

# PENGANA CAPITAL GROUP

RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2020

“Strong Yield with Exceptional Growth Prospects”

Russel Pillemer  
Chief Executive Officer

Katrina Glendinning  
Chief Financial Officer



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# BUSINESS OVERVIEW



# PERFORMANCE IN H1 FY2021

- Fund under Management up **15%** in 6 months to 31 December 2020
- Underlying Profit Before Tax Profit after tax up **17.1%**
- EPS on underlying profit after normalised tax at 30% up **13%**
- Interim dividend of 5 cents per share up **25%**
- Strong investment performance, with all strategies outperforming respective benchmarks for the period
- Significant improvement in net flows

# FUNDS UNDER MANAGEMENT <sup>1</sup>

FUM growth to historically high levels, due to strong investment performance and based on higher margin products

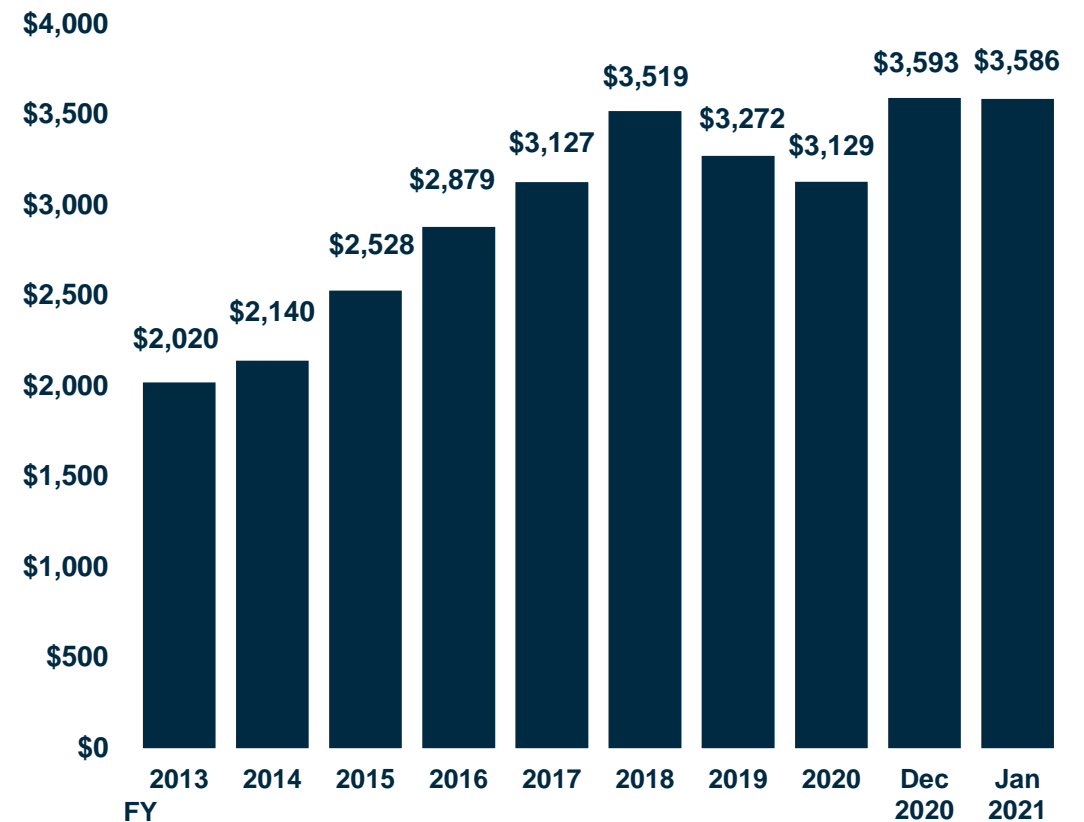
FUM increased by 15% in 6 months to Dec 2020:

- Investment performance \$463m
- Positive net inflows of \$81m
- Distributions negatively impacted: \$80m

