

PENGANA CAPITAL GROUP

Interim Results
For the period to 31 December 2018

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1 Overview



Our Philosophy

We 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
- Robust and scalable institutional infrastructure and separation of duties
- Ability to attract and retain exceptional funds management teams
- Unique funds management business
- FUM of circa \$3.0 billion



Funds Under Management ¹

Slightly positive net inflows in FY2019

Reduction in FUM in 2019, solely due to

- investment performance in falling equity markets in Q2
- Distributions paid to investors

PCG Australian equity funds have historically performed relatively well in falling markets

- Q2 falls larger than expected
- However consistent with falls for many of our key competitors

International equity strategies (PIF and PGSCF) also experienced losses but both performed well on relative basis in Q2

- PIF outperformed benchmark by 5.8%
- PIF is key product for PCG as it has largest capacity (circa \$7bn)

Historical Growth in FUM (\$m)²



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

2. Combined Pengana and Hunter Hall FUM.

Funds Under Management ¹

Australian strategies account for 64% of FUM; was 68% at 31/12/17

International equity strategies expected to be the dominant segment within the medium term

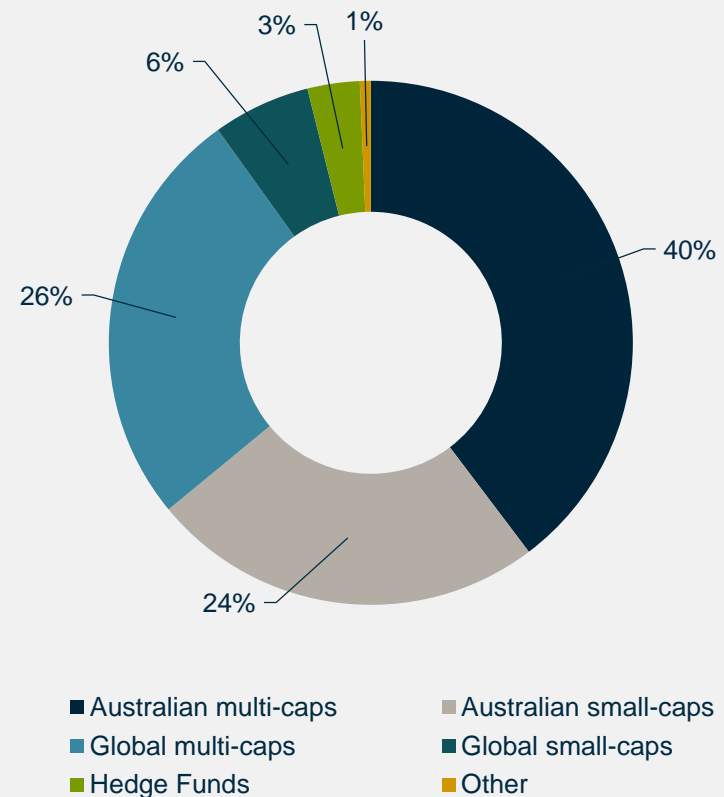
Significant further capacity in various International Equities strategies

- PIF: >\$6bn
- PGSCF: ~\$500m
- WHEB: ~\$700M

Substantial growth opportunity for Pengana Private Equity Trust

- Targeting to raise \$100m-\$600m
- Further raisings possible
- Large capacity potential

FUM Strategy Breakdown (31/12/2018)



