

# PENGANA CAPITAL GROUP

Financial Results  
For the year to 30 June 2018

Russel Pillemer  
Chief Executive Officer

Katrina Glendinning  
Chief Financial Officer



# TABLE OF CONTENTS

1 **Overview**

2 **FY 2018 Results**

3 **FY 2018 Highlights**

4 **Focus for FY 2019**





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



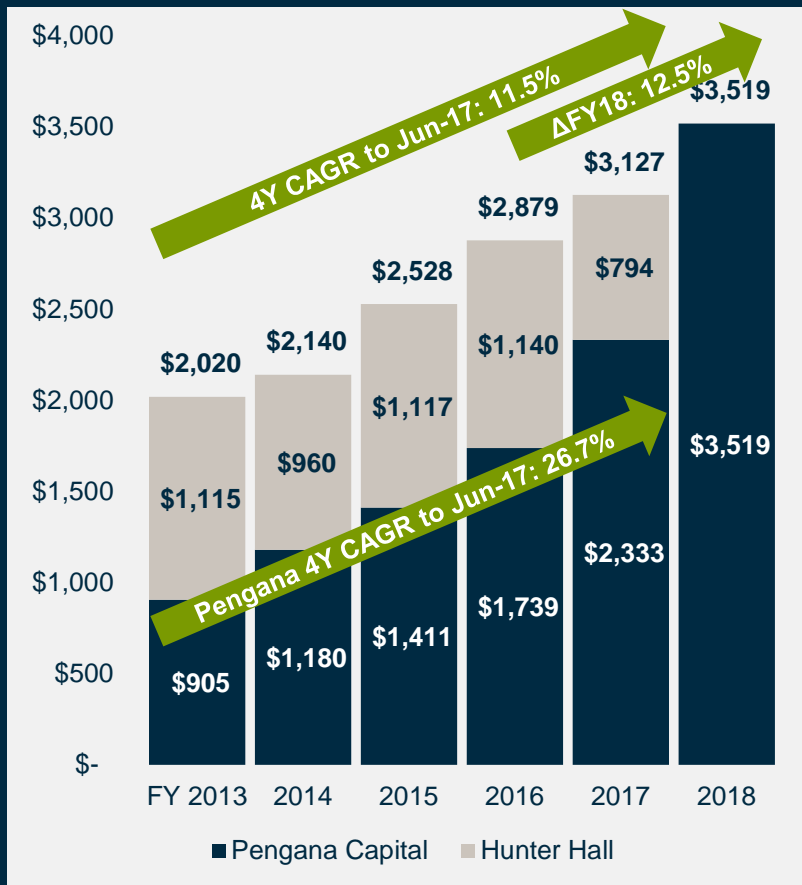
# Strengths and Opportunities

- 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

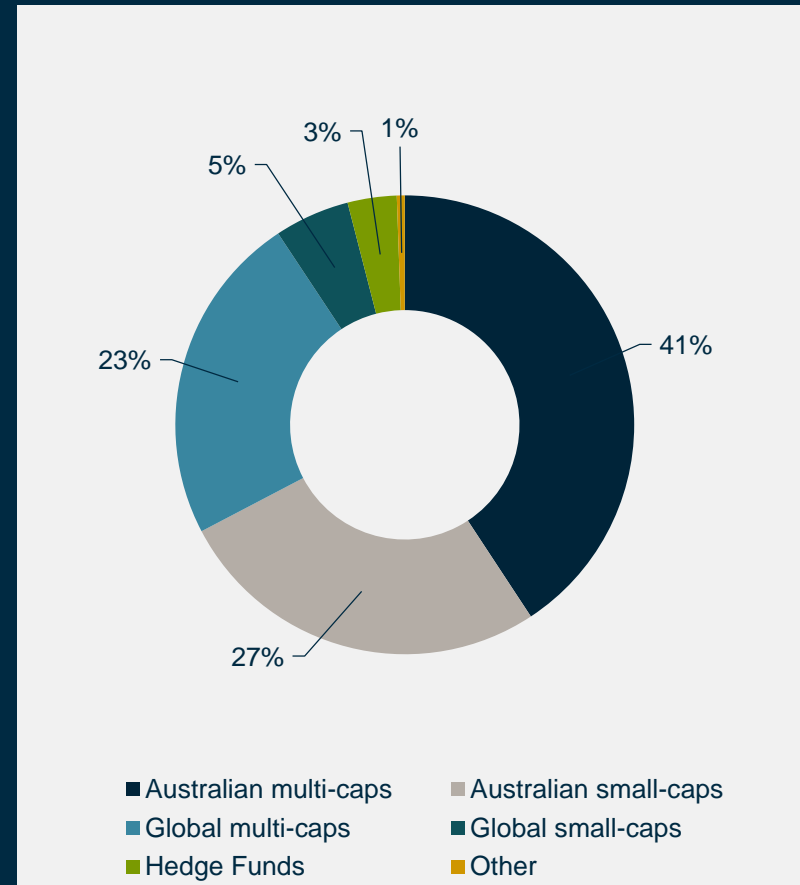


# Funds Under Management <sup>1</sup>

Historical Growth in FUM (\$m)



FUM Strategy Breakdown (30/6/2018)



