

# PENGANA CAPITAL GROUP

Interim Results  
For the period to  
31 December 2017



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# 1. Overview



# Pengana Capital Group



**Investment strategies aim to generate superior long term returns with focus on capital preservation**



- Leading provider of premium products
- Benchmark-unaware mandates; we don't aim to "beat the market" over the short-term
- Proven long-term performance over multiple funds
- Impose capacity limits across our strategies
- Focused on the higher end retail market; SMSF's, advisors and HNW's
- Unique funds management business
- FUM of circa \$3.5 billion



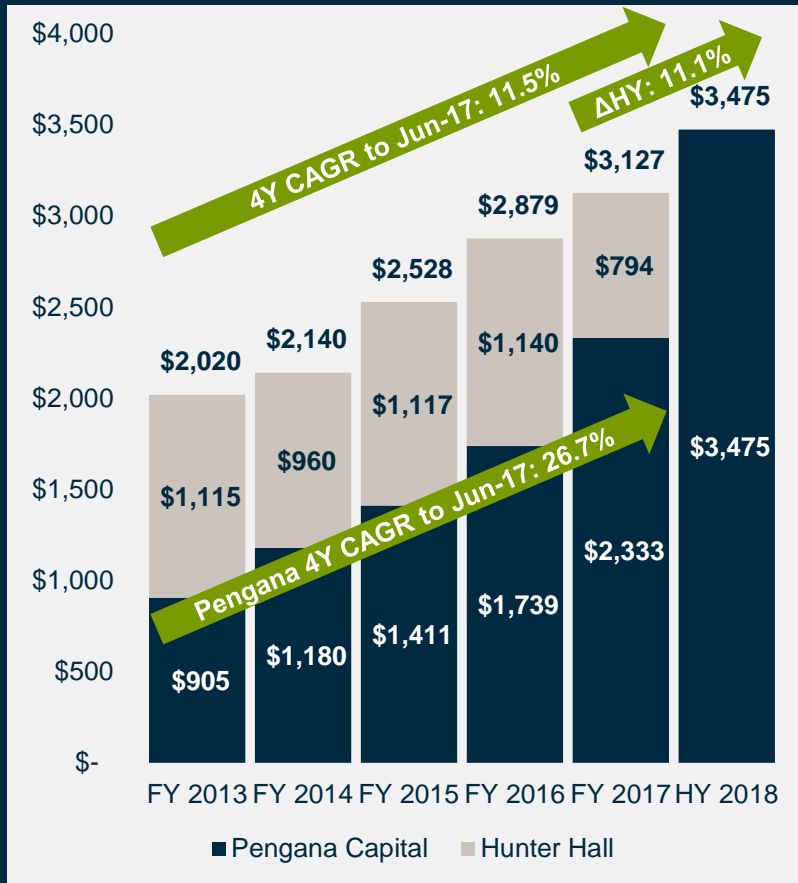
# Strengths and Opportunities

- A leading retail brand in benchmark-unaware actively managed equities
- A diverse high quality offering across Australian and International equities; proven long term performance across multiple funds
- Capitalise on increasing demand in benchmark-unaware, absolute return and alternative asset spaces
- Capitalise on increasing demand for ethical funds
- Experienced and aligned corporate management team with robust and scalable infrastructure
- Aligned funds management teams with substantial expertise and long term track records
- Horizontal growth prospects enhanced by unique operating model
- Strong distribution capability with over 50,000 underlying retail investors across platforms, dealer groups, IFAs, and direct HNW and SMSF clients
- LIC platform