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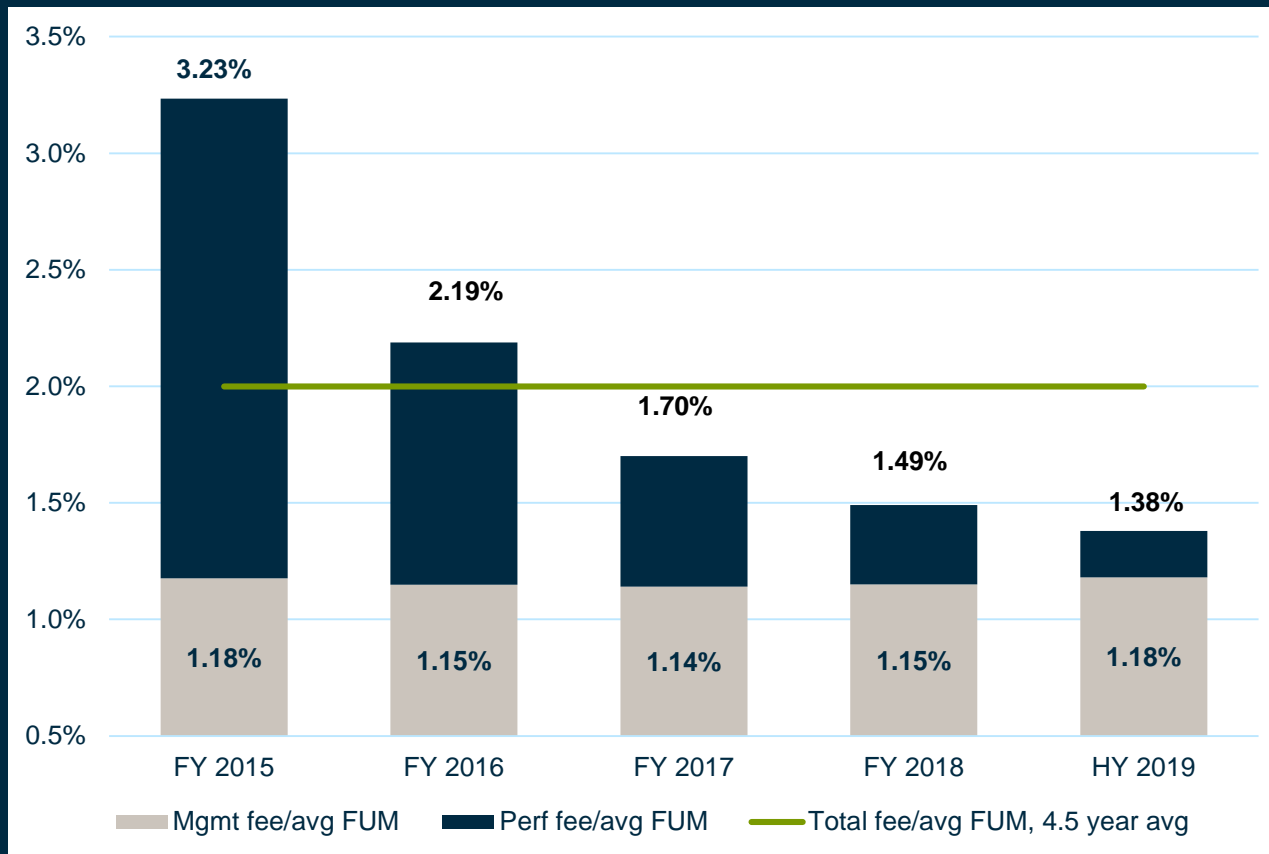
The reported FUM is prior to any distributions and dividends being paid to investors.

Diversified Range of Funds ¹

Acronym	Primary Fund Name	Strategy	Strategy FUM at 31/12/18 (\$m)	Management Fee; Performance Fee (Primary Fund)
PAEF	Pengana Australian Equities	Australian Multi-caps	1,179	1.0%; 10% above 0%
PECF	Pengana Emerging Companies	Australian Small-caps	733	1.3%; 20% above ASX Small Ords
PIF	Pengana International Fund	Global Multi-caps	489	1.25%; N/A
PIA	Pengana International Equities Ltd (LIC)	Global Multi-caps	290	1.2%; 15% above MSCI World
PGSC	Pengana Global Small Companies	Global Small-caps	181	1.3%; 20% above MSCI AC World SMID
PanAgora	Pengana PanAgora Absolute Return Global Equities	Global Market Neutral	57	1.5%; 20% above RBA Cash
PAR Asia	Pengana Absolute Return Asia Pacific ³	Absolute Return Asia	40	1.5%; 20% above RBA Cash
PAEIF	Pengana Australian Equities Income	Australian Multi-caps	16	0.7%; 10% above 0%
HCT	Pengana High Conviction Equities	High Conviction	20	1.76%; 15% above RBA Cash + 3% p.a.
WHEB	Pengana WHEB Sustainable Impact	Global Impact Investing	5	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
3. Closed 31 December 2018

Annual Fee Margin FY 2015 to HY 2019



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

2 **HY 2019 Results**



Pengana Capital Group Statutory Profit After Tax

31 December 2018	(\$'000)
Management fee revenue	19,370
Performance fee revenue	3,199
Operating expenses	(10,877)
Team profit share	(7,552)
Operating EBITDA¹	4,140
Other income	262
Amortisation	(1,604)
Product development and other non operating expenses	(1,085)
Profit before tax	1,713
Income tax expense	(778)
Statutory profit after tax attributable to Pengana shareholders²	935
Basic earnings per share on statutory profit – cents per share ³	1.18

1. Source: Pengana Management Accounts

2. As per Pengana Capital Group Limited 31 December 2018 Financial Statements

3. Calculated 79,818,440, shares (i.e. excluding 23,458,720 treasury shares)

Pengana Capital Group Underlying Profit After Tax¹

31 December 2018	(\$'000)
Statutory profit after tax attributable to Pengana shareholders ¹	935
Add back: ²	
Amortisation	1,604
Unrealised investment losses	(525)
Interest on Loan Funded Share Plan	1,090
Product development and other non operating expenses ³	1,085
Underlying profit	4,189
Basic earnings per share on underlying profit – cents per share ⁴	4.06