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>

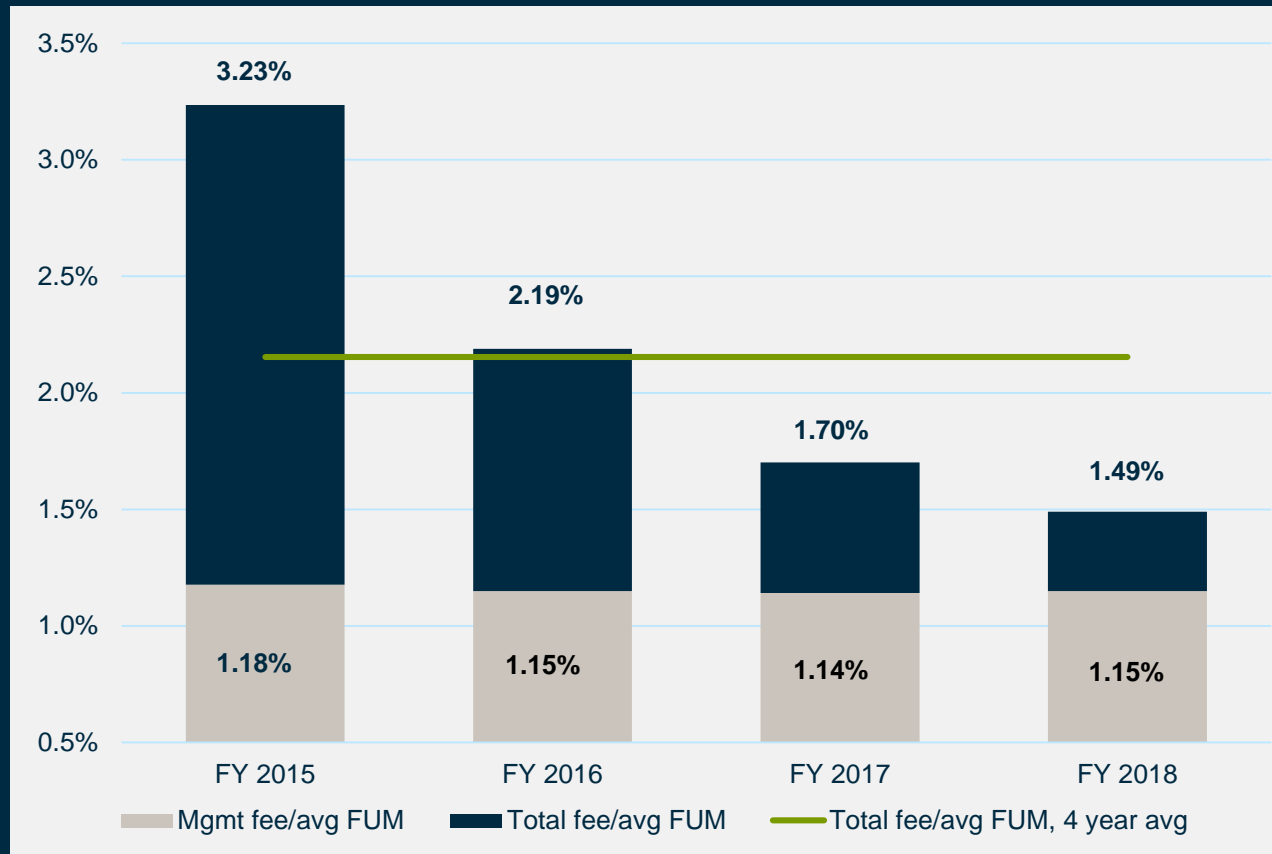


Acronym	Primary Fund Name	Strategy	Strategy FUM at 30/6/18 (\$m)	Management Fee; Performance Fee (Primary Fund)
PAEF	Pengana Australian Equities	Australian Multi-caps	1,434	1.0%; 10% above 0%
PECF	Pengana Emerging Companies	Australian Small-caps	936	1.3%; 20% above ASX Small Ords
PIF	Pengana International Fund	Global Multi-caps	500	1.25%; N/A
PIA	Pengana International Equities Ltd (LIC)	Global Multi-caps	309	1.2%; 15% above MSCI World
PGSC	Pengana Global Small Companies	Global Small-caps	186	1.3%; 20% above MSCI AC World SMID
PanAgora	Pengana PanAgora Absolute Return Global Equities	Global Market Neutral	71	1.5%; 20% above RBA Cash
PAR Asia	Pengana Absolute Return Asia Pacific	Absolute Return Asia	50	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	20	1.76%; 15% above RBA Cash + 3% p.a.
WHEB	Pengana WHEB Sustainable Impact	Global Impact Investing	14	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 FY 2018



**Performance fees fluctuate over relatively short periods**

**Over the longer term, we expect a reversion to the mean as demonstrated by the current performance of our 2 largest funds**



2 **FY 2018 Results**



# Pengana Capital Group Statutory Profit After Tax



30 June 2018	(\$'000)
Management fee revenue	38,450
Performance fee revenue	11,580
Operating expenses	(19,440)
Team profit share	(18,750)
<b>Operating EBITDA<sup>1</sup></b>	<b>11,840</b>
Other income	1,921
Amortisation	(3,140)
Other non operating expenses	(560)
<b>Profit before tax</b>	<b>10,061</b>
Income tax expense	(3,081)
<b>Statutory profit after tax attributable to Pengana shareholders<sup>2</sup></b>	<b>6,980</b>
Basic earnings per share on statutory profit – cents per share <sup>3</sup>	8.86

1. Source: Pengana Management Accounts  
 2. As per Pengana Capital Group Limited 30 June 2018 Financial Statements  
 3. Calculated on 78,623,370 shares (i.e. excluding 22,853,722 treasury shares)