FUM flat during month of Jan 2021:

- Positive net inflows of \$2m
- Positive investment performance of \$31m
- Distributions paid of \$39m

Historical Growth in FUM (\$m)<sup>2</sup>



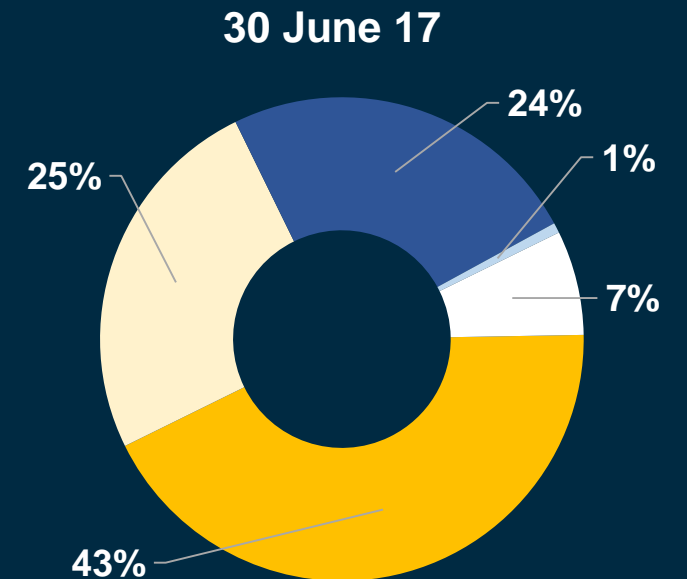
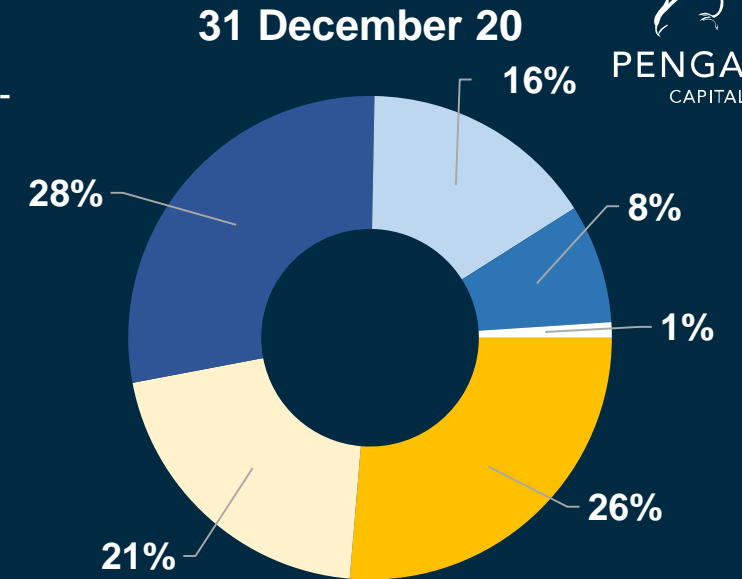
1. The amount of funds under management can increase or decrease due to a range of factors including net fund flows, distributions to investors and investment performance. Past performance is not a reliable indicator of future performance. The reported FUM for each period is prior to any distributions and dividends due for that period-end date being paid to investors. 2. Combined Pengana and Hunter Hall FUM.

# FUNDS UNDER MANAGEMENT <sup>1</sup>



- Growth in Australian FUM is limited due to market dynamics and capacity constraints of our funds
- Major strategic aim has been to increase exposure to international assets; 32% at 6/2017 to 53% at 12/2020
- This trend is likely to continue to accelerate; 54% at 1/2021
- Significant further capacity in various International equity strategies
- Major growth opportunity in Pengana Private Equity Trust
- Opportunity to diversify further over time by adding new strategies

- Australian multi-caps
- Australian small-caps
- Global multi-caps
- Global small-caps
- Global private equity
- Other