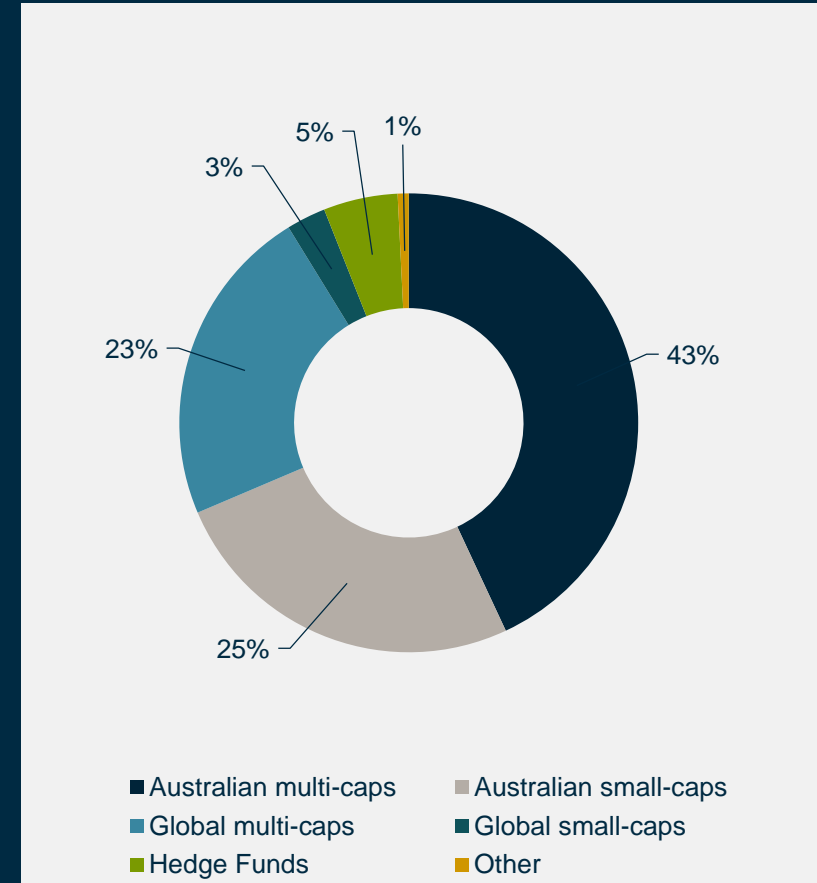


# Funds Under Management <sup>1</sup>

Historical Growth in FUM (\$m)



FUM Strategy Breakdown (31/12/2017)



1. The amount of funds under management can increase or decrease due to a range of factors including net fund flows, distributions to investors and investment performance. Past performance is not a reliable indicator of future performance.

The reported FUM is prior to any distributions and dividends being paid to investors.