# Pengana Capital Group Underlying Profit After Tax<sup>1</sup>



30 June 2018	(\$'000)
<b>Statutory profit after tax attributable to Pengana shareholders <sup>1</sup></b>	<b>6,980</b>
Add back: <sup>2</sup>	
Amortisation	3,140
Unrealised investment gains	170
Interest on Loan Funded Share Plan	2,110
<b>Underlying profit</b>	<b>12,400</b>
Basic earnings per share on underlying profit – cents per share <sup>3</sup>	12.19

1. As per Pengana Capital Group Limited 30 June 2018 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>30 June 2018</b>	<b>(\$'000)</b>
Cash net of \$5m AFSL cash requirements	11,070
Current receivables	5,690
Current liabilities	(9,472)
<b>Net working capital</b>	<b>7,288</b>
<b>Investments net of \$5m AFSL liquid asset requirements</b>	<b>12,118</b>
AFSL capital requirements	10,000
Loans (on and off balance sheet)	28,786
Other assets	1,770
Other non-current liabilities	(7,246)
<b>Total non-current assets and liabilities</b>	<b>45,428</b>
<b>Net Tangible Assets <sup>1</sup></b>	<b>52,716</b>
Less: Off balance sheet Loan Funded Share Plan	(27,530)
Add: Intangibles	64,542
<b>Net Assets as per 30 June 2018 Financial Statements <sup>2</sup></b>	<b>89,728</b>

1. Source: Pengana Management Accounts  
 2. As per Pengana Capital Group Limited 30 June 2018 Financial Statements



3 **FY 2018 Highlights**

# 2018 Financial Year 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
- Improvement in research house ratings for:
  - Pengana international equity funds (“PIEF, VGT, GET”)
  - Pengana Global Small Companies Fund (“PGSCF”)
  - Pengana WHEB Sustainable Impact Fund (“WHEB”)
- Increase in distribution and marketing resources
- Listed Investment Company (“PIA”) announced one-for-one bonus option issue; potential large increase of vehicle over 18 months
- Strategic investment in boutique credit fund manager, Global Credit Investments
- Fully franked final dividend of 6.5 cents per share

