risks associated with operations as well as the surrounding economic and regulatory environments common to the industry. The Australian Institute of Company Directors encourages directors to think about risks under a strategic, financial and operational category framework.

Figure 15: Risks

Strategic	Financial	Operational
Dynamic and changing market	Macroeconomic conditions	Governance
New and innovative offerings	Liquidity and funding risks	Key personnel
Initiatives to capture market share	Credit risk	Information technology
Capabilities and culture	Fraud	Cybersecurity and data protection
Reputation		Force majeure events
Obsolescence		Litigation, claims and disputes

Source: Company reports, Trim Capital estimates

Furthermore, there are significant compliance risks. Given regulators' powers these can become strategic, financial and/or operational risks. The recent move by the Australian Treasurer to advance a "financial sector regulatory initiatives grid" to push regulators to consider how changes are introduced to avoid overburdening financial institutions, based on a similar policy used in the UK, should assist in managing the risk around implementing changes in compliance requirements.

Figure 16: Regulatory compliance matrix

Regulator	Regulates
AUSTRAC	Anti-money laundering and counter terrorist financing requirements
Office of the Australian Information Commissioner (OAIC)	Australian Privacy Principles
Australian Prudential Regulatory Authority (APRA)	Prudential regulation
Australian Securities and Investments Commission (ASIC)	Financial Service licencing and Credit licencing administered by the Australian Securities and Investments Commission (ASIC);
Australian Competition and Consumer Commission (ACCC)	Australian Consumer Law and unfair contract terms contained in the Corporations Act
Australian Taxation Office (ATO)	Taxation legislation
Australian Accounting Standards Board (AASB) and ASIC	Accounting standards required under the Corporations Act

Source: Company reports, Trim Capital estimates

Since 2018 APRA has had the power to regulate non-APRA regulated lenders should APRA determine that those lenders are materially contributing to financial stability risks. Pengana's Private debt funds might qualify as a non-bank lender (but highly unlikely given the way these funds have been structured) and while they wouldn't normally be regulated by APRA, could in extreme circumstances if APRA seeks implement regulations to address systemic risks.

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