# Diversified Range of Funds <sup>1</sup>

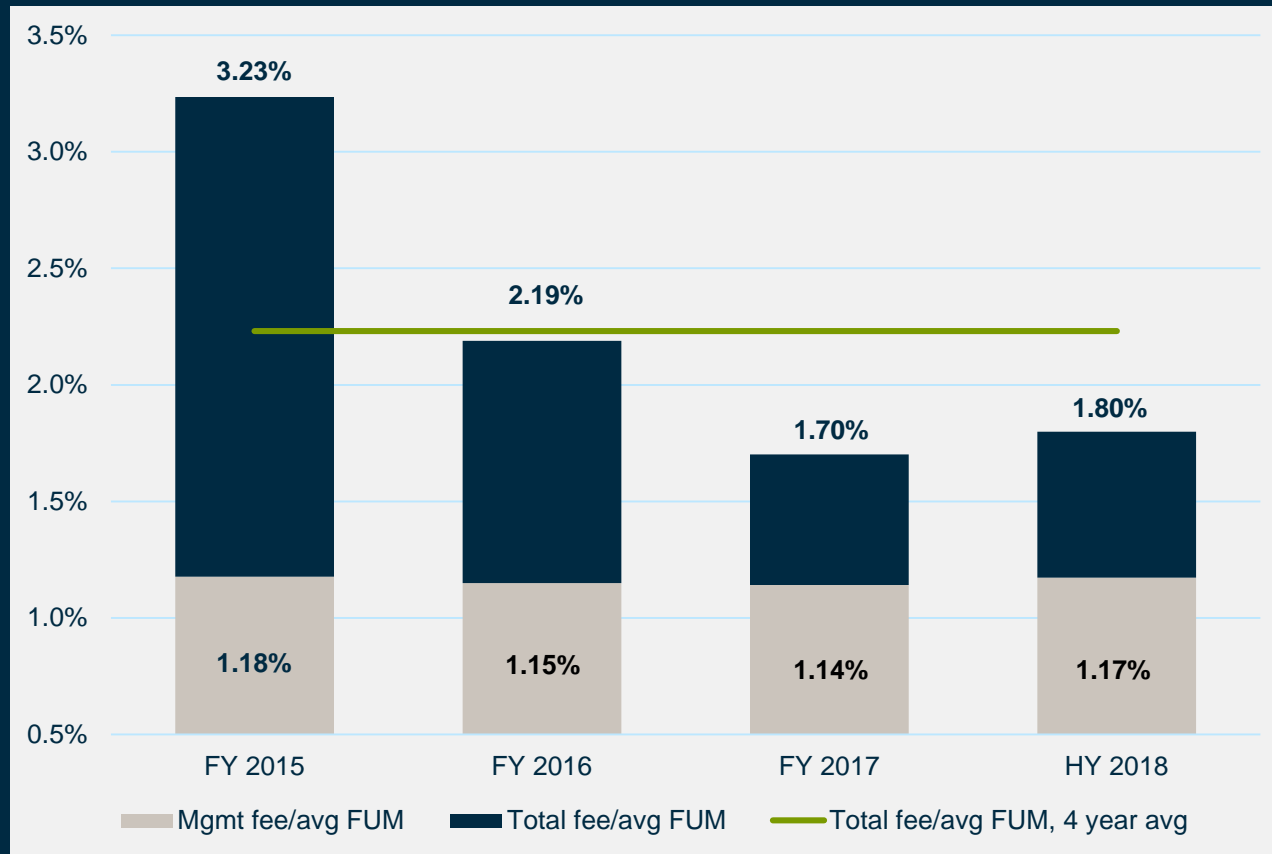


Acronym	Primary Fund Name	Strategy	Strategy FUM at 31/12/17 (\$m)	Management Fee; Performance Fee (Primary Fund)
PAEF	Pengana Australian Equities	Australian Multi-caps	1,474	1.0%; 10% above 0%
PECF	Pengana Emerging Companies	Australian Small-caps	888	1.3%; 20% above ASX Small Ords
PIEF	Pengana International Equities	Global Multi-caps	489	1.25%; N/A
PIA	Pengana International Equities Ltd (LIC)	Global Multi-caps	297	1.2%; 15% above MSCI World
PanAgora	Pengana PanAgora Absolute Return Global Equities	Global Market Neutral	129	1.5%; 20% above RBA Cash
PGSC	Pengana Global Small Companies	Global Small-caps	96	1.3%; 20% above MSCI AC World SMID
PAR Asia	Pengana Absolute Return Asia Pacific	Absolute Return Asia	53	1.5%; 20% above RBA Cash
PAEIF	Pengana Australian Equities Income	Australian Multi-caps	22	0.7%; 10% above 0%
HCT	Pengana High Conviction Equities	High Conviction	21	1.76%; 15% above RBA Cash + 3% p.a.
WHEB	Pengana WHEB Sustainable Impact	Global Impact Investing	6	1.32%; N/A

1. The amount of funds under management can increase or decrease due to a range of factors including net fund flows, distributions to investors and investment performance. Past performance is not a reliable indicator of future performance.