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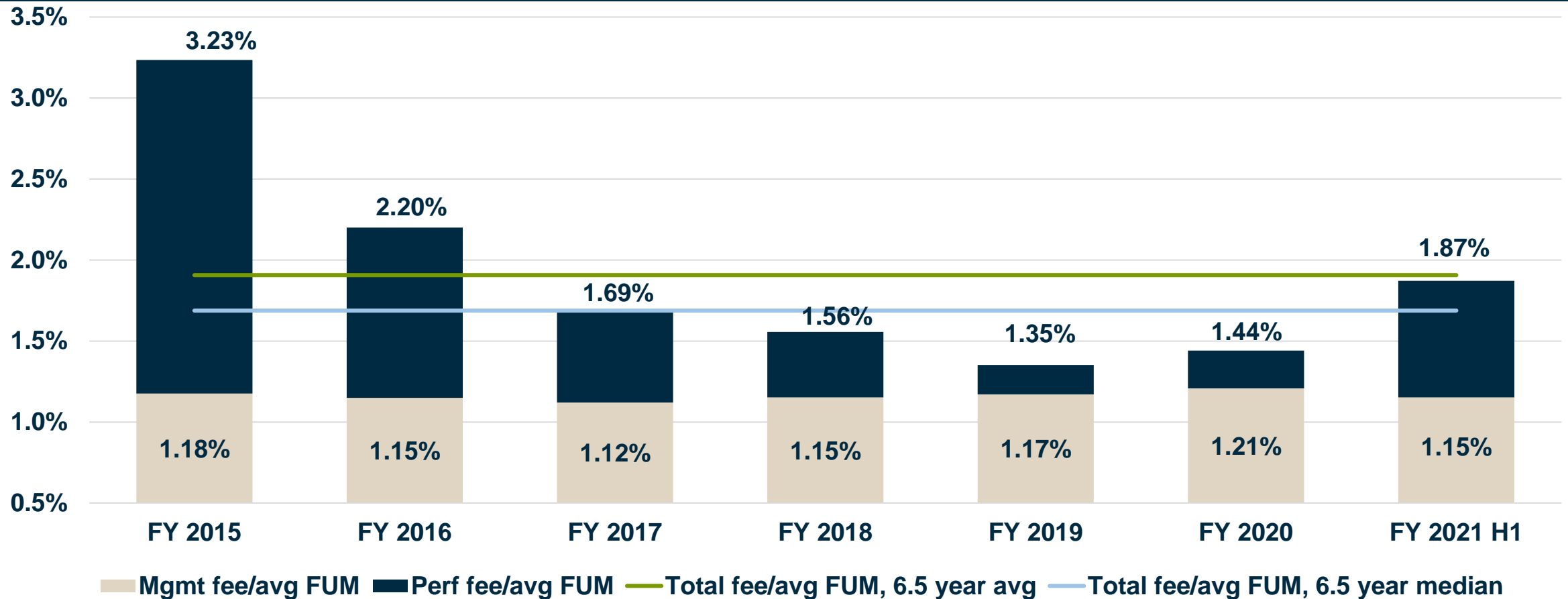
# DIVERSIFIED RANGE OF FUNDS <sup>1</sup>