4 **Focus for FY 2019**



# 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



## Focus Going Forward

- Maintain investment performance across all strategies
- Continued growth in FUM , especially for International Equities strategies
  - Global Small Companies Fund growing at close to an average of \$15m per month
  - Multi-cap International Equities Strategies close to positive net flow position
  - Pengana WHEB fund gaining traction, albeit from a small base
- Continued focus on advised markets
- Increased focus on direct markets
- Evaluate acquisition opportunities whilst being highly disciplined
- Prepare for launch of an additional listed investment vehicle

## Launch of New Listed Investment Trust

- Significant increase in activity in listed investment vehicle space
- Over the last year, Pengana has been working on the launch of a new Listed Investment Trust (“LIT”)
  - Investing in highly attractive segment of alternative assets
  - JV type arrangement with a large offshore alternative asset management firm
- Expect to announce details about this exciting new offering over the next several weeks

# Disclaimer



This presentation has been prepared by Pengana Capital Group Limited (ABN 43 059 300 426) (PCG). The information in this presentation is current as at 28 August 2018.

This presentation is not an offer or invitation for subscription or purchase of securities or a recommendation with respect to any security. Information in this presentation should not be considered advice and does not take into account the investment objectives, financial situation and particular needs of an investor.

Before making an investment in PCG, any investor should consider whether such an investment is appropriate to their needs, objectives and circumstances and consult with an investment adviser if necessary. Past performance is not a reliable indicator of future performance.

PCG has prepared this presentation based on information available to it. No representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of the information, opinions and conclusions contained in this presentation. To the maximum extent permitted by law, none of PCG, its related bodies corporate, its directors, employees or agents, nor any other person accepts any liability, including, without limitation, any liability arising from fault or negligence on the part of any of them or any other person, for any loss arising from the use of this presentation or its contents or otherwise arising in connection with it.

Pengana Capital Limited (ABN 30 103 800 568 AFSL 226566) is the responsible entity and issuer of the following funds referred to in this presentation: Pengana Emerging Companies Fund (ARSN 111 894 510), Pengana Affinity Equity Fund (ARSN 168 708 610), Pengana Australian Equities Fund (ARSN 146 346 929), Pengana International Fund (ARSN 610 351 641), Pengana Global Small Companies Fund (ARSN 604 292 677) and Pengana Absolute Return Asia Pacific Fund (ARSN 145 116 810). The product disclosure statements for these funds are available on the Pengana website via [www.pengana.com](http://www.pengana.com). Any potential investor should read the relevant product disclosure statement in its entirety and consult their financial adviser before making an investment decision. Past performance is not a reliable indicator of future performance.

Pengana Investment Management Limited (ABN 69 063 081 612 AFSL 219462) ("PIML") is the responsible entity and issuer of the following funds referred to in this presentation: Pengana WHEB Sustainable Impact Fund (ARSN 121 915 526), Pengana International Fund – Ethical (formerly Hunter Hall Value Growth Trust) (ARSN 093 079 906), Pengana International Fund – Ethical Opportunity (formerly Hunter Hall Global Equities Trust) (ARSN 098 586 282), Pengana Australian Equities Income Fund (formerly Hunter Hall Australian Value Trust) (ARSN 098 586 586) and Pengana High Conviction Equities Fund (formerly Hunter Hall High Conviction Equities Trust) (ARSN 602 546 332). The product disclosure statements for these funds are available on the Pengana website via [www.pengana.com](http://www.pengana.com). Any potential investor should read the relevant product disclosure statement in its entirety and consult their financial adviser before making an investment decision. Past performance is not a reliable indicator of future performance.

PIML is the manager of Pengana International Equities Limited (ASX: PIA). Before making an investment in PIA, any investor should consider whether such an investment is appropriate to their needs, objectives and circumstances and consult with an investment adviser if necessary. Past performance is not a reliable indicator of future performance.

THANK YOU



# FOR MORE INFORMATION

**PENGANA CAPITAL GROUP**  
**ABN 43 059 300 426**

Level 12, 167 Macquarie Street,  
Sydney, NSW 2000

T: +61 2 8524 9900

F: +61 2 8524 9901

E: [clientservice@pengana.com](mailto:clientservice@pengana.com)

**[PENGANA.COM](http://PENGANA.COM)**