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

# Annual Fee Margin FY 2015 to HY 2018





# 3. HY 2018 Results



# Pengana Capital Group Operating EBITDA <sup>1</sup>



31 December 2017	(\$000)
Management fee revenue	18,744
Performance fee revenue	10,006
Operating expenses	(9,772)
Team profit share	(11,055)
<b>Operating EBITDA</b>	<b>7,923</b>
Other income	1,318
Amortisation	(1,482)
<b>Profit before tax</b>	<b>7,759</b>
Income tax expense	(2,751)
<b>Statutory profit after tax attributable to Pengana shareholders<sup>2</sup></b>	<b>5,008</b>
Basic earnings per share on statutory profit – cents per share <sup>3</sup>	6.4

1. Source: Pengana Management Accounts  
 2. As per Pengana Capital Group Limited 31 December 2017 Financial Statements  
 3. Calculated on 78,623,370 shares (i.e. excluding 22,853,722 treasury shares)

# Pengana Capital Group Operating EBITDA <sup>1</sup>



31 December 2017	(\$000)
<b>Statutory profit after tax attributable to Pengana shareholders <sup>1</sup></b>	<b>5,008</b>
Add back: <sup>2</sup>	
Amortisation	1,482
Unrealised investment gains	348
Interest on Loan Funded Share Plan	1,063
<b>Underlying profit</b>	<b>7,901</b>
Basic earnings per share on underlying profit – cents per share <sup>3</sup>	7.8

1. As per Pengana Capital Group Limited 31 December 2017 Financial Statements

2. Source: Pengana Management Accounts

3. Calculated on 101,477,092 shares (i.e. including 22,853,722 treasury shares)

# Pengana Capital Group Balance Sheet<sup>1</sup>



<b>31 December 2017</b>	<b>(\$m)</b>
Cash net of \$5m AFSL cash requirements	12.22
Current receivables	11.81
Current liabilities	(12.35)
<b>Net working capital</b>	<b>11.68</b>
<b>Investments net of \$5m AFSL liquid asset requirements</b>	<b>8.68</b>
AFSL capital requirements	10.00
Loans (on and off balance sheet)	28.69
Other assets	2.10
Other non-current liabilities	(7.86)
<b>Total non-current assets and liabilities</b>	<b>32.93</b>
<b>Net Assets <sup>1</sup></b>	<b>53.29</b>
Less: Off balance sheet Loan Funded Share Plan	(26.92)
Add: Intangibles	65.74
<b>Net Assets as per 31 December 2017 Financial Statements <sup>2</sup></b>	<b>92.11</b>

1. Source: Pengana Management Accounts  
 2. As per Pengana Capital Group Limited 31 December 2017 Financial Statements

## 2. HY 2018 Highlights



## Six months to 31 December 2017 in review



- Completion of merger integration and capture of synergies
- Growth in FUM from net inflows and performance
- Management fee revenue as expected
- Performance fee revenue lower than historical averages: expected from time to time
- Strong performance from International Equities strategies
- Improvement in research house ratings, especially for International Equities strategies
- Listed Investment Company, PIA, announced one-for-one bonus option issue; potential large increase of vehicle over 18 months
- Fully franked interim dividend of 6.5 cents per share

# 4. The Future



## Focus going forward

- Continued growth in FUM , especially for International Equities strategies
- Increase in distribution resources
- Continued focus on advised markets
- Increased focus on direct markets
- Unit trust and listed investment company activities
- Evaluate acquisition opportunities whilst being highly disciplined



# Platform for Long Term Growth



## Superior Business Model

- Attract, retain and align “in-house” teams
- “JV model” enables growth at low cost
- Plug and play: identify opportunities and deliver solutions
- Opportunity to expand into other FM segments



## Scalable Infrastructure

- Manage significantly larger asset base with low incremental cost
- Experienced and aligned management team
- Sophisticated operations, risk and compliance framework; segregated from FMs



## Distribution and Brand

- FUM growth in existing and new funds
- Potential to launch additional LICs
- Leverage brand and relationships in Advisor and mass HNW markets



## Acquisition Opportunities

- Attractive partner/buyer for select opportunities
- Revenue and cost synergies
- Valuation multiple arbitrage
- Opportunity to expand into other FM segments

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THANK YOU



# FOR MORE INFORMATION

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