| Primary Fund Name                        | Strategy                | Strategy FUM at 31/01/21 (\$m) | Management Fee; Performance Fee (Primary Fund) <sup>2</sup> |
|--|-------------------------|--------------------------------|---|
| Pengana Australian Equities              | Australian Multi Caps   | 923                            | 1.0%; 10%   |
| Pengana Emerging Companies               | Australian Small Caps   | 717                            | 1.3%; 20% above ASX Small Ords                              |
| Lizard Global Small                      | Global Multi Caps       | 456                            | 1%, range of PF structures                                  |
| Pengana International Fund – Ethical     | Global Multi Caps       | 437                            | 1.32%; N/A  |
| Pengana International Equities Ltd (LIC) | Global Multi Caps       | 354                            | 1.2%; 15% above MSCI World                                  |
| Pengana Private Equity                   | Global Private Equity   | 282                            | 1.22%; 19.5% above 8%                                       |
| Pengana Global Small Companies           | Global Small Caps       | 134                            | 1.3%; 20% above MSCI AC World SMID                          |
| Pengana International Fund               | Global Multi Caps       | 113                            | 0.95%; N/A  |
| Pengana WHEB Sustainable Impact          | Global Impact Investing | 97                             | 1.32%; N/A  |
| Pengana Israel Alpha                     | Global Market Neutral   | 35                             | 1.5%; 20% above 4%  |
| Pengana High Conviction Equities         | High Conviction         | 33                             | 1.76%; 15% above RBA Cash + 3% p.a.                         |
| Pengana High Conviction Property         | Australian Multi Caps   | 5                              | 0.68%; 14.6% above S&P/ASX 300 A-REIT                       |

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 2021 (H1)



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

Fee margin for performance fee margin calculated on average annual funds under management subject to performance fees. Total Average Fund under Management for FY 2021 H1 (annualized): \$3.392 billion, Total Average Funds Under Management subject to Performance Fees for FY 2021 H1 (annualized): \$2.855 billion. Funds under management at 31/01/2021 subject to performance fees: \$2.982 billion.



# KEY DEVELOPMENTS IN FY 2021 – H1

## Strategic Initiatives:

- Significant expansion of distribution and marketing team and capabilities
- PE1 rights issue raises \$94m
- Acquisition of controlling stake in Lizard International LLC
- Launch of Lizard International long-only strategy: now managing ~\$170m
- New JV relationship to manage the Pengana Alpha Israel Fund
- Launch of Pengana Property Securities Fund
- Further developed leading edge digital marketing capabilities; ideally suited to COVID environment
- Further developed sophisticated technology infrastructure; easily facilitated remote working during COVID

## Exceptional 12-month performance across international funds positioned for growth:

- Pengana International Fund outperformed index by 12.8%
- Pengana International Ethical Fund outperformed index by 12.1%
- Pengana Global Small Companies Fund outperformed index by 4.2%
- Pengana WHEB Sustainable Impact Fund outperformed index by 8.1%

# H1 FY 2021 RESULTS



# UNDERLYING PROFIT AFTER TAX<sup>1</sup>

| Pengana Capital Group Operating EBITDA  | Dec 2020<br>\$'000 | Dec 2019<br>\$'000 | Increase/<br>(Decrease)<br>\$'000 | Increase/<br>(Decrease)<br>% | Comment   |
|---|--------------------|--------------------|-----------------------------------|------------------------------|---|
| Management fee revenue  | 19,714             | 19,412             | 302                               | 1.6%                         | Benefit of higher FUM at period end will be reflected in H2 |
| Performance fee revenue   | 10,345             | 5,477              | 4,868                             | 88.9%                        | ~ 45% to PCG EBITDA   |
| Net fund direct expenses  | (1,404)            | (1,787)            | 383                               | (21.4)%                      | Business rationalisation                                    |
| Operating expenses  | (9,781)            | (8,171)            | (1,610)                           | 19.7%                        | Cost US operations now consolidated                         |
| Team profit share   | (10,567)           | (8,594)            | (1,973)                           | 23.0%                        | Performance fee share                                       |
| Non-controlling interests   | (56)               | -                  | (56)                              |                              |   |
| <b>Operating EBITDA<sup>2</sup></b>   | <b>8,251</b>       | <b>6,337</b>       | <b>1,914</b>                      | <b>30.2%</b>                 |   |
| Interest and investment income distributions  | 329                | 449                | (120)                             |                              |   |
| Interest on loan funded share plan  | 699                | 1,201              | (502)                             |                              |   |
| Financing costs   | (84)               | (136)              | 52                                |                              |   |
| <b>Underlying profit before tax<sup>3</sup></b>                                       | <b>9,195</b>       | <b>7,851</b>       | <b>1,344</b>                      | <b>17.1%</b>                 |   |
| Basic EPS on underlying profit after normalised tax at 30% (2019: 27.5%) <sup>4</sup> | 5.96 cps           | 5.28 cps           | 0.69 cps                          | 13.0%                        |   |