1. As per Pengana Capital Group Limited 31 December 2018 Financial Statements

2. Source: Pengana Management Accounts

3. Product development costs, loan impairments and cost of evaluating acquisition opportunities

4. Calculated on 103,277,160 shares (i.e. including 23,458,720 treasury shares)

Pengana Capital Group Balance Sheet¹

31 December 2018	(\$'000)
Cash net of \$4.5m AFSL cash requirements	8,324
Current receivables	5,928
Current liabilities	(6,782)
Net working capital	7,470
Investments net of \$4.5m AFSL liquid asset requirements	8,994
AFSL capital requirements	9,000
Loans (on and off balance sheet)	29,940
Other assets	2,410
Other non-current liabilities	(6,848)
Total non-current assets and liabilities	43,496
Net Tangible Assets ¹	50,966
Less: Off balance sheet Loan Funded Share Plan	(29,137)
Add: Intangibles	66,642
Net Assets as per 31 December 2018 Financial Statements ²	88,471

1. Source: Pengana Management Accounts

2. As per Pengana Capital Group Limited 31 December Financial Statements

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HY 2019 Highlights



Year to date in review

- Management fee revenue up on the 6 months to 31 Dec 17, however recent decline in FUM due to a combination of distributions paid \$221m and investment performance of \$299m. Net inflows were slightly positive.
- Performance fee revenue lower than historical averages: expected from time to time
- Further increase in distribution and marketing resources
- Announcement of launch Pengana Private Equity Trust, the first Global Private Equity Trust to be listed on the ASX: proposed offer open date of 26 February
- Closure of loss-making Singapore operations: future net benefit of circa \$800k p.a.
- Interim unfranked dividend of 4.0 cents per share

4 **Focus for FY 2019**



Overview of Pengana Private Equity Trust



THE OFFER

Trust	Pengana Private Equity Trust ARSN 630 923 643
Proposed ASX code	PE1
Units offered	Fully paid ordinary Units
Min/Max number of Units	80 million / 480 million
Subscription Price per Unit	\$1.25
Min/Max gross proceeds	\$100 million / \$600 million
Pro forma NAV per Unit	\$1.3125

IMPORTANT DATES¹

Priority Determination Date	25 January 2019
Lodgement of replacement PDS with ASIC	22 February 2019
Offer Opening Date	4 March 2019
Broker Firm Offer Closing Date	3 April 2019
Priority and General Offer Closing Date	10 April 2019
Trading of Units commences	30 April 2019

1. The above dates are subject to change and are indicative only. Pengana reserves the right to amend this indicative timetable subject to the Corporations Act and the Listing Rules.

Implications of PE1⁵ for PCG earnings

Total cost to PCG will be circa 8.0% of the amount raised:

- Offer costs estimated to be circa 3.0%;
 - cash payment to be funded via a floating bank facility at currently circa 7% p.a.

Issuance of alignment shares equating to 5% of amount raised

- non-cash item but will dilute existing shareholders
- Magnitude of dilution will depend upon VWAP over the 5 trading days prior to the allotment date of the shares (which is after the close of the offer – the allotment date is currently expected to be 23 April 2019¹)

In the longer term, the Trust has the potential to be a significant contributor to PCG's profitability as follows:

- Potential profit contribution from base management fees of circa 85-100bps per annum at the lower end (\$100m) and upper end (\$600m) of the range amount raised for the Trust respectively
- Potential profit contribution from annual performance fees (not likely to be before year 3), if the Trust was to derive the following investment returns e.g.
 - A. If per annum returns² are 8%³ then zero
 - B. If per annum returns² are 11%³ then 60bps p.a. of NAV⁴
 - C. If per annum returns² are 14%³ then 1.2% p.a. of NAV⁴

Amount Raised	Annual Base Fee Profit Contribution	Potential Annual Performance Fee Profit Contribution at Return of:			Potential Annual Total Profit Contribution at Return of:		
		8%	11%	14%	8%	11%	14%
\$100m	\$0.85m	0	\$0.6m	\$1.2m	\$1.0m	\$1.6m	\$2.2m
\$600m	\$6.0m	0	\$3.6m	\$7.2m	\$6.0m	\$9.6m	\$13.2m

1. This date is indicative and subject to change.
 2. Net returns of the Trust before charging Pengana's performance fee. The calculation of potential annual performance fee profit contribution assumes no prior accrued negative performance fee accruals resulting from prior underperformance.
 3. These quoted returns are not forecast returns. We have merely listed potential profit contributions in the event the Trust was to derive the listed returns. As such, the listed returns are merely provided for illustrative purposes only.
 4. Means Net Asset Value of the Trust.
 5. Proposed ASX code

Focus Going Forward

- Launch Pengana Private Equity Trust
- Maintain long-term investment performance across all strategies
- Focus on growth in FUM for various International Equities strategies
- Continued focus on advised markets
- Increased focus on direct markets
- Evaluate acquisition opportunities whilst being highly disciplined

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THANK YOU



FOR MORE INFORMATION

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