1. Source: Pengana Management Accounts, "Underlying profit before tax attributable to Pengana Shareholders" 2. As per Pengana Capital Group Limited 31 December 2020 Financial Report 3. Underlying profit before tax attributable to Pengana Shareholders 4. Calculated on 107,935,545 weighted average number of shares (i.e. including treasury shares) (2019: 107,888,236 shares)

# STATUTORY PROFIT AFTER TAX

| Pengana Capital Group Operating EBITDA (\$'000)                                    | Dec 2020     | Dec 2019     |
|--|--------------|--------------|
| Underlying profit before tax <sup>1</sup>  | 9,195        | 7,851        |
| <b>Add: Items excluded from underlying profit before tax</b>                       |              |              |
| Non-cash amortisation and impairment   | (2,139)      | (1,446)      |
| Product development  | (518)        | (277)        |
| Other non-operating items  | (499)        | 23           |
| Realised/unrealised fair value changes in investments                              | 110          | (38)         |
| Tax  | (2,285)      | (1,656)      |
| <b>Less: Items not included in Audited Annual Report</b>                           |              |              |
| Interest on Loan Funded Share Plan   | (699)        | (1,201)      |
| <b>Statutory profit after tax attributable to Pengana shareholders<sup>2</sup></b> | <b>3,165</b> | <b>3,256</b> |
| Basic EPS on statutory profit <sup>3</sup>   | 3.79 cps     | 3.86 cps     |

1. Source: Pengana Management Accounts, "Underlying profit before tax attributable to Pengana Shareholders"

2. As per Pengana Capital Group Limited 31 December 2020 Financial Report

3. Calculated on 83,532,296 weighted average number of shares (i.e. excluding treasury shares) (2019: 84,379,505 shares)

# BALANCE SHEET<sup>1</sup>

| Pengana Capital Group Balance Sheet (\$'000)   | 30 Dec 2020   | 30 June 2020  |
|--|---------------|---------------|
| Cash net of AFSL cash requirements   | 13,358        | 12,209        |
| Net short-term operating assets and liabilities  | 1,381         | (743)         |
| <b>Net working capital</b>   | <b>14,739</b> | <b>11,466</b> |
| Investments less associated liabilities and liquid asset requirements                          | 7,126         | 7,329         |
| AFSL capital requirements  | 6,443         | 6,200         |
| Loans (on and off-balance sheet)   | 32,338        | 32,812        |
| Borrowings (current and non-current)   | (3,125)       | (3,750)       |
| Other assets and liabilities   | 163           | 635           |
| <b>Net tangible assets</b>   | <b>57,684</b> | <b>54,692</b> |
| Non-controlling interests  | 112           | 169           |
| <b>Net tangible assets attributable to PCG shareholders<sup>1</sup></b>                        | <b>57,796</b> | <b>54,861</b> |
| Less: Off balance sheet Loan Funded Share Plan   | (31,464)      | (31,949)      |
| Add: Intangibles   | 65,349        | 66,674        |
| Right-of-use assets and liabilities  | (18)          | (18)          |
| Add: Deferred tax  | (5,353)       | (4,916)       |
| <b>Net assets attributable to Pengana Shareholders as per Financial Statements<sup>2</sup></b> | <b>86,310</b> | <b>84,652</b> |

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**PENGANA**  
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## **PENGANA CAPITAL GROUP LIMITED**

**ABN 43 059 300 426**

Levels 1, 2 & 3  
60 Martin Place  
Sydney

T: +61 2 8524 9917

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

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